ENERGY CELLS REPORT FOR 2023

UAB ENERGY CELLS REPORT AND FINANCIAL STATEMENTS FOR THE YEAR 2023 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT AND ANNUAL REPORT.

Rimvydas Štilinis

Chief Executive Officer

Žydrūnas Augutis

UAB EPSO-G CFO acting under the power of attorney No. 23J-14 issued on 22 November 2023

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CHAIRMAN'S STATEMENT

One of the most important events in the energy sector in 2023 was the agreement between the Baltic TSOs and the Heads of Government of all three countries to exit from the BRELL ring together in February 2025. At the time of publication of this review of 2023, Lithuania's historic energy independence would be less than a year away. Less than a year before we exit the energy ring we shared with the aggressor. The entire European energy community is waiting for this move, for this change, and is watching with rapt attention.

The role of Energy Cells, the energy storage facilities system operator, is crucial during this transitional period. Energy Cells provides the service ensuring isolated operation of the power system to secure the uninterrupted and stable operation of the transmission system until the exit from the BRELL. Also, the system of battery parks will contribute to the smooth and secure operation of Lithuania's energy system, both at the time of connection to the continental European network and until the synchronisation programme projects are fully implemented.

The pan-European importance of these objectives is highlighted by European Union's financial contribution to the project. Energy Cells has been granted EUR 87.6 million to install the energy storage facility system under the main "NextGenerationEU" plan of the EU's recovery and resilience facility (RRF) "Next Generation Lithuania".

Energy Cells has been providing the service for ensuring operation of the instantaneous isolated power system's reserve at a total planned capacity of 200 MW since October 2023, which allows for a safer, more secure disconnection from the BRELL ring. And not only this. Back in 2021, when we launched the 200 MW energy storage system project, we set out to make the country's energy system more secure. Today, we see that the first battery parks in the Baltics and the largest, and already-functioning energy storage system in Europe have demonstrated, once again, the excellence, ambition and courage of our country's energy sector. The implementation of the strategic Energy Cells' project set the foundations for the development of the energy storage sector.

I am also thankful to the Energy Cells' team, as well as the people of EPSO-G, Litgrid and other companies, and authorities who contributed to the project. Lithuania has a storage system that other countries are still planning, so let's be proud to be Lithuanians and energy professionals.

Energy Cells – Chair of the Board
Paulius Butkus

CEO'S STATEMENT

We have been working towards this goal since the Company was founded in 2021, so we estimate that the project was completed in 34 months. In terms of the scale of the project, we were working to very tight deadlines, but with a common understanding of the cause, especially in the wake of war in Ukraine. The security of Lithuania's energy system had to be strengthened very quickly.

Looking back at the last year, it is also vital to mention our country's 10-hour energy independence, when in April 2023, the battery energy storage system park in Utena successfully passed Litgrid's isolated operation test of the Lithuanian electricity system. We got some relief. The battery park in Utena demonstrated its capabilities in both feeding energy into the network and storing it. For the first time in the history of an independent country, the balance and frequency of the electricity system was managed solely by Litgrid's dispatchers. This is one of the most important steps in the preparation for the synchronisation of the electricity system with the Continental European network.

In August 2023, the battery park in Utena officially launched the isolated operating reserve service, and in September, the battery parks Šiauliai and Alytus were already running the service necessary for the energy system's security. Since 6 October, we have been providing the service at a total capacity of 200 MW. On 18 October, together with Prime Minister Ingrida Šimonytė, Minister of Energy Dainius Kreivys, Head of the European Commission's Representation in Lithuania Marius Vaščega, Head of EPSO-G Mindaugas Keizeris, the project partners and contractors, we officially announced the successful completion of the project and the launch of the service. At the same time, we became the operator of what is currently the largest storage system in Europe.

This symbolic press of the start button was the culmination of almost three years of intense work, complex and important decisions, and resolved challenges of the entire Energy Cells team. I am grateful that we have been through this together and I am proud of you.

And we're not stopping now. With the approval of the National Energy Regulatory Council (NERC), we have launched additional functionality to optimise the technological losses incurred by the transmission system operator Litgrid. We will continue operation testing with Litgrid to ensure a smooth connection with CEN and the reliable, secure and independent operation of the Lithuanian energy system.

Once again, I thank everyone who contributed to the successful installation of the storage system and wish us all to mobilise and succeed in achieving Lithuania's energy independence.

CEO of Energy Cells
Rimvydas Štilinis

ENERGY CELLS UAB ANNUAL REPORT FOR 2023

1 General information about the Company

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

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

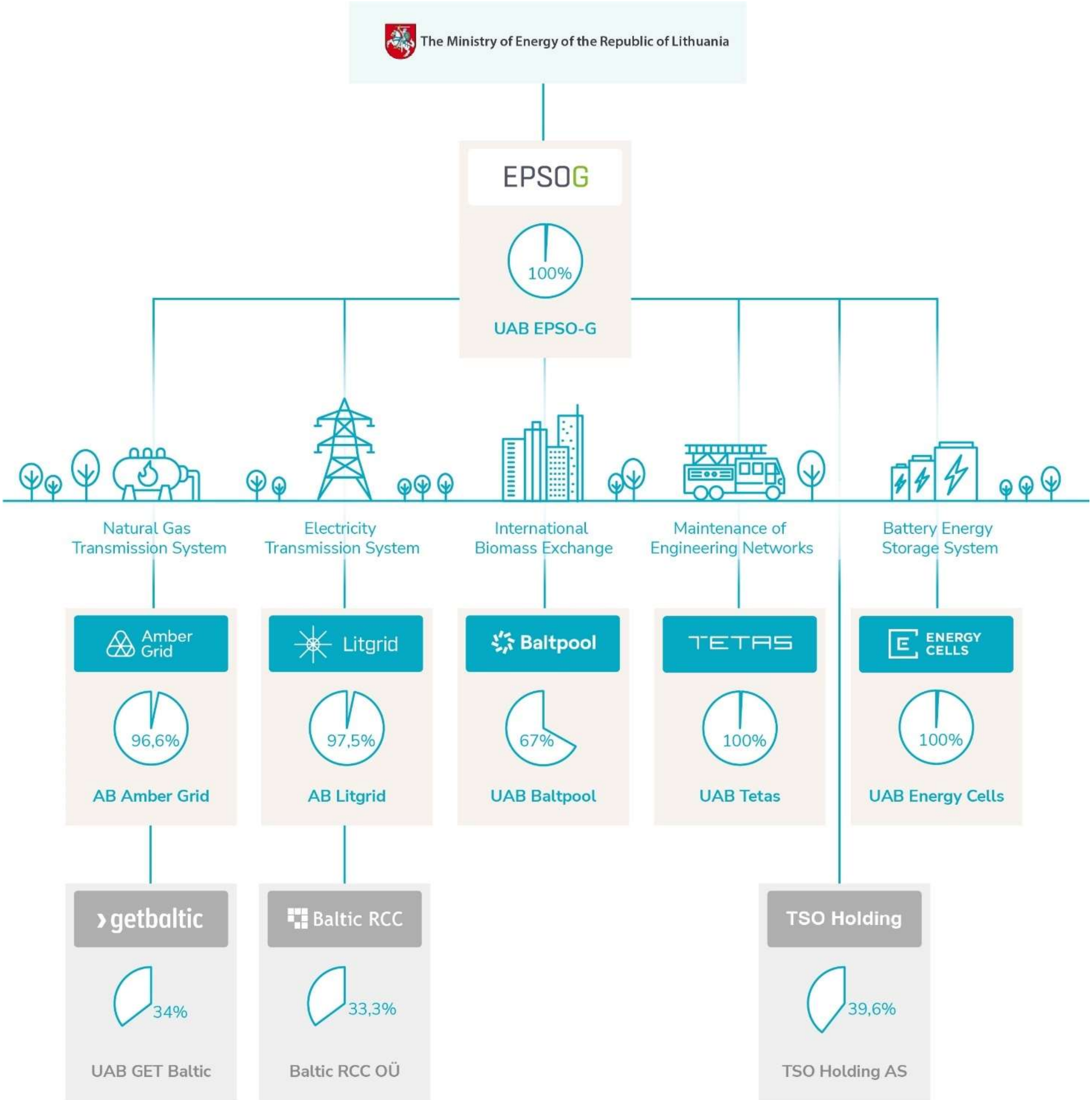
Additionally, Energy Cells carries out the function of reducing the cost of technological losses incurred by Litgrid, the transmission system operator, as provided for in the Law on Interconnection of the Electricity System of the Republic of Lithuania with the continental European networks for Operation in Synchronous Mode of the Republic of Lithuania (hereinafter the "Law on Synchronisation of the Republic of Lithuania").

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

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

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

1.1 Structure of the EPSO-G Group



1.2 The Company's contact details

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

1.3 Company's activities and business (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 system[1] 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 and allowed return on investments, 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 on business (operating) model

In accordance with Article 6 of the Law on Synchronisation of the Republic of Lithuania, the Company, as DSSO, before synchronisation with CEN, must provide the transmission system operator (TSO) with an isolated working reserve service and the function of reducing the cost of technological losses incurred by TSO (which is part of the IOR service and the functionality of the Battery Energy Storage System (BESS)), provide other non-frequency regulation ancillary services necessary to ensure the security of the Lithuanian Energy System (LES), other than related to frequency regulation, aimed at the implementation of the objectives of the Law on Synchronisation of the Republic of Lithuania, when TSO cannot purchase such services from electricity market participants.

After the completion of the CEN synchronisation project, the activity will become non-regulated as the Company’s facilities will have to be transferred/sold (upon receipt of a qualifying offer(s)) from persons operating under market conditions to operate under market conditions).

During the period of provision of the isolated operation reserve service, performance of TSO’s technological loss mitigation function and provision of other non-frequency regulation ancillary services necessary to ensure the security of LES, the costs incurred by the DSSO, including the return on investment, are included in the prices of the regulated services based on the procedure laid down by NERC (Article 12(4) of the Law on Synchronisation), i.e. the isolated operation reserve service and its price is determined on the basis of the NERC’s Methodology for Pricing of Electricity, Reserve Capacity, Isolated Power System Operation and Prevention or Remediation of a Total Power System Accident, and the Service Ensuring Isolated Operation of the Power System[2]

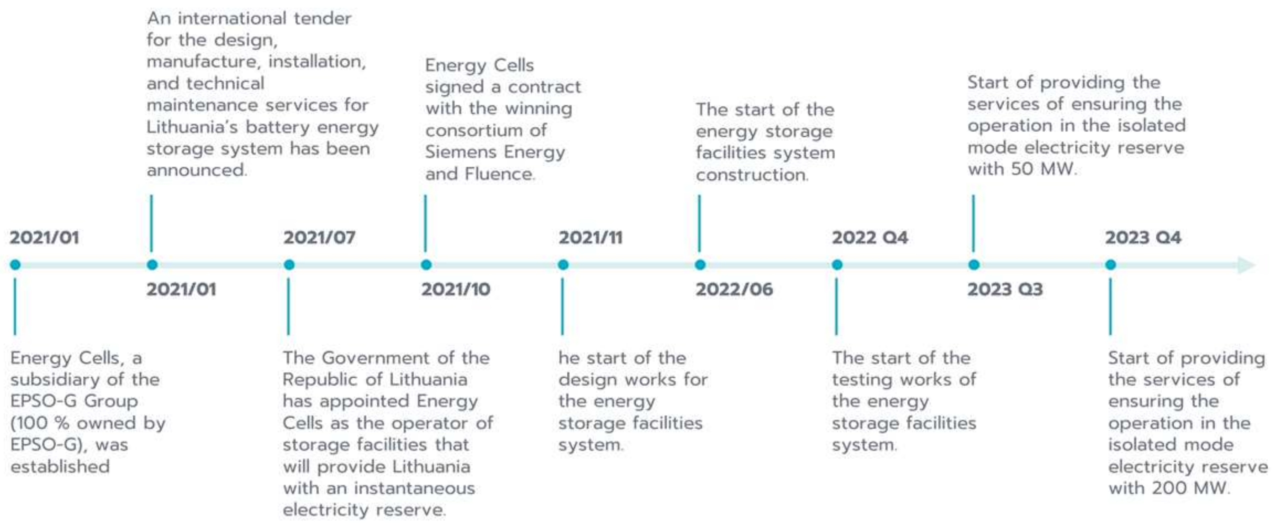
[1] *Article 2(5) of the Law on Interconnection of the Electricity System of the Republic of Lithuania with the continental European networks for Operation in Synchronous Mode of the Republic of Lithuania: Isolated operation of a power system - operation of a power system in isolation from the power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

[2] *Section V1 of the NERC’s methodology.*

(hereinafter the "NERC Methodology"). These prices form part of the price of the ancillary services (referred to as the "systemic" services up to the end of 2021) provided to TSO.[3]

In accordance with the NERC's Methodology, the Company's isolated operating reserve service is subject to a price cap mechanism. The price cap, which is set annually for the year by NERC, is equal to the relationship between the level of allowed revenue of Energy Cells (the projected annual depreciation expenses, the return on investment (ROI) (calculated as the product between the value of the Company's Regulated Assets (RAB) and the annual rate of return on investment (ROI) determined for the Company in accordance with NERC's methodology for determining the rate of return on investment, corresponding to the weighted average cost of capital (WACC, %)) the amount of operating costs, including technology costs, and the planned services to be provided per year. Actual tolerable deviations of the Company's revenues, expenses, return on investment from the rates set by NERC will be compensated by NERC, when determining PCM for the next year. This regulatory regime ensures that Energy Cells does not incur losses or earn unjustified revenue from its activities until the end of the synchronisation with CEN project.

