

EPSOG

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2022 AND
INDEPENDENT AUDITOR'S REPORT



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The financial statements were approved on 20 March 2023.

Mindaugas Keizeris
Chief Executive Officer

Darius Kašauskas
Chief Finance Officer

Žydrūnas Augutis
Chief Financier



Independent auditor's report

To the shareholder of EPSO-G UAB

Report on the audit of the separate and consolidated financial statements

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 2022, and of the Company's and of 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.

Our opinion is consistent with our additional report to the Audit Committee dated 20 March 2023.

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 2022;
- the consolidated and the Company's statement of comprehensive income for the year then ended;
- the consolidated and the Company's statements 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 consolidated and the Company's 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

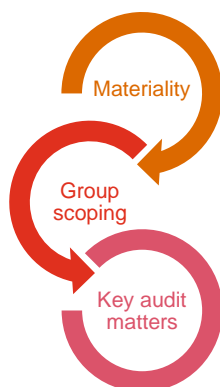
PricewaterhouseCoopers UAB, J. Jasinskio str. 16B, 03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt



The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2022 to 31 December 2022, are disclosed in note 38 to the separate and consolidated financial statements.

Our audit approach

Overview



- Overall Group and Company materiality: EUR 4,000 thousand and EUR 1,970 thousand, respectively
- We performed a full scope audit of the Company. At the Group level we tested the consolidation process, performed full scope audit of 3 significant components as well as audit procedures over the selected financial statement line items of other components, material at the Group level, to be able to report on the consolidated financial statements as a whole. Our audit addressed 96% of the Group's assets and 99% of revenue.
- The carrying value of property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	EUR 1,970 thousand
Overall Group materiality	EUR 4,000 thousand
How we determined it	<ul style="list-style-type: none">• Overall Company materiality represents 1% of net assets• Overall Group materiality represents 1% of average annual revenue for 3-year period



Rationale for the materiality benchmark applied

We chose net assets as the benchmark for the overall Company materiality because, in our view, it is the most appropriate measure for the Company as a holding company with no external revenue.

We chose revenue as the benchmark for the overall Group materiality because it is the measure against which the performance of the Group is assessed by the regulatory bodies as well as external creditors and other stakeholders. The Groups's results depend on approved tariffs for regulated activities, therefore the Group 's profit before tax fluctuates widely year over year, whereas its revenue is more stable and growth-oriented indicator which can be compared to other market participants. Because of significant 2022 revenue growth due to increased energy prices, we chose average 3 year revenue figure as the benchmark.

We chose to apply 1% of net assets to overall Company materiality and 1% of average annual revenue for 3-year period to overall Group materiality, which are within the range of acceptable quantitative materiality thresholds for these benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 200 thousand for the Group and above EUR 190 thousand for the Company, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>The carrying value of property, plant and equipment (refer to Notes 2.4 and 6)</p> <p>The Group applies the revaluation model for subsequent measurement of property, plant and equipment ('PPE'). As at 31 December 2022 the carrying value of PPE amounted to EUR 655,721 thousand, being its fair value at the date of the revaluation less subsequent accumulated depreciation and less subsequent accumulated impairment losses.</p> <p>The management has assessed whether the carrying value of PPE does not materially differ from that which would be determined using fair value at the end of the reporting period. The Group applied the income approach using the discounted cash flows technique and</p>	<p>We have got an understanding and we have evaluated management's policies, processes and controls in determination of fair values of items of PPE.</p> <p>We have examined management's valuation methodology and their assessment of incurred 2022 changes in tariff setting regulations.</p> <p>We obtained the cash flow models used by the management to assess the fair values of PPE. We checked the models and tested that they are mathematically accurate and that the results were accurately compared to the carrying values of PPE. We examined the management's assumptions which had material impact on the valuation results: rate of return on regulated assets and discount rate, expected capital</p>



concluded that carrying amount of the PPE is the reasonable approximation of the fair value and therefore no valuation adjustments have been recognised as at 31 December 2022.

We focused on this area due to significance of the PPE balance for the statement of financial position and because the management's assessment of fair values of PPE is an area of significant management judgement.

expenditures, additional tariff component to finance investments and values of regulated assets. As appropriate, we traced these assumptions to the Group's internal budgets and investment plans, or market information.

We involved our internal valuation specialists to assist us in discount rate assessment and overall assessment of the methodology used in developing the valuation models.

Also, we assessed sensitivity of the cash flow model to the changes in the rate of return, discount rate, additional tariff component to finance investments and the potential impact on tariff of congestion income allocation.

We considered whether the overall estimate is reasonable and whether the management's judgement that no revaluation adjustments are needed is appropriate to the circumstances.

We have considered the adequacy of disclosures in Notes 2.4 and 6.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises 6 subsidiaries which operate in Lithuania (refer to Note 1). For Group audit purposes, based on our risk and materiality assessment we determined that a full scope audit was required for the following Group entities (in addition to the Company itself):

- LITGRID AB
- Amber Grid AB
- TETAS UAB

The audit of these entities was performed by PwC Lithuania and covered 99% of Group's revenue and 78% of Group's assets. In addition, the Group engagement team carried out selected audit procedures on significant remaining items such as assets and liabilities of GET Baltic UAB disposal group classified as held for sale in the amount of EUR 204 million and EUR 203 million respectively, and other amounts receivable and other financial assets of Baltpool UAB relating to PSO funds, and assessed other significant areas that may impact consolidated 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, including the corporate governance report, the remuneration report and the social responsibility report (the "sustainability report") (but does not include the financial statements and our auditor's report thereon).

Our opinion on 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, including the corporate governance report and the remuneration report, we considered whether the consolidated annual report, including the corporate governance report and the remuneration 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, including the corporate governance report and the remuneration report, for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report, including the corporate governance report and the remuneration 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.

The Company and the Group presented the sustainability report as a part of the consolidated annual report.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 30 April 2015 and had an uninterrupted engagement appointment of 3 years for 2015-2017 audits. After a 2-year break our appointment was renewed by shareholder resolution on 18 September 2020 for 2020-2021 audits and renewed again for 2022 audit on 8 July 2022, representing a total period of engagement appointment of 6 years.

The key audit partner on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
20 March 2023

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

	Notes	GROUP		COMPANY	
		At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2022	At 31 Dec 2021
Non-current assets					
Intangible assets	5	8,422	9,754	57	66
Property, plant and equipment	6	655,721	603,103	3	7
Right-of-use assets	7	11,329	11,127	235	213
Investments in subsidiaries	8	-	-	324,120	323,566
Investments in associates	10	13,960	-	13,830	-
Deferred income tax assets	27	17,037	27,018	30	479
Long-term loans granted				2,700	
Amounts receivable after one year		10	4	-	-
Financial assets measured at fair value through other comprehensive income		-	781	-	-
Total non-current assets		706,479	651,787	340,975	324,331
Current assets					
Inventories	11	16,211	18,997	5	6
Prepayments and contract assets	12	9,916	3,712	40	204
Trade receivables	13	86,179	74,674	197	114
Other amounts receivable	14	71,664	106,767	21,059	11,339
Prepaid income tax	27	28,741	-	-	-
Other financial assets	15	54,664	65,385	-	-
Cash and cash equivalents	16	248,096	41,284	244,310	36,868
Total current assets		515,471	310,819	265,611	48,531
Assets of the disposal group classified as held for sale	9	203,778			
TOTAL ASSETS		1,425,728	962,606	606,586	372,862
EQUITY AND LIABILITIES					
Equity					
Share capital	17	189,631	22,483	189,631	22,483
Revaluation reserve	18	277	310	-	-
Legal reserve	19	16,621	16,600	2,248	2,248
Other reserves	19	41,128	59,546	50	50
Retained earnings (deficit)		(30,629)	160,775	5,514	168,002
Equity attributable to shareholders of the parent company		217,028	259,714	197,443	192,783
Non-controlling interest		10,746	11,884	-	-
Total equity		227,774	271,598	197,443	192,783
Liabilities					
Non-current liabilities					
Non-current borrowings	22	182,586	142,843	74,805	-
Lease liabilities	23	9,640	9,028	142	136
Congestion management funds	24	64,095	88,267	-	-
Provisions	25	2,956	1,877	-	-
Other non-current amounts payable and liabilities	26	35,663	3,584	-	-
Total non-current liabilities		294,940	245,599	74,947	136
Current liabilities					
Current portion of non-current borrowings	22	24,038	24,399	-	-
Current borrowings	22	1,550	-	332,888	94,652
Current portion of other financial liabilities		-	84,128	-	84,128
Current portion of lease liabilities	23	1,721	1,395	94	83
Trade payables	28	117,362	75,433	222	284
Advance amounts received	29	52,359	57,867	-	-
Income tax liability	27	-	2,265	-	-
Current portion of congestion management funds	24	287,400	20,820	-	-
Provisions	25	1,901	3,795	-	-
Other current amounts payable and liabilities	30	214,086	175,307	992	796
Total current liabilities		700,417	445,409	334,196	179,943
Liabilities of the disposal group classified as held for sale	9	202,597			
Total liabilities		1,197,954	691,008	409,143	180,079
TOTAL EQUITY AND LIABILITIES		1,425,728	962,606	606,586	372,862

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

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Revenue	31	587,757	358,638	725	493
Other income	32	2,167	3,965	-	-
Dividend income	33	43	307	14,479	16,129
Total revenue and other income		589,967	362,910	15,204	16,622
Operating expenses					
Expenses for purchase of balancing and regulating electricity		(203,588)	(91,007)	-	-
Expenses for electricity system services		(111,633)	(61,860)	-	-
Expenses for electricity technological needs		(99,576)	(40,165)	-	-
Expenses for other electricity services		(5,309)	(1 428)	-	-
Expenses for natural gas system balancing service		(26,827)	(8,914)	-	-
Expenses for natural gas technological needs		(13,007)	(2,354)	-	-
Expenses for subcontracting services and raw materials acquisitions		(59,101)	(15,528)	-	-
Depreciation and amortisation	5,6,7	(35,056)	(34,765)	(110)	(103)
Wages and salaries and related expenses		(45,072)	(35,423)	(3,590)	(2,408)
Repair and maintenance expenses		(8,394)	(6,469)	-	-
Taxes and compulsory payments		(7,897)	(6,559)	(31)	-
Telecommunications and IT maintenance expenses		(4,695)	(3,966)	(149)	(75)
Transport expenses		(5,614)	(3,021)	(41)	(31)
Write-off expenses of property, plant and equipment		(211)	(154)	-	-
Write-off expenses of other assets/(reversal)		(49)	45	-	-
Impairment of property, plant and equipment		-	(17)	-	-
Write-downs of inventories, expected credit losses of amounts receivable, impairment of investments		(112)	(255)	-	-
Impairment of investments in subsidiaries		-	-	(3,447)	-
Other expenses		(10,484)	(6,270)	(1,090)	(673)
Total operating expenses		(636,625)	(318,110)	(8,458)	(3,290)
Operating profit (loss)		(46,658)	44,800	6,746	13,332
Financing activities					
Interest income		213	44	430	170
Interest expenses		(3,232)	(1,748)	(1,662)	(613)
Finance costs – net		(3,019)	(1,704)	(1,232)	(443)
Profit (loss) before income tax		(49,677)	43,096	5,514	12,889
Income tax					
Current year income tax expenses	27	16,653	(9,814)	-	-
Deferred income tax benefit/(expenses)	27	(9,491)	6,536	(9)	445
Total income tax		7,162	(3,278)	(9)	445
Profit (loss) for the period		(42,515)	39,818	5,505	13,334
Other comprehensive income that will not be reclassified subsequently to profit or loss					
Loss from revaluation of non-current financial assets		-	-	-	-
Effect of deferred income tax		-	-	-	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss		-	-	-	-
Total comprehensive income (expenses) for the period		(42,515)	39,818	5,505	13,334
Profit (loss) for the period attributable to:					
Shareholders of the parent company		(41,841)	38,326	5,505	13,334
Non-controlling interest		(674)	1,492	-	-
		(42,515)	39,818	5,505	13,334
Total comprehensive income (expenses) for the period is attributable to:					
Shareholders of the parent company		(41,841)	38,326	5,505	13,334
Non-controlling interest		(674)	1,492	-	-
		(42,515)	39,818	5,505	13,334

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

GROUP	Notes	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings (deficit)	Subtotal	Non-controlling interest	Total
Balance at 31 December 2020		22,483	406	16,522	22,616	160,232	222,259	10,805	233,064
Comprehensive income									
Profit for the period		-	-	-	-	38,326	38,326	1,492	39,818
Total comprehensive income/(expenses) for the period		-	-	-	-	38,326	38,326	1,492	39,818
Depreciation of revaluation reserve and amounts written off	18	-	(96)	-	-	96	-	-	-
Transfer to reserves		-	-	78	36,930	(37,008)	-	-	-
Dividends	19,33	-	-	-	-	(777)	(777)	(413)	(1,190)
Other changes in equity						(94)	(94)	-	(94)
Balance at 31 December 2021		22,483	310	16,600	59,546	160,775	259,714	11,884	271,598
Balance at 1 January 2022		22,483	310	16,600	59,546	160,775	259,714	11,884	271,598
Comprehensive income									
Profit (loss) for the period						(41,841)	(41,841)	(674)	(42,515)
Total comprehensive income/(expenses) for the period						(41,841)	(41,841)	(674)	(42,515)
Depreciation of revaluation reserve and amounts written off	18		(33)			33	-	-	-
Transfer to reserves				21	(18,418)	18,397	-	-	-
Dividends	19,33					(845)	(845)	(464)	(1,309)
Increase in share capital	17	167,148				(167,148)			
Balance at 31 December 2022		189,631	277	16,621	41,128	(30,629)	217,028	10,746	227,774

COMPANY	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2021	22,483	2,248	50	155,446	180,227
Comprehensive income/(expenses) for the period	-	-	-	13,334	13,334
Dividends	19,33	-	-	(777)	(777)
Balance at 31 December 2021	22,483	2,248	50	168,002	192,783
Balance at 1 January 2022	22,483	2,248	50	168,002	192,783
Comprehensive income/(expenses) for the period	-	-	-	5,505	5,505
Dividends	-	-	-	(845)	(845)
Increase in share capital	17	167,148	-	(167,148)	-
Balance at 31 December 2022	189,631	2,248	50	5,514	197,443

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

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Cash flows from operating activities					
Profit/(loss) for the period		(42,515)	39,818	5,505	13,334
Adjustments for non-cash items:					
Depreciation and amortisation expenses	5,6,7	35,056	34,765	110	103
Revaluation/impairment of property, plant and equipment	6	112	17		-
Expected credit losses of amounts receivable/(reversal of losses)			(79)		-
Income tax expenses	27	(7,162)	3,278	9	(445)
Grants recognised as adjustment to revenue		(224)	(144)		
Impairment of investments, financial assets		-	213	3,447	-
Loss from disposal/write-off of property, plant and equipment		260	154	-	-
<i>Elimination of results of financing and investing activities:</i>					
Interest income		(213)	(44)	(430)	(170)
Interest expenses		3,232	1,748	1,662	613
Dividend income		(43)	(307)	(14,479)	(16,129)
Changes in working capital:					
(Increase)/decrease in trade receivables		21,554	(35,973)	(83)	(64)
(Increase)/decrease in other amounts receivable		(24,743)	(29,526)	177	(211)
(Increase)/decrease in inventories, prepayments and other current assets		2,847	(15,137)	165	(78)
Increase/(decrease) in trade payables		39,554	36,557	(62)	241
Increase/(decrease) in other amounts payable, advance amounts received		168,107	166,370	198	104
Changes in other financial assets		(178,274)	(24,637)		-
Income tax (paid)/received		(14,789)	(12,669)	440	380
Net cash inflow/(outflow) from operating activities		2,759	164,404	(3,341)	(2,322)
Cash flows from investing activities					
(Acquisition) of property, plant and equipment and intangible assets		(113,229)	(114,633)	(13)	(65)
Disposal of property, plant and equipment and intangible assets		99	251	-	-
(Acquisition) of subsidiaries, associates, joint ventures		(13,180)	-	(17,831)	(2,375)
Loans granted to related parties		-	-	(15,080)	-
Loan repayments received		-	-	2,484	16,535
Grants received	20	107,795	57,548	-	-
Congestion management funds received	13,24	272,502	44,505	-	-
Interest received		190	28	430	170
Dividends received		43	307	14,479	16,129
Net cash inflow/(outflow) from investing activities		254,220	(11,994)	(15,531)	30,394
Cash flows from financing activities					
Issuance of bonds		74,804	-	74,804	-
Proceeds from borrowings		-	-	242,884	94,017
Repayment of borrowings	22	(35,423)	(26,959)	(5,973)	(2,560)
Lease payments	23	(1,614)	(1,694)	(91)	(90)
Overdraft/current borrowings		-	(20,019)	-	(20,019)
Interest paid		(1,687)	(1,939)	(337)	(656)
Dividends paid		(1,302)	(1,147)	(845)	(777)
Settlement of other financial liabilities		(84,128)	(64,481)	(84,128)	(64,481)
Net cash inflow/(outflow) from financing activities		(49,350)	(116,239)	226,314	5,434
Cash and cash equivalents included in the disposal group	9	(817)	-	-	-
Increase/(decrease) in cash and cash equivalents		206,812	36,171	207,442	33,506
Cash and cash equivalents at the beginning of the period	16	41,284	5,113	36,868	3,362
Cash and cash equivalents at the end of the period	16	248,096	41,284	244,310	36,868

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

1. General information

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

EPSO-G is the parent company responsible for the activities of the group companies that include 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 and organisation of trade on the natural gas and biofuel exchanges; installation and management of electricity storage facilities operating as the primary capacity reserve and ensuring reliable, stable and consumer-focused operation of the Lithuanian electricity system.

Under the Resolution of 23 August 2021 of the Government of the Republic of Lithuania, the Company was designated as an operator of the project of special importance to the state, i.e. the construction of the physical barrier at the border with Belarus (the "Project"). In performing the functions of the operator, the Company incurs the project administration expenses that are compensated by the client of the project – the State Border Guard Service under the Ministry of Interior of the Republic of Lithuania. Scopes of works performed, and services provided (expenses incurred) by the Company and the Group until 31 December 2022 are disclosed in Note 34.

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

By the decision of 27 April 2022 of the General Meeting of Shareholders, the Company's share capital was increased up to EUR 189,631,000 using its retained earnings by issuing 576,373,467 new ordinary registered shares with the nominal value of EUR 0.29 each. As at 31 December 2022, the Company's share capital consisted of 653,900,000 ordinary registered shares with the nominal value of EUR 0.29 each. All shares, including newly issued shares, were held by the Company's sole shareholder – the Republic of Lithuania represented by the Ministry of Energy of the Republic of Lithuania.

As at 31 December 2021, the Company's share capital amounted to EUR 22,482,695 and it was divided into ordinary registered shares with the nominal value of EUR 0.29 each. As at 31 December 2022 and 31 December 2021, all shares of the Company were fully paid.

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

The Company's management approved these financial statements on 20 March 2023. 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 2022, the EPSO-G group had 1,271 employees (31 December 2021: 1,278 employees) and the Company had 60 employees (31 December 2021: 74 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 December 2022	At 31 December 2021	
SUBSIDIARIES				
LITGRID AB	Karlo Gustavo Emilio Manerheimo g. 8, Vilnius, Lithuania	97.5	97.5	Electricity transmission system operator
Amber Grid AB	Laisvės pr. 10, Vilnius, Lithuania	96.6	96.6	Natural gas transmission system operator
BALTPPOOL UAB	Žalgirio g. 90, Vilnius, Lithuania	67.0	67.0	Operator of the exchange for trading in energy resources (biomass products), the

TETAS UAB	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 on the natural gas exchange
Energy Cells, UAB	Ozo g. 12A-1, Vilnius	100	100	Installation and management of electricity storage facilities

ASSOCIATES

TSO Holding AS	Lilleakerveien 2A, 0283 Oslo, Norway	39.6	-	Holding company holding a minority interest in equities of the electricity exchange operator and the market coupling operator
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JOINT VENTURES

Baltic RCC OÜ	Kadaka tee 42 12915 Tallinn Estonia	33.33	-	Provision of services ensuring safety and reliability of the electricity system and coordination between the transmission network operators of the Baltic region
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On 30 November 2022, the Company acquired from its subsidiary Litgrid 39.6% of shares in Norwegian company TSO Holding AS for EUR 13.8 million. On 31 October 2022, Litgrid AB acquired from Danish and Finnish power transmission operators Energinet and Fingrid additional 37.6% of shares in TSO Holding AS (until then Litgrid owned a 2% shareholding in TSO Holding). TSO Holding AS is the shareholder of Norwegian company Nord Pool Holding that holds 34% of shares in Nord Pool Holding. Nord Pool Holding AS holds 100% of shares of electricity exchange Nord Pool and 100% of shares of market coupling exchange Nord Pool European Coupling Operator AS.

In view of the selection of a strategic partner, which will be permitted to acquire 66% of shares in GET Baltic, the Group's indirectly held subsidiary was recognised as at 30 September 2022 and accounted as at 31 December 2022 as a disposal group.

In accordance with Regulation (EU) No 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, on 3 May 2022, electricity transmission system operators Lithuanian LITGRID AB, Estonian Elering and Latvian AST established the Baltic regional coordination centre RCC OÜ, which is responsible for the provision of services ensuring safety and reliability of the electricity system and coordination between the transmission network operators of the Baltic region.

Investments in subsidiaries are described in more detail in Note 8 and in associates in Note 10.

Impact of events in Ukraine on key accounting estimates and assumptions

Due to military actions started by the Russian Federation in Ukraine on 24 February 2022 the Group applies all sanctions, business restrictions that were initiated and announced by the Lithuanian and foreign institutions, takes action in one or other way related to the activities of the Russian and Belarusian legal or natural persons, their shareholders, members of the management bodies and discloses information that has significant impact on the Group's activities, investors in the manner prescribed by legal acts.

The effects of events in Ukraine on the Group's financial performance in 2022 included a significant increase in expenses for electricity technological losses incurred by the Group due to rise in prices of energy resources in the market. However, this impact is of a short-term nature, because losses to be incurred in the subsequent periods will be compensated by including them in the pricing of the electricity transmission services.

In future, events in Ukraine may have a more significant impact on prices of electricity transmission services in case of disconnection from the BRELL ring. If this occurs, it is probable that expenses for ancillary (system) services could increase. However, if that were to happen, the impact on the Group's financial performance would be of a short-term nature, because higher expenses incurred for ancillary (system) services, similarly as currently incurred higher expenses for compensation of technological losses, would be compensated by including them in the regulated services prices for the subsequent years.

In pursuit of full energy independence from Russia, in response to Russia's energy blackmail in Europe and the war in Ukraine, Lithuania has completely refused of Russian gas from 1 April 2022. The total natural gas demand of Lithuania is met through the Klaipėda LNG terminal. Gas is continued to be transported by transit through Lithuania to meet the demand of the Kaliningrad Region, however in an unusual technical regime ensuring the transmission of the quantity of gas necessary only for transit.

Events in Ukraine and high prices of natural gas led to around 40% lower consumption of natural gas in the Baltic States and the Finnish region in 2022, accordingly, the volume of natural gas traded on the natural gas exchange operated by the Group declined by around 13% compared to 2021.

Events in Ukraine marked another phase of rise in prices in the timber and biofuel markets. The comparison of the values of the timber exchange index for the first week of December of 2021 and 2022 shows an increase of 19% and even a 40% increase in the values of the biofuel exchange index for a respective period. It is important to note that despite a moderate decline in prices of timber and biofuel that continued for several weeks in December 2022, the prices are still materially higher than the values in the previous year. Changes in prices of timber and biofuel did not significantly affect the performance of the operator of the exchange of these energy resources as its commission income is linked with the volumes of energy resources traded on the exchange.

Increase in the value of the Group's investment projects was affected by events in Ukraine as the contractors experienced disruptions in supply chains, rise in prices of materials, increased inflation. In most cases the agreements with the contractors allow reassessment of prices due to higher than established inflation, therefore rise in prices was expected and considered responsibly. Amendments to the agreements with the contractors are made only having assessed the impact of higher prices and being confident that higher prices will be reflected in the Group's pricing.

The Group's management has reviewed the key assumptions used to determine the fair and recoverable value of property, plant and equipment of the Group companies and did not identify any circumstances indicating that a significant revision to the management's forecasts is required due to Russia's invasion of Ukraine that might result in material change in the value of property, plant and equipment stated at the revalued amount.

The Group promotes a positive cyber security culture. The Group has not experienced any cyber security incidents directly or indirectly related to the Ukrainian conflict. The Group has approved the plan for the management of possible incidents, established possible response actions to control various incidents and reviews the plan when necessary. At the present moment, the Group has not identified other risk factors resulting from the Ukrainian conflict. The situation is regularly monitored and assessed.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Group's and the Company's financial statements for the year ended 31 December 2022 are summarised below.

2.1 Basis of preparation

The Group's and the Company's financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Amounts in these financial statements are presented in thousands of euro (EUR) unless otherwise stated.

The financial year of the Company and other Group 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 2022 are as follows:

COVID-19-related rent concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). These amendments had no impact on the Group's and the Company's financial statements, since neither the Group nor the Company are subject to COVID-19-related concessions.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope 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 (issued on 14 May 2020 and 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 subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- 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.

Based on the Company's and the Group's assessment, these amendments have no significant impact on the financial statements.

b) The following standards, amendments and interpretations were endorsed by the European Union, but are not yet effective and have not been early adopted by the Company:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Company's management is currently assessing the impact of these amendments on the financial statements.

Other standards, amendments and interpretations endorsed by the European Union but not yet effective and that have not been early adopted by the Company will have no significant impact on the Company's financial statements and therefore are not discussed in more detail.

Definition of accounting estimates – Amendments to IAS 8 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group and the Company are currently assessing the impact of these amendments on the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Based on the Company's and the Group's assessment, these amendments will have no significant impact on the financial statements.

IFRS 17 Insurance contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare the financial performance of insurance companies, which would otherwise be similar. IFRS 17 is a single standard establishing recognition, measurement, presentation and disclosure requirements for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires that similar principles are applied to reinsurance contracts held and to investment contracts containing a discretionary participation feature.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. This amendment will have no impact on the Company's financial statements since it is not engaged in any insurance activities

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. Equity is reduced by the amount of expenses incurred for the issuance of equity instruments; the carrying amount of debt is reduced by the amount of expenses incurred for the issuance of debt instruments and expenses related to a business combination; all other expenses related to a business combination are recognised as expenditure in the period in which it is incurred.

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 profit or loss.

Non-controlling interest in an acquired entity represents a part of equity which is not controlled by the Group. Non-controlling interest is measured at a) fair value or b) at the non-controlling interest's proportionate share of the acquired entity's net assets. Non-controlling interest which does not represent a part of equity is measured at fair value.

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.

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.

2.2 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.

2.3 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.

2.4 Property, plant and equipment and intangible assets

Property, plant and equipment

All property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) property valuations, less the amounts of accumulated depreciation, recognised grants and impairment losses.

Fair value is established for each cash-generating unit (electricity and gas transmission networks) using the discounted cash flow method; impairment losses on assets, which are calculated as a difference between the asset's fair value and carrying amount, are allocated to all separate property items of the cash-generating unit in proportion to their carrying amount.

Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to 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 a property unit, any balance of the revaluation reserve related to this property is transferred to retained earnings.

Interest on targeted and general loans and other borrowing costs (such as the bank's administration fee, etc.) are included in the acquisition cost of property, plant and equipment, if they are directly attributable to the acquisition of a qualifying asset. A qualifying asset is regarded to be an asset which is developed on the basis of a project the value of which is not less than EUR 1 million and the preparation of which for its intended use or sale takes no less than 12 months. Borrowing costs that are attributable to the acquisition of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs is started when costs related to the production or acquisition of the qualifying asset are incurred (a prepayment is made or a payment for works is made according to the signed statement on the works carried out and their respective value) and ended when all the activities necessary for the preparation of the qualifying asset for its intended use or sale are substantially complete (a statement on the recognition of the construction as fit for use is signed). While determining the amount of borrowing costs eligible for the capitalisation, the capitalisation rate is applied to costs attributable to the acquisition of a qualifying asset.

Variable payments that depend on future factors are not accounted for in the cost of property, plant and equipment nor liabilities, when the assets are ready for use in the manner intended by management. Variable payments are capitalised as part of the cost of property, plant and equipment at the time of payment.

Prepayments for non-current assets are classified as non-current assets because they are used in long-term activities and are presented in the balance sheet line item 'construction work in progress'.

Construction work in progress represents property, plant and equipment under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs.

Property, plant, and equipment is recorded at acquisition (production) cost, less grants received/receivable for the acquisition of property, plant, and equipment. Grants comprise financing from the EU support funds, a portion of congestion management revenue designated for the financing of investments, payments for the expenses incurred during the connection of producers to the transmission network and performance of works for the relocation/reconstruction of the transmission network's installations initiated by customers.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised only if they are expected to provide economic benefit to the Group and the Company in future periods and their cost can be measured reliably.

After initial recognition, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses, if any.

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except land, construction work in progress and statutory servitudes, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis.

Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (in years)
Buildings	20 - 75
Structures and equipment	18 - 70
Plant and machinery	5 - 35
Motor vehicles	4 - 10
Other property, plant and equipment	3 - 10
Intangible assets, whereof:	3 - 4
Statutory servitudes and protection zones of the transmission network	Not subject to amortisation

Statutory servitudes and protection zones have an indefinite useful life because the right to use protection zones on the basis of servitude is unlimited in time.

Profit or loss resulting from sale of non-current assets is calculated as the difference between the proceeds from sale and the net book value of the disposed asset and is recognised in profit or loss in the reporting year.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as expenses in profit or loss in the period in which they are incurred.

2.5 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying 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 of the asset is recognised immediately in profit or loss, unless such an asset was previously revalued, in which case the reversal of the asset's impairment is treated as an increase of the revaluation reserve (without exceeding the amount of the previous impairment).

Each year the Group and the Company estimate the recoverable amount of intangible assets with the indefinite life in order to estimate the impairment of such assets (if any).

2.6 Right-of-use assets

Right-of-use assets are assets that the Group and the Company have the right to manage during the lease term. The Group and the Company recognise right-of-use assets for all types of leases, including the lease of a right-of-use asset in case of sublease, but excluding leases of intangible assets, short-term leases and leases of low value assets.

Initial measurement of right-of-use assets

At the commencement date, the Group and the Company measure right-of-use assets at cost, which consists of: the present value of the initial measurement of the lease liability, initial costs incurred directly attributable to the underlying asset, any lease payments at the commencement date, less any lease incentives.

Subsequent measurement of right-of-use assets

After the initial recognition, the Group and the Company apply a cost method for right-of-use assets: the carrying amount of the asset at the respective date is calculated as the difference between the acquisition cost and the accumulated depreciation, plus any subsequent adjustments for the remeasurement of lease liability.

The calculation of depreciation of right-of-use assets is started from the date on which the assets are transferred for the use (the commencement date) until the earlier of these dates: the end of the lease term and the end of the useful life.

The Company calculates depreciation of right-of-use assets using the following useful lives:

Land*	99 years
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Buildings	from 2 to 10 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.

2.7 Financial assets

For the purposes of applying **IFRS 9 Financial instruments** financial assets are classified into the following three 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, except for financial assets classified as level 3 in the fair value hierarchy (i.e. assets, the fair value of which is determined based on unobservable inputs).

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 assets related to equity securities that were classified under the category of financial assets measured at fair value through comprehensive income due to fair value changes.

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 Group and the Company estimate 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.

Off-setting of financial instruments

Financial assets and financial liabilities are set off and the net amount is presented in the statement of financial position when there is an enforceable right to set off the recognised amounts and when there is intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

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.

2.8 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.

2.9 Trade payables and other financial liabilities, borrowings

Financial liabilities, borrowings

Financial liabilities are recognised initially at fair value, less transaction costs.

In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as of the date of the statement of financial position, that financial liability is classified as non-current.

Trade payables

Trade payables represent commitments to pay for goods and services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if the term of their settlement is not longer than one year; otherwise they are included in non-current liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective amounts of financial liabilities is recognised in the statement of comprehensive income.

2.10 Dividend distribution

Dividend distribution to the Group's and the Company's shareholders and non-controlling interest of the subsidiaries 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 Group's and the Company's shareholders.

2.11 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.

2.12 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.

2.13 Provisions

Provisions are recognised when the Group and the Company have a legal obligation or constructive commitment as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

estimate can be made of the amount of the obligation. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing costs.

2.14 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.

Pension benefits to employees of retirement age

According to the legal acts of the Republic of Lithuania, each employee leaving the Group and the Company at the retirement age is entitled to a one-off benefit. Employee benefit liability is recognised in the balance sheet and it reflects the present value of these benefits at the reporting date. The above-mentioned long-term employee benefit liability as at the reporting date is calculated with reference to actuarial valuations using the projected unit credit method. The present value of the defined non-current employee benefit obligation is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

2.15 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 interest rate implicit in the lease or, if that rate cannot be readily determined, which is usual for the Company's and the Group's contracts, using the Group's and the Company's 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 assets of a similar value, in a similar economic environment and under equivalent conditions.

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 of 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 interest rate implicit in the lease or, if that rate cannot be readily determined, as the Group's and the Company's 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.

2.16 Leases

The Group is a lessor

Operating lease income is recognised on a straight-line basis over the lease term.

2.17 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 (hereinafter referred to as the Council or 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 not 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.

Based on the EC regulation establishing a network code on gas balancing of transmission networks (the "Regulation"), the system users bear the responsibility of balancing their inputs against their off-takes. If the system users fail to balance gas at the entry/exit points, the natural gas transmission system operator of the Group (the "TSO") must undertake the balancing actions as set forth in the Regulation, i.e. purchase the surplus of natural gas or sell the shortfall of natural gas. According to the provisions of the Regulation, when performing balancing activities the TSO is required to comply with the financial neutrality principle. Consequently, the TSO levies a neutrality charge for system users for each reporting month with effect from 1 March 2022. The neutrality charge means a charge payable by/to the TSO for the performance of balancing of the transmission system. The purpose of the neutrality charge is to ensure financial neutrality of the transmission system operator (zero gain (loss) from balancing activities). Due to amendments introduced in the European Commission's regulation of balancing activities and upon the application of the neutrality charge from 1 March 2022, the Group's TSO acts as an agent in balancing gas purchase/sale transactions for system users and reports net result of balancing gas sales and purchases and neutrality charge income and expenses. Acting as an agent in balancing gas purchase/sale transactions is explained by limited control of the balancing services and purchases of gas, absence of economic benefits, no discretion in establishing the price for the balancing services since the pricing is governed by law, inability to regulate demand, no discretion in choosing a counterparty. In addition, the activities of the Group's TSO are not associated with trade in natural gas.

Revenue from construction, repair and technical maintenance services

Revenue from projects is generally recognised in the period in which services are rendered. The Group uses the percentage-of-completion method to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the construction contract costs actually incurred to the reporting date as a percentage of the total estimated costs for

each construction contract. The total sum of planned costs is reassessed upon the change of circumstances and increase or decrease in recognised revenue is accounted for in the reporting period when the Group becomes aware of the change of circumstances. When it is probable that total estimated contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Project contract costs are recognised as expenses in the period in which they are incurred.

Revenue from repair and technical maintenance services is recognised at a point in time, i.e. during the reporting period in which the services were rendered, by reference to the stage of completion of the specific transaction.

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 on the natural gas exchange and related services

On the natural gas exchange, the Group is not a principal, but it acts as an agent. Revenue from the trading on 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 on the exchange are not recognised as revenue.

Other services provided by the Group include the organisation of trade on the gas exchange under the service fees agreed with NERC:

- 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 on the exchange. This revenue is recognised over a period of time, because the exchange participant receives the benefit of the membership over the course of the year. The annual membership fee is payable for the calendar year (adjusted in proportion to the remaining number of days in a year in case the market participant joins the exchange at some point of time in the course of a 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 on 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

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 on the biofuel exchange are recognised by the Group as revenue. Such revenue is recognised at a point in time when the transaction is conducted.

Collected commissions according to the fees approved by the Group and agreed with the 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.

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. Revenue from PSO services is recognised within the scope of services rendered.

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.

Administration activity of accounting units of renewable energy fuels (REF)

The Law on Alternative Fuels of the Republic of Lithuania establishes that with the aim to ensure transparent and reliable implementation of obligations laid down in this law, information on the participants of the system of the REF accounting units, allocation, transfer and annulment of the REF accounting units as well as annual audit reports of a certified auditor or audit firm on the quantities of renewable energy fuels supplied to the internal market in the calendar year is submitted through the REF system. Based on the order of the Minister of Energy of the Republic of Lithuania, the Group's company has been assigned as the manager and administrator of the system of the REF accounting units.

Participants of the system of the REF accounting units pay fees, the amount of which is agreed with the National Energy Regulatory Council and which are used to finance the development and administration of this system.

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 Commission's Resolution No O3-294 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.

Income from other (atypical) activities

Gain on disposal of property, plant and equipment, lease income, income from default charges and fines collected from the contractors as a result of late fulfilment of works, including property, plant and equipment under construction, are recognised by the Company as other income.

Default charges and fines collected from the contractors as a result of late fulfilment of works are calculated upon the completion of a project or a stage thereof and upon notifying a supplier, and they are offset against the supplier's debt. In case of a legal dispute over the amount of default charges or fines and when it is more likely than unlikely that the amounts of default charges or fines will be reduced or annulled, provisions are recognised.

Compensation of expenses incurred in implementing the project on the construction of the physical barrier

In performing the functions of the operator in the project on the construction of the physical barrier, the Company incurs the project administration expenses that are compensated by the client of the project – the State Border Guard Service under the Ministry of Interior of the Republic of Lithuania. As the project operator the Company acts as an intermediary on behalf of the state and this activity does not generate profit for the Company/Group as the provisions of the legal acts stipulate that the Company is not entitled to gain profit from this activity. As a result, the Company does not recognise payments received from the client as revenue and records them as an expense compensation.

Connection of new consumers and producers to the transmission network

With effect from 1 January 2020, revenue received from the connection of new consumers to the transmission network is accounted for by the Group over the useful life of the created asset, if the connection of a new consumer is related to further consumption and related revenue.

The connection of producers to the transmission network is accounted for using the principle applicable to grants by offsetting the acquisition cost of assets created for the connection of the producer against the compensation receivable from the connected producer.

When the third parties (clients) require relocation of the transmission network installations and when the relocation results in the creation of the assets with the use of the Group's resources, the grants principle is applied and the cost of the created asset is offset against the amount of compensations receivable from the client. When the asset is created by the client and transferred to the Group free of charge, 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.

2.18 Congestion management funds/liabilities

The Group's electricity transmission operator acquires the right to congestion management revenue when different electricity market prices occur in Lithuania, Sweden, Poland and Latvia as a result of insufficient capacity of electricity lines. Revenue that was received as a result of price differences at different bidding areas is distributed equally by the power exchange operator (Nord Pool AS) to the transmission system operators of the countries operating the interconnections.

Regulation (EU) No 2019/943 of the European Parliament and of the Council of 5 June 2019 on conditions for access to the network for cross-border exchanges in electricity stipulates that congestion management revenue may be used in the following order of priority:

- a) when revenue is used for guaranteeing availability of the allocated capacity of the interconnections, it is recognised as income in the period during which the related expenses are incurred. In case of unplanned disconnection of the electricity interconnection and when the trade in the interconnection's capacities has already been completed at the electricity exchange (i.e. when they have already been allocated), the operators of the line ensure that the capacities traded are available to the market participants. In such a case, the operators incur costs that arise as a result of the price difference between the price of electricity traded by the operators and the price of balancing and (or) imbalance electricity purchased/sold by the Company.
- b) when revenue is used for maintaining or increasing the interconnections' capacities, congestion management revenue is accounted for using the accounting policies applicable to grants, i.e. initially congestion management revenue is recognised as liability and recorded by reducing the value of the asset concerned, and subsequently it is recognised by reducing depreciation expenses of the related asset over the useful life of that asset.
- c) When revenue is used for reducing the tariff, revenue is recognised as income in the period during which the Company generates lower revenue due to lower tariffs and only in case when revenue cannot be efficiently used for the purposes set out in points a) and/or b). Subject to approval by the regulatory authorities of the Member States concerned, they may be used, up to a maximum amount to be decided by those regulatory authorities, as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs and/or fixing network tariffs.

As of May 2019, the account of the accumulated congestion management funds was linked to the EPSO-G Group account and is used to finance the Company's operations until there is no need to finance investments. Upon the receipt of the permission of the NERC, the Company and EPSO-G UAB concluded the group account (cash pool) agreement effective from 26 February 2021. The agreement grants the right to use free congestion management funds for intercompany lending and borrowing purposes.

In the statement of financial position, unused congestion management revenue is presented as non-current and current liabilities.

2.19 Income tax

Income tax expense comprises the current income tax and deferred tax expense (income). Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case income tax is also recognised in other comprehensive income or directly in equity.

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 2022 and 2021.

Tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group changes its activities due to which these losses were incurred, except when the Group does not continue its activities due to reasons which do not depend on the Group itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 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 a maximum of 70%.

In accordance with the provisions of the legal acts, the Group companies transfer tax losses to other companies of the Group for a fee equal to 15% of the amount of tax losses.

The Group companies are entitled to tax reliefs for investments in qualifying assets. The Group accounts for such reliefs as tax credits, which means that the reliefs reduce the amount of tax payable and the current year's tax expenses.

Deferred income tax

Deferred income tax is accounted for using the balance sheet liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences 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.

2.20 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.

2.21 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.

2.22 Intercompany 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.

2.23 Fair value measurement

Fair value is the amount for which, at the measurement date, an asset or a service could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be available to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 2022 and 2021, the Group had no significant assets or liabilities remeasured or measured at fair value, except for 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

As described in Note 7, 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 profit or loss.

The results of the impairment tests of investments in subsidiaries are disclosed in Note 8.

Deferred income tax

Based on Group and Company long term forecast, deferred income tax assets will be realised in the future by reducing income tax payable.

In implementing projects that meet the definition of an investment project the Group's natural gas transmission system operator (TSO) consistently applies an income tax relief. The TSO's taxable profit is reduced by the amount of expenses actually incurred during the tax period for the acquisition of the qualifying assets. If the amount of expenses exceeds the amount of a taxable profit calculated for a tax period, expenses exceeding the latter amount can be carried forward for four consecutive subsequent tax periods to reduce the calculated taxable profit with the amount of such expenses carried forward being reduced respectively. Based on the TSO's assessment, the investment project relief will be used in full over four consecutive subsequent tax periods. The TSO will earn sufficient taxable profit to realise the deferred income tax asset. Deferred income tax for the unused investment relief amounted to EUR 2,192 thousand as at 31 December 2022 (31 December 2021: EUR 4,608 thousand).

The Group companies recognise deferred income tax assets for tax losses incurred in the reporting year provided that those losses are offset against taxable profit to be earned in subsequent periods. No term is applied for the offsetting of tax losses. The Group's deferred income tax recognised for accumulated tax losses amounted to EUR 8,796 thousand as at 31 December 2022.

Deferred income tax assets arising from congestion management funds received in 2014 - 2017 and due to taxation with profit tax at the years they received will be realised over the useful life of the asset acquired using congestion funds. On 31 December 2022 deferred income tax concluded Eur 2 378 thousand.

Allocation of the purchase consideration for the associate

On 31 October 2022, the Group acquired 39.6% of the share capital of associate TSO Holding AS. For the purpose of the allocation of the purchase consideration, the fair value measurement of the acquired assets and liabilities was performed (Note 10).

Measurement of protection zones

A protection zone means a territory designated for the protection of the electricity transmission network installed on the land plot not owned and in which special land use conditions are applied. Certain limitations or prohibitions of economic activities in the predefined protection zone are applied for an indefinite period.

Under the Law on Special Land Use Conditions that became effective from 2020 the Group has the obligation to register the protection zones established for the protection of operated engineering networks by 31 December 2022.

The initial provision, as an intangible asset, and non-current liability were recognised 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 Conditions to form the register of protection zones by 1 December 2022 and taking into consideration the description of the procedure for the setting up and approval of protection zones approved by Order No 1 -339 of the Minister of Energy of the Republic of Lithuania of 13 October 2020. The provision for protection zones is recognised in current and non-current liabilities. The provision was calculated as described in Notes 5 and 25 by estimating:

- expenses expected to be incurred for the formation of protection zones and fees for the registration of entries multiplying them by the number of protection zones;
- effective discount rate - a borrowing rate for similar liabilities.

In 2022 and 2021, the Group revised the established provision in consideration of:

- expenses actually incurred for the formation of protection zones and expenses expected to be incurred on the basis of these expenses multiplying them by the number of protection zones, which can be identified more precisely as a result of clearer legal regulation;
- effective discount rate - a borrowing rate for similar liabilities.

Identification of a disposal group

In view of the selection of a strategic partner, the winner of which will be permitted to acquire 66% of shares in the Group's company GET Baltic, the latter subsidiary was recognised as a disposal group as at 30 September 2022. All the following criteria were met: (1) all necessary approvals for the anticipated transaction on the transfer of shares were obtained, i.e. the Group's Board approved the initial terms for the sale of shares and the initiation of the process; (2) the disposal group can be sold immediately in its present condition and subject to terms that are usual and customary for the sale of such disposal group; (3) active selling efforts were started (potential buyers were selected that are preparing initial proposals); (4) it is probable that the sale of the disposal group will be effected (completed) within one year, except when events or circumstances that are beyond the control of the Group's management extend the period required to sell the disposal group for more than one year; (5) the disposal group can be sold in the market at a price that is reasonable in relation to its current fair value; and (6) actions required to complete the transaction indicate that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

The disposal group does not meet the criteria for a discontinued operation as the subsidiary is not treated as a major (material) line of business or geographical area of operations, therefore the impact of the discontinued operation is not disclosed in the statement of profit or loss and the statement of cash flows.

The Group's transactions with Get Baltic will continue to be conducted after the sale date, therefore inter-company transactions are eliminated from the disposal group in the consolidated financial statements.

As indicated in the Note of the events after the reporting period, in 16 March 2023 was approved the winner of public tender aimed at choosing a strategic partner.

Assessment of accounting principles of balancing activities

Due to amendments introduced in regulation of balancing activities of the natural gas transmission system with effect from 1 March 2022, the Group has assessed whether the natural gas transmission system operator (TSO) acts as a principal or an agent in balancing activities. Based on the assessment of the Group's management, the natural gas TSO acts as an agent in the provision of balancing activities to system users with effect from 1 March 2022 (see Note 2.18) and reports net result of balancing activities in the consolidated financial statements. Before 1 March 2022, the Group's TSO acted as a principal in its transactions on the provision of balancing activities, therefore before the beginning of the mentioned period revenue and expenses of the natural gas balancing activities were disclosed in the financial statements.

No changes were introduced in regulation of balancing activities of the electricity transmission operator, therefore it continues to act as a principal in electricity balancing transactions.

4. Segment reporting

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

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

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

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

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

depreciation and amortisation (EBITDA), operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment expenses. All indicators are calculated on the basis of data reported in the financial statements.

In 2022, revenue from the Lithuanian clients accounted for 75% of the Company's total revenue (2021: 85%).

The table below contains the Group's information on segments for the period ended 31 December 2022:

	Transmission of electricity	Transmission of natural gas	Other activities	Elimination of intersegment transactions	Total
Revenue and other income	420,308	96,652	83,007	(10,043)	589,924
Operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment expenses	(36,720)	(25,711)	(90,491)	11,665	(141,257)
EBITDA	(36,513)	31,108	(7,481)	1,613	(11,273)
Total adjustments to profit/(loss) for the period	(12,971)	(15,387)	11,835	(14,719)	(31,242)
Depreciation and amortisation	(20,582)	(12,854)	(1,620)	-	(35,056)
Assets write-offs, impairment	(411)	(142)	(99)	280	(372)
Interest income	63	20	460	(330)	213
Interest expenses	(947)	(641)	(2,052)	408	(3,232)
Income tax	8,863	(2,368)	667		7,162
Dividend income	43	598	14,479	(15,077)	43
Profit/(loss) for the period	(49,484)	15,721	4,354	(13,106)	42,515
Total assets	718,545	345,347	1,047,555	(685,719)	1,425,728
Net debt	(45,631)	(104,455)	(174,325)	352,972	28,561
Investments (additions in property, plant and equipment and intangible assets)	(77,071)	(14,852)	(58,440)	(1,833)	(175,196)

The table below contains the Group's information on segments for the period ended 31 December 2021:

	Transmission of electricity	Transmission of natural gas	Other activities	Elimination of intersegment transactions	Total
Revenue and other income	270,588	66,973	36,759	(11,717)	362,603
Operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment expenses	(31,348)	(21,197)	(36,966)	10,847	(78,664)
EBITDA	46,206	34,508	(201)	(874)	79,639
Total adjustments to profit/(loss) for the period	(26,193)	(11,344)	14,323	(16,607)	(39,821)
Depreciation and amortisation	(21,337)	(11,882)	(1,546)		(34,765)
Assets write-offs, impairment	(344)	(101)	64		(381)
Interest income	21	2	176	(155)	44
Interest expenses	(752)	(388)	(763)	155	(1,748)
Income tax	(4,088)	547	263		(3,278)
Dividend income and gain on disposal of associates	307	478	16,129	(16,607)	307
Profit/(loss) for the period	20,013	23,164	14,122	(17,481)	39,818
Total assets	489,825	318,520	593,152	(438,891)	962,606
Net debt	(68,544)	(108,727)	(149,242)	105,746	(220,767)
Investments (additions in property, plant and equipment and intangible assets)	(57,664)	(45,707)	(10,086)	1,285	(112,172)

The Group's revenue from the major clients in 2022:

Company name	2022
Energijos Skirstymo Operatorius AB	208,486
Ignitis UAB	71,662
Ignitis Gamyba AB	35,165
Total revenue from major clients	315,313

The Group's revenue from the major clients in 2021:

Company name	2021
Energijos Skirstymo Operatorius AB	169,129
Ignitis UAB	38,622
Ignitis Gamyba AB	18,844
Total revenue from major clients	226,595

5. Intangible assets

Group	Notes	Goodwill	Patents and licences	Computer software	Other intangible assets	Statutory servitudes and protection zones*	Total
Net book amount at 31 December 2020		61	179	4,729	313	5,853	11,135
Additions		-	31	1860	83	-	1,974
Write-offs		-	-	(6)	-	-	(6)
Reclassification with PP&E		-	-	479	37	-	516
Reclassification between categories		-	4	(182)	178	-	-
Value adjustment due to a change in assumptions		-	-	-	-	(1,188)	(1,188)
Offsetting with grants	21	-	-	(313)	-	-	(313)
Amortisation charge		-	(94)	(2,142)	(128)	-	(2,364)
Net book amount at 31 December 2021		61	120	4,425	483	4,665	9,754
At 31 December 2021							
Acquisition cost		61	878	11,667	746	4,665	18,017
Accumulated amortisation		-	(758)	(7,242)	(263)	-	(8,263)
Net book amount		61	120	4,425	483	4,665	9,754
Net book amount at 31 December 2021		61	120	4,425	483	4,665	9,754
Additions		-	86	2,922	183	-	3,191
Write-offs		-	-	(18)	-	-	(18)
Reclassification with PP&E		-	-	89	-	-	89
Reclassification between categories		-	239	(239)	-	-	-
Value adjustment due to a change in assumptions		-	-	-	-	(1,684)	(1,684)
Amortisation charge		-	(87)	(2,133)	(216)	-	(2,436)
Reclassification to disposal group		-	(36)	(301)	(137)	-	(474)
Net book amount at 31 December 2022		61	322	4,745	313	2,981	8,422
At 31 December 2022							
Acquisition cost		61	1,001	14,926	792	2,981	19,761
Accumulated amortisation		-	(679)	(10,181)	(479)	-	(11,339)
Net book amount		61	322	4,745	313	2,981	8,422

*The value of the provision for statutory servitudes and protection zones and of the related intangible assets was reassessed as at 31 December 2022 in view of changes in assumptions (Note 25). Due to clearer legal regulation and actions required for the registration after the acquisition of relevant services in a public procurement, the provision was reduced by EUR 1,944 thousand. The provision for statutory servitudes was increased by EUR 260 thousand following the recalculation according to the number of applications expected to be received and the average compensation amount per application.

The Group tested goodwill, statutory servitudes and protection zones for impairment. The latter items of assets were allocated to the cash-generating units of Litgrid AB and Amber Grid (see Note 7). The test results did not indicate the need to establish a provision for impairment of goodwill, statutory servitudes and protection zones.

The Company's intangible assets amounted to EUR 57 thousand as at 31 December 2022 (31 December 2021: EUR 66 thousand).

