**ENERGY CELLS UAB**

FINANCIAL STATEMENTS FOR THE YEAR 2022 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR’S REPORT AND ANNUAL REPORT

*<u>Translation note:</u>*

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

PAGE



The financial statements were approved on 6 March 2023.

| | |
|---|---|
| Rimvydas Štilinis<br>Chief Executive Officer | Žydrūnas Augutis<br>EPSO-G UAB CFO acting under the power of attorney No. 23J-3 issued on 1 March 2023 |

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# Independent auditor's report

To the shareholder of Energy cells UAB

## Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Energy cells UAB (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

## Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the annual report and its Annex 'Sustainability (non-financial information disclosure) 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 annual report.

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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 annual report, we considered whether the annual report includes the disclosures required by 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 annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the 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 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 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 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 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.

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

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
6 March 2023

| | | Notes | At 31 December 2022 | At 31 December 2021 |
|---|---|---|---|---|
| **TURTAS** | | | | |
| **A.** | **Non-current assets** | | **11,005,902** | **9,295,850** |
| I. | Intangible assets | 4 | 8,755 | 6,500 |
| II. | Property, plant and equipment | 5 | 10,663,930 | 9,133,759 |
| III. | Right-of-use assets | 6 | 221,085 | 101,763 |
| IV. | Deferred income tax assets | 10 | 102,398 | 53,828 |
| V. | Amounts receivable after one year | | 9,734 | - |
| **B.** | **Current assets** | | **28,393,583** | **882,096** |
| I. | Prepayments | | 58,644 | 3,559 |
| II. | Amounts receivable | 8 | 25,707,860 | 12,063 |
| II.1. | Grants receivable | 7 | 25,448,196 | |
| II.2. | Other amounts receivable | | 259,664 | 12,063 |
| III. | Cash and cash equivalents | | 2,627,079 | 866,474 |
| **Total assets** | | | **39.399.485** | **10,177,946** |
| **EQUITY AND LIABILITIES** | | | | |
| **C.** | **Equity** | 9 | **1,560,944** | **2,069,613** |
| I. | Share capital | | 126,000 | 126,000 |
| II. | Share premium | | 1,874,000 | 1,874,000 |
| III. | Retained earnings | | (439,056) | 69,613 |
| **D.** | Amounts payable and liabilities | | **37,838,541** | **8,108,333** |
| I. | Non-current liabilities | | 180,766 | 75,065 |
| I.1 | Lease liabilities | 6 | 180,766 | 75,065 |
| II. | Current liabilities | | 37,657,775 | 8,033,268 |
| II.1. | Borrowings | 12 | 5,327,007 | 7,811,002 |
| II.2 | Lease liabilities | 6 | 39,758 | 26,596 |
| II.3. | Payables to suppliers | | 31,849,185 | 61,608 |
| II.4. | Employment-related liabilities | | 248,547 | 128,030 |
| II.5. | Income tax liabilities | | - | - |
| II.6 | Advance grants received | 7 | 185,178 | - |
| II.7. | Other amounts payable and current liabilities | | 8,100 | 6,032 |
| **Total equity and liabilities** | | | **39,399,485** | **10,177,946** |

The accompanying notes form an integral part of these financial statements.

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from contracts with customers | | - | - |
| Other income | | 93,034 | |
| **Total revenue** | | 93,034 | - |
| **Expenses** | | | |
| Wages and salaries and related expenses | | (254,463) | (182,915) |
| Consulting services | | (135,543) | (68,340) |
| Depreciation and amortisation | 4,5,6 | (33,591) | (20,181) |
| Telecommunications and IT maintenance expenses | | (38,499) | (15,867) |
| Lease of premises and utility services | | (36,974) | (14,580) |
| Professional services | | (25,680) | (16,882) |
| Technical maintenance | | (20,800) | - |
| Business trip expenses | | (5,749) | (4,733) |
| Transport expenses | | (16,772) | (4,111) |
| Taxes (other than income tax) | | (4,626) | (3,069) |
| Personnel development expenses | | (9,696) | (3,011) |
| Other expenses | | (62,574) | (20,729) |
| **Total expenses** | | **(644,967)** | **(354,418)** |
| **Operating profit/(loss)** | | **(551,933)** | **(354,418)** |
| Finance income | | | |
| Finance costs | | (54,306) | (4,797) |
| **Profit/(loss) before tax** | | **(606,239)** | **(359,215)** |
| **Income tax** | | | |
| Current income tax expenses | 10 | | |
| Deferred income tax benefit (expenses) | 10 | 97,570 | 53,828 |
| **Total income tax** | | **97,570** | **53,828** |
| **Profit/(loss) for the period** | | **(508,669)** | **(305,387)** |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income/ (loss)** | | **(508,669)** | **(305,387)** |

The accompanying notes form an integral part of these financial statements.

| | Notes | Share capital | Share premium | Retained earnings (deficit) | Total equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2021** | | - | - | - | - |
| Paid-up share capital | | 500,000 | | | 500,000 |
| Share capital reduced by shareholder's decision to cover operating loss | | (375,000) | | 375,000 | - |
| Share capital increased by shareholder's decision and paid-up to form share premium | | 1,000 | 1,874,000 | - | 1,875,000 |
| Total transactions with the Company's shareholders, recognised directly in equity: | 9 | **126,000** | **1,874,000** | **375,000** | **2,375,000** |
| Comprehensive income/(loss) for the reporting period | | | | (305,387) | **(305,387)** |
| Total comprehensive loss for the year: | | | | (305,387) | **(305,387)** |
| **Balance at 31 December 2021** | 9 | **126,000** | **1,874,000** | **69,613** | **2,069,613** |
| Comprehensive income/(loss) for the reporting period | | | | (508,669) | **(508,669)** |
| **Balance at 31 December 2022** | 9 | **126,000** | **1,874,000** | **(439,056)** | **1,560,944** |

The accompanying notes form an integral part of these financial statements.

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit/(loss) for the period | | **(508,669)** | **(305,387)** |
| | | | |
| **Adjustments for non-cash items:** | | | |
| Depreciation and amortisation expenses | 4,5,6 | 33,591 | 20,181 |
| Income tax expenses/(benefit) | 10 | (97,570) | (53,828) |
| Elimination of results of financing activities | | 54,306 | 4,797 |
| Proceeds from grants | 7 | (92,602) | - |
| | | **(610,944)** | **(334,237)** |
| **Changes in working capital:** | | | |
| (Increase)/decrease in amounts receivable | | (257,335) | (12,063) |
| (Increase)/decrease in prepayments | | (55,085) | (3,559) |
| Increase/(decrease) in amounts payable | | 306,548 | 195,670 |
| Income tax received/(paid) | 10 | 49,000 | |
| Effect of changes in working capital: | | **43,128** | **180,048** |
| **Net cash flows from/(used in) operating activities** | | **(567,816)** | **(154,189)** |
| | | | |
| **Cash flows from investing activities** | | | |
| (Acquisition) of property, plant and equipment and intangible assets | 4,5 | (21,380,282) | (9,140,259) |
| Grants received | 7 | 26,280,054 | - |
| **Net cash flows from/(used in) investing activities** | | **4,899,772** | **(9,140,259)** |
| **Cash flows from financing activities** | | | |
| Payment of share capital | 9 | - | 2,375,000 |
| Change in overdraft facility | 12 | (2,483,995) | 7,811,002 |
| Settlement of lease liabilities | | (33,050) | (20,282) |
| Interest paid | | (54,306) | (4,798) |
| **Net cash flows from/(used in) financing activities** | | **(2,571,351)** | **10,160,922** |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,760,605** | **866,474** |
| Cash and cash equivalents in the beginning of the period | | 866,474 | - |
| **Cash and cash equivalents at the end of the period** | | **2,627,079** | **866,474** |

The accompanying notes form an integral part of these financial statements.

## 1. General information

Energy Cells UAB is a special purpose vehicle, a private limited liability company registered in the Republic of Lithuania, in the Register of Legal Entities on 26 January 2021. The Company's office is located at address: Ozo g. 12A-1, LT- 08200, Vilnius, Lithuania. The Company's code is 305689545, VAT payer's code is LT100013813219.

The purpose of Energy Cells has been defined in the concept of the project for ensuring national security interests, which is to install a system of energy storage facilities with the total power capacity and total storage capacity of at least 200 MW and 200 MWh, respectively. The facilities will serve as a primary reserve for ensuring reliable, stable and consumer-friendly operation of Lithuania's electricity transmission system until the synchronization with the continental European network, and for the integration of rapidly growing renewable energy sources.

As at 31 December 2022 and 2021, the Company's share capital amounted to EUR 126,000, and it was divided into 126,000 ordinary registered shares with par value of EUR 1 each. All the shares have been fully paid.

As at 31 December, the Company's shareholder structure was as follows:

| | At 31 December 2022 | | At 31 December 2021 | |
|---|---|---|---|---|
| | Number of shares held | % | Number of shares held | % |
| EPSO-G UAB | 126,000 | 100 | 126,000 | 100 |
| | 126,000 | 100 | 126,000 | 100 |

The ultimate controlling shareholder of EPSO-G UAB is the Ministry of Energy of the Republic of Lithuania.

As at 31 December 2022, the Company had 44 employees (31 December 2021: 20 employees).

The Company's shareholder has a statutory right to approve these financial statements or not to approve them, and to require preparation of a new set of the financial statements.

## 2. Accounting policies

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 measured at revalued amounts.

The Company's financial year coincides with the calendar year.

### Impact of events in Ukraine

Since the Company has neither suppliers nor customers in Russia, Belarus and Ukraine, the events in Ukraine have no direct impact on the Company's operations. Due to potential effects on electricity supply, the Company provides information and insights, in the form and at regularity set by the Government of the Republic of Lithuania, to the parent company EPSO-G UAB (hereinafter "EPSO-G"), which in turn assesses the situation at the group level in the context of risks arising to the Company and subsidiaries. The Company's operations in general terms are not affected by newly introduced legal or regulatory measures, including the sanctions.

As the Company plans and implement public procurement procedures, it takes into consideration the relevant recommendations of EPSOG and the Public Procurement Office in relation to the terms and conditions of public procurement, e.g. the requirement for the Customers and Suppliers to conduct no transactions with the countries, entities or individuals that are subject to national and international sanctions. In addition, the Company follows the requirement for the Contractors not to use materials, services or goods imported from Russia, Belarus or the occupied part of Ukraine. Although it is not likely that the Company will acquire such goods or services, the increased demand for goods or services in future might indirectly cause increase in the costs of services rendered by the Company. In such a case, however, the impact on the Company's financial performance would be minimal and short-term, because the increased costs, if any, would be compensated by including them in the price of regulated services in the next year.

The Company promotes a positive cyber security culture. The Company has not yet experienced any cyber security incidents directly or indirectly associated with the conflict in Ukraine. The Company has a plan on management of potential incidents in place, and if necessary, continuously updates it. It is important to note that currently the Company's infrastructure has not been brought in use yet. The Company has not identified any other risk factors arising from the conflict in Ukraine. The situation is continuously monitored and assessed.

## 3. Significant accounting policies

### 3.1. Basis of preparation

The accounting policies adopted in the preparation of these financial statements have taken into consideration the requirements of IFRSs and their interpretations effective for 2022 and later periods:

***a) Adoption of new and/or amended IFRSs 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:**

**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.

The Company's management believes the amendments have no significant impact on its financial statements.

**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).

In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

The Company's management believes the amendments have no significant impact on its financial statements, since the Company receives no Covid-19-related rent concessions.

**b) Standards, interpretations and amendments that have been endorsed by the European Union but have not been early adopted by the Company:**

**Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Company is currently assessing the impact of the amendment on its financial statements.

Other standards, amendments and interpretations endorsed by the EU, but not yet effective and not early adopted by the Company will have no significant impact on the Company's financial statements, and accordingly, they are not detailed below.

## 3.2. Presentation currency

All amounts in these financial statements are presented in an official currency of Lithuania - the euro (EUR). In 2022 and 2021, the Company's functional currency was the euro. Foreign currency transactions are reported in the functional currency at the dates of the transactions. Financial assets and liabilities denominated in a foreign currency are translated into the functional currency at the date of the statement of financial position, using the exchange rates prevailing at the date of the statement of financial position. The exchange rate of the euro against other currencies is set daily by the European Central Bank.

## 3.3. Intangible assets

Intangible assets are measured initially at acquisition cost. Intangible assets are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Subsequently, intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives. The useful lives of assets are reviewed at each reporting date and, if necessary, adjusted.

The Company applies the following useful lives to its non-current intangible assets:

| Category of intangible assets | Useful lives (years) |
|---|---|
| Other intangible assets | 4 |

Maintenance and subsequent costs related to intangible assets are expensed during the period when expenditure is incurred.

## 3.4. Property, plant and equipment

Assets with a useful life longer than one year are classified as property, plant and equipment.

Items of property, plant and equipment are stated at revalued amounts, based on periodic valuations (at least every 5 years), less accumulated depreciation and impairment losses.

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

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are charged against revaluation reserve directly in equity, whereas 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. Upon the sale or write-off of an asset item, any balance related to these assets is transferred from revaluation reserve to retained earnings.

Interest and other borrowing costs (such as the bank's administration fee, etc.) are included in the acquisition cost of property, plant and equipment if they are directly attributable to the acquisition of a qualifying asset. A qualifying asset is asset that is developed on the basis of a project with the value of not less than EUR 1 million and that necessarily takes no less than 12 months to get ready for its intended use or sale. 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.

Emergency reserve inventories qualifying as non-current assets are classified as property, plant and equipment. The carrying amount of inventories written off during repair, technical maintenance and emergency liquidation are recorded in the statement of profit or loss or added to the carrying amount of assets under maintenance.

Depreciation is calculated using the straight-line method over useful lives established as follows:

| Category of PP&E | Useful life (years) |
| --- | --- |
| Structures and equipment | 10-35 |
| Plant and machinery | 8-15 |
| Other PP&E | 4 - 6 |

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction work in progress includes items of property, plant and equipment that are under construction. The cost of such assets includes designing, construction works, equipment intended for assembly and installation, and other direct costs. The direct costs include technical consultations on installation of property, plant and equipment under construction (preparation for use), wages and salaries and related expenses of employees directly involved in the project implementation (technical experts, project managers). Construction work in progress is not depreciated until the construction of asset is completed and the asset is put into operation. 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 under the line item ‘Construction work in progress’.