Progress of the electricity storage project



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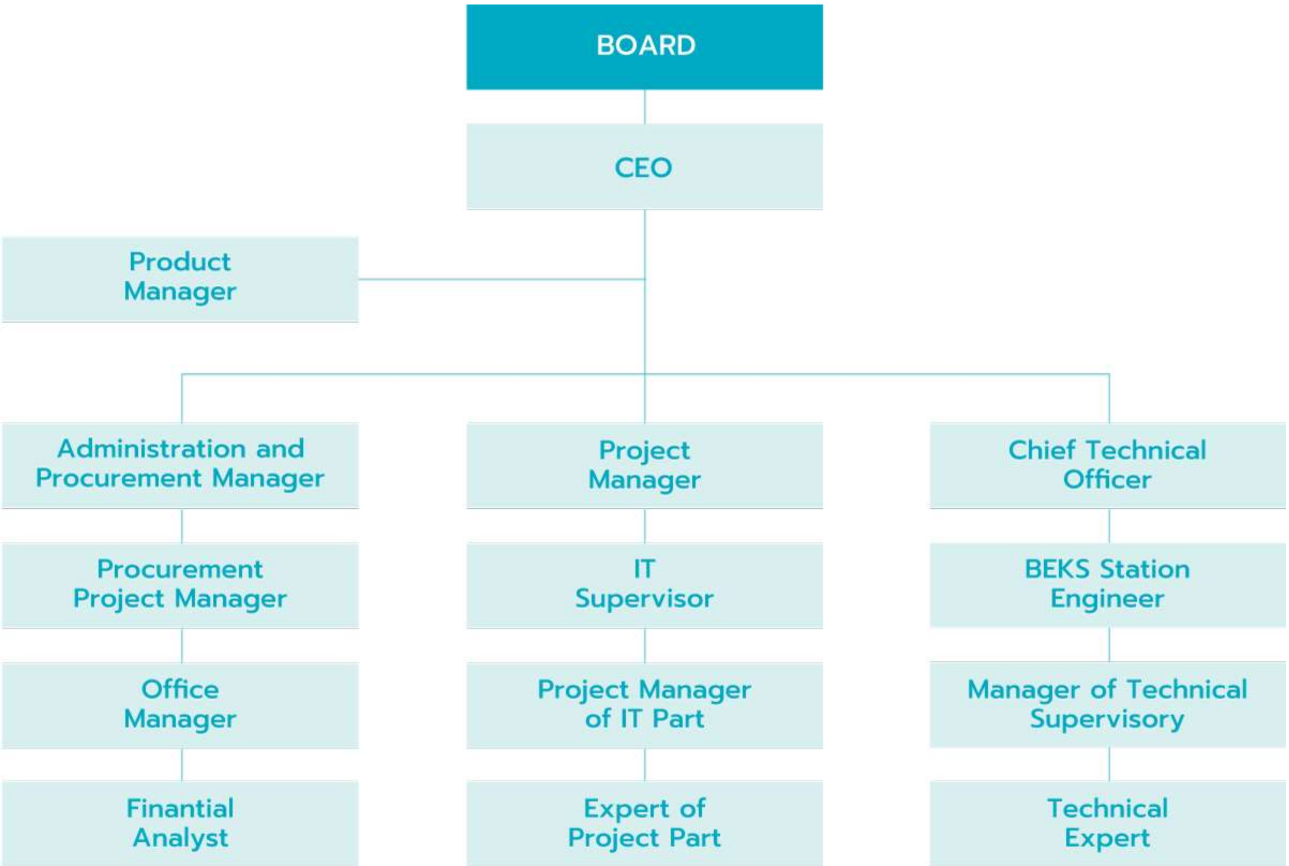
[3] *Article 13(41) of the Law on Synchronisation of the Republic of Lithuania, Paragraph 2 of the NERC's Methodology for Pricing Ancillary Services Acquisition Component to the Transmission Service.*

1.4 Organisational structure



* Finance management and accounting services are provided in line with the agreement with EPSO-G.

1.5 Business strategy, objectives, vision, mission and values

The Company's strategy was prepared on the basis of the Guidelines for the Evaluation of Draft Strategic Business Plans of State-Owned Enterprises[4] 2023-2024 issued by the Governance Coordination Centre (GCC), considering the exemptions applicable to small and micro-subsidiaries. It is provided that the strategy of such vehicles may be narrower in scope (abridged version), i.e. exclude the environmental impact analysis (including internal and internal factors), the SWOT analysis of the competitive environment. Consequently, at the end of 2021, the Company prepared an abridged version of the strategy[5], which was updated in Q4 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. Given the installation of the 200 MW and 200 MWh system in 2023, and based on the most resent information and the possible strategic directions of the Company, the strategy was updated in Q4 2023, coordinated with GCC, and approved by a decision of the Board of the Company on 8 January 2024 (hereinafter referred to as the "Company Strategy").

To reflect the most important aspects of the Company's activities, the strategic objectives and related tasks have been developed in line with the law governing the process of synchronization

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[4] *Accessible here.*

[5] *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.*

with CEN (the Law on Interconnection of the Electricity System of the Republic of Lithuania with the continental European networks for Operation in Synchronous Mode of the Republic of Lithuania), which reflects the Company's main obligations, the strategy of its parent company, EPSO-G UAB, in ensuring the implementation of the synchronisation with the Continental European network (CEN) (the synchronous connection to CEN and operation in synchronous mode is scheduled for February 2025), to contribute to the development of the EPSO-G Group's value chain, as the implementation of the 200 MW project will help to ensure the provision of reliable Lithuanian energy system services to the electricity consumers in Lithuania, as well as to reflect the ongoing developments in the energy sector, and to meet the expectations of the employees and the customers (the public).

The Company's Strategy sets out the following objectives:

1. To provide TSO with an isolated operation reserve service and the function of reducing the cost of technological losses incurred by TSO.
2. During 2023-2025, to earn a return not lower than the allowed return[6] set under the methodology approved by the National Energy Regulatory Council (the NERC);
3. To ensure effective BESS operation and security on the national level.
4. Following the completion of the synchronization project with the CEN, to transfer (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) (will also depend on the fulfilment/achievement of the 5th objective).
5. To develop/expand battery storage services.
6. To utilise and adapt the operational competences of BESS.
7. To develop the organisation in line with employee and customer (the public) expectations.

It should be noted that, in the context of the implementation of the Law on Synchronisation of the Republic of Lithuania and taking into account the objectives and guidelines of the EPSO-G Group's strategy, the Company may also contribute to other objectives.

For the implementation of seven objectives set in the Company's Strategy, the following tasks were established:

			2022	2023	2024	2025	2026
1 To provide the transmission service operator (TSO) with an isolated operation reserve service and the function	Provision of the isolated operation reserve service	Isolated Operation Reserve (IOR) service is provided in line with the TSO's requirements	-	IOR service provided[7] (beginning – in the course of Q3/Q4)	IOR service provided[7]	IOR service provided[7]	-

[6] *The return on investment allowed by NERC for Energy Cells (according to the NERC methodology, accessible here) in 2023 was 3.99 % (this rate is published on the website of the NERC here),* in 2024, will be 4.97% (this rate is published on the website of the NERC *here).*

[7] *The Synchronisation Law of the Republic of Lithuania (ESC Law) may provide for other obligations to meet the objectives of LESE. The possibility of providing other services is also to be evaluated, insofar as they do not conflict with the obligations imposed.*

of reducing the cost of technological losses incurred by TSO	Ensuring full functionalities of BESS by participating in the optimisation of the costs of TSO's technological losses and/or other functions	Energy Cells's losses incurred due to participation in the optimisation of the costs of TSO's technological losses but not compensated (EUR thousand)[8]	-	0	0	0	-
2 During 2023-2025, to earn a return not lower than the allowed return set under the methodology approved by the NERC		EBITDA[9], EUR million	-0.5	+0.2	≥1.8*	≥3.4*	-
3 Ensuring effective operation and security of BESS facilities on the national level.	Ensuring physical and cyber security and compliance (DSSO act as managers of the Critical Information Infrastructure (CII))	Total critical incidents (according to the Energy Cells security plan)	-	≤1/quarter	≤0.5/quarter	0/quarter	-
		Compliance of the Company's activities with legal requirements related to CII (% of total requirements)	-	-	Yes (≥95%)	Yes (100%)	Yes (100%)
	Ensuring proper condition and efficiency of BESS	Ensuring access to BESS, including scheduled maintenance	-	≥97%			
		Maintaining BESS energy capacity	-	≥200 MWh			
		BESS efficiency	-	≥85%			
4 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 and action plan	Analysis of strategic alternatives completed	-	12-31	-	-	-
		Action plan for alternative activities is developed following the analysis of strategic alternatives and options	-	-	Q2	-	-
	Organising the tender for BESS transfer[10]	Tendering procedure for the transfer of the BESS[10] completed	-	-	-	A more specific date/year and/or need will be known depending on the fulfilment/achievement of the 5th objective[10]	

[8] *In accordance with the Law on Synchronisation of the Republic of Lithuania (LESE).*

[9] *EBITDA: 2022 – actual result; 2023 – expected result; from 2024 onwards – target values. * Regulated activities being assessed*

[10] *Having regard to Article 61(7) of LESE (according to which the Ministry of Energy of the Republic of Lithuania and DSSO ensure that the intended tendering procedure has taken place and the decision regarding the transfer of BESS operated*

	Transfer of the BESS to the winning tenderers[10]	Four BESS transferred to winning tenderers[10]	-	-	-		
5 Development/expansion of battery storage services	Pilot storage projects together with TSO	Number of pilot tests with TSO involving Energy Cells	-	≥1	Conducting tests on demand, and preparing test reports or protocols prepared	On demand (depending on the 2024 result)	-
	Deploying a virtual network (or virtual line)	Participating in/contributing to TSO analysis on the virtual network in cooperation with TSO	-	-	Safeguarding the interests of Energy Cells by developing a virtual network analysis and management model	Developing and agreeing solutions with TSO, making the solution demonstration	If needed, developing an action plan after the demonstration
	Providing the 200 MW storage system services required for synchronisation with CEN	The procedures for the modification (restructuring) of the State aid (SA) have been launched and amendments to legal acts have been initiated to ensure the provision of the 200 MW storage system services required for synchronisation with CEN[11]	-	-	Q2	-	-
		Providing the 200 MW storage system services required for synchronisation with CEN[9]	-	-	-	On demand (will also depend on the fulfilment/achievement of SA task in 2024)	On demand (will also depend on the fulfilment/achievement of SA task in 2024)
6 Utilisation and adaptation of the operational competences of BESS	Competence Centre's Action Plan	Developing and implementing the Action Plan for the Competence Center	-	-	Developing Action Plan on 31/03/2024; Developing Action Plan on 01/09/2024	Carrying out actions under the Action Plan	Carrying out actions under the Action Plan
		Establishing strategic partnerships	-	-	30/06/2024 Signing the 1st Strategic Partnership Agreement	Carrying out actions under the strategic partnership agreement(s)	Carrying out actions under the strategic partnership agreement(s)

by 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 LESE). However, this will also depend on the fulfilment/achievement of the 5th objective and is subject to the adoption and entry into force of the resolution of the Government of the Republic of Lithuania provided for in Article 6(5) of LESE on the revocation of the appointment of DSSO and the decision on the transfer of the BESS operated by DSSO.

[11] *Depending on the EU decisions on the EU Electricity Market Design (EMD) Reform and the adoption (or entry into force) of related legislative amendments and their transposition into Lithuanian legislation.*

7 Development of the organisation in line with employee and customer (the public) expectations	Increasing employee engagement	Increasing employee involvement when the need is identified	*No survey was carried out*	66.7%	≥71%	≥72%	≥72%
	Improving NPS[12]	Carrying out the NPS survey	*No survey was carried out*	*No survey was carried out*	A first-time survey to identify target values and an action plan to increase the NPS score (if necessary)	31/12/2025	-

***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.*

Company's mission: to develop and operate a climate-neutral energy storage system that ensures reliable and stable operation of the Lithuanian energy system.

Company's vision: a leader in energy storage market, contributing to the transformation of the energy sector and the integration of renewable energy sources.

Company's values: professionalism, cooperation, progress.