6. Property, plant and equipment

Group	Notes	Structures and buildings		Motor vehicles	Other property, plant and equipment	Construction work in progress	Total	
		Land	Buildings					
Net book amount at 31 December 2020		1,033	23,806	459,686	1,157	13,589	74,957	574,227
Additions		37	54	1,140	230	1,633	95,297	98,391
Prepayments for PP&E							11,807	11,807
Disposals		-	(67)		(8)	(1)		(76)
Write-offs		-		(1,965)		(1)	(43)	(2,009)
Reclassification to/from inventories				(4)		(175)	(89)	(268)
Put into operation (from construction work in progress)		(388)	3,201	89,097		3,329	(95,239)	-
Reclassification (from intangible assets)						(479)	(37)	(516)
Off-set of grants against non-current assets	21		(54)	(959)		(272)	(46,393)	(47,678)
Depreciation charge			(861)	(26,179)	(330)	(3,405)		(30,775)
Net book amount at 31 December 2021		682	26,079	520,816	1,049	14,217	40,260	603,103
At 31 December 2021								
Acquisition cost		682	28,744	588,777	2,637	23,676	40,260	684,776
Accumulated depreciation		-	(2,665)	(67,728)	(1,588)	(9,459)	-	(81,440)
Accumulated impairment		-	-	(233)	-	-	-	(233)
Net book amount		682	26,079	520,816	1,049	14,217	40,260	603,103
Net book amount at 31 December 2021		682	26,079	520,816	1,049	14,217	40,260	603,103
Additions				28,028	131	1,179	129,180	158,518
Prepayments for PP&E							13,591	13,591
Disposals		-			(27)	(5)		(32)
Write-offs		-		(1,325)		(27)		(1,352)
Reclassification to/from inventories				(51)		(71)		(122)
Put into operation (from construction work in progress)			945	20,998		2,141	(24,084)	-
Reclassification between categories					785			785
Reclassification (from intangible assets)							(89)	(89)
Reclassification to right-of-use assets				(4,878)		(465)	5,343	-
Off-set of grants against non-current assets	21			(914)			(86,705)	(87,619)
Depreciation charge			(964)	(25,991)	(466)	(3,637)		(31,058)
Reclassification to disposal group						(4)		(4)
Net book amount at 31 December 2022		682	26,060	536,683	1,472	13,328	77,496	655,721
At 31 December 2022								
Acquisition cost		682	29,000	612,233	3,469	23,924	77,496	746,804
Accumulated depreciation		-	(2,940)	(75,550)	(1,997)	(10,596)	-	(91,083)
Accumulated impairment		-	-	-	-	-	-	-
Net book amount		682	26,060	536,683	1,472	13,328	77,496	655,721

Prepayments for property, plant, equipment (PPE), included in the line item 'construction work in progress':

	2022	2021
Carrying amount at the beginning of the period	12,713	771
Prepayments paid for PPE over the period	23,056	14,903
Transfer to construction work in progress	(9,465)	(2,961)
Carrying amount at the end of the period	26,304	12,713

As at 31 December 2022, the Group's interest capitalised as part of property, plant and equipment amounted to EUR 57 thousand; the annual interest capitalisation rate was 1.16% (2021: EUR 186 thousand; the interest rate applied – 0.8%).

In 2022 and 2021, the Group's major investments were made in the strategic projects of national significance, in the projects on the installation of electricity storage facilities and the restoration and modernisation of the electricity and gas network. In 2022, investments in the strategic projects of national significance accounted for EUR 23 million (2021: EUR 67.7 million), investments in electricity storage facilities represented EUR 52.9 million (2021: EUR 9 million) and investments in the network restoration comprised EUR 37 million (2021: EUR 26.9 million) of the Group's total investments. Following the launching of commercial flows via the GIPL interconnection, the cost of non-current assets includes the accumulated contribution (the "CBCA contribution") of EUR 27.4 million, which was set under the cross-border cost allocation principles. The CBCA contribution will be paid to the Polish transmission system operator upon completion of construction of the interconnection in the territory of Poland, and upon fixing and auditing the value of construction works. As at 31 December 2021, the CBCA contribution, as a variable payment depending on future events, was not included in the cost of non-current assets and no liability was recognised for this payment until the launching of the interconnection.

As at 31 December 2022, the Group had commitments to acquire property, plant and equipment to be fulfilled in the upcoming periods for the amount of EUR 468 million (31 December 2021: EUR 238 million).

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 last revaluation of the Group's property, plant and equipment was carried out on 31 December 2018, it was performed using the Group's internal resources and not engaging an independent external valuer. No regulatory decisions that could materially affect the value of the assets were adopted in 2022.

The Group performed the valuation of property, plant and equipment (including construction work in progress) as at 31 December 2022 and 31 December 2021 and established that the carrying amount of the assets within the materiality limits corresponds to their fair value. 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 estimated the fair value of the assets as at 31 December 2022 and 31 December 2021 under the income method using the discounted cash flows calculation technique. The value of the assets was determined as the present value of net future cash flows.

The valuation assumptions are presented below.

The Group's business activities are regulated. The assets are operating as a single network. The fair value of the network is assessed using the income method, however 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.

Key assumptions used in the calculation of the value of assets of Litgrid as at 31 December 2022 were as follows:

- The updated LRAIC model for the establishment of the regulated asset base and the cost of capital is applied in the regulatory pricing from 2022. The cost of capital comprises depreciation expenses of the regulated assets and return on investments, which is calculated by multiplying the regulated asset base by the rate of return on investments. Over the regulatory period of five years, the cost of assets under optimisation (planned to be restored) is determined using the present (restored) value and investments in the optimised assets over the regulatory period of five years are consistent with the value of assets being restored, which is calculated under the LRAIC model. The cost of capital of the assets that are not optimised is determined using the historical value. Furthermore, taking into consideration available financing sources and aiming to retain a sustainable level of the Company's debt, an additional component was established for the financing of investments increasing the level of revenue from the regulated activities.

- The amounts of investments until 2031 are used from the ten-year investment plan adjusted according to the actual data with all development investments eliminated from it.

- All operating expenses attributable to the regulated activities are compensated through transmission revenue, except for the compensation of remuneration expenses, the compensation assumption of which is 94%.

- The calculation of cash flows for the years 2023-2025 included a difference between the permitted and actual return on transmission activity investments for the years 2021-2022 as well as the estimation of efficient saving of operating expenses that increases the permitted investment return (a regulated loss to be refunded through a higher transmission price and revenue) and the refund of the result of ancillary (system) services in excess of the amount permitted by the NERC to the network consumers (a lower component of additional services and revenue).
- The rate of return on investments (WACC before tax) is equal to 4.09% for 2023-2026 (equivalent to a 3.48% WACC after tax) and from 2027 it is the same as the discount rate, i.e. 5.5% (equivalent to a 4.68% WACC after tax). In the calculations of the assets' value as at 31 December 2022, the rate of return on investments (WACC before tax) was equal to 4.03% for 2022-2026 (equivalent to a 3.42% WACC after tax), and from 2027 it is the same as the discount rate, i.e. 4.09% (equivalent to a 3.48% WACC after tax).
- Net cash flows generated from the assets were discounted using the discount rate (WACC after tax) equal to 4.68%, which was calculated by the Company. As at 31 December 2021, net cash flows generated from the assets were discounted using the discount rate (WACC after tax) equal to 3.48%, which was calculated by the Company.

Key assumptions used in the calculation of the value of assets of Amber Grid as at 31 December 2022 were as follows:

- a 4.64% discount rate was used in discounting of cash flows for 2023 and beyond;
- the NERC's 3.96% ROI rate was used for 2023, and a 5.46% ROI rate was used for 2024 and beyond;
- the terminal value of cash flows was determined by equating the ROI rate (pre-tax rate of 5.46%) with the discount rate;
- the temporary regulatory deviations resulting from excess expenditures due to increased gas transmission volume (higher capacities and quantities actually ordered by the system users) will reverse in future by adjusting the transmission prices for the system users (one-off effect);
- the annual growth rate for an indefinite period is not applicable (equals 0).

The table below presents the net book amounts of the Group's property, plant and equipment, which would have been recognised had the historical cost method been used, excluding prepayments, less grants received and negative revaluations that would be treated as an impairment equivalent, as at 31 December 2022 and 31 December 2021:

	Land	Buildings	Plant and machinery	Transport	Other property, plant and equipment	Construction work in progress	Total
At 31 December 2022	682	25,750	536,665	1,472	13,328	51,192	629,089
At 31 December 2021	645	26,079	520,458	1,049	14,217	27,547	590,032

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 532,859 thousand higher as at 31 December 2022 (31 December 2021: EUR 459,500 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 2022	At 31 Dec 2021
Carrying amount at the beginning of the period	459,500	424,509
Additions	87,619	47,678
Depreciation charge	(13,998)	(12,241)
Write-offs	(262)	(446)
Carrying amount at the end of the period	532,859	459,500

The Company's other property, plant and equipment amounted to EUR 3 thousand as at 31 December 2022 (31 December 2021: EUR 7 thousand). 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 – 5-10 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
Net book amount at 31 December 2020	5,627	840	3,173	189	9,829
New contracts	71	2,315	363	-	2,749
Indexing	257				257
Write-offs	-	(47)	(34)	-	(81)
Depreciation charge	(61)	(515)	(1,016)	(34)	(1,626)
Net book amount at 31 December 2021	5,894	2,592	2,486	155	11,127
Acquisition cost	6,071	3,915	5,079	287	15,352
Accumulated depreciation	(177)	(1,323)	(2,593)	(132)	(4,225)
Net book amount at 31 December 2021	5,894	2,592	2,486	155	11,127
Reclassification between categories			155	(155)	-
New contracts		384	2,282	-	2,667
Indexation		3			3
Write-offs	-	(35)		-	(35)
Reclassification to property, plant and equipment			(785)		(785)
Depreciation charge	(60)	(590)	(912)		(1,562)
Reclassification to disposal group	-	(83)	(2)		(85)
Net book amount at 31 December 2022	5,834	2,271	3,224	-	11,329
Acquisition cost	6,070	4,184	6,730	-	16,984
Accumulated depreciation	(236)	(1,913)	(3,506)	-	(5,655)
Net book amount at 31 December 2022	5,834	2,271	3,224	-	11,329
Company					
Net book amount at 31 December 2020		266	41	-	307
New contracts			-	-	
Depreciation charge		(69)	(25)		(94)
Net book amount at 31 December 2021		197	16	-	213
Acquisition cost		369	81		450
Accumulated depreciation		(172)	(65)		(237)
Net book amount at 31 December 2021		266	16	-	213
New contracts		-	107		107
Depreciation charge		(63)	(22)		(85)
Net book amount at 31 December 2022		203	101	-	235
Acquisition cost		369	107		476
Accumulated depreciation		(234)	(7)		(241)
Net book amount at 31 December 2022		135	100	-	235

In 2022, the main acquisitions of right-of-use assets comprised the lease of the new office premises (a group of buildings) by the Group companies, the lease term – 4 years, the acquisition cost – EUR 384 thousand, and the renewal of the Group's car fleet replacing polluting cars with electric cars. The initial cost of new contracts for cars amounted to EUR 2,283 thousand in 2022. Due to annual increase in the land lease tax, the Group remeasured right-of-use assets and lease liabilities. In 2022, after the expiry of the term of the finance lease a reclassification of the value of motor vehicles of EUR 785 thousand was made from right-of-use assets to property, plant and equipment.

Due to increase in the land lease rate over the period 2019-2021, the Group remeasured right-of-use assets and lease liabilities. The value of land held on lease and recognised as assets, as well as the lease liabilities increased by EUR 257 thousand.

The Group and the Company had no leases with variable payments not included in the value of lease liabilities.

8. Investments in subsidiaries

The Company's investments in subsidiaries

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

Group company	Acquisition cost	Impairment	Carrying amount	Ownership interest (%)
	At 31 December 2022			
Subsidiaries				
LITGRID AB	217,215	26,090	191,125	97.5
Amber Grid AB	126,529	-	126,529	96.6
BALTPOOL UAB	388	-	388	67.0
TETAS UAB	7,150	3,447	3,704	100.0
Energy Cells, UAB	2,374	-	2,374	100.0
Total	353,656	29,537	324,120	

By the decision of 9 December 2022 of the Company, as a sole shareholder, the share capital of TETAS UAB was increased by issuing 1,000 units of shares with the nominal value of EUR 1 each, which were paid by making a monetary contribution of EUR 4,000 thousand.

Group company	Acquisition cost	Impairment	Carrying amount	Ownership interest (%)
	At 31 December 2021			
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
Energy Cells, UAB	2,374	-	2,374	100.0
Total	349,656	26,090	323,566	

On 26 January 2021, the Company established a wholly-owned subsidiary Energy Cells UAB by paying for 500,000 units of shares of the newly established company with the nominal value of EUR 1. By the decision of 26 November 2021, the Company reduced the share capital from EUR 500 thousand to EUR 125 thousand by using the difference amount to cover the subsidiary's operating losses, and made an additional contribution of EUR 1,875 thousand to the formation of the capital of Energy Cells UAB.

Impairment testing of investments in subsidiaries

Having identified impairment indications for investments in subsidiary TETAS UAB as at 31 December 2022, the Company performed impairment testing for this company and established an impairment of EUR 3,447 thousand.

When performing the impairment test for this investment as at 31 December 2022, the Company used the discounted cash flow method and used the following key assumptions:

- cash flow forecasts until 2026;
- a 2.0% projected cash flow growth rate in the period of continuing operations (beyond 2026);
- a 10.87% discount rate (after tax) was used to calculate discounted cash flows;

The Company also has assessed whether the decrease of net assets of subsidiary LITGRID as at 31 December 2022 does not result in the recognition of an additional impairment for the investment in this company. The analysis performed showed that the impairment of net assets of LITGRID in 2022 was caused by temporary regulatory deviations from the regulated profitability approved by the NERC, which will be compensated in the regulatory pricing of the year 2023-2024. No impairment was recognised for the investment in LITGRID.

The Company tested other subsidiaries for impairment and did not identify any impairment indications. No impairment adjustments to 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 2022 and 2021.

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 2022	334,621	412,553	(77,932)	383,924	139,012	244,912	166,980
				Net assets attributable to minority interest as at 31 Dec 2022			4 175
At 31 December 2021	122,538	121,562	976	367,287	146,755	220,532	221,508
				Net assets attributable to minority interest as at 31 Dec 2021			5 538
Amber Grid							
At 31 December 2022	53,168	83,178	,(30,010)	292,179	78,777	213,402	183,392
				Net assets attributable to minority interest as at 31 Dec 2022			6 272
At 31 December 2021	46,318	43,369	2,949	272,202	97,578	174,624	177,573
				Net assets attributable to minority interest as at 31 Dec 2021			6 073
Baltpool							
At 31 December 2022	175,347	174,807	540	285	41	244	784
				Net assets attributable to minority interest as at 31 Dec 2022			259
At 31 December 2021	113,615	113,051	564	190	55	135	699
				Net assets attributable to minority interest as at 31 Dec 2021			231
GET Baltic*							
At 31 December 2022	206 029	205,357	672	567	58	509	1,181
				Net assets attributable to minority interest as at 31 Dec 2022			40
At 31 December 2021	62,995	62,329	666	653	83	570	1,236
				Net assets attributable to minority interest as at 31 Dec 2021			42
				Total net assets attributable to minority interest as at 31 Dec 2022			10,746
				Total net assets attributable to minority interest as at 31 Dec 2021			11,884

As indicated in the Note No 9, as at 30 September 2022 the assets and the liabilities of GET Baltic were restated to disposal group in Group's statement of financial position.

Presented below is the summarised statement of comprehensive income of the Group companies with non-controlling interest for 2022 and 2021.

Company name Year	Revenue	Profit before income tax	Income tax (expenses) / benefit	Total comprehensive income for the period	Comprehensive income attributable to non-controlling interest	Dividends paid to non-controlling interest
LITGRID						
At 31 December 2022	420,308	(58,347)	8,898	(49,449)	(1,236)	(126)
At 31 December 2021	270,588	24,101	(4,088)	20,013	500	(413)
Amber Grid						
At 31 December 2022	96,652	18,088	(2,368)	15,720	538	(339)
At 31 December 2021	66,973	22,617	547	23,164	792	-
Baltpool						
At 31 December 2022	1,503	104	(20))	83	27	-
At 31 December 2021	1,269	106	(17)	89	29	-
GET Baltic						
At 31 December 2022	1,612	639	(97)	542	19	(20)
At 31 December 2021	1,660	731	(112)	619	21	(16)

Presented below is the summarised statement of cash flows of the Group companies with non-controlling interest for 2022 and 2021.

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 2022	(52,482)	82,711	(31,549)	(1,320)	1,819	499
At 31 December 2021	66,373	(32,714)	(31,873)	1,786	33	1,819
Amber Grid						
At 31 December 2022	18,992	(4,267)	(14,716)	9	12	21
At 31 December 2021	66,373	(32,714)	(15,623)	9	3	12
Baltpool						
At 31 December 2022	54,323	(54,595)	(72)	(145)	738	593
At 31 December 2021	63,587	(45,084)	18,602	12	726	738
GET Baltic						
At 31 December 2022	774	(104)	(748)	(77)	894	817
At 31 December 2021	723	(38)	(555)	130	764	894

9. Assets and liabilities of disposal group

As disclosed in Note 3, the Group's indirectly held subsidiary GET Baltic complied with the criteria for a disposal group due to the selection of a strategic partner being conducted and was recognised as a disposal group as at 31 December 2022. Presented below are the line items of assets and liabilities of GET Baltic after intercompany eliminations that were reclassified to assets of the disposal group and liabilities of the disposal group.

	Group At 31 December 2022
Non-current assets	
Intangible assets	474
Property, plant and equipment	4
Right-of-use assets	85
Other non-current financial assets	4
Current assets	
Trade receivables	26
Other amounts receivable	13,399
Other current financial assets	188,969
Cash and cash equivalents	817
Total assets of disposal group	203,778
Non-current liabilities	
Non-current lease liabilities	57
Current liabilities	
Current portion of lease liabilities	29
Trade payables	36
Advance amounts received	145,932
Income tax liabilities	15
Employment-related liabilities	136
Other amounts payable and current liabilities	56,392
Total liabilities of disposal group	202,597

10. Investments in associates

On 31 October 2022, LITGRID AB, a subsidiary of EPSO-G UAB, acquired a 37.6% total shareholding in Norwegian company TSO Holding AS from Danish and Finnish energy transmission operators Energinet and Fingrid. On 30 November 2022, the Company acquired the total shareholding of 39.6% from LITGRID AB for EUR 13,830 thousand (together with a 2% shareholding previously held by LITGRID AB). The Company and the Group acquired TSO Holding AS as a financial investment. The total acquisition cost of shares was equal to EUR 13,960 thousand for the Group.

TSO Holding holds 34% of the share capital of associate Nord Pool Holding AS. Nord Pool Holding AS holds 100% of shares of electricity exchange Nord Pool AS and 100% of shares of electricity market coupling exchange Nord Pool European Coupling Operator AS. The remaining 66% of the share capital of Nord Pool Holding are held by European stock exchange group Euronext Nordics Holding.

On 31 October 2022, the Group's management carried out the allocation of the purchase consideration for the acquired associate TSO Holding AS. During the allocation of the purchase consideration, the following acquisition-date adjustments to the fair value of assets and liabilities of TSO Holding AS were made:

Items of the statement of financial position	Fair values	
	31 October 2022	
Investment in associate*	34,169	
Amounts receivable	2	
Cash and cash equivalents	1,713	
Total assets	35,884	
Amounts payable	20	
Other current liabilities	18	
Total liabilities	38	
Total recognised net assets at fair value	35,846	
The Group's share of net assets (39.6%)	14,231	
Purchase consideration for TSO Holding AS	13,960	
Purchase consideration paid in cash	13,960	
Difference between fair value of net assets and purchase consideration	271	

*In view of the fact that TSO Holding AS and Nord Pool Holding AS are not actively operating companies, the fair value of financial assets of the associate is determined by the fair value of the indirectly held exchange operators. Following the valuation of the subsidiaries, the fair value of the net assets of Nord Pool Holding AS attributed to the Group's share of TSO Holding was calculated. The Group applied the lowest value of the fair value range which, in principle, was consistent with the value of the purchase consideration for TSO Holding. The valuation was performed by the independent valuers using the discounted cash flow method. The calculated value of the net assets of TSO Holding AS corresponded to Level 3 of the fair value measurement hierarchy.

In the allocation of the purchase consideration, the purchase consideration paid in principle corresponds to the fair value of the net assets and the calculated difference is minimal. Therefore, the Group's management did not recognise negative goodwill from the transaction on the acquisition of the associate.

11. Inventories

	Group	
	At 31 Dec 2022	At 31 Dec 2021
Raw materials, spare parts, other consumables, and assets held for sale	4,771	12,334
Natural gas	12,250	7,289
Consumables for construction projects	-	-
Less: write-down allowance	(810)	(626)
Carrying amount	16,211	18,997

The cost of inventories recognised as expenses during the year amounted to EUR 82,181 thousand (31 December 2021: EUR 24,174 thousand).

Materials, spare parts and other inventories decreased significantly as at 31 December 2022 compared to their amounts as at 31 December 2021 due to inventories used for the purpose of the implementation of the project on the construction of the physical barrier

with the Republic of Belarus. Changes in prices of natural gas had a major impact on changes in inventories of natural gas in 2022 compared to 2021.

Movements in write-down allowance for inventories in 2022 and 2021 are indicated below:

	Group	
	2022	2021
Carrying amount as at 1 January	626	499
Change in write-down allowance	184	127
Carrying amount at 31 December	810	626

The write-down allowance charge was included in other expenses in the statement of comprehensive income.

12. Prepayments and contract assets

	Group	
	At 31 Dec 2022	At 31 Dec 2021
Prepayments	843	547
Deferred expenses	2 710	99
Contract assets	6 363	3 066
<i>Accrued revenue from construction contracts</i>	3 468	2 300
<i>Accrued revenue from natural gas transmission and related services</i>	2 780	766
<i>Accrued other revenue</i>	115	-
Carrying amount	9 916	3 712

13. Trade receivables

Trade receivables comprised:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
I. Trade receivables under contracts with customers				
<i>I.1. Trade receivables after one year</i>	-	4	-	-
Less: expected credit losses of non-current amounts receivable	-	-	-	-
Net book amount of amounts receivable after one year:	-	4	-	-
<i>I.2. Current trade receivables</i>				
Amounts receivable for electricity transmission	61,080	50,508	-	-
Amounts receivable for transmission and transit of natural gas	18,284	9,574	-	-
Amounts receivable for contractual works and other services	4,420	6,488	197	114
Less: expected credit losses of trade receivables	(17)	(112)	-	-
Net book amount of trade receivables under contracts with customers	83,767	66,458	197	114
	-	-	-	-
II. Trade receivables under other contracts:				
Other trade receivables	1,763	4,475	-	-
Congestion management revenue receivable	649	3,741	-	-
Less: expected credit losses of trade receivables	-	-	-	-
Net book amount of trade receivables under other contracts:	2,412	8,216	-	-
Total current trade receivables:	86,179	74,674	197	114

Current trade receivables / Expected credit losses of trade receivables

Trade receivables under other contracts comprised congestion revenue funds receivable, receivables from ITC fund, natural gas imbalance and lease of assets. The fair value of trade receivables under contracts with customers approximates their carrying amount. In 2022, the Group accounted for reversal of expected credit losses of EUR 95 thousand (2021: EUR 113 thousand) with regard to amounts paid.

As at 31 December 2022, amounts receivable for electricity transmission and related services increased compared to 31 December 2021 because the price of ancillary (system) services increased 2.7 times in December 2022 and the volume decreased by 14% compared to December 2021.

As at 31 December 2022, amounts receivable for transmission of natural gas and related services increased compared to 31 December 2021 due to higher volumes of transmission services and regulatory changes in the balancing activities in 2022.

The fair value of trade receivables under contracts with customers approximates their carrying amount.

The Company did not recognise any doubtful debts.

The Group applies a simplified credit risk assessment approach as required by IFRS 9 and accounts for loss allowances for lifetime credit losses from initial recognition of amounts receivable. To determine credit losses of amounts receivable the Group applies the individual assessment and a loss coefficient matrix. The loss coefficient matrix is based on historical data for a period exceeding 36 months on settlements of debts by customers. The loss coefficients may be adjusted in view of macroeconomic forecasts. The loss coefficients are classified into separate groups of receivables on the basis of credit risk characteristics and overdue period.

Trade receivables	Not past due	Trade receivables past due				Total
		1-30 days	31-90 days	91-180 days	181 and more days	
At 31 December 2022						
Current portion of trade receivables, of which:	84,964	1,000	140	91	1	86,196
State-owned companies	52,834					52,834
Expected credit losses, %	0%	0%	0%	0%	0%	0%
Other customers	32,130	1,000	140	91	1	33,362
Trade receivables assessed individually		956	140	91	0	
Impairment		0	7	9		17
Trade receivables assessed collectively		44			1	45
Expected credit losses, %	0	1.4%	2%	15%	100%	
Impairment		1	0	0	0	1
Total expected credit losses		1	7	9	1	17

Movements in impairment recognised for the Group's trade receivables during the year 2022 and 2021 were as follows:

	2022	2021
Carrying amount at 1 January	112	225
Reversal of impairment	(95)	(113)
Carrying amount at 31 December	17	112

In 2022, the Group accounted for reversal of impairment of trade receivables of EUR 95 thousand (2021: EUR 113 thousand) with regard to amounts paid.

14. Other amounts receivable

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Administered PSO funds receivable	28,307	59,159	-	-
Administered LNG terminal funds receivable	7,802	13,385	-	-
VAT receivable from the state budget	2,061	2,075	-	-
Grants receivable	32,726	20,230	-	-
Loans to subsidiaries	-	-	20,991	11,095
Other amounts receivable	791	11,941	68	244
Less: expected credit losses of other receivables	(23)	(23)	-	-
Carrying amount	71,664	106,767	21,059	11,339

The fair value of other amounts receivable approximates their carrying amount.

A major part of the Group's other amounts receivable and past due amounts receivable consisted of PSO and LNG terminal funds receivable. The Group is not exposed to credit risk in collecting PSO and LNG terminal funds as its acts as an administering entity, therefore expected credit losses are not formed for these past due amounts.

The line item of grants receivable includes grants receivable from the EU structural funds for the projects being implemented by the Group. As at 31 December 2022, grants receivable of EUR 25,448 thousand comprised support receivable under the Recovery and Resilience Facility (RRF) for the installation of electricity storage facilities and a grant receivable of EUR 6,976 thousand for the implementation of the projects on the development of the natural gas transmission network. As at 31 December 2021, grants receivable of EUR 8,840 thousand comprised support from the EU Structural Funds for the implementation of the project on the construction of the gas interconnection between Lithuania and Poland and grants receivable from the EU of EUR 9,900 thousand for the implementation of the strategic projects of the electricity transmission network.

The fair value of other amounts receivable approximates their carrying amount.

15. Other financial assets

	Group	
	At 31 December 2022	At 31 December 2021
Administered LNG terminal funds	-	1,305
Administered PSO funds	33,000	-
Funds deposited for guarantees and deposits	7,758	5,359
Funds of the exchange participants	13,906	58,721
Carrying amount	54,664	65,385

Funds of the exchange participants consist of their cash deposits and prepayments (alternative – provision of bank guarantees) ensuring the possibility to participate in the trading on 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, cash designated for the payment of the LNG terminal funds to beneficiaries are reported separately from other cash and cash equivalents of the Group and can only be used for the disbursement of the LNG terminal funds.

The fair value of other financial assets as at 31 December 2022 and 2021 approximated their carrying amount.

16. Cash and cash equivalents

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Cash at bank	248,096	41,284	244,310	36,868
Carrying amount	248,096	41,284	244,310	36,868

The fair value of cash and cash equivalents is equal to their nominal and carrying amounts.

17. Share capital

As indicated in the Note 1, in 2022, the Company's share capital was increased by restatement of retained earnings up to amount of EUR 189,631,000 and it was divided into 653,900,000 units of ordinary registered shares with the nominal value of EUR 0.29 each. As at 31 December 2021, the Company's share capital amounted to EUR 22,482,695 and it was divided into 77,526,533 units of ordinary registered shares with the nominal value of EUR 0.29 each. As at 31 December 2022 and 2021, all the shares were fully paid.

Capital management

Capital consists of equity recorded in the statement of financial position.

According to the Law on Companies of the Republic of Lithuania, equity of the Company must account for at least 1/2 of the amount of the share capital. As at 31 December 2022 and 31 December 2021, 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 the payment of higher dividends negatively affects the Company's financial position.

The draft Resolution of the Government of the Republic of Lithuania *On the payment of dividends by EPSO-G UAB for the shares held by the State by the right of ownership* has been recently announced for public agreement. The draft Resolution proposes to allocate 0.5% of profit to be appropriated of EPSO-G UAB for the payment of dividends to the Ministry of Energy of the Republic of Lithuania annually in the period between 2022 and 2026, in case at least one of mentioned conditions is met: i) UAB "EPSO-G" implements or participates in implementation the State importance project, approved by Government decision; ii) if dividends were paid, UAB "EPSO-G" borrowings, lease liabilities and other non-current liabilities, excluding deferred revenue, deferred income tax liabilities and grants would exceed the consolidated equity of the EPSO-G group in certain financial year.

Company's share capital was increased from Eur 22,5 million to Eur 189.6 million for preparation to issue debt bonds and to ensure creditors and credit rate agencies that Company seeks to support sustainable structure of capital and it's intention that free cash flow will be orientated to maintain debts (obligations) and to finance strategic projects.

18. Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to the value increase.

Group	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2020	476	(70)	406
Depreciation of revaluation reserve	(48)	7	(41)
Write-offs of property, plant and equipment	(65)	10	(55)
Balance at 31 December 2021	363	(53)	310
Depreciation of revaluation reserve	(34)	1	(33)
Balance at 31 December 2022	329	(52)	277

19. 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 2022 and 2021, this reserve was fully formed at the Company.

Other reserves

Other reserves are formed based on the decision of the shareholders (i.e. for the purpose of business development) and can be redistributed on the distribution of the next year's profit.

20. Dividends

At the Ordinary General Meeting of Shareholders of EPSO-G UAB held on 27 April 2022, the decision was made regarding the payment of dividends in the amount of EUR 845,039, dividends per share amounted to EUR 0.01.

At the Ordinary General Meeting of Shareholders of EPSO-G UAB held on 11 May 2021, the decision was made regarding the payment of dividends in the amount of EUR 777,224, dividends per share amounted to EUR 0.01.

In 2022 and 2021, the Company paid dividends following the provisions of Resolution No 1116 of 9 November 2016 of the Government of the Republic of Lithuania that allow the allocation of 0.5% of profit to be appropriated for the payment of dividends.

21. Grants

Grants comprise grants for the acquisition of non-current assets and compensation of expenses. Movements in grants in 2022 and 2021 were as follows:

	Group	
	2022	2021
Opening balance at 1 January		
Grants receivable (Note 14)	20,230	28,819
Grants received in advance (non-current liabilities) (Note 26)	(1,677)	(1,677)
Grants received in advance (current liabilities) (Note 29)	(9,887)	(5,023)
	8,666	22,119
Recognised grants		
Transfer to property, plant and equipment (Note 6)	87,619	47,678
Transfer to intangible assets (Note 5)	-	313
Grants used for compensation of expenses	197	144
	87,816	48,135
Grants received		
Grants received in the form of monetary funds (PSA)	(107,795)	(57,548)
Congestion revenue transferred to grants (Note 24)	(22,992)	(2,954)
	(130,787)	(60,502)
Grants received in the form of assets	(964)	(1,086)
Closing balance at 31 December		
Grants receivable (Note 14)	32,726	20,230
Grants received in advance (non-current liabilities) (Note 26)	(32,802)	(1,677)
Grants received in advance (current liabilities) (Note 29)	(35,193)	(9,887)
	(35,269)	8,666

22. Borrowings

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

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Non-current borrowings				
Bank borrowings	107,781	142,843	-	-
Other non-current borrowings	74,805		74,805	
Current borrowings				
Current portion of non-current borrowings	24,038	24,399	-	-
Overdraft	-	-	-	-
Accrued interest	1,550		1,326	
Current borrowing from the Group companies	-	-	331,562	94,652
Total borrowings	208,174	167,242	407,693	94,652

Non-current borrowings by maturity:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Between 1 and 2 years	12,251	32,120	-	-
Between 2 and 5 years	107,272	37,552	74,805	-
Over 5 years	63,063	73,171	-	-
Total	182,586	142,843	74,805	-

As at 31 December 2022 and 2021, no assets were pledged as collateral by the Group and the Company.

On 8 June 2022, the Company placed a EUR 75 million worth five years' duration sustainability-linked bond issue. The bonds will pay an annual yield of 3.117%. As at 31 December 2022, net cash inflows from bonds amounted to EUR 74,805 thousand or 99.7% of the nominal value of the bond issue. Expenses related to interest on issued bonds amounted to EUR 25 thousand during 2022. The accumulated amount of a coupon payable was equal to EUR 1,326 thousand as at 31 December 2022.

The loan agreements provide for financial and non-financial covenants that the individual Group companies are obliged to comply with. The Group company with an outstanding balance of the loan amounting to EUR 40,428 thousand as at 31 December 2022 did not comply with the net debt to EBITDA ratio and with the interest coverage ratio established in the agreement. However, the Group company received a notification from the bank confirming that the bank waives its right to demand that the company repay the loan prior to its maturity, if the Group company does not meet the above-mentioned ratios as at 31 December 2022 and as at 30 June 2023. Terms and conditions of other loan agreements were complied with as at 31 December 2022. As at 31 December 2021, the Group companies complied with the obligations of the loan agreements.

As at 31 December 2022, the Group's borrowings with a fixed interest rate represented 77.5% (31 December 2021: 57%). The remaining borrowings are linked to the variable interest rate of 3 and 6 month EURIBOR.

As at 31 December 2022 the Company's borrowings (issued bonds) with fixed interest rate represented 18 %. Group cash pool agreements were related with interests, based on ESTR (Euro short -term rate) and margin.

As at 31 December 2022, the weighted average interest rate on the Group's borrowings was 1.95% (31 December 2021: 0.57%).

As at 31 December 2022, the Group's borrowings were fully withdrawn. As at 31 December 2021, the Group's undrawn borrowings amounted to EUR 5,000 thousand,

The Company on March 2022 extended the validity of the overdraft agreement concluded with SEB bank and signed the overdraft agreement with OP Corporate Bank. As at 31 December 2022, the overall combined unwithdrawn limit of the overdraft was EUR 51 million, of which the limit of EUR 50 million is valid for longer than 12 months (31 December 2021: EUR 20 million).

To balance working capital the Group companies borrowed funds of EUR 20,991 thousand as at 31 December 2022 under the cash pool agreements concluded with EPSO-G UAB. The amount borrowed by the Company from the Group companies under the cash pool agreements totalled EUR 331,562 thousand as at 31 December 2022 (31 December 2021: EUR 94,652 thousand).

Positive funds balances taken over by the Company from the Group companies are attributed to loans received and funds granted for the use are attributed to loans granted. This accounting treatment of funds assumed and granted is determined by the risk to which the Company is exposed with regard to the repayment of funds, interest expenses charged by the bank, administration of lending and borrowing limits, search for most effective ways to invest funds.

Reconciliation of net debt balances and cash flows from financing activities in 2022 and 2021:

Group	Other non-current financial				Total
	Cash	Borrowings	liabilities	Lease liabilities	
Net debt as at 31 December 2020	5,113	(214,343)	(148,749)	(9,164)	(367,143)
Proceeds from borrowings and new leases				(2,799)	(2,799)
Increase/(decrease) in cash and cash equivalents	36,171				36,171
Change in overdraft		20,019			20,019
Repayment of borrowings		26,959			26,959
Settlement of other non-current financial liabilities			64,481		64,481
Lease payments				1,540	1,540
Other changes					
Interest charged (included in expenses and capitalised)		(1,352)	(470)	(112)	(1,934)
Interest payments		1,315	512	112	1,939
Net debt as at 31 December 2021	41,284	(167,402)	(84,226)	(10,423)	(220,767)
Proceeds from borrowings		(74,805)			(74,805)
New Leases				(2,670)	(2,670)
Increase/(decrease) in cash and cash equivalents	207,629				207,629
Repayment of borrowings / terminated contracts		35,423		10	35,433
Settlement of other non-current financial liabilities			84,226		84,226
Lease payments				1,636	1,636
Transfer to disposal group	(817)			86	(731)
Other changes					
Interest charged (included in expenses and capitalisation)		(3,077)	(67)	(130)	(3,274)
Interest payments		1,687	67	130	1,884
Net debt as at 31 December 2022	248,096	(208,174)	0	(11,361)	28,561

Company	Other non-current financial				Total
	Cash	Borrowings	liabilities	Lease liabilities	
Net debt as at 31 December 2020	3,362	(23,214)	(148,749)	(309)	(168,910)
(Decrease) in cash and cash equivalents	33,506	-		-	33,506
Change in overdraft	-	20,019		-	20,019
Proceeds from borrowings		(94,017)			(94,017)
Lease payments	-	-		90	90
Repayment of borrowings	-	2,560		-	2,560
Settlement of other non-current financial liabilities			64,481		64,481
Other changes					
Interest charged (included in expenses and capitalisation)		(142)	(470)	(1)	(613)
Interest payments		142	512	1	655
Net debt as at 31 December 2021	36,868	(94,652)	(84,226)	(219)	(142,229)
(Decrease) in cash and cash equivalents	207,442				207,442
Proceeds from borrowings (grant liabilities)		(74,805)			(74,805)
New contracts				(108)	(108)
Lease payments				91	91
Change in Group cash pool account		(236,910)			(236,910)
Settlement of other non-current financial liabilities			84,226		84,226
Other changes					
Interest charged (included in expenses and capitalisation)		(1,663)	(67)	(1)	(1,730)
Interest payments		337	67	1	405
Net debt as at 31 December 2022	244,310	(407,693)	0	(236)	(169,619)

23. Lease liabilities

The Group's and the Company's lease liabilities and their movements:

	Group		Company	
	At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2022	At 31 Dec 2021
Carrying amount at the beginning of the period	10,423	9,164	219	309
Concluded lease contracts	2,666	3,006	108	-
Terminated lease contracts	(28)	(81)		
Interest charged	130	112	1	1
Lease payments (principal and interest)	(1,744)	(1,778)	(92)	(91)
Indexation	-	-		
Reclassification to disposal group	(86)			
Carrying amount at the end of the period	11,361	10,423	236	219
Non-current lease liabilities	9,640	9,028	142	136
Current lease payments	1,721	1,395	94	83

Future lease payments under non-cancellable lease contracts are as follows:

	Group		Company	
	At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2022	At 31 Dec 2021
Total lease liabilities:	11,361	10,423	236	219
Current portion	1,721	1,395	94	83
Repayment terms of non-current liabilities:	9,640	9,028	142	136
Between 1 and 2 years	1,302	1,111	95	83
Between 2 and 3 years	899	627	27	53
Between 3 and 5 years	952	594	20	-
Over 5 year	6,487	6,696	-	-

The Group's interest calculated on lease liabilities and included in finance costs amounted to EUR 130 thousand in 2022 (2021: EUR 112 thousand) (EUR 1 thousand for the Company in 2022 and 2021 each).

Information on right-of-use assets is disclosed in Note 7.

24. Congestion management funds

Movement in congestion management funds in 2022 and 2021:

	Notes	Group	
		2022	2021
Opening balance of congestion management funds		109,087	62,519
Congestion management funds received during the period		267,296	50,112
Used to finance property, plant and equipment	21	(22,992)	(2,954)
Congestion management funds used to compensate disconnection losses during the period		(1,896)	(590)
Closing balance of congestion management funds		351,495	109,087

The principles of the receipt and use of congestion management funds are set out in Note 2.19. A revenue balance unused according to the purposes set out in Regulation (EC) No 714/2009 of the European Parliament and of the Council amounted to EUR 351,495 thousand as at 31 December 2022. The current portion of liabilities is expected to be settled (used) within 12 months:

- Eur 142.3 million to reduce the tariff of transmission services and to recognise as revenue and
- to finance projects of synchronization, approved by NERC.

Liability portion	Group	
	At 31 Dec 2022	At 31 Dec 2021
Non-current liability portion of congestion management funds	64,095	88,267
Current liability portion of congestion management funds	287,400	20,820
Total	351,495	109,087

25. Provisions

	Group	
	At 31 December 2022	At 31 December 2021
Provisions for pension benefits to employees	1,446	924
Provisions for servitude liabilities	468	277
Provisions for registration of protection zones	1,391	3,803
Provisions for litigations / claims	100	668
Provisions for warranties	1,452	-
Carrying amount	4,857	5,672
Non-current provisions	2,956	1,877
Current provisions	1,901	3,795

Description of the Group's provisions and the expected timing of realisation of economic benefit

	Provisions for pension benefits	Provisions for servitude compensations	Provisions for registration of protection zones	Provision for warranties	Provisions for litigations	Total
Carrying amount at 31 December 2020	841	1,250	4,088	4	15	6,198
Calculated	-	-	-	3	-	3
Revised estimate	83	(925)	(263)	-	646	(459)
Payments made	-	(48)	(22)	-	-	(70)
Carrying amount at 31 December 2021	924	277	3,803	7	661	5,672
Calculated	-	-	-	1,445	100	1,545
Revised estimate	522	260	(1,944)	-	-	(1,162)
Payments made	-	(69)	(468)	-	(661)	(1,198)
Carrying amount at 31 December 2022	1,446	468	1,391	1,452	100	4,857

Provisions for pension benefits to employees represent a termination benefit to the Group's employees of the retirement age established by legislation and by the collective employment agreements (Note 2.14). The term of the non-current provision is calculated for each employee using actuarial assumptions: age of the employee, probability of death, employee turnover rate, discount rate (31 December 2022: 0.83%; 31 December 2021: 0.37%), long-term salary growth rate (31 December 2022: 4%; 31 December 2021: 4%).

The provision for compensations for statutory servitudes is related to a one-off benefit for the usage of statutory servitudes, which is paid for the compensation of losses when a third party applies for a compensation. The Group's management calculated the provision according to the number of applications expected to be received (31 December 2022: 1,213; 31 December 2021: 830), the average compensation amount per application (31 December 2022: EUR 231; 31 December 2021: EUR 229) and the discount rate (31 December 2022: 1.24%; 31 December 2021: 0.62%).

The provision for the registration of protection zones is related to the Group's obligation to register special protection conditions (protection zones) for land near the Group's infrastructure objects. Based on the plans of the Group's management, the registration of protection zones is expected to continue until the end of 2024. The Group's management calculated the provision according to projected assumptions in view of expected purchases, according to actually effected purchases and the discount rate applied (31 December 2022: 1.24%; 31 December 2021: 0.62%).

Provisions for warranties increased significantly as at 31 December 2022 due to the accrual of the Group's contracting entity made for a warranty obligation to perform repair works under the physical barrier project.

Provisions for litigations/claims as at 31 December 2022 comprised a provision for a potential payment under the court's ruling to the Group's electricity transmission operator. The provision decreased as at 31 December 2021 due to the payment made to the claimant to compensate for losses.

26. Other non-current amounts payable and liabilities

	Group	
	At 31 December 2022	At 31 December 2021
Advance amounts received from connection of new consumers	1,115	-
Grants received in advance	32,802	1,677
Contractual obligations under connection agreements	1,271	1,305
Non-current trade payables	475	602
Carrying amount	35,663	3,584

Grants received in advance mainly consist of funds received from the CEF (Connecting Europe Facility) fund for the implementation of the synchronisation programme. It is planned that in 2024 expenditure for synchronisation will be incurred and grants will be recognised.

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.

27. Current and deferred income tax

Income tax expenses comprised as follows:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Current income tax	(16,653)	9,814		-
Deferred income tax (benefit)	9,491	(6,536)	9	(445)
Income tax expenses/(benefit) for the reporting period	(7,162)	3,278	9	(445)

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	Conges- tion mana- gement funds	Differences in depreciation rates	Unused investme nt relief	Accumul ated tax loss	Other	Total
Deferred income tax assets								
At 31 December 2020	4,062	216	13,079	185	3,923		1,648	23,113
Recognised in profit and loss	(112)	1	5,532	29	685			6,621
Deferred income tax assets offset against deferred income tax liability (tax loss utilised)							(380)	(380)
At 31 December 2021	3,950	217	18,611	214	4,608		1,754	29,354
At 31 December 2021 reclassified	3 950	217	18 611	214	4 608	489	1 265	29 354
Recognised in profit and loss	(327)	(30)	(16,233)	419	(2,416)	8,796	260	(9,531)
Deferred income tax assets offset against deferred income tax liability (tax loss utilised)						(489)		(489)
At 31 December 2022	3,623	187	2,378	633	2,192	8,796	1,525	19,334

Deferred income tax liabilities	Revaluation of PP&E (increase in value)	Tax relief on acquisition of PP&E	Other	Total
At 31 December 2020	(64)	(1,425)	(763)	(2,252)
Recognised in profit and loss	18	138	(240)	(84)
At 31 December 2021	(46)	(1,287)	(1,003)	(2,336)
Recognised in profit and loss	-	(87)	126	39
At 31 December 2022	(46)	(1,374)	(877)	(2,297)
Deferred income tax assets, net, at 31 December 2021				27,018
Deferred income tax assets, net, at 31 December 2022				17,037

The analysis of movements in deferred income tax assets and liabilities over time is as follows:

	Group	
	As at 31 December 2022 m.	As at December 2021 m.
Deferred income tax assets:		
Deferred income tax assets to be realised after more than 12 months.	10 156	26 276
Deferred income tax assets to be realised within 12 months.	9 178	3 078
Total:	19 334	29 354
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after more than 12 months.	(1 923)	(2 223)
Deferred income tax liabilities to be settled within 12 months.	(374)	(113)
Total:	(2 297)	(2 336)

Since 2014 when calculating income tax, the Group electric energy transmission operator recognises congestion management funds taxable income in the year in which it is accounted for, although only a part of congestion management funds has been recognised as income or has been used as a reduction of depreciation expenses in the same period. At the end of 2021, the Company revised the income tax return for 2018, in which it eliminated congestion management funds from taxable income and aimed to reduce the income tax for 2018 by an amount of EUR 1,819 thousand. During 2022, the Company also revised the returns for 2019 and 2021.

The State Tax Inspectorate started a tax inspection on 28 March 2022, which was completed on 6 March 2023. On the basis of the received decision of the State Tax Inspectorate, the Company understands that the State Tax Inspectorate has agreed that with effect from 2018 uniform accounting policies should be applied to congestion management funds for financial reporting and tax purposes. A change in the recognition of congestion management funds as taxable income resulted in a reduction of the prior year income tax expenses of EUR 16,184 thousand and in a respective increase of deferred income tax expenses due to the assets that were previously recognised on the reduction of congestion management funds. Consequently, a significant income tax overpayment related to previous and current reporting year and amounting to EUR 28,598 thousand arose following a change in the moment of taxation of congestion management funds.

The Company calculated income tax expenses for 2022 by recognising congestion funds received as income not subject to tax.

Other adjustments

During the revision of the income tax returns for the year 2019, the TSO also returned to EPSO-G UAB a tax loss of EUR 2,567 thousand that had been taken over from it and transferred a refunded consideration of EUR 385 thousand representing 15% of the returned amount to the State Tax Inspectorate as income tax payable. UAB "EPSO-G" tax loss for the year 2019 transferred to other group company Amber Grid.

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 2022 and reduced income tax expenses by the total amount of EUR 2,416 thousand (2021: EUR 3,865 thousand) (including recognised deferred income tax assets).

In 2021, the Company incurred tax losses of EUR 2,950 thousand. The Company transfers tax losses to the Group companies for consideration (15%). A consideration received by EPSO-G in 2022 for tax losses relating to the year 2021 transferred by LITGRID amounted to EUR 440 thousand and "Energy Cells" UAB – EUR 49 thousand.. The Company did not recognise deferred income tax assets on a tax loss incurred in 2022 because in 2022 there were no companies of the Group that could take over a tax loss.

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 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Profit/(loss) before income tax	(49,677)	43,096	5,514	12,889
Income tax calculated at a rate of 15%	(7,452)	6,464	827	1,933
Investment relief effect	(266)	(3,180)	-	-
Deferred income tax (unused investment relief)	-	(685)	-	-
Tax effect of non-taxable income and non-deductible expenses	933	638	(1,605)*	(2,378)*
Prior year adjustment	(377)	41	-	-
Effect of unrecognised tax losses	-	-	787	-
Income tax expenses/(benefit) recognised in profit or loss	(7,162)	3,278	9	(445)
Income tax expenses/(benefit) recognised in other comprehensive income	-	-	-	-

*The income tax calculated by the Company in 2022 included income not subject to tax representing dividends received from the subsidiaries of EUR 14,479 thousand (2021: EUR 16,129 thousand).

28. Trade payables

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Amounts payable for electricity	53,737	42,280	-	-
Amounts payable for natural gas	2,600	4,502	-	-
Amounts payable in performing natural gas balancing	5,622	-	-	-
Amounts payable for property, plant and equipment	44,917	11,432	-	-
Amounts payable for contractual works, services	10,476	17,132	-	-
Other trade payables	10	87	222	284
Carrying amount	117,362	75,433	222	284

The fair value of trade payables approximates their carrying amounts. Amounts payable for property, plant and equipment increased due to the performance of installation works of electricity storage facilities.

29. Advance amounts received

	Group	
	At 31 December 2022	At 31 December 2021
Deposits received from the exchange participants	16,598	44,969
Grants received in advance	35,193	9,887
Guarantee for fulfilment of obligations	-	2,359
Advance amounts received from new consumers	568	581
Other advance amounts received	-	71
Carrying amount	52,359	57,867

Grants received in advance comprise monetary funds received from the CEF (Connecting Europe Facility) fund, which will be used to finance incurred expenses in 2023.

Advance amounts received from new consumers and producers include advance amounts received from new consumers and producers for connection to electricity networks and for electricity infrastructure relocation services.

30. Other current amounts payable and liabilities

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Non-financial liabilities				
Administered PSO funds payable	159,310	94,614	-	-
Administered LNG terminal funds payable	7,635	12,259	-	-
Accrued administered LNG terminal funds	328	2,406	-	-
Employment-related liabilities	4,661	4,726	680	511
Accrued expenses relating to vacation reserve	3,676	3,087	198	175
VAT payable	5,291	10,440	15	-
Real estate tax payable	1,288	1,350	-	-
Advance amounts received for performance of contracts	-	19,772	-	-
Total non-financial liabilities	182,189	148,654	893	686
Financial liabilities				
Dividends payable	580	572	-	-
Interest payable	-	160	-	92
Accrued liabilities for non-current assets (CBCA contribution)	27,450	-	-	-
Accrued other expenses	2,137	1,094	99	18
Amounts payable to exchange participants for gas	-	24,013	-	-
Other amounts payable and current liabilities	1,730	814	-	-
Total financial liabilities	31,897	26,653	99	110
Total carrying amount of financial and non-financial liabilities	214,086	175,307	992	796

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 Ignitis 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 fair value of other current amounts payable approximates their carrying amount.

31. Revenue

The Group's revenue included as follows:

	Group	
	2022	2021
The Group's revenue from contracts with customers		
Revenue from electricity transmission and related services		
Electricity transmission services	72,516	80,070
Trade in balancing/imbalance electricity	175,145	71,720
System services	137,175	91,653
Revenue from other sales of electricity and related services	2,025	2,618
Total revenue from electricity transmission and related services	386,861	246,061
Revenue from natural gas transmission and related services		
Natural gas transmission services	65,383	53,748
Revenue from balancing services in the transmission system	30,567	12,540
Revenue from connection of new customers	35	-
Total revenue from natural gas transmission and related services	95,985	66,288
Other revenue from contracts with customers		
Revenue from construction, repair and technical maintenance services	69,701	22,827
Revenue from trading on the gas exchange and related services	1,563	1,476
Revenue from the biofuel exchange, thermal energy auctions, PSO funds administration and other income	1,623	789
Total other income	72,887	25,092
The Group's total revenue from contracts with customers	555,724	337,441
The Group's revenue not attributable to contracts with customers		
Public service obligations, LNG terminal administration services	28,954	19,978
Congestion revenue	1,896	590
Other services related to electricity	1,161	629
Revenue from connection of producers and relocation of electrical installations	13	-
Total revenue not attributable to contracts with customers:	32,024	21,197
Total revenue	587,757	358,638

The Company's revenue from contracts with customers comprised revenue from the provision of management services and it amounted to EUR 725 thousand in 2022 (2021: EUR 493 thousand).

Revenue from electricity transmission and related services increased by 56.8% in 2022 compared to 2021. Revenue growth resulted mainly from a EUR 103.4 million (2.4 times) increase in revenue from imbalance and balancing energy due to 2.5 times higher average sale price, although the volume sold was 1% lower. Revenue from electricity ancillary (system) services increased by EUR 45.5 million (49.7%) as a result of a 61.7% increase in an average price. Revenue from PSO services (balancing of electricity produced from renewable energy sources) increased by EUR 8.9 million as a result of a 86% increase in the price, although the volume sold declined by 36.1%.

Growth of revenue from performance of construction contracts in 2022 resulted from the physical barrier projects (EUR 51 million).

	Group	
	2022	2021
Revenue recognised over time		
Electricity transmission and related services	418,885	267,258
Natural gas transmission and related services	95,985	66,288
Revenue from performance of construction contracts	60,775	9,629
Revenue from membership fees	90	70
Total revenue recognised over time	575,735	343,245
Revenue recognised at a point in time upon provision of services		
Revenue from repair and maintenance services	8,926	12,713
Revenue from trading on the exchanges	3,096	2,680
Total revenue recognised at a point in time upon provision of services	12,022	15,393
Total revenue	587,757	358,638

32. Other income

The Group's other income comprised as follows:

	Group	
	2022	2021
Income from lease of assets	741	661
Interest on late payment and default charges	723	2,877
Other income	703	427
Total other income	2,167	3,965

33. Dividend income

	Group		Company	
	2022	2021	2022	2021
Dividend income	43	307	14,479	16,129
Total income from dividends and investing activities	43	307	14,479	16,129

In 2022 and 2021, the Group received dividends from TSO Holding.