## 3.5. Impairment of PP&E and intangible assets

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

The recoverable value is the higher of an asset’s fair value less costs to sell and the value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (group of cash-generating units) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (group of cash-generating units) is increased to the re-estimate recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (group of ash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## 3.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

## 3.7. Financial assets

Initial recognition and measurement

On initial recognition, financial assets are classified into the following categories, depending on whether they are subsequently measured:

- at amortised cost;
- at fair value through other comprehensive income;
- at fair value through profit or loss.

The classification of financial assets after the initial recognition into the categories described above is based on the business model used by the Company in managing financial assets. Except for trade receivables that do not have a significant financing component, the Company initially measures financial assets at fair value, plus, in case of financial assets not measured at fair value through profit or loss, transaction costs. Trade receivables that do not include a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest on the principal amount outstanding.

The Company's business model for managing financial assets indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial asset.

Subsequent measurement

Subsequent to initial recognition, the Company measures financial assets at: a) amortised cost (debt instruments); b) fair value through other comprehensive income, when upon derecognition the accumulated gain or loss is transferred to profit loss) (debt instruments), none in 2022 and 2021; c) fair value through other comprehensive income, when upon derecognition the accumulated gain or loss is not transferred to profit or loss) (equity instruments), none in 2022 and 2021; d) fair value through profit or loss, none in 2022 and 2021.

Financial assets measured at amortised cost (debt instruments):

The Company classifies its financial assets as measured at amortised cost only of both of the following criteria are met: i) the financial asset is held within a business model whose objective is to collect the contractual cash flows, and ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets measured at amortised cost are subsequently recognised using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Company's financial assets measured at amortised cost include trade receivables, other current receivables.

Impairment of financial assets

According to IFRS 9, the Company generally recognises expected credit losses (ECL) for all financial assets that are measured at fair value through profit or loss. ECL are calculated as the difference between the total amount of contractual cash flows that are due to the Company and the total amount of cash flows that the Company expects to receive (i.e. the total cash shortfall) discounted at the original effective interest rate. ECL are recognised in two stages. For credit exposures whose credit risk has not increased significantly since initial recognition, ECL are calculated for credit losses arising from default events that may occur within the next 12 months (12-month ECL). Credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment is provided for the amount of credit losses expected to occur within the remaining life of the credit exposure, irrespective of the timing of default (lifetime ECL).

For trade receivables the Company applies a simplified approach in calculating ECL. Therefore, the Company does not observe changes in credit risk, but recognises impairment at each reporting date on the basis of lifetime ECL.

The lifetime expected credit losses of trade receivables are assessed based on the individual assessment basis. The Company's 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.

## 3.8. Financial liabilities

Initial recognition and measurement

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, borrowings and amounts payable. All financial liabilities are initially recognised at fair value and, in case of borrowings and amounts payable, directly attributable transaction costs are deducted. The Company's financial liabilities include payables to supplies and other payables, borrowings, and overdrafts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities classified as measured at fair value through profit or loss on initial recognition. Financial liabilities are classified as held for trading if they are incurred with a repurchase purpose in the near future. In 2021, the Company had no financial liabilities measured at fair value through profit or loss.

Borrowings, payables to suppliers and other amounts payable

Subsequent to initial recognition, borrowings, payables to suppliers and other amounts payable are carried at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. The EIR amortisation is included in financing costs in the statement of comprehensive income.

Off-setting of financial instruments

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

Derecognition of financial assets and liabilities

A financial asset (or a group of financial assets) is derecognised when:

i) the contractual rights to receive the cash flows from the financial asset expire; or
ii) the Company transfers the contractual rights to receive the cash flows from the financial asset; or assumes an obligation to pay them in full without material delay to a third party under a "pass through" arrangement and a) the Company transfers substantially all the risks and rewards of ownership of the asset; or (b) the Company neither transfers nor retains substantially all the risks and rewards of ownership of the asset, but transfers control of the asset.

When the Company transfers the contractual rights to receive the cash flows from the financial asset or enters into a 'pass through' arrangement with a third party, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not transfer control of the asset, the asset continues to be recognised to the extent of the Company's continuing involvement in the asset. In this case, the Company also recognises related liabilities. The transferred asset and related liabilities are measured on the basis of the rights and liabilities retained by the Company.

When the transferred asset related to the Company becomes a guarantee, the portion under control is measured at the lower of the carrying amount of the asset and the maximum amount that the Company may be required to pay (the amount of the guarantee).

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 between the respective carrying amounts is recognised in the statement of comprehensive income.

## 3.9. Cash and cash equivalents

Cash includes cash at bank and cash in transit. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The original term of such investments does not exceed three months and the risk of changes in value is quite insignificant.

## 3.10. Grants

Grants represent financial and material support provided by the government and the EU for the specific purpose. Gratuitous assets are also classified as grants.

Grants are recognised when the Company complies with all the conditions attached to the grants, as set out in the respective grant agreement, and when there is a reasonable assurance that the grant will be received.

Grants may be of two types:

- grants related to assets;
- grants related to income.

Government grants or grants received from the EU in a form of non-current assets or intended for purchase of non-current assets are considered as grants related to assets.

At the Company level, grants are recognised by deducting them from the asset's carrying amount. For the purpose of the statement of comprehensive income, grants are recognised over the useful life of the related asset as a deduction from depreciation expenses.

Accumulated grants receivable are classified as other amounts receivable when, according to the agreement, the European Commission undertakes a commitment to fund the strategic projects and there is strong evidence that the funding will be received.

Grants received as a compensation for the expenses or unearned income in the current or previous reporting periods, also all grants other than grants related to assets, are considered as grants related to income. Income-related grants are recognised as utilised to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

For the purpose of the statement of comprehensive incoem, income-related grants are recognised when related costs are incurred, for which the grant was intended to compensate, by adding them to other income. If no connection can be established between the grants and incurred costs or deferred expenses, they are recognised as income during the period they are received or when the Company meets all the conditions attached to grants, as established in the respective grant agreement, and there is a reasonable assurance that the grant will be received.

## 3.11. Lease liabilities

Initial measurement of lease liability

The amount of the initial measurement of lease liability is calculated as the present value of lease payments not paid at the commencement date.

Lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is determined by the rate at which the 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 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 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 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 on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance 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 Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognise any remaining amount of the remeasurement in profit or loss.

Lease modifications

The Company treats 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 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 Company accounts 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 Company in profit or loss;
- by making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company presents 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.

## 3.12. Long-term employee benefits

(a) Social security contributions

The Company pays social security contributions to the State Social Security Fund (the “Fund”) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. The defined contribution is a plan under which the Company pays 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 and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

(b) Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## 3.13. Revenue and expense recognition

Revenue

The Company’s revenue is recognised under a single principle, based on a five-step model, which is applied to all contracts with customers. Revenue from provision of services is recognised at a point in time when control of services is transferred to a customer, i.e. upon provision of services.

No services were provided by the Company in 2022, and accordingly, no revenue was earned; only income from grants of EUR 93.034 thousand was recognised in relation to incurred projects costs that are financed under the EU Recovery and Resilience Facility (RRF). The Company did not recognise as revenue the electricity transmission and imbalance costs of EUR 200 thousand, which were compensated by the contractor, because the Company acted as an agent rather than as a principal.

Expenses are recognised on an accrual basis and a matching principle during the reporting period when income related to such expenses is earned irrespective of the time of payment.

## 3.14. Income tax

Income tax expenses comprise current income tax and changes in deferred income tax assets or liabilities.

Current income tax

Current income tax 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 financial reporting date. In 2022, income tax at a rate of 15% was applicable in Lithuania.

Current income tax may be reduced by the tax losses carried forward. The tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company discontinues its activities due to which these losses were incurred, except when the Company discontinues its activities due to the reasons that are beyond the Company's control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 years and only be used to reduce the taxable income earned from the transactions of the same nature. Tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum of 70%.

Deferred income tax

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred income tax liabilities are recognised for all temporary differences, whereas deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are recognised for future tax purposes to reflect differences between the carrying amount of assets and liabilities reported in the financial statements and their tax base.

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.

Current and deferred income tax for the reporting period

Current income tax and deferred income tax are recognised as income or expenses in profit or loss, 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 the taxes are also recognised directly in equity or in other comprehensive income.

## 3.15. Provisions

Provisions are recognised when the Company has an obligation (legal or irrevocable) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provisions is the best estimate of the amount of costs necessary for covering the present obligation at the end of the reporting period, by taking into account the risks and uncertainties arising from the obligation. When the amount of provisions is determined on the basis of cash flows expected to be used for covering the obligation, the carrying amount of provisions is estimated as the present value of such cash flows (when the effect of the time value of money is material).

When it is probable that a part or all economic benefits necessary for covering the provisions will be received from a third party, the amount receivable is recognised as assets if it is virtually certain that the compensation will be received and that amount receivable can be reliably measured.

### 3.16. Contingent liabilities

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities related to business combinations. They are disclosed in the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but disclosed when an inflow of income or economic benefits is probable.

### 3.17. Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for those cases where a certain standard specifically permits or requires such offsetting.

### 3.18. Events after the end of the reporting period

Events after the reporting period that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period other than adjusting events are disclosed in the notes to the financial statements when such events are significant.

### 3.19. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes 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 Company 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.

## 4. Intangible assets

| EUR | Other intangible assets | Total |
|---|---|---|
| ACQUISITION COST | | |
| **Balance at 1 January 2021** | **-** | **-** |
| Additions | 6,500 | 6,500 |
| **Balance at 31 December 2021** | **6,500** | **6,500** |
| Additions | 4,900 | 4,900 |
| **Balance at 31 December 2022** | **11,400** | **11,400** |
| AMORTISATION | | |
| **Balance at 1 January 2021** | **-** | **-** |
| Amortisation | - | - |
| **Balance at 31 December 2021** | **-** | **-** |
| Additions | (2,645) | (2,645) |
| **Balance at 31 December 2022** | **(2,645)** | **(2,645)** |
| NET BOOK AMOUNT | | |
| **At 1 January 2021** | **-** | **-** |
| **At 31 December 2021** | **6,500** | **6,500** |
| **At 31 December 2022** | **8,755** | **8,755** |

The Company's additions of intangible assets during 2022 comprised website (2022) and logo (2021) designing costs.

## 5. Property, plant and equipment

| EUR | Structures and equipment | Plant and machinery | Other PP&E | Construction in progress | Total |
|---|---|---|---|---|---|
| ACQUISITION COST | | | | | |
| **Balance at 1 January 2021** | **-** | **-** | **-** | **-** | **-** |
| Additions | | | | 68,142 | **68,142** |
| Prepayments for PP&E | | | | 8,784,835 | **8,784,835** |
| Internally developed assets | | | | 280,782 | **280,782** |
| **Balance at 31 December 2021** | **-** | **-** | **-** | **9,133,759** | **9,133,759** |
| Additions | | | 2,331 | 57,258,108 | 57,260,439 |
| Prepayments for PP&E | | | - | (4,887,643) | (4,887,643) |
| Internally developed assets | | | - | 608,427 | 608,427 |
| Grants offset with PP&E | | | - | (51,450,470) | (51,450,470) |
| **Balance at 31 December 2022** | **-** | **-** | **2,331** | **10,662,181** | **10,664,512** |
| DEPRECIATION | | | | | |
| **Balance at 1 January 2021** | **-** | **-** | **-** | **-** | **-** |
| **Balance at 31 December 2021** | **-** | **-** | **-** | **-** | **-** |
| Depreciation | | | (582) | | (582) |
| **Balance at 31 December 2022** | **-** | **-** | **(582)** | **-** | **(582)** |
| NET BOOK AMOUNT | | | | | |
| **Balance at 31 December 2021** | **-** | **-** | **-** | **9,133,759** | **9,133,759** |
| **Balance at 31 December 2022** | **-** | **-** | **1,749** | **10,662,181** | **10,663,930** |

The Company's additions of property, plant and equipment during 2022 comprised the costs of construction (acquisition) of energy storage facilities and prepayments to the contractors for the facilities. As described in Note 3.4, additions of property, plant and equipment included the Company's internally developed assets - wages and salaries and related expenses of employees directly involved in the implementation of the project

Grants comprised the funds receivable by the Company from the advance amount received under the EU Recovery and Resilience Facility.

The Company had commitments to purchase PP&E in amount of EUR 32 million as at 31 December 2022 (31 December 2021: EUR 84.2 million) to be fulfilled in 2023 upon completion of construction of electricity storage facilities.

## 6. Right-of-use assets and liabilities

The Company has entered into lease agreements for premises, cars and land. The lease term for premises is 4 years, for a cars – 4 years, and for land - 100 years.

| EUR | Premises | Motor vehicles | Land | Total |
|---|---|---|---|---|
| **Balance at 1 January 2021** | **-** | **-** | **-** | **-** |
| Additions | 45,263 | 5,396 | 71,284 | 121,943 |
| Depreciation | (18,105) | (2,075) | - | (20,180) |
| **Balance at 31 December 2021** | **27,158** | **3,321** | **71,284** | **101,763** |
| Additions | **102,968** | **57,580** | **-** | **160,548** |
| Write-offs | (10,863) | - | - | (10,863) |
| Depreciation | (22,730) | (6,920) | (713) | (30,363) |
| **Balance at 31 December 2022** | **96,533** | **53,981** | **70,571** | **221,085** |

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

Lease liabilities

Movement in lease liabilities during 2022 and 2021:

| Lease liabilities, EUR | 2022 | 2021 |
|---|---|---|
| **Carrying amount at 1 January** | **101,661** | **-** |
| New leases | 160,547 | 121,943 |
| Lease terminations | (9,977) | - |
| Interest charged | 1,343 | 198 |
| Lease payments | (33,050) | (20,480) |
| **Carrying amount at 31 December** | **220,524** | **101,661** |
| Non-current lease liabilities | 180,766 | 75,065 |
| Current lease liabilities | 39,758 | 26,596 |

| Lease liabilities, EUR | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| Current portion | 39,758 | 26,596 |
| Non-current liabilities by maturity: | | |
| Between 1 and 2 years | 40,545 | 4,910 |
| Between 2 and 3 years | 41,217 | 570 |
| Between 3 and 5 years | 31,599 | 1,154 |
| Over 5 years | 67,405 | 68,431 |

In 2022, interest charged on lease liabilities and included in finance costs amounted to EUR 1,343 (2021: EUR 198). The Company had no leases with variable payments that were not included in the value of lease liabilities. In September 2022, the Company early terminated lease of premises at Gedimino pr., Vilnius by entering into lease for new premises at Ozo g. 12A-1, Vilnius.