Achievement of the strategic objectives in 2023 set out in the Company's Activities Strategy:

The table below presents the strategic objectives, targets and their implementation in 2023, as set out in the Company's Activities Strategy approved by the Company's Board in 2023 (up to the updated Company's Strategy for 2024-2026 approved by decision of the Company's Board on 08/01/2024):

Objective	Task	Indicator /units of measure	Target value for the indicator in 2023, as set in the Strategy	Actual indicator achievement in 2023
1 Installation of a battery energy storage system (BESS) in accordance with the requirements laid down by the	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 (CCC) obtained	(until) 31/05/2023	30/05/2023 - date of issue of the most recent CCC (Vilnius BESS) (100% IMPLEMENTATION)
		BESS efficiency	≥85%	≥85% (100% IMPLEMENTATION)

[12] *NPS is a well-regarded and widely-used global index for monitoring customer and employee satisfaction.*

Government of the Republic of Lithuania		The relevant document received from NERC authorising the operation of the BESS	(until) 16/10/2023*	05/10/2023 - date of issue of the latest NERC's permission to generate electricity from the energy storage facilities (Vilniaus BESS)** (100% IMPLEMENTATION)
	Ensuring full functionalities of BESS	BESS technical functionalities (FCR, aFRR, mFRR, RR, EPC, FFR, voltage control, "Black Start", synthetic inertia function)	(until) 16/10/2023*	05/10/2023 - date of issue of the latest NERC's permission to generate electricity from the energy storage facilities (Vilniaus BESS)*** (100% IMPLEMENTATION)
2 To provide the isolated operation reserve service to the transmission system operator	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 (beginning – in the course of Q3)*	IOR service provided (beginning – in the course of Q3) (100% IMPLEMENTATION)*
3 During 2023-2025, to earn a return not lower than the allowed return set under the methodology approved by the NERC		EBITDA, EUR million	+1.3	+0.809 (PARTIAL IMPLEMENTATION - 62%)****
4 Ensuring the BESS operation security on the national level	Ensuring physical and cyber security	Total critical incidents (according to the Energy Cells security plan)	≤1/quarter	0/quarter, 0/year (100% IMPLEMENTATION)
	Ensuring (BESS) proper condition	Preparedness of the BESS	≥97%	≥97%
		Maintaining BESS energy capacity	≥200 MWh	≥200 MWh (100% IMPLEMENTATION)
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	(until) 31/12/2023	16/11/2023 (100% IMPLEMENTATION)

** According to Order No 1-247 of the Minister of Energy of 26/07/2023 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. The Strategy approved by the Company's Board on 11/01/2023 provides for an earlier implementation on the basis of the version of the said Order valid at that date.
*** issued to Utena BESS on 30/06/2023, Alytus BESS on 22/09/2023, Šiauliai BESS 22/09/2023, and Vilnius BESS on 05/10/2023. NERCS permission were obtained, respectively, on 29/06/2023, 21/09/2023, 21/09/2023 and 05/10/2023.*
**** NERC's permission to generate electricity from energy storage facilities proves BESS compliance with technical requirements, as these permits are only granted after NERC has issued certificates of inspection of the technical condition of the energy storage facilities (that BESS facilities are in compliance with the design of the structures/facilities, the technical specifications for connection of the electricity TSOs, and the requirements of the regulatory legislation, as well as that BESS facilities can be used as intended).*
***** Taking into account that the Company launched an isolated operating reserve service in Q3 2023 (pro-rata deduction).*

Achievement of performance objectives in 2023:

The Company's Board has set the following performance objectives for the Company for 2023:

No	Annual objective	Target values for the indicator	Achievement weight (%)	Achievement score (%)
1	To install the 200 MW battery energy storage system	Implementation of the 200 MW battery energy storage system project in accordance with the provisions of the FIDIC contract of 14/10/2021	35	31.83
2	To run the 200 MW battery energy storage system	Operation of the 200 MW battery system	35	35.00
3	To start preparations for the transfer of the battery energy storage system and the implementation of lessons learnt	Carrying out preparatory work	30	28.50

The Company's manager reports to the Company's Board on the achievement of the set objectives. The objectives set for the Company are identical to those of the Company's manager. The Board of the Company annually assesses the progress achieved in respect of the implementation of the objectives.

Based on the Board's assessment of 28/02/2024, the objectives set for the Company for 2023 were achieved at 95.33%.

1.6 Services provided by the Company

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

Also, in accordance with the amendments to the Law on Synchronisation of the Republic of Lithuania[13] adopted on 27 April 2023, must ensure the function of reducing the cost of technological losses incurred by TSO (which is part of IOR service and BESS functionality), provide other non-frequency regulation ancillary services necessary to ensure the security of the Lithuanian Energy System (LES), other than related to frequency regulation, aimed at the implementation of the objectives of the Law on Synchronisation of the Republic of Lithuania, when TSO cannot purchase such services from electricity market participants.

[13] *Amendments to the Law on Synchronisation of the Republic of Lithuania of 27/04/2023 are accessible here.*

In the context of the ongoing update of the EPSO-G Group's Strategy to meet the objectives of Lithuania's energy system transformation and vision to 2050[14], during 2024, the potential for the provision of other services, activities or functionalities will be explored to the extent that they do not conflict with legal obligations.

1.7 Most significant events in 2023

- On 30/03/2023, NERC issued four permits of unlimited duration to Energy Cells to develop energy storage capacity for each of the battery parks in Utena, Šiauliai, Alytus and Vilnius (with a capacity of 50 MW and power of 50 MWh each);
- On 01/04/2023, Viktoras Baltuškonis resigned as a member of the Board of Energy Cells;
- On 16/05/2023, Paulius Butkus was elected a chair of the Board of Energy Cells;
- On 30/06/2023, 22/09/2023, 22/09/2023 and 05/10/2023, respectively, NERC issued four permits of unlimited duration to Energy Cells for the generation of electricity from energy storage facilities in Utena, Šiauliai, Alytus and Vilnius battery parks (the park's installed capacity, the permitted generation capacity and the permitted power of 50 MW each). The permits were issued on the basis of permits to develop energy storage capacity issued by NERC on 30/03/2023;
- On 24/11/2023, on the basis of NERC's certificate No O5E-997 of 20/11/2023 Concerning Energy Cells UAB[15], NERC approved the level of allowed revenue of EUR 7.37 million and the price cap of EUR 4.19/MW/hour (excl. VAT) for Energy Cells for 2024. In 2023, the level of allowed revenue and the price cap were set at EUR 8.37 million and EUR 4.78/MW/hour (excluding VAT), respectively. The main reason for the decrease in the price cap is the projected lower costs related to the purchase of electricity (EUR 1.03 million in 2024, EUR 3.03 million in 2023).

1.8 Events after the end of the reporting period

On 8 January 2024, the Company's updated operations strategy for 2024-2026 was approved.

[14] *The Lithuania's energy vision to 2050 is accessible here.*

[15] *NERC's certificate No O5E-997 of 20/11/2023 is accessible here.*

ENERGY CELLS

FINANCIAL INFORMATION

2 Financial information

The Company's revenue in 2023 totalled EUR 2,717 thousand (2022: EUR 93 thousand). From August 2023, the Company started generating revenue from the isolated operation reserve service. In 2023, the Company earned EUR 2,330 thousand from this service, which accounted for 86% of the total revenue for the reporting period. The Company incurred operating costs of EUR 1,909 thousand in 2023 (2022: EUR 611 thousand), the increase of which was caused by the isolated operation reserve service which was only fully operational from the beginning of October 2023. Net profit for the period amounted to EUR 143 thousand (in 2022, the Company reported a EUR 509 thousand loss).

Key performance indicators of Energy Cells:

	2023	2022	CHANGE		2021
			+/-	%	
Revenue	2,717	93	2,624	2,822 %	0
Operating expenses	1,909	611	1,298	213%	334
EBITDA[1]	809	-518	1,327	-256%	-334
Net profit	143	-509	652	-128%	-305
Assets[2]	29,816	39,399	-9,584	-24%	10,178
Current liquidity ratio	0.48	0.80	-	-	-
Net debt[3]	13,910	2,920	10,989	376%	7,046

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

[2] Current liquidity ratio = total current assets/total current liabilities

[3] Net debt = long-term financial debt + short-term financial debt + lease liabilities - cash and cash equivalents.

The Company did not assess the reasons for the variation in its financial indicators, as a revenue-generating isolated operating reserve service was launched only in Q3 2023 (did not assess profitability and turnover rates).

Statement of financial position of Energy Cells (EUR thousand):

	2023	2022	CHANGE		2021
			+/-	%	
Non-current assets	16,497	11,006	5,491	50%	9,296
Current assets	13,319	28,393	-15,074	-53%	882
TOTAL ASSETS	29,816	39,399	-9,583	-24%	10,178
Equity	1,704	1,561	143	9%	2,070
Payables and liabilities	28,112	37,838	-9,726	-26%	8,108
TOTAL EQUITY AND LIABILITIES	29,816	39,399	-9,583	-24%	10,178

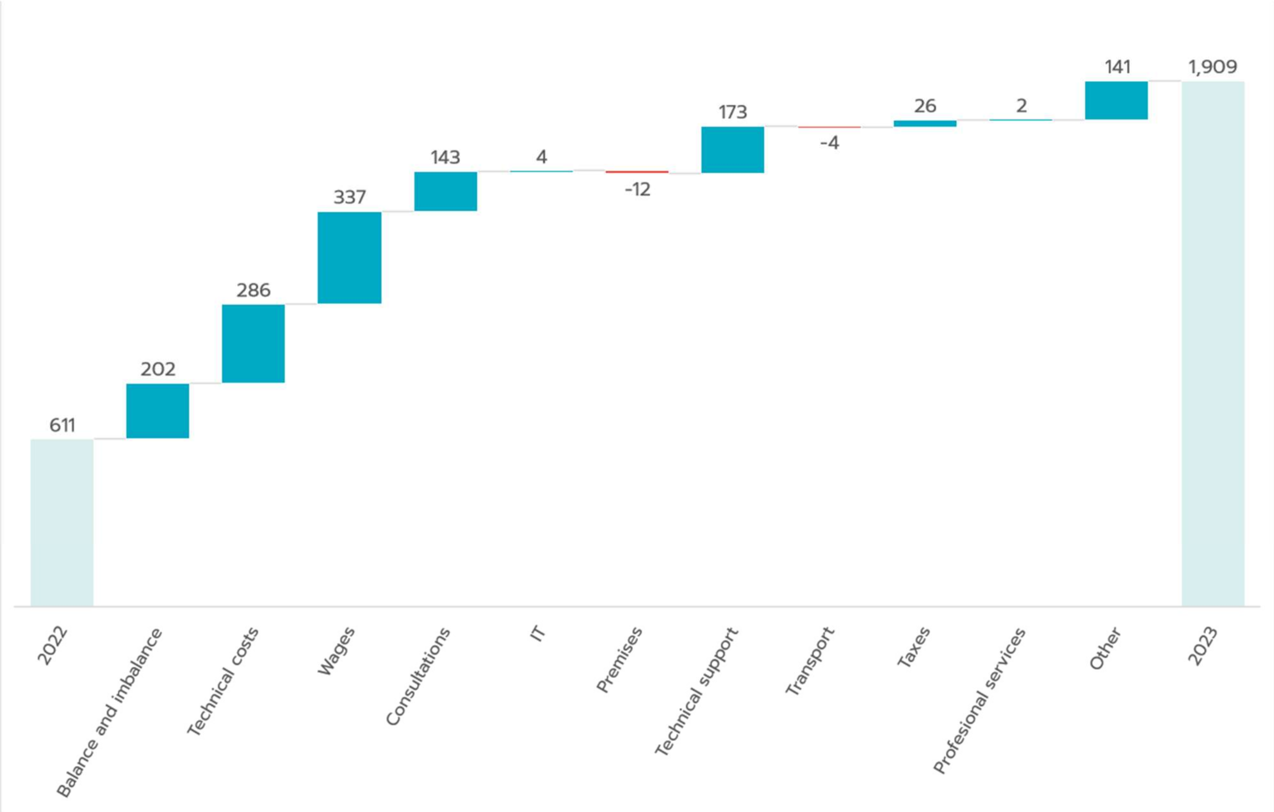
In 2023, the Company's non-current assets amounted to EUR 16,497 thousand (2022: EUR 11,006 thousand). It consisted of property, plant and equipment and intangible assets, such as energy storage facilities, related buildings, structures, equipment and other property, plant and equipment and intangible assets, whereas in 2022, this category consisted of prepayments to contractors for the equipment and installation works of the energy storage facilities system. As the Company selected to apply the net capital approach to assets-related grant, the total value of energy storage facilities of EUR 94,447 thousand (2022: 62,114 thousand) was netted with the recognised amount of assets-related grant of EUR 78,227 thousand (2022: EUR 51,450 thousand). As at 31 December 2023, payable and liabilities, amounting to EUR 28,112 thousand (2022: EUR 37,838 thousand), mostly consisted of current liabilities of EUR 27,970 thousand (2022: EUR 37,658 thousand), of which EUR 2,697 thousand (2022: EUR 31,849 thousand) were payables to suppliers and EUR 9,697 (as at 31 December 2022, EUR 0) were provisions.