In 2022 and 2021, the Company received dividends from its subsidiaries. Dividends paid by the Group companies to the Group's non-controlling interest amounted to EUR 464 thousand in 2022 (2021: EUR 413 thousand).

34. Related-party transactions

As at 31 December 2022 and 2021, 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 in line with the tariffs approved under relevant legal acts or in accordance with the requirements of the Law on Public Procurement. The settlement term is 30-60 days.

The Group's transactions conducted with the related parties during the twelve-month period of 2022 and balances arising on these transactions as at 31 December 2022 were as follows:

Related parties-	Purchases of services	Purchases of gas on exchange, LNG terminal funds and PSO funds*	Sales of services	Sales of gas on exchange, LNG terminal funds and PSO funds*	Amounts payable for services	Amounts payable for gas, LNG terminal funds and PSO funds*	Amounts receivable for services	Amounts receivable for gas, LNG terminal funds and PSO funds	Finance costs
Ignitis group companies:									
Ignitis Grupė AB							-		67
Energijos Skirstymo Operatorius AB	6,831	(5,844)	208,476	10,588	1,001	3,660	35,104	493	
Ignitis UAB	133,667	18,996	71,662	33,572	2,384		15,867	402	
Ignitis Gamyba AB	183,545	(59,119)	35,165	97,989	110,066		4,733	1,566	
Ignitis Grupės Paslaugų Centras UAB	6		299				27		
Vilniaus Kogeneracinė Jėgainė UAB	579		259	2	250		23		
Kauno Kogeneracinė Jėgainė UAB	771		202	1	81		1		
Transporto Valdymas UAB	688				62				
Other state-owned companies:									
State Enterprise Ignalina Nuclear Power Plant			1,156	98			159		
Klaipėdos Nafta AB		10,729	4			3,975	1		
State Enterprise Geoterma									
LTG Infra AB			652	37	15		127		
State Border Guard Service under the Ministry of Interior			52,752						
Other state-owned companies	1,603		207		61	205	52		
Total	327,690	(35,238)	370,834	142,287	113,920	7,840	56,094	2,461	67

* Purchases and sales of the gas product of the gas exchange operator as well as the Group's purchases and sales of LNG terminal funds and PSO funds are not presented in the Group's statement of profit or loss, as the Group acts as an agent in respect of these funds when collecting and allocating these funds.

The Group's transactions conducted with the related parties during the twelve-month period of 2021 and balances arising on these transactions as at 31 December 2021 were as follows:

Related parties-	Purchases of services	Purchases of gas on exchange, LNG terminal funds and PSO funds*	Sales of services	Sales of gas on exchange, LNG terminal funds and PSO funds*	Amounts payable for services	Amounts payable for gas, LNG terminal funds and PSO funds*	Other liabilities	Amounts receivable for services	Amounts receivable for gas, LNG funds and PSO funds	Finance costs
Ignitis group companies:										
Ignitis Grupė AB	-						84,220	174		470
Energijos Skirstymo Operatorius AB	27,187	23,043	169,182	104,787	995	721		23,309	19,966	2
Ignitis UAB	6,474	35,607	38,622	33,754	3,146	7,315		15,343	1,318	
Ignitis Gamyba AB	67,007	7,924	18,844	72,525	19,072	4,931		4,996	15,561	
Ignitis Grupės Paslaugų Centras UAB	8		278		1			30		
Vilniaus Kogeneracinė Jėgainė UAB	243		437		175			1		
Kauno Kogeneracinė Jėgainė UAB	262		128		43					
Transporto Valdymas UAB	816				98					
Other state-owned companies:										
Lietuvos Geležinkeliai AB										
State Enterprise Ignalina Nuclear Power Plant	128		984	725	10			99	74	
Klaipėdos Nafta AB		27,732				7,005				
State Enterprise Geoterma								45	65	
LTG Infra AB	826		499	242	826			69	37	
State Border Guard Service under the Ministry of Interior			6,835		19,592			2,151		
Other state-owned companies	181		140		516			5		
Total	103,132	94,306	235,949	212,033	44,474	19,972	84,220	46,222	37,021	472

* Purchases and sales of the gas product of the gas exchange operator as well as the Group's purchases and sales of LNG terminal funds and PSO funds are not presented in the Group's statement of profit or loss, as the Group acts as an agent in respect of these funds when collecting and allocating these funds.

The Company's transactions conducted with the related parties during the twelve-month period of 2022 and balances arising on these transactions as at 31 December 2022 were as follows:

Related parties	Amounts payable and accrued expenses	Amounts receivable and accrued revenue	Sales	Purchases	Loans granted / (received)	Finance income / dividend income	Finance costs
Ignitis Grupė AB*							67
State-owned companies							
Transporto Valdymas UAB				25			
State Border Guard Service under the Ministry of Interior			974				
Group company							
Litgrid AB	25	79	242	13,830	(232,008)	4,917	20
Amber Grid AB		54	127		9,571	9,643	
Tetas UAB		77	134		8,793	172	
Baltpool UAB		9	72		(99,554)		
GET Baltic UAB		2	29				
Energy Cells, UAB		39	123		5,327	41	
Total	25	260	1,701	13,855	(307,871)	14,773	87

The Company's transactions conducted with related parties in 2021 and balances arising from these transactions as at 31 December 2021 were as follows:

Related parties	Amounts payable and accrued expenses	Amounts receivable and accrued revenue	Sales	Purchases	Loans granted / (received)	Finance income / dividend income	Finance costs
Ignitis Grupė AB*	84,220*	174	-	-	-		470
State-owned companies							
Transporto Valdymas UAB	3			34	-		-
Group company							-
Litgrid AB	-	53	247	-	(43,594)	16,129	-
Amber Grid AB	-	32	110	-	3,284	99	-
Tetas UAB		10	44	-	(5,973)	38	-
Baltpool UAB		7	33	-	(45,084)	28	-
GET Baltic UAB		2	7				
State Border Guard Service under the Ministry of Interior		203	308				
Energy Cells, UAB		30	52		7,811	5	-
Total	84,223	511	801	34	(83,556)	16,299	470

	Group		Company	
	At 31 Dec 2022	At 31 Dec 2021	At 31 Dec 2022	At 31 Dec 2021
Payments to key management personnel				
Employment-related payments	3,401	2,848	744	653
Whereof: termination benefits	227	67	114	7
Number of key management personnel (average)	31	28	6	6

No loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Group's and the Company's management personnel in 2022 and 2021.

Key management personnel consists of the heads of administration and the directors of the departments. In 2022, payments to the members of the collegial management bodies amounted to EUR 395 thousand (2021: EUR 253 thousand).

35. Financial risk management

The Group and the Company are exposed to financial risks in their operations. In managing these risks, the Group and the Company seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance. The Group and the Company comply with the Treasury and Financial Risk Management Policy of the EPSO-G UAB Group, as approved by the Board of EPSO-G UAB (hereinafter "the Risk Policy").

Financial instruments by category (as per the statement of financial position)

Financial assets	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Long-term loans granted			2,700	
Trade receivables (Note 13)	86,179	74,674	197	114
Other amounts receivable (Note 14)	768	11,918	21,059	11,339
Other financial assets (Note 15)	21,664	65,385		-
Cash and cash equivalents (Note 16)	248,096	41,284	244,310	36,868
Financial assets measured at amortised cost	356,707	193,261	268,266	48,321
Other financial assets				
Financial assets measured at fair value through other comprehensive income	-	781		-
Total financial assets	356,707	194,042	268,266	48,321

Financial liabilities	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Liability for acquisition of LITGRID AB	-	84 128		84 128
Borrowings (Note 22)	208,174	167,242	407,693	94,652
Lease liabilities (Note 23)	11,361	10,423	236	219
Trade payables (Note 28)	117,398	75,433	222	284
Other amounts payable and liabilities (Note 30)	31,897	26,653	1,425	110
Total	368,794	363,879	409,576	179,393

Credit risk

As at 31 December 2022 and 31 December 2021, credit risk was related to the following line items:

	Group		Company	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Contract assets	6,363	3,066		
Financial assets at amortised cost*	356,707	193,261	268,266	48,321
Maximum credit risk	363,070	196,327	268,266	48,321

Credit risk arising from trade and other amounts receivable is disclosed in Notes 13 and 14.

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 91% as at 31 December 2022 (31 December 2021: approximately 96%) of the Group's total trade receivables (financial assets). As at 31 December 2022, amounts payable by the major customer, distribution network operator Energijos Skirstymo Operatorius AB, accounted for 40% (31 December 2021: 31%) of the Group's total trade receivables (financial assets).

Credit risk is managed through a regular performance of monitoring procedures (individual monitoring of debtors, monitoring and analysis of buyers to anticipate potential future solvency problems, etc.). The Group companies have approved regulations for trade receivables management, which sets out specific actions and deadlines required for the reduction of trade receivables.

The table below provides the ratings of the banks where the Group and the Company hold their cash and cash equivalents (Note 16) and other financial assets (Note 15):

Swedbank*	AA-
SEB*	AA-
OP Corporate Bank	AA-

* The ratings assigned to the parent banks as at 31 December 2022 are provided.

Trade and other receivables are mainly from the state-owned entities and large manufacturers with no history of significant defaults.

Liquidity risk

The Group's policy is to ensure 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 2022, therefore its exposure to liquidity risk is not significant. As at 31 December 2022, the Group's current ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 0.74 and 0.71, respectively (31 December 2021: 0.7 and 0.65, respectively). As at 31 December 2022, the Company's current and quick ratios were 0.79 and 0.79, respectively (31 December 2021: 0.27 and 0.27, respectively).

Temporary increase of current liabilities and current assets, effected by clients of natural gas exchange and biofuel exchange and has negative impact on Group liquidity ratios. As at 31 December 2022 Group net debt was negative, that is the Group free cash equivalents amounts exceeded liabilities to creditors.

Also, Group current assets was decreased due electric energy TSO temporary regulatory deviations from regulated profitability, approved by NERC. These regulatory deviations will be compensated to TSO during the 2023-2024 year period.

The Parent company also had unused overdraft limits in amount of EUR 51 million.

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 2022					
Trade and other amounts payable	120,777	28,401			149,178
Borrowings	8,302	19,805	131,161	65,916	225,184
Lease liabilities	410	1,427	3,587	10,935	16,359
At 31 December 2021					
Trade and other amounts payable	101,382	704			102,086
Borrowings	2,252	22,886	71,800	74,584	171,522
Lease liabilities	364	1,236	2,854	11,342	15,796
Other financial liabilities		84,441	-	-	84,441
Company	Less than 3 months	Between 4 months and 1 year	Between 2 and 5 years	Over 5 years	Total liabilities
At 31 December 2022					
Trade and other amounts payable	222	992			1,214
Borrowings	580	333,525	82,786		416,821
Lease liabilities	30	65	143		238
At 31 December 2021					
Trade and other amounts payable	284	796			1,080
Borrowings	94,652				94,652
Lease liabilities	23	61	137		221
Other financial liabilities		84,441			84,441

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 with interest rates linked to EURIBOR. Increasing/decreasing the interest rate by +/- 1 percent would decrease/increase the Group's profit before tax by EUR 2,730 thousand as at 31 December 2022 (if interest rates would increase / decrease by +/- 0.1 percentage point, the profit before taxes would decrease/increase by EUR 235 thousand in 2021).

Risk of fluctuation in purchase price of gas and electricity

The Group is exposed to the risk related to changes in the natural gas purchase price. Changes are caused by various fluctuations in international markets. In 2022, the Group did not take any measures to mitigate the natural gas price risk.

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, cash and cash equivalents, loans, trade and other amounts payable and other financial assets.

The following methods and assumptions are used to estimate the value of each category of financial instruments that are not measured at fair value:

- The carrying amount of current trade and other amounts receivable, other financial assets, cash and cash equivalents, loans to the related parties, current trade payables and other amounts payable approximates their fair value (Level 3).
- The fair value of non-current borrowings is estimated based on the quoted market price for the same or similar loans or on the current interest rates available for debt with the same maturity profile. The fair value of the Group's non-current borrowings with fixed interest rates was approximately EUR 15,613 thousand lower than their carrying amount as at 31 December 2022 (31 December 2021: EUR 2,959 thousand). As at 31 December 2022 the fair value of issued debt bonds with fixed interest rate coupon was approximately EUR 7,954 thousand lower than its carrying amount.

Assessment of climate change impact

The Group directs large attention to the assessment of a possible impact of climate change and related economic consequences on the activities of the subsidiaries. Impact related to climate change may arise due to physical (extreme) climate changes and due to the aim of the countries to move to the Green deal, which may result in additional requirements applicable in the energy sector: compliance with a new regulatory environment; introduction of new technologies; response to changes in market demand due to green energy solutions.

Assessment of PPE

Based on the assessment of the Group's management, in the context of fight against climate change, adoption of more stringent requirements of the European Union environmental policy, promotion and expansion of use of renewable energy sources, and more efficient use of energy – all these factors will contribute to lower consumption of natural gas for energy purposes and for the needs of the industry in Lithuania. Nevertheless, natural gas will play an important role as a transition period energy towards the achievement of the European and national-level objectives on the reduction of greenhouse gas emissions to the atmosphere. The share of green gas is expected to grow: biomethane and gas produced during the process of the conversion of green electricity – green hydrogen and synthetic methane. The main objective of the Group's strategy is to work together in transforming the Lithuanian energy sector to become a climate-neutral economy.

The requirement of provisions and expected credit losses

In 2022, the environmental impact assessment and an inventory of greenhouse gas emissions were carried out, and the 2023-2030 plan for the measures of mitigation of greenhouse gas emissions was prepared with a goal to reduce the Company's total emissions by two-thirds compared to the base emissions in 2019.

Currently, there is no significant climate change impact on the useful lives of property, plant and equipment, the value of non-financial assets, and the consolidated financial statements, whereas in future the Company's vision is to develop the system that empowers competition and use of eco-friendly energy.

36. Regulation of prices and the Group's profitability

The electricity transmission service result for 2018-2021 (difference between permitted and actual investment return) accrued as at 31 December 2022 and already approved by the NERC is negative totalling EUR (4.1) million, and it has already been assessed (revenue has been increased) when establishing the transmission service price for 2023.

The electricity transmission service result for 2022 is negative due to a significant increase in electricity market prices in 2022 leading to higher expenses for compensating for electricity purchase technological losses in the transmission network and it has not yet been

approved by the NERC. When establishing the price for 2024-2025, it should be assessed by increasing the price of and revenue from the electricity transmission service.

The result of ancillary (system) services for 2021 (difference between revenue and expenses which is to be refunded) accrued as at 31 December 2022 and already approved by the NERC totals EUR 27.1 million, and it has already been assessed (revenue has been reduced) when establishing the acquisition component of ancillary (system) services for 2023.

The result of ancillary (system) services for 2022 is positive and has not yet been approved by the NERC. When establishing the price for 2023, it should be assessed by reducing the price of and revenue from the services.

Positive regulatory deviations in revenue and expenses of the natural gas transmission services accrued as at 31 December 2022 and already approved by the NERC amount to EUR 10.9 million. Regulated revenue from the natural gas transmission services in 2023 have been reduced by this amount.

The result of the natural gas transmission service for 2022 exceeds the rate established by the NERC, however positive regulatory deviations have not yet been approved by the NERC. When establishing the revenue level of the natural gas transmission services for 2024, positive regulatory deviations of the year 2022 should be assessed by reducing/increasing revenue from transmission services in 2024.

37. Contingent liabilities

Litigations

LITGRID AB litigations

A legal dispute with Šiaulių Energija UAB is ongoing from 12 March 2020, during which Vilnius Regional Court passed the ruling on 6 April 2021 whereby it obligated to the Company to indemnify losses, procedural interest and compensate litigation expenses. As at 31 December 2021, the Company established a provision of EUR 661 thousand for a possible claim.

On 24 March 2022, the Court of Appeal passed a final ruling and ordered the Company to indemnify a loss of EUR 1,360 thousand, procedural interest and compensate litigation expenses. Under the ruling of the Court of Appeal the total amount awarded was paid to Šiaulių Energija UAB as according to Article 279(1) of the Lithuanian Civil Procedure Code rulings passed by the court of appeal instance come into effect from the date of their adoption. At the present moment, LITGRID AB has fully executed the ruling of the Court of Appeal of Lithuania.

The appeal in cassation of LITGRID AB was accepted on 3 June 2022. The case is under investigation by the court of cassation instance regarding the annulment of the ruling of the court of appeal for the amount of EUR 1,360 thousand. The Company cannot predict the course of the case, it has fully executed its obligations, therefore no provisions were established in respect of this case as at 31 December 2022 (Note 25).

In the procurement Purchase of construction works of the 330 kV Vilnius-Neris electricity transmission line conducted by LITGRID AB, the contractor refused to sign the contract. Consequently, the proposal guarantee, i.e. a bank guarantee for the amount of EUR 100 thousand, was used. On 30 May 2022, Žilinskis ir CO UAB filed a claim with Vilnius Regional Court for the annulment of the decision of LITGRID AB regarding the use of a bank guarantee and of the claim to Luminor Bank AS Lithuania division, and for the awarding of an amount of EUR 100 thousand.

Case-law is not well-developed in this area, therefore a provision of EUR 100 thousand was established as at 31 December 2022 (Note 25).

Amber Grid AB litigations

Currently, Amber Grid is involved in two civil cases: 1) regarding award of the LNG terminal funds and late interest from Achema AB; 2) regarding award of damages for low quality goods, late interest and litigation costs from the supplier of goods.

In respect of the civil case regarding award of the LNG terminal funds, the Company acts solely as an administrator of the LNG terminal funds, transfers the LNG terminal funds to their recipients only after collecting them from the buyers, and accordingly, the Company does not incur credit risk in respect of the disputed amount. By the decision of Kaunas Regional Court of 20 January 2022, the proceedings were suspended in respect of the claimed LNG extra charges of EUR 4,463 thousand and late interest of EUR 53 thousand arising from the natural gas transmission service contract of 22 December 2014, as it was pending the decision of the European Commission regarding the compatibility of the LNG extra charges, collected during the period from 1 January 2016 to 31 December 2018, with the state aid rules under the EU law. By decision of 17 March 2022, the Lithuanian Court of Appeal left the decision of Kaunas Regional Court of 20 January 2022 unchanged.

By the decision of Kaunas Regional Court of 20 September 2022, the proceedings were also suspended in respect of late interest of EUR 763 thousand arising from the natural gas transmission service contract of 21 December 2012 and a counterclaim, whereby Achema AB requested to declare as unlawful the Company's actions when calculating late interest under the natural gas transmission

service contract of 21 December 2012 and when allocating the payments collected from Achema AB under the contract for offsetting against late interest, as it was pending the decision of the European Commission regarding the compatibility of the LNG terminal funds, charged during the period from 1 January 2016 to 31 December 2018, with the state aid rules under the EU law. As the Company disagreed with the decision of Kaunas Regional Court of 20 June 2022, it filed a separate appeal regarding the annulment of the aforementioned part of the decision. As the Lithuanian Court of Appeal investigated the Company's separate appeal, it made a decision on 8 September 2022, by which the decision of Kaunas Regional Court of 20 June 2022 was left unchanged.

In the proceedings regarding the low quality goods, on 6 September 2022 the Company referred to the court with request to issue the court's order regarding award of EUR 69.8 thousand damages for low quality goods, 6% annual late interest and litigation costs. On 7 September 2022, the court order was issued, based on which outstanding debt of EUR 69.8 thousand, 6% annual late interest and litigation costs were awarded in favour of the Company. The court order was further submitted to the bailiff for execution.

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 2022. The amounts recovered from the above-mentioned debtors of PSO funds would be entered into the PSO funds budget, therefore the above-mentioned litigations will have no direct impact on the financial position of Baltpool.

38. Non - audit services

In the period of year 2022 and year 2021 the audit company provided below indicated non-audit services to the Group and to the Company:

Non audit services	Group		Company	
	As at 31 December 2022.	As at December 2021	As at 31 December 2022.	As at December 2021
Assurance and other related services	57,788	34,788	25,000	
Tax consulting services	-	2,574	-	
Other services	16,992	17,669	4,903	4,683
Total	76,780	55,031	29,903	4,683

39. Events after the reporting period

On 13 January 2023, a fire broke out in the Pasvalys region on the main gas pipeline of the Group's gas transmission system operator. The event did not affect the gas transmission system operator's ability to continue its business operations nor its revenue. All obligations to system users were fulfilled. The investigation of the causes of the event is conducted by the Group's specialists and the responsible authorities. Losses incurred during the fire are being revised. The gas transmission system operator has obtained a general civil liability insurance that covers its assets.

On 16 March 2023 the Board of Amber Grid made a decision to approve the sale of 66% shares of GET Baltic to European Energy Exchange AG (EEX) for EUR 6.5 million. This decision of the Board will have to be approved by Amber Grid's general meeting of shareholders, which will take place in April 7, 2023. The strategic partner who offered the highest price for GET Baltic shares met all the requirements of the public tender. The rest of the shares – 34% can later (in 2 years period) be sold via an option to the same partner, after he fulfills the investor obligations included in the contract, related to ensuring benefits for the market of the Baltic states and Finland.

On February 2023 UAB "EPSO-G" extended the borrowing agreements with Group companies for the second time, applying variable interest rate linked to ESTR (euro short-term rate).

On 6th of January 2023 UAB „EPSO-G“ concluded term deposit agreement with OP Corporate Bank plc Lietuvos filialas in amount of 100 000 000 Eur with maturity up to 90 days. On 13th of February 2023 Company also acquired German Treasury Bill with maturity up to 90 days for 49 999 868,10 Eur. Short term investments were made with the aim of optimizing return on excess cash balances, taking into account projected need for cash and liquidity forecasts.

CHAIRMAN'S STATEMENT

Dear all,

Last year marked a significant milestone in many of our lives, with the war in Ukraine changing our daily lives and agendas. It also marks a new phase in the world's geopolitical processes, one that has brought together hearts committed to Western values of freedom in the fight against the aggressor.

The year 2022 also marked a new milestone in Lithuania's energy history. It was marked by many uncertainties, but also by a very strong focus of the EPSO-G team, which in many situations enabled us to overcome uncertainties and challenges. The foundations of the energy system, which have been strengthened over the years, and the Group's strong strategy have ensured that we continue to move confidently towards energy independence. We have maintained the momentum of rapid integration with Western Europe. We connected our gas pipeline systems with Poland, and moved away from Russian gas. We also continued to strengthen and expand our electricity infrastructure westwards.

Last year, we successfully completed a year-long physical barrier on the border with Belarus. On time and on a lower budget than approved by the Government. Despite the logistics chains being significantly disrupted at the time and shortages of building materials on the markets.

Litgrid and Amber Grid, companies in the EPSO-G group, have made a significant contribution to helping Ukrainian electricity and gas transmission system operators restore the infrastructure damaged by the attacks. I am aware of dozens of other initiatives in support of Ukraine that have come out of teams in larger and slightly smaller companies. I am pleased and proud of them and of the entire Group team that has contributed to them.

Last year, we became the first company in the Baltics to issue a sustainability-related bond. The bonds were purchased by institutional investors from Lithuania, Latvia, Estonia and Sweden. For the company, this was a great example of project focus. It was also an opportunity to demonstrate the commitment of the whole Group to be firmly on the path of sustainable development and to meet the climate impact reduction targets set in the strategy.

Last summer, Mindaugas Keizeris joined the EPSO-G team. He has successfully continued to implement the objectives set out in the strategy, strengthening cooperation between the Group's companies, while at the same time reinforcing initiatives to expand the Group's non-regulated activities, adjusting the Group's business model accordingly and managing the associated changes.

Thank you to all the teams in the EPSO-G Group for their focus and hard work over the past year. I invite and wish us all to work together with the same motivation in the future.

Robertas Vyšniauskas, Chairman of the Board of EPSO-G

CEO'S STATEMENT

Dear all,

We hereby present you an analysis of the EPSO-G Group's performance and financial results for 2022 and an overview of key events. Last year was full of exceptional challenges for the EPSO-G Group, for Lithuania and for our region. These challenges are reflected in the Group's projects, in the evolution of electricity and gas flows and in the Group's financial performance.

At the end of last year, we crossed the symbolic milestone of 50% synchronisation of the electricity system with the Continental European grids. Of the two dozen projects, six have been fully completed and others are progressing well. From Darbėnai in western Lithuania to the Neris transformer substation near Vilnius. From Alytus to the Gataučiai municipality near the historical site of the Battle of Saulė. Once completed, they will mark another important step towards Lithuania's energy independence.

One of the key projects is the four battery parks that are being completed by Energy Cells to ensure that Lithuania will be able to operate in isolated mode when needed. It will also speed up the smooth integration of solar and wind power plants into the overall system. Last year, the joint Lithuanian-Polish gas pipeline GIPL became operational, breaking the energy isolation of the Baltic States and Finland and integrating the countries into the EU's gas network. The integration of the Baltic countries has been reinforced by a significant increase in the capacity of the gas interconnector between Latvia and Lithuania. Growing international gas flows in these directions only confirmed the timeliness and strategic value of these projects.

Last year, we also successfully completed the physical barrier project at the border with Belarus, which had been running for just over a year. I joined the team as the main work on this project was being finalised, but I immediately noticed the team's focus and commitment to delivering within the agreed timeframe and scope.

The success of the Group's stock exchanges has also been of great importance to Lithuanian citizens and businesses. We have made changes to strengthen these companies, which are important for the energy industry as a whole, while strengthening the Group's operations and expanding the range of non-regulated activities. Trading on the biofuel exchange Baltpool grew by almost a fifth last year, and at the end of the year we significantly increased our stake in TSO Holding, which together with another shareholder indirectly operates the Nord Pool electricity exchange.

In March 2023, we announced that GET Baltic's strategic partner in the development of gas exchange services in the Baltic States and Finland will be the European Energy Exchange operating in nineteen countries. This strategic partnership will create more and better services for market participants.

The Amber Grid projects and geopolitical changes in the region have significantly increased and changed directions of international gas flows. This has helped to offset the effect of the mid-year gas price spike to historic highs. Last year, Litgrid's electricity transmission volumes declined by around 6%, and in the context of the energy war, a record increase in electricity prices led to a temporary negative financial result for the company.

The total revenue of the group as a whole last year was EUR 590 million, 63% higher than in 2021. However, the surge in energy prices doubled the Group's costs to EUR 637 million. Electricity and gas transmission operators are regulated, so short-term financial effects are adjusted in the longer term. The Group's EBITDA in 2022 was negative at EUR -11.3 million, while adjusted EBITDA remained stable at EUR 62.6 million after taking into account the adjustment of the results of the TSOs in subsequent years for prior periods and other factors. The consolidated unadjusted net loss of the Group amounted to EUR 42 million, while the corresponding adjusted net profit of the Group amounted to EUR 21.3 million last year and EUR 26.7 million in 2021.

Last year, the EPSO-G Group invested EUR 140 million in projects to strengthen Lithuania's energy independence.

I am delighted to join the EPSO-G team, and I thank my colleagues across the Group, the Board and the shareholder representatives for their focus and successful work together. I wish us all every success as we continue to meet the challenges of this year and create synergies between the knowledge and resources pooled across the Group.

Mindaugas Keizeris, CEO of EPSO-G

CONSOLIDATED ANNUAL REPORT OF EPSO-G AND THE GROUP COMPANIES FOR 2022

The consolidated report of the holding company EPSO-G and the Group companies was prepared for the twelve months period ended on 31 December 2022

1. GENERAL INFORMATION ON EPSO-G GROUP COMPANIES

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

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

The main activity of the EPSO-G Group is to ensure uninterrupted, stable electricity transmission through high voltage grids and natural gas transportation through high-pressure pipelines and efficient management, maintenance, subcontracting and development of these transmission systems. The Group also manages and develops the biofuel, natural gas and timber trade platforms designed to ensure competition in the market of energy resources and roundwood. It also carries out electricity subcontracting projects and provides infrastructure operation services for low, medium and high voltage network operators.

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

As at 31 December 2022, the EPSO-G Group (the “Group”) consisted of the holding company EPSO-G UAB (“EPSO-G” or the “Company”), five directly controlled companies of the Group: LITGRID AB (“Litgrid”), Amber Grid AB (“Amber Grid”), BALTPPOOL UAB (“Baltpool”), TETAS UAB (“Tetas”), Energy Cells UAB (“Energy Cells”), and the indirectly controlled company GET Baltic UAB (“GET Baltic”).

Name	LITGRID AB	Amber Grid AB	BALTPPOOL UAB	TETAS UAB	GET Baltic UAB	Energy cells UAB
Legal form	Public limited company	Public limited company	Private 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	26 January 2021, the Register of Legal Entities of the Republic of Lithuania
Company code	302564383	303090867	302464881	300513148	302861178	305689545
Registered office address	Karlo Gustavo Emilio Manerheimo g. 8, LT-05131 Vilnius	Laisvės pr. 10, LT-04215 Vilnius	Žalgirio g. 90, LT-09303 Vilnius	Senamiesčio g. 102B, LT-35116 Panevėžys	Geležinio Vilko g. 18 A, LT-08104 Vilnius	Ozo g. 12A-1, 08200 Vilnius
Telephone	+370 707 02171	+370 5 236 0855	+370 5 239 3157	+370 45 504 670	+370 5 236 0000	+370 659 00748
Email	info@litgrid.eu	info@ambergrid.lt	info@baltpool.eu	info@tetas.lt	info@getbaltic.com	info@energy-cells.eu
Website	www.litgrid.eu	www.ambergrid.lt	www.baltpool.eu	www.tetas.lt	www.getbaltic.com	www.energy-cells.eu
Nature of the activity	Electricity Transmission System Operator	Natural Gas Transmission System Operator	Energy exchange operator, administrator of the funds of services of public interest	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	Providing the electricity transmission system operator with the electricity reserve guarantee service required for the isolated operation of electricity system
Shares held by EPSO-G	97.5%	96.6%	67.0%	100.0%	96.6% (shares held by Amber Grid - 100%)	100.0%

1.1. Holding company EPSO-G

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

By implementing the activities outlined in the National Energy Independence Strategy (NEIS) and the Letter of Expectations of the Shareholder, the holding company establishes the strategic goals and tasks of the Group and its constituent companies, supervises their implementation, identifies and manages operational risks and implements measures to increase the efficiency of the Group companies. The holding company also lays down the operating rules that are in line with a good business practice and coordinates the activities of the companies which are part of the Group in the fields of audit, human resources, risk management, social responsibility, innovation, communication and in other fields increasing operational transparency and accountability in order to create sustainable and long-term value for Lithuania's people and business.

The uniform good corporate governance practice of 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 Nomination Committee, thus ensuring equal principles of nomination and remuneration in the Group;
- By setting up a centralized Group-wide internal audit that is accountable to the Audit Committee and the Board of the Company and is not subordinate to the administration of the companies;
- By adopting the Group's policies that regulate various areas of activity, thus implementing good sustainable development practices in the Group;
- By 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. Litgrid

Litgrid is the electricity transmission system operator, which ensures reliable electricity transmission and the balance of electricity, manages and operates the high-voltage electricity transmission network and the direct-current interconnectors LitPol Link 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.

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.** The TSO Litgrid purchases from energy generating companies the services for the capacity reserve assurance at the electricity generation facilities, reactive power and voltage management, and emergency, disruption prevention and response services, and provides consumers with system services. The capacity reserve is needed when electricity production suddenly and unexpectedly falls or its consumption increases.
- **Trade in imbalance and balancing electricity to ensure a balance between production and consumption.** The TSO organises trade in imbalance electricity, buys and sells imbalance electricity that is necessary to ensure the country's electricity production and consumption balance. Balancing electricity is electricity that is bought and/or sold on instruction of the transmission system operator as electricity necessary for performing the function of balancing the country's electricity consumption and production. The TSO organises trading in balancing electricity by auction. Litgrid, together with Estonian and Latvian operators, organizes a common Baltic balancing energy market, in which the single Baltic balancing is managed, and balancing energy is traded on equal terms and conditions.
- **Services under public service obligation (PSO) scheme.** These are the services that ensure and enhance the national energy security and promote integration and use of electricity produced from renewable energy sources. The list of PSO services, their providers and procedures for the provision of PSO services are approved by the Government of the Republic of Lithuania, or an institution authorised by it, having regard to the public interests in the electricity sector. PSO funds are funds that are paid to the providers of PSO services. Litgrid provides the following PSO services: connection of power generation equipment that uses wind, biomass, solar energy, or hydropower to the transmission 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.**

Balancing and regulating electricity suppliers are electricity producers and suppliers.

Key financial indicators of Litgrid:

	2022	2021	Change	
			+/-	%
Revenue, EUR thousand	420,308	270,588	149,720	55.3%
Operating expenses, EUR thousand	477,814	246,063	231,751	94.2%
EBITDA ¹ , EUR thousand	-36,513	46,206	-82,719	-179.0%
Net profit, EUR thousand	-49,484	20,013	69,497	-347.3%
Assets, EUR thousand	718,545	489,825	228,720	46.7%
Number of employees	389	335	54	17.3%

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

1.3. Amber Grid

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

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

The transmission system managed by Amber Grid consists of 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 assets attributed to the transmission system.

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

Services

Amber Grid provides system users, other operators and participants of the gas market with natural gas transmission services in the territory of Lithuania: it transmits gas to domestic consumers, as well as transports natural gas to Latvia, Poland and Kaliningrad District of the Russian Federation.

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

- Gas transmission in the territory of Lithuania;
- Gas flow balancing in the transmission system;
- Administration of the funds intended for the installation of the LNG 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).

Customers

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

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 manages 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.

Key financial indicators of Amber Grid Group:

	2022	2021	Change	
			+/-	%
Revenue, EUR thousand	98,206	68,595	29,611	43.2%
Operating expenses, EUR thousand	79,357	45,381	33,976	74.9%
EBITDA ¹ , EUR thousand	32,036	35,372	-3,336	-9.4%
Net profit, EUR thousand	15,665	23,211	-7,546	-32.5%
Assets, EUR thousand	548,356	380,214	168,142	44.2%
Number of employees	340	332	8	3.6%

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

1.4 Baltpool

Baltpool is the operator of the exchange for the energy resources and trade in timber, which organises trade, i.e. creates equal conditions for market participants to acquire biofuel and timber under competitive terms and thus ensure the maximum benefit to the consumers and return to the state. Baltpool organises auctions of heat supplied to centralised 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 biofuel and timber under competitive conditions and thus create conditions for the formation of prices that reflect the relationship between supply and demand.

The exchange operates in Lithuania, Latvia, Estonia, Poland, Denmark, Finland and Sweden.

Baltpool customers by activities carried out:

- The customers in the activity of the biofuel exchange are the biofuel buyers (district heating companies, independent heat generating entities and other companies using in their activity the biofuel products traded in the exchange) and biofuel suppliers (manufacturers and suppliers of wood pellets and chips);
- Timber sellers, specifically the State Forestry Enterprise and its territorial subdivisions, are the key customers in the activity of timber auction organising. Timber buyers are the companies using timber products in their activity: from timber processing companies to biofuel supply companies.

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

Under the resolution of the Government of the Republic of Lithuania, Baltpool is appointed to implement the special obligation to perform the functions of a PSO funds administrator in the power sector.

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

Balance of PSO funds*, thousand. Eur

	2022	2021	Change	
			+/-	%
Administered funds are available	27 953	59 157	-31 204	-52,7%
Balance of the funds	132 554	45 084	87 470	194,0%
	160 507	104 241	56 266	54,0%
Short-term financial debts	-	-	-	-
Payable funds	-	-	-	-
VAT payable	1 196	6 438	-5 242	-81,4%
Accumulated payable funds	159 311	97 803	61 508	62,9%
	160 507	104 241	56 266	54,0%

*The accounting of PSO funds must be managed separately from the company's activities. PSO funds are not the property of the administrator.

Key performance indicators of Baltpool:

	2022	2021	Change	
			+/-	%
Revenue, EUR thousand	1,503	1,269	234	18.4%
EBITDA ¹ , EUR thousand	217	186	31	16.7%
Net profit, EUR thousand	83	89	-6	-6.7%
Assets, EUR thousand	175,632	113,806	61,826	54.3%
Number of employees	18	18	0	0%

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

1.5. 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 carries out the installation of fiber-optic cable engineering infrastructure, provides photovoltaic power plant design services and installation works. The company has a division providing design services. The Company provides testing and diagnostic services for electrical equipment.

Key performance indicators of Tetas:

	2022	2021	Change	
			+/-	%
Revenue, EUR thousand	79,074	33,338	45,736	137.2%
Operating expenses, EUR thousand	84,297	32,778	51,519	157.2%
EBITDA ¹ , EUR thousand	-3,933	1,679	-5,612	-334.2%
Net profit, EUR thousand	-4,719	382	-5,101	-1,335.3%
Assets, EUR thousand	18,987	32,657	-13,670	-41.9%
Number of employees	416	498	-82	-16.5%

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

In addition to the typical Tetas activities, the company implemented several strategic projects in 2022. In 2022, a significant increase in revenue and operating expenses was determined by the installation of a physical barrier project at the border with the Republic of Belarus, which generated a loss of about EUR 1 million.

1.6. Energy Cells

Energy Cells is a special purpose company, by the decision of the Government of the Republic of Lithuania appointed as the operator of energy storage facilities during the implementation of the synchronization project with the continental European network (CEN). The company was registered with the Register of Legal Entities on 26 January 2021. Under the approved concept of the project ensuring national security interests, the company's function is the installation of the energy storage facilities system in Lithuania with a total combined power and storage capacity of at least 200 megawatts (MW) and 200 megawatt hours (MWh).

These facilities consisting of four battery parks with an equal capacity of 50 MW and power of 50 MWh each in Vilnius, Šiauliai, Alytus and Utena will serve as an instant reserve to ensure the reliable, stable and consumer-friendly operation of Lithuania's electricity system (LES) until synchronisation with the continental European grid and, in the future, for the integration of rapidly growing renewable energy sources.

Key performance indicators for Energy cells:

	2022	2021	Change	
			+/-	%
Revenue, EUR thousand	93	0	93	0.0%
EBITDA ¹ , EUR thousand	-518	-334	-184	55.1%
Net profit, EUR thousand	-509	-305	-204	55.9%
Assets, EUR thousand	39,399	10,178	29,221	287.1%
Number of employees ²	19.5	11	24	120.0%

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

2) Due to the specifics of the project work, most of the employees of Energy Cells work under fixed-term contracts and part-time. As at 31 December 2022, 44 employees worked in the company under the concluded employment contracts (31 December 2021: 20 employees).

2. OPERATING AND REGULATORY ENVIRONMENT

2.1. Operating environment

In 2022, the activities and results of EPSO-G Group companies were most influenced by the challenge for all of Europe that started in 2021 and got more intense when Russia started the war in Ukraine – record high electricity and natural gas prices. High electricity prices were significantly affected by high gas prices, uncertain supply of natural gas to Europe.

As a result of the soaring prices, the increase in acquisition costs of gas and electricity of the transmission system operators for technological and own needs had a negative impact on the financial performance as well. They were also influenced by the decreasing demand for electricity and gas caused by high energy prices, as well as energy saving measures applied by consumers.

The results were also influenced by the regional redistribution of cross-border energy flows, especially those of natural gas, broken global supply chains that led to an increase in the cost of investment, which was also caused by the rise in raw material prices, and increasing operating costs. Energy prices, which started rising back in 2021, increased significantly across Europe in the second half of 2022. This was significantly influenced by Russia's energy blackmail towards EU countries, which further reduced the supply of natural gas in Europe and kept the prices of both natural gas and electricity high.

Accordingly, these trends have led to the fact that in 2022 Lithuania had the highest wholesale electricity price since 2013. According to Nord Pool, last year in Lithuania, the average wholesale electricity market price, compared to 2021 (90.45 EUR/MWh), increased by 154.5% to EUR 230.23 EUR/MWh.

In 2022, the trends were similar in Latvia and Estonia - the average wholesale electricity market price reached 226.91 EUR/MWh and 192.82 EUR/MWh, respectively. Compared to 2021, when it reached 88.78 EUR/MWh and 86.73 EUR/MWh, respectively, the price increased by 155.6 and 122.3%, respectively. In Swedish Zone 4, with which Lithuania is interconnected by NordBalt, the price reached 152.1 EUR/MWh, respectively, and compared to 2021 (80.52 EUR/MWh), it increased by 88.9%. In August and September 2022, the average price of electricity on Nord Pool exchange in Lithuania reached approximately 305-480 EUR/MWh, in Latvia and Estonia approximately 305-468 EUR/MWh and 229-361 EUR/MWh, respectively.

According to GET Baltic data, in the above-mentioned months, BGSi of gas prices in spot transactions market at the Baltic-Finnish and Lithuanian market areas averaged around 200 EUR/MWh, and the prices were also fixed at around 280 EUR/MWh during that period.

At the end of 2022, the prices became stable, and at the beginning of 2023, these trends became even more pronounced - the average January price of electricity on Nord Pool exchange in the Lithuanian market area was 103 EUR/MWh, and the average gas price on GET Baltic exchange in the Lithuanian market area reached approximately 68 EUR/MWh.

In response to Russia's aggression against Ukraine in March 2022, operators of the Baltic electricity transmission system reduced the bandwidth of system connections with Russia. From May 2022, the import of electricity from Russia was completely stopped, and from June, the Baltic countries took steps to independently ensure the balance of the system by refusing the acquisition of these services from Russia.

The overall availability of interconnections with Sweden (NordBalt) and Poland (LitPol Link) was 98.26% and 98.34%, respectively. Scheduled works - the annual repair of NordBalt and the implementation of synchronization projects with continental European networks - had the greatest influence on the availability of the interconnections.

In 2022, the annual amount of electricity transmitted by Litgrid to the country's needs was by 6.4% lower compared to 2021 and amounted to 10.2 TWh (2021: 10.9 TWh). Electricity consumption decreased due to household and business savings and the growth of consumers generating electricity from renewable sources connected to the distribution network.

In 2022, 11.2 TWh of electricity or by 5.3% less than in 2021 (11.9 TWh) was imported to Lithuania, exported from Lithuania - 2.7 TWh or by 7.7% less than in 2021 (2.9 TWh). Compared to 2020, in 2022 due to the war in Ukraine, the indicators of electricity import have changed significantly. Imports from Sweden grew by 35.1% and reached 5.0 TWh (2021: 3.7 TWh), imports from Poland grew by 28.6% and reached 1.1 TWh (2021: 0.9 TWh), thus replacing the electricity trade from Russia that was discontinued after the war in Ukraine started. The largest share of electricity exports in 2022 was the export to Poland, i.e. 1.9 TWh (by 2.5% more than in 2021, when it reached 1.85 TWh).

Amber Grid's transmission system, as in the last few years, had provided considerable amounts of natural gas transmission by ensuring the country's energy and at the same time national security. According to the data of Amber Grid, a total of 64 TWh of natural gas or by 21% more than in 2021 (almost 53 TWh) was transported through the gas transmission system of Lithuania in 2022. This was driven by the sharp increase in gas flows in the direction of Latvia and the opening of a new gas pipeline connection with Poland (GIPL) in May 2022.

In 2022, Lithuania consumed 15.6 terawatt hours (TWh) of natural gas or by 35% less than in 2021 (when the country's gas demand reached 24 TWh). Gas consumption decreased by more than a third when, due to high gas prices in the country, the volume of fertilizer production and electricity production in Lithuanian power plants significantly decreased, as well as due to the warm winter and the decision to use fuel oil for heating the city of Vilnius.

In 2022, 18.4 TWh of gas was transferred for the needs of the Baltic countries and Finland, i.e. ten times more than in 2021 (when 1.9 TWh was transferred). In May-December 2022, 6.4 TWh of gas was transferred to Poland through GIPL gas pipeline, and 2.3 TWh - to Lithuania. In 2022, 79% (32,1 TWh) of all gas transported to the system was supplied through Klaipėda LNG terminal, the main source of gas supply to Lithuania and other Baltic countries. The flow from Latvia accounted for almost 8% (3.3 TWh), from Poland - 5% (2.3 TWh). In January-March, about 8% (3.1 TWh) of gas was transported through the Lithuanian-Belarus connection

As of 1 April 2022, after Lithuania stopped importing Russian gas, only gas intended for the Kaliningrad Region is transported through the Lithuania-Belarus connection. The gas transit in the Kaliningrad Region in 2022 amounted to 23 TWh and was by 12% lower than last year, when 27 TWh of gas was transferred via Lithuania to the Kaliningrad Region.

According to Amber Grid, gas consumption in the EU countries decreased by a fifth on average last year, while the needs of the Baltic States and Finland decreased by as much as 35-40%. By utilizing the created gas transmission infrastructure and meeting the needs of the region, Lithuania has become an important gas transmission partner for neighbouring countries. The provision of gas to other countries is also beneficial as it increases the utilization of gas transmission infrastructure and this allows for better gas transmission prices to be applied to users of the transmission system.

According to the Lithuanian Economic Development Scenario made public by the Ministry of Finance in December 2022, 0.7% of Lithuania's GDP growth is forecasted for 2023 and 3% for 2024-2025. Accordingly, the positive trends are expected to be reflected in the performance of EPSO-G Group in subsequent periods.

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

- At national level, the most important strategic planning documents influencing 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%. With reference to the rapidly changing environment in the energy sector, the development of RES and based on the statements of the authorities or their representatives in the public space, it is likely that the update of NEIS will be initiated in 2023.

- 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 55% compared to 1990. In the scope of the Green Deal, the presented strategies for the Energy System Integration, Hydrogen and Offshore Wind directly influence the plans of the companies of the Group (first of all, transmission system operators) and the long-term goals set for them, put focus on the importance of new technology integration and cross-sectoral initiatives.
- In the EU context, the package of European Union (EU) legislative proposals published by the European Commission in 2021 to decarbonise the EU gas market by facilitating the uptake of renewable and low-carbon gases, including hydrogen, reducing methane emissions, and ensuring security of energy supply for all European citizens, is also crucial and potentially having a significant impact on EPSO-G Group and, in particular, Amber Grid. The EC proposals published in February 2023 (as part of the hydrogen regulatory system in the EU) defining hydrogen produced from RES may also be relevant.
- In 2022, in response to Russia's war in Ukraine, the situation in energy markets and global disruptions in them, high energy prices, EU-wide regulations, documents and various proposals were adopted. For example:
 - In mid-2022, the EU decisions on the reduction of gas demand by 15%, the requirements to store sufficient (80-90% of storage filling level) gas quantities in gas storage facilities were approved. Accordingly, in August 2022, Regulation (EU) 2022/1369 on coordinated demand-reduction measures for gas, which stipulates that EU countries must reduce gas demand by at least 15 percent by the end of March 2023 was adopted. The EU regulation of June 2022 established that the underground gas storage facilities located in the territories of the member states should be filled to at least 80% of their capacities until the winter of 2022-2023, as well as 90% until the beginning of the winter season in 2023.
 - In mid-2022, the European Commission presented the REPowerEU Plan, the purpose of which is energy saving, clean energy production, diversification of energy supply.
 - In October 2022, the Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices was adopted. As indicated in the section "Information on Special Obligations", EPSO-G Group participates in the implementation of this regulation as well.
 - In October 2022, the European Commission proposed a new regulation aimed at coping with the high gas prices in the EU and ensuring security of supply this winter. This will be achieved through the joint acquisition of gas, the application of price capping mechanisms at the most liquid gas trading point TTF, new measures for transparent use of infrastructure and solidarity among member states, and continuous efforts to reduce gas demand. Accordingly, in mid-January 2023, ACER published the LNG price index for Northern Europe at 56.77EUR /MWh, which was the first step towards introducing a comparative LNG price index in Europe.
- Aspects related to the funding of traditional energy activities important for EPSO-G Group:
 - Recently, the funding of traditional energy activities related to fossil fuels has become more complicated. The EU-level criteria (*Taxonomy Regulation*), based on which the aim is to fund only "green" energy investments, e.g. adaptation of natural gas transmission networks for the transport of hydrogen and other renewable and low-carbon gases, were provided.

- The exemption is applied to attract private funds for investments aimed at projects related to natural gas (cogeneration energy production based on natural gas) and nuclear energy as the transition fuel until 2030.
- After the distribution of sustainability-related bonds of EPSO-G in June 2022 and the listing of the Company's bonds on the Nasdaq Vilnius stock exchange, the obligation to disclose non-financial information related to environmental, social and governance indicators (ESG) came into force according to the current EU Non-Financial Reporting Directive. From January 2025, EPSO-G (not limited to other possible obligations arising from EU regulation) will be required to disclose non-financial information according to the new EU sustainability reporting directive's (Corporate Social Responsibility Directive) standards, which were approved in 2023. Some of the disclosed information will be subject to verification and approval by an independent auditor.

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 NERC).

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

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

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

On 1 January 2022, the transmission prices for electricity and natural gas transmission set by the transmission system operators and approved by the Council, as well as Litgrid's ancillary services acquisition component to the transmission service price (prior to the amendments to the Law on Energy, which became effective on 1 January 2022 - the system services price) (hereinafter referred to as the ancillary services price) for 2022 came into force.

Baltpool's biofuel trading fee at biomass exchange set by NERC in August 2020, applicable from 1 September 2020, by extending the application of the price rate, which was applicable before 1 September 2020, only after

conversion into other energy units, as well as other Baltpool fees were valid in 2022.

The fees of GET Baltic natural gas exchange services agreed with NERC in December 2015 were valid in 2022.

In 2022, Amber Grid's revenue cap for 2023 and prices for 2023 were adjusted accordingly. In addition, the price cap set (in 2022) for 2023 for the new regulation period of 2022-2026 for Litgrid and the prices for 2023 were adjusted accordingly.

Price rates of regulated activities of Amber Grid and Litgrid

The average price of transmission services applied by Amber Grid for 2022 for the needs of Lithuanian consumers, compared to the average price applied in 2021 (1.40 EUR/MWh), was by 29% lower and amounted to 1 EUR/MWh. The lowest gas transmission service price applied to consumers in 2022 was mainly determined by the higher return on investment for 2019-2020 than the one set by the Council. The corrections made by the Council are related to the results of regulated activities of 2019-2020.

The prices for gas transmission services in 2022 were also influenced by the public consultation on the transmission pricing methodology to be applied in 2022-2023, which took place between December 2020 and February 2021, the results of Amber Grid's survey on the commercial use of the GIPL interconnection in 2020, and the launch of the GIPL interconnection in 2022.

Litgrid's average electricity transmission service price of 0.684 ct/kWh, approved 2022, is 5.1% lower than in 2021 (0.721 ct/kWh). This change is mainly driven by the forecasted (compared to the 2021 price forecast) electricity transmission volumes to Lithuanian consumers, which are around by 10% higher than the 2021 price forecast (a factor that reduces the price cap).

The approved price was also influenced by Litgrid's higher return on investment in 2018-2020 than the one set by the Council (a factor reducing the price cap), as well as the level of permitted revenue for 2022 includes changes in the projected costs of the new regulatory period of 2022-2026 of Litgrid: higher forecast costs for technological needs due to the situation in the electricity markets (a factor increasing the price cap), a decrease in the return on investment (WACC) due to the application of the new WACC methodology as from 2022 as well as a decrease in the situation in the financial markets, from 5.34% (2021) to 4.03% (2022) (a factor decreasing the price cap), and other changes in costs.

Litgrid's undifferentiated (average) price for ancillary services - applicable from 1 January 2022 to 31 July 2022 - decreased by 22.7% to 0.589 ct/kWh (compared to 0.762 ct/kWh in 2021). The main reasons for the change in this price were a forecast increase of around 10% in the amount of ancillary services to be provided (compared to the forecast for the 2021 ancillary services price), and a forecast decrease in the cost of ancillary services of around 15% for 2022 (compared to the 2021 price), mainly due to the lower cost of ensuring the isolated operation of the electricity system and the lower cost of the ancillary services in 2020 (compared to the forecast for the 2020 ancillary services price).

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

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

It has been confirmed that the average price of gas transmission services for Lithuanian consumers in 2023 increased by 39% to 1,39 EUR/MWh compared to the average price in 2022, and returned to the level of 2021 (when it was 1.40 EUR/MWh). The change in the price in 2023 is due to the Council's approval of an almost 59%

increase in the cap on the revenue from natural gas transmission activities, which was mainly due to the increase in the transmission system's technological costs as a result of the significant increase in gas prices. It was also influenced by lower adjustments returned to the market for excess revenues collected in 2021 and higher compensation to Poland for the implementation of the GIPL project of common interest. The relatively moderate (compared to the revenue cap) price change in 2023 was due to the opening of the new gas interconnector between Lithuania and Poland (GIPL) and to the strong regional demand for access to Lithuania's gas transmission system due to the war in Ukraine caused by Russia and the higher gas flows expected in 2023.

In 2022, the national institutions of Lithuania, Latvia, Estonia and Finland, the responsible ministries and the gas transmission system operators participated in discussions aimed at the establishment of a common tariff area between Lithuania and FINESTLAT (Latvia, Estonia and Finland) and the introduction of the Inter-TSO Compensation (ITC) mechanism. However, as announced by NERC, the changed geopolitical situation in 2022 led to fundamental changes in the natural gas market, as a result of which the intersystem compensation (ITC) mechanism, which was created on the basis of other assumptions about the functioning of the market, no longer corresponded to the current situation and could not provide benefits to all participating parties. In view of this, in October 2022, the chairs of the national regulatory authorities of the Baltic States and Finland agreed to postpone the merger of the Baltic-Finnish natural gas market, with the expectation that the merger could take place no earlier than October 2024. The national regulatory authorities of the Baltic States and Finland and gas transmission system operators continue to support the development of the regional market. Steps and work to achieve this goal will be continued after the market situation stabilizes.