## 7. Grants

Grants comprise grants for acquisition of PP&E and compensation for expenses (grants related to income). Grants comprised as follows in 2022:

| EUR | 2022 |
|---|---|
| **Balance at 1 January:** | |
| Grants receivable | 0 |
| Advance grants received (liabilities) | 0 |
| **Grants received in cash during the reporting period (monetary transaction)** | 26,280,054 |
| **Grants recognised:** | |
| - Grants related to assets (offset with PP&E) (Note 5) | (51,450,470) |
| - Grants related to income (compensation for expenses) | (92,602) |
| **Balance at 31 December:** | |
| Grants receivable (Note 8) | 25,448,196 |
| Advance grants received (liabilities) | (185,178) |

## 8. Amounts receivable

| EUR | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| Grants receivable | 25,448,196 | - |
| Amounts receivable as compensation for expenses | 241,739 | - |
| VAT receivable | 17,925 | 12,063 |
| **Total amounts receivable within one year** | **25,707,860** | **12,063** |

The Company's trade receivables are related to electricity transmission and imbalance costs recharged to the contractors.

The Company's grants receivable from the EU under the Recovery and Resilience Facility represent the difference between the amount of grants recognised and advance RRF funds received. The Company expects that the amount of grants receivable will be paid in 1Q 2023.

As at 31 December 2022 and 2021, the Company had no receivables past due, nor any impairment was recognised.

## 9. Equity

| Number of shares | Price, EUR |
|---|---|
| 126,000 | 1.00 |

As at 31 December 2022 and 2021, the Company's equity consisted of share capital amounting to EUR 126,000 and share premium amounting to EUR 1,874,000.

Between 26 January 2021 and 28 December 2021, the Company's share capital amounted to EUR 500,000, and it was divided into 500,000 ordinary shares with par value of EUR 1 each, owned by sole shareholder EPSO-G UAB.

Given the fact that no revenue was generated by the Company as it incurred expenses, in the second quarter of 2021 its equity became less than 1/2 of its share capital. On 26 November 2021, by the decision of the sole shareholder The Company's share capital was reduced from EUR 500,000 to EUR 125,000 by way of cancelling 375,000 ordinary shares with par value of EUR 1 each. The share capital was reduced in order to eliminate the losses reported in the Company's statement of financial position.

At the same time, the decision was made to increase the Company's share capital from EUR 125,000 to EUR 126,000, by way of issuing additional 1,000 ordinary registered uncertificated shares with par value of EUR 1 each. The total issue price of 1,000 newly issued shares was EUR 1,875,000, i.e. equal to the issue price of shares. From this amount, EUR 1,000 was used to increase the Company's share capital, and amount of EUR 1,874,000 was transferred to share premium.

## 10. Income tax

Income tax rate of 15% was applied in 20200 and 2021. The calculation of income tax is as follows:

| EUR | 2022 | 2021 |
|---|---|---|
| Profit (loss) before income tax | (606,239) | (359,215) |
| Tax calculated at the tax rate of 15% | 90,936 | 53,882 |
| Effects of non-deductible expenses | (3,981) | (54) |
| Effects of accumulated paid leave | 10,615 | - |
| Deferred income tax assets recognised on realisable tax losses | 97,570 | 53,828 |
| Income tax benefit (expenses) | 97,570 | 53,828 |
| | | |
| Current income tax | - | - |
| Change in deferred income tax | 97,570 | 53,828 |
| Income tax benefit (expenses) | 97,570 | 53,828 |

In 2022, the Company plans to transfer its tax losses to the Group company at a rate of 15% or carry forward them to the next periods when operations will be launched and payable income tax will be calculated, upon completion of project for construction of electricity storage facilities. In 2022, the Company transferred to the Group company tax losses from 2021 in return for consideration of EUR 49 thousand.
The movement in deferred income tax assets is as follows:

| Deferred income tax assets | Tax losses | Total |
|---|---|---|
| **At 1 January 2021** | - | **-** |
| Recognised in profit or loss | 53,828 | 53,828 |
| **At 31 December 2021** | **53,828** | **53,828** |
| Tax losses transferred | (49,000) | (49,000) |
| Recognised in profit or loss | 97,570 | 97,570 |
| **At 31 December 2022** | **102,398** | **102,398** |

The Company had no deferred income tax liabilities.

## 11. Financial risk management

The Company is exposed to financial risks in its operations. In managing these risks, the Company seeks to mitigate the effect of factors that might have negative impact on its financial performance.

Financial assets and liabilities by category:

| **Financial assets** | **At 31 December 2022** | **At 31 December 2021** |
|---|---|---|
| Non-current amounts receivable | 9,734 | - |
| Amounts receivable for compensation of expenses | 241,739 | - |
| Grants receivable | 25,448,196 | - |
| Cash and cash equivalents | 2,627,079 | 866,474 |
| **Financial assets at amortised cost** | **28,326,748** | **866,474** |
| | | |
| **Financial liabilities** | | |
| Borrowings | 5,327,007 | 7,811,002 |
| Lease liabilities | 220,524 | 101,661 |
| Payables to suppliers | 31,849,185 | 61,608 |
| Other amounts payable and liabilities | 8,100 | 6,032 |
| **Financial liabilities at amortised cost** | **37,404,816** | **7,980,303** |

## 12. Borrowings

| **Current borrowings** | **At 31 December 2022** | **At 31 December 2021** |
|---|---|---|
| Current financial debt to parent company | 5,327,007 | 7,811,002 |
| **Total borrowings** | **5,327,007** | **7,811,002** |

To balance its working capital, on 4 November 2021 the Company and EPSO-G UAB entered into a cash pool contract, subsequently amended under separate arrangement on 1 September 2022, based on which the maximum borrowing limit (overdraft) from EPSO-G UAB was set in amount of EUR 30,000 thousand. As at 31 December 2022, the Company's borrowings under this arrangement amounted to EUR 5,327 thousand (31 December 2021: EUR 7,811 thousand). As at 31 December 2022, the unwithdrawn balance amounted to EUR 24,673 thousand (31 December 2021: EUR 22,189 thousand).

The interest rate is variable and linked to 3-month EURIBOR rate. In 2022, the weighted average interest rate was 1.2% (2021: 0.62%).

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

| | **Cash** | **Borrowings** | **Lease** | **Total** |
|---|---|---|---|---|
| **Net debt at 1 January 2021** | **0** | **0** | **0** | **0** |
| Increase in cash and cash equivalents | 866,474 | | | 866,474 |
| (Proceeds) from borrowings | | (7,811,002) | | (7,811,002) |
| New leases | | | (121,943) | (121,943) |
| Interest charged | | (4,599) | (198) | (4,797) |
| Interest paid | | 4,599 | 198 | 4,797 |
| Lease payments | | | 20,282 | 20,282 |
| **Net debt at 31 December 2021** | **866,474** | **(7,811,002)** | **(101,661)** | **(7,046,189)** |
| Increase in cash and cash equivalents | 1,760,605 | | | 1,760,605 |
| Repayments of borrowings | | 2,483,995 | | 2,483,995 |
| New leases | | | (160,547) | (160,547) |
| Leases (terminated) | | | 9,977 | 9,977 |

| | | | | |
|---|---|---|---|---|
| Interest charged | | (40,778) | (1,343) | (42,121) |
| Interest paid | | 40,778 | 1,343 | 42,121 |
| Lease payments | | | 31,707 | 31,707 |
| **Net debt at 31 December 2022** | **2,627,079** | **(5,327,007)** | **(220,524)** | **(2,920,452)** |

## 13. Liquidity risk management

The table below analyses the Company's financial liabilities into relevant maturity groupings based on undiscounted contractual payments. The Company has no overdue financial liabilities.

The Company's liquidity ratios as at 31 December 2022 and 2021 were as follows:

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| Current liquidity ratio | 0.8 | 0.11 |
| Quick liquidity ratio | 0.7 | 0.002 |

| EUR | Less than 3 months | 3 to 12 months | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|---|
| Lease liabilities | 9,921 | 29,837 | 113,361 | 67,405 | 220,524 |
| Payables to suppliers | 31,849,185 | - | - | - | 31,849,185 |
| Borrowings from the Group | 5,327,007 | - | - | - | 5,327,007 |
| Other amounts payable | 8,100 | | | | 8,100 |
| **Balance at 31 December 2022** | **37,194,213** | **29,837** | **113,361** | **67,405** | **37,404,816** |
| Lease liabilities | 6,914 | 19,682 | 6,634 | 68,431 | 101,661 |
| Payables to suppliers | 61,608 | - | - | - | 61,608 |
| Borrowings from the Group | - | 7,811,002 | - | - | 7,811,002 |
| Other amounts payable | 6,032 | - | - | - | 6,032 |
| **Balance at 31 December 2021** | **74,544** | **7,830,684** | **6,634** | **68,431** | **7,980,303** |

In its operations, the Company is exposed to liquidity risk. Since the Company is implementing a large-scale investment project, it receives monetary funds from the EU financial support only upon payment of amounts invoiced by the suppliers and contractors. In addition, the Company is required to finance part of the project costs from its own funds. Due to mismatches between the inflows and outflows of monetary funds in relation to the project, there arises a need at times to secure funding from own funds.

### Credit and interest rate risks

The Company's exposure to credit risk is minimal as it has neither trade receivables, nor amounts receivable or any other amounts from entities with limited solvency. The Company's amounts receivable represent grants receivable and VAT refundable from the state budget. The Company expects the receivable grant will be paid in 1Q 2023.

Credit risk arising from cash at bank is limited, as the Company conducts transactions with banks that have solid credit ratings of foreign rating agencies.

As at 31 December 2022 and 2021, interest rate-linked financial instruments included lease liabilities and borrowings from the parent company under cash pool contract. The contract is subject to variable interest rate linked to 3-month EURIBOR, as described in Note 12. The Company's exposure to interest rate risk is minimal, as its liabilities are current, in seeking to manage the funding flows of operations and electricity storage facilities project.

## 14. Related-party transactions

As at 31 December 2022 and 2021, the Company's parent company was EPSO-G UAB, which is directly controlled by the Republic of Lithuania (the body exercising the shareholder's rights is the Ministry of Energy of the Republic of Lithuania). Disclosures include the transactions and balances with the EPSO-G group companies, all state-owned enterprises or enterprises subject to significant influence, as well as management and their close family members. The list of state-owned enterprises or enterprises subject to significant influence, which are included in the disclosure of transactions, is provided on the website of the Governance Coordination Centre under section 'All SOES' at: governance.lt.

The transactions with related parties conducted during 2022 and the outstanding balances of these transactions as at 31 December 2022 are presented below:

| 2022 | Purchases | Borrowings | Sales | Amounts payable | Amounts receivable | Finance costs |
|---|---|---|---|---|---|---|
| EPSO-G UAB, parent company | 123,828 | 5,327,007 | - | 38,681 | - | 40,7782 |
| LITGRID AB (common shareholders) | 210,059 | | 37,922 | 168,440 | 45,526 | - |
| TETAS UAB (common shareholders) | 20,800 | | | 19,360 | | |
| **Total** | **354,687** | **5,327,007** | **37,922** | **226,481** | **45,526** | **40,782** |
| **2021** | **Purchases** | **Borrowings** | **Sales** | **Amounts payable** | **Amounts receivable** | **Finance costs** |
| EPSO-G UAB, parent company | 56,949 | 7,811,002 | - | 29,819 | - | 4,599 |
| **Total** | **56,949** | **7,811,002** | **-** | **29,819** | **-** | **4,599** |

## 15. Compensation to management and other benefits

| | 2022 | 2021 . |
|---|---|---|
| Employment-related payments | 114,497 | 78,401 |
| Whereof: termination benefits | - | - |
| Benefits to Board members | 12,537 | - |

The Company's management is its chief executive officer. The Company's management received no share-based payments, nor were any assets transferred on a gratuitous basis, nor were any loans granted to the Company's management.

## 16. Off-balance sheet commitments and contingencies

In 2022 and 2021, the Company was not involved in any litigation proceedings.

## 17. Events after the reporting period

Based on the funding agreement signed with the Central Project Management Agency (the "Funding Agreement"), the end date for works carried out under the project on installation of electricity storage facilities (200MW) (the "Project") is 28 February 2023. However, with effect from 23 February 2023 there was an amendment to the description of energy development programme progress measure No. 03-001-06-03-01 "Installation of 200MW electricity storage facilities system' (approved by Order No.1-54 of 27 February 2023 of the Lithuanian Minister of Energy) of the Lithuanian Ministry of Energy in charge of 2021-2030 development programme. Based on the amendment, the newly set end date for the Project was 31 May 2023. Accordingly, the Company initiated amendment to the Funding Agreement and expects it to be signed by 15 March 2023.

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**Letter from the CEO of the Company**

Dear all,

At the end of July 2021, the Government of the Republic of Lithuania appointed Energy Cells, a company of the EPSO-G group, as the operator of storage facilities. These are planned to ensure an instantaneous reserve of the electricity system, operating in the isolated mode, for Lithuania. The company was assigned the implementation of the project of the energy storage facilities system, and subsequent management of the storage system.

The aggregate power and capacity of the four battery parks amount to 200 MW and 200 MWh respectively – currently, it is the only facility and the largest project in the Baltics, and one of the largest projects of this type in Europe. The importance of this project is also illustrated by it being one of the first projects implemented according to the plan 'New Generation Lithuania' of the EU Recovery Instrument 'NextGenerationEU'. Funding of up to EUR 87.6 million has been assigned for installation of the energy storage facilities system according to this EU instrument.

2022 was a particularly significant year – the year of the implementation of the physical part of the project – which saw risks that were beyond the control of the company such as the beginning of hostilities in Ukraine, disruptions in global supply chains and high inflation rates. All this could have had a particularly negative impact on the production of the most important equipment that required the most time for its production, as well as on logistics and the planned dates of the implementation over the entire project.

We are delighted that in spite of all the challenges in the Vilnius, Šiauliai, Alytus and Utena transformer substations, in 2022 we saw the emergence of the first battery parks system in the Baltic states. These were also among the first battery parks in Europe, and Energy Cells will soon integrate them into the Lithuanian energy system. This was also facilitated by fast handling of documentation in 2021 and the completion of large-scale international procurement procedures; we were just in time to order the production of equipment before the peak demand for this in the world. If we had performed those procedures a few months later, the production of storage facilities would have taken much longer due to the growing global demand for storage facilities.

Throughout the project, we feel we have been monitored and supported by the international energy community. The Energy Cells project is being studied closely – the company is 'laying the foundation' and setting an example for future developers of similar projects. Specialists from the company already share their experience and knowledge during visits from Lithuanian stakeholders, European Commission delegations and representatives of the transmission systems of the neighbouring countries. The company is in constant communication and cooperation with representatives of lawmakers in the field of energy policy, setting out the basis for the development of the energy storage facilities sector in Lithuania and Europe.