Operating expenses of Energy Cells:

	2023	2022	Change		2021
			+/-	%	
Expenses for purchase of balancing and imbalance electricity	202	-	202	-	-
Expenses for electricity technological needs	286	-	286	-	-
Wages and salaries and related expenses	591	254	337	132%	183
Consultation services	279	136	143	106%	68
Telecommunications and IT maintenance expenses	42	38	4	10%	16
Rent of premises and utility services	25	37	-12	-32%	15
Technical maintenance	194	21	173	831%	0
Transport expenses	13	17	-4	-25%	4
Taxes (other than income tax)	31	5	26	520%	15
Professional services	28	26	2	8%	2
Other expenses	218	77	141	183%	31
TOTAL OPERATING EXPENSES	1,909	611	1,298	213%	334

The significant variation in operating expenses is due to the fact that the project was under implementation from 2021 to Q3 2023, and it was not until the beginning of October 2023 that all battery parks became operational. The main elements of operating costs in 2023 were balancing and imbalance power purchases and costs of technological needs, which accounted for 26% of total expenses (no such expenses were incurred in 2022 and 2021); wages, salaries and related expenses, which accounted for 31% of total expenses in 2023 (42% in 2022); consulting services, which accounted for 15% of total expenses in 2023 (22% in 2022); maintenance costs, which accounted for 10% of total expenses in 2023 (3% in 2022); and telecommunication and IT system costs, which accounted for 2% of total expenses in 2022 (6% in 2022).

Operating expenses, EUR thousand



2.1 References to and additional explanations of information reported in the financial statements

More detailed financial information is presented in the notes to the financial statements for 2023.

2.2 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.

2.3 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 had not acquired its own shares.

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

None.

2.5 Reasons for acquiring the Company's own shares during the reporting period

None.

2.6 Information on the Company's branches and representative offices

The Company has no branches or representative offices.

2.7 Information on research and development activities of the Company

Research and development activities:

The Company did not conduct any research and development activities in 2023 (as in 2022).

Investments:

On 20/10/2022, the Company's investment project "Installation of the electricity storage facilities (200 MW)"[16] was coordinated with NERC. A 200 MW and 200 MWh electricity storage system was successfully installed in 2023.

The project's objective is to meet the need for emergency power and frequency restoration reserve through secure and independent technical measures compatible with the country's energy and national security objectives.

Project's tasks:

1. To mitigate the threat of black-out arising due to unintended or uncoordinated action/omission of third parties.
2. To ensure the reliable operation of the Lithuanian electricity system in an isolated mode.
3. In long term, to contribute to the integration of renewable energy sources.

The expected and achieved result is the 200 MW and 200 MWh electricity storage system, which has been installed in Lithuania's electricity system and is ready to function. The Project's objectives, tasks, expected result and more detailed Project information are also set out in NERC's certificate No O5E-1210 of 17/10/2022 On Coordination of Energy Cells' Investment Project "Installation of Electricity Storage Facilities (200 MW)".[17] The coordinated Project includes planned investments of EUR 100.7 million for the installation of electricity storage facilities (200 MW), of which:

- 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 Q2 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 at 31/12/2022, as the price/price cap[18] for the Company's isolated operation reserve service was set and approved by the NERC for 2023). Given the actual investments and depreciation costs planned for the end of 2023, the price/price cap

[16] *NERC's decision No O3E-1450 of 20/10/2022 On Project Coordination is accessible here.*

[17] *Detailed Project's information is provided in NERC's certificate No O5E-1210 of 17/10/2022 which is accessible here.*

[18] *NERC's certificate No O5E-1324 of 17/11/2022 regarding the price cap applicable to the Company in 2023 is accessible here (for RAB see table 5).*

of the Company's isolated operation reserve service for 2024 was set and approved by NERC by including the planned RAB of EUR 15.9 million as at 31/12/2023.[19]

In 2023, the actual investment of the Project amounted to EUR 94.7 million (2022: EUR 62.1 million, including the change in prepayments to contractors for construction works).

In the context of the 2050 long-term strategy of the EPSO-G Group (2035), intended to clarify the EPSO-G Groups strategic directions to 2050 (2035), which will also potentially determine the investments of the EPSO-G Group and, potentially, of the Company, in 2024, the Company's planned investments are scheduled to be renewed/re-planned until a potential update of the Company's actions strategy is approved, i.e. the beginning of 2025 (inclusive).

[19] *NERC's certificate No O5E-997 of 20/11/2023 regarding the price cap applicable to the Company in 2024 is accessible here (for RAB see table 6).*

RISK MANAGEMENT

3 Risk management

3.1 Risk management framework

The Company views risk management as a structured approach to managing uncertainties by methodically assessing the impact and likelihood of risks and applying appropriate risk management tools.

In 2023, the Company followed the Risk Management Policy and Risk Management Methodology of the EPSO-G Group approved by the Board. These documents provide the Company with a best practice risk management framework based on the internationally accepted COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management) methodology.

The Risk Management Policy defines the key risk management principles and responsibilities for Litgrid to ensure a unified corporate risk management process based on common principles. The Policy is publicly available on the EPSO-G website.

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

The Company has adopted the following risk management process:

I. Identification of environment:
The Company identifies aspects that may have an impact on the Company's failure to achieve its objectives based on the Company's internal and external environment, planning documents, the Risk Assessment history and the monitoring of the implementation of the risk management measures. Regular environmental assessments are carried out to adapt to changes and to prepare in advance for unexpected threats.

II. Assessment of risks:
The Company identifies, analyses and assesses risks on regular basis, identifies Key Risk Indicators, and prepares the List of Risks. The Company also identifies the risk appetite, and categorizes risks according to their priority and the appetite identified.

III. Developing a Plan on risk Management Measures.
The Company develops a Plan on Risk Management Measures for risks exceeding risk appetite.

IV. Monitoring of risks and the implementation of the Plan on Risk Management Measures:

Continuous monitoring of the Company's List of Risks and the Plan on Risk Management Measures, as well as monitoring of the Group-level risks and the list of the Group-level risks management measures. The monitoring results are communicated to the Company's manager, the Board, the Audit Committee, in accordance with the remit of each of them.

V. Communication and information:

Regular and effective sharing of information among the participants in the Risk Management process that has impact on the assessment of the Company's risks and their management. Relevant information on risks and their management is communicated to the Company's employees during staff meetings.

Risk management process

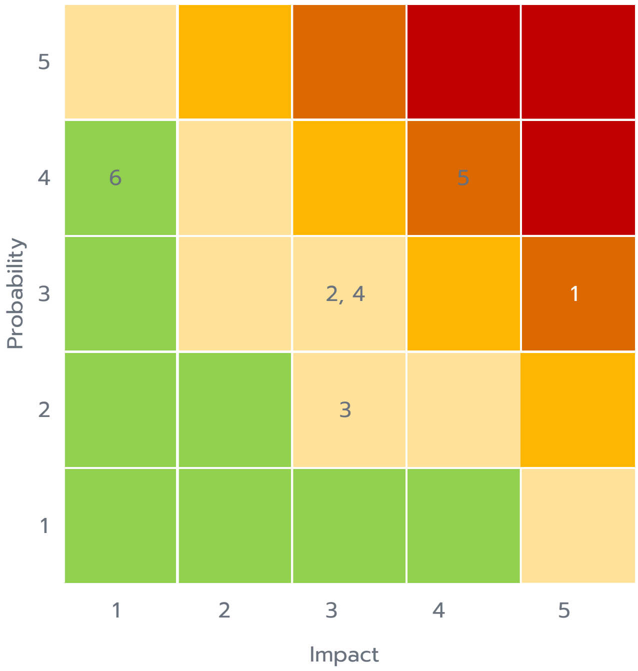
The Company identified operational risks for 2023, assessed them, set risk monitoring indicators and provided risk management measures.

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

In each quarter of 2023, the Audit Committee of EPSO-G assessed the changes in the key risk indicators of the Company, the effectiveness of risk management and presented its conclusions and recommendations to the Company's Board.

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

Key risks of the Company in 2023



3.2 Key risks and their management

1. Risk of regulatory change:

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.

Management measures:

- a continuous monitoring of relevant legal acts governing the regulated activities, issued and/or amended by 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 before the relevant authorities;

- if necessary, independent consultants may be engaged and/or a working group may be set up to represent the interests of the Company and/or its shareholder in the field of regulation of its activities before the LT and/or EU 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 objectives, investment projects, stability and/or continuity of operations, reputation of a socially responsible employer and/or attractiveness of employer.

Management measures:

- 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 Cybersecurity risk

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.

Management measures:

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

4 Technological risks:

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).

Management measures:

- 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 delays in 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 brought into use.

Management measures:

- 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.

6 Environmental impact mitigation risk:

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

Management measures:

- In line with EPSO-G's Sustainability Policy, the Company is required to collect and, at least annually, publish sustainability-related data in accordance with the global GRI and/or other disclosure standards.

- The Company is provided with the list of ESG indicators to be selected. Additional measures are also being put in place: ESG system (IT solution) is developed for the timely collection of sustainability-related indicators.

3.3 Sustainability risk management

The Company aims to integrate sustainability principles into all its activities and processes.

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

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

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

Risks that meet environmental criteria:
- Environmental impact mitigation risk:

Risks that meet social criteria:
- Risk of lack of relevant qualification employees, employee turnover and motivation.

Risks that meet governance criteria:
- Cybersecurity risks.
- Risk of regulatory change.

Descriptions of the Company's sustainability risks listed above and their management measures are provided in section 3.2 (see "Key risks and their management").

In 2023, corruption, compliance, going concern risks were included in the Company's key risk register. All of these risks are medium or low level because of applied effective risk management measures. Being aware of the importance of these risks for the achievement of the sustainability objectives, the Company pays particular attention to the management and disclosure of these risks.

3.4 Climate change risks

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

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

The evaluation comprised climate-related physical risks (impact of occurrence of extreme weather events on transmission infrastructure, buildings, offices) and transition risks (regulatory, technology, reputation, market, public pressure), measures and indicators were developed to manage these risks. Detailed information is disclosed in the Report on Climate Change Risks 2022/2023, which is available on EPSO-G's website, section "Sustainability" (see the link to Report).

CORPORATE GOVERNANCE

4 Corporate Governance

The Company's Articles of Association registered on 3 April 2023 set forth that the Company's governance structure comprises the General Meeting of Shareholders, the Board, and the Company's manager.

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 following matters shall fall within the competence of the Company's General Meeting of Shareholders: amendment of the Company's Articles of Association and the authorised capital, election of the Board and the auditor, approval of the annual financial statements, appropriation of profit, adoption of decisions on the most significant transactions and other matters. The Company's Board decides on the organisational structure of the Company, elects the Company's manager, approves the operational strategy, the budget, makes decisions on the most significant transactions and other important governance matters. The Company's manager is a single-person management body of the Company who organises the Company's activities and concludes the Company's transactions.

A description of the competencies of the Company's management bodies is presented in the Company's Articles of Association.

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.

The Remuneration and Nomination Committee (RNC):

- assists in carrying out the selections of candidates to the members of the bodies in all companies of the 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 on corporate governance documents of the EPSO-G group related to the issues of remuneration of the members of the collegial bodies and employees of the companies of the EPSO-G group, their performance assessment;
- Provides recommendations regarding the system for planning succession of collegial bodies, management and employees holding critical functions at EPSO-G group companies.

The Audit Committee (AC):

- Conducts supervision of the preparation and audit of the financial statements of EPSO-G group companies;
- is responsible for ensuring compliance with the independence and objectivity principles by the auditors and audit firms of the companies of EPSO-G group;

- 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 the 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 2023, there were no exemptions approved by the Company's Board in relation to the adoption of the group policies.

4.1 Information on the issued capital, shareholders and dividends

Based on the Company's Articles of Association registered on 03 April 2023, 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 a sole shareholder EPSO-G UAB. During 2023, the Company did not acquire any own shares and did not enter in any transactions involving the acquisition or disposal of own shares.

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

In 2024, the Company plans to accede the EPSO-G Group's Dividend Policy that governs the procedure of determining the dividend amount, pay-out and publication on dividends for all companies forming the EPSO-G Group, establishes clear guidelines of expected return on equity and return on investment for the existing and potential shareholders while at the same time ensuring a sustainable long-lasting growth of corporate value, timely implementation of strategic projects that are of great importance for the country, thereby gradually strengthening confidence in the entire Group of energy transmission and exchange.

4.2 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 2023, in total 5 decisions were made by the sole shareholder EPSO-G UAB.

The following decisions were adopted by the sole shareholder EPSO-G UAB in 2023:

DATE	KEY DECISIONS
27/03/2023	Approval of the set of financial statements of Energy Cells UAB for the year ended 31 December 2022. Approval of the distribution of loss of Energy Cell UAB for 2022. Approval of a new version of the Articles of Association of Energy Cell UAB. Approval of Energy Cells UAB Board's decision of 16/03/2022: to approve the conclusion of the electricity sale and purchase agreement with Ignitis UAB.
11/05/2023	Paulius Butkus, nominated member of the Board of EPSO-G UAB, was elected as a member of the Board Energy Cells UAB until the expiry of the term of office of the current Board of Energy Cells.
25/05/2023	Approval of Energy Cells UAB Board's decision of 16/05/2023: to amend the agreement on designing, production and installation of energy storage facilities system, dated 14 October 2021, by signing a separate arrangement on procurement of additional works.
21/08/2023	PricewaterhouseCoopers UAB was selected to carry out the audit of Energy Cells UAB set of financial statements for 2023-2025 prepared according to International Financial Reporting Standards, as adopted by the EU, and annual report, and the audit fee was set.
15/12/2023	Approval of Energy Cells UAB Board's decision of 06/12/2023: to amend the agreement for purchase and sale of technical maintenance services concluded with Fluence Energy GmbH and Siemens Energy Oy.

4.3 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.[20]

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.