In view of the situation regarding the establishment of a common tariff area between Lithuania and FINESTLAT, the connection of gas markets and the document published by NERC on 2 December 2022 for public consultation (until February 2023), and the related annexes regarding the price methodology for the services provided by Amber Grid and the preliminary prices for the years 2024-2028, the changes in Amber Grid's transmission price structure are possible in the future and/or from 2024. If a decision on the establishment of a common tariff area and the introduction of the ITC mechanism is taken, the related public consultation would be published at a later stage.

On 30 September 2022, the Council approved the adjusted price cap of Litgrid's electricity transmission service for 2023 - 0.654 ct/kWh, which, compared to the 2022 (0.684 ct/kWh), is by 4.4% lower. This change was mainly driven by Litgrid's permitted revenue from transmission services in 2023 lower by approximately 5.7% than the one set by the Council (a factor reducing the price cap). This was mainly due to the fact that under NERC decision, a part of the accumulated congestion management revenue (EUR 142.3 million) was used to reduce the transmission tariffs, thus amortizing the potentially significant increase in the permitted revenue and electricity transmission tariff in 2023. The forecasted amount of electricity to be transferred to Lithuanian consumers that was lower by 1.5% (than forecasted prices for 2022) also had an impact (a factor reducing the price cap).

As of 1 January 2023, the approved average non-differentiated electricity transmission price also decreased by 4.4% to 0.654 ct/kWh.

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

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

Baltpool regulated and licensed activities

In 2022, the biofuel exchange trading fee for transactions where biofuel was supplied in Lithuania is EUR 41.27 per 1,000 MWh (excluding VAT). This price, set by a decision adopted by NERC in August 2020 and applicable as from 1 September 2020, corresponds to a price of EUR 0.48/tonne applicable until 1 September 2020, when it was extended as from 1 September 2020, and converted into other units, i.e., MWh. Timber exchange fee of 0.12% of the value of timber sales and purchases made in EMPS (Electronic Timber Trading System) in 2022.

As of 1 December 2021, the heat auction segment trading fee of EUR 15.65 per 1,000 MWh for the specified amount of heat entered into force.

From 15 January 2022, the fee of the settlement system for fuel from renewable energy sources (FRES) of EUR 0.017 per thousand FRES settlement units (new Baltpool activities were launched - administration of the FRES system) was applied.

Baltpool unregulated activities

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

GET Baltic

Annual membership fee for 2022 - fixed fee for a calendar year is EUR 5,000/year for Plan No. 1 and EUR 0/year for Plan No. 2.

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

Detailed information on the fees of other services provided by GET Baltic (including REMIT data provision services, data exchange services, etc.) is published on GET Baltic's website.

Energy cells

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

The cost of the isolated operation reserve service to be provided by Energy Cells was included in Litgrid's ancillary services acquisition component to the transmission service price approved by the Council for 2023. Accordingly, in November 2022, the Council approved the price cap of the isolated operation reserve service of Energy Cells, which is 4.78 EUR / MW / hr (VAT excluded) and accordingly set the company's permitted revenue for 2023 at EUR 8.37 million.

Other

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

transfer is possible). In the context of the so-called RES "breakthrough package", PETA is furthermore planned to be revised and submitted to NERC for coordination in February 2023. The new PETA provides for the main changes - conditions are created to connect up to twice as much of RES generation to the lines (100% solar + 100% wind principle). In addition, production limitation rules are foreseen for the future, in case RES development reaches a point where the generation exceeds the country's need for consumption and export possibilities.

In June and July 2022, contracts on the linking of electricity balancing markets and the development of a new system for balance service management were signed with service providers.

In the first half of 2022, the methodology for reserving electricity capacity for balancing purposes, the market concept for the Automatic Frequency Restoration Reserve (aFRR) market, and the rules for the Baltic electricity balancing capacity market were prepared. A public consultation on these were carried out in the second half of 2022, with regard to their results, the final rules and methodologies will be submitted for coordination and approval by NERC in 2023.

Litgrid, with the help of the international consultant RTE International, carried out an assessment study of the adequacy of the Lithuanian electricity system for 2026-2030 to identify the need for the implementation of the capacity mechanism in Lithuania. Based on the results of the aforementioned study, in September 2022, a proposal was submitted to the Ministry of Energy to ensure the adequacy of the system for maintaining the operation of power generation facilities (until the launch of operation of Harmony Link interconnection using the isolated operation equipment availability service).

On 25 November 2022, NERC approved the description of the Procedure for Trading in Ancillary Services Unrelated to Frequency Regulation, which also provides for the requirements of service providers of isolated operating reserve. They are also relevant for the company Energy Cells.

On 31 December 2022, the contract between the Baltic electricity transmission system operators and the party responsible for the balance of electricity - Inter RAO Lietuva - expired.

3. OPERATIONAL STRATEGY AND PROGRESS IN IMPLEMENTING THE STRATEGY

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

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

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

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

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

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

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

3.1. Operational strategy

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

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

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

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

	To producers/ suppliers	To customers	To shareholders	To society	To each other
Commitment	Develop a credible and transparent platform, where it is easy and fast to enable energy products on a liquid market	Develop a credible and transparent platform providing a wide range of energy options at competitive prices	To ensure a balanced and integrated energy exchange system	To promote climate-neutral energy choices for the long-term economic competitiveness of Lithuania	To build an open and progressive team living the energy future
Strategic direction	A liquid regional market and infrastructure attractive for investment in production	Created customer-focused organisation that creates new opportunities	Integrated development of Lithuania's energy system	A targeted reduction in the environmental impact of activities and energy systems adapted to the decarbonisation of the energy sector	Recognised as future energy leaders in the region
Strategic objectives	<ul style="list-style-type: none"> • Ensure reliable and stable operation of transmission systems • Respond to customer needs and create a customer-focused organization • Implement strategic projects on time and to the agreed scope 		<ul style="list-style-type: none"> • Ensure a sustainable return for the shareholder • Ensure efficient management of transmission systems • Increase the integrity of the Lithuanian energy system 	<ul style="list-style-type: none"> • Reduce the environment impact and adapt transmission systems for RES integration 	<ul style="list-style-type: none"> • Create an engaged and progressive organization
Strategic performance indicators	<ul style="list-style-type: none"> • AIT – 0.93 min, ENS – 27.25 MWh; (values not higher than those set by NERC for the respective year) • Number of unplanned interruptions due to operator responsibility - 0, • duration of unplanned interruptions due to operator responsibility - 0 • Implementation of strategic projects on time and in the expected scope according to the project portfolio • Customer satisfaction index (GCSI) ≥ 80 • The average price of energy transmission services for the needs of Lithuanian consumers (EUR/MWh) ≤ for the average in the region (LV, EE, FI, PL (electricity TSO: and SE) 		<ul style="list-style-type: none"> • ROE not lower than the one set by the Government of the Republic of Lithuania; • Net Debt-to-EBITDA Ratio at the end of the period <6.3 • Implemented cross-sectoral systems' integration projects (cumulative indicator - such as P2G, P2H) – 3 until 2030. • Actual OPEX (excluding tax costs) (EUR/year) / transmission service OPEX set by NERC (excluding tax costs) (EUR/year) ≤ 100 % 	<ul style="list-style-type: none"> • Reduction of GHG emissions generated by the Group's activities by 2/3 compared to 2019. • The electricity transmission network was prepared for the integration of 9.4 GW of RES in Lithuania • The capacity created in the gas system for the integration of RES gas (with guarantees of origin) in the volume of 1.6 TWh. 	<ul style="list-style-type: none"> • Engagement of the Group employees ≥72% • Up to 15.5% of the Group's revenue structure consists of revenue from unregulated activities and foreign markets

			<ul style="list-style-type: none"> Actual CAPEX (EUR/year) / planned CAPEX (EUR/year), 90-110 % 		
<p>Key results on the way to 2030</p>	<ul style="list-style-type: none"> Synchronization with CEN was implemented After the completion of GIPL, capacities are sold through PL and LT exchanges 200 MW energy storage facilities were installed Preparations for offshore RES integration are complete Operating system services market of the Baltic countries, later the Baltic Sea region 	<ul style="list-style-type: none"> The Centre of Renewable Energy was established and formed The system of guaranteeing the origin of green gas (including hydrogen) common with other European countries is functioning smoothly A data-driven ecosystem was created The infrastructure for railway electrification is ready 	<ul style="list-style-type: none"> Sustainable return to the shareholder Cross-sectoral systems integration projects were implemented (P2G, P2H) Lithuania's national REDII implementation scheme active 	<ul style="list-style-type: none"> Electricity transmission network was prepared for RES integration of 9.4 GW in Lithuania The gas system was adapted for hydrogen transportation Plans for reducing the environmental impact of the Group companies are consistently implemented Measures necessary for the implementation of the "Anti-Astravets" Law were implemented under the competence 	<ul style="list-style-type: none"> Programs for improving the employer's image and ensuring equal opportunities were implemented. Company structures and motivational measures were adapted to promote innovation. Maturity of the data-driven organization was achieved

3.2. Progress in implementing the Strategy

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

Increasing customer satisfaction is one of the EPSO-G Group's strategic goals, contributing to the streamlined implementation of EPSOG Strategy to create a customer-oriented organization. Group-wide customer satisfaction surveys under a unified methodology were conducted for the second time in 2022. 237 customers using the services of Amber Grid, Baltpool, GET Baltic, Litgrid, and Tetas participated in the surveys - this is by 7% percent more than in 2021.

GCSI and NPS methodologies were used to analyse EPSO-G Group's customer satisfaction with the services provided, meeting customer expectations, and their willingness to recommend these services to others. The Group companies' indices ranged from 63 to 88 according to GCSI methodology, while the Group strategy's long-term goal is to ensure that the customer satisfaction index of the Group companies is ≥ 80 , i.e. the results of the companies are among the market leaders. The results of the study revealed that in addition to the companies Baltpool and Amber Grid, which received the highest customer satisfaction rating (>80) in both 2021 and 2022, in 2022 Litgrid was also among the companies of the leading standard, having improved the customer journey, GET Baltic's customer rating improved, while Tetas's results went down - the GCSI index reaching 63 indicates that the company currently does not meet the highest standards of service provision perceived in the market. Similar trends are observed when analysing NPS estimates.

In Lithuania's pursuit of ambitious renewable energy objectives and the implementation of the Breakthrough Package, as well as taking into account the tense geopolitical situation and high electricity and gas prices, the role of transmission operators in enabling the green transformation becomes extremely relevant. Accordingly, at the end of 2022, Litgrid established the Centre for Renewable Energy to ensure effective coordination of the connection of new renewable energy power plants and battery projects to the Lithuanian electricity transmission network. One of its first goals is to create an interactive digital map of RES connection possibilities to TSO, to provide relevant data to the market. The intensive development of energy production from renewable energy sources, the current and future challenges of balancing the electric network and integration into the electric energy transportation system create opportunities for the development of green hydrogen (produced from renewable electric energy) Power-to-Gas technology.

The gas transmission system operator Amber Grid by strengthening its positions in the field of hydrogen research and development, in 2022, joined the largest hydrogen initiative in Europe - European Hydrogen Backbone. In the same year, the Nordic-Baltic Hydrogen Corridor project was launched with six united countries: Finland, Estonia, Latvia, Lithuania, Poland and Germany that will study the possibilities of green hydrogen production and transmission in the region. In 2022, guidelines for the development of the Lithuanian hydrogen sector and an action plan for their implementation were also drafted.

The Group places a great deal of importance on the preparation for the opening of market-relevant data and increasing digitization maturity. In 2021, the data governance, data analytics, and open data project of the Group companies was launched as the first step towards a long-term objective - data-based group of organizations - relevant cultures and ecosystems enabling to fully use and integrate data and analytics into the Group's operations and make the best operational decisions.

In 2022, the data to be opened by the Group's companies was identified, and the data opening plan for 2023 was drawn up, based on which the pilot data of electricity TSO will be opened. In addition, the maturity of data management in the Group companies was further increased. The value created by the Group's services and a wider range of options for making selections from more sources (e.g. regional integration of the gas market after the implementation of the GIPL), suppliers, services (e.g. adaptation of the gas transmission system for hydrogen transportation, trade in certificates of origin, preparation of electricity infrastructure for railway electrification, accelerating the connection of electricity consumer systems) will contribute to the well-being of the population,

the creation of a climate-neutral energy system, and at the same time (through competitive energy prices) the increase of the competitiveness of the national economy.

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

One of the key strategic objectives will aim at maintaining a high level of reliability in transmission systems and digitizing technological assets. This is relevant for all participants of the platform, the key stakeholders identified. Accordingly, we see transmission reliability indicators annually set by NERC as strategic objectives. In the electricity sector, the indicators of AIT (average interruption time, in minutes) and ENS (energy not supplied, kWh) did not exceed acceptable values in 2022 and accounted for 0,354 and 27,251 MWh accordingly. In the gas sector, there were no unplanned interruptions due to operator liability in 2022.

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

An ambitious vision developed by the National Energy Independence Strategy (NEIS) foresees 45% of RES in final electricity consumption by 2030. According to Litgrid, with the expansion of renewable energy sources to achieve more ambitious RES development goals, the share of RES in consumption may reach up to 90% in 2030. Therefore, in 2022, special attention was paid to assessing the capacity of the grid to adapt to the integration of renewable energy sources and the introduction of energy storage technologies, and to ensure the readiness of the energy transmission system for the integration of up to 9.4 GW of onshore RES and offshore wind by 2030. Installed capacity of wind energy connected to the transmission network in 2022 accounted for 803 MW. The 200 MW energy storage system project, which will be completed in 2023, will contribute to the smoother integration of RES. Its main goal is to ensure the national security of the electricity system after launch and to provide flexibility services after 2025 at a later stage.

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

The Group's goal by 2030 is to reduce the environmental impact of activities by 2/3. An analysis of the significance of sustainability in all companies was carried out at the Group level, a matrix of the significance of sustainability topics was prepared based on the results for each company and at Group level, as well as an environmental impact assessment and an inventory of greenhouse gas emissions carried out in 2022 at the Group level (except for Energy Cells), and plans for recommended measures to reduce the impact were presented, mitigation potential of each measure was estimated. In addition, most of the Group companies switched to the use of green certified energy in their administrative premises.

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

To each other: recognized regional future energy leaders

EPSO-G Group having an extensive know-how on international projects employs a large number of highly qualified staff. The development of a sustainable employer-employee partnership aims to strengthen and further nurture corporate governance and energy competencies that will be relevant to the strategic goals relating to the implementation of strategic projects under the NEIS, decarbonisation, cross-sectoral integration of energy

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

In 2022, a review of the Group's employee reward and motivation system was carried out, with the aim of better performance and more active contribution of employees to the Company's goals, the promotion of innovative solutions and the attraction and retention of qualified employees. New system will be applied from the year 2023.

The Group's goal was to increase the percentage of revenue from unregulated activities and foreign markets in the revenue structure. In 2022, this indicator reached 13.9%. Results of the Engagement survey has revealed that the EPSO-G group result (71 per cent) has significantly exceeded that of Lithuania (61 per cent), state owned enterprises (60 per cent) and international companies operating in Lithuania (60 per cent) results.

Most significant source of unregulated revenue is Tetras accounting for 96,5 per cent of Group's revenue from unregulated activities and foreign markets, that were lower than expected in 2022. It needs to be taken into account that the numerator has also changed significantly – Group's total revenue accounted for 590 mln. Euros whereas the planned amount was 353 mln. Euros.

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

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

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

3.3 Operational and financial goals

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

No	Annual goal	Indicator forecast to be achieved	Weight of the goal	Assessment of goal achievement
1.	Management of the implementation of strategic projects of the Group companies	<ol style="list-style-type: none"> 1. Signing the Cable Purchase Contract of Harmony Link - weight 20% 2. Timely implementation of the guidelines and completions for the synchronization with CEN program projects - weight 50% 3. Timely implementation of the electricity storage facilities (200 MW) project - weight 15% 4. Commercial use of GIPL interconnection - weight 15% 	20%	17,75%
2.	Implementation of the installation of the physical barrier at the border with Belarus to the intended extent	The final deed of works for the installation of the physical barrier was signed between the State Border Guard Service under the Ministry of Internal Affairs of the Republic of Lithuania and EPSO-G.	10%	9%
3.	Strengthening the reliable operation of the electricity system of the Republic of Lithuania	<ol style="list-style-type: none"> 1. Preparation and implementation of the isolated operation testing plan of the electricity system of the Republic of Lithuania - weight 70% 2. Preparation for the initial testing of the isolated operation of electricity systems of the Baltic States - weight 10% 3. Initiation of a desynchronization preparation project that would ensure the implementation of the necessary technical measures - weight 20% 	20%	20%
4.	Enabling energy transformation	<ol style="list-style-type: none"> 1. Preparation of the Lithuanian energy system transformation study - weight 40% 2. Implementation of the first offshore wind farm project according to the plan agreed with the shareholder - weight 40% 3. Preparation of Lithuanian hydrogen development guidelines and development plan - weight 20% 	20%	14,4%
5.	Increasing the value of the holding company	<ol style="list-style-type: none"> 1. Implementation of sustainability practices covering environmental, social and management areas at the Group level - weight 10% 2. A sustainable decision regarding the repayment of the debt to Ignitis Group - weight 20% 3. Implementation of the updated corporate model action plan - weight 20% 4. Preparation of strategy and action plan for non-regulated activities - weight 50% 	20%	12,8%
6.	Building an open and progressive team	<ol style="list-style-type: none"> 1. Implementation of the Cultural Change Program in EPSO-G Group - weight 50% 2. Revision of the Remuneration and Motivation System of the Group's employees - weight 50% 	10%	10%

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

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

The goals set for the holding company EPSO-G, according to the Board, were met by 83.95% in 2022.

3.4 Summary of significant infrastructure projects

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

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

Synchronous work with the continental European network will ensure:

- Reliable operation of energy systems and secure transmission of electricity;
- Combined actions for facility maintenance and 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.

In July 2021, the Government of the Republic of Lithuania approved the list of the energy projects carried out in implementing the synchronisation of the electricity system. Litgrid is responsible for the implementation of 19 out of 21 projects included in the list.

More information on synchronization projects is available on Litgrid website.

Programme investments:

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

In 2022, the Ministry of Energy of the Republic of Lithuania announced that it was aiming for the Baltic countries to synchronize their electricity networks with Western Europe earlier than planned, i.e. at the beginning of 2024. For this purpose, an early synchronization action plan was drafted, including the acceleration of critical projects for early synchronization implementation.

In March 2022, the European Commission confirmed that a financial support of EUR 170 million was granted to the second part of the second phase of the synchronisation of the Baltic States with the continental European networks. The support was granted under the Connecting Europe Facility (CEF) for the period 2021-2027 in the field of trans-European energy infrastructure and the grant agreement was concluded in June. This latest round of funding will be allocated for the implementation of the projects on the network’s upgrade, frequency management tools and information systems and will allow the Baltic States operate independently on the same frequency as Poland and the rest of Europe in 2025.

The amount planned to fund the entire Synchronization Program in Lithuania is approximately EUR 724 million. With the grant approved for 2022, the total amount of the EITP synchronisation program funds for Lithuania will amount to nearly EUR 460 million. The previously initiated projects received funding of EUR 23.5 million from the EU Structural Funds. The rest is financed by Litgrid.

Progress in the implementation of projects of national importance

For the purpose of the implementation of synchronization goals, under the Resolution No 918 Plan for the Actions and Measures of the Electricity System Synchronisation Project of 4 September 2019 approved by the Government of the Republic of Lithuania (the "Plan for the Actions and Measures of the Synchronisation Project" or the "PAM") all actions and measures of the PAM with the implementation term expiring in 2022 were implemented, except for the implementation of the isolated operation testing plan of the electricity system of the Republic of Lithuania, which was postponed until April 2023 for objective reasons. Preparations for the testing of the isolated operation of the Baltic electricity systems were postponed due to the failure to reach the necessary political agreement with other Baltic countries.

At the end of the reporting period, 5 projects were implemented, and another 14 projects provided for in the program are under process. In 2022, all procurements of the Program project contracts were completed, the construction of 330 kV Kruonis PSHB-Bitėnai electricity transmission line, Darbėnai-Bitėnai and Vilnius-Neris, the reconstruction of 330/ 110/10 kV Neris transformer substations were launched, the design of 330 kV Darbėnai and Mūša switchyards are in progress, the installation of synchronous compensators in Telšiai and Alytus were started, preparations are being made for the design stage of Neris synchronous compensator. In the construction project of Harmony link, in 2022, the main procurement negotiations for the project ended, after which final proposals from the participants in the procurement for the cable were received. Final decisions on this purchase are expected to be made in the first quarter of 2023.

In 2022, strategic power system management projects were carried out: the planned procurement of the automatic generation control system's installation project were completed, the study report of the Frequency Stability Assessment System (FSAS) was prepared and preparations for the procurement of the system were made, the contract was signed with the Supplier for the development of the New Energy Balance and Ancillary Services Management System, programming was launched, preparations for the testing of the isolated operation of the electrical energy system of the Republic of Lithuania took place.

The state of completion of the synchronization strategic projects program at the end of 2022 is 51.5%.

3.4.2. Enhancement of Latvia-Lithuania Interconnection (ELLI)

The purpose of the project was to enhance the capacity of Latvia-Lithuania interconnection, ensure safe and reliable gas supply and achieve more effective utilisation of the infrastructure and a better integration of the Baltic gas markets. It also provided better conditions for the utilisation of the Latvian Inčukalns underground gas storage facility. The project promoters were Amber Grid and the Latvian transmission system operator AS Conexus Baltic Grid.

The project's implementation in the territory of Lithuania covered the capacity enhancement of the Kiemėnai gas metering station and reconstruction of the gas pipeline at the Panevėžys gas compressor station. The project's implementation in the territory of Latvia cover reconstruction of the main gas pipeline.

Project implementation progress

In January 2022, the agreement on the contract work for the expansion of the Kiemėnai gas metering station was signed. In March 2022, the agreement on the contract work for the reconstruction of the gas pipeline at the Panevėžys gas compressor station was signed and construction works were started.

During 2022, Amber Grid expanded the Kiemėnai gas metering station in the Pasvalys district and enhanced its capacity. It also carried out the reconstruction of the pipelines at the Panevėžys gas compressor station that allowed transporting a larger volume of gas from the Klaipėda LNG terminal to Latvia. From November 2022, the pipeline allows transporting 90 gigawatt-hours (GWh) of gas per day, which is 30% more. Lithuania has already implemented its capacities in the ELLI project.

Investments

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

3.4.3. Lithuanian Electricity Storage Facilities System Project

Lithuania's system of electricity storage facilities is essential to ensure the security of Lithuania's energy system and its ability to operate in isolated mode. The electricity storage system, which will provide Lithuania with an instantaneous isolated operation electricity reserve until synchronisation with the continental European networks (CEN), will be used after synchronisation for the integration of energy produced from renewable sources.

The project company Energy Cells will install and integrate into Lithuania's energy system a system of four energy storage facilities (batteries) with a total combined capacity of 200 megawatts (MW) and 200 megawatt-hours (MWh). Energy Cells installs four energy storage facilities with a capacity of 50 MW and power of 50 MWh each at transformer substations in Vilnius, Šiauliai, Alytus, and Utena.

Project implementation progress

- On 15 April 2022, the installation of the electricity storage facilities system project carried out by Energy Cells was awarded funding under the European Union's (EU) Recovery and Resilience Facility (RRF).
- On 19 June 2022, Energy Cells started the installation of electricity storage facilities system - the system that strengthens Lithuania's energy independence.
- On 20 October 2022, NERC coordinated the company's investment project Installation of Electricity Storage Facilities (200 MW).
- On 9 November 2022, Energy Cells launched the testing of electricity storage facilities system.
- Due to disruptions in the supply of equipment caused by the war in Ukraine, as well as the actions of the project contractor, the end of the project implementation period has been postponed to 2023 after coordination with the project funding institutions.

Investments

The planned total investment amount of the project is EUR 109 million, the largest share of which (EUR 87.6 million) is funded by the Recovery and Resilience Facility.

3.4.4. Installation of a physical barrier on the border with Belarus

After the Belarusian regime launched a hybrid attack on Lithuania and the influx of illegal migrants into Lithuania began, on 23 August 2021, the Cabinet of Ministers approved the proposal of the Ministry of the Interior to install a physical barrier on the border with Belarus. The government had also decided that EPSO-G Group companies controlled by the Ministry of Energy will be the executor of this project of national importance.

EPSO-G was under obligation to install a physical barrier along the border with Belarus, approximately 500 km long, by September 2022. The total length of the Lithuania's border with Belarus is 679 kilometres, with more than 100 kilometres along rivers and lakes reserves, forested wetlands or other places, where the installation of the physical barrier was not foreseen.

The Physical Barrier included 453 kilometres of new fence segments, the renovation of 76 kilometres of previously installed fencing, and the construction of 357 kilometres of concertina prism. Some 80 kilometres of concertina

barrier were also integrated into the overall Physical Barrier, which will be installed by the Ministry of Interior's military and firefighting forces in the summer and autumn of 2021.

Project implementation progress

- On 2 May 2022, all the works of the Phase 1 of the physical barrier were completed - all the planned border sections were closed;
- On 29 August 2022, all the works of the Phase 2 of the physical barrier were completed - all the planned border sections were closed, defect removal was continued;
- On 21 October 2022, the State Border Guard Service requested, and the Project Supervision Commission approved the need for additional work and the procurement of materials necessary for the future repair of the physical barrier, therefore the scope of the project was increased;
- Until 9 November 2022, contracts on additional work and material supply were signed;
- Until 16 December 2022, all additional work was completed and materials were delivered, as well as the statements of the transfer and acceptance of final works (goods) were signed;
- On 30 December 2022, the final deed of completing the installation of the physical barrier at the border with Belarus was signed.

Investments

EUR 144.9 million out of EUR 152 million of the budget provided for the project was spent on it. The project was funded by the state budget of the Republic of Lithuania. Most of this project was carried out under de-minimis conditions – EPSO-G used this aid to pay the costs of contractors and suppliers, and no profit was earned.

The planned investment amount of the project totalling EUR 152 million was not exceeded, additional work and materials were procured within the scope of the budget.

3.4.5. Preparation for the implementation of Offshore Wind Farm

Lithuania's first offshore wind farm in the Baltic Sea is one of the most important Lithuanian energy independence projects. It will significantly increase the production of electricity from renewable energy sources, thus reducing Lithuania's dependence on electricity imports and ensuring low electricity prices for residents.

The offshore wind farm, which will begin to operate in 2028 in the part of the exclusive economic zone of the Republic of Lithuania in the Baltic Sea near Palanga with a capacity of approximately 700 MW, is expected to generate up to 3 TWh of green electricity per year in the Baltic States, which would meet up to a quarter of Lithuania's electricity demand. The offshore wind farm is also expected to attract more than EUR 1 billion in investments and create at least 1,300 new jobs. The area of the territory planned for the offshore wind farm in the Baltic Sea is approximately 136,39 km². The farm will be about 30 kilometres from the shore.

The project is being implemented by the Ministry of Energy of the Republic of Lithuania together with EPSO-G and the Lithuanian Energy Agency.

Project implementation progress:

- Amendments to legal acts related to the promotion of the development of renewable resource facilities were adopted;
- The plan for the development of areas in the sea intended for the development of renewable sources was approved;
- The Government's resolution on the requirements for entities seeking to participate in the auction for the selection of the developer of the offshore wind farm was approved;
- The website Offshorewind.lt, which provides news and information related to the execution of preparations for the auction of the first developer of the offshore wind farm, was developed;

- The actions provided for in the project plan to ensure the implementation of preparations were carried out: public procurement, seabed surveys, collection of wind speed and other meteorological data, environmental impact assessment, consultations with interested market participants and experts.

Investments

The project is funded by the European Union funds and/or the by the Recovery and Resilience Facility for 2021–2027 and the state budget of the Republic of Lithuania. The value of the project is EUR 11,543,332.49 including VAT.

3.4.6. Project management function in the Group companies

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

In August 2022, the Project Management Policy of EPSO-G Group that consolidates the essential project management principles relevant to all project managing EPSO-G Group companies was updated.

The provisions of the mentioned policy and the internal legal acts implementing it aim to increase the maturity level of project management throughout the Group, therefore project risk management and project resource management was recorded and reinforced at the policy level, and a change was aimed at managing the benefits of projects and portfolios.

4. PERFORMANCE REVIEW

4.1. Significant events of the reporting period

January

6 January. Rolandas Zukas, the CEO of EPSO-G, has left the Group. The Board appointed Algirdas Juozaponis, the Company's Chief Financial Officer, as acting Chief Executive Officer.

27 January. The Coordination Committee of the European Union's infrastructure networks fund, the Connecting Europe Facility (CEF), have the highest score to the joint application of the Lithuanian, Latvian, Estonian and Polish TSOs, paving the way for the largest possible funding of EUR 170 million. These funds will ensure the continued smooth implementation of key infrastructure projects and allow the Baltic electricity systems to start operating independently on the same frequency as Poland and other continental European countries already in 2025.

February

1 February. Amber Grid has launched the selection of a strategic partner of GET Baltic regional gas exchange for its subsidiary. The aim of the partnership is to exploit the potential of the opening European gas market and to provide the opportunity to offer customers of GET Baltic the cutting-edge gas trading solutions.

28 February. Robertas Vyšniauskas, an independent member of the EPSO-G Board, was elected the Chairman of the Board. The current Chairman, Gediminas Almantas, will continue to serve on the Board until the end of his term of office.

March

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

23 March. A new version of the Articles of Association of the EPSO-G holding company was registered in the Register of Legal Entities, which established the right of the Board of EPSO-G to decide on the issue of the Company's bonds (other than convertible bonds). The amendment was made in order to ensure a smooth and efficient preparation for the bond issue process. Other editorial corrections have been made.

31 March. EPSO-G has repaid earlier than scheduled the balance of EUR 84 million of the debt owed to Ignitis Group, thus fulfilling their obligations in exchange for shares in the transmission operator Litgrid. The former final repayment of the debt was scheduled for autumn 2022.

April

2 April. Since the beginning of April, the Lithuanian gas transmission system has been operating without Russian gas imports.

11 April. The energy infrastructure development and maintenance company Tetas announced the selection to the position of the CEO. The selection was announced following the termination of employment and resignation of the former CEO of the company, Gediminas Mažeika.

15 April. The funding of €87.6 million was granted to Energy Cells. The funding was provided under the Recovery and Resilience Facility (RRF) of the European Union (EU).

26 April. The rating agency Moody's Investors Service assigned EPSO-G Baa1 credit rating with a stable outlook.

27 April. Ramūnas Abazorius, the fund manager at Braitin and head of Akmenės Laisvosios Ekonominės Zonos Valdymas, joins the Board of EPSO-G.

May

5 May. The Lithuanian–Polish gas pipeline GIPL was officially opened, breaking the energy isolation of the Baltic States and Finland and integrating the countries into the single gas network of the European Union.

6 May. Tomas Daukantas, the Head of the Legal and Personnel Group at the Ministry of Energy, joins the Board of EPSO-G.

18 May. At the first board meeting of the company Energy Cells, Viktoras Baltuškonis, a member of the Board nominated by EPSO-G, was elected the Chairman of the Board. The Board of Energy Cells, which started its work in April, also includes Darius Klimašauskas, an independent member of the Board, and Dovilė Kapačinskaitė, who was elected to the civil servant's position of the Board member.

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

23 May. A new version of the Articles of Association of the EPSO-G was registered in the Register of Legal Entities, providing for an increase in EPSO-G's capital from EUR 22,482,694.57 to EUR 189,631,000. In view of the increase in the authorised share capital and the legal requirements applicable to State-Owned Enterprises, adjustments have accordingly been made to the values (amounts) of transactions to be decided by the Board of Directors, providing that the Board of Directors will decide on those transactions with a value (amount) exceeding EUR 3,000,000.

June

1 June. EPSO-G has distributed the sustainability-linked bond issue, raising EUR 75 million. This is the first sustainability-linked bond issue in the Baltics. The five-year bonds were acquired by institutional investors from Lithuania, Latvia, Estonia and Sweden. The European Bank for Reconstruction and Development (EBRD) acquired almost a third of the issue for EUR 22.5 million.

15 June. Sustainability-linked bonds issued by EPSO-G were listed on Nasdaq Baltic Debt Securities List. This is the first sustainability-linked bond issue in the Baltics.

29 June. Energy Cells started the installation of the first battery parks in the Baltic States with the burial of a symbolic capsule. Preparatory construction operations commenced at transformer substations in Vilnius, Šiauliai, Alytus and Utena.

July

1 July. The member of the Board of EPSO-G Ramūnas Abazorius has declared his resignation due to professional and investment activities.

11 July. Ramūnas Papinigis took up the CEO position at Tetas.

12 July. EPSO-G Group companies Amber Grid, Litgrid and Tetas signed the cooperation agreement with Lithuanian universities and colleges and provided more than EUR 100,000 in scholarships for engineering students.

August

22 August. Mindaugas Keizeris took up the CEO position at EPSO-G.

At the end of August, EPSO-G installed the last segments of the Physical Barrier at the Lithuanian border with Belarus. As planned, the Physical Barrier was installed along the 550-kilometre-long border section.

September

16 September. EPSO-G announced its intention to acquire about one third of TSO Holding shares this year. TSO Holding, together with another shareholder, exercises indirect control over the Nord Pool electricity exchange. With this move, EPSO-G Group intends to increase the shareholding in TSO Holding to 39.6%.

October

28 October. Litgrid signed contracts with Danish and Finnish energy transmission operators Energinet and Fingrid to acquire two 18.8% shareholdings in TSO Holding (37.6% in total). Following the completion of these transactions, the block of shares held by Litgrid in TSO Holding increased to 39.6%. EPSO-G has decided to acquire all of Litgrid's newly acquired shares as well as 2% of shares in TSO Holding held to date.

November

At the beginning of November, Energy Cells, the operator of the electricity storage facilities system, started testing the first battery farm system in the Baltic States.

December

2 December. Algirdas Juozaponis has decided to step down as the CFO of EPSO-G from January.

7 December. Amber Grid's Enhancement of Latvia-Lithuania Interconnection (ELLI) project, completed a year ahead of schedule, increased the pipeline's capacity by a third.

16 December. The Board of EPSO-G approves the Supplier Code of Conduct, which will guide the Group's companies in assessing the practices of suppliers involved in procurement.

22 December. Mindaugas Keizeris, the CEO of EPSO-G, is elected as a member of the Board of Litgrid.

29 December. Tomas Varneckas, the Head of Infrastructure, is elected as the Chairman of the Board of Litgrid.

29 December. EPSO-G updated the Group's Corporate Governance Guidelines, as well as the new version of EPSO-G's Articles of Association was approved and registered in the Register of Legal Entities on 5 January 2023. The following substantive changes were made to the new version of the Articles of Association: clarification of how EPSO-G carries out its patronage functions, revision of competences of EPSO-G's General Meeting of Shareholders, the Board and the CEO, clarification of the provisions relating to the formation of EPSO-G management committees, clarification of the provisions concerning the composition of the Board and the organisation of its activities, the possibility for the EPSO-G's Board to set up a Group Management Committee.

30 December. EPSO-G signed the final deed of works for the installation of the Physical Barrier at the border with Belarus with the State Border Guard Service. The Project Supervisory Commission concluded that the physical barrier was installed on time, to a high quality and within the budget, and that in November and December the project savings were used to purchase the necessary materials for the repair and further maintenance of the barrier and to take additional technical security measures to reinforce the barrier.

Significant events after the end of the financial period

January

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

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

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

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

February

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

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

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

4.2. Performance indicators

In 2022, the financial performance of EPSO-G Group was mostly negatively affected by record high electricity and natural gas prices causing increase in gas and electricity acquisition costs for technological and own needs, whereas their compensation will be included in revenue from regulated services in the future periods. The geopolitical situation relating to the war in Ukraine had a significant adverse impact on energy transmission flows, thereby resulting in decline in energy and gas consumption levels in Lithuania, and increase in gas transporting flows towards the directions of Lithuania-Latvia and Lithuania-Poland. Accordingly, the changes in the structure of gas transmission flows in the respective segment resulted in higher revenue.

The volume of electricity transmitted via high voltage transmission networks to households and businesses during the period was 10.2 terawatt hours (TWh), which was 6.4% less compared to the same period in 2021. Electricity consumption decreased due to household and business savings and the growth of consumers generating electricity from renewable sources connected to the distribution network.

As Litgrid was supervising and operating the electricity transmission system, it managed to achieve the target indicators of electricity transmission reliability. The AIT (average interruption time) and the ENS (energy not served) indicators were higher compared to 2021. In 2022, the AIT indicator was 0.356 minutes (2021: 0.11 minutes), and the ENS indicator was 10.617 MWh (2021: 3.36 MWh). As required by the NERC, the AIT indicator during the year shall not be higher than 0.934 minutes, whereas the ENS indicator shall not be higher than 27.251 MWh. The increase in ENS and AIT indicators compared to the previous period was partly caused by the changes introduced in the NERC methodology.

In 2022, an overall availability of the interconnections with Sweden and Poland NordBalt and LitPol Link was 98.26% and 98.34%, respectively. Scheduled works - the annual repair of NordBalt and the implementation of synchronization projects with continental European networks - had the greatest influence on the availability of the interconnections.

The total installed capacity of power plants connected to the Lithuanian electricity network was 4147 megawatts (MW) at the end of 2022, whereof 1613 MW represented renewable sources. During 2022, agreements were signed on transmission of electricity from four new wind farms with expected total installed capacity of 235.1 MW. During the same period, the wind farms with total capacity of 119.1 MW were factually connected to the transmission network and started generating electricity.

In 2022, 40.4 terawatt hours (TWh) of natural gas was transported to gas consumers in Lithuania, the Baltic countries and Poland (excluding gas transmission to the Kaliningrad Region), whereof 15.6 TWh of gas was consumed in Lithuania (35% less compared to 2021).

The war in Ukraine last year has resulted in considerably higher gas flows towards Latvia. In 2022, 18.4 TWh of gas was transmitted for the needs of the Baltic countries and Finland, i.e. ten times more compared to 2021, when 1.9 TWh of gas was transported to the Nordic countries. Through the GIPL interconnection that was launched in May of last year, 6.4 TWh of gas was transported to Poland, and 2.3 TWh of gas was transported to Lithuania during May-December.

In 2022, 32.1 TWh of gas was supplied from the Klaipėda LNG terminal, representing 79% of the total gas input designated to the consumers in Lithuania and other Baltic countries. 3.3 TWh (around 8%) of gas was transported through the interconnection from Latvia to Lithuania, and 3.1 TWh (around 8%) of gas was transported during January-March to Lithuania from Belarus. As Lithuania discontinued gas imports from Russia with effect from 1 April, the Lithuania-Belarus interconnection is used solely for transporting gas to the Kaliningrad Region. The gas transit to the Kaliningrad Region was 23 TWh in 2022, i.e. 12% less compared to the same period in the previous year.

The availability of natural gas transmission network to the system users was 100%.

Key performance indicators of the EPSO-G Group

	2022	2021	Change		2020
			+/-	%	
Electricity					
Volume of electricity transmitted, GWh	10,234	10,936	-702	-6.4%	10,089
ENS (energy not served due to disconnections), MWh*	10,62	3,36			6,21
AIT (average interruption time), min.*	0.36	0,11			0.21
NordBalt availability, %**	98.3%	97,3%			95,6%
LitPol Link availability, %**	98.3%	87,5%			92,4%
Technological costs of the transmission network, %	2,18%	2,67%			2,88%
Natural gas					
Volume of natural gas transported to the domestic exit point, GWh	15,576	24,136	-8,560	- 35,5%	25,144
Volume of natural gas transported to the adjacent transmission systems, GWh***	48,213	28,595	19,618	68.6%	32,861
Traded volume on natural gas exchange, GWh	6,946	7,957	-1,011	- 12.7%	7,206
Biofuels					
Traded volume of biofuel on energy exchange, '000 GWh	6,828	5,781	1,047	18.1%	5,466

* Only for the causes falling within the scope of responsibility of the operator and for unidentified causes. In 2022, the NERC supplemented the criteria for cases, when the ENS and AIT shall fall within the scope of responsibility of the operator (in 2022, the ENS shall not be higher than 27.251 MWh, and AIT shall not be higher than 0.934 minutes (2021 and 2020: 6.3 MWh and 0.29 minutes, respectively).

** Overall availability of LPL/NB interconnection – availability of interconnection at both sides, Lithuania and the other country.

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

In 2022, the total traded volume of natural gas on GET Baltic natural gas exchange in Lithuania, Latvia, Estonia and Finland reached nearly 7 terawatt hours (TWh). Compared to 2021, the total traded volume decreased by almost 13% due to geopolitical events in the region, high prices of natural gas, and decrease in gas demand in the region. Although the annual gas demand in the region decreased by around 40%, the traded volume on GET Baltic natural gas exchange increased by 5% at the regional level and accounted for around 17% of total regional demand of the Baltic countries and Finland (2021: 12%).

In 2022, the traded volume of biofuel on Baltpool energy exchange increased by 18%: the traded volume was 6.8 terawatt hours (TWh) in 2022 compared to 5.8 TWh in 2021. On the energy exchange, there were in total 8.4 thousand transactions for the value of almost EUR 253 million. On the Company's heat auction data management system, there were transactions on purchase-sale of heat of 5 GWh, whereas on the e-auction system for timber, there were in total 4.1 thousand transactions for 1.9 million st of timber.

4.3 Consolidated financial performance indicators

Financial performance indicators, EUR '000	2022	2021	Change		2020
			+/-	%	
Revenue	589,967	362,910	227,057	62.6%	270,519
Operating costs	636,625	318,110	318,515	100.1%	230,058
EBITDA ¹	-11,273	79,639	-90,912	-114.2%	74,549
Adjusted EBITDA ²	63,262	65,156	-1,793	-2.8%	-
Net profit	-42,515	39,818	-82,333	-206.8%	40,085
Adjusted net profit ²	21,419	27,836	-6,417	-23.1%	-
Assets	1,425,728	962,606	463,122	48.1%	787,532
Non-current assets	706,479	651,787	54,692	8.4%	635,287
Current assets	515,471	310,819	204,652	65.8%	152,245
Equity	227,774	271,598	-43,824	-16.1%	233,066
Liabilities	1,197,954	691,008	506,946	73.3.0%	554,466
Cash flows from operating activities (FFO) ³	-7,675	74,539	-82,214	-110.3%	72,665
Investments ⁴	175,196	112,172	63,024	56.2%	147,436
Net debt ⁵	-28,561	220,509	-249,070	-113.7%	366,881
Financial ratios					
EBITDA margin ⁶	-1.9%	22%			27.6%
Assets turnover ratio ⁷	41.4%	37.7%			34.4%
Net debt-to-equity ratio	-13.2%	81.2%			157.4%
Return on equity (ROE), % ⁸	-17.0%	15.8%			18.8%
Equity-to-assets ratio	16.0%	28.2%			29.6%

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

2) Regulated revenue, expenses and profitability indicators are recalculated due to temporary regulatory deviations from the regulated profitability indicator approved by the NERC.

3) Cash flows from operating activities (FFO) = net profit/(loss) + depreciation and amortisation charges – interest income.

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

5) 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

6) EBITDA margin = EBITDA/Revenue

7) Asset turnover = Revenue/Assets

8) Return on equity = Net profit/(Equity at the beginning of the period + Equity at the end of the period)/2

Revenue

EPSO-G Group's consolidated revenue increased by EUR 227.1 million or 62.6% in 2022 compared to 2021, i.e. from EUR 362.9 million to EUR 590 million.

Revenue from electricity transmission and related activities increased by 55.3% in 2022 compared to 2021 and amounted to EUR 420.3 million. An overall revenue growth was mostly driven by 2.4 times higher imbalance and balancing electricity revenue (2022: EUR 175.1 million). The system balancing service provided by Litgrid is always maintained at zero profitability, because revenue from this service only covers the actually incurred imbalance and balancing electricity expenses, which increased by 2.5 times and amounted to EUR 174.8 million in 2022.

Revenue from gas transmission and related services, as well as revenue from natural gas trade organisation amounted to EUR 98.3 million in 2022, i.e. increased by 43% compared to 2021. Such increase in revenue level was driven by cross-border gas flows transported through the gas transmission system in Lithuania. In 2022, following the launching of the interconnection with Poland and enhancement of the interconnection with Latvia, there was a transformation of activities into the service of cross-border gas flows across the region.

The Group's other income amounted to EUR 71.3 million, mostly representing income arising from construction work costs covered in relation to implementation of the project for physical barrier at the border with Belarus. The project was largely carried out on de-minimis terms.

Revenue by segment, EUR '000 000	2022	2021	Change		2020
			+/-	%	
Revenue from electricity transmission	72.5	80.1	-7.6	-9.4%	83.4
Revenue from electricity balancing	175.1	71.7	103.4	144.2%	21.2
Revenue from additional services	137.2	91.7	45.5	49.7%	86.7
Other revenue related to electricity activities	35.5	27.1	8.3	30.7%	16.2
Revenue from transmission of gas	43.1	40.7	2.4	5.9%	36.6
Revenue from gas transit	22.3	13.0	9.2	71.0%	9.3
Revenue from gas balancing	30.6	12.5	18.0	143.8%	4.6
Other income	73.7	26.1	47.6	183.1%	12.5
TOTAL:	590	362.9	227.1	62.6%	270.5

Operating expenses

The Group's operating expenses totalled EUR 636.6 million in 2022, i.e. increased 2 times compared to 2021 mostly due to significantly higher average energy prices. Expenses also increased in proportion to revenue due to costs incurred by the Group in relation to implementation of the project for physical barrier.

The major item of operating expenses represented purchase of energy resources and related services for technological needs amounting to EUR 459.9 million (expenses of purchase of electricity and related services amounted to EUR 420.1 million, expenses of purchase of natural gas amounted to EUR 39.8 million) or 72.2 % of total operating expenses.

Depreciation and amortisation expenses amounted to EUR 35.1 million, wages and salaries and related expenses amounted to EUR 45.1 million, repair and maintenance expenses amounted to EUR 8.4 million, expenses of contracted or subcontracted work carried out by Tetas (mostly relating to construction of physical barrier) and materials amounted to EUR 59.1 million, telecommunications and ITT expenses amounted to EUR 4.7 million, transport expenses amounted to EUR 5.6 million, and the remaining amount of expenses was EUR 18.7 million.

Expenses, EUR '000 000	2022	2021	Change		2020
			+/-	%	
Electricity purchase expenses	420.1	194.5	225.6	116.0%	128.4
Gas purchase expenses	39.8	11.3	28.6	253.5%	6.3
Depreciation and amortisation	35.1	34.8	0.3	0.8	32.7
Wages and salaries	45.1	35.4	9.6	27.2%	30.4
Construction works and materials	59.1	15.5	43.6	381.3%	5.3
Repair costs	8.4	6.5	1.9	29.8%	6.9
Other costs	29.0	20.1	8.9	44.3%	20.0
TOTAL:	636.6	318.1	318.5	100.1%	230.1

Results of operations

In 2022, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) was negative and amounted to EUR -11.3 million, i.e. decreased by 114% compared to 2021.

The EBITDA margin was negative and stood at -1.9% in 2022 (the same period in 2021: 22%).

The EBITDA was largely affected by 2.2 times higher expenses for purchase of electricity and related services, 3.5 times higher expenses for purchase of natural gas and related services, which in turn were caused by higher energy prices.

EPSO-G Group incurred net loss of EUR 42.5 million in 2022 compared to net profit of EUR 39.8 million in 2021.

The results of operations for the reporting period (both, negative EBITDA and net profit) were largely caused by the temporary regulatory differences arising from energy crisis-driven price and volume deviations from those used for setting revenue from regulated activities. Based on the methodology for regulation of prices, these differences will be compensated when determining revenue from regulated activities in the future periods.

In 2022, EPSO-G Group's adjusted ROE was 7.6% (unadjusted ROE was -17%), with an average ROE target of 4.7% set for EPSO-G Group by the Government of the Republic of Lithuania for the period 2022-2024. Electricity and gas transmission activities are regulated, and accordingly, any ROI deviation is included when setting the transmission prices for the future periods.

Adjusted results of operations

Regulated revenue, expenses and profitability indicators are recalculated due to temporary regulatory deviations from the regulated profitability indicator approved by the NERC. Calculation of adjusted indicators involves estimation of adjustment for previous period revenue, which has already been approved by the decision of the NERC when determining regulated transmission prices for the reporting period, and estimation of deviation of the actual profitability from the regulated profitability approved by the NERC, which will be considered when determining the transmission prices by the NERC for future period.

- Adjusted EBITDA in 2022: EUR 63.4 million (2021: EUR 65.2 million).
- Adjusted net profit in 2022: EUR 21.4 million (2021: EUR 27.8 million).
- Adjusted average ROE in 2022: 7.6% (2021: 11.3%).

Adjusted EBITDA, EUR '000 000		2022	2021
Group's EBITDA		-11.3	79.6
Amber Grid	Refunding of ROI deviation in relation to previous periods	17.0	3.1
	Payment to Poland for GIPL was included in 2022 revenue	-8.3	0.0
	Current year difference between actual revenue and revenue set by the NERC	-12.5	-8.7
	Current year actual balancing result	-3.7	-3.6
	Current year difference between actual technological losses and those set in the pricing	11.2	0.8
	Other adjustments for difference between current year actual rates and those set in the pricing	0.2	0.3
Litgrid	Refunding of ROI deviation from transmission activities in relation to previous periods	15.3	10.0
	Current year difference between actual technological losses and those set in the pricing	73.6	21.4
	Other ROI deviations from transmission activities	7.4	-8.0
	Refunding of ROI deviations from additional services in relation to previous periods	4.4	-2.4
	Current year difference in regulatory rate of return from additional services	-29.9	-27.4
Group's adjusted EBITDA		63.4	65.2

Adjusted net profit/(loss), EUR '000 000		2022	2021
Group's net profit/(loss)		-42.5	39.8
Amber Grid	Adjusted EBITDA	3.9	-8.1
	Current year difference between regulatory and financial depreciation of PP&E	0.6	0.4
	Current year difference between actual taxes and those set in the pricing	-0.7	1.2
Litgrid	Adjusted EBITDA	70.7	-6.4
	Current year difference between actual taxes and those set in the pricing	-10.6	1.0
Group's adjusted net profit/(loss)		21.4	27.8

Statement of financial position

As at 31 December 2022, the Group's assets totalled EUR 1,425.7 million. The Group's non-current assets amounted to EUR 706.5 million and accounted for 49.6% of the Group's total assets. Non-current assets increased mostly due to investments in the electricity and natural gas transmission infrastructure and the system of energy storage facilities. The shareholders' equity decreased by 16.1% to EUR 227.8 million due to loss incurred in 2022, and the Group's consolidated equity-to-assets ratio was 15.7% at the end of the year.

The Group's current assets amounted to EUR 515.5 million at the end of 2022, i.e. increased by 65.8% compared to 2021. This change was mostly driven by increase in prepayments from the participants of the natural gas exchange due to significantly higher gas prices at the end of the year, the PSO funds collected but not yet paid

due to a high electricity price, and higher accumulated congestion proceeds. These factors also resulted in a temporary increase in current liabilities.

At the end of 2022, the Group's net financial liabilities to creditors, including lease liabilities, amounted to EUR 218 million. Due to accumulated congestion proceeds of Litgrid, cash and cash equivalents at the end of the period amounted to EUR 248.1 million. EPSO-G Group's net debt (including lease liabilities) to equity ratio was -13.2% due to accumulated temporary free cash surplus.

In 2022, congestion management proceeds of Litgrid amounted to EUR 267.3 million, i.e. 5.3 times higher compared to 2021. These proceeds are not recognised as revenue and have no direct impact on the Company's result of operations, and their use is regulated under the European Parliament and Council Regulation No. 2019/943 and the methodology approved by the European Union Agency for the Cooperation of Energy Regulators (ACER). Congestion management proceeds are used mostly to finance in part the investments aimed at capacity enhancement of interconnections.

Investments

In 2022, EPSO-G Group's investments (non-current assets carried at cost, before consideration of offsets with grants received/receivable for acquisition of the related assets) amounted to EUR 175.2 million, i.e. EUR 63 million higher compared to 2021.

In 2022, Litgrid's investments amounted to EUR 55.9 million (whereof 41% were related to electricity projects of strategic and national importance, and 59% were related to reconstruction and development of the transmission network and maintenance of operations).

Amber Grid's investments amounted to almost EUR 43 million (whereof 27.5 million represented the accumulated CBCA contribution payable to the Polish natural gas transmission system operator for the gas interconnection between Lithuania and Poland. The investments were aimed at reconstruction and modernisation of the transmission network).

Energy Cells' investments in the system of energy storage facilities amounted to EUR 57.9 million.

4.4 Research and development activities

The ambitious goals of the National Energy Independence Strategy for the integration of renewable energy sources and the ongoing synchronization program 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, the EPSO-G Groups are guided by the Guidelines for Research and Experimental Development and Innovation ("R&D&I Guidelines"). The aim of the R&D&I Guidelines is to ensure, through research, innovation and new solutions, that the activities of the companies in the EPSO-G Group are continuous and efficient, competitive or competitive, in line with the objectives of the NEIS, and that they create greater added value for society.

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

At the end of 2022, the Group's innovation portfolio consisted of 49 instruments focusing on advanced and efficient systems management and monitoring, modern asset management solutions, the development of the Group's ITT and digitalisation, and the development of new business organisations and services.