Therefore, we were delighted when the international sustainable finance and investment publication Environmental Finance recognised the project of a 200 MW energy storage system carried out by the company Energy Cells as the most sustainable energy investment of 2022 globally.
The system, after the completion of the testing work which started in November 2022, is expected to start operating at full scale in Q2 of 2023. For this, I would like to say special thanks to the whole Energy Cells team; the implementation of the project schedule is an infrastructure task of large scope, highly complex and calling for technological compatibility. The introduction of the new technology requires new conceptual solutions and complex testing of implemented technological developments before the start of the operation of the system. The contribution that each of you have made is irreplaceable!

Rimvydas Štilinis, CEO of Energy Cells

# ENERGY CELLS UAB
# ANNUAL REPORT

## 1. General information about the Company

Energy Cells is a special purpose vehicle, a part of the EPSO-G group of energy transmission and exchange companies, and a designated operator[1] of energy storage facilities system (by the Lithuanian Government Order of 28 July 2021) during the implementation of the project for synchronization with the continental European network (CEN). The Company was registered in the Register of Legal Entities on 26 January 2021. The purpose of Energy Cells has been defined in the concept of the project for ensuring national security interests, which is to install a system of energy storage facilities with the combined power capacity and combined storage capacity of at least 200 MW and 200 MWh, respectively. The system of four battery farms with identical power and capacity (50 MW and 50MWh) installed in Vilnius, Šiauliai, Alytus and Utena will serve as an instantaneous reserve ensuring reliable, stable and consumer-friendly operation of the Lithuanian electricity system until its synchronization with the continental European network (CEN), and for the integration of rapidly growing renewable energy sources in the future.

The battery farms of the Company's energy storage facilities system will also:

- mitigate the threat of total emergency due to unintended or uncoordinated actions or inaction of third parties;
- prevent disruption of electricity supply in case of critical incidents;
- contribute to ensuring reliable operations of the Lithuanian electricity network in an isolated mode;
- assist with the recovery of the electricity system after total emergency, if any;
- use climate-neutral technologies.

## 2. The Company's contact details

| | |
|---|---|
| Company name | Energy Cells UAB (the "Company") |
| Legal form | Private limited liability company |
| Date and place of registration | 26 January 2021, the Register of Legal Entities of the Republic of Lithuania |
| Company code | 305689545 |
| Office address | Ozo g. 12A-1, LT-08200 Vilnius |
| Email address | info@energy-cells.eu |
| Website | www.energy-cells.eu |
| Sole shareholder | EPSO-G UAB |

## 3. Overview of the Company's activities

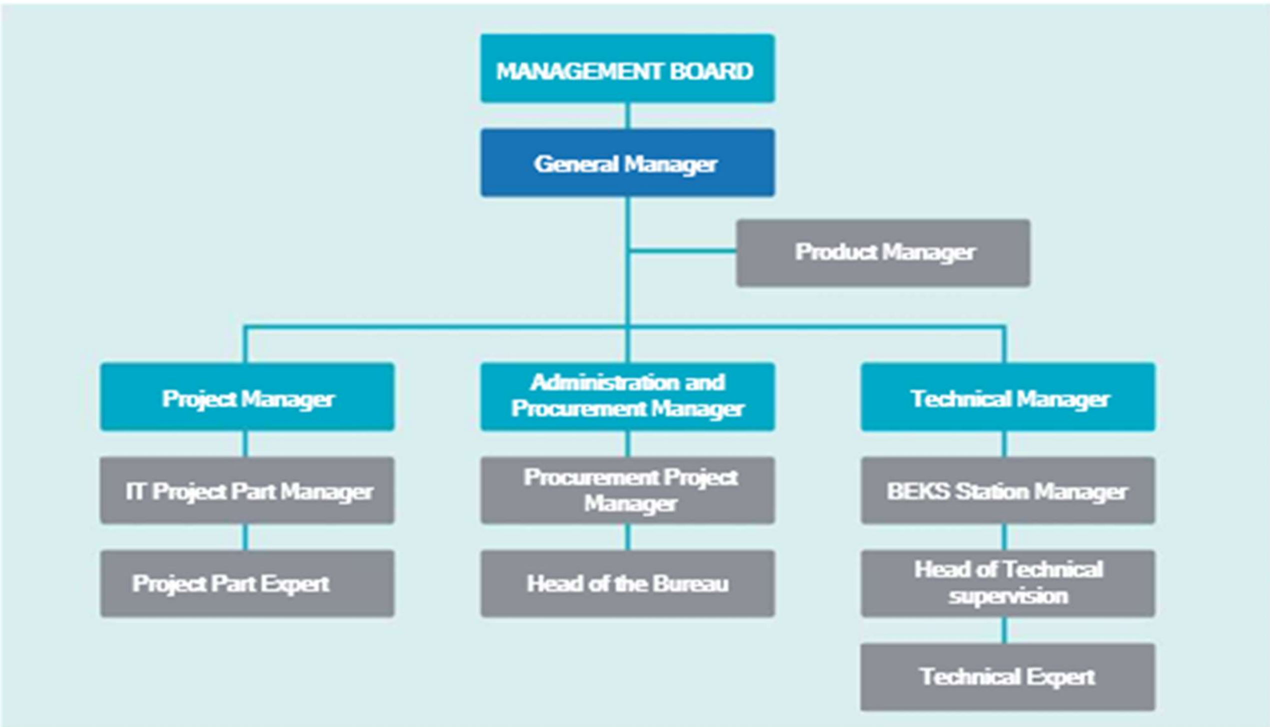
The main purpose of the Company is to provide the service of ensuring electricity reserve for the Lithuanian electricity transmission system operator LITGRID, so that the electricity system could work in an isolated

[1] *Appointed by Resolution No. 590 of 28-07-2021 of the Resolution of the Government of the Republic of Lithuania, and according to Article 6(1) and (3) of the Law on Interconnection of the Electricity System of the Republic of Lithuania with the Continental European Networks for Operation in Synchronous Mode (hereinafter, the LESE)*

mode[2] (hereinafter the "service of work in an isolated mode"), and for ensuring the stability of the electricity system in case of unexpected emergency or due to unintended or uncoordinated actions or inaction of third parties.

The operation of the Company as the Designated Storage System Operator (DSSO) during the period of appointment of the DSSO until the completion of the implementation of the project of synchronisation of the electricity system of the Republic of Lithuania with the CEN, including the prices of the services, are regulated by the State. The regulatory function is performed by the National Energy Regulatory Council (NERC) by setting the price cap for the isolated operation reserve service for the Company, issuing related operating permits, monitoring the technical condition of the permits to engage in operations, of the Company's facilities, etc.

## 4. Organisational structure




* Finance management and accounting services are provided according to a contract with UAB EPSO-G

## 5. Operational strategy and objectives

The Company's strategy was prepared on the basis of the Guidelines for the Evaluation of Draft Strategic Business Plans of State-Owned Enterprises issued by the Governance Coordination Centre (GCC), considering the exemptions applicable to the special purpose vehicles. It is provided that the strategy of such vehicles may be narrower in scope, i.e. may exclude the environmental impact analysis, the SWOT analysis. Therefore, at the end of 2021 the Company prepared an abridged version of the strategy[3], which

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[2] *According to Article 2(5) of the Law on Interconnection of the Electricity System of the Republic of Lithuania with the continental European networks for Operation in Synchronous Mode (LESE): Isolated operation of a power system - operation of a power system in isolation from the power systems of other countries, including the continental European grid and the IPS/UPS system.*

[3] *The drafting of the shortened version of the Strategy of Energy cells was approved by the GCC on 7 December 2021, and repeatedly on 11 October 2022.*

was updated in 4Q 2022 (in view of the progress achieved in the implementation of the project for installation of energy storage facilities system (200 MW) that was agreed with the GCC and approved on 11 January 2023 by the decision of the Board of the Company (hereinafter the "Company's Strategy").

To reflect the most important aspects of the Company's activities, the strategic goals and related tasks have been formulated on the basis of the law governing the process of synchronization with the CEN (the Lithuanian Law on Connection of the Lithuanian Electricity System to the Continental European Network for Work in a Synchronized Mode), which stipulates the main obligations of the Company, as well as on the basis of the project plan for the installation of the energy storage facilities system (200 MW), which sets out key actions to be taken.

**The Company's Strategy sets out the following goals:**

1. To install the energy storage facilities system in accordance with the requirements set by the Government of the Republic of Lithuania;
2. To provide the isolated operation reserve service to the transmission system operator;
3. During 2023-2025, to earn a return not lower than the allowed return[4] set under the methodology approved by the National Energy Regulatory Council (the NERC);
4. To ensure the secure operation of the energy storage facilities system at the national level;
5. Following the completion of the synchronization project with the CEN, to dispose (sell) the operated energy storage facilities to entities that meet the national security and other requirements set by the State (upon receipt of qualified tender(s).

It is important to note that the Company's goals also contribute to ensuring smooth compliance with two significant strategy implementation guidelines of EPSO-G UAB (the Company's parent): i) implementation of 200 MW battery farm project to be completed in 2023; and ii) implementation of the synchronization with CET project.

As the Company implements the Lithuanian Law on Connection of the Lithuanian Electricity System to the Continental European Network for Work in a Synchronized Mode and follows the strategic goals and guidelines of the EPSO-G group, it can undertake implementation of any other goals.

*[4] The return on investment rate allowed by NERC for Energy cells for 2023 (according to the NERC methodology to be found here) - 3.99 % (this rate is published on the website of the NERC here).*

**For the implementation of five goals set in the Company's Strategy, the following tasks were established:**

| Goal | Task | Target outcome | Target indicator values | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2022 | 2023 | 2024 | 2025 | 2026 |
| **1. Installation of a battery energy storage system (BESS) in accordance with the requirements laid down by the Government of the Republic of Lithuania** | 1. BESS Installation of the infrastructure 2. LG transmission infrastructure installation | 4x50 MW / 50 MWh BESS installed and connected to the transmission grid - construction completion certificate obtained | - | 02-28[5] | - | - | - |
| | | BESS efficiency | - | ≥ 85% | ≥ 85% | ≥ 85% | ≥ 85% |
| | | The relevant document received from the NERC authorising the operation of the BESS | - | 02-28[5] | - | - | - |
| | Ensuring full functionalities of BESS | BESS technical functionalities (FCR, aFRR, mFRR, RR, EPC, FFR, voltage control, "Black Start", synthetic inertia function) | - | 02-28[5] | - | - | - |
| **2. To provide the isolated operation reserve service to the transmission system operator** | 1. Implementation of the BESS economic regulation mechanism 2. Preparation for the provision of the isolated operation reserve service | Preparation for the provision of the isolated operation reserve service | 11-30 | - | - | - | - |
| | | The Isolated operation reserve service contract concluded and being implemented since 2023 (as well as other related contracts, transmission and disbalance contracts) with LG | 12-31 | - | - | - | - |
| | Provision of the isolated operation reserve service | Isolated Operation Reserve (IOR) service is provided according to the requirements of the transmission system operator | - | IOR service provided[6] (beginning – in the course of Q1 | IOR service provided[6] | IOR service provided[6] | - |
| **3. During 2023-2025, to earn a return not lower than the allowed return set under the methodology approved by the NERC** | | EBITDA[7], EUR million | -0,6 | 1,3 | 2,8 | 3,2 | - |

*[5] According to Order No. 1-481 of the Minister of Energy of 29-12-2022 on the amendment of the Description of the progress measure No. 03-001-06-03-01 'to install the 200 MW electricity storage facility system' under the Energy Development Programme 2021–2030.*

*[6] Other obligations possible according to the Law on Interconnection of the Electricity System of the Republic of Lithuania with the continental European networks for Operation in Synchronous Mode (LESE), seeking to meet the objectives of the LESE.*

*[7] Assuming that the 2024 service price includes compensation for 2022, the 2023 service price (as approved by the NERC and included) will include compensation for the costs incurred during the project's operation in 2021 (for a total amount of approx. EUR 1 million).*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **4. Ensuring the BESS operation security on the national level** | Ensuring physical and cyber security | Preparation and adoption of a security plan for Energy cells | 11-30 | - | - | - | - |
| | | Total critical incidents (according to the security plan) | - | ≤ 1 / quarter. | ≤ 0,5 / quarter | 0 / quarter | - |
| | Ensuring proper condition | Preparedness of the BESS | - | ≥ 97 % | | | |
| | | Maintaining BESS capacity | - | ≥ 200 MWh | | | |
| **5. After the implementation of the CEN synchronisation project, to transfer/sell (subject to qualifying offer(s)) the managed electricity storage facilities to persons who meet national security and other requirements set by the State.** | Analysis of strategic alternatives | Analysis of strategic alternatives completed | - | 12-31 | - | - | - |
| | Arrangement of the tendering procedure for the transfer (sale) of the BESS | Tendering procedure for the transfer of the BESS completed | - | - | - | Within 3 months[8] after Lithuanian Government's resolution regarding authorisation for cancellation of DSSO designation | - |
| | Transfer of the BESS to the winning tenderers | Four BESSs transferred to winning tenderers | - | - | - | - | Within 1 month. after adoption of resolution regarding disposal of BESS operated by DSSO[9] |

***Note**: In addition to EBITDA, more details on the projected financial performance indicators of the Company (revenue, profit, balance sheet, cash flows) for the period until 2025 (inclusive) are provided in the Company's Strategy.*

## 6. Services provided by the Company

The Company's main objective is to provide the electricity transmission system operator with the power reserve service required for the operation of the isolated power system.

After the installation of the battery energy storage system, steps will be taken to assess, in the course of 2023, the feasibility of providing other services, activities or functionalities, other activities necessary for the implementation of the synchronisation project and for the security of the electricity system, or to provide consultancy services, insofar as they do not conflict with the obligations under the legislation.