[20] *The term "Selection Commission" shall be interpreted as it is defined in Resolution No 631 of the Government of the Republic of Lithuania on the Approval of the Description of the Procedure for the Selection of Candidates to the Collegial Supervisory Body or Management Body of Municipal Enterprise, State or Municipal Company or Subsidiary.*

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 15 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.

Board's term of office: From 13/04/2022 to 13/04/2026

The Company's Board composition as at 31 December 2023:

FULL NAME	POSITION	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Viktoras Baltuškonis	Chair of the Board (from 17/05/2022 to 31/03/2023)	From 13/04/2022 to 31/03/2023	CFO at EPSO-G UAB since November 2020. Chair of the Board of GET Baltic UAB since April 2021. Member of the Board of Baltpool UAB since February 2021.	Vilnius University, Bachelor in International Economics, Master in International Business.
Paulius Butkus	Chair of the Board (since 16 May 2023)	Since 11 May 2023	Head of Development and Innovation at EPSO-G UAB since February 2023. Member of the Board at Amber Grid AB since April 2023.	Vilnius Gediminas Technical University, PhD in Electrical and Electronics Engineering.
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 member of the Board	Since 13 April 2022	Consulting company Talisman, independent advisor since 2020. 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).

Attendance of the Company's Board members in 2023:

Viktoras Baltuškonis (until 31/03/2023)	Paulius Butkus (since 16/05/2023)	Dovilė Kapačinskaitė	Darius Klimašauskas
6/15	8/15	15/15	15/15

Key decisions of the Board adopted in 2023:

2023-01	**01-11** Approval of the updated Activities Strategy 2022-2026 of Energy Cells UAB and its submission to the Governance Coordination Centre for review. **01-17** Approval of Energy Cells UAB budget for 2023.
2023-02	**02-21** Approval of the report on the implementation of the annual objectives of the activities of the manager of Energy Cells UAB for 2022. Approval of the annual objectives of the activities of the manager of Energy Cells UAB for 2023.
2023-03	**03-10** Approval of the report on the implementation of the Actions Strategy 2022-2026 of Energy Cells UAB for 2022 and its submission to the Governance Coordination Centre for review. Approval of the Annual Report of Energy Cells UAB for 2022. Authorisation of the set of financial statements of Energy Cells UAB for the year ended 31 December 2022. Authorisation of the distribution of loss of Energy Cell UAB for 2022. **03-16** Authorisation of the agreement with Ignitis UAB for purchase/sale of electricity necessary for the operation of a battery energy storage system and the provision of the isolated operation reserve service. **03-21** Approval of Energy Cells updated list of risks and plan on risk management measures for 2023. Approval of the updated annual objectives of the activities of the manager of Energy Cells UAB for 2023, objective weighting and performance measurement indicators.
2023-05	**05-16** Election of Paulius Butkus as a chair of the Board of Energy Cells UAB. 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.
2023-08	**08-17** Decision to convene the extraordinary General Meeting of Shareholders of Energy Cells UAB regarding the election of the audit company of Energy Cells UAB and the terms of remuneration for the audit services for 2023-2025.
2023-09	**09-21** Approval of the revised annual objectives of the activities of the manager of Energy Cells UAB for 2023, objective weighting and performance measurement indicators. Authorisation of the agreement between Energy Cells UAB and Siemens Energy Oy (Lithuanian branch) for the purchase of commercial metering equipment and installation works.
2023-11	**11-13** Authorisation of the update Actions Strategy 2022-2026 Energy Cells UAB and its submission to the Governance Coordination Centre.
2023-12	**12-06** Decision was made to amend the agreement for purchase and sale of technical maintenance services concluded with Fluence Energy GmbH and Siemens Energy Oy, subject to the approval of the General Meeting of Shareholders, and to approve the updated essential terms and conditions of this agreement.

Approval of Energy Cells' Board meeting calendar and the activity plan for 2024.

12-14
Decision was made to enter into the escrow agreement and to approve essential terms and conditions thereof.

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. In 2023, EUR 37.7 thousand (before taxes) was paid to the independent members of the Board and civil servants for their functions fulfilled at the Company's Board in accordance with the remuneration amounts approved by the decision of the General Meeting of Shareholders of 22/12/2022. In 2022, EUR 12.5 thousand was paid to the members of the Board.

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 objectives of the Company and EPSO-G Group, and for the improvement of the Board's performance.

4.4 Chief Executive Officer

Mr. Rimvydas Štilinis has been holding the position of the Company's manager 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 manager is set by the Company based on the EPSO-G Group's Remuneration, Performance Appraisal and Training Policy. Under the version of the policy in force at the Company in 2023, the remuneration of the Company manager's included: (i) fixed pay; (ii) extra pay as defined in the Labour Code of the Republic of Lithuania, the Company's internal legislation and collective agreements; (iii) annual variable pay dependent on the achievement of the Company's annual performance targets; (iv) one-off bonuses for exceptional performance and innovation (if granted by decision of the Company's Board); (v) additional benefits; (vi) non-financial reward. As of 2024, a new version of the EPSO-G Group's Employee Remuneration, Performance Assessment and Development Policy has come into force in the Company, leading to changes in the structure of the remuneration of the Company's manager: the annual variable pay was replaced by the one-off financial incentive that is contingent on the overall evaluation of the manager's performance determined by the Board's decision, including the evaluation of the results achieved against the Company's annual objectives, value-based behaviour and performance criteria.

4.5 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 advisory activity.

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

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. More detailed information on the internal audit is disclosed in the consolidated and the company's annual report of EPSO-G for 2023, which is published on EPSO-G website www.epsog.lt in section Objectives and Accountability.

External audit

In 2023, PricewaterhouseCoopers UAB was selected as the audit firm of financial statements 2023-2025 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 2023, the audit fee paid by the Company amounted to EUR 16 thousand (2022: EUR 7.3 thousand).

The Company will have to pay EUR 4.5 thousand to the audit firm for the non-audit services in 2023, i.e. verification services of regulated activity reports (in 2022, the Company paid EUR 0.8 thousand for the non-audit services).

4.6 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.

4.7 Remuneration Policy

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

In 2023, when the Company implemented the energy storage project, the remuneration of the Company's employees consisted of three main components: a fixed pay, a variable pay which is dependent on the achievement of targets and/or indicators set for employees, and a project incentive based on the achievement of targets and/or indicators set for the project or its phases. As of 2024, the Company has adopted a unified Employee Remuneration, Performance Assessment and Development Policy applicable across the EPSO G Group, which introduced a change in the remuneration structure: a two-component remuneration comprising a fixed and variable pay was replaced with a single-component monthly remuneration. To motivate employees to achieve objectives set for the Company and to go above and beyond formal expectations, employees are eligible to receive annual financial incentive when at least 80% of the Company's annual objectives are achieved. Financial incentives for individual employees depend on their individual performance, covering the achievement of the employee's annual objectives, value-based behaviour and performance criteria. Since 2024, project incentives are no longer applicable to employees.

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

The Company, as the entire EPSO-G Group, is subject to the same principles of the Remuneration Policy:

- The principles of the remuneration policy are identical for executives and employees.
- The remuneration fund is approved by the Boards of the companies. The Remuneration and Nomination Committee monitors whether there is a balanced control of salary costs with motivation of the employees who are properly performing their duties;
- Monthly salary depends on the level and competencies of the employee, while financial incentives depend on the achievement of the Company's annual targets and on the individual performance of the employee.
- No financial incentive is payable if performance does not meet expectations according to the established evaluation criteria.
- The amount of a financial incentive is estimated in the Company's budget and recorded in the financial result, which is audited and made public;
- The financial incentives of the company's manager depend on the outcome of the company's annual objectives, which are linked to the implementation of the company's strategy and published on the company's website.
- Members of the collegiate bodies are not paid a financial incentive.
- The termination benefits for executives and staff do not exceed the amount set by the legislation of the Republic of Lithuania.
- A premium may be awarded for outstanding performance.
- The Company's Board must be informed about the financial incentive to be granted at its next meeting.
- Prior agreements on severance pays are not concluded;

- Termination benefits are paid to employees in accordance with the procedure laid down in the Labour Code of the Republic of Lithuania and in employment contracts;
- The Remuneration Policy does not provide for any remuneration entitling the company manager, a member of the collegial body or an employee to shares, stock options or to receive remuneration based on changes in share prices other financial instruments;
- To promote employee engagement and loyalty, the EPSO-G Group companies provide non-financial rewards, including voluntary health insurance, additional leave days, seminars on wellness and psychological well-being, seasonal vaccinations, employee events, recognition, and career advancement within the Group.

4.8 Personnel

As at 31 December 2023, the Company had 19 employees (2022: 44 employees).

In 2023, the remuneration fund amounted to EUR 991 thousand (2022: EUR 717 thousand).

GROUP OF EMPLOYEES	NUMBER OF EMPLOYEES AT THE END OF THE PERIOD		AVERAGE MONTHLY PAY (INCLUDING THE VARIABLE PAY COMPONENT) (EUR)	
	2023	2022	2023	2022
Chief Executive Officer	1	1	9,974	9,541
Middle and first-level managers	3	3	5,536	5,572
Experts – specialists	15	40	3,320	3,174
Total employees	19	44	4,068	4,157

ENERGY CELLS

SUSTAINABILITY OVERVIEW

5 Sustainability overview

About the sustainability overview

The sustainability activities and results of the EPSO-G Group as a whole, including Energy Cells, are summarised in EPSO-G's consolidated Annual Report 2023, of which the Sustainability Report of the Group is an integrated part. This report is available on website www.epsog.lt, section "Sustainability". It should be noted Lithuanian words *darnumas* and *tvarumas* are used interchangeably in the Lithuanian version of the Sustainability Report.

Disclosures in the Group's Sustainability Report were made in line with *Global Reporting Initiative (GRI) Core Standards.* The recommendations of the Bank of Lithuania, the Governance Communication Centre (GCC) on disclosure of sustainability-related information and other guidelines have also been taken into account in the preparation of the Group's report. This report aligns the requirements for sustainability/social responsibility reports as set out in legislation of the Republic of Lithuania.

The information in this report covers relevant data and events within the period from 1 January to 31 December 2023. To enhance the comparability of the results presented, and in line with the requirements of GRI standards, this report also includes additional data for previous years. The content of the Sustainability Report shall include the most recent information available at the time of publication.

In this context, Energy Cells does not prepare a separate report on this topic; yet it provides below a summary of its sustainability activities and links to the relevant sections of the EPSO-G's consolidated Sustainability Report, including the disclosure requirements applicable to the Group companies under the EU Taxonomy Regulation.

Information on the operating (business) model

The Company's main objective is to provide the Lithuanian electricity transmission system operator Litgrid with an isolated operation reserve service, which is necessary for the isolated operation of the electricity system 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 Energy Storage System Operator (DESSO) during the period of appointment of the DESSO 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 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.

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 contributes to the objectives of the EPSO-G Group in all directions.

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

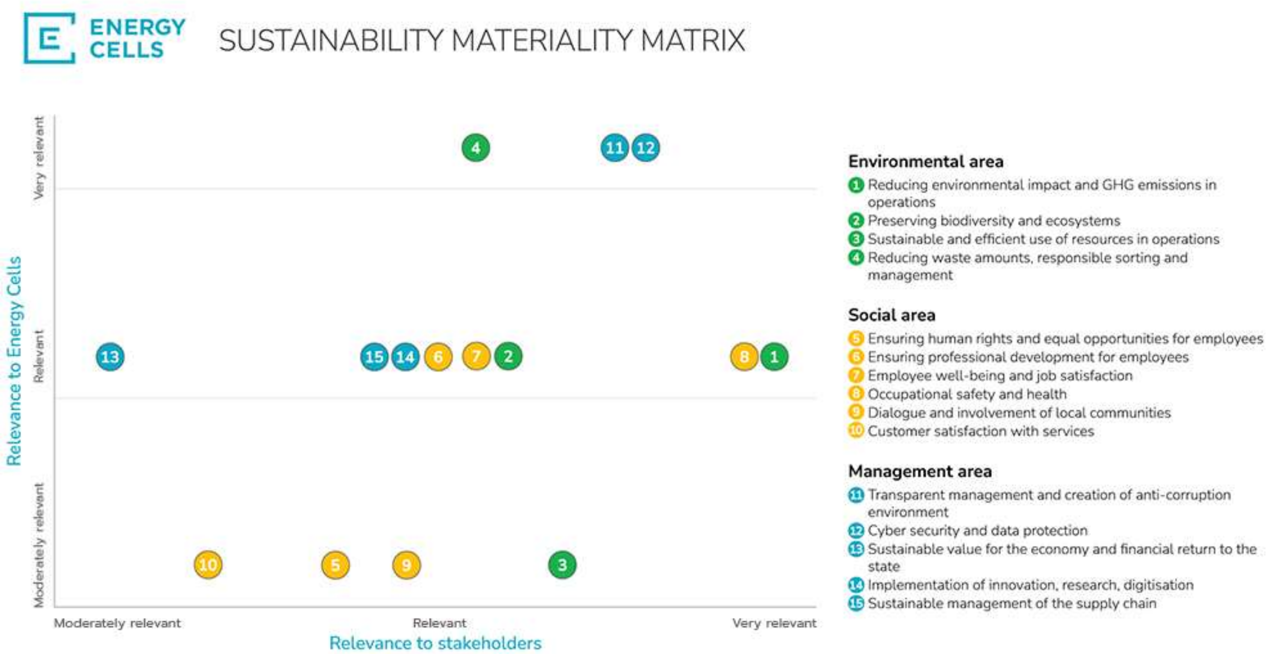
- In the environmental field, the empowerment of climate-neutral energy by reducing the environmental impact of activities.
- Social - building a progressive, sustainable organisation.
- Governance - transparent and efficient management and development of the energy exchange platform.