Guidelines and roadmap for hydrogen development in Lithuania

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

Planning and design of offshore power grid to integrate the potential of offshore wind farms in Lithuania

Litgrid, in cooperation with the Japanese energy company TEPCO Power Grid, prepared a study to evaluate the technical and economic alternatives of offshore power grid for the integration of wind farms. The study was carried out with regard to the goals of NEIS, which provide that by 2050, 80% of Lithuania's energy needs will have to be produced from non-polluting sources, and 100% of the national total electricity consumption will consist of locally produced electricity. The development of renewable energy sources by focusing on the development of offshore wind, is seen as one of the main means to achieve these goals. Already in 2023, offshore wind auction is planned to integrate the first 700 MW of offshore wind capacity into the Lithuanian electricity system.

In order to make offshore wind integration technologically advanced and cost-effective, possible different grid configurations for offshore wind integration including direct and alternating current technologies, their technical parameters and investments required for installation and operation, socioeconomic benefits of such offshore grid configurations were analysed in the scope of this study.

The project OneNet

The project One Network for Europe (OneNet) aims to realize the vision of a joint grid and create the conditions for a new generation of grid services able to fully exploit demand response, storage and distributed generation while creating fair, transparent and open conditions for the consumer. The creation of one network of Europe is a big challenge, but solutions that can help different systems work together are very necessary. This is to take advantage of the opportunities offered by the smart grid. At the end of 2020, Litgrid joined this project, which together with Energijos Skirstymo Operatorius (ESO) involves more than 70 operators of transmission and distribution network and exchange, and other partners from all over Europe. The project is divided into 4 groups and Litgrid together with ESO are assigned to the Northern cluster, which includes Ireland, Norway, Sweden, Finland, Estonia and Latvia.

Since the beginning of the year, all consumers in Lithuania have a practical opportunity to contribute to the flexibility of the system and its balancing. Independent aggregators that were issued permits by the Council for independent electricity demand aggregation, aggregate consumers, while a transmission system operator, applying the methodology for determining the amount of initial electricity demand, calculates aggregated offers of at least 1 MW in the balancing market. This will strongly contribute to the speedier integration of renewable sources into the energy system and wider opportunities to enable consumers to be active participants in the energy system.

The study on the application of innovative measures in the integration of RES power plants and the methodology for determining optimal solutions

Litgrid is constantly connecting new producers using renewable energy sources (RES) to 110-330 kV electricity transmission networks. After connecting the maximum possible amount of RES to the existing 110 kV lines and substations, by using the existing bandwidth of the transmission network, there is still a large amount of unconnected RES producers, which could be connected if means were found to increase the bandwidth of 110 kV power lines without reconstructing them, but instead using other technical measures. To achieve this goal, "The study on the application of innovative measures in the integration of RES power plants and the methodology for determining optimal solutions" was carried out. The study will help to evaluate the possibilities of using new and innovative measures (power flow management, bandwidth monitoring, energy storage technologies) by increasing the quantities (power) of RES connection to 110 kV power grids and to determine in which cases the application of certain measures would be more appropriate. To determine the most effective measures for the utilization of the existing 110 kV network by integrating the maximum possible RES power, a study and a cost-benefit analysis with the evaluation of socioeconomic aspects should be carried out.

Study assessing the grid's frequency regulation-related service supply and participation model in the balancing market

The aim of the study is to prepare a calculation model that could evaluate the criteria and conditions for participation in the balancing market of participants from different segments of electricity and systemic services markets, as well as create an educational calculator enabling to evaluate the different technical requirements and economic aspects of the grid of a provider of ancillary services.

Studies assessing the Baltic system stability

Even before the planned synchronization of the electricity system of the Baltic countries with the continental Europe networks, there is a risk of earlier disconnection from the IPS/UPS system. In this event, the electricity system of the Baltic countries would be synchronized with CEN as a matter of urgency. In this case, the risk is assessed that if the synchronous connection between Lithuania and Poland is disconnected, the electricity system of the Baltic countries would remain in island mode.

Until now, 3 studies on stability of the electric power system (EPS) of the Baltic States have already been carried out: "Study on the stability of the frequency of EPS of the Baltic States", "Study on the dynamic stability of the

synchronous interconnections of Estonia, Latvia and Lithuania with CEN" and "Study on measures necessary for the safe operation of EPS of the Baltic States after synchronization with the CEN and related costing". These studies resulted in the identification of the necessary measures that should be implemented in order to ensure the stable operation of EPS of the Baltic States in the island mode after the planned synchronization with CEN.

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

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

REGATRACE

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

4.5. Membership in organisations

In 2022, the holding company EPSO-G and the transmission system operators actively participated in the activities of the national (Lithuania's National Energy Association - Lith. NLEA) and various international organisations and associations, such as the European Association of Transmission System Operators for Electricity (ENTSO-E) and the European Association of Transmission System Operators for Gas (ENTSO-G), as well as in the activities of TSOs and other associations of electricity undertakings.

Organisation	Representing company	Link	Organisation description
Bioenergy Europe	Baltpool	www.bioenergyeurope.org	The association bringing together national bioenergy associations and bioenergy companies based in Europe, as well as academic and research institutions in Europe.
EASEE-gas	Amber Grid	www.easee-gas.eu	The association established to develop and promote simplified and streamlined physical transportation and trade of gas throughout Europe.
ENTSO-E	Litgrid	www.entsoe.eu	The organisation bringing together European electricity transmission system.
ENTSO-G	Amber Grid	www.entsog.eu	The organisation bringing together European natural gas transmission
European Green Hydrogen Alliance (European Green Hydrogen Alliance)	Amber Grid	www.ech2a.eu	An alliance for the development of hydrogen technology in Europe.
European Renewable Gas Registry	Amber Grid	www.ergar.org	An organization with the objective to develop trade in guarantees of origin for gas produced from renewable energy
European Hydrogen Backbone	Amber Grid	www.ehb.eu	Members participating in the initiative create a shared vision for hydrogen transportation infrastructure across Europe.
FIF Marketing	Baltpool	www.danskfjernvarme.dk	FIF Marketing (Dansk Fjernvarme branch) unites over 370 companies, including the Danish heat supply companies, which account for 99.9% of the district heat supply in Denmark.
Infobalt	EPSO-G Amber Grid Litgrid	www.infobalt.lt	DigiTech Sector association to create the best conditions for technology application, market development and export. EnergyTech Digital, a group set up by Infobalt and EPSO-G Group companies to promote the wider use of digital technologies in the energy sector.

International Council on Large Electric Systems (CIGRE)	Litgrid	www.cigre.org	Global non-profit organization, the scope of the activities, of which includes the technical and economic aspects of the electrical grid, as well as the
AIB, the organization uniting bodies issuing guarantees of origin in Europe	Amber Grid	www.aib-net.org	Creates and develops a standardized system for the exchange of guarantees of origin of energy among the bodies issuing guarantees of origin of the European Union and the member states of the European Economic Area to ensure a reliable, transparent and economical cross-border exchange of guarantees of origin of energy.
Polish-Lithuanian Chamber of Commerce	Amber Grid Litgrid	www.plcc.lt	The organisation seeking to improve economic cooperation between Lithuania and Poland.
Lithuanian Project Management Association	EPSO-G	www.ipma.lt	The association bringing together project management professionals
Lithuanian LNG platform	Amber Grid		The Platform partners aim to promote the use of LNG as a new, cleaner and quieter fuel in the transport, industrial and other sectors of the economy and to create a common information and working platform for all potential LNG market players.
Lithuanian Hydrogen Energy Association	Amber Grid	www.h2lt.eu	The association uniting the country's scientists and business organizations that participates in the formation of national, regional and EU policies and objectives, including the preparation of the strategy and action plan for the development of hydrogen in the legislative process regulating the Lithuanian hydrogen.
Lithuanian Hydrogen Platform	Amber Grid EPSO-G		The platform aims to help achieve the goals of the EU Hydrogen Strategy to create a full-fledged and affordable renewable hydrogen value chain. It also promotes the involvement of Lithuanian companies and organizations in the value chain activities of the hydrogen sector, in developing and producing products and providing services for the needs of Lithuania and other countries.

Lithuania's National Energy Association (Lith. NLEA)	EPSO-G Amber Grid Litgrid	www.nlea.lt	The association bringing together Lithuanian companies operating in the electricity and natural gas sectors, as well as scientific establishments.
Association of Personnel Management Professionals (Lith. PVPA)	EPSO-G	www.pvpa.lt	An association uniting personnel management professionals.
Lithuanian Responsible Business Association LAVA	„EPSO-G“	Asociacijalava.lt	LAVA is in the center of sustainable business ecosystem, connecting companies and organizations at the national level.
Kaunas Chamber of Commerce, Industry and Crafts	„Tetas“	www.chamber.lt	An association uniting business enterprises and the scientific community.

4.6 Transactions with related parties

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

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

5. COMPLIANCE AND RISK MANAGEMENT AND AUDIT

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

In 2022, EPSO-G Group followed the Group's Risk Management Policy and Risk Management Methodology. These documents 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 applicable in the international practice.

The Risk Management Policy is publicly available on EPSO-G website.

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

The Group companies identified operational risks for 2022, assessed them, set risk monitoring indicators and provided risk management measures.

After assessing the risks identified and managed in the Group companies and their level (impact on the Company's activities as well as on EPSO-G Group as a whole), the Board of EPSO-G approved the EPSO-G group-level risk list. The following main criteria for including a risk in the EPSO-G group-level risk list were set:

- 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.

In each quarter of 2022, the Audit Committee of EPSO-G assessed the changes in the key risk indicators of each company of the Group, the effectiveness of risk management and presented its conclusions and recommendations to the Boards of the companies.

5.1. Key risks and their management

The following key risks were included in the group-level risk lists:

1. Risk of implementation of regulatory requirements for key activities

The prices of electricity and natural gas transmission and related services are regulated, the price caps are set by NERC. Substantial changes in regulatory principles may affect the return on investment of regulated entities and, accordingly, the financing and implementation of significant investment projects, as well as the ability to pay dividends. In managing the risk of violation of the regulatory requirements of the main activities, continuous monitoring of legislation prepared and amended by NERC and other institutions regulating regulated activities was performed during the reporting period. Moreover, comments and suggestions on draft legislation being prepared and amended are provided, and the Group's common position formulated, where relevant.

2. Business transparency risk (competition in public procurement is not ensured)

EPSO-G Group implements the projects of the regional and national significance. These are major investment projects. Their success depends on the awareness, trust and support of the shareholders, partners, controlling and regulating institutions and the society. EPSO-G has therefore continued to focus its activities on monitoring procurement processes and preventing corruption.

EPSO-G has consistently implemented the requirements of the Law on the Adjustment of Public and Private Interests, under the provisions of which executives of all EPSO-G Group companies and members of the boards are obliged to declare their interests publicly. The requirements of the law have been implemented to a greater extent than the statutory requirements on the basis of a policy on the management of the interests of the members of the EPSO-G Group's collegial bodies, managers and employees.

During the reporting period, EPSO-G Group companies have consistently and systematically implemented a policy of zero tolerance for corruption, patronage of family members, relatives, friends or any other form of influence peddling, and of the prevention of conflicts of interest between the company and its 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 via the Trust Line at pranesk@epsog.lt without fear of any negative consequences or directly to the Special Investigation Service of the Republic of Lithuania (SIS).

To ensure supplier competition in public procurements during the reporting period, the Group companies recorded cases of procurement procedures where a single supplier is approached directly (and when only one participant submits an offer) and analysed them, for employees participating in the procurement process, links between annual goals and ensuring supplier competition in public procurements were established. Other measures were also applied during the reporting period: standardized market research needs survey templates, standardized technical specifications preparation methodology etc.

3. Risk of lack of relevant qualification employees, employee turnover and motivation

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

The Group companies periodically assess the engagement of employees and take relevant actions to attract, motivate and retain talent, regularly measure employee competencies; special professional development training and education programs are carried out; the Group companies work with universities and other educational institutions to attract talented employees and contribute to the practical training of students.

4. Risk of non-compliance with occupational safety requirements

Litgrid, Amber Grid and Tetas held by the Group places great emphasis on occupational safety. In the Group companies, occupational risk at workplaces was assessed. Appropriate installation of workplaces, timely maintenance and control of systems, devices, work tools are also ensured. In addition, during the reporting period, other measures were implemented, internal documents regulating the safety and health of employees were approved, training, certifications and briefings on safety and health issues were carried out, as well as continuous control and supervision of the compliance of the Company's employees and subcontractors with the requirements for safety and health of employees.

5. Information security (cyber security) risks

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 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 monitoring of the critical infrastructure data network; the processes required to ensure cyber security were implemented, the requirements and control procedures for all external parties affecting the security of the company were developed. In Amber Grid, the development of a critical infrastructure data network monitoring system, as well as the updating and installation of software required to ensure cyber security were carried out.

6. Technological risks

One of the most important responsibilities of EPSO-G Group companies is to ensure secure, reliable, and efficient operation of natural gas and electricity transmission systems. Consequently, Litgrid and Amber Grid have been introducing and improving specialized information systems, modern business management systems, updating accident and technological disruption and emergency management, business continuity plans on a continuous basis, and posing high requirements for the contractors.

When managing this risk by Litgrid during the reporting period, the testing of isolated operation resulted in ensuring system services for the prevention and elimination of accidents and disturbances, up-to-date system recovery plan after a total accident was prepared and, power reserves were ensured, equipment tests were performed, isolated mode tests and operational staff training were successfully performed. In order to manage the risk, when overhead power lines are disconnected due to unforeseen actions or omissions of the third parties, during the reporting period, planning of power line disconnections and monitoring and control of the number of disconnected lines was carried out, re-planning of disconnections in the systems of the Baltic region was performed.

During the reporting period, measures were also implemented to manage the disconnection risks of NordBalt and LitPol Link interconnectors; high-quality operation and availability of connections were ensured, timely provision of services and works, work on preparation for urgent connection restoration in case of disconnection was performed, and the supply of critical spare parts were ensured.

During the reporting period of Amber Grid, internal and external diagnostics of the main gas pipeline were carried out according to the approved schedule, data analysis and condition assessment of the pipelines were performed, and works provided for in the main gas pipeline maintenance schedules and repair and investment plans were carried out, as well as other measures were applied, such as bypasses of gas pipelines, leaks search etc. In order to manage the risk of relocation of the sections of the pipeline, where the construction standard was exceeded, further work is underway on the implementation of the legislative initiative on the differentiation of pipelines according to pressure, based on the completed study, by adjusting the projects of the adjustment of the Rules for the Installation and Development of the Main Gas Pipeline and other related legal acts.

7. Risk of delays in the implementation of strategic projects

By managing this group-level risk, EPSO-G monitored key risk indicators and implemented risk management measures within the tolerance threshold set due to inefficient project control in the Group companies, disagreements between a customer and contractor in the implementation of strategic and joint projects in the risks.

By managing the risk of non-compliance with the Project Portfolio Plan, Amber Grid sought to confirm the portfolio of projects for at least the following one year as early as possible to create opportunities for planning resources in advance, to draft procurement conditions and announce public procurements. In all cases, when preparing investment projects, the company planned to conduct a market analysis aiming to properly evaluate the planned investments, carried out communication so that all members of the project team act according to the project management policy, which defines responsibilities and roles.

By managing this group-level risk, Litgrid managed the delays in ensuring the readiness of the critical workflow for full synchronization with the CEN, the increase in the investment value of the Synchronization Program projects, the delay in ensuring the readiness of the Critical workflow of the Lithuanian electricity system for isolated operations and other related risks. To manage these risks, the company implemented the following measures: employed additional human resources for the implementation of projects, carried out speedier procurement procedures, reinforced the control of contracts, implemented other measures.

During the reporting period, while managing the risks of the implementation of the Battery Energy Storage System project, Energy Cells carried out monitoring of the detailed project program prepared by the contractor, human resources and the necessary competences from other companies of the Group were used, the project goals of the project team and individual goals of its team members were formulated to achieve timely solutions focused on the speedy project implementation, as well as measures aimed at closer cooperation with local communities and institutions emphasizing the importance of the project were additionally planned and implemented.

8. Risk in prices in the gas and electricity sectors

In 2022, EPSO-G risk management measures focused on systems' reliability, regulated activities, opinions of employees, producers, suppliers and consumers. A dialogue with the regulator was further developed regarding the creation of a favourable environment for climate neutral solutions. The Centre for Renewable Energy was established and formed by Litgrid to ensure efficient coordination of the connection of new renewable energy power plants and battery projects to the Lithuanian electricity transmission network.

With regard to the situation in the global energy markets and related uncertainties following Russia's military aggression against Ukraine, the strategies of the Group and companies have been updated.

9. Debt repayment risk

During the reporting period, the risk was controlled, Ignitis Group debt was repaid.

10. Risk of the Group's revenue from unregulated activities and foreign markets

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

COVID-19 risk management and coordination within the Group

In 2022, in all Group companies, new business continuity and prevention measures were continued and planned: means of organizing remote work, employee flow management were continued, information to employees on preventive measures was disseminated, employees were provided with personal protective equipment, and vaccinations were made available. Additional organizational measures were applied at Litgrid and Amber Grid in the system control centres, technical and replacement measures in the system control centres 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 actions, as well as resources and responsible individuals and other documents and means.

Russian invasion of Ukraine

The Group assessed the possible real and potential direct and indirect impact of the Russian invasion of Ukraine on the Group's operations, and in order to reduce the possible impact of the circumstances, the following risk management measures were immediately launched:

1. Constantly updated lists of planned procurements and contracts were compiled (with priority on critical areas).
2. For planned procurements, provisions are included in the procurement documents to ensure that the risk of sourcing materials, services and equipment from Russia or Belarus is not tolerated.
3. Annual procurement plans were reviewed and supplemented by identifying the need for the supply of critical procurement materials, services and equipment for project implementation and operation assurance.
4. Without breaching the requirements of the mandatory legal acts, it is ensured that the participation of Russian and Belarusian suppliers, the acquisition of materials, services, goods and (or) equipment is limited in newly announced procurements.
5. In order of priority, the operational documents required for the continuity of the companies' activities and the proper functioning of the infrastructure were updated, the necessary security and protection measures for the infrastructure and managed systems were planned and implemented.

Litgrid

- The new version of Litgrid's emergency and business continuity management plan and risk analysis of potential risk of accidents and emergency situations were prepared and approved. A list of stocks of necessary personal protective equipment and other measures necessary to ensure the continuity of operations was compiled, and responsible persons were appointed.
- Additional necessary equipment needed for work during an emergency situation was acquired.
- In cooperation with law enforcement institutions and partners, trainings and drills were organized with employees.

Amber Grid

- The business continuity plan and other business continuity documents were updated in January 2022.
- Civil safety training was conducted for all employees of the company.
- Additional necessary equipment needed for work during an emergency situation was acquired.
- Risk analysis of potential risk of accidents and emergency situations was updated.
- The emergency management plan and the company's internal documents related to its implementation were updated.
- Tabletop civil safety exercises were carried out on the topic of the actions of Amber Grid in the event of a power outage across Lithuania.
- The Radiation Protection Centre organized a seminar on radiation protection issues.

5.2. Information on the Compliance Management Process

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

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

In 2022, in accordance with the Compliance Management Policy and the Compliance Management Methodology implementing it, EPSO-G, Amber Grid, Litgrid, Baltpool and Tetas implemented a number of actions and measures to methodically ensure the compliance in selected priority areas where the occurrence of non-compliance risks would have the greatest negative impact on the above companies and the Group as a whole.

The priority areas in the Group companies:

Ligrid	Amber Grid	EPSO-G	Tetas	Baltpool
Protection of personal data				Accounting, financial information, and information on the administration of PSO funds to be published and submitted publicly (from 2022)
Prevention of corruption (from 2022)			Competition (from 2022)	Information related to the performance of the functions of an exchange operator and other trading/accounting systems' administrator to be published and submitted publicly (from 2022)
Public procurement				
Independence of and separation of activities of TSO				
Information of Litgrid as TSO to be published publicly	Inside information			

5.3. Corruption prevention

The basis of EPSO-G Group's corruption prevention activities is the principle of zero tolerance, which means that corruption is not tolerated in the Group and high standards of transparent and ethical business are promoted.

The principle of zero tolerance is ensured by these anti-corruption measures implemented by the Group companies:

- Balancing public and private interests and managing conflicts of interest, which includes declaration of interests and withdrawal procedures;
- Detailed screening of candidates for positions and potential business partners is carried out by assessing their reliability and compliance with the requirements provided for in legal acts (of the Republic of Lithuania and internal ones);
- Clear restrictions on the acceptance and presentation of gifts and other hospitality of employees;
- Investigation of possible cases of corruption;
- Anti-corruption perception of employees is being increased (conducted trainings, organized seminars, familiarization with the legal acts regulating this activity, etc.);
- The channel for providing information on violations (Trust Line) is the possibility for employees and other persons to report possible violations of a corrupt nature.

Corruption prevention in the Group companies is based on risk assessment and is planned (annual plans are drawn up), as well as it has ongoing monitoring of the effectiveness of corruption prevention measures.

In 2022, as every year, the survey on corruption perceptions by employees of EPSO-G Group companies was conducted. 438 employees took part in the survey (513 in 2021). According to the survey data, 98% of employees have not faced corruption in their work in the last 3 years (97% in 2021) and 94% of respondents stated that they know to whom they should report if they face corruption (89 % in 2021). The improving trend of the results of the survey shows the focused implementation of the set goals in the field of corruption prevention.

During the reporting period, additional attention was paid to increasing employees' anti-corruption perception - a description of the procedure for anti-corruption behaviour of employees was approved. It defines the rules of transparent behaviour and provides practical advice to employees in cases of possible corruption situations. Employees were introduced to the description during the communication campaign.

In 2022, the Supplier Code of Ethics was approved, establishing the standards of behaviour of the Group's suppliers, including those related to the prevention of corruption. An initiative to inform the suppliers of the Group companies about the applied Gift Policy was also carried out, during which suppliers were urged not to give gifts to the employees of the Group companies. The restrictions on the acceptance and presentation of gifts were also introduced to employees during the organized seminar.

During the reporting period, to improve the knowledge on the topics of corruption prevention, representatives of the Group companies took active participation in the "Transparency Academy" jointly organized by the Special Investigation Service and partners, where they improved their competence and shared their knowledge with other institutions.

Management of transparency (corruption) risk

In 2022, risks likely to occur in the procurement process and risks of abuse of office were identified in EPSO-G Group companies.

In the activities of the EPSO-G holding company, the following transparency (corruption) risks were identified:

- During the reporting period, to manage the risk of corruption due to improper management of public and private interests: non-fulfilment and/or non-regulation of the duty to withdraw in the event of a conflict of interest (R1), measures such as the duty to withdraw, which is regulated in EPSO-G's Policy on Management of Interests and other internal documents, were applied, the independence assessment process of independent board members was implemented, all EPSO-G's employees were trained on how conflicts of interest should be managed, as well as members of management bodies and employees were consulted individually on how specific conflicts of interest should be managed.
- During the reporting period, to manage the risk of corruption and violation of the equality of procurement participants due to insufficient effective management and prevention of conflicts of interest in public procurement (R2), measures such as the obligation established in the Company's internal documents to declare private interests for persons participating in procurements, the obligation to declare private interests is indicated in each case in the Company's internal documents appointing persons to participate in procurements were applied, periodic inspections are carried out to see if persons participating in procurements have properly declared their interests, periodic EPSO-G's employee training on issues of conflict of interest management are carried out, once a potential conflict of interest is identified, advice is given on how the conflict of interest should be managed.
- To manage the risk of corruption due to the non-assurance of an unbiased handling of claims (R3), claim processing tools were implemented. They are specified in the description of the procurement procedure of EPSO-G.
- During the reporting period, to manage the risk of corruption in organizing public procurement (R4), measures such as the established requirement to announce all procurements in the Central Public Procurement Information System (CVP IS), the requirement for initiators to indicate at least 3 suppliers in the application or justify a smaller number of them, the requirement to conduct market consultation in all simplified and international procurements were applied. In addition, the Description of the Procurement Procedure of EPSO-G establishes the principle of at least "4-eye" control. To manage the risk of non-implementation of procedures and/or lack of transparency, the internal documents of EPSO-G set out the control measures for the ongoing procurement procedures, such as Duties for Heads of Departments, control measures implemented by the Procurement Department.

The following risks were identified and managed at Litgrid:

- Risk of improper budget planning for procurement (R5);
- Risk of failure to ensure competition of suppliers in public procurement (R6).

To manage these risks, in 2022, measures such as a standardized procurement value calculation methodology, the requirement to substantiate the budget in procurement applications, the involvement of the Finance Department, recording of cases of procurement procedures when a single supplier is approached directly (and when a bid is submitted by only one participant), analysis and periodic reports on the procurement procedures carried out. In addition, for employees participating in the procurement process, the link between annual goals and ensuring competition among suppliers in the ongoing public procurements, publication of market consultations/technical specifications, proactive work of the Procurement Department with initiators and suppliers was established.

The following risks were identified and managed at Amber Grid:

- Risk of insufficient competition of suppliers (R7);
- Risk of inadequate performance of contracts (R8);
- Risk of breach of the procurement procedures (R9);
- Risk of compliance of third-party suppliers (sub-suppliers)(R10).

To manage these risks in 2022, such measures as a standardized form of needs survey, standardized methodology and forms for the preparation of technical specifications were applied, as well as early market consultations, procurement publicity, monitoring of the number of offers, additional control of contract values were carried out, asset management IS was implemented, with the help of which control of contract values, quantities, terms will

be carried out by technical means. In addition, in 2022, the Company carried out an inspection of transactions and supplier employees in accordance with the Law on Protection of Objects Critical National Security of the Republic of Lithuania, as well as other measures were implemented.

In 2022, in Baltpool, the risk of improper conduct of public procurement procedures (R11) was identified and managed. In 2022, to manage this risk, the risk management measures applied included controlling the procurement process according to the "4-eye" principle. The Company ensured the declaration of interests, compliance with and control over the provisions of the Policy on Management of Interests and the Procurement Policy, and used the tools of the document management system for initiating and conducting low-value procurements to ensure control over the conducted procurement.

The following risks were identified and managed at Tetras in 2022:

- Risk of non-compliance with planned procurement procedures and/or arrangements (R12);
- Risk of breach of a corrupt nature (R13);

In managing these risks, a real time situation was monitored, recorded, and executives were informed. The company found that decisions related to the use of financial resources, reserves and other assets are made using established control mechanisms, such as document signing, internal audits and others. Declarations of interests were also submitted, and the process of violation of workplace disciplinary obligations.

Assessment of transparency (corruption) risks of EPSO-G Group companies

The following probabilities and impacts were assessed for the identified risks:

- Very high probability – R7 (medium impact)
- High probability – R10 (high impact), R6, R6, R8 and R13 (medium impact)
- Medium probability – R1, R2 and R3 (high impact), R9 (medium impact)
- Low probability – R11 and R12 (low impact)
- Very low probability – R4 (very high impact)

Corruption prevention

During the reporting period, EPSO-G Group companies have consistently and systematically pursued zero tolerance of corruption, no patronage of family members, relatives, friends or any other forms of trading in influence, and consistent and systematic implementation of the prevention of conflicts of corporate and private interests. The measures taken to prevent corruption must work in a way that enables EPSO-G executives and employees recognize the signs of corruption and take effective and timely measures to ensure that no breach of laws giving rise to corruption takes place in companies.

The Group companies encourage employees and other stakeholders to report potential violations, unethical or unfair conduct directly or anonymously via the Trust Line pranesk@epsog.lt, the Trust Line of the Group companies or directly to the address of the Special Investigation Service of the Republic of Lithuania, without fearing negative consequences. The Trust Line is also in place in the subsidiaries.

Corruption prevention activities of the companies are based on national legal frameworks and voluntary obligations that go beyond them:

- All executives of the Group companies are directly responsible for the implementation of anti-corruption measures and set an example for their employees;
- The proportionate, risk-based anti-corruption procedures are in place;
- The corruption related risks are regularly assessed, measures to mitigate corruption risks are planned and adapted, the effectiveness of anti-corruption activities is monitored and, where necessary, more effective measures are introduced.

- The Group companies and their employees are required to comply with the requirements of legal and business ethics standards.

An employee who breaches these obligations may be subject to disciplinary sanctions according to the internal procedures and grounds established by the companies, including the termination of employment contract with such employee.

Management of interests

During the reporting period, EPSO-G Group companies followed the recast Policy on Management of Interests of members of collegiate management and supervisory bodies, executives and employees of EPSO-G Group companies approved on 13 December 2019. The objective is to apply a uniform system of management of interests in line with best practices to ensure objective and impartial decision-making in the Group companies, to create an environment that is not conducive to corruption, and to increase confidence in the performance of the Group companies.

This policy sets out for EPSO-G:

- The principles of management of interests and resolution of potential conflicts of interest;
- The requirements for the system of declaration of interests;
- The independence criteria applicable to the members of the collegiate management and supervisory bodies.

EPSO-G's Policy on Management of Interests and applicable independence criteria are available at www.epsog.lt in the menu item Operating Policies.

At the end of the reporting period:

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

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

5.4 Information on the internal audit

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

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

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

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

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

- Assessment of the quality of management of synchronization program and battery energy storage facilities system projects;
- Assessment of the quality of the risk management process;
- Assessment of adequacy of electricity transmission network maintenance;
- Assessment of the Group's achievement of its annual goals;
- Assessment of the process of connecting renewable energy producers to the transmission network;
- Assessment of the reasonableness of cost and management of the safety barrier projects carried out by the subsidiary;
- Assessment of the reliability of results on the progress of projects.

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

Internal audit findings along with recommendations for areas subject to improvement are submitted to the management of the audited companies and the Boards of the companies of the Group, as well as to the Board and Audit Committee of EPSO-G. In addition, an annual assessment of the effectiveness of the internal control system is carried out in all Group companies, identifying the strengths and weaknesses of the system, discussing them with the boards of the respective companies and planning actions to strengthen internal control. The change in the level of control in the elements of this system is assessed during the next year's survey.

5.5 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 and by agreement of the parties for 2022 as well. 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 and 2022 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 2022 and to set the annual remuneration for the audit services of financial and related statements specified in the offer of the audit firm.

Following the establishment of the company Energy Cells in 2021, the tender of PricewaterhouseCoopers UAB was received through a public procurement. As recommended by the EPSO-G's Audit Committee, by the decision of the sole shareholder, PricewaterhouseCoopers UAB was selected as the audit firm to perform the audit of financial statements for the period of 2021-2022 by paying the remuneration for the audit services specified in the offer of this audit firm.

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

Company	Firm that performed the audit of the financial statements 2022	Remuneration for the audit firm for the audit of the financial statements 2022, EUR (VAT excluded)*	Firm that performed the audit of the financial statements 2021	Remuneration for the audit firm for the audit of the financial statements 2021, EUR (VAT excluded)*
EPSO-G	Pricewaterhouse Coopers UAB	30,635	Pricewaterhouse Coopers UAB	16,235
Litgrid		52,054		43,754
Amber Grid		33,829		33,829
Baltpool		6,344		6,344
Tetas		25,155		25,115
Get Baltic		11,650		11,650
Energy cells		7,260		5,160

* PricewaterhouseCoopers UAB, in compliance with the Regulation (EU) No 537/2014 of the European Parliament and Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, detailed the remuneration for the audit services of the Group companies for 2020-2022 in the general prices of services related to audit services. Remuneration for audit and non-audit services for 2021 were adjusted accordingly.

In 2022, PricewaterhouseCoopers provided uninsured non-audit services for EUR 76,771 (2021: EUR 54,987) to EPSO-G Group companies. Non-audit services included translation services of financial statements and annual reports, assurance services for financial indicators for banks, verification services of regulated activity reports, review services of the prospectus related to the issue of bonds, and tax consulting services. 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.

6. SHAREHOLDERS AND DIVIDENDS

6.1 Shareholders

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

In 2022, there were no changes in the shareholder structure of EPSO-G. On 27 April 2022, the General Meeting of Shareholders of the Company decided to increase the authorised capital of the Company from EUR 22,482,694.57 to EUR 189,631,000 from the Company's retained earnings. The authorised capital was increased by issuing 576,373,467 ordinary registered shares of the Company of EUR 0.29 nominal value per share. All new shares were issued free of charge to the Company's sole shareholder.

As of 31 December 2022, the share capital of EPSO-G increased to EUR 189,631,000.

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

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

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

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

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

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

6.2 Dividends

On the basis of Resolution No 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, until 2022, EPSO-G must pay to the state budget dividends equal to 0.5% of profit available for direct distribution. This was decided in view of the necessity to allocate sufficient funds for the settlement of financial liability of EUR 217 million to state-owned company Ignitis Group for shares of subsidiary Litgrid.

On the basis of the resolution of the Government of the Republic of Lithuania, in 2022 EPSO-G paid directly to the state budget dividends amounting to EUR 845 thousand for the year 2021 (EUR 777 thousand for the year 2020) at the same time ensuring a sustainable financial position of the Group. In March 2022, EPSO-G fully covered EUR 84.1 million debt balance to Ignitis Group.

6.3 Dividend Policy

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

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

The Dividend Policy is published on the website of EPSO-G in the menu item Operating Policies.

6.4 Ratings

In April 2022, the rating agency Moody's Investors Service assigned a credit rating of Baa1 to EPSO-G with a stable outlook.

7. GOVERNANCE REPORT

During the reporting period, the corporate governance of the holding company EPSO-G was carried out in accordance with the Guidelines for the Corporate Governance of the Group of the State-Owned Companies of Energy Sector approved by the Minister of Energy of the Republic of Lithuania in September 2015 and updated by the decision of the sole shareholder in April 2018.

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.

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

The updated version of the Guidelines on Corporate Governance established 7 main principles of corporate governance:

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

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

In an effort to purposefully build trust in ongoing strategic projects and extremely focus on transparency and accountability, the joint governance quality of EPSO-G Group companies has been rated A. This was evidenced by the Good Governance Index of State-Owned Enterprises (SOE) 2020/2021 published by the Public Enterprise Governance Coordination Centre (GCC). GCC's Good Governance Index is the most comprehensive tool for evaluating the quality of management of all SOEs. The index consists of three main assessment dimensions: transparency, collegial bodies, and strategic planning and implementation.

In terms of the transparency dimension, EPSO-G received the rating A, by identifying areas for improvement in future sustainability practices.

The highest possible rating A+ was 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 rating A.

In preparation of the action plan for 2022, the holding company EPSO-G will proceed with further implementation of measures and improvement of the governance quality in line with GCC recommendations with a strong focus on improving sustainability practices.

7.1. Articles of Association of EPSO-G

During the reporting period, the Articles of Association of EPSO-G were revised 3 times.

On 23 March 2022, a new version of the articles of association of the EPSO-G management company was registered in the Register of Legal Entities, which established the right of the Board of EPSO-G to decide on the issue of the Company's bonds (other than convertible bonds). The amendment was made in order to ensure a smooth and efficient preparation for the bond issue process. Other editorial corrections have been made.

On 23 May 2022, a new version of the Articles of Association of EPSO-G was registered in the Register of Legal Entities, providing for an increase in EPSO-G's capital from EUR 22,482,694.57 to EUR 189,631,000. In view of the increase in the authorised share capital and the legal requirements applicable to State-Owned Enterprises, adjustments have accordingly been made to the values (amounts) of transactions to be decided by the Board, providing that the Board will decide on those transactions with a value (amount) exceeding EUR 3,000,000.

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

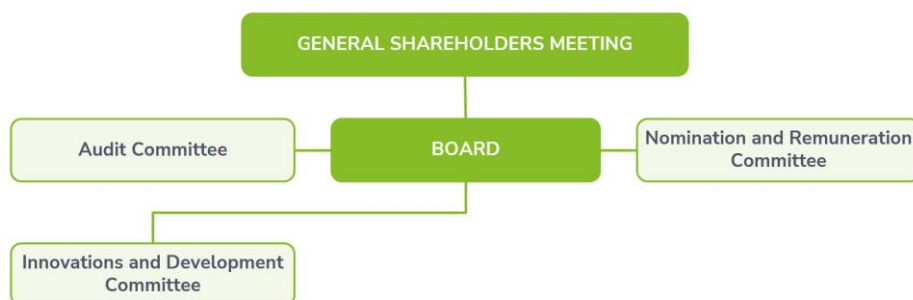
- clarification of how EPSO-G carries out its patronage functions,
- revision of competences of the General Meeting of Shareholders, the Board and the CEO of EPSO-G,
- clarification of the provisions relating to the formation of EPSO-G management committees,
- clarification of the provisions concerning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

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

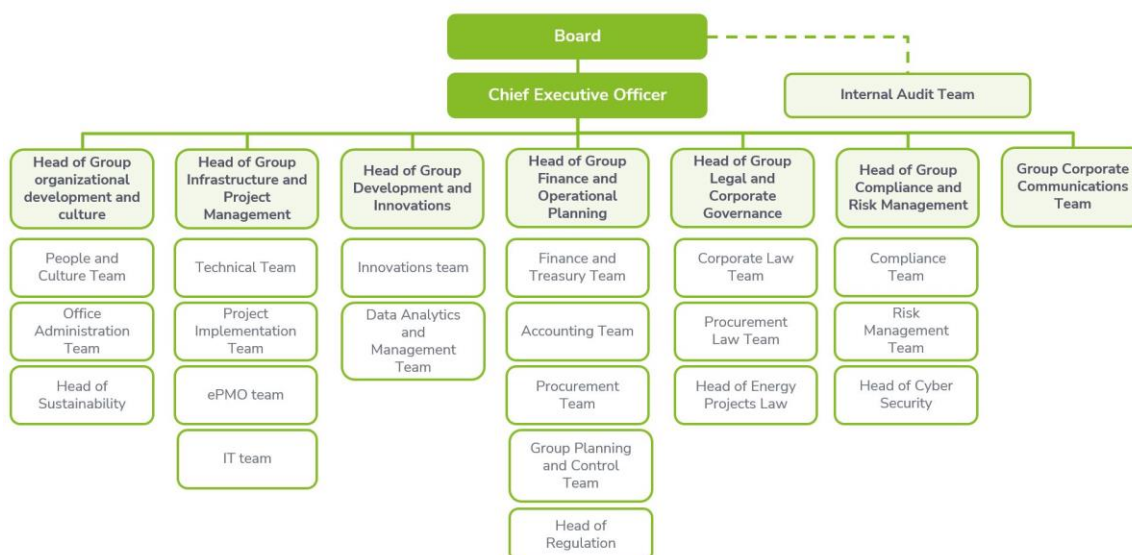
The Articles of Association of EPSO-G are available at the website: www.epsog.lt in the menu item Corporate Governance.

7.2. Supervisory and management system and functions of EPSO-G

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



By the decision of the Board of EPSO-G from 1 December 2022, the Innovation and Development Committee was dissolved, but is reflected in the figure above as it was essentially operational throughout the reporting period.



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

- Guidelines on Corporate Governance 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;
- Other corporate governance documents of the Group companies.

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

7.3. General Meeting of Shareholders of EPSO-G

The rights and obligations of the sole shareholder of the holding company EPSO-G are implemented by the Ministry of Energy of the Republic of Lithuania. The sole shareholder of EPSO-G Adopts decisions on strategic issues of operational activities, approves key operational guidelines (guidelines on corporate governance, collegiate body remuneration, etc.).

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

Date	Key decisions
14 March 2022	Approved the new version of the Articles of Association of EPSO-G UAB.
24 March 2022	Approved the new version of the Guidelines for determining the remuneration for service on the corporate bodies of EPSO-G UAB and EPSO-G UAB and set the remuneration for the members of the Board (Chair) and the members of the Audit Committee (Chair) referred to in the Guidelines. Set operating budgets for the Board and the Audit Committee for 2022.
27 April 2022	Approved the set of EPSO-G's consolidated and company's financial statements for 2021. Approved the decision on profit distribution. Increased the authorised share capital of EPSO-G UAB and approved the new version of the Articles of Association of EPSO-G UAB.

	Elected Ramūnas Abazorius to the Board until the end of the current term of office.
6 May 2022	Elected Tomas Daukantas to the Board until the end of the current term of office.
9 June 2022	Elected Tomas Daukantas to the Audit Committee until the end of the current term of office.
13 July 2022	Selected PricewaterhouseCoopers UAB as the audit firm to perform the audit of the set of consolidated and the company's financial statements prepared in accordance with the international financial reporting standards adopted in the European Union and the consolidated annual report of EPSO-G for 2022 and determined the remuneration for the provision of these services.
16 September 2022	Approved the decision of the Board of EPSO-G to increase its shareholding of TSO Holding AS to 39.6%.
21 October 2022	Approved the updated version of the guidelines for setting remuneration for activities in EPSO-G and EPSO-G Group companies and established fixed monthly remunerations for members (Chair) of the Board and the Audit Committee. Set the operating budgets of the Board and the Audit Committee for 2023. Updated and approved standard terms of contracts concluded with members of the Board and the Audit Committee.
9 December 2022	Approved the decision of the Board of 25 November 2022, by which it was decided to approve the updated version of the Articles of Association of Tetas with the increased authorized share capital by voting of EPSO-G at the General Meeting of Shareholders of Tetas and approved it.
29 December 2022	Approved the updated Guidelines on Corporate Governance of EPSO-G Group, as well as the new version of the Articles of Association of EPSO-G.

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. The members of the Board are elected for a 4-year term of office by the General Meeting of Shareholders, to which the Board is accountable. At the request of General Meeting of Shareholders, the Remuneration and Nomination Committee makes a recommendation on the nomination of members of the Board.

The continuous term of office of a member of the Board shall not exceed 2 (two) full consecutive terms, i.e. in any event no more than 10 (ten) 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.

In February 2022, Robertas Vyšniauskas, an independent member of the EPSO-G Board, was elected the Chairman of the Board. Until then, from March 2019, Gediminas Almantas held this position, who continues to hold the position of the member of the Board until the end of its term in 2023.

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, 27 meetings of the Board were held in which 8 decisions were adopted by a written vote. During the reporting year, 2 (two) strategic sessions and 1 (one) cooperation session were arranged as well.

The Board, having carried out self-assessment of its activities for the year 2021 and identified areas for improvement of the Board's activities regarding the joint work, expectations and objectives of the Board and the CEO, reviewing the Company's strategy and structure and their renewal in the context of the Letter of Expectations of the Shareholder, prepared the Company Board's action plan for 2022.

In implementing this plan, the Board made decisions on reviewing the Company's strategy, the remuneration system, changing the organizational structure, ensuring financial sustainability and risk management, held strategic sessions on the development opportunities for unregulated activities, the development of organizational culture.

The composition of the Board of EPSO-G:

Full name	Position held	Term of office	Other positions	Education
Robertas Vyšniauskas	Independent member, Chair (from February 2022)	From 20 March 2019	CEO of Valstybės Investicinis Kapitalas UAB; Member of the Board of Vilniaus Vystymo Kompanija UAB, Chair of the Supervisory Board of Klaipėdos Nafta	Mykolas Romeris University, Master Degree of Law.
Gediminas Almantas	Independent Member	From 20 March 2019	Independent Member of the Board of the State Enterpriser Lietuvos Oro Uostai; Independent Member of the Board of Oro Navigacija AB; Chair of the Lithuanian Red Cross Society	Vilnius University, Master Degree of Law; University of Bern, Switzerland, Master Degree of Law; Copenhagen Business School, Ethics of Business Negotiation, PhD in Industry.
Dainius Bražiūnas	Member	From 20 March 2019	Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group	Vilnius Gediminas Technical University, Bachelor in Energy Sciences.
Tomas Daukantas	Member	From 06 May 2022	Ministry of Energy of the Republic of Lithuania, Head of Legal and Personnel Group	Mykolas Romeris University, Master Degree of Law.
Gediminas Karalius	Member	From 20 March 2019 to 19 April 2022 (inclusive)	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
Ramūnas Abazorius	Member	From 27 April 2022 until 16 July 2022 (inclusive)	BRAITIN Fund Manager, Director of Akmenė Free Economic Zone Management	Vilnius University, Master Degree in Finance

Attendance at the Board meetings in 2022:

No	Date of the meeting	Gediminas Almantas	Dainius Bražiūnas	Tomas Daukantas*	Robertas Vyšniauskas	Ramūnas Abazorius*	Gediminas Karalius*
1.	January 6	●	●	-	●	-	●
2.	January 14	●	●	-	●	-	●
3.	January 27	●	●	-	●	-	●
4.	February 24	●	●	-	●	-	●
5.	February 25	●	●	-	●	-	●
6.	March 3	●	●	-	●	-	●
7.	March 25	●	●	-	●	-	●
8.	April 7	●	●	-	●	-	●
9.	April 13	●	●	-	●	-	●
10.	April 19	●	●	-	●	-	●
11.	April 29	●	●	-	●	●	-
12.	May 27	●	●	●	●	●	-
13.	June 1	●	●	●	●	●	-
14.	June 10	●	●	●	●	●	-
15.	June 27	●	●	●	●	●	-
16.	July 1	●	●	●	●	○	-
17.	August 11	●	●	●	●		-
18.	September 2	●	●	●	●	-	-
19.	September 14	●	●	●	●	-	-
20.	September 30	●	●	●	●	-	-
21.	October 14	●	●	●	●	-	-
22.	October 28	●	●	●	●	-	-
23.	November 25	●	●	●	●	-	-
24.	December 2	●	●	●	●	-	-
25.	December 9	●	●	●	●	-	-
26.	December 12	●	●	●	●	-	-
27.	December 16	●	●	●	●	-	-

● Present

○ Absent

* The Board member T. Daukantas was elected to the Board on 6 May 2022; the Board member R. Abazorius was elected to the Board on 27 April 2022, and on 1 July 2022 he submitted a resignation form the position of the members of the Board of the Company from 17 July 2022; on 5 April 2022, the Board member G. Karalius submitted a resignation form the position of the members of the Board of the Company from 20 April 2022.

Key decisions of the Board in 2022:

JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022
<p>January 6</p> <p>Rolandas Zukas was dismissed from the position of Chief Executive Officer of the Company, Algirdas Juozaponis was appointed as interim Chief Executive Officer of the Company.</p> <p>January 14</p> <p>Decisions were taken to approve EPSO-G's 2022 operational objectives, to approve the Group's strategy until 2030, and to approve EPSO-G's budget for 2022.</p> <p>January 27</p> <p>Decision on voting at LITGRID's Extraordinary General Meeting of Shareholders adopted, updated organisational structure of EPSO-G and list of posts approved</p>	<p>February 24</p> <p>The updated organisational structure and list of positions of EPSO-G were approved.</p> <p>February 25</p> <p>Robertas Vyšniauskas was elected Chairman of the Company's Board of Directors; the Report on the Implementation of the Company's 2021 Operational Objectives was approved; the new version of EPSO-G Group's Corruption Prevention Policy was approved; and the material terms and conditions of the agreements on cash pooling between UAB EPSO-G and its subsidiaries were approved.</p>	<p>March 3</p> <p>A decision was adopted concerning restrictions on the supply of materials, services and equipment from the Russian Federation and the Republic of Belarus.</p>	<p>April 7</p> <p>Candidates for the Boards of Litgrid and Amber Grid were proposed.</p> <p>April 13</p> <p>Report on the implementation of the Group's 2030 Strategy was approved. Voting at ordinary shareholders' meetings of subsidiaries was decided. Decisions on the independence of the members of the EPSO-G Management Board were adopted.</p> <p>April 19</p> <p>Approval of the Company's and the consolidated annual financial statements, convening of the Ordinary General Meeting of Shareholders.</p> <p>April 29</p> <p>The development strategy of non-regulated activities and the directions of the Group's strategic remuneration system were discussed.</p>	<p>May 27</p> <p>The commencement of the Company's bond offer was decided, and the preliminary prospectus was approved. Nomination of members of the Innovation and Development Committee, the updated organisational structure and list of positions of EPSO-G are approved. The updated support policy of EPSO-G Group companies was approved.</p>	<p>June 1</p> <p>A decision was made regarding the issue of EPSO-G bonds.</p> <p>June 10</p> <p>A decision was made regarding voting at the ordinary general meetings of shareholders of Litgrid, Amber Grid, Baltpool, Tetras and Energy Cells.</p>

JUL 2022	AUG 2022	SEP 2022	OCT 2022	NOV 2022	DEC 2022
<p>July 1</p> <p>Decisions to remove Algirdas Juozaponis from the position of Acting CEO of the Company and to elect Mindaugas Keizeris as the CEO of the Company from 22 August 2022 were made; the General Meeting of Shareholders of the Company regarding the selection of the audit company of EPSO-G and the determination of the terms of remuneration for audit services for 2022 was convened; voting at Litgrid's Extraordinary General Meeting of Shareholders; strategic directions for the development of unregulated activities of Tetas, Energy Cells, Baltpool until 2030 were approved.</p>	<p>August 11</p> <p>The updated Project Management Policy of EPSO-G Group companies was approved and the Employee Recruitment Policy was updated; a decision was made to purchase 39.6%, i.e. 6,066 shares of TSO Holding AS, the essential terms of the transaction were approved, Extraordinary General Meeting of Shareholders of the Company was convened; voting at Extraordinary General Meetings of Shareholders of Litgrid and Energy Cells; the regulations for the activities of the Innovation and Development Committee were approved; the cash-pooling agreement with Energy</p>	<p>September 2</p> <p>The updated strategy for the sale of the controlling stake in GET Baltic controlled by Amber Grid, the preliminary essential conditions for the sale of GET Baltic shares were approved; Voting at the Extraordinary General Meeting of Shareholders of Litgrid; the amendment to the internal audit plan for 2022-2024 of the centralized internal audit was approved.</p> <p>September 14</p> <p>Voting at the Extraordinary General Meeting of Shareholders of Energy Cells.</p> <p>September 30</p> <p>The new editions of the Employee Remuneration, Performance Review and Training Policy as well as the Equal Opportunities Policy of EPSO-G Group companies were approved; voting at the Extraordinary General</p>	<p>October 14</p> <p>Decision regarding the amendment of the cash-pooling agreement with Tetas was made.</p> <p>October 28</p> <p>Decision to abolish the Innovation and Development Committee from 1 December 2022 was made; new editions of the Policy of Personal Data Protection and the Policy of Treasury Management and the Policy of Financial Risk Management of EPSO-G Group companies were approved; the updated draft of the EPSO-G Group Strategy until 2030 and its submission to VŠĮ Valdymo Koordinavimo Centras were approved; remuneration ranges for the Group for 2023 were approved; The updated organizational</p>	<p>November 25</p> <p>The Extraordinary General Meeting of Shareholders of EPSO-G was convened; from 1 January 2023, the organizational structure and list of positions and managerial position levels were updated; decision to increase the authorized share capital of Tetas; voting at the Extraordinary General Meetings of Shareholders of Litgrid, Tetas and Energy Cells; the Supplier Code of Ethics of the Group companies was approved; remuneration for the members of the Remuneration and Nomination Committee was set; the calendar for the meetings and activity plan of the Board for 2023 were approved.</p>	<p>December 2</p> <p>Decision regarding the initiation of the selection of a member of the Board of Litgrid was made.</p> <p>December 9</p> <p>Decision regarding the initiation of selection of the Board of Tetas was made.</p> <p>December 12</p> <p>Voting at the Extraordinary General Meeting of Shareholders of Energy Cells.</p> <p>December 16</p> <p>Voting at the Extraordinary General Meetings of Shareholders of Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells; the essential conditions of the cash-pooling agreements between Energy Cells and EPSO-G, Litgrid and EPSO-G; the action plans of the Audit Committee and the Remuneration and Nomination Committee for</p>

	Cells was amended.	Meetings of Shareholders of Amber Grid and Energy Cells.	structure and list of positions were approved; the amendment to the internal audit plan for 2022-2024 of the centralized internal audit was approved.		2023 were approved; the list of EPSO-G's identified and assessed risks and the plan of risk management measures for 2023 was approved.
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7.5. Remuneration and Nomination Committee of EPSO-G (RNC)

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

In 2022, Gediminas Almantas, Dainius Bražiūnas and the Chair Jolita Lauciuvienė worked in 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;
- etc.

16 meetings of the Remuneration and Nomination Committee were held during the reporting period.

The composition of the Remuneration and Nomination Committees:

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	Vilnius Gediminas Technical University, Bachelor in Energy Sciences.