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[8] *Having regard to Article 61(7) of the LESE (according to which the Ministry of Energy of the Republic of Lithuania and the DSSO ensure that the intended tendering procedure has taken place and the decision regarding the transfer of the BESS operated by the DSSO has been passed no later than within 4 months from the effective date of the Resolution of the Government of the Republic of Lithuania referred to in Article 61(5) of the LESE) providing that the one month period (within the four months term) will be allocated for taking the decision on the BESS transfer (having received an eligible tender).*

[9] *Subject to the adoption and entry into force of the resolution of the Government of the Republic of Lithuania provided for in Article 61(5) of the LESE on the revocation of the appointment of the DSSO and the decision on the transfer of the BESS operated by the DSSO.*

## 7. Material events during 2022

- 13-04-2022 – election of the Board of the Company by a decision of the sole shareholder and consisting of three persons – Viktoras Baltuškonis, Dovilė Kapačinskaitė and Darius Klimašauskas.
- 15-04-2022 – EUR 87.6 million funding has been allocated to Energy cells for installation of an electricity storage facilities system under the EU's Recovery and Resilience Facility (RRF).
- 17-05-2022 – Decision of the Board of the Company supporting the strategy for 2022 approved by the CEO, and approving the objectives of the Company for 2022.
- 17-05-2022 – election of V.Baltuškonis, Head of Finance of EPSO-G the Chairman of the Board of Energy cells.
- 19-06-2022 – energy cells started the installation of an energy storage facility system to strengthen Lithuania's energy independence.
- 20-10-2022 – the NERC approved the Company's investment project "Installation of the electricity storage facility (200 MW)".
- 09-11-2022 – launching of the testing operations of the electricity storage facility at Energy cells.
- 25-11-2023 – approval by the NERC of the price cap for Energy cell's isolated operation reserve service (EUR 4.78/MW/hour (excluding VAT)) and, accordingly, the Company's allowed revenue level (EUR 8.37 million) for 2023.
- 14-12-2022 – "Environmental Finance named the Lithuanian energy storage system the most sustainable energy investment of the year.
- 30-12-2022 – isolated electricity system operation reserve service purchase and sale agreement signed with Litgrid.

## 8. Events after the end of the reporting period

On 11 January 2023, the Company's updated operations strategy for 2022-2026 was approved.

## 9. Financial information

In 2022, the Company did not generate any operating revenue, yet recognised income grants of EUR 93 thousand in relation to funding of project implementation costs under the RRF. The Company did not recognise as revenue electricity transmission and imbalance expenses of EUR 200 thousand (compensated by the contractor) because the Company acted as agent rather than as principal. The Company incurred operating expenses of EUR 644.9 thousand (2021: EUR 354.4 thousand), after consideration of income tax benefit of EUR 97.6 thousand (2021: EUR 53.8 thousand), net loss for the reporting period amounted to EUR 508.7 thousand (2021: EUR 305.4 thousand).

### Key performance indicators of Energy Cells*:

| | 2022 (EUR thousands) | 2021 (EUR thousands) |
|---|---|---|
| Revenue | 93 | 0 |
| Operating expenses | 645 | 354 |
| EBITDA[1] | -518 | -334 |
| Net profit/(loss) | -509 | -305 |
| Assets | 39,399 | 10,178 |
| Equity | 1 561 | 2,070 |
| Net debt[2] | 2,920 | 7,046 |

[*] *The Company was registered on 26 January 2021*

[1] *EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortisation charges + impairment charges (including a negative result on revaluation of property, plant and equipment) + asset write-offs*
[2] *Net debt = long-term financial debt + short-term financial debt - cash and cash equivalents.*

### Statement of financial position of Energy Cells:

| | 2022 (EUR thousands) | 2021 (EUR thousands) |
|---|---|---|
| Non-current assets | 11,006 | 9,296 |
| Current assets | 28,393 | 882 |
| **TOTAL ASSETS** | **39,399** | **10,178** |
| Equity | 1,561 | 2,070 |
| Amounts payable and liabilities | 37,838 | 8,108 |
| **TOTAL EQUITY AND LIABILITIES** | **39,399** | **10,178** |

The Company's property, plant and equipment of EUR 10,664 thousand (2021: EUR 9,133 thousand) consisted of equipment to be brough into use in the energy storage facilities system and prepayments to contractors for the equipment and installation works of the energy storage facilities system. In 2022, as the Company selected to apply net capital approach to assets-related grant, the amount of energy storage facilities and prepayments to contractors of EUR 62,112 thousand was netted with the recognised amount of assets-related grant of EUR 51,450 thousand. Amounts payable and liabilities mostly consisted of current liabilities of EUR 37,658 thousand (2021: EUR 8,108 thousand), whereof payables to suppliers amounted to EUR 12,083 thousand (2021: EUR 62 thousand) and accumulated payables to suppliers for construction works amounted to EUR 19,766 thousand (2021: EUR 0 thousand).

### Operating expenses of Energy Cells:

| | 2022 (EUR thousands) | 2021 (EUR thousands) |
|---|---|---|
| Wages, salaries and related expenses | 254 | 183 |
| Consulting services | 136 | 68 |
| Telecommunications and IT system expenses | 38 | 16 |
| Rent of premises and utility services | 37 | 15 |
| Professional services | 26 | 17 |
| Technical maintenance expenses | 21 | 0 |
| Transport expenses | 17 | 4 |
| Other expenses | 83 | 32 |
| Depreciation and amortisation | 34 | 20 |
| **TOTAL OPERATING EXPENSES** | **645** | **354** |

Operating expenses mostly consisted of wages, salaries and related expenses representing 39.4% (2021: 51.6%), consulting services representing 21% (2021: 19.3%), telecommunications and IT system expenses representing 6% (2021: 4.5%), rent of premises representing 5.7% (2021: 4.1%) of total operating expenses.

### 10. References to and additional explanations of information reported in the financial statements

The notes to the financial statements for the year 2022 provide more detailed explanations of the financial information.

### 11. The number of all own shares acquired and held by the Company, their nominal value and the proportion of the share capital that those shares represent

The Company does not own any shares.

### 12. The number of own shares acquired and disposed during the reporting period, their nominal value and the proportion of the share capital that those shares represent

The Company has not acquired any own shares.

### 13. Information on the payment for own shares if they are acquired or disposed in exchange for a consideration

None.

### 14. Reasons for acquiring the Company's own shares during the reporting period

None.

### 15. Information on the Company's branches and representative offices

The Company has no branches or representative offices.

### 16. Information on research and development activities of the Company

In 2022, the Company did not carry out any research and development activities.

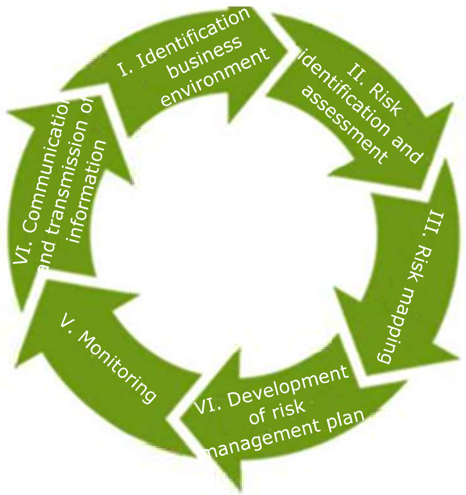
The Company's investment project agreed with the NERC on 20 October 2022 – 'Installation of energy storage facilities (200 MW)' – amount of EUR 100.7 million has been planned for the installation of energy storage facilities (200 MW), whereof:

- EU financial support funds – around EUR 83.9 million (83.3%) (based on agreement with the CPMA, financial support of up to EUR 87.6 million was allocated in 2Q 2022 under the RRF; a precise amount of EU financial support – based on expected actual capital expenditures);
- Planned own/borrowed funds – around EUR 16.8 million (16,7%) (this amount was included in regulatory asset base (RAB) as the price for the Company's isolated operation reserve service was set and approved by the NERC for 2023).
- In 2022, actual amount of capital expenditures was EUR 33.2 million, including change in prepayments to contractors for construction works.

## 17. Risk management

Risk is understood at the Company as a structured approach towards management of uncertainties through the methodical assessment of risk impact and probability, and through the implementation of appropriate risk management measures.

In 2022, the Company followed the EPSO-G Group's risk management policy and risk management approach approved by the Board. These two documents help ensure that the Company has a risk management system in place that meets the best practice and follows the internationally accepted COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission, Enterprise Risk Management) framework. The risk management policy is available to public EPSO-G website.




The Company has in place the following risk management process:

**I. Business environment understanding.** Each year, the risk owners assess changes in respect of the Company's goals, internal and external environment, organisational structure, and identify new potential risks.

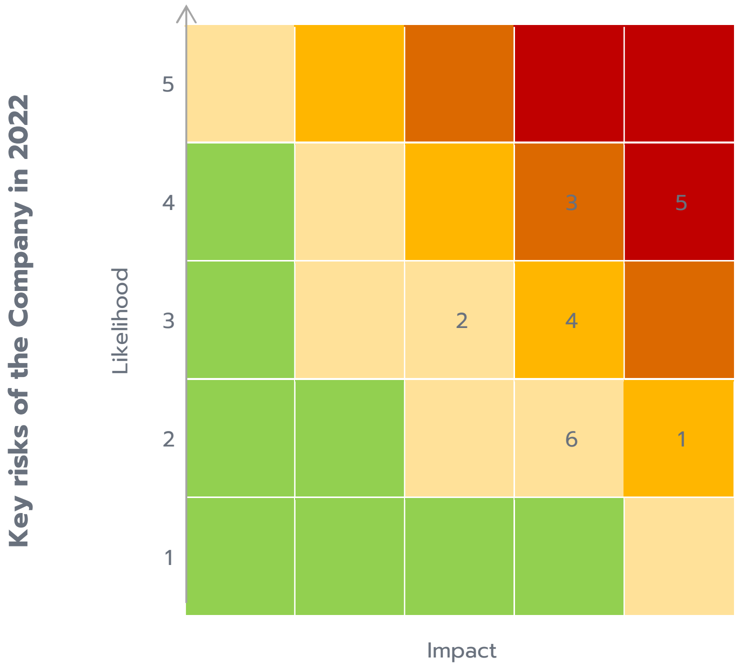
**II. Risk identiOication and assessment.** Based on historical data, expert evaluation and the results of monitoring the risks and implementation of risk management measures, the Company's risks are defined, by identifying their sources, affected areas, risk-related events, their causes, potential impact expressed in quantifiable financial terms (EUR), and existence of risk in a long run. The risk type is identified, and the currently applied risk management measures are described. The Company assesses the risk probability, impact and level values, identifies the potential risk management measures in view of interdependencies among the risks. The units that are responsible for the risk management carry out the The units responsible for risk management carry out a risk identification and assessment process.

**III. Risk prioritisation.** A session on prioritisation of risks is initiated in order to review the list of risks drafted during the process II. The Company identifies the top priority risks. If during this process any doubts arise in relation to certain probabilities, impact, risks management measures or any other aspects, a repeated analysis of those risks is initiated.

**IV. Developing a plan on risk management measures.** This process involves elaboration and approval of the Company's plan on risk management measures in respect of the risks identified during the process III. The plan also includes the resources required for management of risks, and it is subject to approval by the Board following the recommendation of the Audit Committee. The amount of funds required for the implementation of the risk management measures is considered when planning the next year budget. In case the amount budgeted for risk management differs from the amount specified in the plan on risk management measures, adjustments should be made to the Company's plan on risk management measures. The final plan on risk management measures together with the budget are subject to approval by the Board. The goals of the plan on risk monitoring and risk management measures are linked to the annual performance goals of employees fulfilling the risk monitoring and management functions.

**V. Monitoring.** This process involves periodic monitoring of risks and of implementation of the risk management measures, which includes assessment of changes in risk level, the progress achieved with the implementation of risk management measures, and their effectiveness. The risk owners and the employees responsible for implementation of risk management measures regularly report the monitoring results to EPSO-G and the Company's Board. When a value greater than the risk tolerance or a critical value of the key risk indicator (KRI) is recorded and new risks are identified, the KRI value of which exceeds the risk appetite, the new risk management measures are envisaged and corrections are made in the plan on risk management measures, which are subject to approval by the Board.

**VI. Sharing of information and communication.** Continuous communication within the Company among the risk owners, risk management unit, EPSO-G, CEO and collegial bodies of the Company is fundamental for an effective risk management process. Effective communication requires ensuring that the relevant information is communicated to the responsible employees on a timely basis.




**TOP priority risks arising to the Company**:

1. Risk of changes in regulatory requirements for operating activities and/or violation/non-compliance risk. During the period from designation of Energy Cells as a designated storage system operator (DSSO) to the completion of the synchronization project of the Lithuanian electricity system to the CEN, the operations of Energy Cells and the service prices are regulated by the State. The regulatory function is carried out by the NERC. The changes in the regulatory framework of the European Union and Lithuania governing the principles of energy, energy storage activities and regulation (including the pricing, cost recovery models), as well as the decisions made by the authorities of the Republic of Lithuania, the NERC and/or other institutions may have a negative impact on the operations, financial performance, and business perspectives of Energy Cells. The regulatory changes (due to their specific nature and/or level of detail) may also result in non-compliance with all the applicable legal requirements and/or their misinterpretation. Such changes and decisions cover potential changes in and decisions on funding of necessary operating expenses, capital expenditures to finance Energy Cells and to increase energy security and reliability of the electricity system, as well as potential new regulatory principles and/or mechanisms.

   This risk is managed through a continuous monitoring of relevant legal acts governing the regulated activities, issued and/or amended by the NERC and other (Lithuanian and/or EU) authorities; if necessary, comments and suggestions are provided regarding the drafted and/or amended legal acts, the Company's position is formed and/or the Company's interests are represented at the relevant authorities.

2. Risk of shortage of properly qualified labour force, high employee turnover and low motivation. The global economy faces increased inflation and higher activity of labour market participants, which in turn may affect the competitiveness of the Company's work conditions for employees (work pay, social guarantees and other in-kind benefits). This may also cause higher turnover of employees and loss of individuals holding the critical functions at the Company. In the long-term perspective, the shortage of properly qualified and skilled labour force on the labour market, more intense competition on the labour market may significantly affect the timely implementation of the Company's goals, investment projects, stability and/or continuity of operations, reputation of a socially responsible employer and/or attractiveness of employer. This risk is managed through the development of leadership skills of management, arrangement of regular one-on-one meetings, promotion of employee empowerment culture, periodic measurement of employee competences, fulfilment of specialised upskilling, training and development programmes, The Company together with other EPSO-G group companies cooperates with universities and other education institutions to attract potential talent to join the Company and contribute to student internship practice.
3. Risk of information security (cyber security). The Company is an entity of importance to ensuring national security, which operates specific facilities and property belonging to the State's critical infrastructure. The information and data managed by the Company are of strategic importance for Lithuania's national security, and therefore, any loss, unauthorised alteration or disclosure, damage to such information or data, or interruption of data flows required for secure operation of the transmission systems may cause disruptions in operations of the EPSO-G group companies, inflict damage on other natural and legal persons. In order to manage this risk, during the reporting period the Company was installing the future critical infrastructure data network and monitoring system, implemented the processes necessary to ensure cyber security, updated the requirements and control procedures for all external parties that may affect the Company's security.
4. Technological compatibility risk. The energy storage facilities system installed by the Company, in terms of its technological and functional scope, complexity of installation and adaptability, requires ensuring compatibility of the new infrastructure with the existing infrastructure, and expanding its functionalities and adaptability to current needs. The installation of the energy storage facilities system is planned at nearby Litgrid transformer substations (TS) (330/110/10 kV Vilnius TS, Alytus TS, Šiauliai TS, and Utena TS). This risk is managed through close cooperation with Litgrid specialists to ensure compatibility of facilities and synergy between the future technical solution and the existing infrastructure and operation systems. The representatives of the Company have regular meetings with Litgrid representatives to coordinate the system installation, compatibility and integrity processes.
5. Risk of delayed implementation of strategic projects. The implementation of the Company's Project implementation schedule with extremely tight deadlines is risky for large-scale infrastructure projects due to high uncertainty, complexity and technological compatibility. The introduction of a new technology requires new conceptual solutions, complex testing of the implemented technological solutions before the system is brough into use. The risk of delayed implementation of strategic projects may also arise due to external factors, such as the prolonged COVID19 (coronavirus) pandemic, war situations, disruptions in global supply chains, high inflation, other causes beyond the Company's control, which, in turn, may affect the production and logistics of the main facilities that take longer time to produce, also project implementation deadlines, and the capacity and/or efficiency of individuals involved in the projects. This risk is managed in close cooperation with Litgrid and contractor specialists.