EPSO-G's sustainability performance is disclosed in the context of a group-wide analysis of the significance of impacts. This analysis, carried out in 2022 on a Group-wide basis, involved three steps: identification of the most significant environmental, social and governance impacts; a survey of stakeholders and Group management; and identification of the most significant impacts on EPSO-G's operations. The survey carried out in early 2022, involved 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.

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

The EPSO-G Group companies assessed the significance of the 19 identified sustainability impacts, which was determined on the basis of the specificities of the Group companies' activities, EPSO-G's long-term strategy until 2030.

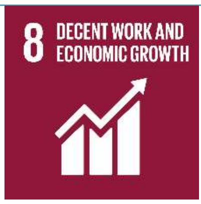
Below is a materiality matrix of the impacts of Energy Cells, based the results of a survey of stakeholders and of the management. Axes of the sustainability materiality matrix represent evaluation of topics from average importance, important and highly important.



Key environmental, social and governance objectives and indicators

Energy Cells sustainability objectives have been defined by taking into account the main environmental, social and economic impacts of the Company's business, as well as the actions set out in the Company's long-term Actions Strategy. As part of its long-term sustainability goals for 2030, Energy Cells is also guided by the United Nations' Sustainable Development Goals (SDGs) and are working towards the indicators defined in these goals.

AREA	GOAL	INDICATOR
Environment protection	ENABLING CLIMATE-NEUTRAL ENERGY BY REDUCING THE ENVIRONMENTAL IMPACT OF ACTIVITIES 	• To reduce GHG emission from the Company's operations by 2/3 by 2030
Corporate Social Responsibility	BUILDING A PROGRESSIVE ORGANISATION WHICH ACTS IN OBSERVANCE OF PRINCIPLES OF SUSTAINABILITY	• Ensure 0 cases of human rights violations or discrimination • Aim to become the Company that is perceived by at least 70% of employees, producers, suppliers and consumers as open, progressive and sustainable organisation • Ensure 0 serious or fatal accidents

		
Governance	TRANSPARENT AND EFFICIENT MANAGEMENT AND DEVELOPMENT OF THE ENERGY EXCHANGE PLATFORM 	• Ensure 0 cases of corruption • Adapt corporate structure and incentive systems to promote innovation • Apply green criteria in public procurement • To strive for an A+ Good Governance Index

Sustainability and risk management

At Energy Cells, sustainability principles are integrated into our business processes, and the management of sustainability areas according to competences permeates at all levels. The Company's Board is responsible for setting, reviewing the long-term strategic sustainability objectives and monitoring indicators. The Board also approves policies on the environment, equal opportunities, health and safety of employees, anti-corruption, remuneration, performance evaluation and development. Within its remit, the Board also approves the Company's annual objectives, which include sustainability-related objectives.

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

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

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

- Sustainability Policy
- Occupational Safety and Health policy
- Equal Opportunities Policy
- Environmental Policy

- Transparency and Communication Policy
- Anti-Corruption Policy
- Remuneration, Performance Appraisal and Development Policy
- Corporate Governance Policy
- Procurement Policy
- Interest Management Policy
- Support Policy
- Code of Ethics
- Supplier Code of Conduct

The EPSO-G Group's policies are available here.

EPSO-G Group companies have identified environmental, social and governance risks and, depending on the nature of their activities, have implemented measures to monitor and mitigate them. The main risks of Energy Cells, their description and management measures are detailed in section 3 "Risk management" of this annual report.

5.1 Environment

Environmental impacts:

- Reducing environmental impacts and GHG emissions in operations - reducing environmental impacts (air, water, soil quality), pollution and GHG emissions (CO_2, CH_4, SF_6, etc.) in the company's operations.
- Biodiversity and ecosystem conservation – protecting terrestrial and aquatic wildlife, natural vegetation, and habitats of high ecological value through activities.
- Sustainable and efficient use of resources in the Company's operations – use of green energy in the Company's operations, efficient consumption of water and other resources.
- Waste minimisation, responsible sorting and management - reducing the amount of waste generated by operations and ensuring the safe and proper management of hazardous and non-hazardous waste.

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, the 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 2023, there were no environmental breaches in Energy Cells, and no fines for non-compliance with environmental requirements were imposed. There were also no significant environmental incidents reported during the reporting period, either by the Company's employees or contractors.

5.1.1 Greenhouse Gas Emissions

In 2023, Energy Cells calculated greenhouse gas emissions in accordance with the GHG Protocol methodology "The Corporate Accounting and Reporting Standard". GHG emissions are classified into three scopes: direct (Scope 1), indirect (Scope 2) and other emission sources (Scope 3).

The Company started operating its battery energy storage system (BESS) in Q3 2023, therefore the GHG calculations do not fully reflect the emissions (Scope 2) that may arise from the Company's direct operations. Scope 2 includes technological losses at BESS sites, resulting in an almost 5-fold increase in Scope 2 emissions in 2023 compared to 2022.

In 2023, Energy Cells (together with the Group) conducted the first inventory of Scope 3 GHG emissions in 2022-2023. Most emissions came from the following categories: capital goods (Category 2), purchased goods and services (Category 1) and extraction and transport of fuels (Category 3). These emissions come from transportation of fuels or energy from the extraction point to the moment of sale or distribution (*Well to Tank*), not included in scope 1 or scope 2.

EMISSIONS	2022	2023
Scope 1, tCO_2e	6	4.5
Scope 2, tCO_2e	258	1,076
Total Scope 1 and 2 emissions, tCO_2e	264	1 080
Scope 3, tCO_2e	1,258	277
Total emissions, tCO_2e	1,487	1,354

Calculated using the market-based method. When calculating under the location-based method, i.e. based on the country-specific nature of energy production, the total Energy Cells' GHG emission would be 97 tCO_2e s in 2022, and 1,487 t CO_2e in 2023.

5.1.2 Biodiversity

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 secondary legislation based on Directive 2011/92/EU.

No significant adverse effects on any protected animal or plant species were recorded in 2023.

5.1.3 Energy

Energy Cells aims to create an organisational culture based on a philosophy of conservation of nature and other resources. In the Group's environmental policy, EPSO-G companies are committed to using certified green electricity in their administrative activities, to expanding the use of renewable energy sources to meet the technological energy needs of the energy storage system, to prioritising and expanding the use of clean transport, and to consistently reducing the use of polluting fuels and energy efficiency measures.

The Company does not have data on electricity and heat consumption for administrative activities in 2021.

As of October 2022, all electricity consumed in the Company's administrative activities is generated from RES. The electricity consumed at BESS sites during the project implementation came from other non-RES electricity generating facilities.

As of October 2023, all electricity consumed in the Company's administrative activities is generated from RES. The electricity consumed at BESS sites during project implementation and operational activities came from RES and other generation sources. In 2023, 95.2% of the Company's total energy consumption came from RES.

ELECTRICITY AND HEAT CONSUMPTION, MWh	2021		2022		2023	
	RES	NON-RES	RES	NON-RES	RES	NON-RES
Electricity consumption in administrative activities	n/d		3.9	n/d	26.9	-
Electricity consumption for technological needs at BESS sites	-		-	466.2	4,279.0	194.4
Heat consumption in administrative activities	n/d		-	5.3	-	5.6
Electricity consumption for charging electric vehicles	-		0.1	-	1.1	0.3
FUEL CONSUMPTION, MWh	**2021**		**2022**		**2023**	
Diesel fuel	-		-		2.1	
Petrol	4.2		28.8		15.7	
Total energy consumption, MWh	4.2		504.3		4,525.1	
Share of renewable energy, %	0%		1.8%		95.2%	

5.1.4 Waste

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 they produce that has value (is suitable for reuse or recycling) and pass it on to the relevant waste managers or companies that buy it. Hazardous waste is sorted separately by type of waste and stored in containers that are labelled and protected from the environment before being taken away.

Type of waste	2023			2022		
	Waste generated, t	Sent to recycling, t	Sent to disposal, t	Waste generated, t	Sent to recycling, t	Sent to disposal, t
Construction, demolition and other waste	13.1	12.5	0.6	153.8	151.5	2.3

All waste generated is classified as non-hazardous.

5.2 Social responsibility

Social impacts:

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

Energy Cells aims to create a socially progressive, sustainable organisation culture. Integral elements of this culture include the well-being and development of employees, the promotion of a culture of safe working practices, equal opportunities, the development of open and mutually trusting relationships with 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.

The Company was established in January 2021. As the project progressed, the number of employees grew. At the end of 2021, the Company had 20 employees, of which 12 were part-time and fixed-term employees. The nature of the work was determined by specific character of the Company's activities, i.e. an ongoing project required experts with different qualifications in different Lithuanian cities. At the end of 2021, the Company had 16 male and 4 female employees, 2 employees aged under 30, 16 employees aged between 30-50 years and 2 employees aged over 50. In 2022, as the project work gained momentum, the need for additional employees with particular expertise arose, therefore the number of employees grew. At the end of 2022, the Company had 44 employees, of which 33 were part-time and 31 were fixed-term employee. At the end of 2022, the Company had 3 female and 41 male employees, 4 employees aged under 30, 17 employees aged between 30-50 years and 23 employees aged over 50. In 2023, the main project works were completed, resulting in a reduction of number of employees. At the end of 2023, the Company had 19 employees, of which 6 were part-time and 3 were fixed-term employees. At the end of 2023, the Company had 2 female and 17 male employees, 4 employees aged under 30, 14 employees aged between 30-50 years and 1 employee aged over 50. During the entire period of activity, the Company did not have employees on parental leave.

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

	Women			Men		
	Under 30 years	30-50 years	Over 50 years	Under 30 years	30-50 years	Over 50 years
2023	0	2	0	4	12	1
2022	0	3	0	4	26	11
	0	4	0	1	12	3

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.

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.

Energy Cells gives opportunity 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 shall be recorded 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 Company, 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) shall be informed in writing of the conclusion. Depending on the nature of the breach, the employee may be subject to disciplinary action for breach of his/her duties.

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

In 2022, Energy Cells acceded the updated EPSO-G Group Equal Opportunities Policy and, in 2023, adopted the Description of the Procedures for Setting up and Maintaining Internal Whistleblowing Channels. 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 Procedures provide for the confidentiality of whistleblowers and victims and the protection of the whistleblower.

5.2.1 Professional development for staff

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 individual 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 individual 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.

The performance of Energy Cells’ employees is evaluated once a year against pre-set targets. The Company also conducts interim performance evaluations of the individual phases of the Energy Storage System project and performance assessment meetings with employees.

An annual performance appraisal, which takes place once a year, in which the employee and the manager discuss and evaluate the achievement of the employee's annual objectives and competences, and the manager determines the overall result of the performance appraisal. Interim 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, if necessary, update and adjust annual targets.

In 2023, 5 (five) employees of the Company were undergoing a training program for BESS engineers, and some employees were also undergoing a modular training programme for electricians. After the training, they successfully passed exams with an independent certification body and received their certificates of the Energy Professional.

5.2.2 Employee well-being, rewards 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 has a uniform remuneration policy based on the principles of responsibility and accountability. Its aim is to effectively manage the Group's payroll costs and to create motivational incentives to ensure that the level of remuneration is directly linked to the achievement of the objectives set for the Company and for each employee.