Gediminas Almantas	Independent Member	From 29 2019	March	Independent Member of the Board of the State Enterpriser Lietuvos Oro Uostai; Independent Member of the Board of Oro Navigacija AB; Chair of the Lithuanian Red Cross Society	Vilnius University, Master Degree of Law; University of Bern, Switzerland, Master Degree of Law; Copenhagen Business School, Ethics of Business Negotiation, PhD in Industry.
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Key decisions of the Remuneration and Nomination Committee in 2022:

FEB 2022	MAR 2022	APR 2022	MAY 2022
<p>February 9</p> <p>The activity report of RNC for 2021 approved;</p> <p>The self-assessment of RNC activities for 2021 carried out.</p>	<p>March 9-10</p> <p>The self-assessment process of the Group's collegial bodies, the achievement of the objectives of the Group's executives discussed, the general areas of improvement of the Group's activities approved;</p> <p>Recommendations on candidates for the Board members of Litgrid, Amber Grid and Energy Cells, as well as recommendation on candidates for the position of the CEO of EPSO-G made.</p>	<p>April 6</p> <p>Recommendation on the proposed independent member of EPSO-G made; the status of the remuneration system's review project discussed.</p> <p>April 11</p> <p>Decision regarding the selection of the CEO of Tetas made.</p> <p>April 28</p> <p>Recommendation on the proposed EPSO-G's Board member - a civil servant - made.</p>	<p>May 4</p> <p>Periodic assessment of the independence of RNC members carried out;</p> <p>The report on the Employee Remuneration, Performance Review and Training Policy and the Policy on Management of Interests of Members, Heads and Employees of Collegial Bodies (to the extent it is related to the independence criteria of the CB and their assessment) discussed;</p> <p>Recommendation on the remuneration policy of the CEO and the Board members of Litgrid and Amber Grid's made;</p> <p>Recommendation on the results of the Group's internal control system study made;</p> <p>May 23</p> <p>Recommendation on the candidate for the position of the CEO of Tetas made;</p> <p>The selection of the CEO of EPSO-G discussed.</p>

JUN 2022	AUG 2022	SEP 2022	OCT 2022	DEC 2022
<p>June 8</p> <p>Recommendation on candidates for the position of the CEO of EPSO-G made;</p> <p>The status of the remuneration system's review project discussed.</p>	<p>August 3</p> <p>The concept of the selected variant of the Group's remuneration system discussed;</p> <p>Recommendation on the update of the Employee Recruitment Policy made.</p>	<p>September 7</p> <p>The status of the selected variant of the Group's remuneration system discussed;</p> <p>September 27</p> <p>Recommendation on the update of the Employee Remuneration, Performance Review and Training Policy made.</p>	<p>October 5</p> <p>Guidelines for setting remuneration for activities in the bodies of EPSO-G and EPSO-G Group companies discussed;</p> <p>Recommendation to the Board of Baltpool on the CEO of Baltpool made;</p> <p>The schedule of ordinary meetings of RNC for 2023 and the action plan of RNC for 2023 approved.</p>	<p>December 7</p> <p>Recommendation on forms of standard employment contracts made;</p> <p>Recommendation on the competence matrix of the Board of TETAS made;</p> <p>Recommendation to the Board of GET Baltic on the</p>

			<p>October 17 Recommendation on the Group's remuneration ranges in 2023 made.</p>	<p>CEO of GET Baltic made. December 15 Recommendation on the candidate for the position of the member of the Board of Litgrid made.</p>
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In October 2021, the Action Plan of the Remuneration and Nomination Committee for 2022, approved by the Remuneration and Nomination Committee, provided for a review of the Group's remuneration system in 2022, in addition to regular issues assigned to the competence of this Committee. Therefore, in 2022, the Remuneration and Nomination Committee, among other things, focused a lot of attention and systematically worked on reviewing the Group's remuneration system and refining the new concept.

In view of this, the remuneration system of the Group's employees was changed, the Remuneration and Nomination Committee made a recommendation to the Board of EPSO-G regarding the new Group's Employee Remuneration, Performance Review and Training Policy, which was approved by the Board of EPSO-G at the meeting held on 30 September 2022. The new Group's Employee Remuneration, Performance Review and Training Policy entered into force on 1 January 2023.

7.6. Audit Committee of EPSO-G (AC)

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

During the reporting period, the Audit Committee had two independent members: Gediminas Šiušas and Robertas Vyšniauskas. On June 9, Tomas Daukantas, The Board member nominated by the Ministry of Energy, was appointed as a member of the Audit Committee, replacing Gediminas Karalius, who had been the member of the Audit Committee until then.

The Audit Committee of EPSO-G:

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

During the reporting period, 17 meetings of the Audit Committee were held in which 7 decisions were adopted by a written vote. The composition of the Audit Committee of EPSO-G at the end of the reporting period:

Full name	Position held	Term of office	Other positions	Education
Gediminas Šiušas	Independent member, Chair	From 22 October 2020	Convera Lithuania UAB, Head of Accounting	Stockholm School of Economics in Riga, Bachelor of Economics and Business Administration; Vilnius University, Bachelor of Management and Business Administration; Vilnius University, Master Degree of Economics.
Tomas Daukantas	Member	From 9 June 2022	Ministry of Energy of the Republic of Lithuania, Head of Legal and Personnel Group	Mykolas Romeris University, Master Degree of Law.
Robertas Vyšniauskas	Independent member	From 22 October 2020	CEO of Valstybės Investicinis Kapitalas, UAB; Member of the Board of Vilniaus Vystymo Kompanija UAB; Lecturer at Vilnius University; Member of the Supervisory Board of AB Klaipėdos Nafta; Member of the Audit Committee of Klaipėdos Nafta AB	Mykolas Romeris University, Master Degree of Law.

Attendance and key decisions of the Audit Committee in 2022:

Gediminas Šiušas	Robertas Vyšniauskas	Tomas Daukantas (from 9 June 2022)	Gediminas Karalius (until 19 April 2022)
24/24	24/24	12/13	8/9

Key decisions of the Audit Committee in 2022:

JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022
January 11 Opinion on the transaction to be concluded by Litgrid with the related party approved.	February 03 Opinion on the transaction to be concluded by Litgrid with the related party approved.	March 07 Conclusions on the audited financial statements of Tetas and Energy Cells for 2021 approved.	April 15 Conclusion on the audited financial statements of EPSO-G for 2021 approved.	May 23 Recommendation to the Boards of Amber Grid, Baltpool, Energy Cells, Tetas regarding the extension of the contract with the external auditor submitted;	June 13 Recommendation to the Board of Litgrid regarding the extension of the contract with the external auditor submitted; Opinion on the change of Litgrid's list of risks for 2022
January 24 The list of Group level risks for 2022 approved.	February 22 Opinions on the transaction to be concluded by Amber Grid with	March 16 Conclusions on the audited financial		Opinion on the transactions to be	

	<p>the related party approved; New version of EPSO-G Group's Corruption Prevention Policy approved; The report on the achievement of the goals for 2021 of the Head of Internal Audit and the goals for 2022 approved.</p>	<p>statements of GET Baltic and Baltpool for 2021 approved. March 18 Conclusions on the financial statements of Amber Grid and Litgrid for 2021 approved.</p>		<p>concluded by Litgrid with the related parties approved.</p>	<p>and their management measures approved. June 27 Internal investigation initiated based on the information received.</p>
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JUL 2022	AUG 2022	SEP 2022	OCT 2022	NOV 2022	DEC 2022
<p>July 25 Opinion on the transaction to be concluded by Litgrid with the related party approved.</p>	<p>August 29 Opinion on the transaction to be concluded by Litgrid with the related party approved; Changes of Energy Cells's list of risks for 2022 and their management measures approved; The activity report of AC for the first half of 2022 approved; The amendment to the Internal Audit's plan for 2022-2024 approved.</p>	<p>September 26 Opinion that after reviewing the decisions of the Group companies Tetas and Amber Grid for the first half of 2022, no inconsistencies were found, approved.</p>	<p>October 24 The new version of the Personal Data Protection Policy of EPSO-G Group approved; The amendment to the Internal Audit's plan for 2022-2024 approved.</p>	<p>November 21 Opinion on the transaction to be concluded by Litgrid with the related party approved; Risk lists and their management measures of Litgrid, Amber Grid, Baltpool for 2023 approved.</p>	<p>December 05 The project of the action plan of AC for 2023 approved; Opinion on the transactions to be concluded by Litgrid and Amber Grid with the related party approved; Risk lists and their management measures of Tetas, GET Baltic, Baltpool, Energy Cells for 2023 approved.</p> <p>December 12 Opinion on the transaction to be concluded by Amber Grid with the related party approved.</p> <p>December 27 Opinion on the transaction to be concluded by Litgrid with the related party approved.</p>

7.7. Innovation and Development Committee of EPSO-G (IDC)

The Innovation and Development Committee is an advisory body to the Board of EPSO-G on innovation, development and efficiency. It acted in the same way as the Audit Committee and the Remuneration and Nomination Committee - at the Group level, i.e. submitted 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 approved and amended the regulations and the action plan of the Innovation and Development Committee, and formed tasks for the Committee.

The purpose of forming the Innovation and Development Committee:

- Increasing focus on innovations, search for new activities of the Group, operational efficiency;
- Synergies of innovative ideas at the Group level and coordination of innovation directions;
- Greater engagement of independent members of the Board in the activities of the Group, use of their knowledge and experience;
- The members of the Innovation and Development Committee shall act as ambassadors for innovation, development and efficiency in the Group companies.

Under the decision of the Board of EPSO-G, the Innovation and Development Committee ended its activities on 1 December 2022. Currently, EPSO-G Group has two committees: the Audit Committee and the Remuneration and Nomination Committee.

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

Full name	Term of office	Other positions	Education
Sigitas Žutautas, independent member, Chair*	From 29 November 2019	Independent member of the Board of Amber Grid	Vilnius University, Bachelor of Economics and Banking, Master of Accounting and Auditing, Baltic Institute of Corporate Governance, studies of a professional board member
Vytautas Vorobjovas, independent member	From 1 June 2020	Independent Member of the Board of Baltpool, Managing Partner of Dotcon UAB, Managing Partner of AMZ CREW	Vilnius University, Bachelor of Political Sciences
Artūras Vilimas, independent member	From 1 June 2020 to 5 November 2022**	Independent member of the Board of Litgrid	Kaunas University of Technology (KTU), Engineering Degree
Gediminas Mikaliūnas, independent member	From 1 June 2020 to 31 May 2022***	Independent member of the Board of Baltpool, Head of Automation and Transformation of IT Operations at Barclays IT	Baltic Management Institute, Executive MBA program; Vilnius University, Master of Information Technology
Nedas Karklius, independent member	From 1 March 2021	Independent member of the Board of Tetas UAB; the car wash franchise owner and CEO of Švaros Broliai UAB; the owner and CEO of Ultraprojektai UAB.	Baltic Institute of Corporate Governance (BICG), the Board Member Education program; Baltic Management Institute (BMI), Master's studies in Management; Vilnius University, Master of Law; Kaunas University of Technology (KTU), Master of Management.
Ramūnas Abazorius, independent member	From 1 June 2020 to 16 July 2022****	BRAITIN Fund Manager, Director of Akmenė Free Economic Zone Management UAB	Vilnius University, Master Degree in Finances

* The Chair of the Innovation and Development Committee since 6 January 2020 and was re-elected on 17 June 2020.

** A. Vilimas, the Board member of Litgrid, submitted a resignation from the position of the member of the Innovation and Development Committee from 5 November 2022.

*** By the decision of the Board of EPSO-G, with regard to the request from Baltpool, G. Mikaliūnas was removed from the Innovation and Development Committee members, and Vytautas Vorobjovas was appointed.

**** R. Abazorius, the Board member of EPSO-G, submitted a resignation from the position of the member of the Innovation and Development Committee from 17 July 2022.

Attendance of and key decisions of the Innovation and Development Committee in 2022:

- - Present
- - Absent

No	Meeting date	Sigitas Žutautas	Vytautas Vorobjovas	Artūras Vilimas	Gediminas Mikaliūnas	Nedas Karklius	Ramūnas Abazorius
1.	February 17	●	-	●	●	●	-
2.	March 16	●	-	●	●	●	-
3.	March 31	●	-	●	●	●	-
4.	April 20	●	-	●	●	●	-
5.	May 25	●	-	●	●	●	-
6.	June 15	●	●	●	-	●	●
7.	July 13	●	●	●	-	●	-
8.	September 21	●	●	●	-	●	-
9.	October 27	●	●	○	-	●	-
10	November 15	●	●	-	-	●	-

Key decisions of the Innovation and Development Committee:

FEB 2022	MAR 2022	APR 2022	MAY 2022
<p>February 17</p> <p>The update of the IT Functional Business Plan for 2022 discussed.</p> <p>The model for promoting the development of RES and business development ideas to facilitate the development of RES discussed.</p>	<p>March 16</p> <p>The need for a change in the system of incentives for innovation discussed and recommendations for incentives for implemented innovation projects developed.</p> <p>The results of Litgrid's 1MW BEKS project results and the vision for further use of the battery in technological research discussed.</p> <p>Prospects for the development of the Group's unregulated activities discussed.</p> <p>March 31</p> <p>Decision on the recommendation to companies on incentives for implemented innovation projects adopted.</p>	<p>April 20</p> <p>Initial strategy for unregulated activities discussed.</p> <p>Report on the status of the portfolio of innovation projects revised.</p>	<p>May 25</p> <p>The outcome of the companies' cooperation session discussed. The draft RES platform discussed.</p>

JUN 2022	JUL 2022	SEP 2022	OCT 2022	NOV 2022
<p>June 15</p> <p>Decision on updating the provisions of the Innovation and Development Committee adopted.</p> <p>The need for partnerships with business, science and other institutions discussed.</p> <p>The context for the management of information on external funding instruments and the current situation discussed.</p>	<p>July 13</p> <p>The ownership of the evaluation function of external funding opportunities for innovative activities discussed and Q2 Innovation Portfolio Report presented.</p>	<p>September 21</p> <p>Joint meeting of the new CEO and IDC.</p>	<p>October 27</p> <p>The progress on the digital transformation program was presented to IDC. Q3 Innovation Portfolio Report was presented as well.</p>	<p>November 15</p> <p>The progress made in EPSO-G Group on the issues on partnerships with business, science and other organizations presented to IDC. The benefits of partnerships and opportunities to expand them discussed.</p>

7.8. Chief Executive Officer

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

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

From 6 January 2022 to 22 August 2022, Mr. Algirdas Juozaponis, the CFO of EPSO-G, served as the acting CEO of the holding company EPSO-G. He took office after Mr. Rolandas Zukas, the former head of EPSO-G, resigned from the position of the CEO.

The competence of the CEO does not differ from the competence of the head of the company established by the Law on Companies, except for the additional competence provided for in the Articles of Association. The Chief Executive Officer of EPSO-G:

- Organizes and controls the implementation of the Group's operational strategy and (ensures the implementation of the Company's strategy, which is a part of the Group's strategy), and the implementation of the decisions of the General Meeting of Shareholders and the Board of the Company;
- Controls the activities of the subsidiaries, makes suggestions and conclusions to the Board of EPSO-G regarding the organization of the Group's activities and development thereof;
- Organizes and ensures the monitoring of the implementation of the strategy, long-term (strategic), short-term (tactical) objectives of the subsidiaries, the activities assessment, makes suggestions to the EPSO-G Board regarding the improvement of activities;
- etc.

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

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

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

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

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

Mr. Algirdas Juozaponis (Acting Chief Executive Officer) held this position from January 2022 until 22 August 2022. Mr. Juozaponis is the Chief Financial Officer of EPSO-G UAB from 15 October 2015 until 30 December 2022, the member of the Board of Litgrid AB from April 2020 until 22 December 2022, the Chair of the Board from August 2020 until 22 December 2022, and the Chair of the Board of Amber Grid from April 2020 until April 2022. Mr. Juozaponis holds a Master's degree in Banking from Vilnius University, he is a professional member of the Board of the Baltic Institute of Corporate Governance.

Mr. Darius Kašauskas (Head of Finance and Operational Planning of EPSO-G) began to hold this position on 16 January 2022. From 2013 to 2022, Mr. Kašauskas worked as the Finance and Treasury Director and the Board member of Ignitis Group, held the position of the Board member, the Supervisory Board member of this Group and other companies in the energy sector, and headed the boards and supervisory boards of companies. The CEO started working in the energy sector back in 2008 in the then Eastern Distribution Networks, he gained experience by managing the financial departments in the companies VST, VAE. Mr. Kašauskas holds Master's degrees in Economics and Management at Vilnius University and ISM University of Management and Economics, and also studied for his doctoral degree in Social Sciences and Economics at the latter university.

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

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

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

7.10 Operating Policies

Good governance practices in EPSO-G Group were implemented during the reporting period through the application and continuous targeted improvement of the operating policies approved by the Board, applicable to all the Group companies. The operating policies of EPSO-G Group are intended to implement a consistent and effective organizational management system helping the employees in successful implementation of important strategic projects and transparent and effective benefit creation for both the people of the country and the business.

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

During the reporting period, special attention was paid to the improvement of the working conditions of employees and the strengthening of practices of sustainability – the Employee Remuneration, Performance Review and Training Policy, the Employee Recruitment Policy were approved and substantially revised, taking into account the amendments adopted by the Labour Code of the Republic of Lithuania on 28 June 2022 related to the prevention of violence and harassment, as well as the Equal Opportunities Policy was updated. The Group's Corruption Prevention Policy and the Policy on Provision of Support were also updated. During the reporting period, the Group's policy framework was continued to be improved through other updates of the policies.

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

Functional area governance

In its activities, the holding company EPSO-G employs a functional leadership model that, based on international practice, creates the greatest value for the Group companies. In application of the functional leadership model, the holding company EPSO-G:

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

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

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 Nomination Committee, at the beginning of 2023, the governing bodies of the holding company EPSO-G and its subsidiaries carried out the self-assessment of their activities of 2022. 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 2023.

Self-assessment of the activities of the collegial bodies was coordinated and summarized by the Remuneration and Nomination Committee of EPSO-G. The Remuneration and Nomination Committee identified the following key area for improvement for 2023 - the enhancement of cooperation between the collegial bodies of the companies of EPSO-G Group:

- to organize strategic sessions companies belonging to EPSO-G group, focusing on strategic planning and discussion of shareholder expectations;
- to organize the meetings of the new term EPSO-G board and group management bodies, group committees.

7.12. Information on compliance with the Code of Conduct

The holding company EPSO-G complies with the provisions of the Corporate Governance Code of the Companies listed on NASDAQ OMX Vilnius. The Code applies to the extent that the Articles of Association of the Company do not provide otherwise. The Company discloses its compliance with the provisions of the Corporate Governance Code in Annex 2 of the Annual Report.

7.13. Information on Compliance with Transparency Guidelines

EPSO-G Group complies with Resolution No 1052 of the Government of 14 July 2010 On the Approval of the Description of the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises (the "Transparency Guidelines"). The application of the Transparency Guidelines is mandatory for the holding company EPSO-G.

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

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

Structured information on the implementation of the Transparency Guidelines is presented in Annex 1 to the Annual Report.

8. REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

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

In our activities we are guided by these values: professionalism, cooperation and progress.

When implementing the strategic and business goals set by the shareholder: to create an energy transmission and exchange platform interconnected with the European Union countries and enabling sustainable and efficient energy exchange for regional consumers, and thus increasing the competitiveness of the country's business and the well-being of Lithuanian people, we seek to attract and retain competent, responsible professionals following the provisions of the Group's Code of Conduct and reaching their targeted goals.

We constantly foster employee improvement and upgrade of their skills. We develop employees' professional (functional) and general (values-based) competencies. We encourage the development of managerial competencies.

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

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

8.1. Formation and monitoring of the Remuneration and Nomination Policy

The Board of the Company is responsible for the formation and implementation supervision of the Remuneration and Nomination Policy of EPSO-G. In order to ensure the proper formation, monitoring and management of the remuneration fund, 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 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 to the members of the governing body would be in proportion with the salary of other management personnel of the Company and of the Group companies or of the members of the bodies and of other employees of the subsidiaries of the Company and the Group companies;
- Provides recommendations regarding the policy established by the Board of payment for the work of the 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 EPSO-G Group companies comply with the valid provisions concerning the publication of information related to salaries;
- Provides the management personnel of the companies and the members of the bodies the general recommendations regarding an amount and structure of the salaries of these employees and 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;
- 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;
- 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 the subsidiaries 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 Remuneration Policy is part of the Employee Remuneration, Performance Review and Training Policy 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, in 2022, the remuneration of the employees of EPSO-G consisted of two pay components, i.e. fixed and variable. The fixed pay component depended 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.

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

- The identical principles of the Remuneration Policy are applied for all employees (including executives);
- The remuneration fund is approved by the Boards of the companies. The Remuneration and Nomination Committee monitors whether there is a balanced control of salary costs with motivation of the employees who are properly performing their duties;
- Annual goals for executives and employees are set in accordance with the Employee Remuneration, Performance Review and Training 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% 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 executives whose terms of employment are determined by the Board, are not concluded;
- The Remuneration Policy does not provide for any remuneration by granting the 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;
- To promote employee engagement and loyalty, EPSO-G Group companies provide additional benefits and emotional non-financial rewards, including health insurance, social care benefits, events for employees, career opportunities, recognition and appreciation for excellent performance, physical and emotional health education lectures, additional vacation days.

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 2022, after receiving the recommendations from the Remuneration and Nomination Committee of EPSO-G Group companies and the assignment of the Board of EPSO-G to review the remuneration and motivation system for the employees of the Group companies, a working group was formed from the professionals in the field of people and culture of the Group companies, an analysis was carried out as to how much the remuneration and motivation system meets the goals set for EPSO-G Group and encourages achieving the expected results and proposing the necessary changes. EPSO-G's Remuneration and Nomination Committee and the Board approved the proposed changes, and from the beginning of 2023, the updated Employee Remuneration, Performance Review and Training Policy of EPSO-G Group companies, detailed in the descriptions of the internal procedures of the companies, was approved in the Group companies.

The new remuneration system aims to create motivating incentives and prerequisites to encourage employees to achieve better performance results, to contribute more actively to the achievement of the goals of the Company and the Group companies, and beyond the formal performance of duties. In addition, to encourage employees to create innovative, non-standard solutions and improve operations, ensure equal payment for work equivalent in terms of responsibility, competencies and contribution to the result, attract and retain qualified employees.

The new remuneration system consists of a monthly remuneration, including bonuses determined by the Labour Code, internal legal acts of the companies and collective agreements, financial incentives, one-time bonuses for results of particular importance and the implementation of innovations, additional benefits, non-financial rewards.

The essential difference from the system in force in 2022 is that the variable pay component, based on a limited direct link with the achievement of goals, has been replaced by a financial incentive, which primarily depends on the fulfilment of the annual goals of the particular company where an employee works and on the overall annual performance assessment of the employee, which includes the result of the achievement of individual objectives, the assessment of value behaviours and compliance with quality criteria. 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.

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

8.4 Employees

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

	As at 31 December 2022	As at 31 December 2021
EPSO-G Group companies	1,271	1,278
EPSO-G	60	74
Amber Grid	332	324
Litgrid	391	335
Tetas	416	498
Baltpool	18	19
GET Baltic	10	8
Energy Cells	19,5*	11*

* Due to the specifics of the project work, most of the employees of Energy Cells work under fixed-term contracts and part-time. As at 31 December 2022, 44 employees worked in the company under the concluded employment contracts (31 December 2021: 20 employees).

Distribution of employees by position groups as at 31 December 2022 (people)

- Executives of the companies – 7
- Senior management (except for executives of the companies) – 23
- Mid-level and lower-level management – 145
- Experts-specialists – 780
- Workers - 316

Distribution of employees by service record, age group, educational background, gender as of 31 December 2022

Distribution by service record:

- Working for up to 5 years – 59%
- Working for 5-10 years – 14%
- Working for 10-20 years – 14%
- Working for 20-30 years – 8%
- Working for more than 30 years – 5%

Distribution by age group:

- Up to 30 years of age – 11%
- 30-40 years of age – 32%
- 40-50 years of age – 27%
- 50-60 years of age – 20%
- Over 60 years of age – 10%

Distribution by educational background:

- Higher – 73%
- Post-secondary – 8%
- General – 6%
- Vocational – 14%

Distribution by gender:

- Women – 21%
- Men – 79%.

8.5. Information on remuneration

As at 31 December 2022, EPSO-G Group companies had 1,271 employees (as at 31 December 2021: 1,278 employees). Wage Guarantee Fund of EPSO-G Group for 2022 was EUR 45,460 thousand (2021: EUR 35,133 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)	
	2022	2021	2022	2021
Executives	7	7	10,256	9,063
Senior management	23	21	7,929	7,999
Mid-level management	145	135	4,970	4,518
Specialists	780	725	2,910	2,582
Workers	316	390	1,583	1,375
Total	1,271	1,278	2,857	2,561
Wage Guarantee Fund, EUR thousand			45,460	35,133

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)		2022		2021	
	2022	2021	Average monthly pay, EUR	Variable pay component for results achieved in 2021, EUR	Average monthly pay, EUR	Variable pay component for results achieved in 2020, EUR
Chief Executive Officer	1	1	9,708		8,078	2,140
Senior management	3	5	7,099	1,791	7,142	1,794
Middle-level management	17	17	5,040	1,019	4,676	798
Specialists	39	51	3,278	276	3,031	177
Total	60	74	4,063	559	4,254	647
Wage Guarantee Fund, EUR thousand			4 171		2 495	

8.6. Information on remuneration of collegial members

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

In the reporting year, the sole shareholder of the company, the Ministry of Energy of the Republic of Lithuania, on 24 March 2022 and 21 October 2022 approved the updated guidelines for determining remuneration for activities in the bodies of EPSO-G UAB and the Group companies (hereinafter - "Remuneration Guidelines").

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

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

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

Remuneration principles established in the Remuneration Guidelines:

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

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

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

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

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

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

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

By the decision of the Board of EPSO-G of 25 November 2022, the following amounts of remuneration were set for the members of the Remuneration and Nomination Committee (excluding payable fees): the Chair – EUR 3,006, the member – EUR 2,155.

The variable pay component for CO members is not set.

In the event that a member of the Board of the Company is elected as a member of the Board Committee formed in the Group and/or the Chairman of the Board, or a member of the Board of the Company is revoked / resigns from the position of a member of the Board Committee formed in the Group and / or the Chairman of the Board, the remuneration of such member of the Board of the Company shall be changed without a separate decision of the Company's shareholder with reference to a salary set by the Company shareholder's decision depending on the position held.

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

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

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

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

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

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

Full name of the member	As of 31 December 2022	As of 31 December 2021
Robertas Vyšniauskas*	62,960	21,000
Gediminas Almantas*	54,553	25,800
Ramūnas Abazorius*	9,902	-
Tomas Daukantas	6,132	
Dainius Bražiūnas	6,132	
Tomas Tumėnas*	-	20,546
Gediminas Šiušas**	34,473	13,200
Jolita Lauciuvienė**	34,473	13,200

* 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 the EPSO-G Group's Board Committee.

8.7. LEGAL DISPUTES AND UNCERTAINTIES

Information on legal disputes and uncertainties is disclosed in Note 37 to the financial statements of this Annual Report.

9. INFORMATION ON SPECIAL OBLIGATIONS

9.1. PSO funds administration activities

The company Baltpool, which is part of EPSO-G Group, under 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.

Baltpool, in carrying out this activity, included in the *List of Special Obligations Performed by State-Owned Enterprises and their Subsidiaries* approved by Order No 4-193 of the Minister of Economy and Innovation of the Republic of Lithuania of 16 March 2021, performs the functions of collecting, pay-out, refund and administering PSO funds. 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.

In order to control the growth of energy prices and its negative impact on headline inflation in the euro area, on 6 October 2022, Council Regulation (EU) 2022/1854 was adopted on an emergency intervention to address high energy prices. With regard to the provisions of the aforementioned Regulation, by the Law on Implementation of Regulation (EU) 2022/1854 of the Republic of Lithuania adopted on 15 December 2022, Baltpool, as the administrator of PSO funds, was also assigned with collecting, pay-out and administering the funds specified in the aforementioned law for the implementation of the measures set out in Regulation (EU) 2022/1854.

The administrator of PSO funds was also tasked with collecting funds of part of the surplus market revenue received from electricity producers that meet the established legislative requirements in the period from 1 December 2022 until 30 June 2023, and to collect a solidarity contribution from companies operating in crude oil, natural gas, coal and oil refining sectors, calculated in accordance with the procedure established by the aforementioned Regulation (EU) 2022/1854 and the Law on the Implementation of Regulation (EU) 2022/1854 from the taxable profit share of such entities for the tax year beginning in 2023 (hereinafter jointly referred to as Emergency Response Funds).

Pursuant to the Law on Implementation of Regulation (EU) 2022/1854, after receiving an order from the Government, the Company should also prepare a description of the procedure for the organization and execution of the peak load demand reduction auction, submit it for approval to the National Energy Regulatory Council and organize and execute such auctions. The emergency costs incurred by Baltpool in performing the functions of the administrator of emergency response funds will be reimbursed from the collected Emergency Response Funds in accordance with the procedure established by legislation.

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

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

The physical barrier installation works were completed on time and within the scope of the budget.

Detailed information on the physical barrier project, related project objectives, and key events during the project implementation period is provided in Section *Installation of a physical barrier at the border with Belarus* and EPSO-G website.

Information on these special obligations fulfilled by EPSO-G and its subsidiaries is also provided in *the List of Special Obligations Performed by State-Owned Enterprises and their Subsidiaries* approved by the Order No 4-193 of the Minister of Economy and Innovation of the Republic of Lithuania of 16 March 2021 (with subsequent amendments).

10. SUSTAINABILITY (NON-FINANCIAL DISCLOSURE) REPORT

Basis and scope of reporting

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

The EPSO-G Group's sustainability report for 2022 is based on the GRI Core Standards. The recommendations of the Bank of Lithuania on disclosure of sustainability-related information have also been taken into account in the preparation of this report.

The information in this report covers relevant data and events within the period from 1 January 2022 to 31 December 2022. In order to improve the comparability of the results presented, and in line with the requirements of the Global Reporting Initiative standards, this report also includes additional data for previous years. The content of the Sustainability Report shall include the most recent information available at the time of publication.

The EPSO-G Group Sustainability Report provides information on the significant environmental, social and governance impacts of the Group's activities and describes EPSO-G's contribution to the United Nations Sustainable Development Goals. This Sustainability Report is part of the EPSO-G Group's consolidated annual report for 2022. The information in the report covers the group companies Amber Grid, Baltpool, Energy cells, Get Baltic, Litgrid and Tetas. The Sustainability Report is unaudited, except for the "Disclosures under the Taxonomy Regulation" part.

The previous EPSO-G Sustainability Report was published as a separate document on 16 June 2022 and is available on the Group's website at <https://www.epsog.lt/darnumas>. Paulius Stonis, Head of Sustainability Development at EPSO-G (paulius.stonis@epsog.lt) is responsible for preparing the content of this sustainability report and for publishing it.

Information on the operating model

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

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

General information on sustainability in the EPSO-G Group

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

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

The Group aims to integrate sustainability principles into the operations and processes of all Group companies. As a manager of strategically important energy infrastructure, EPSO-G aims to contribute to the implementation of the climate change and environmental commitments set out in the Paris Agreement, the European Green Deal, the National Energy Independence Strategy and the National Climate Change Management Agenda. EPSO-G also aims to contribute directly to the United Nations Sustainable Development Goals by focusing on ensuring access to clean and modern energy, combating climate change, developing modern infrastructure and innovation, safe and decent working conditions, worker well-being and a sustainable supply chain.

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

- In the environmental field, enabling climate-neutral energy by reducing the environmental impact of activities;
- Social - building a progressive, sustainable organisation;
- Governance - transparent and efficient management and development of the energy exchange platform.

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

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

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

Environmental impacts:

- Reducing environmental impacts and GHG emissions from operations - reducing environmental impacts (air, water, soil quality), pollution and greenhouse gases (CO₂, CH₄, SF₆, etc.) from company operations.
- Biodiversity and ecosystem conservation - protecting terrestrial and aquatic wildlife, natural vegetation and habitats of high ecological value through activities.
- Sustainable and efficient use of resources in the company's operations - using green energy in the company's operations, using water and other resources efficiently.
- Waste minimisation, responsible sorting and management - reducing the amount of waste generated by operations and ensuring the safe and proper management of hazardous and non-hazardous waste.
- Creating favourable conditions for the growth of RES - ensuring efficient grid connection of renewable energy producers, smooth operation of the Energy Guarantee System.
- Decarbonising energy systems - adapting transmission grids to reliably transport new and increased quantities of renewable energy sources (electricity/biogas, methane and green hydrogen).

Social impacts:

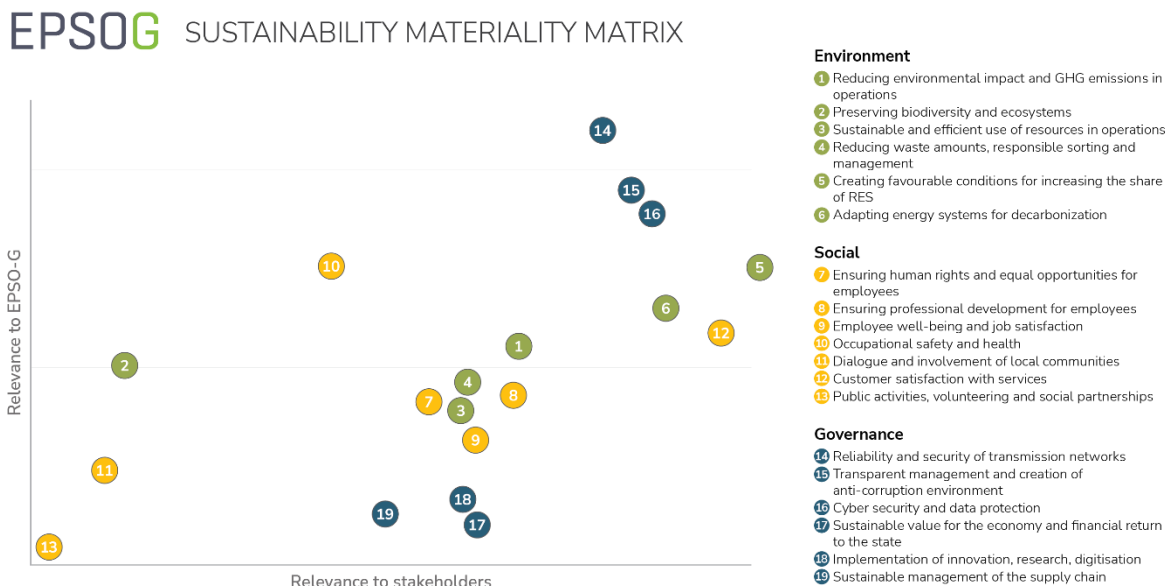
- Ensuring human rights and equal opportunities for employees - Ensuring human rights, creating a culture based on equal opportunities and non-discrimination within the company.
- Ensuring professional development for staff - providing professional and personal development opportunities for staff and actively developing the necessary competences.

- Employee wellbeing and job satisfaction - creating an environment that enhances employee wellbeing and satisfaction, and ensures work-life balance.
- Occupational health and safety - ensuring that company and contractor employees comply with safety requirements when carrying out work, and actively ensuring the good health of employees.
- Dialogue and community involvement - actively informing local communities about the activities taking place in their environment, fostering a culture of dialogue and community involvement.
- Customer satisfaction - the quality of customer service, improving customer-centric services.
- Public action, volunteering and social partnerships - promoting volunteering, educational activities and targeted cooperation with NGOs, research institutions and public authorities.

Governance impacts:

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

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



EPSO-G's sustainability objectives have been defined by taking into account the main environmental, social and economic impacts of the Group's businesses, as well as the actions set out in the Group's long-term strategy, the

implementation of which will help to ensure the transformation of the energy sector and the transition to climate-neutral energy. The EPSO-G Group's long-term sustainability targets for 2030 include the following indicators:

Area	Objectives and indicators
Environmental area	<ul style="list-style-type: none"> • Reduction of operational GHG emissions by 2/3 (compared to 2019) • 0 significant environmental incidents in operations • Gas transmission systems adapted to transport hydrogen • Facilitating the connection of green energy producers to infrastructure
Social area	<ul style="list-style-type: none"> • 0 cases of human rights violations or discrimination • Increase in the number of women in senior management positions by at least 5% by 2027 • 0 serious or fatal accidents • Customer satisfaction - at least 80 according to GCSI methodology
Governance area	<ul style="list-style-type: none"> • 0 cases of corruption • GCC Good Governance Index - A+ • 100% of public procurement is green • Reliable and safe operation of electricity and gas transmission systems • Sustainability criteria integrated into supplier requirements • Innovation projects are financed as a share of the transfer revenue - at least 0.5%

Sustainability and risk management

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

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

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

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

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

- Sustainability Policy
- Occupational Safety and Health policy
- Equal Opportunities Policy
- Environmental Policy
- Transparency and Communication Policy

- Anti-Corruption Policy
- Remuneration, Performance Appraisal and Development Policy
- Corporate Governance Policy
- Procurement Policy
- Dividend Policy
- Interest Management Policy
- Guidelines for Research and Experimental Development and Innovation Activities
- Support Policy
- Code of Ethics
- Supplier Code of Conduct

EPSO-G Group companies have identified environmental, social and governance risks and, depending on the nature of their activities, have implemented measures to monitor and mitigate them. The main risks, their description and management measures are described in detail in the section "Main risks and their management" of this consolidated annual report of the EPSO-G Group.

2023 EPSO-G plans to assess the transition and physical risks associated with climate change, taking into account the future climate change scenarios of the Intergovernmental Panel on Climate Change , to develop measures and indicators to manage these risks, and to integrate the management of these risks into the Group's and its companies' corporate governance. After identifying and assessing the risks related to climate change, EPSO-G plans to report in line with the international recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

10.1. Environmental area

In the environmental field, EPSO-G has a key objective to enable climate-neutral energy and to reduce the environmental impacts and greenhouse gas emissions of the Group's operations. In the Environmental Policy adopted by EPSO-G's Board of Directors in 2021, the Group committed itself to monitoring the environmental impact of its activities, and to introducing state-of-the-art technologies and measures to minimise its significant environmental impact. When operating, expanding or modernising the infrastructure of energy systems, the Group's companies undertook to ensure the protection of biodiversity, and to implement environmental management systems (ISO 14001, etc.) in their operations and to ensure that these systems meet the requirements set out.

All EPSO-G Group companies have a goal of zero tolerance to environmental pollution and zero environmental incidents. EPSO-G is also working to hold contractors and other business partners accountable for the environmental impacts of their activities and to reduce them. EPSO-G companies also take the precautionary approach by carrying out environmental impact assessments in accordance with legal requirements before undertaking projects that may have a significant impact on the environment, biodiversity or society.

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

During 2022, there were no breaches of environmental laws in the Group's companies and no fines for non-compliance with environmental requirements. There were also no significant environmental incidents reported during the reporting period, either by the company's employees or contractors.

In 2022, the environmental management systems of Amber Grid and Tetas were recertified to ISO 14001. The external surveillance audit and certification audit of the management system carried out in both companies did not reveal any non-conformities.

10.1.1. Mitigating climate change and reducing GHG emissions

In 2022, the companies in the EPSO-G Group carried out an inventory of their greenhouse gas (GHG) emissions in accordance with the international GHG Protocol methodology. The inventory assessed direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions from the activities and impacts of the Group's companies. Scope 2 emissions are calculated using a "market-based approach".

GHG emissions by source for the EPSO-G Group

By source of pollution	2019, tCO ₂ e	2020, tCO ₂ e	2021, tCO ₂ e	2022, tCO ₂ e
Scope 1	69454	63851	61141	38265
Natural gas emissions during operation and repair	46284	44807	39063	4946
Uncontrolled natural gas losses due to leaks	11790	11790	12309	13452
Transport	2371	2311	2721	3303
Combustion of fuels in stationary installations	8514	4781	6573	15998
SF6 gas leaks to the environment	494	141	426	520
Releases of refrigerants (Freons) from cooling systems to the environment	1	20	49	47
Scope 2	222882	202143	196295	228631
Electricity losses in the transmission network	205635	185015	176352	209496
Purchased electricity for own use	17218	17106	19919	19120
Acquired centralised heating energy	29	22	24	15
Total Scope 1 and Scope 2	292336	265994	257436	266896

For the first time, Energy cells has been included in the inventory of GHG emissions from the Group's operations. Although the company completed the installation of the battery park system in 2022, the events are still being tested, so the GHG inventory of Energy cells does not fully reflect the emissions that may arise from the company's direct operations.

The base (reporting) year from when the Group expected to reduce its GHG emissions was 2019, which is the year in which none of the Group's companies were affected by the operational restrictions imposed by COVID-19, which also affected the operations of some of the Group companies.

Comparing the 2022 GHG data with the 2021 data, there is an increase in emissions from electricity transmission network activities and a significant decrease in emissions from natural gas transmission network activities. Scope 2 GHG emissions increased due to increased losses in the electricity transmission network. These losses were largely due to a higher number of disconnections and reconstruction works on the grid. Meanwhile, in the natural gas transmission network, the significant emission reductions are mainly due to the relatively low number of pipeline repairs in 2022. The use of mobile gas compressors and the replacement of gas boilers at gas distribution stations with condensing boilers have also contributed to the reduction in emissions.

Looking at the overall 2022 GHG emissions scope compared to the 2019 baseline, emissions are estimated to have decreased by almost 8,7%. Meanwhile, compared to 2021 GHG emissions, 2022 emissions increased by around 3,6%.
Actions and initiatives

In 2022, the EPSO-G group companies (excluding Energy cells) have developed emission reduction plans up to 2030 based on the GHG inventory data. The main measures target the most GHG-intensive sources in the activity and include investments in mobile gas compressors, solutions to optimise the capacity of existing gas compressors, the acquisition of special equipment for the rehabilitation and repair of gas pipelines, the expansion of RES production for own use and the use of green energy, and the electrification of the vehicle fleet.

10.1.2. Preserving biodiversity and ecosystems

EPSO-G Group companies operating, expanding or upgrading the infrastructure of energy systems are committed to safeguarding biodiversity by monitoring biodiversity where necessary and, in the event of unavoidable objective circumstances, by planning and implementing the necessary mitigation or compensation measures.

During the bird nesting season, both Litgrid and Amber Grid companies take measures to minimise interference during operational or construction works. On the advice of ornithologists, the restriction of works from 1 May to 31 July due to disturbance to birds during their breeding season is being responsibly assessed prior to the scheduling of the project works.

Actions and initiatives

In 2022, during the reconstruction of the 330 kV power transmission overhead line between Elektrėnai Complex and Vilnius, environmental impact monitoring was carried out, including monitoring of birds and natural habitats. In 2022, bird monitoring during spring did not detect any dead birds on the Obeniai-Karkučiai (1.7 km), Asakiai-Veličkava (2.3 km) overhead lines and in the vicinity of the overhead lines. During the autumn survey, the remains of a bird's feathers were found on the Asakiai-Veličkava transmission line, but it was not possible to determine the cause of death.

No birds were found dead under overhead power lines and in close proximity in 2021.

After the completion of the GIPL (Gas Interconnection Poland-Lithuania) project in 2022, post-construction monitoring of the individual phases will be carried out for 4 years. It will be monitored how the local flora, fauna and species diversity characteristic of the area are recovering from the construction of the pipeline and whether additional measures are needed to restore or improve the pre-construction habitats. The monitoring plan monitors not only the status of surface water bodies, but also the landscape, ornithofauna, ichthyofauna, entomofauna, invasive species, habitats and vegetation cover. Recent monitoring has shown that the construction of the gas pipeline link between Lithuania and Poland has not had any significant negative impact on the environment.

As in the previous year, no significant negative impacts on any protected species of animals, birds or plants were recorded in 2022.

10.1.3. Sustainable and efficient use of resources in operations

EPSO-G Group companies strive to create an organisational culture based on a philosophy of conservation of nature and other resources. In the Group's environmental policy, EPSO-G companies are committed to using certified green electricity in their administrative activities, to expanding the use of renewable energy sources to meet the technological energy needs of the transmission network infrastructure, to prioritising and expanding the use of clean transport, and to consistently reducing the use of polluting fuels and energy efficiency measures.

Actions and initiatives

EPSO-G Group companies have continued to electrify the fleet of vehicles they manage, starting with administrative vehicles. In 2022, 105 electric and hybrid vehicles have been leased to replace some of the diesel and petrol cars used in the Group's businesses.

In 2021, 1.45 MWh of solar farms were built at 3 sites operated by Amber Grid. In February 2022, the solar parks became fully operational. It is estimated that in 2022, the solar parks generated 1,426 MWh of electricity and Amber Grid consumed 1,060 MWh of clean energy in its operations, which is around 48% of Amber Grid's total electricity consumption.

In 2022, EPSO-G group companies Amber Grid, Litgrid, Tetas and Energy cells switched to using green energy in their administrative activities - in premises where companies have direct choice of supplier or where the owners of the rented building make it possible to use green energy. The Group's companies Baltpool and Get Baltic have a long history of using green energy in their administrative activities. The parent company, EPSO-G, plans to switch to green energy for its administrative activities in 2023, when it moves to a new office.

	Year 2022	Year 2021
Electricity consumption (EPSO-G Group-wide)	382274 MWh	354668 MWh
Thermal energy consumed (EPSO-G Group-wide)	480 MWh	368 MWh
Energy intensity per unit of revenue (EPSO-G Group-wide)	0.69 kWh / EUR	0.97 kWh / EUR
Installed capacity of solar power plants	1.45 MW	1.45 MW
Electricity produced by solar power plants for the technological needs of the transmission grid	1060 MWh	70 MWh

10.1.4. Waste reduction, responsible management

EPSO-G Group companies are guided by the principles of pollution prevention and strive to reduce the amount of waste generated in their operations and to ensure safe and responsible waste management.

The largest amounts of waste are generated by the construction of transmission grids, energy storage facilities, and the reconstruction or repair of transmission grids by Amber Grid, Litgrid and Energy cells. Hazardous and non-hazardous waste generated from operations is managed by Tetas, a company that carries out repair and construction work at energy facilities.

Most waste is generated during the reconstruction of overhead lines and transformer substations in the electricity transmission network. Hazardous waste is mainly generated during the reconstruction of transformer substations in the electricity transmission network. During the reconstruction of transformer substations, equipment that has been dismantled but is serviceable is placed in reserve and reused. Unsuitable dismantled equipment is handed over to waste managers. In the case of redevelopment projects, non-hazardous waste is accounted for by contractors and handed over to waste managers.

The activities of the other companies in the group generate a comparatively insignificant amount of municipal waste, which is not separately accounted for and therefore cannot be inventoried. Some of the Group's companies separate household, glass, paper and plastic waste in their administrative activities, with special sorting bins in the offices.

Amber Grid, Litgrid and Energy cells have developed waste management plans and are implementing them in accordance with the applicable procedures for the application of environmental requirements in their operations. Amber Grid, Litgrid and Energy cells have entrusted the sorting and treatment of hazardous and non-hazardous waste generated by their operations to contractors with the necessary permits and waste management contracts.

Companies also keep records of the waste they produce that has value (is suitable for reuse or recycling) and pass it on to the relevant waste managers or companies that buy it. Hazardous waste is sorted separately by type of waste and stored in containers that are labelled and protected from the environment before being taken away.

EPSO-G group quantities	2022	2021	2020
Quantity of hazardous waste, t	204.7	543	428.7
Quantity of non-hazardous waste, t	2982.3	3 713.4	1730
Paper, glass, plastic, t	7.71	14.3	3.3
Iron, steel, ferrous metals, t	794.6	0.1	34.2

10.1.5. Facilitating the development of RES, adapting energy systems to decarbonisation

In line with the objectives of the National Energy Independence Strategy and the National Energy and Climate Action Plan, it is relevant for EPSO-G to focus on enabling the decarbonisation of the energy sector - preparing for large-scale integration of RES, including the adaptation of the gas system to transport hydrogen, preparing for the integration of significant amounts of offshore wind, and the development of guarantee of origin systems.

Actions and initiatives

2022 was a historic year for green energy in Lithuania. For the first time, the share of electricity generated by renewable energy plants is around 60% of the country's total electricity generation. In 2021, 48% of the country's electricity was generated by renewable energy plants. The increase in the number of renewable power plants connected to the transmission and distribution grids has led to a significant increase in the amount of clean energy produced by both wind and solar power plants. Compared to 2021, clean energy production in Lithuania's wind farms has increased by 11.6% and in solar farms by 74%. The latter is due to the rapid addition of new prosumers.

According to Litgrid's data, 273.7 MW of solar, 142.8 MW of wind and 3.3 MW of other renewable energy (biomass/biogas) generation capacities were connected to the Lithuanian electricity grid in 2022. The total installed capacity of renewable energy sources in Lithuania increased from 419.8 MW to 1572.5 MW in 2022.

In line with the energy transformation, the decarbonisation of the economy and the implementation of the European Green Deal, a roadmap study for the development of hydrogen technologies in Lithuania was finalised in mid-2022. In 2022, Amber Grid, together with its regional partners (the Baltic and Finnish gas transmission system operators), has started a technical feasibility study on the adaptation of the gas transmission network to transport methane and hydrogen mixtures, which will also provide information on the needs for investments in the system based on the different hydrogen concentrations. The second phase of the research and development plan is currently underway.

In November 2022, imports of biomethane from the Netherlands to Lithuania started, with guarantees of origin. This biomethane will be used as a fuel in the transport sector and the guarantees of origin will be used in the Renewable Energy Fuel Units System (DAEI), thus covering the obligations of fuel suppliers regarding the share of renewable fuels in the final fuel mix.

10.2. Social area

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

EPSO-G Group	31/12/2022				31/12/2021	
	Men	%	Women	%	Men	Women
Full-time staff	955	75%	265	21%	1016 (77%)	249 (19%)
Part-time staff	46	4%	5	0%	47 (3.6%)	10 (0.8%)
Staff on a permanent contract	962	76%	258	20%	1021 (77 %)	239 (18 %)
Staff on fixed-term contracts	39	3%	12	1%	51 (3.9 %)	11 (0.8 %)
Migrant workers	5	0.40%	1	0.10%	9 (0.7%)	0 (0%)
Workers with disabilities	3	0.20%	1	0.10%	4 (0.3%)	3 (0.2%)
All staff	1001	79%	270	21%	1063 (80%)	259 (20%)

EPSO-G Group	31/12/2022				31/12/2021	
	Men	%	Women	%	Men	Women
Members of the Boards	23	82%	5	18%	19 (76%)	6 (24%)
Senior management	26	87%	4	13%	21 (81%)	5 (19%)
Middle-level management	75	67%	37	33%	85 (63%)	50 (37%)
Specialists	585	72%	228	28%	515 (71%)	210 (29%)
Workers	315	100%	1	0.30%	389 (100%)	1 (0.3%)

10.2.1. Ensuring human rights and equal opportunities

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

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

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

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

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

All reports received are recorded and must be examined. The internal investigation shall be carried out as soon as possible, but within a maximum of 30 calendar days from the date of receipt of the notification, with the possibility of an extension of another 30 calendar days. The findings, approved by the Internal Investigation Committee, are submitted to the company's Chief Executive Officer, who decides whether to open an investigation into the breach of

work duties or to take any other measures that may be necessary. The persons concerned (the victim and the reported person) are informed in writing of the conclusion. Depending on the nature of the breach, the employee may be subject to disciplinary action for breach of his/her duties.

	2022	2021	2020
Reports received through the helpline on possible cases of discrimination, mobbing at work and human rights violations	2	0	N/A
Investigating reports of possible cases of discrimination, mobbing at work and human rights violations	2	0	N/A
Confirmed cases of discrimination, mobbing at work and human rights violations	0	0	N/A

Actions and initiatives

In 2022, EPSO-G updated the Group's Equal Opportunities Policy and adopted a new procedure for the prevention of discrimination, violence, harassment and sexual harassment. It describes possible forms of violence, discrimination, harassment and sexual harassment, how to identify them, measures to prevent them, and procedures for reporting and dealing with possible inappropriate behaviour observed or experienced. The procedure provides for measures to protect the reporting persons and victims and forms of assistance to them.

From 2022, employees of EPSO-G Group companies can report possible human rights violations or discrimination through a dedicated helpline channel: by email, phone or by filling in the reporting form available on the EPSO-G website. Reports can also be made anonymously.

In December 2022, EPSO-G Group companies, except Litgrid, carried out an equal opportunities survey, which was implemented according to the methodology developed by the Office of the Equal Opportunities Ombudsperson of the Republic of Lithuania. The Equal Opportunities Survey is designed to assess the situation of equal opportunities in the workplace and is based on anonymous employee and employer surveys (questionnaires). A total of 315 employees from EPSO-G Group companies took part in the equal opportunities survey. Litgrid carried out the equal opportunities study in 2021 and thus did not take part in the 2022 study. Based on the results of the survey, individual equal opportunities plans are expected to be prepared for each company in the group in 2023.

Litgrid has traditionally proclaimed November 2022 as Equal Opportunities Month. It involved training and events to deepen staff understanding and knowledge of what equal opportunities mean in an organisation and what effective ways we can work towards achieving them. In 2022, Litgrid has also established an Equality Embassy, where its employees implement various initiatives to promote equal opportunities.

10.2.2. Professional development for staff

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

Staff development at EPSO-G is based on the 70-20-10 principle, whereby 70% of development, training and learning activities are carried out through the employee's work experience, 20% through interaction and collaboration with colleagues and managers with diverse experience and competences, and 10% through structured training events.

Staff development activities are planned in line with the EPSO-G Group's and the company's strategy, values, performance appraisal, competency model, shift planning, and assessment of professional and technical skills.

Statistics on external and internal training within the EPSO-G Group

	2022	2021	2020
Average number of training hours per year per EPSO-G staff member	31	28	no data available
Number of external training courses attended by EPSO-G staff	97	90	no data available
Number of in-house training sessions attended by EPSO-G staff	15	7	no data available

In EPSO-G group, staff members' performance is evaluated in different ways and at different intervals, depending on the nature of their activities and responsibilities. Annual performance appraisal is held once a year, where the employee and the supervisor discuss and evaluate the achievement of the employee's annual objectives and competencies, and the supervisor determines the overall result of the employee's performance appraisal. Project-based performance evaluation, which assesses the results achieved by staff in completed projects, or phases of projects, against a set of indicators. Quarterly performance appraisal, which assesses the performance of staff members during the quarter against established criteria.

All EPSO-G employees, without exception, are subject to performance and career reviews at least once a year.

10.2.3. Employee well-being, rewards and job satisfaction

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

The EPSO-G Group manages its payroll budget responsibly to ensure efficiency and optimum operating costs. Staff is paid a performance-related salary, as well as incentives for achieving challenging targets. The Group also provides employees with health and welfare benefits.