   The Company also relies upon EPSO-G group specialists in various fields and external technical and legal consultants. The Company's representatives meet regularly and coordinate the handling of problematic issues, strive for a more efficient exchange of information, and agree on the positions of stakeholders. It should be noted that the key risks arising from the project on installation of 200 MW energy storage facilities system (the "Project") were managed in a timely and professional manner in 2022. The risk of delayed production of facilities was successfully managed due to prompt arrangement of the documentation and completion of the procurement procedures, and possibility to order the facilities before the start of the worldwide peak season in this industry, which could significantly delay the project implementation deadlines. Also, in cooperation with a reliable international logistics company, timely delivery of facilities to Lithuania by land and sea routes was ensured at the time when the war in Ukraine started and the terminals were facing challenges, difficulties and excessive cargo volumes.

6. Risk of funding the Company's operations. In the course of its operations, the Company is exposed to liquidity risk. Since the Company is implementing a large-scale investment project, it needs to secure funding from its own funds until it obtains support from the EU structural funds. For that purpose, the Company uses the cash-pool agreement with its parent company EPSO-G. „EPSO-G". As soon as the responsible authorities approved the Project Funding Terms and Conditions in 2022 (subsequently amended at the end of 2022[10]) and the funding agreement was signed with the Central Project Management Agency in 2Q 2022, the funding applications are submitted to obtain support under the Recovery and Resilience Facility plan "New Generation Lithuania".

## 18. Information on share capital and shareholders

Based on the Company's Articles of Association registered on 28 December 2021, the Company's authorised share capital amounts to EUR 126,000, and it is divided into 126,000 ordinary shares with par value of EUR 1 each. All shares are owned by sole shareholder EPSO-G UAB. The Company did not acquire any own shares, and there were no transactions in relation to acquisition or disposal of own shares during 2022.

The Company's management members hold no shares of the Company.

## 19. Governance

The Company's Articles of Association registered on 28 December 2021 set forth that the Company's governance structure comprises the General Meeting of Shareholders, the Board, and the Chief Executive Officer.

The main principles of the Company's governance are established in the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, and the Company's Articles of Association. The Company's General Meeting of Shareholders decides on amendments to the Company's Articles of Association and changes in authorised share capital, elects the Board, selects an auditor, approves the annual financial statements, and distributes profits, makes decisions on the most significant transactions and other matters. The Board decides on the organisational structure of the Company, elects the Chief Executive Officer, approves the operational strategy, the budget, makes decisions on the most significant transactions and other important governance matters. The Chief Executive Officer is a single-person management body of the Company who organises the Company's activities and concludes the Company's transactions.

The powers of the Company's bodies are described in the Company's Articles of Association.

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[10] *Based on Lithuanian Energy Minister's Order No 1-481 of 29 December 2022 On amendment to the description of progress measure No. 03-001-06-03-01 under the Energetic Development Programme 2021-2030.*

As set forth in the Company's Articles of Association, the Company, together with the parent company EPSO-G UAB (hereinafter the "Parent Company") and other legal entities directly and indirectly controlled by the Parent Company, form a group of companies. The Audit Committee and the Remuneration and Nomination Committee are formed at the Parent Company, and they function at the entire group level as they fulfil, inter alia, the functions of the Audit Committee and the Remuneration and Nomination Committee at the Company level.

**Remuneration and Nomination Committee (RNC):**

- Assists with the selection of candidates to the members of the bodies at all companies of EPSO-G group;
- Provides the EPSO-G group companies with recommendations regarding the nomination of the members to the management bodies, signing of contracts with them, and setting the amount of remuneration;
- Provides recommendations regarding the corporate governance documentation of EPSO-G group relating to remuneration of the collegial bodies, employees of EPSO-G group companies, appraisal of their performance;
- Provides recommendations regarding the system for planning succession of collegial bodies, management and employees holding critical functions at EPSO-G group companies.

**Audit Committee (AC):**

- Conducts supervision of the preparation and audit of the financial statements of EPSO-G group companies;
- Bears responsibility for ensuring that the auditors and audit firms of EPSO-G group companies follow the principles of independence and objectivity;
- Bears responsibility for supervising the effectiveness of process relating to internal control, risk management and internal audit systems, and operations at EPSO-G group companies;
- Bears responsibility for monitoring the provision of non-audit services by an auditor or audit firm of EPSO-G group companies.

At the Company level, similarly as at the EPSO-G group level, corporate governance is carried out in accordance with the corporate governance guidelines of EPSO-G group, as approved by the Lithuanian Ministry of Energy on 24 April 2018 (revised version approved on 29 December 2022), as well as with reference to the EPSO-G group's corporate governance policy. All these documents are available to public on the EPSO-G website. It is set forth in the Company's Articles of Association that the Company in its operations is subject to the policies of the group to a full extent, unless otherwise stated in exemptions approved by the Company's Board. During 2022, there were no exemptions approved by the Company's Board in relation to the adoption of the group policies.

## 20. The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company. The powers of the General Meeting of Shareholders, the procedure for convening and decision-making are established in laws, other legal acts, and the Articles of Association. During 2022, in total 13 decisions were made by the sole shareholder EPSO-G UAB.

The following decisions were adopted by the sole shareholder EPSO-G UAB in 2022:

| Date | Significant decisions |
| --- | --- |
| 7 January 2022 | Approval of Energy Cells UAB CEO's request to work in a mixed mode, i.e. to work in part remotely from abroad. |
| 25 February 2022 | Approval of Energy Cells UAB CEO's performance report for 2021. |
| 13 April 2022 | Approval of the set of financial statements and proposed profit appropriation for 2021.<br><br>Election of the Board consisting of three individuals (Viktoras Baltuškonis delegated by EPSO-G UAB, Dovilė Kapačinskaitė – public servant, Darius Klimašauskas – independent member) and setting of remuneration for the Board members. |
| 11 July 2022 | PricewaterhouseCoopers UAB was selected to carry out the audit of Energy Cells UAB set of financial statements for 2022 prepared according to International Financial Reporting Standards, as adopted by the EU, and annual report of 2022, and the audit fee was set. |
| 12 August 2022 | Approval of Energy Cells UAB Board decision made on 19 July 2022 regarding amendment to cash pool agreement between Energy Cells UAB and EPSO-G UAB signed on 9 November 2021.<br><br>Approval of Energy Cells UAB Board decision made on 19 July 2022 regarding signing and execution of agreement on funding of project for installation of energy storage facilities (200MW) system, dated 15 April 2022. |
| 14 September 2022 | Approval of Energy Cells UAB Board decision made on 8 September 2022 regarding amendment to agreement on designing, production and installation of energy storage facilities system, dated 14 October 2021. |
| 30 September 2022 | Approval of Energy Cells UAB Board decision made on 22 September 2022 regarding amendment to agreement on designing, production and installation of energy storage facilities system, dated 14 October 2021. |
| 6 October 2022 | Registered office address of Energy Cells UAB (legal entity code 305689545, current registered office address: Gedimino pr. 20, Vilnius, Lithuania) from Gedimino pr. 20, Vilnius, Lithuania to Ozo g. 12A-1, Vilnius, Lithuania. |
| 8 December 2022 | Approval of Energy Cells UAB Board decision made on 18 November 2022 regarding amendment to agreement on designing, production and installation of energy storage facilities system, dated 14 October 2021. |
| 14 December 2022 | Approval of Energy Cells UAB Board decision made on 12 December 2022 regarding amendment to agreement on designing, production and installation of energy storage facilities system, dated 14 October 2021. |

| | |
|---|---|
| 19 December 2022 | Approval of Energy Cells UAB Board decision made on 9 December 2022 regarding signing of the agreement on purchase/sale of isolated operation reserve service for energy storage facilities system with LITGRID AB. |
| 22 December 2022 | Changes in remuneration of the Company's Board members. |

## Board of the Company

The Board consists of 3 (three) members, including the Chairman of the Board.

The Board is elected for the tenure of office of 4 (four) years; the members of the Board are appointed and recalled by the General Meeting of Shareholders in accordance with the procedure set forth in the Law on Companies of the Republic of Lithuania and the Articles of Association, and with reference to the recommendations provided by the Remuneration and Nomination Committee and the Selection Commission within the limits of competences conferred upon them.[11]

The Board fulfils its functions for the period stipulated in the Articles of Association of the Company and the Regulations of the Board or until a new Board is elected, but not longer than until the Ordinary General Meeting of Shareholders held in the year of expiry of the tenure of office of the Board. An uninterrupted tenure of office of a member of the Board will not exceed 2 (two) consecutive tenures of office, i.e. no more than 8 (eight) consecutive years. If individual members of the Board are elected, they are elected only until the expiry of the tenure of office of the current Board.

The Board adopts its decisions at the Board meetings held as often as necessary so that the Board could properly fulfil its functions and adopt the decisions within the limits of competence conferred upon it. In total 14 Board meetings were held during the reporting period. All the Board members attended and voted at all the Board meetings.

The General Meeting of Shareholders may recall the entire Board or its individual members before the expiry of their tenure of office. The Board is accountable to the General Meeting of Shareholders.

The Board's tenure of office is from 13 April 2022 to 13 April 2026.

**The Company's Board composition as at 31 December 2022:**

| Fulll name | Job position | Term of tenure | Positions held elsewhere | Education |
|---|---|---|---|---|
| Viktoras Baltuškonis | Chairman of the Board (since 17 May 2022) | Since 13 April 2022 | CFO at EPSO-G UAB since November 2020.<br><br>Chairman of the Board of GET Baltic UAB since April 2021.<br><br>Member of he Board of Baltpool UAB since February 2021. | Vilnius University, Bachelor in International Economics, Master in International Business. |

[11] *The term 'Selection Commission' has the meaning defined in Resolution No. 631 On the Approval of the Description of the Selection of Candidates to the Board of Directors of a State-Owned Enterprise or a Municipal Enterprise and the Description of the Selection of Candidates to the Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders of a State-Owned Company or a Municipally Owned Company" of the Government of the Republic of Lithuania.*

| | | | | |
|---|---|---|---|---|
| Dovilė Kapačinskaitė | Board member – public servant | Since 13 April 2022 | Ministry of Energy of the Republic of Lithuania, Senior Advisor at Strategic Change Management Group since May 2019 | Vilnius University, Master in Law. |
| Darius Klimašauskas | Independent Board member | Since 13 April 2022 | Consulting company Talisman, independent advisor since 2020.<br><br>Member of Association of Financial Analysts (Lithuania). | Vilnius University, Master in Economic Analysis and Planning (The Faculty of Economics) and Minor in Mathematical Economics (EuroFaculty) |

**Decisions adopted by the Board in 2022:**

| 05/2022 | 07/2022 | 08/2022 | 09/2022 | 11/2022 | 12/2022 |
|---|---|---|---|---|---|
| **17/05**<br>Election of the chairman and lawyer of the Board, approval of the Board's work regulations, annual schedule of meetings and activity plan.<br>Approval of the CEO's decisions adopted until the election of the Company's Board.<br>Approval of the CEO's variable pay. | **19/07**<br>Updating of budget for 2022.<br>Approval of procedure for preparing a list of key terms of transactions and for entering into transactions that require the Board's approval.<br>Approval of change in interest base under cash pool contract with EPSO-G UAB.<br>Approval of entering into financing agreement with the CPMA. | **01/08**<br>Approval of entering into premises lease agreement. | **08/09**<br>Approval of amendment to the agreement on designing, production and installation of battery energy storage system, dated 14 October 2021, by signing a separate arrangement on procurement of additional works, | **11/11**<br>Approval of Energy Cells UAB draft strategy 2022-2026 and its submission to the Governance Coordination Centre for supervision / review.<br><br>**29/11**<br>Amendment to the terms and conditions of cash pool contract with EPSO-G UAB. | **09/12**<br>Approval of entering into agreement with LITGRID AB on purchase/sale of isolated operation reserve service for electricity system.<br><br>**12/12**<br>Approval of amendment to the agreement on designing, production and installation of battery energy storage system, dated 14 October 2021.<br>**20/12**<br>Approval of Energy Cells updated list of risks and plan on risk management measures for 2023.<br>Approval of entering into imbalance purchase-sale agreement with LITGRID AB.<br>Approval of Energy Cells Board meeting calendar and Board activity plan for 2023. |

**Information on remuneration of the Board members**

Remuneration for the functions fulfilled at the Board is payable only to independent Board members and public servants acting as Board members. Based on the amounts of remuneration (set under the decision of the General Meeting of Shareholders of 13 April 2020 and revised under the decision of the General Meeting of Shareholders of 14 June 2022 and 22 December 2022), amount of EUR 12,537 (gross) was paid to the Board members in 2022 for the functions fulfilled at the Board. No remuneration was paid to the Board members in 2021.

Based on the Company's Articles of Association, the Board conducts self-assessment and competence needs analysis at least once per year. The purpose of such assessment is to determine what competences are necessary for the achievement of the goals of the Company and EPSO-G group, and for the improvement of the Board's performance.

## 20. Chief Executive Officer

Mr. Rimvydas Štilinis has been holding the position of the Chief Executive Officer since 26 January 2021. He was permanently appointed to the position of the Chief Executive Officer by the decision of the sole shareholder on 21 September 2021.