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

Average monthly remuneration of employees by gender and age (EUR)

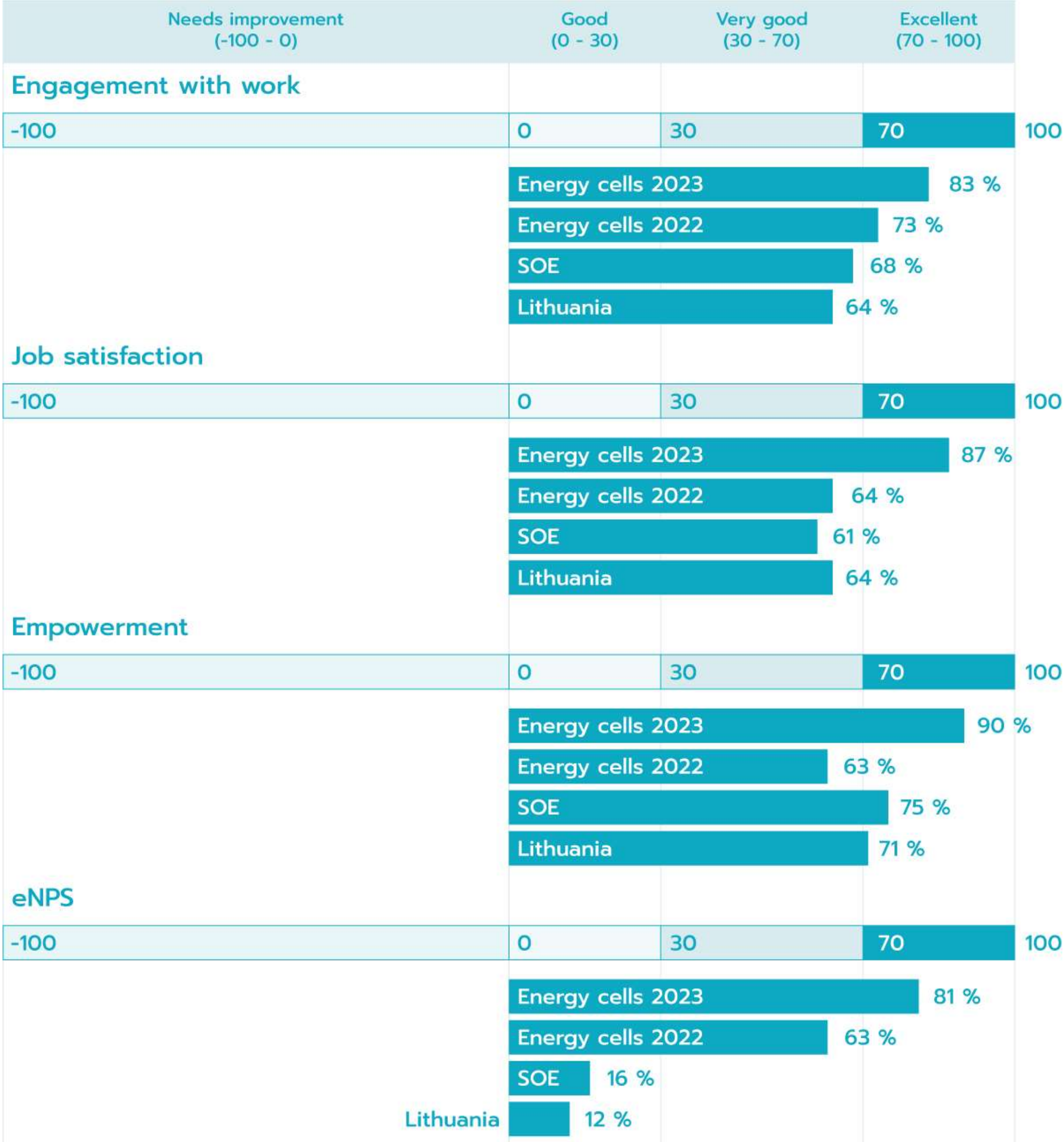
	Women	Men					
	30-50 years	Under 30 years	30-50 years	Over 50 years	Top level managers	Middle and First-Level Managers	Specialists
2023	3,811	2,946	4,674	2,916	9,985	5,858	3,312
2022	3,238	4,068	4,855	2,664	9,541	6,045	3,303
2021	2,487	3,272	4,800	2,845	6,971	None	4,021

As the 30-50 years age group includes the Company's top and mid-level managers, the average remuneration of employees in this age group is higher than for employees in other age groups. As there were no women in the Company's top level positions, and there is 1 woman in a mid-level management position as of 2022, a breakdown of women's remuneration by group of positions is not provided to ensure personal data confidentiality.

Energy Cells manages its payroll budget responsibly as to ensure efficiency and optimum operating costs. Staff is paid a performance-related salary, as well as incentives for achieving challenging targets. Energy Cells also provides employees with additional non-financial incentives: (i) supplemental health care cover, (ii) flexible work schedules, (iii) 4 days leave at the average wage in addition to the standard 20 days annual leave, (iv) 3rd pillar pension savings, where contributions to a pension fund of the employee's choice are paid by the employer, (v) accessibility to the discount platform, and (vi) social benefits in specific life situations of employees.

Energy Cells also organises team building, professional, social responsibility, and external events (e.g. visits to the Group's companies and other special-purpose energy facilities, forest planting events).

Each year, the Company, as other EPSO-G Group companies, measures employee loyalty (Employer Net Promoter Score, eNPS), engagement and empowerment. The eNPS measures the number of employees willing to recommend their employer and believe that the employer meets their image of the best employer. Employee engagement measures the number of employees who are motivated at work, satisfied with the content of the job and willing to go beyond what is formally expected. Employee empowerment measures the number of employees who believe they have all the necessary authority and tools to make decisions within the scope of their job. All of these indicators for the Company were already very good or excellent in 2022, with further growth in 2023.



The survey was conducted by Addelse
The indicators "SOEs" and "Lithuania" represent the national average for the category in 2023.

Energy Cells does not have a trade union, nor does it have a work council. Due to the size of the company, all employees have direct contact with the Company's management and the opportunity to express their expectations on working conditions, work organisation and other concerns.

Detailed information on the employee remuneration is provided in the sections "Remuneration policy" and "Employees" of this report.

5.2.3 Occupational safety and health

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 acceded 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.

There were no serious and/or fatal accidents involving the Company's employees in 2021-2023.

	2021	2022	2023
Number of accidents	0	0	0
Total hours worked	13,873	27,689	37,307
TRIR (total recordable injury rate per 200 thousand hours worked)	0	0	0

Dialogue and involvement of local communities

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

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

To minimise noise exposure, the following measures were implemented:

- measurement of current ambient noise level and noise projection modelling prior to planning activities;
- modelling of noise reduction measures during the design process;

- post-project noise level measurements and assessment of their compliance with legal acts. In 2023, the latter were carried in Utena (07-11, 09-26, 10-16), Alytus (07-27, 10-30, 12-06, 2024-01-04), Šiauliai (09-19) and Vilnius (09-26, 12-04, 2024-01-04).

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

The Company also maintains a dialogue with state-owned and private sector energy companies, as well as with Lithuanian and foreign authorities, which host delegations interested in the battery storage system at battery parks. In 2023, Energy Cells' experts shared their knowledge about the storage facilities with representatives of authorities, businesses and the media in Lithuania, Latvia, Poland, Ukraine, Sakartvelo, Sweden, Belgium and other countries, and will continue this activity in 2024.

5.3 Governance

Governance impacts:

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

5.3.1 Transparent governance and anti-corruption

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

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

- transactions between Group companies are subject to transparency measures;
- Training, communication and other targeted actions are used to raise the anti-corruption awareness of Employees;
- ensuring transparency of procurement.

The Company's anti-corruption activities are based on corruption risk assessment and management. Corruption risks in the Company are identified measures on an annual basis, by establishing adequate management, and assessing the implementation of the management measures and the risk status on quarterly basis. No corruption cases were identified in 2023.

In creating an anti-corruption environment in the Company, a great emphasis is paid one the development of anti-corruption awareness among employees through various means and methods. In 2023, the Company organised anti-corruption training, attended by 20 employees, i.e. 100% of the Company's total workforce. 4 (100%) managers and 16 (100%) professionals participated in the training.

The Company employees' corruption resilience is also enhanced through other measures, such as internal communication, and by bringing to the attention of employees and members of management bodies to the most important Group's and the Company's internal anti-corruption legislation. In 2023, the internal documents were made available to 20 employees or 100% of the total number of the Company's employees, of these, 4 (100%) were managers and 16 (100%) were staff members. All (100%) of the Board members (3) were also communicated on key anti-corruption legislation. Members of the management bodies did not receive anti-corruption training in 2023, however, in 2024, the EPSO-G Group is planning to launch a corruption prevention training platform, and therefore, it is expected to extend training to the members of the management bodies.

The Company strives to ensure that its business partners are committed to its transparency standards. Therefore, the Company's key anti-corruption documents were communicated to the Company's business partners on the Company's website www.energy-cells.eu, in the section dedicated to anti-corruption issues.

In 2023, as every year, the Company conducted an anonymous employee tolerance to corruption survey to identify the employees' perception of corruption and their willingness (not) to tolerate any forms of corruption. 14 employees participated in the survey (2022: 12 employees). The survey shows that 100% of employees have not encountered any forms corruption in their work in the last three years (2022: 100%), and 100% of employees know whom to contact if encounter corruption (2022: 100%). The trend in the survey results shows that the anti-corruption objectives are being implemented purposefully.

During the reporting period, the Group's key anti-corruption legislation applicable to the Company was updated: the Group's Anti-Corruption Policy and the Group's Policy of Management of Interests of Members of Collegial and Supervisory Bodies and Employees. The Group's anti-corruption policy has established that the Group's anti-corruption activities are based on the Anti-Corruption Management System in accordance with the international standard ISO 37001:2016 "Anti-bribery management systems. Requirements with guidance for use". The anti-corruption management system in the Group companies may vary depending on the context of the operations and the corruption risk. In 2023, employees were invited to participate in a non-traditional training, a lecture on modern corruption.

Key anti-corruption indicators in 2021-2023

INDICATOR	NUMBER
Cases of corruption identified	0
Staff members sanctioned and dismissed for corruption	0
Corruption-related cases filed against the Company/employees	0
Corruption cases identified due to which contracts with business partners were not concluded/renewed	0

The Company also has the Helpline to report infringements by: (1) email pranesk@epsog.lt; (2) sending information by the post to the address of the Company's registered office – Ozo str. 12A-1, LT-08200 Vilnius, to Romas Zienka, the Head of Group Compliance and Risk Management of EPSO-G. The report is confidential, and the envelope must not be opened; (3) submitting directly to the designated person in charge or to other members of the Group Compliance and Risk Management Department of EPSO-G – Romas Zienka, Head of Group Compliance and Risk Management, tel.: +370 612 58162, email romas.zienka@epsog.lt or any other member of the Group Compliance and Risk Management Department, where employees and other stakeholders can directly or anonymously report, without fear of negative consequences, potential violations, unethical or unfair behaviour. In 2023, the Helpline received 0 (zero) reports, as in 2021-2022.

5.3.2 Interest management

The management of conflicts of interest in the Company is guided by the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies, which was updated in 2023. The Policy, which aims to ensure the priority of the Group's interests and the timely identification and appropriate management of potential conflicts of interest, defines three main groups of conflict of interest management measures to be implemented in the Company: the declaration of private interests; the monitoring, surveillance and control of interests; and the management of conflicts of interest (abstention and recusal). These measures are provided in more detail in internal legislation. The Company periodically provides training or other awareness-raising activities to raise awareness of the management of conflicts of interest and related measures.

The Company has an integral model of declaration of private interests, which includes declaration via the PINREG, a register managed by the State Ethics Commission, and, where required by the Law on the Harmonisation of Public and Private Interests of the Republic of Lithuania, submission of internal declarations, the form of which has been approved in the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies. The Company periodically verifies whether all employees have declared their private interests, and whether they have done so properly, and makes the necessary recommendations. In 2023, the screening found that 100% of the employees, who are required to declare their interests in connection with their job position and/or function in the Company, submitted declarations to PINREG. The declaration of private interests is one of the critical responsibilities of employees, enabling the Company to ensure early management of conflicts of interest.

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

5.3.3 Cyber security 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 2023, a series of social engineering tests were conducted to test employees' readiness to identify false messages designed to extract sensitive information.

Important steps were made in line with the Critical Information Infrastructure Identification Methodology to secure a high level of cyber resilience and cybersecurity compliance of the information infrastructure. A due diligence was carried out to fully identify the information systems and their components. This allows us to pinpoint the aspects that need to be strengthened to increase cyber resilience.

The assessment in 2023 included an analysis of compliance with minimum cybersecurity requirements to assess the compliance of existing information systems and their components with established standards and requirements. This process helped to identify areas for improvement and measures that should be put in place to ensure a higher level of security.

Risks related to information and cyber security were carefully identified. This risk analysis allowed for understanding and assessing potential threats and vulnerabilities that should be addressed to strengthen cyber resilience. Based on the results, specific control measures were developed to mitigate the identified risks and prevent potential cyber-attacks. The adoption of a plan and budget for the acquisition of technical tools was an important achievement. The plan specified technological tools and systems that need to be installed or upgraded to ensure effective cybersecurity management and infrastructure protection. The approval of the budget ensured availability of necessary resources for the implementation of these tools, allowing the organisation to successfully carry out cybersecurity strengthening actions.

The actions and decisions taken during this period demonstrate a commitment to ensuring the security and resilience of critical information infrastructure to cyber threats, as well as confirming the organisation's strategic approach to cybersecurity management.

In ensuring the protection of personal data, the Company is guided by the Group's Personal Data Protection Policy and the Description of the Personal Data Management Procedure outlining the basic requirements for the processing of personal data in the Company. All employees of the Company are introduced to the Description. The protection of personal data in the Company is ensured by documenting personal data processing activities, conducting a data protection impact assessment, evaluating technical and organisational data security measures in place, and managing risks and incidents related to the protection of personal data. In addition, the Company conducts periodic training and knowledge tests for its employees to ensure compliance with personal data protection requirements in practice and to promote a culture of personal data protection.

In 2023, no personal data breaches were identified in the Company, and no complaints related to the protection of personal data were received from external organisations or from regulators.

5.3.4 Sustainable supply chain management

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

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

It should be noted that the EPSO-G Group has developed a green procurement tool facilitating the selection of the most appropriate green criteria in procurement processes. The Group also provides green procurement training at regular intervals.

	2023	2022	TARGET FOR 2024
Value of the EPSO-G Group procurements attributable to green procurement (based on public procurement carried out by contracting authorities)	>95% (some procurements were carried over from 2022, therefore the result is below 100%)	83.2%	100%

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

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

Social Criteria

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

In all its public procurements publicly advertised (>95% of procurements by value in 2023), the EPSO-G Group also verifies grounds for exclusion of suppliers, including social criteria such as offences concerning trafficking in human beings, failure to perform obligations arising from the payment of taxes, including social security premiums, non-compliance with environmental, social and labour law obligations, etc.