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

In 2022, the remuneration was based on the staff member's performance evaluation. The remuneration of EPSO-G's managers and staff therefore consisted of two parts: fixed and variable. The fixed share depends on the level of responsibility of the job position, which is determined according to a methodology used in international practice. The variable remuneration is paid when the individual targets set in the annual evaluation are achieved and the company reports to the shareholder and the board on the achievement of the company's annual targets.

Average monthly salary (excluding variable pay) of employees in EPSO-G Group companies by gender (EUR) in 2022:

EPSO-G Group	2022, EUR		2021, EUR	
	Men	Women	Men	Women
Chief Executive Officer	8675	–	6900	–*
Senior management	6450	5980	6350	6300
Middle-level management	4430	4440	4100	3800
Specialists	2400	2470	2170	2260
Workers	1490	–	1300	–

*Data is withheld due to confidentiality and personal data protection requirements.

Additional benefits for EPSO-G staff include health insurance. Group companies with collective agreements have employment, remuneration, social, economic and professional conditions and guarantees that are not regulated by law or other regulatory provisions. The collective agreement provides workers with additional financial guarantees (benefits for accidents, sickness, death of relatives, childbirth support, support for raising three or more children or a child with disabilities), extra days of leave (for childbirth, death of a relative, etc.), and other guarantees.

The EPSO-G Group believes that employees in all Group companies are free to join trade unions. Amber Grid and Litgrid have trade unions and collective agreements in place, which set out working, remuneration, social, economic and professional conditions and guarantees that are not regulated by law or other regulatory acts. The collective agreement provides workers with additional financial guarantees (benefits for accidents, sickness, death of relatives, childbirth support, support for raising three or more children or a child with disabilities), extra days of leave (for childbirth, death of a relative, etc.), and other guarantees.

Employees belonging to trade unions and the share of employees covered by a collective agreement (as of 31/12/2022):

EPSO-G group companies	2022		2021	
	Unionised workers	Proportion of workers covered by a collective agreement	Unionised workers	Proportion of workers covered by a collective agreement
Amber Grid	198	100%	180	100%
Litgrid	99	100%	95	100%
Tetas	0 (trade union dissolved)	100%	1	100%
Baltpool	-	No collective agreement in the company	-	No collective agreement in the company
Energy cells	-	No collective agreement in the company	-	No collective agreement in the company
Get Baltic	-	No collective agreement in the company	-	No collective agreement in the company
EPSO-G	-	No collective agreement in the company	-	No collective agreement in the company

The collective agreements with Amber Grid, Litgrid and Tetas employees provide for additional notice periods and consultation provisions in relation to changes in remuneration and working conditions, planned structural changes, redundancies and other issues that may have a significant impact on employees.

No employee engagement survey was carried out in 2022.

10.2.4. Occupational safety and health

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

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

	2022			2021		
	Mild accidents (number)	Serious accidents (number)	Fatal accidents (number)	Mild accidents (number)	Serious accidents (number)	Fatal accidents (number)
EPSO-G Group companies	4	0	0	3	0	0
In contractors' and subcontractors' companies	0	0	0	3	0	0

Every year, EPSO-G Group companies strive to ensure that no serious or fatal accidents occur among its employees or contractors and subcontractors. No serious or fatal accidents occurred at any EPSO-G Group company in 2022.

EPSO-G Group companies, especially infrastructure and construction companies, place great emphasis on improving the safety competences of their employees. This includes mandatory briefings for both employees and contractors, and additional training. Preventive inspections are also carried out in infrastructure companies to check compliance with occupational safety requirements.

EPSO-G's occupational health and safety policy applies to all employees of the Group's companies.

Actions and initiatives

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

In 2022, Group companies continued to take action to protect workers from the risk of exposure to COVID-19. In the light of the changing epidemiological situation, remote working options have been maintained and a hybrid working model applied.

Amber Grid provided COVID-19 virus antigen detection disposable tests and personal protective equipment. Mobile UV lamps are used to disinfect the air in Amber Grid premises where a large number of employees and/or visitors may be present at the same time to protect employees from contagious viral diseases. Stationary UV lamps are installed in the premises, where staff monitoring the operation of the transmission system and providing process control are available 24/7.

Healthy lifestyles and activity are continuously promoted in EPSO-G Group companies, with compulsory preventive health checks and preventive vaccinations against flu and tick-borne encephalitis.

10.2.5. Dialogue and involvement of local communities

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

Amber Grid did not conduct any EIA meetings with communities in 2022, as no activities requiring an EIA were planned. In 2021, as part of Lithuania's implementation of the GIPL European Union gas pipeline interconnection project, Amber Grid held 30 meetings with communities in the municipalities where the GIPL pipeline was being built.

Litgrid, which is implementing projects important for the synchronisation with the continental European grids, also continued its stakeholder meetings in 2022, holding 8 meetings with 8 municipal administrations and elders. These meetings are designed to present the projects, the phases and timeframes of future works, and to provide information to the residents. In 2021, 17 meetings were held with 15 communities.

In 2022, Energy cells in Vilnius, Šiauliai, Alytus and Utena initiated a project presentation to municipalities and local communities before the installation of energy storage battery parks. A great deal of attention was paid to the meetings held in Alytus and Vilnius. In Alytus, the meetings were organised together with the group company Litgrid.

Four remote meetings were organised in Vilnius, involving Vilnius City Municipality. The meetings included a presentation on the design of the energy storage system and its potential impact on the surrounding communities. On the initiative of Energy cells, a joint Litgrid and Energy cells working party was set up on the nearby Vilnius transformer substation to respond to residents' complaints about noise from the Litgrid substation. The working party agreed with the community representatives to carry out up to 10 additional noise measurements at the addresses where residents perceive the noise to be most audible and at times chosen by the residents, as it has been indicated that noise levels are variable and it is not effective to measure when there is no noise. In 2023, the measurements are to be continued and the National Public Health Centre is to reassess the need for noise measures if noise exceedances are recognised.

Energy cells, after taking a closer look at the current situation and the experience of the communities in the Vilnius Battery Park energy storage system, as a precautionary measure, has set stricter requirements than recommended and has erected acoustic walls around the battery parks to ensure that the sound from the devices does not exceed 41 db. Energy cells aims to build open, transparent and socially responsible relationships with communities.

10.2.6. Customer satisfaction with services

EPSO-G, as the parent company, has no direct customers. It fulfils its role by focusing on quality management decisions that have a decisive impact on the performance of the companies it manages, and effective performance monitoring and advisory services require highly qualified professionals and a good reputation as a management company.

Litgrid is the electricity transmission system operator, which ensures reliable electricity transmission and the balance of electricity, manages and operates the high-voltage electricity transmission network and the direct-current interconnectors LitPol Link and NordBalt. The company takes care of the development of the transmission grid and

the electricity market, coordinates electricity flows and maintains the stable operation of the country's energy system. Litgrid's customers are: electricity distribution network operators, electricity producers and suppliers, and large industrial companies that use electricity.

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

GET Baltic operates an electronic trading system for short-term and long-term trading of natural gas products on the Lithuanian, Latvian, Estonian and Finnish trading floors. GET Baltic aims to increase the liquidity, competitiveness and transparency of the wholesale natural gas market in the Baltic States and Finland by developing solutions tailored to natural gas trading.

Baltpool's customers in its activities are district heating companies, independent heat producers and other companies using exchange-traded biofuel products in their operations, timber auctioning activities are conducted by timber sellers, and electricity consumers, who are obliged to pay VIAP funds for the electricity they consume under the current legal framework.

Tetas' main activity is the construction and repair of engineering networks, i.e. electrical installations up to 400 kV. The company also carries out construction work - building and erecting building structures, installing power supply and distribution equipment, laying power grids, and installing electrical engineering systems in buildings.

The function of Energy Cells is to install, operate, maintain and manage a system of energy storage devices with a total combined capacity of 200 MW and 200 MWh. These facilities are important to ensure instantaneous reserve, guaranteeing reliable, stable and consumer-friendly operation of the Lithuanian electricity system until synchronisation with the continental European grids and, in the future, for the integration of the fast-growing renewable energy sources.

In November-December 2022, Synopticom, a market research agency, carried out a customer satisfaction survey of the Group companies Amber Grid, Baltpool, Litgrid, GET Baltic and Tetas. 237 customers took part in the survey - 7% more than in 2021.

The results of the survey showed that, same as in 2021, among the group companies, Litgrid (84 points) and Amber Grid (82 points) were among the companies that received the highest customer satisfaction scores according to the GCSI (Global Customer Satisfaction Index) methodology. Their results are among the market leaders, which are companies that have achieved a GCSI score above 80.

GET Baltic met customer expectations even better - the company's customer rating rose to 77. Tetas' score has decreased compared to the previous survey (customer satisfaction index of 63). This result shows that the company needs to focus more on ensuring the highest standards of customer service.

The GCSI index consists of a score from 0 to 100, calculated by assessing three criteria: overall satisfaction with the company, how well the company meets expectations, and how the company compares to a perceived ideal company.

10.2.7. Social activities

By contributing to the achievement of goals that are important to society or the local community, EPSO-G Group companies in 2022 promoted voluntary, unpaid involvement of employees in charitable activities and environmental actions.

In 2022, as Russia targeted Ukraine's energy infrastructure for destruction, Litgrid and Amber Grid, companies of the EPSO-G group, provided nearly EUR 100,000 worth of equipment for the repair of damaged electricity substations and gas pipelines. The aid was channelled to Ukraine's electricity and gas operators through the NGO Blue/Yellow.

Following Ukraine's request for assistance, Litgrid, the Lithuanian electricity transmission system operator, provided equipment worth EUR 74,800: 110-330 kV primary units, current and combined transformers, insulators, current transformers and splitters, 330/110 kV autotransformers. Amber Grid, the Lithuanian gas transmission system operator, has sent EUR 18,000 worth of donations to its Ukrainian colleagues. The equipment will help Ukraine's gas transmission system operator to rebuild damaged pipelines.

The support for Ukraine's energy infrastructure companies is collected and transported with the support of the Ministries of Energy and Transport and Communications.

10.3. Governance area

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

10.3.1. Reliability and security of transmission networks

We understand reliability of electricity and gas transmission networks as networks that operate 24/7 without disruption. This requires analysing and assessing the country's long-term electricity and natural gas consumption needs and planning and implementing appropriate investments to efficiently meet energy needs and ensure the necessary capacity of the electricity and gas transmission systems, the safety and reliability of the systems and access to various sources of electricity generation and natural gas supply.

Litgrid's electricity transmission network reliability indicators	Indicators for 2022	Minimum level for the 2022-2026 regulatory period set by NERC
AIT (average interruption time), min.	0.354	0.934
ENS (amount of electricity not transmitted due to disconnections), MWh	10.671	27.251

In 2022, Amber Grid did not experience any disruptions in its gas transmission network due to the fault of the operator. Both Amber Grid and Litgrid prepare and regularly update 10-year transmission network development plans, which provide for investments in modernisation and upgrades of network components. These investments help maintain high electricity and natural gas transmission rates.

10.3.2. Transparent governance and creating an anti-corruption environment

EPSO-G implements strategic projects of regional and national importance. These are projects that require large investments. Their success depends on the understanding, trust and support of shareholders, partners, regulators and the Lithuanian people. EPSO-G has therefore continued to focus its activities on monitoring procurement processes and preventing corruption.

EPSO-G has consistently complied with the requirements of the Law on the Harmonisation of Public and Private Interests, which requires the directors and members of the collegial bodies of all companies owned by EPSO-G to declare their interests publicly. The requirements of the law have been implemented to a greater extent than the statutory requirements on the basis of a policy on the management of the interests of the members of the EPSO-G Group's collegial bodies, managers and employees.

During the reporting period, EPSO-G Group companies have consistently and systematically implemented a policy of zero tolerance for corruption, patronage of family members, relatives, friends or any other form of influence peddling,

and of the prevention of conflicts of interest between the company and its private interests. Group companies encourage employees and other Interest Holders to report directly or anonymously, without fear of negative consequences, possible violations, unethical or unfair behaviour to the Helpline, the Group companies' Helpline or directly to the address of the Special Investigation Service of the Republic of Lithuania (STT).

	2022	2021	2020
Percentage of EPSO-G Group managers who are aware of the anti-corruption policy	100%	100%	100%
Percentage of EPSO-G Group employees who are aware of the anti-corruption policy	100%	100%	100%

	2022	2021	2020
Number of recorded cases of corruption	0	0	0
Number of staff dismissed for breaches of the current anti-corruption policy	1	2	0
Number of suppliers terminated for corruption	0	0	0
Number of cases of corruption against Group companies or employees	0	0	0
Reports received through helpline channels in Group companies about possible cases of abuse or corruption	3	3	-
Investigated reports of possible cases of abuse or corruption	3	3	-

More detailed information on the initiatives for creating an anti-corruption culture is provided in the section of this report 5.3 Prevention of corruption and management of interests.

10.3.3. Cyber security and data protection

Transmission services for electricity and natural gas are classified as services of particular importance. For this reason, the EPSO-G group companies that provide these services regularly draw up and update lists of critical information infrastructures and carry out assessments of them.

Across the EPSO-G Group, IT and cybersecurity professionals are working to create an organisational culture that is resilient to cyber-attacks of all kinds. In 2022, a series of social engineering tests were conducted to test employees' readiness to identify false messages designed to extract sensitive information.

	2022	2021	2020
Preventive training on cyber security	3 cyber security trainings and 6 social engineering tests	1 cyber security training and 3 social engineering tests	1 cyber security training

Actions and initiatives

Litgrid and Amber Grid employees took part in the Cyber Security Exercise Cyber Shield 2022. During the exercise, staff tested the capabilities of the virtual cyber security training ground and cyber fraud simulation tools. The exercise tested participants' knowledge of cyber security, communication with the media and crisis communication skills.

In 2023, it is planned that employees of Litgrid, Amber Grid and Energy Cells will take part in cyber security exercises.

10.3.4. Innovation, research development, digitisation

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

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

At the end of 2022, the Group's innovation portfolio consisted of 49 instruments focusing on advanced and efficient systems management and monitoring, modern asset management solutions, the development of the Group's ITT and digitalisation, and the development of new business organisations and services.

For more information on the innovation projects carried out by EPSO-G Group companies, please refer to the section "Research and development activities" in this consolidated annual report.

10.3.5. Sustainable supply chain management

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

The updated procurement policy of the EPSO-G Group also integrates green procurement criteria. EPSO-G Group companies are committed to reducing their environmental impact and are therefore committed to prioritising green procurement. The Group is committed to achieving:

- at least 10% of green procurements between 1 July 2021 and the end of 2021.
- At least 50% of green procurements in 2022.
- At least 100% green procurements every year from 2023.

	2022 results	2021 results	2023 target
Value of EPSO-G Group procurements attributable to green procurement (based on public procurement carried out by contracting authorities)	83.2%	10%	100%

Actions and initiatives

In 2022, EPSO-G's Board approved the Supplier Code of Conduct. On the basis of this, all Group companies will start assessing the environmental, responsible employer, anti-corruption and human rights practices of suppliers involved in public procurements from 2023.

The requirement to comply with EPSO-G's Supplier Code of Conduct is primarily aimed at promoting the advancement of suppliers working in the energy sector in the areas of the environment, human rights, working

conditions, occupational health and safety, and anti-corruption. Suppliers are expected to encourage their subcontractors to comply with the requirements set out in the Code.

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

From 2023, suppliers participating in the EPSO-G Group's public procurement procedures will be evaluated against social, environmental and anti-corruption criteria. EPSO-G is also planning to set up a procedure for on-site verification of suppliers.

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

10.4. Disclosures under the European Union Taxonomy Regulation

General principles of disclosure

The European Commission's Action Plan on Financing Sustainable Growth outlines key measures to channel capital into environmentally friendly activities, helping the European Union to become a climate-neutral continent by 2050, as set out in the European Green Deal.

The European Commission laid the foundations for this with Regulation (EU) 2020/852, also known as the EU Taxonomy Regulation, which describes what constitutes an environmentally sustainable economic activity and the criteria for classifying an economic activity as environmentally sustainable. The aim of the Taxonomy Regulation is to classify economic activities across the EU according to defined requirements, based on their contribution to the six environmental objectives (Article 9 of the Taxonomy Regulation), in order to support the transition of the EU towards a climate-neutral economy. The six key environmental objectives are:

- mitigating climate change;
- adapting to climate change;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protecting and restoring biodiversity and ecosystems.

Article 3 of the Taxonomy Regulation defines an economic activity as environmentally sustainable when such activity:

- makes a significant contribution to one or more of the environmental objectives set out in Article 9 (under Articles 10 to 16 of the Regulation);
- does not cause significant harm to any of the environmental objectives set out in Article 9 (under Article 17 of the Regulation);
- is carried out in accordance with the minimum safeguards laid down (under Article 18 of the Regulation);
- meets the technical analysis criteria defined by the European Commission in Delegated Regulation (EU) 2021/2139 of 4 June 2021.

In accordance with European Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, EPSO-G, as a non-financial undertaking, is obliged to disclose the percentage of its total turnover, capital and operating expenditure that is made up of taxonomic, qualifying taxonomic and non-taxonomic economic activities and the qualitative information specified in Annex I and Annex II of the same Regulation that is relevant to explain these data. Article 16 and Article 10(2) of the Taxonomy Regulation also define the types of economic activities and transition economic activities that constitute the conditions.

Taxonomy-eligible economic activities are defined as activities described in European Commission Delegated Acts, irrespective of whether they meet any or all of the technical analysis criteria set out in the Delegated Act on the EU taxonomy for climate objectives. Therefore, the taxonomic nature of an economic activity does not automatically imply that it is environmentally efficient and sustainable.

Taxonomic activities are grouped according to the groups of activities defined in Article 16 and Article 10(2) of the Taxonomy Regulation - enabling economic activities and transition economic activities.

Transitional economic activity means an activity that does not yet have low-carbon alternatives, that produces greenhouse gas emissions that are consistent with the best performance in the sector or industry concerned, and that satisfies the following two conditions: (i) it does not impede the development and deployment of low-carbon alternatives, and (ii) it does not create an asset constraint for carbon-intensive assets in terms of the economic lifetime of those assets.

Enabling economic activity means an activity that directly enables a significant contribution to an environmental objective.

A **taxonomy-aligned activity** is defined as an activity that makes a significant contribution to at least one or more of the environmental objectives set out in the Delegated Act, does not cause significant harm to any of them, is carried out in accordance with the minimum safeguards set out, and complies with the technical analysis criteria set out.

Taxonomy-non-eligible economic activities are defined as activities that are not included and described in the European Commission's Delegated Acts on EU taxonomy.

10.4.1 Applying the taxonomy in the EPSO-G group

As part of our commitment to support Europe's ambition to move towards a climate-neutral economy, EPSO-G has carried out an analysis of the compliance and compatibility of its activities with the Taxonomy Regulation. In accordance with the Taxonomy Regulation and the Delegated Acts, we have carried out the analysis of the activities following these steps:

- Identification of taxonomic activities - to contribute to environmental objectives, economic activities must be included in the Taxonomy's Delegated Climate Acts;
- Assessment of compliance with the technical analysis criteria to determine whether the activity contributes to environmental objectives - the economic activity must comply with the technical analysis criteria set out in Annexes I or II of the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, which determine the conditions under which the economic activity is considered to make a significant contribution to mitigate or adapt to climate change;
- Analysis of non-detriment of significant harm to other environmental objectives - the activity must not cause significant harm to other five environmental objectives in accordance with the criteria for the technical analysis of non-detriment of harm to other environmental objectives as set out in Annexes I or II of the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021;
- Assessment of compliance with the minimum safeguards imposed
- Calculation of KPIs for taxonomy-eligible, taxonomy-aligned and taxonomy-non-eligible activities: revenue, capital expenditure (CAPEX) and operating expenditure (OPEX) for economic activities are calculated on the basis of the results of the assessments in the previous steps.

10.4.2 Identification of taxonomy-eligible activities

The identification of taxonomy-eligible activities of the EPSO-G Group was carried out in accordance with the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and the criteria set out therein. The taxonomy-eligible economic activities are broken down into transition and enabling activities, with the corresponding NACE

classification code. The following EPSO-G companies and their activities were assessed in the process of identifying taxonomy-eligible activities:

- Amber Grid - transmission of natural gas in Lithuania;
- Baltpool - administration of the biofuel exchange, organisation of timber auctions, organisation of heat auctions;
- Energy cells - managing a system of energy storage devices (batteries);
- EPSO-G - management, supervision and control of a group of companies;
- GET Baltic - administration of an electronic trading system for short-term and long-term trading of natural gas products on the Lithuanian, Latvian, Estonian and Finnish trading floors;
- Litgrid - transmission of electricity through high-voltage (110 and 330 kV) electricity facilities;
- Tetas - construction and operation of electrical installations up to 400 kV, construction of power grids, installation of renewable energy sources.

In accordance with the technical analysis criteria set out in Annex I of the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, the following activities of the companies in the EPSO-G group are considered to be taxonomy-eligible activities:

EPSO-G group company	Taxonomy-eligible activities		
	Nature of taxonomy-eligible activities	Activities listed in Annex I to European Commission Delegated Regulation (EU) 2021/2139	NACE classification codes
Amber Grid, AB	Enabling economic activity (if it meets the criteria set out in the technical analysis)	4.1. Generating electricity using photovoltaic solar technology Construction or operation of electricity generating installations using photovoltaic solar technology.	D35.11
Energy cells, UAB	Enabling economic activity (if it meets the criteria set out in the technical analysis)	4.10. Electricity storage Construction and operation of facilities where electricity is stored and subsequently returned as electricity. These activities include hydropower storage.	This category of economic activity does not have a specific NACE code according to Regulation (EC) No 1893/2006
Litgrid, UAB	Enabling economic activity (if it meets the criteria set out in the technical analysis)	4.9. Electricity transmission and distribution Construction and operation of transmission systems for the transmission of electricity by means of an interconnected system of ultra-high and high voltage.	D35.12
Tetas, UAB	Enabling economic activity (if it meets the criteria set out in the technical analysis)	4.9. Electricity transmission and distribution Construction and operation of transmission systems for the transmission of electricity by means of an interconnected system of ultra-high and high voltage.	D35.12
	Enabling economic activity (if it meets the criteria set out in the technical analysis)	7.6. Installation, maintenance and repair of renewable energy technologies On-site installation, maintenance and repair activities for renewable energy technologies,	F42

		<p>consisting of one of the following individual measures, if installed on-site as technical systems of the building:</p> <p>(a) installation, maintenance and repair of a photovoltaic solar energy system and ancillary technical equipment.</p>	
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In accordance with the technical analysis criteria set out in Annex I to the Delegated Regulation (EU) 2021/2139 of the European Commission of 4 June 2021, it has been established that the activities carried out by Baltpool UAB, EPSO-G UAB and Get Baltic UAB are to be considered as taxonomy-non-eligible activities, as Annex I to the Delegated Regulation does not include activities whose descriptions and technical analysis criteria correspond to the activities carried out by the undertakings listed above. Taxonomy-non-eligible activities also include the natural gas transmission activities of Amber Grid AB, which did not carry out any activities related to the conversion, re-purposing or modification of gas networks for the purpose of transmission of renewable and low-carbon footprint gas, as defined in Paragraph 4.14 of Annex I to the European Commission's Delegated Regulation (EU) 2021/2139, in the reporting period.

10.4.3 Assessment of compliance with the technical analysis criteria to determine whether the activity contributes to environmental objectives

The assessment of compliance with the technical analysis criteria for determining under which conditions economic activities are considered to make a significant contribution to mitigating or adapting to climate change is limited to the activities of the EPSO-G group companies that have been identified as taxonomy-eligible. This assessment shall be carried out in accordance with the technical analysis criteria set out in Annexes I and II of the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021.

Taxonomy-eligible activities			
EPSO-G group company	Technical analysis criterion	Activities listed in Annex I to European Commission Delegated Regulation (EU) 2021/2139	Comments
Amber Grid	Making a major contribution to climate change mitigation	<p>4.1. Generating electricity using photovoltaic solar technology</p> <p>The activities generate electricity using solar photovoltaic technology.</p>	<p>In 2022, Amber Grid AB produced electricity for its own use using installed solar photovoltaic technology. The company also had investments linked to these activities.</p> <p>The activity therefore meets the technical analysis criterion of making a significant contribution to mitigation. Contribution to other environmental objectives is not analysed.</p>
Energy cells	Making a major contribution to climate change mitigation	<p>4.10. Electricity storage</p> <p>Construction and operation of facilities where electricity is stored and subsequently returned as electricity. These activities include hydropower storage.</p>	<p>Energy cells UAB has been building an electricity storage system in 2022. In Lithuania, 4 battery parks with a total capacity of 200 MW have been installed. These parks are expected to be operational in 2023.</p>

			The activity therefore meets the technical analysis criterion of making a significant contribution to mitigation. Contribution to other environmental objectives is not analysed.
Litgrid	Making a major contribution to climate change mitigation	<p>4.9. Electricity transmission and distribution</p> <p>Construction and operation of transmission systems for the transmission of electricity by means of an interconnected system of ultra-high and high voltage.</p> <p>Infrastructure designed to create a direct link or to extend an existing direct link between a substation or grid and a power plant, where CO2 emissions throughout its lifetime exceeds 100 g CO2e/kWh, is not eligible.</p> <p>The installation of metering infrastructure that does not comply with the requirements for advanced metering systems as set out in Article 20 of Directive (EU) 2019/944 is not eligible.</p>	<p>The electricity transmission network operated by Litgrid AB is interconnected with the European system, i.e. the control areas of the Member States, Norway, Switzerland and the United Kingdom, and the subordinate systems.</p> <p>In 2022, Litgrid AB did not create new or extend existing direct connections between substations or the grid and power plants with life-cycle CO2 emissions above 100 g CO2e/kWh. As Litgrid does not have data on CO2 emissions of individual power plants, based on publicly available information, it can be assumed that the power plants exceeding the threshold set in this technical analysis criterion are those that use biofuels, fuel oil, natural gas and waste to generate electricity.</p> <p>In course of 2022, Litgrid AB did not install any metering infrastructure that does not comply with the twenty requirements under Directive (EU) 2019/944.</p> <p>The activity therefore meets the technical analysis criterion of making a significant contribution to mitigation. Contribution to other environmental objectives is not analysed.</p>
Tetas	Making a major contribution to climate change mitigation	<p>4.9. Electricity transmission and distribution</p> <p>Construction and operation of transmission systems for the transmission of electricity by means of</p>	<p>In 2022, Tetas operated on the networks of the electricity transmission system operator AB Litgrid and the electricity distribution system operator Energijos skirstymo operatorius, AB both of which are interconnected</p>

		<p>an interconnected system of ultra-high and high voltage.</p>	<p>with the European system, i.e., the combined areas of control of the Member States, Norway, Switzerland, and the United Kingdom, as well as the subordinate systems.</p> <p>According to the technical analysis criteria defined in Paragraph 4.9 of Annex I, the company carried out the following activities:</p> <p>(c) the installation of transmission and distribution transformers which comply with the Tier 2 requirements set out in Annex I to Commission Regulation (EU) No 548/2014 (178) (1 July 2021) and medium power transformers with a maximum voltage not exceeding 36 kV which comply with the requirements of level AAA0 for no-load losses set out in standard EN 50588-1 (179);</p> <p>(d) the construction and/or installation and operation of equipment and infrastructure where the main objective is to increase the production or use of electricity from renewable energy sources;</p> <p>(e) the installation of equipment to enhance the control and monitoring capabilities of the electricity system and to enable the development and integration of renewable energy sources, including:</p> <p>(i) sensors and measuring instruments (including meteorological sensors for forecasting renewable production);</p> <p>(h) the construction and operation of an interconnector between transmission systems, if one of the systems is eligible.</p> <p>The activity therefore meets the technical analysis criterion of making a significant contribution to mitigation. Contribution to other</p>
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			environmental objectives is not analysed.
		<p>7.6. Installation, maintenance and repair of renewable energy technologies</p> <p>On-site installation, maintenance and repair activities for renewable energy technologies, consisting of one of the following individual measures, if installed on-site as technical building systems.</p>	<p>In 2022, Tetas UAB carried out an activity that includes the installation, maintenance and operation of solar power plants for homes and businesses.</p> <p>According to the technical analysis criteria defined in Paragraph 7.6 of Annex I, this activity corresponds to part (a) - installation, maintenance and repair of a solar photovoltaic system and ancillary technical equipment.</p> <p>The activity therefore meets the technical analysis criterion of making a significant contribution to mitigation. Contribution to other environmental objectives is not analysed.</p>

10.4.5 Analysis of avoidance of significant harm to other environmental objectives

This analysis aims to determine whether the taxonomy-eligible economic activity does not cause significant harm to the other five environmental objectives in accordance with the technical analysis criteria for non-detriment of harm to other environmental objectives set out in Annexes I or II to the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021. As all the previously identified taxonomy-eligible economic activities have been identified as contributing to the mitigation network, the analysis is carried out in accordance with Appendices A, B, C, D and E to Annex I to the European Commission's Delegated Regulation (EU) 2021/2139 of 4 June 2021, which also defines the criteria for 'doing no significant harm'.

EPSO-G group company	Taxonomy-eligible activities		
	Activities listed in Annex I to European Commission Delegated Regulation (EU) 2021/2139	Criteria for doing no significant harm in accordance with Appendices A, B, C, D and E to Annex I to (EU) 2021/2139	Comments
Amber Grid, AB	4.1. Generating electricity using photovoltaic solar technology	<p>2) Adaptation to climate change</p> <p>The activity shall comply with the criteria set out in Appendix A to this Annex.</p> <p>A robust assessment of climate-related risks and vulnerabilities has identified that some of the physical climate-related risks listed in</p>	Amber grid's activities do not meet this criterion as there is no robust assessment of climate-related risks and vulnerabilities.

		the table in Section II of this Appendix are significant for the activity.	
		3) Sustainable use and protection of water and marine resources	The criterion of causing no significant harm does not apply to these activities.
		4) Moving towards a circular economy These activities shall assess the feasibility of using highly durable and recyclable equipment and components that are easy to dismantle and refurbish, and shall use them where possible.	When installing solar photovoltaic technology, Amber Grid, AB chose a durable technology with a life cycle of at least 25 years. The performance of the selected equipment is 93% after 10 years of operation and 85% after 25 years. The chosen technology is therefore assessed as meeting this criterion.
		5) Pollution prevention and control	The criterion of causing no significant harm does not apply to these activities.
		6) Protecting and restoring biodiversity and ecosystems The activity shall comply with the criteria set out in Appendix D to this Annex. An environmental impact assessment (EIA) or analysis has been carried out in accordance with Directive 2011/92/EU. Where an EIA has been carried out, appropriate mitigation and compensatory measures have been implemented for environmental protection purposes.	Amber Grid, AB has carried out a pre-feasibility study for the installation of solar photovoltaic technology. No environmental impact assessment was carried out, as it was not required by the legislation in force, as Amber Grid, AB installed the solar power technology on its own territory. The chosen technology is therefore assessed as meeting this criterion.
Energy cells, UAB	4.10. Electricity storage Construction and operation of facilities where electricity is stored and subsequently returned as electricity. These activities include hydropower storage.	2) Adaptation to climate change The activity shall comply with the criteria set out in Appendix A to this Annex. A robust assessment of climate-related risks and vulnerabilities has identified that some of the physical climate-related risks listed in the table in Section II of this Appendix are significant for the activity.	Energy Cells, UAB activities do not meet this criterion as there is no robust assessment of climate-related risks and vulnerabilities.

		<p>3) Sustainable use and protection of water and marine resources</p> <p>In the case where the pumped storage system is not connected to a water body/river, the activity shall comply with the criteria set out in Appendix B to this Annex.</p> <p>In the case where the pumped storage system is connected to a water body/river, the activity shall comply with the criteria set out in section 4.5 ("Hydroelectricity generation") for determining whether there is significant harm to the sustainable use and protection of water and marine resources.</p>	<p>As the electricity storage facilities installed by Energy cells UAB are not pumped storage facilities and are not connected to water bodies, the activities are considered to meet the criteria.</p>
		<p>4) Moving towards a circular economy</p> <p>A waste management plan is in place to ensure maximum reuse or recycling at the end of the life cycle, in line with the waste hierarchy, including through contracts with waste management partners, financial projections or formal project documents.</p>	<p>Energy cells UAB follows the Description for the Procedure of Application of Environmental Requirements to Activities, which explains in detail the principles of the company's management of the waste generated by its activities. Energy cells UAB has entrusted the sorting and treatment of hazardous and non-hazardous waste generated by its operations to contractors with the necessary permits and long-term service contracts. The company's contractors also keep records of the waste they produce that has value (is suitable for reuse or recycling) and pass it on to the relevant waste managers or waste buyers.</p> <p>The activity is considered to meet the criteria.</p>
		<p>5) Pollution prevention and control</p>	<p>The criterion of causing no significant harm does not apply to these activities.</p>
		<p>6) Protecting and restoring biodiversity and ecosystems</p>	<p>Energy cells UAB did not carry out an environmental impact assessment procedure or</p>

		<p>An environmental impact assessment (EIA) or analysis has been carried out in accordance with Directive 2011/92/EU. Where an EIA has been carried out, appropriate mitigation and compensatory measures have been implemented for environmental protection purposes.</p>	<p>analysis for the installation of the energy storage facilities, as the energy storage facilities were installed in existing electricity transmission distribution substations. This decision was taken in accordance with the Law on Environmental Impact Assessment of Planned Economic Activities of the Republic of Lithuania and secondary legislation based on Directive 2011/92/EU.</p> <p>The activity is considered to meet the criteria.</p>
Litgrid, AB	<p>4.9. Electricity transmission and distribution</p> <p>Construction and operation of transmission systems for the transmission of electricity by means of an interconnected system of ultra-high and high voltage.</p> <p>Infrastructure designed to create a direct link or to extend an existing direct link between a substation or grid and a power plant, where CO2 emissions throughout its lifetime exceeds 100 g CO2e/kWh, is not eligible.</p> <p>The installation of metering infrastructure that does not comply with the requirements for advanced metering systems as set out in Article 20 of Directive (EU) 2019/944 is not eligible.</p>	<p>2) Adaptation to climate change</p> <p>The activity shall comply with the criteria set out in Appendix A to this Annex.</p> <p>A robust assessment of climate-related risks and vulnerabilities has identified that some of the physical climate-related risks listed in the table in Section II of this Appendix are significant for the activity.</p>	<p>Litgrid's activities do not meet this criterion as there is no robust assessment of climate-related risks and vulnerabilities.</p>
		<p>3) Sustainable use and protection of water and marine resources</p>	<p>The criterion of causing no significant harm does not apply to these activities.</p>
		<p>4) Moving towards a circular economy</p>	<p>Litgrid AB has developed a waste management plan and implements it in accordance with the company's description of the procedure for applying environmental requirements to the company's activities. Litgrid AB has entrusted the sorting and treatment of hazardous and non-hazardous waste generated by its operations to contractors with the necessary permits and waste management contracts. The company also keeps records of the waste generated in its operations that has value (is suitable for reuse or recycling), and transfers it to the relevant</p>

			<p>waste managers or companies that buy it.</p> <p>The activity is considered to meet the criteria.</p>
		<p>5) Pollution prevention and control</p> <p>Overhead high-voltage lines:</p> <p>(a) the principles of the IFC's general guidelines on environment, health and safety apply to activities on construction sites;</p> <p>(b) the activities comply with applicable norms and rules aimed at limiting the effects of electromagnetic radiation on human health, including the Council Recommendation on the Limitation of Exposure of Humans to Electromagnetic Fields (0 Hz to 300 GHz) applicable to activities carried out in the Union and the 1998 International Commission on Non-Ionising Radiation Protection (ICNIRP) guidelines applicable to activities carried out in third countries.</p> <p>No polychlorinated biphenyls (PCBs) are used in the operation.</p>	<p>As part of its activities, Litgrid AB applies the environmental, health and safety requirements stipulated by the laws of the Republic of Lithuania to contractors working on electricity transmission network facilities. The company's specialists carry out on-site inspections of contractors and record workplace safety non-compliances. When carrying out works in the vicinity of communities, Litgrid AB informs residents in advance about the potential noise from heavy transport or works.</p> <p>Litgrid AB has carried out detailed measurements of the electromagnetic fields generated near high-voltage power transmission lines. The results showed that the electromagnetic fields generated in the Lithuanian electricity transmission network are in all cases in compliance with the requirements of the Lithuanian Hygienic Standard, within the limits set thereby and is often significantly lower. The company's experts measured the electric and magnetic field strengths under, near and away from the lines in different sections of the power grid. The magnitude of the electric and magnetic fields varies depending on the voltage of the lines - 110 kV or 330 kV - the intensity of the transmission on the lines, and the distance.</p> <p>AB Litgrid does not use polychlorinated biphenyls (PCBs) in its operations and has no facilities where they are used.</p>

			<p>The activity is considered to meet the criteria.</p>
		<p>6) Protecting and restoring biodiversity and ecosystems</p> <p>The activity meets the criteria set out in Appendix D to this Annex</p> <p>An environmental impact assessment (EIA) or analysis has been carried out in accordance with Directive 2011/92/EU. Where an EIA has been carried out, appropriate mitigation and compensatory measures have been implemented for environmental protection purposes.</p>	<p>Litgrid carries out environmental impact assessments when completely new transmission lines are built. Reconstruction of transmission lines is subject to an environmental impact assessment. The environmental impact assessment also identifies potential impacts on biodiversity and ecosystems.</p> <p>In 2022, Litgrid AB carried out an environmental impact assessment screening for the construction of a new 110 kV power transmission line Griškonys - Varėna. The Environmental Protection Agency has concluded to Litgrid, AB that an environmental impact assessment is not required for the planned construction of the transmission line Griškonys - Varėna.</p> <p>The activity is considered to meet the criteria.</p>
Tetas, UAB	<p>4.9. Electricity transmission and distribution</p> <p>Construction and operation of transmission systems for the transmission of electricity by means of an interconnected system of ultra-high and high voltage.</p> <p>(c) the installation of transmission and distribution transformers which comply with the Tier 2 requirements set out in Annex I to Commission Regulation (EU) No 548/2014 (178) (1 July 2021) and medium power transformers with a maximum voltage not exceeding 36 kV which comply with the</p>	<p>2) Adaptation to climate change</p> <p>The activity shall comply with the criteria set out in Appendix A to this Annex.</p> <p>A robust assessment of climate-related risks and vulnerabilities has identified that some of the physical climate-related risks listed in the table in Section II of this Appendix are significant for the activity.</p>	<p>Tetas's activities do not meet this criterion as there is no robust assessment of climate-related risks and vulnerabilities.</p>
		<p>3) Sustainable use and protection of water and marine resources</p>	<p>The criterion of causing no significant harm does not apply to these activities.</p>
		<p>4) Moving towards a circular economy</p>	<p>Tetas implements waste management in accordance with the legislation of the Republic of Lithuania and the requirements</p>

	<p>requirements of level AAA0 for no-load losses set out in standard EN 50588-1 (179);</p> <p>(d) the construction and/or installation and operation of equipment and infrastructure where the main objective is to increase the production or use of electricity from renewable energy sources;</p> <p>(e) the installation of equipment to enhance the control and monitoring capabilities of the electricity system and to enable the development and integration of renewable energy sources, including:</p> <p>(i) sensors and measurement tools (including meteorological sensors for forecasting renewable production);</p> <p>(h) the construction and operation of an interconnector between transmission systems, if one of the systems is eligible.</p>	<p>5) Pollution prevention and control</p> <p>Overhead high-voltage lines:</p> <p>(a) the principles of the IFC's General Guidelines on Environment, Health and Safety shall apply to on-site activities;</p> <p>(b) the activity complies with applicable norms and rules aimed at limiting the effects of electromagnetic radiation on human health, including the Council Recommendation on the Limitation of Exposure of Humans to Electromagnetic Fields (0 Hz to 300 GHz) applicable to activities carried out in the Union and the 1998 International Commission on Non-Ionising Radiation Protection (ICNIRP) guidelines applicable to activities carried out in third countries.</p> <p>No polychlorinated biphenyls (PCBs) are used in the operation.</p>	<p>of its customers. Tetas employees ensure that hazardous and non-hazardous waste generated in the operations is sorted and managed in accordance with contracts with licensed waste handlers. Accounting for waste of value (reusable or recyclable) generated from operations, and transferring it to waste buyers.</p> <p>Tetas is organised in accordance with the ISO 14001 environmental management system. The 2022 audit of this system did not result in any additional recommendations for improvement.</p> <p>The activity is considered to meet the criteria.</p> <p>In the course of its activities, UAB Tetas applies the environmental, health and safety requirements stipulated by the laws of the Republic of Lithuania to the facilities of the electricity transmission network and distribution network. The company's experts carry out inspections of workers at their workplaces and record workplace safety non-compliances.</p> <p>Tetas UAB is organised in accordance with management systems complying with ISO 14001 environmental and ISO 45000 occupational health and safety standards. The 2022 audit of this system did not result in any additional recommendations for improvement.</p> <p>Representatives of Tetas, UAB operate on overhead high-voltage lines, where, as established by Litgrid, AB the electromagnetic fields generated are in all cases in</p>
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			<p>compliance with the requirements set out in the Lithuanian Hygienic Standard, within the prescribed limits and often significantly lower.</p> <p>Tetas, UAB has no activities involving polychlorinated biphenyls (PCBs).</p> <p>The activity is considered to meet the criteria.</p>
		<p>6) Protecting and restoring biodiversity and ecosystems</p> <p>The activity meets the criteria set out in Appendix D to this Annex</p> <p>An environmental impact assessment (EIA) or analysis has been carried out in accordance with Directive 2011/92/EU. Where an EIA has been carried out, appropriate mitigation and compensatory measures have been implemented for environmental protection purposes.</p>	<p>Tetas, UAB operates in compliance with the environmental impact assessment procedures carried out by the electricity transmission and distribution operators, the rules of the transmission and distribution network companies and the legal restrictions. Tetas UAB does not carry out environmental impact assessment or analysis procedures when carrying out contracting or construction work.</p> <p>The activity is considered to meet the criteria.</p>
	<p>7.6. Installation, maintenance and repair of renewable energy technologies</p> <p>On-site installation, maintenance and repair activities for renewable energy technologies, consisting of one of the following individual measures, if installed on-site as technical building systems.</p> <p>(a) installation, maintenance and repair of a photovoltaic solar energy system and ancillary technical equipment.</p>	<p>2) Adaptation to climate change</p> <p>The activity shall comply with the criteria set out in Appendix A to this Annex.</p> <p>A robust assessment of climate-related risks and vulnerabilities has identified that some of the physical climate-related risks listed in the table in Section II of this Appendix are significant for the activity.</p>	<p>Tetas's activities do not meet this criterion as there is no robust assessment of climate-related risks and vulnerabilities.</p>
		<p>3) Sustainable use and protection of water and marine resources</p>	<p>The criterion of causing no significant harm does not apply to these activities.</p>
		<p>4) Moving towards a circular economy</p>	<p>The criterion of causing no significant harm does not apply to these activities.</p>
		<p>5) Pollution prevention and control</p>	<p>The criterion of causing no significant harm does not apply to these activities.</p>

		6) Protecting and restoring biodiversity and ecosystems	The criterion of causing no significant harm does not apply to these activities.
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In summary, none of the previously identified taxonomy-eligible activities fully meet all of the criteria for causing no significant harm in accordance with Appendices A, B, C, D and E of Annex I to (EU) 2021/2139, and therefore it should be considered, that there are no taxonomy-aligned activities that meet the criteria for causing no significant harm within the EPSO-G group of companies (subject to the condition that a taxonomy-aligned activity that meets the criteria is one that makes a significant contribution to at least one or more of the environmental objectives set out in the Delegated Act and does not cause significant harm to any of them).

10.4.6 Assessment of compliance with the minimum safeguards

The assessment of the compliance of the identified taxonomy-eligible activities with the minimum safeguards shall be carried out in accordance with Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. It stipulates that:

1. [...] implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
2. In implementing the procedures referred to in paragraph 1 of this Article, undertakings shall comply with the principle of 'causing no significant harm' referred to in Article 2(17) of Regulation (EU) 2019/2088.

Article 2(17) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector stipulates that:

(17) 'sustainable investment' means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Paragraph IV of the OECD Guidelines for MNEs states that, Enterprises should, within the framework of internationally recognised human rights, the international human rights obligations of the countries in which they operate as well as relevant domestic laws and regulations:

1. Respect human rights, which means they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved;
2. Within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur;
3. Seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts;
4. Have a policy commitment to respect human rights;
5. Carry out human rights due diligence as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts;
6. Provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed to these impacts.

In terms of compliance with the minimum safeguards, the EPSO-G Group is considered to have put in place most of the measures in place in all EPSO-G companies carrying out the identified taxonomy-eligible activities:

- In 2018, EPSO-G Group adopted the Group's Code of Conduct, which sets out uniform general guidelines for communication and cooperation with internal and external stakeholders: service users, contractors, business partners, shareholders, state and municipal authorities, the public, etc.
- The EPSO-G Group has adopted an Equal Opportunities Policy in 2021, in which it has publicly committed to respect human rights and to ensure that there are no human rights abuses in any of the Group's companies;
- In 2022, the EPSO-G Group adopted a policy on the prevention of discrimination, violence and harassment, which defines the forms of discrimination, violence and harassment, the ways to identify them, and the procedures for preventing them. This document also outlines the ways in which the Group ensures that processes based on the law are in place to address adverse human rights impacts;
- In 2022, EPSO-G Group introduced a helpline for Group employees to report possible cases of discrimination, violence and harassment, or other possible human rights violations.

In November 2022, the Board of EPSO-G has adopted a Supplier Code of Conduct, which obliges the Group's suppliers to ensure human and workers' rights in their operations. The EPSO-G Group's Supplier Code of Conduct also provides for suppliers to be subject to due diligence at their sites. The Supplier Code of Conduct for EPSO-G Group companies will apply from the beginning of 2023.

In the light of the assessment carried out, it is considered that the companies of the EPSO-G group carrying out the identified taxonomy-eligible activities only partially comply with the minimum safeguards requirement.

10.4.7 Calculation of KPIs for taxonomy-eligible, taxonomy-aligned and taxonomy-non-eligible activities

The calculation of KPIs for taxonomy-eligible, taxonomy-aligned and taxonomy-non-eligible activities shall be carried out in accordance with Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be disclosed by undertakings covered by Articles 19a or 29a of Directive 2013/34/EU on their environmentally sustainable performance, and by setting out a methodology for the fulfilment of that disclosure obligation.

The KPI calculations and disclosures are made in accordance with Article 2 of Commission Delegated Regulation (EU) 2021/2178, which provides that:

1. non-financial undertakings shall disclose the information referred to in Article 8(1) and (2) of Regulation (EU) 2020/852 as set out in Annex I to this Regulation.
2. The information referred to in Paragraph 1 shall be presented in tabular form using the templates set out in Annex II to this Regulation.

Accounting policy

The Group's share of revenue (net turnover) is recognised as an environmentally sustainable economic activity and is assigned a numerator value when calculating the percentage of this activity in total revenue:

- the full revenue of the electricity transmission operator;
- contract work for electricity transmission and distribution operators in the development and operation of energy facilities;
- the full revenue of the electricity storage facilities when they start earning revenue.

Revenue from taxonomy-eligible activities is recognised in accordance with IFRS 15 Revenue from Contracts with Customers, IAS 1 Presentation of Financial Statements and related standards and IFRIC interpretations, in accordance with the accounting policies described in the notes to the financial statements.

In counterparties, revenue from contractual work performed by a Group company for an electricity transmission operator and services provided by an operator of an electricity storage facility (in the future) to an electricity transmission operator are eliminated in accordance with the provisions of IFRS 10 Consolidated Financial Statements.

The Group's share of capital expenditure is recognised as meeting the environmental sustainability criteria and is included as a numerator in the calculation of the percentage of these activities in the total capital expenditure:

- capital expenditure of the electricity transmission operator in full;
- expenditure by the gas transmission operator or other Group companies on the acquisition or construction of renewable energy facilities;
- the full cost of installing electricity storage devices;

Capital expenditure on taxonomy-eligible activities is recognised in accordance with IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. In counterparties, the Group's capital expenditure excludes the margin (unrealised profit) on contract work in accordance with IFRS 10 Consolidated Financial Statements.

The Group's share of operating expenses is recognised as part of the activities that meet the sustainability criteria and is assigned a numerator value when calculating the percentage of these activities in the total operating expenses:

- the full operating costs of the electricity transmission operator;
- the full operating costs of the electricity storage operator (once it starts generating revenue);
- the proportionate share of a Group company's operating costs that are incurred in providing contracted services to electricity transmission and distribution operators;

Taxonomy-eligible operating expenses are recognised on an accruals basis in accordance with IAS 1 Presentation of Financial Statements and elimination of intercompany transactions is carried out in accordance with the provisions of IFRS 10 Consolidated Financial Statements.

Capital expenditure (CAPEX)

				Criteria for significant contribution	Criteria for causing no significant harm				Minimum safeguards (Yes/No)	Percentage of taxonomy-aligned capital expenditure in 2022 (%)	Percentage of taxonomy-aligned capital expenditure, 2021 (%)	Enabling activities (E)	Transition activities (T)
Economic activity	Code	Absolute capital expenditure million EUR	Percentage of capital expenditure (%)	Climate change mitigation (%)	Adaptation to climate change (Yes/No)	Water and marine resources (Yes/No)	Circular economy (Yes/No)	Biodiversity and ecosystems (Yes/No)					
A. TAXONOMY-ELIGIBLE ACTIVITIES													
A.1 Environmentally sustainable activities (aligned activities)													
-	-	-	-	-	-	-	-	-	-	0	0	-	-
Proportion of capital expenditure for environmentally sustainable (aligned) activities (A.1)		0	0%	-	-	-	-	-	-	0	0	-	-
A.2 Capital expenditure for taxonomy-eligible but environmentally unsustainable activities (taxonomy-non-aligned activities)													
4.1. Generating electricity using photovoltaic solar technology	D35.11	0.6	0.3%										
4.10. Electricity storage	-	53.0	30.3%										
4.9. Electricity transmission and distribution (Litgrid)	D35.12	75.5	43.3%										
4.9. Electricity transmission and distribution (Tetas)	D35.12	0	0%										
7.6. Installation, maintenance and repair of renewable energy technologies	F42	0	0%										
Total (A.1 + A.2)		129.1	73.9%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES													
Capital expenditure on taxonomy-non-eligible activities (B)		45.6	26.1%										
Total (A + B)		174.7%	100%										

Operating expenses (OPEX)

				Criteria for significant contribution	Criteria for causing no significant harm				Minimum safeguards (Yes/No)	Percentage of taxonomy-aligned operating costs, 2022 (%)	Percentage of taxonomy-aligned operating costs, 2021 (%)	Enabling activities (E)	Transition activities (T)
Economic activity	Code	Absolute operating costs million. EUR	Percentage of operating costs (%)	Climate change mitigation (%)	Adaptation to climate change (Yes/No)	Water and marine resources (Yes/No)	Circular economy (Yes/No)	Biodiversity and ecosystems (Yes/No)					
A. TAXONOMY-ELIGIBLE ACTIVITIES													
A.1 Environmentally sustainable activities (aligned activities)													
-	-	0	0%	-	-	-	-	-	-	0	0	-	-
Proportion of capital expenditure for environmentally sustainable (aligned) activities (A.1)		0	0%	-	-	-	-	-	-	0	0	-	-
A.2 Costs of activities that are taxonomy-eligible but environmentally unsustainable (taxonomy-non-aligned activities)													
4.1. Generating electricity using photovoltaic solar technology	D35.11	0	0%										
4.10. Electricity storage	-	0.5	0%										
4.9. Electricity transmission and distribution (Litgrid)	D35.12	474.1	74.5%										
4.9. Electricity transmission and distribution (Tetas)	D35.12	31.5	4.9%										
7.6. Installation, maintenance and repair of renewable energy technologies	F42	0	0%										
Total (A.1 + A.2)		505.6	79.4%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES													
Taxonomy-non-eligible operating costs (B)		131.0	20.6%										
Total (A + B)		636.6	100%										

ANNEX 1. INFORMATION ON COMPLIANCE WITH TRANSPARENCY GUIDELINES

EPSO-G and its subsidiaries comply with Government Resolution No 1052 of 14 July 2010 on the adoption of the Guidelines on Transparency in the Activities of State-Owned Enterprises (hereinafter Transparency Guidelines). The Transparency Guidelines are mandatory for EPSO-G, as EPSO-G is a State-owned establishment (SOE).

In order to ensure compliance with the Transparency Guidelines within the EPSO-G Group, an Operational Transparency and Communication Policy has been adopted at Group level, which takes into account in detail the requirements set out in the Transparency Guidelines and sets out how they apply to the companies in the EPSO-G Group.

The implementation of the Transparency Guidelines is mainly ensured through the information disclosed in the Annual Report and through the disclosure of information on the websites of EPSO-G's management company and the Group's companies, by disclosing and presenting the information in a format that is accessible and understandable to stakeholders.

The Transparency Guidelines state that the SOEs follow the provisions of the Nasdaq Vilnius Listed Company Governance Code relating to public disclosure of information. Information on EPSO-G's compliance with this Code is disclosed in Annex 2 of EPSO-G's annual report and in EPSO-G's Report on Compliance with the Code of Corporate Governance for Nasdaq Vilnius Listed Companies.