The remuneration of the Company's CEO is set by the Company' based on the EPSO-G Group's Remuneration, Performance Appraisal and Training Policy. The remuneration of the Company's CEO consists of the fixed pay, which is payable monthly, and a variable pay, which is payable annually by the decision of the Board, depending on the achievement of the Company's performance targets. The maximum amount of variable pay for the Company's CEO represents 30% of the fixed pay.

## 21. Information on internal and external audit

**Internal audit**

There is a centralised internal audit system at the EPSO-G Group level, the functioning of which is ensured through the internal audit unit formed by EPSO-G, which is accountable to EPSO-G Board.

The mission of EPSO-G internal audit function is to create added value for all entities of the Group, and to contribute to the achievement of their operational goals through systematic and comprehensive assessment of the effectiveness of governance, risk management and control processes, .and through assistance with the improvement thereof. These functions are implemented through an independent and objective assurance and recommendation process.

The auditors of the holding company EPSO-G are not subordinate to the administration of the auditee. This facilitates detection and elimination of potential weaknesses and identification of areas that need improvement of efficiency of operations.

As the internal audit team members fulfil their functions and carry out internal audits on a systematic basis, they also monitor, on a regular basis, whether the recommendations are implemented, and whether other weaknesses in internal controls, which were noted by the external auditors, regulatory or national audit authorities, are eliminated. For more details on internal audit, refer to EPSO-G consolidated and company's annual report for 2022, which is available to public on EPSO-G" website www.epsog.lt under section *Reports*.

**External audit**

In 2021 PricewaterhouseCoopers UAB was selected as the audit firm of financial statements 2021-2022 of Energy Cells UAB through a public procurement procedure by recommendation of the EPSO-G group's Audit Committee and based on the decision of the sole shareholder.

In 2022, the audit fee paid by the Company amounted to EUR 7.3 thousand (2021: EUR 5.2 thousand).

In 2022, the amount paid by the Company to the audit firm for non-audit services was EUR 0.8 thousand (2021: EUR 0.8 thousand).

## 22. Information on compliance with the transparency guidelines

The Company complies with Resolution No 1052 of 14 July 2010 of the Government of the Republic of Lithuania *On the approval of the description of guidelines for ensuring the transparency of state-owned enterprises* ("the Transparency Guidelines"). In order to ensure compliance with the Transparency Guidelines, the Company has in place the Business Transparency and Communication Policy, which considers in detail the requirements set forth in the Transparency Guidelines, and defines the extent of their applicability to the group companies.

Implementation of the Transparency Guidelines is largely ensured by the Company through disclosure of information in the annual report, official website www.energy-cells.eu, and the Company's account on LinkedIn, where information is disclosed in the format that is accessible and comprehensible to the stakeholders.

## 23. Personnel

As at 31 December 2022, the Company had 44 employees (2021: 20 employees). Some employees worked on a part-time basis.

In 2022, the remuneration fund amounted to EUR 716.5 thousand (2021: EUR 336.4 thousand).

| Categories of employees | Number of employees at the end of the period | | Average monthly work pay (including the variable part) | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| CEO | 1 | 1 | 9,541 | 6,950 |
| Middle-level and lower-level management | 3 | 3 | 5,572 | 4,596 |
| Experts-specialists | 40 | 16 | 3,174 | 3,404 |
| Total number of employees | 44 | 20 | 4,157 | 3,943 |

## Annex. Sustainability report (disclosure of non-financial information)

**Basis and the scope of the Report.** Energy cells corporate sustainability (disclosure of non-financial information) report is presented in accordance with the Law on Financial Reporting of Entities of the Republic of Lithuania and the European Union's Non-Financial Disclosure Directive. The Energy Cells Group Sustainability Report for 2022 is based on the Global Reporting Initiative's (GRI) Core Standards. This report also takes into account the recommendations of the Bank of Lithuania on disclosure of sustainability-related information.

The information in this report covers relevant data and events in the period from 1 January 2022 to 31 December 2022. In order to improve the comparability of the reported sustainability results and in line with the requirements of the Global Reporting Initiative standards, it is also recommended to include additional data from previous years in the report, but this is not possible to do so as the company did not operate in 2020. The content of the Sustainability Report includes the most recent information available at the time of publication.

The Sustainability Report of UAB Energy cells discloses the significant environmental, social and governance impacts of the Group's businesses and describes Energy cells' contribution to the United Nations Sustainable Development Goals. This Sustainability Report is part of the Energy cells's Annual Report for 2022. The Sustainability Report was not unaudited.

Responsible for the content and publication of this sustainability report is Paulius Stonis, Head of Sustainability Development at the EPSO-G Group paulius.stonis@epsog.lt.

**Information on the operating model.** The Company's main objective is to provide the Lithuanian electricity transmission system operator Litgrid with an isolated operation reserve service (hereinafter, the isolated operation reserve service), which is necessary for the isolated operation of the electricity system1 and will ensure the stability of the electricity system in the event of an unexpected emergency or due to the unforeseen or uncoordinated actions or omission of third parties.

The operation of the Company as the Designated Storage System Operator (DSSO) during the period of appointment of the DSSO until the completion of the implementation of the project of synchronisation of the electricity system of the Republic of Lithuania with the CEN, including the prices of the services, are regulated by the State. The regulatory function is performed by the National Energy Regulatory Council (NERC) by setting the price cap for the isolated operation reserve service for the Company, issuing related operating permits, monitoring the technical condition of the Company's facilities, etc.

Details of Energy cells' operating model, operating environment, organisation, structure and objectives are set out in the relevant parts of the Annual Report of Energy cells.

**General information on sustainability in the EPSO-G Group.** As part of the EPSO-G Group, Energy cells contributes to the Group's sustainability goals and objectives. 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 system interconnection projects and facilitating the exchange of climate-neutral energy. The EPSO-G Group aims to transform the energy sector by striking a balance between environmental, social and economic objectives.

[1] Article 2(5) of Law on Interconnection of the Electricity System of the Republic of Lithuania with the Continental European Networks for Operation in Synchronous Mode: *Isolated operation of a power system - operation of a power system in isolation from the power systems of other countries, including the continental European grid and the IPS/UPS system.*

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 commitments on climate change and the environment defined 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. Energy cells contribute fully to the objectives of the EPSO-G Group.

EPSO-G's main thrusts 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, comprised three steps: identification of the most significant environmental, social and governance impacts; a survey of stakeholders and the Group's management; and the identification of the most significant impacts on EPSO-G's Group operations. The survey carried out in early 2022, involved 645 respondents, including employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, investors, executives and members of the Board of directors of the Group companies.

The Group's Sustainability Policy, approved by EPSO-G's Board of Directors in 2021, stipulates that the Group commits itself to reviewing its environmental, socio-economic impacts and sustainability priority topics on a regular basis, but at least once every two years, by means of a materiality assessment, with the involvement of interested parties.

EPSO-G Group companies assessed the significance of the 19 identified sustainability impacts, which were determined on the basis of the specificities of the Group companies' activities, EPSO-G's long-term strategy until 2030, and the SASB and GRI guidelines for determining significance. The following are explanations of the main impacts identified in EPSO-G activities:

**Impact in the environmental area:**

- Reducing environmental impacts and GHG emissions from operations - reducing environmental impacts (air, water, soil quality), pollution and greenhouse gases ($CO_2$, $CH_4$, $SF_6$, 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 volumes minimisation, responsible segregation, and management - reducing the amount of waste generated by the company's activities, ensuring safe and proper management of hazardous and non-hazardous waste.

**Impact in the social area:**

- Ensuring human rights and equal opportunities for employees - Ensuring human rights, creating a culture based on equal opportunities and non-discrimination within the company.

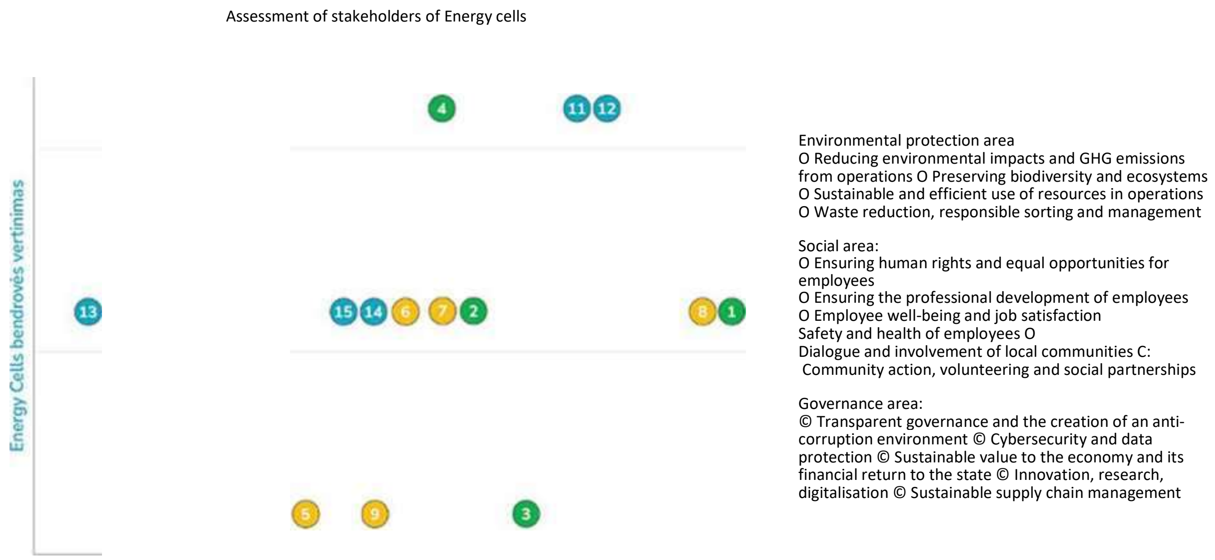
- Ensuring professional development for the staff – providing professional and personal development opportunities for staff and active development of the necessary competences.
- Employee well-being and job satisfaction - creating an environment that enhances employee well-being and satisfaction and ensures work-life balance.
- Occupational health and safety - ensuring compliance with safety requirements for the company's and its contractors' employees when carrying out work, and proactively 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.
- Social action, volunteering and social partnerships - promotion of volunteering, educational activities and targeted cooperation with NGOs, academia and government.

**Impact in the governance area:**

- Transparent governance and creating an anti-corruption environment - adhering to standards of transparency and business ethics, not tolerating corruption and actively combating such corruption in any form.
- Cybersecurity and data protection - ensuring the security of critical data, building a cyber-attack-resistant IT infrastructure and shaping organisational culture.
- Sustainable value for the economy and financial return for the State - achieving financial return targets set by shareholders, ensuring return on investment, economic and social returns.
- Innovation, research, digitalisation - creating innovation-fostering organisational culture 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, and actively encouraging contractors, suppliers and other partners to comply with recognised environmental, anti-corruption and social standards.

A materiality matrix of the impacts of UAB Energy cells, based the results of a survey of stakeholders and of the management:

SUSTAINABILITY MATERIALITY MATRIX




**Sustainability and risk management.** At UAB Energy cells, sustainability principles are integrated into our business processes, and the management of sustainability areas according to competences permeates at 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 the limits of its competences, 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, risks of lack of adequate skills, risks of turnover, risks of motivation, risks of damage caused by natural phenomena, etc. The results of the monitoring of the implementation of the identified risks and the risk management action plan shall be made available on a regular basis to the chief executives of the Group companies, the Boards of directors of the companies and of the Group, and to the audit committee, in accordance with the responsibilities of each of them.

The responsibility for monitoring and coordinating the achievement of the Group's sustainability objectives lies with the Group Sustainability Development Manager. Meanwhile, within the Group companies, the relevant environmental, social and governance objectives are delegated to individual functional units within the EPSO-G Group companies (e.g. environmental, occupational safety, human resources, risk and compliance management, etc.). EPSO-G Group companies with more than 50 employees have delegated individual people responsible for ensuring equal opportunities within the company. Energy cells had fewer people in 2022, so most of the sustainability objectives are ensured at Group level.

EPSO-G Group companies are guided by common Group-wide policies, which regulate uniform management of the environmental, social and governance areas:

- Sustainability Policy
- Health and safety at work
- Equal opportunities policy
- Environmental policy
- Transparency and communications policy
- Anti-corruption policy
- Remuneration, performance appraisal and development policies
- Corporate governance policy
- Procurement policy
- Dividend policy
- Conflict of interests policy
- Guidelines for research and experimental development and innovation activities
- Support policy
- Code of Ethics
- Code of Ethics of Suppliers

EPSO-G Group companies have identified environmental, social and governance risks, based on the nature of their activities, and are implementing measures to monitor and mitigate them. The main risks of Energy cells, their description and management measures are detailed in this annual report.

In 2023, EPSO-G group companies, including Energy cells, plan to carry out an assessment of the transition and physical risks associated with climate change, taking into account the future climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC), and to develop measures and indicators to manage these risks and integrate the management of such risk factors into the governance of the Group and the individual companies. Having identified and assessed the risks related to climate change, EPSO-G and its group companies, including Energy cells, anticipate reporting in line with the international recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

### 1. Environmental protection area

In the environmental area, Energy cells has the ultimate goal of enabling climate-neutral energy, while also reducing the environmental impacts and greenhouse gas emissions from its operations. In 2021, EPSO-G Group companies, including Energy cells, committed in an environmental policy approved by the Board of Directors to monitor the environmental impact of their activities, and to implement modern technologies and measures to reduce their 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.) and to ensure that they comply with the requirements of these systems.

All EPSO-G Group companies, including Energy cells, have a goal of zero tolerance to environmental pollution and zero environmental incidents. It also aims to oblige contractors and other business partners to take responsibility for the environmental impact of their activities and to strive to reduce it.

The implementation of the environmental policy is the responsibility of EPSO-G's corporate managers and functional mentors for environmental issues, who ensure that environmental aspects are identified in a timely manner, environmental objectives are set, plans are drawn up, targets are set for environmental improvement and sufficient resources are allocated to their implementation, and the results are monitored periodically, and the processes, technologies and working methods used are audited.

During 2022, Energy Cells had no record of any breaches of environmental legislation 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.