Below is structured information on the implementation of the Transparency Guidelines:

The EPSO-G website must publish information and comply with other requirements	
Company name, company code and the register in which the data on the Company is collected and stored, registered office (address)	In compliance
Legal status if EPSO-G is being reorganised, reorganised (specify the type of reorganisation), wound up, bankrupt or insolvent	Not applicable
Information on the national authority, i.e. the Ministry of Energy of the Republic of Lithuania and a link to its website	In compliance
Operational objectives, vision and mission	In compliance
Structure	In compliance
Manager's details*	In compliance
Details of the Chair and members of the Board*	In compliance
Details of the Chair and members of the Supervisory Board*	Not applicable
Names of committees, their chairs and members*	In compliance
<i>*The following data shall be published: name, surname, date of commencement of duties, other management positions held in other legal entities, education, qualifications, professional experience; whether the member of the collegiate body is elected or appointed as an independent member.</i>	
Total amount of the nominal values of the shares owned by the State (to the nearest euro cent) and the percentage of EPSO-G's share capital	In compliance
Special obligations, which shall be established in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligation, the state budget allocations for its performance in the current calendar year and the legal acts entrusting the SOE with the performance of the special obligation shall be indicated, the conditions for the performance of the special obligation shall be established and/or the pricing shall be regulated	In compliance
Information on corporate social responsibility initiatives and measures, major investment projects underway or planned	In compliance
If EPSO-G is a member of other legal entities (not applicable to subsidiaries and subsidiaries of a subsequent level), the name, code number and register in which the Company's data are collected and stored, the registered office (address) and the website addresses of such legal entities	Not applicable

The annual financial statements, the annual report and the auditor's report on the annual financial statements must be published on the EPSO-G website within 10 working days of the approval of the annual financial statements	In compliance
EPSO-G's interim financial statements and EPSO-G's interim reports must be published on the website no later than 2 months after the end of the reporting period	In compliance
Given that EPSO-G is a parent company, additionally, the following information must be published on the website:	
Group structure	In compliance
Subsidiaries and downstream subsidiaries:	
Company name, company code and the register in which the data on the Company is collected and stored, registered office (address)	In compliance
Website addresses	In compliance
Percentage of shares held by EPSO-G in the share capital of companies	In compliance
Annual consolidated financial statements and consolidated annual reports	In compliance
The following documents must be published on the website and other requirements must be met:	
Articles of Association of EPSO-G	In compliance
Letter from the Ministry of Energy of the Republic of Lithuania on the definition of state objectives and expectations for EPSO-G	In compliance
The business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret	In compliance
Remuneration policy, including the determination of the salary of the Head of EPSO-G and the remuneration of the members of the collegiate bodies and committees set up by EPSO-G	In compliance
EPSO-G annual and interim reports	In compliance
Sets of annual and interim financial statements for a period of at least 5 years and auditor's reports on the annual financial statements	In compliance
The above documents are published in PDF format and are technically printable	In compliance
Other requirements must be met/published in the financial statements and reports:	
EPSO-G maintains its accounts in such a way as to ensure that its financial statements are drawn up in accordance with international accounting standards	In compliance
EPSO-G prepares its 6-monthly set of interim financial statements	In compliance
In addition to the annual report, EPSO-G prepares a 6-month interim report	In compliance
In addition to the content requirements set out in the Law on Corporate Financial Reporting of the Republic of Lithuania, EPSO-G's annual report must also contain¹:	
Brief description of the business model	In compliance
Information on significant events that occurred during and after the financial year (prior to the annual report) and which had a material impact on EPSO-G's activities	In compliance
Results for the objectives set out in the Operational Strategy	In compliance
Profitability, liquidity, asset turnover, debt ratios	In compliance
Compliance with specific obligations	In compliance
Implementation of the investment policy, ongoing and planned investment projects and investments during the year under review	In compliance
Implementation of risk management policies	In compliance
Implementation of the dividend policy	In compliance
Implementation of the remuneration policy	In compliance
Total annual salary bill, average monthly salary by position and/or department	In compliance

¹ If the information is considered to be a trade secret or confidential information of the SOE, the SOE may not disclose such information, but the SOE's annual report must accordingly state that the information is not disclosed and the reason for such non-disclosure.

It is recommended that SOEs that are not required to prepare a corporate social responsibility, include information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues in their annual report or annual activity report, as appropriate	In compliance
The consolidated annual report shall include the structure of the group, the name, code and register number of each subsidiary company in which data on the Company are collected and stored, the registered office (address), the percentage of shares held in the subsidiary company's authorised capital, and the financial and non-financial performance of the financial year	In compliance
EPSO-G's interim report shall contain a brief description of EPSO-G's business model, an analysis of its financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their evolution compared to the corresponding period of the previous year	In compliance

ANNEX 2. Notification by EPSO-G UAB on compliance with the Code of Corporate Governance for companies listed on Nasdaq Vilnius

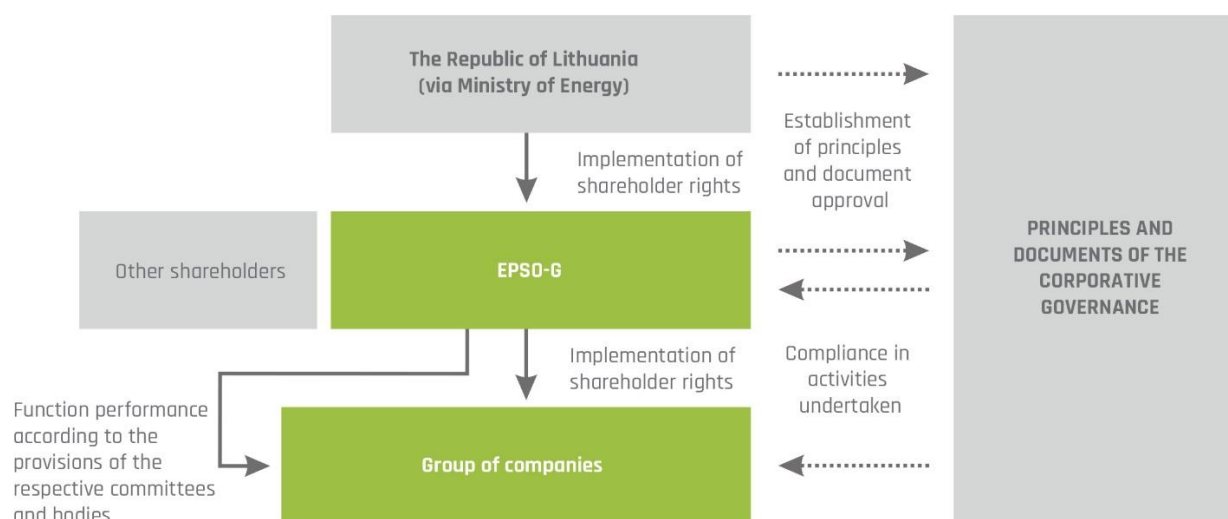
In accordance with the Guidelines for Transparency in the Activities of State-Owned Enterprises, approved by the Resolution of the Government of the Republic of Lithuania No. 1052 of 14 July 2010, and the Transparency and Communication Policy of the EPSO-G Group of Companies, EPSO-G ("the Company" or "EPSO-G") discloses in this report its compliance with the provisions of the Code of Corporate Governance for Listed Companies approved by Nasdaq Vilnius. If there is a failure to comply with this Code or any of its provisions, it shall be stated which provisions are not complied with and for what reasons.

The implementation of the recommendations of the Code of Corporate Governance for companies listed on Nasdaq Vilnius by EPSO-G is mainly ensured through the disclosures in the Annual Report and the extensive disclosures on EPSO-G's website, in order to provide information in a format that is accessible and understandable to stakeholders.

1. Free-form summary of the Corporate Governance Report:

State-owned EPSO-G UAB is the parent company of the EPSO-G group of companies (the Group). The Ministry of Energy of the Republic of Lithuania (hereinafter referred to as the MoE) exercises the rights and duties of a shareholder of the management company UAB EPSO-G. The Company's management structure and governance model is determined by the Company's Articles of Association, the Guidelines for Corporate Governance of the EPSO-G, UAB Group of companies approved by the sole shareholder - the European Commission on 24 April 2018 (new version approved on 29 December 2022), and the Corporate Governance Policy of EPSO-G, UAB Group of companies. All of the above documents are publicly available on the Company's website.

Scheme 1. Principal scheme of the implementation of corporate governance of EPSO-G.



Corporate governance structure:

- General Meeting of Shareholders
- the Board (5 members, 3 of whom are independent, the other 2 nominated by the Ministry of Energy as the sole shareholder);
- Committees operating on the Group level:
- Remuneration and Nomination Committee (majority of independent members);
- Audit Committee (majority of independent members).
- Chief Executive Officer

The Group has a centralised internal audit function. To ensure the independence of internal audit, the appointment and dismissal of the head of internal audit is subject to the appointment and dismissal of the Board of the management company, which is composed of a majority of independent members. Internal Audit is also accountable to the EPSO-G Audit Committee, which also has a majority of independent members. Internal Audit recommendations are analysed by the Company's Board and a plan of

measures is approved to implement the recommendations.

EPSO-G Group's Risk Management Policy is the basis for the implementation of a unified Group Risk Management System in accordance with the internationally applicable COSO ERM standards, which define the principles and responsibilities for identifying, assessing and managing risks. Coordination of risk management is carried out at Group level.

The EPSO-G Group has adopted operational policies to ensure good governance practices. They are designed to put in place a coherent and effective organisational management system to help staff successfully implement important strategic projects and create value for the people and business of the country in a transparent and efficient way. To ensure the effectiveness of the operational policies, the Company prepares an annual progress report on the implementation of the Group's operational policies for the EPSO-G Board. Progress reports on the implementation of the operational policies of individual companies within the Group are also presented to the Board of the respective company.

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

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

2. Structured table

PRINCIPLES AND GUIDELINES	YES / NO / NOT APPLICABLE	COMMENTARY
Principle 1: General Meeting of Shareholders, fair treatment of shareholders and shareholders' rights The corporate governance system should ensure fair treatment of all shareholders. The corporate governance system should protect shareholders' rights.		
All shareholders should have equal access to the information and/or documents provided for by law and should be able to participate in decisions that are important for the company.	YES	The company has a sole shareholder.
It is recommended that a company's capital should consist only of shares that give their holders equal voting, ownership, dividend and other rights.	YES	All the Company's shares are ordinary registered shares with a nominal value of EUR 0.29 per share.
It is recommended that investors should be given the opportunity to familiarise themselves with the rights attached to new or existing shares in advance, i.e. before purchasing them.	NOT APPLICABLE	The company has a single shareholder and is not listed.
Exceptional transactions of major importance, such as the disposal of all or almost all of the company's assets, which would effectively amount to a disposal of the company, should be subject to the approval of the General Meeting of Shareholders.	YES	Article 44 of the Company's Articles of Association specifies the cases in which the sole shareholder's approval is required, which are determined taking into account that the Company's main assets are the shares of its subsidiaries.
The procedures for organising and participating in the General Meeting of Shareholders should give shareholders equal opportunities to participate in the General Meeting of Shareholders and should not prejudice the rights and interests of shareholders. The choice of the place, date and time of the General Meeting should not preclude the active participation of shareholders in the General Meeting. In the notice of the General Meeting, the company should indicate the latest date on which the proposed draft resolutions can be submitted.	NOT APPLICABLE	The company has a single shareholder and is not listed.

<p>In order to ensure the right of shareholders living abroad to access information, it is recommended that, where possible, the documents prepared for the General Meeting of Shareholders be made public in advance not only in Lithuanian, but also in English and/or in other foreign languages. It is also recommended that the minutes of the General Meeting of Shareholders, after signing, and/or the decisions adopted be made public not only in Lithuanian but also in English and/or other foreign languages. It is recommended that this information be published on the company's website. Not all documents may be made publicly available if their public disclosure would be prejudicial to the company or would disclose the company's business secrets.</p>	<p>NOT APPLICABLE</p>	<p>The company has a single shareholder and is not listed.</p>
<p>Shareholders entitled to vote should be able to vote at the meeting of shareholders, either present or absent in person. Shareholders should not be prevented from voting in advance in writing by completing a single ballot paper.</p>	<p>YES</p>	<p>A shareholder may vote in writing.</p>
<p>In order to increase shareholders' ability to participate in General Meetings of Shareholders, it is recommended that companies should make greater use of modern technology to enable shareholders to participate and vote in General Meetings of Shareholders by electronic means. In such cases, the security of the information transmitted must be guaranteed and the identity of the person who participated and voted must be identifiable.</p>	<p>NOT APPLICABLE</p>	<p>The company has a single shareholder and is not listed.</p>
<p>It is recommended to disclose in the notice of the draft decisions of the convened General Meeting of the Shareholder the new nominations of the members of the collegial body, the remuneration proposed for them, the proposed appointment of the audit company, if these issues are included in the agenda of the General Meeting of Shareholders. When proposing to elect a new member of the collegial body, it is recommended that the member's educational background, work experience and other management positions held (or proposed to be held) be disclosed.</p>	<p>NOT APPLICABLE</p>	<p>The company has a single shareholder and is not listed.</p>
<p>Members of the company's collegial body, the chief executive officers² or other competent persons connected with the company who can provide information relating to the agenda of the General Meeting of Shareholders should be present at the General Meeting of Shareholders. Proposed candidates for membership of the collegial body should also attend the general meeting if the election of new members is on the agenda of the General Meeting of Shareholders.</p>	<p>NOT APPLICABLE</p>	<p>The company has a single shareholder and is not listed.</p>
<p>Principle 2: Supervisory Board</p> <p>1. Functions and responsibilities of the Supervisory Board</p> <p>The Supervisory Board should ensure that the interests of the company and its shareholders are represented, that it is accountable to the shareholders and that it exercises objective and impartial oversight of the company's activities and its management bodies, and that it makes regular recommendations to the management bodies. The Supervisory Board should ensure the integrity and transparency of the company's financial accounting and control system.</p>		

² For the purposes of this Code, the Executives are those employees of a company who hold senior management positions.

1.	Members of the Supervisory Board should act honestly, diligently and responsibly in the best interests of the company and its shareholders and represent their interests, taking into account the interests of employees and the public good.	NOT APPLICABLE	The Company does not have a Supervisory Board.
2.	Where the Supervisory Board's decisions may affect the interests of the company's shareholders differently, the Supervisory Board should treat all shareholders impartially. It should ensure that shareholders are adequately informed about the company's strategy, risk management and control, and the management of conflicts of interest.	NOT APPLICABLE	The Company does not have a Supervisory Board.
3.	The Supervisory Board should be impartial in making decisions that have a bearing on the company's operations and strategy. The work and decisions of the members of the Supervisory Board should not be influenced by those who elected them.	NOT APPLICABLE	The Company does not have a Supervisory Board.
4.	Members of the Supervisory Board should make clear their objection if they consider that a decision of the Supervisory Board could be detrimental to the company. Independent members of the Supervisory Board ³ should: a) remain independent in their analysis and decision-making; b) neither seek nor accept any undue preference that may cast doubt on the independence of the members of the Supervisory Board.	NOT APPLICABLE	The Company does not have a Supervisory Board.
5.	The Supervisory Board should oversee that the company's tax planning strategies are designed and implemented in accordance with the law, to avoid flawed practices that are not in the long-term interests of the company and its shareholders, which may lead to reputational, legal or other risks.	NOT APPLICABLE	The Company does not have a Supervisory Board.

³ For the purposes of this Code, the criteria for independence of the members of the Supervisory Board shall be understood in the same way as the criteria for non-affiliated persons are defined in Article 31(7) and (8) of the Republic of Lithuania Law on Companies.

<p>6. The company should ensure that the Supervisory Board is provided with sufficient resources (including financial resources) to carry out its duties, including access to all relevant information and the right to seek independent professional advice from external legal, accounting or other professionals on matters within the competence of the Supervisory Board and its committees.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>2. Establishment of the Supervisory Board</p> <p>The procedure for the establishment of the Supervisory Board should ensure that conflicts of interest are properly managed and that the company is governed efficiently and fairly.</p>		
<p>1. The members of the Supervisory Board elected by the General Meeting of Shareholders should collectively ensure a diversity of qualifications, professional experience and competences, as well as a gender balance. In order to maintain an appropriate balance between the qualifications of the members of the Supervisory Board, it should be ensured that the members of the Supervisory Board as a whole have a broad range of knowledge, views and experience to perform their tasks properly.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>2. Members of the Supervisory Board should be appointed for a fixed term, with the possibility of individual re-election for a new term, in order to ensure the necessary growth in professional experience.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>3. The Chair of the Supervisory Board should be a person whose current or former position would not be an obstacle to the impartial exercise of his/her functions. A former CEO or Board member of the company should not immediately be appointed as a Chair of the Supervisory Board. Where a company chooses not to comply with these recommendations, information should be provided on the measures taken to ensure operational impartiality.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>

<p>4. Each member should devote sufficient time and attention to his or her duties as a member of the Supervisory Board. Each member of the Supervisory Board should undertake to limit his/her other professional commitments (in particular management positions in other companies) in such a way that they do not interfere with the proper performance of his/her duties as a member of the Supervisory Board. If a member of the Supervisory Board attended less than half of the Supervisory Board meetings during the company's financial year, the company's shareholders should be informed.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>5. Where the appointment of a member of the Supervisory Board is proposed, it should be disclosed which members of the Supervisory Board are considered independent. The Supervisory Board may decide that a particular member, although fulfilling the criteria for independence, may not be considered to be independent on account of particular personal or company-related circumstances.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>6. The amount of remuneration for members of the Supervisory Board should be approved by the company's General Meeting of Shareholders for their activities and participation in the meetings of the Supervisory Board.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>7. The Supervisory Board should carry out an evaluation of its own performance each year. It should include an assessment of the structure, organisation and ability to act as a group, as well as an assessment of the competence and effectiveness of each member of the Supervisory Board and an assessment of whether the Supervisory Board has achieved its stated performance objectives. The Supervisory Board should publish, at least once a year, relevant information on its internal structure and operating procedures.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>

<p>Principle 3: the Board</p> <p>3.1. Functions and responsibilities of the Board</p> <p>The Board should ensure the implementation of the company's strategy, as well as good corporate governance, taking into account the interests of shareholders, employees and other stakeholders.</p>		
<p>8.</p>	<p>The Board should ensure the implementation of the company's strategy, as approved by the Supervisory Board, if one is established. In cases where the Supervisory Board is not established, the Board is also responsible for approving the company's strategy.</p>	<p>YES</p> <p>Article 38 of the Company's Articles of Association states that the Board of Directors of the Company shall approve the Group's business strategy, which shall, inter alia, articulate the overall mission and vision of the Group. The Board also regularly considers reports on the implementation of the strategy (Article 39 of the Articles of Association).</p>
<p>9.</p>	<p>The Board, as the collegial management body of the company, performs the functions assigned to it by the Law and the company's Articles of Association and, in cases where the company does not have a Supervisory Board, also performs the supervisory functions provided for in the Law. In carrying out its functions, the Board should take into account the needs of the company, shareholders, employees and other stakeholders, as appropriate, in order to build a sustainable business.</p>	<p>YES</p> <p>Paragraph 42 of the Company's Articles of Association states that the Board of the Company has supervisory functions.</p>
<p>10.</p>	<p>The Board should ensure compliance with the laws and internal company policies applicable to the company or group of companies to which it belongs. It should also put in place appropriate risk management and control measures to ensure regular and direct accountability of executives.</p>	<p>YES</p> <p>38 of the Articles of Association of the Company provides that the Board of the Company shall consider and approve the Group-wide corporate documents: policies, guidelines for the most important activities of the Group, as well as other Group-wide corporate documents which are directly applicable in full in the companies of the Group, unless there are justified decisions of the respective governing bodies of the respective companies of the Group on the application of exceptions to the application of these corporate documents. When approving these documents, the Board may also lay down measures for their implementation.</p>

		The Board also, by individual decisions, instructs the CEO to report regularly on the Board's performance indicators (e.g. the Company's strategy, business plan, budget, etc.).
11. The Board should also ensure that the company has in place the measures included in the <u>OECD Good Practice Guidance</u> ⁴ on Internal Controls, Ethics and Compliance to ensure compliance with applicable laws, regulations and standards.	YES	<p>The Company has various documents in place to ensure the highest level of internal controls, ethics and compliance management measures, such as:</p> <ol style="list-style-type: none"> 2. Internal Audit accountable to the Company's Board, which is made up of external members (3 independent members); 3. The Audit Committee is made up of a majority of independent members, who are also accountable to Internal Audit; 4. The Company has the Code of Ethics, the EPSO-G Group's Corruption Prevention Policy, the EPSO-G Group's Support Policy, the EPOS-G Group's Policy on the Management of Interests of the Members of the Collegial Bodies, the Executives and the Employees, the EPSO-G Group's Policy on the Management of the Risks, the EPSO-G Group's Policy on the Transparency and Communication, etc.
1. In appointing the company's CEO, the Board should take into account the appropriate balance of qualifications, experience and competence of the candidate.	YES	The Company's Articles of Association provide that the Chief Executive Officer of the Company is appointed by the Board on the recommendation of the Remuneration and Nomination Committee.

⁴ Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>

		<p>Article 78 of the Articles of Association provides that, when assessing the suitability of a candidate for the position of the Chief Executive Officer, the Board shall assess the candidate's compliance with the requirements set out in the Articles of Association and applicable legislation and may, for that purpose, require the candidate to submit documents substantiating such compliance and/or request the competent public authorities to provide the necessary information about the candidate.</p>
<p>2. Establishment of the Board</p>		
<p>1. The members of the Board elected by the Supervisory Board or by the General Meeting of Shareholders if no Supervisory Board is established should collectively ensure a diversity of qualifications, professional experience and competences, and strive for gender balance. In order to maintain an appropriate balance between the qualifications of the members of the Board, it should be ensured that the members of the Management Board as a whole have a wide range of knowledge, views and experience to perform their tasks adequately.</p>	<p>YES</p>	<p>The selection of the members of the Board of the Company is carried out in accordance with the procedure established by the Government of the Republic of Lithuania. When electing the members of the Board, it shall be ensured that the Board is composed of at least three (3) independent members, their independence being determined in accordance with the criteria laid down by the mandatory legislation and the Policy on the Management of Interests of Members of the Collegial Bodies, Executives and Employees of the EPSO-G Group of Companies, and that the members of the Board have competences in accordance with the Board's areas of responsibility and functions, and, whenever possible, it is aimed to avoid appointing any employees of the Company to the Board.</p> <p>Each year, the Board members carry out an evaluation of their performance. The Remuneration and Nomination Committee also assesses the performance of the Board annually and makes generalised recommendations for improving the performance of the Group's collegiate bodies.</p>

<p>2. The names of the candidates for election to the Board, their education, qualifications, professional experience, positions held, other relevant professional commitments and potential conflicts of interest should be disclosed, without prejudice to the requirements of the legislation governing the processing of personal data, at the meeting of the Supervisory Board at which the Board or its individual members will be elected. If the Supervisory Board is not established, the information set out in this point should be submitted to the General Meeting of Shareholders. The Board should compile the data on its members referred to in this point each year and report it in the company's annual report.</p>	<p>YES</p>	<p>Article 32 of the Company's Articles of Association provides that the Meeting, in assessing the suitability of a candidate for election to the Board, shall assess his/her compliance with the requirements laid down in the Articles of Association and the applicable legislation. Pursuant to Article 33 of the Company's Articles of Association, each candidate for election to the Board is required to submit a declaration of interests to the General Meeting of Shareholders. Information on the appointed members of the Board is published and updated on the Company's website.</p> <p>The Annual Report does not repeat this information in addition, but it does include information on the Chair of the Board, the Chief Executive Officer and the Chief Financial Officer and the Head of Internal Audit.</p>
<p>3. All new members of the Board should be briefed on their duties, the company's structure and its activities.</p>	<p>YES</p>	<p>Board members are briefed on the Company's structure and activities. The Company's main corporate documents are shared.</p>
<p>4. Members of the Board should be appointed for a fixed term, with the possibility of individual re-election, in order to ensure the necessary growth in professional experience and sufficiently frequent reconfirmation of their status.</p>	<p>YES</p>	<p>The members of the Board are appointed for a 4-year term of office. A member of the Board may not serve as a member of the Board for more than two (2) consecutive full Board terms and in any case may not serve as a member of the Board for more than ten (10) consecutive years.</p>
<p>5. The Chair of the Board should be a person whose current or former position would not be an obstacle to the impartial conduct of business. A former CEO of the company should not immediately be appointed as a Chair of the Board. Where a company chooses not to comply with these recommendations, information should be provided on the measures taken to ensure operational impartiality.</p>	<p>YES</p>	<p>The Company's Articles of Association set out the criteria for a person to be ineligible for election as a member of the Board. According to Article 51 of the Company's Articles of Association, the Chair of the Board should be an independent member of the Board.</p>

<p>6. Each member should devote sufficient time and attention to his or her duties as a Board member. If a member of the Board has attended less than half of the meetings of the Board during the company's financial year, the company's Supervisory Board should be informed, or, if there is no Supervisory Board, the General Meeting of Shareholders.</p>	<p>YES</p>	<p>The Company's minutes record the participation and voting of Board members in decision-making. The attendance of the Board at meetings shall be indicated in the annual report.</p> <p>Each year, the members of the Company's Board carry out a performance evaluation, the results of which are presented to the shareholder and the Remuneration and Nomination Committee.</p>
<p>7. If, in the cases provided for in the Law, when the Board is elected in the absence of a Supervisory Board, some of the members of the Board will be independent⁵, it should be published which members of the Board are considered independent. The Board may decide that a particular member of the Board, although fulfilling all the criteria for independence set out in the Law, may not be considered independent because of special personal or company-related circumstances.</p>	<p>YES</p>	<p>Both the Company's website and the Annual Report provide information on the members of the Company's Board, with specific reference to independent members.</p>
<p>8. The amount of remuneration to be paid to members of the Board for their activities and participation in Board meetings should be approved by the company's General Meeting of Shareholders.</p>	<p>YES</p>	<p>The Company's Articles of Association provide that the General Meeting of Shareholders shall decide on the remuneration guidelines applicable to remuneration for service on the Board of the Company and of the Group of Companies.</p>
<p>9. Board members should act honestly, diligently and responsibly in the best interests of the company and its shareholders and represent their interests, taking into account other interest holders. They should not pursue personal interests in their decision-making, should be subject to non-competition agreements, and should not, to the detriment of the company's interests, take advantage of business information and opportunities that are relevant to the company's activities.</p>	<p>YES</p>	<p>In order to monitor the absence of conflicts of interest among the members of the Company's Board, each year the members of the Board update their declarations of interest. The Company has adopted a Policy on the Management of the Interests of the Members of the Collegiate Bodies, Executives and Employees of the UAB EPSO-G Group.</p>

⁵ For the purposes of this Code, the criteria for independence of the members of the Board shall be understood in the same way as the criteria for unrelated persons are defined in Article 33(7) of the Republic of Lithuania Law on Companies.

		<p>The Company's Articles of Association also provide that members of the Board may engage in any other employment or hold any other position compatible with their activities on the Board, including, but not limited to, holding management positions in other legal entities, employment in the state or statutory service, positions in the Company and other legal entities (subject to the limitations set out in the Articles of Association) only after prior notification to the Board.</p> <p>Members of the Boards have signed commitments to keep confidential information confidential.</p> <p>There are no non-compete agreements with the members of the Board, no need for such agreements has been identified.</p>
<p>10. Each year, the Board should carry out an evaluation of its performance. It should include an assessment of the structure, organisation and ability to act as a group, as well as an assessment of the competence and effectiveness of each member of the Board and an assessment of whether the Board has achieved its stated performance objectives. The Board should, at least once a year, publish relevant information on its internal structure and operating procedures, without prejudice to the requirements of the legislation on the processing of personal data.</p>	<p>YES</p>	<p>The Board carries out an annual evaluation of its own performance and draws up a performance improvement plan. The summary results of the Board's performance evaluation are presented in the Company's Annual Report.</p>
<p>Principle 4: Working procedures of the Company's Supervisory Board and the Board</p> <p>The company's procedures for the work of the Supervisory Board, if established, and the Board should ensure the effective work and decision-making of these bodies and promote active cooperation between the company's bodies.</p>		

<p>3. The Board and the Supervisory Board, if established, should work closely together for the benefit of both the company and its shareholders. Good corporate governance requires an open discussion between the Board and the Supervisory Board. The Board should regularly and, if necessary, promptly inform the Supervisory Board of all matters of importance to the company in relation to planning, business development, risk management and control, and compliance with the company's obligations. The Board should inform the Supervisory Board of actual deviations in business development from the plans and objectives previously formulated, stating the reasons for this.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>4. It is recommended that meetings of the Company's collegial bodies be held at appropriate intervals in accordance with a pre-approved schedule. It is up to each company to decide on the frequency of meetings of the collegial bodies, but it is recommended that they should be held at such a frequency as to ensure the uninterrupted discussion of the company's key governance issues. Meetings of the Company's collegiate bodies should be convened at least once a quarter of the year.</p>	<p>YES</p>	<p>The Company's Articles of Association provide that the Board shall take its decisions at meetings of the Board, which shall be held as often as necessary to enable the Board to perform its functions properly and to take the decisions falling within its competence.</p> <p>At the beginning of each year, the Board of Directors of the Company approves the schedule of ordinary meetings for the current year, as well as the business plan (preliminary questions for the relevant Board meeting).</p>
<p>5. The members of the collegial body should be informed in advance of the convening of the meeting in order to allow sufficient time for adequate preparation of the issues to be discussed at the meeting and for the discussion leading to the adoption of decisions. The members of the collegial body should be provided with all relevant material relating to the agenda of the meeting together with the notice of the meeting. The agenda should not be amended or supplemented during a meeting unless all members of the collegiate body are present and agree to such amendment or supplementation or unless there is an urgent need to deal with important matters of the company.</p>	<p>YES</p>	<p>According to the Board's Rules of Procedure, the material must be submitted to the Board 5 working days before the regular meeting.</p>

<p>6. In order to coordinate the work of the company's collegial bodies and to ensure an efficient decision-making process, the chairpersons of the company's collegial supervisory and management bodies should coordinate the dates and agendas of the meetings to be convened and should cooperate closely on other issues related to the company's management. Meetings of the company's Supervisory Board should be open to the members of the company's Board, in particular where the meeting deals with matters relating to the removal of members of the Board, their liability and the determination of remuneration.</p>	<p>NOT APPLICABLE</p>	<p>The Company does not have a Supervisory Board.</p>
<p>Principle 5: Nomination, Remuneration and Audit Committees Purpose and composition of committees</p> <p>The committees established within the company should enhance the effectiveness of the Supervisory Board and, in the absence of a Supervisory Board, of the Board, which performs supervisory functions, by ensuring that decisions are taken after due deliberation and by helping to organise the work in such a way as to ensure that decisions are not affected by material conflicts of interest.</p> <p>The Committees should act independently and in a principled manner and make recommendations related to the decision of the collegial body, but the final decision is taken by the collegial body itself.</p>		
<p>1. Depending on the specific circumstances of the company and the governance structure chosen, the company's Supervisory Board and, in the absence of a Supervisory Board, the Board, which performs the supervisory functions, form committees. It is recommended that the collegial body form Nomination, Remuneration and Audit committees⁶.</p>	<p>YES</p>	<p>The Company has Group Remuneration and Nomination as well as Innovation and Development Committees (which met for the first time on 6 January 2020, details of which can be found in the annual report), established by the Board of EPSO-G UAB, which operate in accordance with the rules of procedure approved by the constituent body, and a Group-wide Audit Committee, established by EPSO-G as the sole shareholder, which operates in accordance with the rules of procedure approved by its constituent body.</p>
<p>2. Companies may decide to have fewer than three committees. In this case, companies should provide an explanation as to why they have chosen the alternative approach and how the chosen approach meets the objectives set by the three separate Committees.</p>	<p>YES</p>	<p>Given the close links between remuneration and nomination issues and the need for experts with the same qualifications, it has been decided to form a single Remuneration and Nomination Committee.</p>

⁶ Legislation may provide for an obligation to set up an appropriate committee. For example, the Law on Audit of Financial Statements of the Republic of Lithuania stipulates that companies of public interest (including, but not limited to, private limited liability companies whose securities are traded on the regulated market of the Republic of Lithuania and/or any other Member State) are required to establish an Audit Committee (the legislation provides for exemptions when the functions of the audit committee may be performed by a collegial body exercising supervisory functions).

<p>3. The functions assigned to the committees formed in companies may be performed by the collegial body itself in the cases provided for by law. In such a case, the provisions of this Code relating to committees (in particular as regards their role, functioning and transparency) should, where appropriate, apply to the collegiate body as a whole.</p>	<p>NOT APPLICABLE</p>	<p>See Paragraph 5.1.1.</p>
<p>4. Committees set up by a collegiate body should normally have at least three members. Committees may be composed of only two members, subject to legal requirements. The members of each committee should be selected primarily on the basis of their expertise, with a preference for independent members of the collegiate body. The Chair of the Board should not be appointed the Chair of the Committees.</p>	<p>YES</p>	<p>Sections 7.7 to 7.9 of the Company's Articles of Association govern the composition and competences of committees within the Group. The aforementioned statutes state that the Remuneration and Nomination and Audit Committees shall consist of at least 3 members.</p> <p>The Remuneration and Nomination Committee shall ensure that at least 1 of its 3 members is independent and the Audit Committee shall have at least 2 independent members. The Chairs of the Remuneration and Nomination and Audit Committees are independent members of the Committees, none of them serving as Chairman of the Board.</p> <p>Not all members of the Remuneration and Nomination Committee and the Audit Committee are appointed by the Board of EPSO-G. One member of each of the committees is appointed, on the basis of competence, through an external selection process to fill the position of independent committee member.</p>

<p>5. The rules of procedure of each committee formed should be determined by the collegiate body itself. The Committees should carry out their duties in accordance with the Rules of Procedure and regularly report to the collegiate body on their activities and their performance. The Rules of Procedure of each committee, defining its role and specifying its rights and duties, should be published at least once a year (as part of the information that the company publishes annually about its governance structure and practices). Companies should also publish each year in their annual report, without prejudice to the requirements of the legislation on the processing of personal data, the composition, number of meetings and attendance of members of the existing committees during the previous year, as well as the main lines of their activities and their performance.</p>	<p>YES/NO</p>	<p>The committees are mandated by EPSO-G's Articles of Association and by a decision of the committee-forming body: the Remuneration and Nomination Committee's Rules of Procedure are approved by a decision of EPSO-G's Board, and the Audit Committee's Rules of Procedure are approved by a decision of EPSO-G's sole shareholder, in accordance with the Requirements for Audit Committee Members approved by the Bank of Lithuania.</p> <p>The committees' rules of procedure are published on the EPSO-G website. The composition, activities and other information of the Committees are set out in the Group's annual report.</p>
<p>6. In order to ensure the independence and objectivity of committees, members of the collegial body who are not members of the committee should normally be entitled to attend committee meetings only at the invitation of the committee. The Committee may invite or require the attendance of certain employees or experts of the Company. The Chair of each committee should be able to communicate directly with shareholders. The cases in which this should be done should be specified in the rules governing the operation of the Committee.</p>	<p>YES</p>	<p>The Rules of Procedure of the Committees provide for the right of the members of the Committees, at their discretion, to invite members of the organs of the companies of the EPSO-G group of companies, employees, proxies, candidates for certain positions, or other persons to attend their meetings and to obtain from them, within the limits of their competence, the necessary explanations, and for that purpose, to request the necessary actions to carry out the Committee's functions.</p>
<p>7. Nomination Committee.</p>		
<p>1. The main functions of the Nomination Committee should be: (1) to select candidates for vacancies in the Supervisory, Governing Body and Executive Management positions and to recommend them to the collegial body for consideration. The Nomination Committee should assess the balance of skills, knowledge and experience in the governing body, develop a description of the functions and skills required for the specific position and assess the time required to complete the assignment;</p>	<p>YES</p>	<p>The Remuneration and Nomination Committee of EPSO-G acts as an advisory body to the Board of the Company on the Committee's areas of activity, operating on a Group-wide basis, with the main functions of: 5. assisting in the selection of candidates for election to the governing bodies of all the Group's companies;</p>

<p>(2) regularly assess the structure, size, composition, skills, knowledge and performance of the supervisory and management bodies, and make recommendations to the collegiate body on how to bring about the necessary changes; 3) giving due attention to succession planning.</p>		<p>6.making recommendations to group companies on the appointment, contracting and remuneration of members of the management body; 7.making recommendations on the Group's policies on remuneration policies and performance assessment; 8.making recommendations on the shift planning system for critical positions.</p>
<p>1. The Chief Executive Officer should be consulted on matters relating to members of the collegial body who have an employment relationship with the company and to the Senior Management, with the right to make proposals to the Nomination Committee.</p>	<p>YES</p>	<p>The Rules of Procedure provide that the Remuneration and Nomination Committees shall be convened by the Group's Boards or by the Executives of the Group, who shall propose the agenda for the meeting and submit the relevant material and draft decisions.</p> <p>The provision is not practically relevant at the present time as the Board does not include any employees of the Company.</p>
<p>2. Remuneration Committee.</p>		
<p>The main functions of the Remuneration Committee should be: 9. submitting proposals to the collegial body for consideration on the remuneration policy applicable to members of the supervisory and management bodies and the executives. Such policies should cover all forms of remuneration, including fixed remuneration, performance-related remuneration, financial incentive schemes, pension schemes, severance payments, as well as conditions that would allow the company to recover amounts or suspend payments, indicating the circumstances that would make it appropriate; 10. proposing to the collegial body the individual remuneration of members of the collegial bodies and of the executives, in order to ensure that it is in line with the company's remuneration policy and the assessment of their performance; 11. regularly reviewing the remuneration policy and its implementation.</p>	<p>YES</p>	<p>See. Paragraph 5.2.1.</p>
<p>1. Audit Committee.</p>	<p>YES</p>	

<p>1. The main functions of the Audit Committee are defined in the legislation governing the Audit Committee⁷.</p>		
<p>2. All members of the Committee should be provided with detailed information relating to the company's specific accounting, financial and operational characteristics. The Audit Committee should be informed by the company's executives of the accounting treatment of significant and unusual transactions, which may be accounted for in different ways.</p>		<p>The EPSO-G Audit Committee acts as an advisory body to the Board of the Company on matters relating to the Committee's areas of activity, operating on a Group-wide basis, with the main functions of:</p> <ul style="list-style-type: none"> 12. Overseeing the preparation of the Group companies' financial statements and the audit process; 13. Responsible for ensuring the independence and objectivity of the Group's auditors and audit companies; 14. Responsible for overseeing the effectiveness of the Group companies' internal control, risk management and internal audit systems and business processes; 15. Responsible for overseeing the provision of non-audit services by the Group companies' auditor and/or audit firm; 16. ensuring the functioning of the complaints system and the handling of complaints; 17. assessing related party transactions.
<p>3. The Audit Committee should decide whether (and if so, when) the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer (or senior finance and accounting staff), the internal auditor and the external auditor should attend its meetings. The Committee should be able to meet the persons concerned, if necessary, without the presence of members of the management bodies.</p>	<p>YES</p>	<p>The Audit Committee's rules of procedure provide that the members of the Committee may, at their discretion, invite members of the organs of group companies, employees, proxies, candidates for certain positions or other persons to its meetings and obtain from them the necessary explanations within the scope of their competence, and for that purpose, require the necessary actions to be carried out to carry out the Committee's functions.</p>

⁷ The activities of audit committees are governed by Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific statutory audit requirements for public-interest entities, the Law on Audit of Financial Statements of the Republic of Lithuania, as well as by the rules of the Bank of Lithuania governing the activities of audit committees.

<p>4. The Audit Committee should be informed of the work programme of the internal auditors and receive internal audit reports or a periodic summary. The Audit Committee should also be informed of the work programme of the external auditors and should receive a report from the audit firm describing any relationship between the independent audit company and the company and its group.</p>	<p>YES</p>	<p>The Audit Committee is periodically, at least quarterly, informed of the internal audit reports and, at least semi-annually, of the internal audit plan, and may make recommendations to the Boards of the Group's companies on them.</p> <p>The Audit Committee organises meetings with the external auditors to discuss the auditors' work programme and any uncertainties arising from the audit, and, following the external audit, discusses with the external auditors their findings and recommendations. The audit company submits a declaration on independence to the Audit Committee and the companies each year at the start of the annual audits.</p>
<p>5. The Audit Committee should review the company's compliance with the provisions in place regarding the possibility for employees to complain or report anonymously allegations of wrongdoing within the company and should ensure that there are procedures in place for a proportionate and independent investigation of such matters and appropriate follow-up.</p>	<p>YES</p>	<p>The Audit Committee's Rules of Procedure provide that the Audit Committee shall ensure the effective functioning of the complaints system and the proportionate and independent investigation of complaints made. In performing this function, the Chair of the Audit Committee shall be promptly informed of significant complaints received, and the Audit Committee shall receive a periodic report on all complaints received by Group companies, the investigations carried out and the decisions taken on the basis of the conclusions of the investigations.</p>
<p>6. The Audit Committee should report to the Supervisory Board, or the Board in the absence of a Supervisory Board, at least once every six months, at the same time as the approval of the annual and half-yearly reports.</p>	<p>YES</p>	<p>The Audit Committee's Rules of Procedure provide that the Audit Committee shall report quarterly to the Board.</p> <p>It also submits an annual activity report to EPSO-G's Ordinary General Meeting of Shareholders and to the Board.</p>

Principle 6: Avoidance and disclosure of conflicts of interest

The corporate governance framework should encourage members of the supervisory and management bodies of the company to avoid conflicts of interest and ensure a transparent and effective mechanism for disclosure of conflicts of interest by members of the supervisory and management bodies of the company.

The corporate governance system should recognise the rights of stakeholders as established by law and promote active cooperation between the company and stakeholders to create wealth, jobs and financial stability. In the context of this principle, *stakeholders* include investors, employees, creditors, suppliers, customers, the local community and others with an interest in the company.

<p>A member of a company's supervisory and management body should avoid a situation where his or her personal interests conflict or may conflict with the interests of the company. If such a situation does arise, a member of the supervisory or management body of the company should, within a reasonable period of time, inform the other members of the same body, or the body of the company that elected him or her, or the shareholders of the company of the existence of such a conflict of interests, indicating the nature of the interests and, where possible, the value.</p>	<p>YES</p>	<p>This obligation is laid down in the Board's rules of procedure, in the contract signed with the Board member and in the Policy on the Management of the Interests of the Members of the Collegiate Bodies, Executives and Employees of the EPSO-G group of companies.</p> <p>Article 33 of the Company's Articles of Association stipulates that any candidate for election to the Board must immediately inform the Board of any new circumstances which may give rise to a conflict of interest.</p>
<p>Principle 7: Company's remuneration policy</p> <p>The company's remuneration policy and the procedures for its review and disclosure should prevent potential conflicts of interest and abuse in determining the remuneration of the members of the collegiate bodies and of the executives, and ensure the openness and transparency of the company's remuneration policy, as well as the company's long-term strategy.</p>		
<p>2. The company should adopt and publish a remuneration policy on the company's website, which should be regularly reviewed and be consistent with the company's long-term strategy.</p>	<p>YES</p>	<p>The Company applies the guidelines for determining remuneration for serving on the corporate bodies of EPSO-G UAB and EPSO-G Group, which have been approved by the sole shareholder of EPSO-G UAB and are publicly available.</p> <p>The company applies the full Remuneration, Performance Assessment and Development Policy of the EPSO-G Group. The policy is made available to public.</p>
<p>3. The remuneration policy should cover all forms of remuneration, including fixed remuneration, performance-related remuneration, financial incentive schemes, pension schemes, severance payments, as well as clauses providing for situations where the company may recover amounts paid or suspend payments.</p>	<p>YES</p>	<p>All possible forms of remuneration for collegiate bodies and employees are set out in the Guidelines for determining remuneration for activities in the corporate bodies of EPSO-G UAB and EPSO-G Group and in the Remuneration, Performance Assessment and Development Policy of the EPSO-G Group. Both documents are made available to public.</p>
<p>4. In order to avoid potential conflicts of interest, the remuneration policy should provide that the members of the collegiate bodies exercising supervisory functions should not receive remuneration that is linked to the performance of the company.</p>	<p>YES</p>	<p>The Company applies the Guidelines on remuneration for activities in the corporate bodies of EPSO-G UAB and EPSO-G Group, which regulate the fixed monthly remuneration for members of collegiate bodies. The members of the Board are not remunerated on the basis of the Company's performance.</p>

<p>5. The remuneration policy should provide sufficient detail on the severance pay policy. Severance payments should not exceed a fixed amount or a fixed number of annual salaries and should generally not exceed a fraction of two years' fixed remuneration or its equivalent. Severance payments should not be paid if the contract is terminated because of poor performance.</p>	<p>YES / NO</p>	<p>The Remuneration, Performance Assessment and Development Policy of the EPSO-G group of companies stipulates that there are no pre-agreed severance payments in the group companies (except for the CEOs, whose terms of employment are determined by the Board). The amount of termination payments shall be determined by reference to the minimum amounts of such payments required by labour law, except in exceptional cases where, for objective reasons, higher payments are agreed. The payment of such benefits and the grounds for such payments shall be reported to the relevant Board of the Group company at its next meeting.</p>
<p>6. If the company has a financial incentive scheme, the remuneration policy should contain sufficient details on the retention of shares after vesting. In the case of a share-based award, the shares should not vest for at least three years after the award. After vesting, members of the collegiate bodies and executives should retain a certain number of shares until the end of their term of office, depending on the need to cover any costs associated with the acquisition of shares.</p>	<p>NOT APPLICABLE</p>	<p>The company does not have a financial incentive scheme.</p>
<p>7. The company should publish on the company's website information on the implementation of the remuneration policy, which should focus on the remuneration policy of the collegiate bodies and the management for the next and, where appropriate, the following financial year. It should also provide an overview of how the remuneration policy was implemented in the previous financial year. This type of information should not contain information of commercial value. Particular attention should be paid to significant changes in the company's remuneration policy compared to the previous financial year.</p>	<p>YES</p>	<p>Information on the implementation of the Company's remuneration policy and the average remuneration levels of individual groups of employees are made publicly available in the Company's Annual Report, which is published on the Company's website.</p> <p>Information on employee remuneration is made available to public on a quarterly basis on the Company's website.</p>
<p>8. It is recommended that the remuneration policy, or any material change to the remuneration policy, should be included on the agenda of the General Meeting of Shareholders. Schemes where members of the collegial body and employees are remunerated in shares or share options should be approved by the General Meeting of Shareholders.</p>	<p>YES</p>	<p>The remuneration of the members of the Company's Board shall be determined by the General Meeting of Shareholders of the Company. The remuneration is determined in accordance with the Guidelines for determining the remuneration for activities in the corporate bodies of EPSO-G UAB and the EPSO-G Group, which have been approved by the sole shareholder of EPSO-G UAB.</p>

		The company does not operate any of the schemes in question.	
<p>Principle 8: The role of interest holders in corporate governance</p> <p>The corporate governance system should recognise the rights of stakeholders, whether established by law or by mutual agreements, and promote active cooperation between the company and stakeholders in order to create wealth, jobs and financial stability. In the context of this principle, <i>stakeholders</i> include investors, employees, creditors, suppliers, customers, the local community and others with an interest in the company.</p>			
9.	The corporate governance framework should ensure that the rights and legitimate interests of stakeholders are respected.	YES	The company has a Transparency and Communication Policy for the EPSO-G Group, which sets out the objectives of increasing the awareness and understanding of stakeholders about the activities of the EPSO-G Group and individual companies within the Group; ensuring the involvement of employees; and building and maintaining sustainable and trusting relationships with stakeholders.
10.	The corporate governance framework should allow stakeholders to participate in the governance of the company in accordance with the law. Examples of the participation of interest holders in the management of the company could include the participation of employees or their representatives in important decisions of the company, consultations with employees or their representatives on the management of the company and on other important issues, participation of employees in the share capital of the company, the involvement of creditors in the management of the company in the event of the insolvency of the company, and others.	YES	The Company shall consult, negotiate and confer with the Company's employee representatives on the Company's business processes. Stakeholders may participate in the management of the Company to the extent permitted by law.
11.	Where stakeholders are involved in the governance of the company, they should be given access to relevant information.	YES	See Paragraphs 8.1 and 8.2.

<p>12. Stakeholders should be able to report illegal or unethical practices in confidence to the collegiate body exercising the supervisory function.</p>	<p>NO</p>	<p>The contact details of the helpline are published on the company's website under Corruption Prevention. The reporting form invites you to report violations of the provisions of legal acts and norms of conduct committed by the executives and employees of EPSO-G UAB and the companies directly or indirectly controlled by EPSO-G UAB (LITGRID AB, Amber Grid AB, BALTPPOOL UAB, TETAS UAB, GET Baltic UAB); breaches of the requirements of transparency, equality, non-discrimination, proportionality and impartiality in procurement. Information sent to this address is sent only to EPSO-G's anti-corruption officer, who ensures the confidentiality of the sender.</p> <p>EPSO-G's Group-wide Audit Committee ensures the functioning of the complaints system and the handling of complaints.</p> <p>A system is expected to be put in place in the near future to provide information to the Group-wide Audit Committee.</p>
<p>Principle 9: Disclosure of information</p> <p>The corporate governance framework should ensure that timely and accurate disclosures are made on all material matters concerning the company, including its financial position, performance and corporate governance.</p>		
<p>Without prejudice to the Company's procedures for confidential information and trade secrets, as well as to the requirements of the legislation governing the processing of personal data, the Company's public disclosures should include, but not be limited to:</p>	<p>YES</p>	<p>The Company has a Transparency and Communication Policy for the EPSO-G Group, which is disclosed in the Company's Annual Report and on its website.</p>
<p>the company's performance and financial results;</p>	<p>YES</p>	<p>-</p>
<p>the company's business objectives and non-financial information;</p>	<p>YES</p>	<p>-</p>
<p>the persons owning or controlling a shareholding in the company, directly and/or indirectly and/or jointly with associated persons, as well as the structure of the group of companies and the interrelationships between them, with an indication of the final beneficiary;</p>	<p>YES</p>	<p>-</p>
<p>the members of the company's supervisory and management bodies, which of them are considered independent, the company's chief executive officer, their shareholdings or votes in the company, and their involvement in the management of other companies, their competence and remuneration;</p>	<p>YES</p>	<p>-</p>

reports from existing committees on their composition, number of meetings and attendance of members during the previous year, as well as on their main activities and results;	YES	-
the foreseeable material risk factors and the company's risk management and supervisory policies;	YES	-
the company's transactions with associated parties;	YES	-
key issues relating to employees and other stakeholders (e.g. human resources policies, employee participation in the management of the company, incentives in the form of shares or share options, relations with creditors, suppliers, the local community, etc.);	YES	-
the company's governance structure and strategy;	YES	-
initiatives and measures on social responsibility, anti-corruption, major investment projects underway or planned. This list is to be considered as a minimum and companies are encouraged to go beyond the disclosures contained in this list. This principle of the Code does not relieve a company of its obligation to disclose information as required by law.	YES	-
For the disclosures referred to in paragraph 9.1.1 of Guideline 9.1, it is recommended that a company that is a parent company in relation to other companies should disclose the consolidated results of the whole group.	YES	EPSO-G, as the parent company, discloses information on the Group's financial results and the activities of the Group companies.
13. In the disclosures referred to in paragraph 9.1.4 of Guideline 9.1, it is recommended to provide information on the professional experience, qualifications and potential conflicts of interest of the members of the company's supervisory and management bodies and of the company's chief executive officer, which could influence their decisions. It is also recommended to disclose the remuneration or other income received from the company by members of the company's supervisory and management bodies and by the company's directors, as further detailed in Principle 7.	YES	The following information is disclosed in the company's annual report and on its website.
14. Disclosures should be made in such a way that no shareholders or investors are discriminated against in terms of the manner and extent to which they receive information. Disclosure should be made to all and at the same time.	NOT APPLICABLE	The company has a sole shareholder and is not listed.
<p>Principle 10: Selecting the company's audit company The company's mechanism for selecting the audit company should ensure the independence of the audit company's report and opinion.</p>		

15. In order to obtain an objective opinion on the company's financial position and financial performance, the company's annual set of financial statements and the financial information contained in the annual report should be audited by an independent audit company.	YES	The independent auditor is appointed by the General Meeting of Shareholders.
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<p>16. It is recommended that the nomination of the audit company be proposed to the General Meeting of Shareholders by the company's Supervisory Board or, if the company does not have a Supervisory Board, by the company's Board.</p>	<p>YES</p>	<p>The Group-wide Audit Committee is actively involved in the auditor selection process. The Audit Committee shall make a recommendation to the Board on the nomination of the auditor. The final decision is taken by the General Meeting of Shareholders, which is convened and submitted draft decisions by the Board.</p>
<p>17. If the audit company has received remuneration from the company for non-audit services, the company should disclose this publicly. This information should also be made available to the company's Supervisory Board or, if the company does not have a Supervisory Board, to the company's Board when considering which audit company to propose to the General Meeting of Shareholders.</p>	<p>YES</p>	<p>The non-audit services provided by the audit company shall be in accordance with the policy approved by the Audit Committee of EPSO-G UAB on the purchase of non-audit services from the audit company or from any network to which the audit company belongs. Any remuneration received by the audit company during the reporting period for non-audit services provided to Group companies is disclosed in the annual report. The provision of non-audit services is overseen by a Group-wide Audit Committee, which, as mentioned in Paragraph 10.2, is actively involved in the auditor selection process. The Audit Committee therefore has all the information it needs about the auditors when making its recommendation to the Board.</p>