#### 1.1. Mitigating climate change and reduction of GHG emissions

In 2022, Energy cells carried out an inventory of greenhouse gas (GHG) emissions according to the methodology of the international GHG Protocol. As part of the inventory the Company assessed direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions resulting from the activities and impacts of the Group's companies. The Scope 2 emissions are computed following the market-based approach.

| **Source and scope of the emissions** | 2022 | 2030 Target |
|---|---|---|
| **Scope 1 emissions (Scope 1), tCO2e** | 6,060.53 | |
| **Scope 2 emissions (Scope 2), tCO2e** | 259.79 | |
| **Scope 1 and Scope 2 emissions,.tCO2e** | 6,320.32 | The target will be defined once Energy cells launches its operating activities |
| **Change as compared to the base year, %** | - | -66% |
| **GHG intensity (emissions per unit of group income in tCO2e/million euros)** | | - |

UAB Energy cells has been included in the inventory of GHG emissions from the Group's operations for the first time. Although the company completed the installation of the battery park system in 2022, the equipment is still being tested, so Energy cells' GHG inventory does not fully reflect the emissions that the company's direct operations may generate.

**1.2. Preserving biodiversity and ecosystems**. Energy cells did not carry out an environmental impact assessment procedure or analysis for the installation of the energy storage system, as the energy storage was installed in existing electricity 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 sub-legislative legal acts based on Directive 2011/92/EU.

No significant adverse effects on any protected animal, bird or plant species were recorded in 2022.

**1.3. Sustainable and efficient use of resources in operations**. Energy cells aims to create an organisational culture based on a philosophy of conservation of nature and other resources. As part of the Group's environmental policy, EPSO-G companies are committed to using certified green electricity in their administrative activities to expand the use of renewable energy sources to meet the technological energy needs of the transmission network infrastructure, to prioritise and expand the use of clean transport, and to consistently reduce the use of polluting fuels and energy efficiency measures.

**Actions and initiatives** In 2022, Energy cells switched to using green energy in its administrative activities - in premises where the company has a direct choice of supplier, or where the owners of the rented building make it possible to use green energy.

| | **2022** |
|---|---|
| Electric energy consumed in Energy cells | 3924 kWh |
| Heat energy consumed in Energy cells | 5260 kWh |
| Energy intensity per unit of income | - |

**1.4. Waste reduction, responsible waste management.** Energy cells is guided by the principles of pollution prevention and seeks to reduce the amount of waste generated in its operations and to ensure safe and responsible waste management.

Energy cells has drawn up and put in place waste management plans and implements them in accordance with the current Environmental Performance Scheme. Energy cells has entrusted the sorting and treatment of hazardous and non-hazardous waste generated by its activities to contractors with the necessary permits and waste management contracts. Companies also keep records of the waste generated by their operations that has value (is suitable for reuse or recycling) and pass it on to the relevant waste managers or companies purchasing such waste. Hazardous waste is sorted separately by type of waste and stored in containers labelled to protect it from the environment before it is taken away.

| | **2022** |
|---|---|
| Hazardous waste, tons | 0* |
| Non-hazardous waste, tons | 0* |
| Paper, glass, plastic, t | N/A |

* Energy cells had not started operations in 2022 and had not taken over the operation of the energy storage battery fleet from the contractor.

**2. Social area.** UAB Energy cells aims to create a socially progressive, sustainable organisation 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 the local communities and ensuring customer satisfaction with the services provided. Energy cells aims to become an organisation that is perceived by the majority of suppliers, producers, consumers, employees, communities and other stakeholders as a sustainable organisation.

On 31 December 2022, the Group had 44 employees (20 employees in 2020). Some of the employees were working on a part-time basis.

| Employee groups | Total employees at the end of the period | | Average monthly salary (including the variable part) |
|---|---|---|---|
| | 2022 | Males / females | 2022 |
| General Manager (CEO) | 1 | 1/0 | 9,541 |
| Middle and lower-level managers | 3 | 2/1 | 5,572 |
| Experts – specialists | 40 | 38/2 | 3,174 |
| Total employees | 44 | 44 | 4,157 |

Age distribution of employees in the Energy cells group as on 31 December 2022

| Age, year | <20-30 | 30-50 | >50 |
|---|---|---|---|
| Share of Energy cells Group employees | 4 | 29 | 11 |

**2.1. Ensuring human rights and equal opportunities for employees.** Energy cells aims to actively contribute to the implementation of the human rights and equal opportunities goals of the United Nations' 2030 Agenda for Sustainable Development and the equal opportunities commitments provided in national laws.

UAB Energy cells prohibits any form of discrimination, and does not tolerate any form of mobbing, psychological violence, bullying or abuse of position. The company respects and protects the rights of every employee, treats them with respect and fairness, provides safe and secure working conditions that are appropriate to their needs, promotes their personal and professional development, and does not discriminate against them.

UAB Energy cells allows you to report possible cases of discrimination both anonymously, especially in cases where identification is not necessary to investigate the report, as well as by disclosing your identity.

All reports received are recorded in logs and must be investigated. The investigation shall be carried out within the shortest possible time, but not more than 30 calendar days from the date of receipt of the report, with the possibility of an extension of another 30 calendar days. The findings of the Commission of Inquiry are submitted to the Head of the Commission, who shall decide whether to open an investigation into the breach of labour law or to take any other measures that may be necessary. The persons concerned (the victim and the complainant) 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 |
|---|---|
| Reports received through helpline channels about possible cases of discrimination, mobbing at work or human rights violations | 0 |
| Examination of the reports received through helpline channels about possible cases of discrimination, mobbing at work or human rights violations | 0 |
| Confirmed cases of discrimination, mobbing at work and human rights violations | 0 |

**Actions and initiatives**. In 2022, Energy cells joined EPSO-G's updated Group Equal Opportunities Policy and adopted a new procedure to prevent discrimination, violence, harassment and sexual harassment. The policy describes possible forms of violence, discrimination, harassment and sexual harassment, how to identify and prevent them, as well as the procedures for reporting and dealing with possible inappropriate behaviour observed or actually experienced. The procedure provides for measures to protect whistle-blowers and victims and forms of assistance to them.

From 2022, employees of EPSO-G Group companies, including Energy cells, can report possible human rights violations or cases of discrimination through a dedicated helpline channel: by email, by phone, or by filling in a reporting form on the Energy cells website. Such reports may be also submitted anonymously.

In December 2022, EPSO-G group companies, excluding Litgrid, carried out an equal opportunities survey, which was implemented according to the methodology developed by the Office of the Ombudsman for Equal Opportunities. 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 six Energy Cells employees took part in the equal opportunities survey.

Based on the results of the survey, individual Equal Opportunities Plans are scheduled to be drawn up for each Company group in 2023.

**2.2. Professional development of the employees.** Energy cells consistently encourages and creates opportunities for employees to develop their skills and qualifications. The aim is to develop employees' professional (functional) and generic (values-based) competences.

Employee development at Energy Cells, like at other EPSO-G Group companies, is based on the 70-20-10 principle, according to which 70% of development, improvement and learning activities are carried out through the employee's work experience, 20% through communication and collaboration with colleagues and managers with different experiences and competences, and 10% through structured training events.

Employee development activities are planned consistently in line with the company's strategy, values, performance appraisal, competency model, shift planning and assessment of professional and technical skills.

Energy cells' staff performance is evaluated twice a year against pre-set targets. An annual performance appraisal held once a year, in which the employee and supervisor discuss and evaluate the achievement of the employee's annual objectives, competencies, and the supervisor determines the employee's overall the overall result of the performance appraisal. Semi-annual performance evaluations, which assess the results achieved by the staff during the implementation of projects or phases of projects, based on the indicators set, and update and adjust annual targets.

Performance and career reviews are carried out at least once a year for full-time Energy cells employees.

**2.3. Well-being, remuneration and job satisfaction.** The EPSO-G group of companies, of which Energy cells is a part, is building an open, progressive and sustainable organisation, where there is a professional partnership between employer and employees, where every employee has the opportunity for self-fulfilment, grows with the organisation, and is able to take responsibility for his or her own decisions and actions.

Energy cells manages its payroll budget responsibly as to ensure efficiency and optimum operating costs. Employees are paid a performance-related salary, as well as incentives for achieving targets that require extra effort. Energy cells also provides employees with health and social care and welfare benefits.

Energy cells 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 design motivational incentives so 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 managers and staff was therefore made up of two components - fixed and variable. The fixed share depends on the level of responsibility of the post, which is determined according to a methodology used in international practice. The variable remuneration is paid when the individual targets set in the annual appraisal are achieved and the company reports to the shareholder and the Board on the achievement of the Company's annual targets.

Eleven Energy cells employees are granted additional financial and non-financial benefits. The remaining employees do not benefit from the additional benefits as they work part-time and their main job is with Litgrid or EPSO-G, where they are entitled to all the financial and non-financial benefits applicable in these group companies. Energy cells employees in 2022 received on average EUR 9,000 worth of fringe benefits.

Energy cells does not have a trade union, nor does it have a works council.

**2.4. Health and safety at work.** One of the key strengths of the EPSO-G Group as a whole and of each of its companies, including Energy cells, 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 of its companies, including Energy cells, and for the maintenance of an excellent business reputation.

The Occupational Safety and Health Policy adopted by EPSO-G's Board of Directors, to which Energy cells has signed up and which applies to all the Group's companies, sets out the objective of providing employees with safe and healthy working conditions in their workplaces, to prevent work-related injuries and occupational diseases, and to create a company-wide culture of fostering safe and healthy working environments, with the obligation for each employee to strive for, and to make a contribution towards achieving this.

| | **2022** | | |
|---|---|---|---|
| | Minor accidents, pcs. | Severe accidents pcs. | Lethal accidents pcs. |
| „Energy cells" Group companies | 0 | 0 | 0 |
| At contractor and subcontractor companies | 1 | 0 | 0 |

Every year, EPSO-G Group companies, including Energy cells, strive to ensure that no serious or fatal accident occurs in the course of their activities, either among the company's employees or among the contractors and subcontractors hired for the work. 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 raising the competences of their employees in occupational safety. This includes mandatory briefings for both employees and contractors, as well as 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 in the Group's companies.

**2.5. Dialogue and involvement of local communities.** Energy cells aims to build open, transparent and socially responsible relationships with communities. Communities and municipal representatives were informed in advance about the project in their neighbourhood and its significance and purpose. The project was designed to minimise inconvenience to residents as a result of the works, and to plan the routes and timing of heavy transport movements accordingly, in order to preserve the peace of mind of residents during their leisure time.

In 2022, Energy cells in Vilnius, Šiauliai, Alytus and Utena initiated a project presentation to municipalities and local communities before installing energy storage battery parks. The communities of Alytus and Vilnius were given a lot of

attention. In Alytus, meetings with the communities have focused on listening to the communities' comments on the existing noise from Litgrid's substation and have paid more attention to the presentation of noise abatement measures and to answering the community's questions.

Four remote meetings were organised in Vilnius, involving representatives of Vilnius City Municipality. The meetings included a presentation of the energy storage system project and its potential impact on the surrounding communities. On the initiative of Energy cells, a joint Litgrid-Energy cells working group was set up on the nearby Vilnius transformer substation to respond to residents' complaints about noise from the Litgrid substation. The Task Force agreed with the community representatives to carry out up to 10 additional noise measurements at the addresses indicated by the residents, where the residents perceive the noise to be the most audible, and at a time of the residents' choice, as it has been indicated that the noise level is variable and it is not effective to measure when there is no noise. In 2023, the measurements are planned to continue, and the National Public Health Centre will reassess the need for noise mitigation measures if the allowed noise levels are exceeded.

UAB Energy cells, taking into account the current situation and the experience of the communities of the energy storage system in the Vilnius Battery Park, as a precautionary measure, has set stricter requirements than recommended and has built acoustic walls around the battery parks to ensure that the sound from the devices does not exceed 41 db. The same requirements for noise abatement measures apply to the other three battery parks.

**2.6. Transparent governance and building an anti-corruption environment.** UAB Energy cells is implementing a strategic project that is being monitored by the international energy community. The success of the project depends on the understanding, trust and support of the shareholder, the partners, the controlling and regulatory authorities and the Lithuanian people. This is why UAB Energy cells also focuses on overseeing procurement processes and preventing corruption.

UAB Energy cells has consistently complied with the requirements of the Law on the Harmonisation of Public and Private Interests, which requires managers 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 collective bodies of the EPSO-G group of companies, managers and employees, to which Energy cells has also subscribed.

During the reporting period, Energy Cells has consistently and systematically pursued its commitment not to tolerate corruption, patronage of family members, relatives, friends or any other forms of trading in influence, and to consistently and systematically implement the prevention of conflicts of interest between the company and its private interests. The Group companies encourage employees and other Interest Holders to report directly or anonymously, without fear of negative consequences, possible violations, unethical or dishonest 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** |
|---|---|
| Share of Energy cells executives familiar with the anti-corruption policy | 100% |
| Share of Energy cells employees familiar with the anti-corruption policy | 100% |

In December 2022, a corruption perception survey was carried out among employees of EPSO-G group companies, including Energy cells. The report is contained in EPSO-G's 2022 Annual Report.

**2.7. Cybersecurity and data protection.** EPSO-G group companies, including Energy cells, regularly draw up, update and assess lists of critical information infrastructures, and carry out their assessment.

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'

| | **2022** |
|---|---|
| Completed preventive training on cybersecurity | Six social engineering tests |

readiness to identify false messages aimed at extracting sensitive information

**2.8. Sustainable supply chain management.** The success of Energy Cells' operations and the success of the Energy Storage System project depends on transparent and fair procurement of goods, services and works.

Green procurement criteria have been integrated into the updated procurement policy of the EPSO-G Group, which Energy cells has joined. EPSO-G Group companies are committed to reducing their environmental impact and are therefore committed to giving priority to green procurement. The Group has committed to achieve that:

- at least 10% of green purchases between 1 July 2021 and the end of 2021.
- at least 50% of green purchases in 2022.
- at least 100% of green purchases - every year from 2023.

| | **Results 2022** | **Objective 2023** |
|---|---|---|
| Value of Energy cells purchases attributable to green procurement | 76% | 100% |

**Actions and initiatives.** In 2022, EPSO-G's Board of Directors approved the Supplier Code of Conduct for the Group's companies, including Energy cells. On the basis of the Code, all Group companies will start assessing the environmental, responsible employment, anti-corruption and human rights practices of suppliers involved in public procurement from 2023. The requirement to comply with the Code of Conduct for Suppliers is primarily aimed at promoting the advancement of suppliers operating 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 involved in public procurement by the EPSO-G group of companies, including Energy cells, will have to commit to follow the provisions of the Supplier Code of Conduct. As part of the monitoring of compliance with the Code, EPSO-G companies, including Energy Cells, will invite suppliers to provide information on their value chain and operating geography, policies, employment, anti-corruption and environmental practices. Suppliers and their employees will also have the opportunity to report behaviour that violates the Code through the helpline channels.

From 2023, all suppliers participating in Energy Cells' public procurement will be assessed against social, environmental and anti-corruption criteria.

The Code of Conduct of Suppliers 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.