The social criteria to be applied by the EPSO-G Group in 2024 will be introduced to its suppliers at a "Suppliers' Day" event. Suppliers will be consulted on the application of social criteria.

Procurement from Lithuanian and Foreign Suppliers

In 2023, >95% of the EPSO-G Group's public procurements contracts (by value) were awarded to Lithuanian suppliers. This keeps supply chains short and avoids unnecessary logistical costs and environmental impacts.

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		Notes	As at 31 December 2023	As at 31 December 2022
ASSETS				
A	Non-current assets		16,496,790	11,005,902
I	Intangible assets	4	267,459	8,755
II	Property, plant and equipment	5	15,954,433	10,663,930
III	Right-of-use assets	6	183,661	221,085
IV	Deferred tax asset	12	81,503	102,398
V	Receivables after one year		9,734	9,734
B	Current assets		13,318,828	28,393,583
I	Prepayments		71,168	58-644
II	Trade receivables		1,003,063	-
III	Grants receivable		10,833,311	25,448,196
IV	Other amounts receivable		-	259,664
V	Cash and cash equivalents		1,411,286	2,627,079
Total assets			29,815,618	39,399,485
EQUITY AND LIABILITIES				
C	Equity	9	1,704,328	1,560,944
I	Issued capital		126,000	126,000
II	Share premium		1,434,944	1,874,000
III	Retained earnings		143,384	(439,056)
D	Payables and liabilities		28,111,290	37,838,541
I	***Non-current liabilities***		141,010	180,766
I.1	Lease liabilities	10	141,010	180,766
II	***Current liabilities***		27,970,280	37,657,775
II 1	Current borrowings	14	15,140,127	5,327,007
II 2	Current portion of finance lease liabilities	10	39,758	39,758
II 3	Trade payables	11	2,696,995	31,849,185
II 4	Income tax liabilities	12	7,695	-
II 5	Provisions	13	9,696,873	-
II 6	Other payables and current liabilities	11	388,832	441,825
Total equity and liabilities			29,815,618	39,399,485

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

	Notes	2023	2022 (reclassified)
Revenue			
Revenue	16	2,455,702	-
Other income	7,16	261,470	93,034
Total revenue and other income		2,717,172	93,034
Expenses			
Expenses for purchase of balancing and imbalance electricity		(202,254)	-
Expenses for electricity technological needs		(286,227)	-
Wages and salaries and related expenses		(591,289)	(254,463)
Consultation service expenses		(278,919)	(135,543)
Technical maintenance		(193,697)	(20,800)
Other expenses	17	(356,274)	(200,570)
Total expenses		(1,908,660)	(611,376)
EBITDA		808,512	(518,342)
Depreciation and amortisation	4,5,6	(325,148)	(33,591)
Operating profit (loss) (EBIT)		483,364	(551,933)
Total finance costs, net	18	(311,390)	(54,306)
Profit (loss) before income tax		171,974	(606,239)
Income tax			
Current income tax expenses	12	(7,695)	-
Deferred income tax benefit (expenses)	12	(20,895)	97,570
Total income tax		(28,590)	97,570
Profit (loss) for the period		143,384	(508,669)
Other comprehensive income		-	-
Total comprehensive income		143,384	(508,669)

In 2023, the Company restated the grouping of the statement of comprehensive income: Further information is provided for in Note 2.12. The accompanying notes form an integral part of these financial statements.

	Notes	Issued capital	Share premium	Retained earnings (deficit)	Total equity
Balance at 31 December 2021		126,000	1,874,000	69,613	2,069,613
Net profit (loss) for the year				(508,669)	(508,669)
Total comprehensive (expenses) for the period:				(508,669)	(508,669)
Total transactions with the Company's shareholder recognised directly in equity		-	-	-	
Balance at 31 December 2022	9	126,000	1,874,000	(439,056)	1,560,944
Profit for the period				143,384	143,384
Total comprehensive income for the period:				143,384	143,384
Coverage of losses			(439,056)	439,056	-
Total transactions with the Company's shareholder recognised directly in equity			(439,056)	439,056	-
Balance at 31 December 2023	9	126,000	1,434,944	143,384	1,704,328

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

	Notes	2023	2022
Operating activities			
Profit (loss) for the period		143,384	(508,669)
Adjustments for non-cash items:			
Depreciation and amortisation expenses	4,5,6	325,148	33,591
Income tax expense (benefit)	12	28,590	(97,570)
Elimination of results of financing activities	18	311,390	54,306
Proceeds from grants	7	(261,470)	(92,602)
Elimination of provisions		9,696,873	-
		10,100,531	(102,275)
Changes in working capital:			
(Increase) decrease in receivables		(761,324)	(257,335)
(Increase) decrease in prepayments		(12,524)	(55,085)
Increase (decrease) in payables		216,991	306,548
Income tax paid (received)	12	-	49,000
Effect of changes in working capital:		(556,857)	43,128
Net cash flows from operating activities		9,687,058	(567,816)
Investing activities			
(Acquisition) of property, plant and equipment and intangible assets	4,5	(61,327,249)	(21,380,282)
Grants received	7	41,468,561	26,280,054
Net cash flows used in investing activities		(19,858,688)	4,899,772
Financing activities			
Change in overdraft	14	9,813,120	(2,483,995)
Lease payments		(39,756)	(33,050)
Interest paid		(817,527)	(54,306)
Cash flows from/used in financing activities		8,955,837	(2,571,351)
Increase (decrease) in cash and cash equivalents		(1,215,793)	1,760,605
Cash and cash equivalents at the beginning of the year		2,627,079	866,474
Cash and cash equivalents at the end of the period		1,411,286	2,627,079

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

1 General

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 str. 12A-1, LT- 08200 Vilnius, the Republic of Lithuania. Company code 305689545, VAT payer's code LT100013813219.

The principal role of Energy Cells, the operator of the electricity storage facilities, is to ensure the provision of the isolated operation reserve service to Litgrid, the transmission system operator.

Additionally, Energy Cells carries out the function of reducing the cost of technological losses incurred by Litgrid, the transmission system operator, as provided for in the Law on Interconnection of the Electricity System of the Republic of Lithuania with the continental European networks for Operation in Synchronous Mode of the Republic of Lithuania (hereinafter the "Law on Synchronisation of the Republic of Lithuania").

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

As at 31 December 2023 and 2022, 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.

At the end of the year, the Company's shareholder structure was as follows:

	As at 31 December 2023		As at 31 December 2022	
	Number of shares held	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 2023, the Company had 19 employees (as at 31 December 2022, 44 employees).

2 Accounting policies

The Company's financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

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

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

Amounts in these financial statements are presented in euros (EUR), unless otherwise stated.

The Company's management approved these financial statements on 15 March 2024. The shareholder of the Company has a statutory right not to approve these financial statements and require that the management prepares a new set of financial statements.

2.1 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 2023 and later periods:

(a) Adoption of new and/or amended IFRSs and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

For the year ended 31 December 2023 the Company for the first time have been adopted these IFRS and their amendments and IFRIC:

IFRS 17 "Insurance contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. Based on the assessment of the Company's management, these amendments have no significant impact on these financial statements.

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

(b) Standards, amendments and interpretations endorsed by the European Union on 1 January 2024, but have not been early adopted by the Company:

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least 12 months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date.

Based on the Company's assessment, these amendments will not have significant impact on the financial statements.

2.2 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)
Software	4
Other intangible assets	4

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at revalued amount, less accumulated depreciation and impairment. Property, plant and equipment are subject to periodic revaluation that is performed at least every 5 years to ensure that their carrying amount does not significantly differ from their fair value at the end of the reporting period.

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 line item "construction work in progress".

Interest and other borrowing costs (the bank's administration charges, etc.) are included in the acquisition cost of property, plant and equipment (construction in progress) 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.

Depreciation of assets is calculated using the straight-line method to write down their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Group of non-current assets	Useful lives (years)
Buildings	10-35
Structures and equipment	35-55
Plant and machinery	8-35
Other PP&E	3-10

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.

2.4 Impairment of non-financial assets

Amortised and depreciated assets are reviewed with a view of determining their impairment, if certain events or changes in circumstances indicate that the carrying amount of assets may be unrecoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

2.5 Financial assets

Expected credit losses

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses represent the weighted average credit loss rate based on the relevant default risk (probability).

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.

Expected credit losses for trade receivables are recognised at the time of recognition of amounts receivable.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulties for the debtor;
(b) breach of contract, such as late payment of instalments or full amount of debt;
(c) a concession granted to the borrower due to economic or contractual reasons relating to the borrower's financial difficulties, which otherwise would not be granted by the lender;
(d) increased likelihood of bankruptcy or other financial reorganisation of the debtor;
(e) active market no longer exists for financial assets as a result of financial difficulties;
(f) financial assets are purchased or granted at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of the agreement on the financial assets may have caused financial assets to become credit-impaired.

The lifetime expected credit losses of loans receivable and trade receivables are recognised in profit or loss through the contrary account of doubtful receivables.

The Company derecognises loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

2.6 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. Bank overdrafts and withdrawn amount of the Group credit limit are recognised in the statement of financial position as current borrowings.

2.7 Grants

Grants represent financial and material support provided by the government and the European Union 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 profit or loss and other 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 receivables when, according to the agreement, the European Commission undertakes a commitment to fund 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 profit or loss, 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.

2.8 Lease

Initial measurement of lease liability

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

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is determined by the rate at which the Company would be able to borrow funds for the purpose of acquiring certain assets for a respective period.

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.

Right-of-use assets

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

Initial measurement of right-of-use assets

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

Subsequent measurement of right-of-use assets

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

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

2.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised for an estimated amount of expenses necessary for the settlement of the obligation ('expected value'). Where the effect of the time value of money is material, the amount of a provision is discounted using a pre-tax effective interest rate that, if necessary, reflects the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the changes in circumstances. If the amount of the provision is discounted, the amount reversed at each reporting period is equal to the discounting effect (interest expenses). If circumstance change and the provision is no longer necessary, the provision is reversed in the statement of profit or loss and other comprehensive income through the expense line item where it has been recorded initially at the time of establishment.

At each date of the statement of financial position, provisions are classified as non-current liabilities, if the Company's management expects to settle them after more than twelve months from the date of the statement of financial position, and as current liabilities, if the Company's management expects to settle them within the period of twelve months from the date of the statement of financial position.

2.10 Income tax

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

Current income tax

The income tax expense for the current year is calculated on the current year's profit before tax, as adjusted for certain non-deductible expenses/non-taxable income and losses of previous tax periods. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. In 2023 and 2022, income tax rate was 15%.

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. 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.

Deferred tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when deferred taxes relate to the same taxation authority.

2.11 Revenue and expense recognition

Revenue

The Company's revenue is recognised according to a single, principles based five-step model that is applied to all contracts with customers. Revenue from services rendered is recognised over relevant period of time.

Revenue from isolated electricity system operation reserve services

This revenue is classified as revenue from contracts with customers. The isolated electricity system operation reserve services are provided to Litgrid, the electricity transmission system operator. Once activated, the instant energy reserve service would continue to be available until the start up of power generation sources of the other market participants. The prices of the isolated electricity system operation reserve services are regulated by NERC by setting the price caps for these services.

By providing reserve services, the Company participates in the balancing of the transmission system and, in the event of system imbalance, trades in balancing and disbalancing energy.

Proceeds from grants

In 2023 and 2022, the Company received funding under the European Union's (EU) Recovery and Resilience Facility (RRF) for the costs incurred during the BESS project. The grant was recognised for the expenses financed.

Expenses are recognised on an accrual and matching basis in the accounting period when the related income is earned, irrespective of the time the cash was spent. IAS and/IFRS specifically permit or require such offsetting.

2.12 Reclassification of comparative figures in the financial statements

In 2023, the Company restated the grouping of the statement of comprehensive income: presented additional financial ratios of EBITDA and EBIT in the statement of comprehensive income, as the Company believes that these financial ratios provide valuable information to the Company's management and stakeholders in making operational decisions. These financial ratios are not a substitute for the mandatory items in the statement of comprehensive income as defined by IFRS, but are presented in addition to the required information. After the reclassification, the statement of comprehensive income includes only the major expense items, with a more detailed classification presented in notes to the financial statements.

EBITDA is profit before interest, taxes, depreciation and amortisation, loss on revaluation, impairment and write-off of property, plant and equipment.

EBIT is operating profit before interest, taxes and passive income from investment activities (e.g. share of results of associates). EBIT measures the operating profit of the Company and the Group, by ignoring finance expenses.

3 Critical accounting estimates

Critical accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
The preparation of financial statements according to IFRS as adopted by the European Union requires management to make estimates and assumptions that affect the disclosed amounts of assets, liabilities, income and costs and contingencies. Main areas where estimates have been used in the preparation of these financial statements are described below:

Determining the cost of non-current assets, grouping assets into categories and determining depreciation rates

In 2023, the Company completed the installation of a battery energy storage system (BESS).The accumulated acquisition (construction) value of the construction in progress was allocated to the respective groups of property, plant and equipment and intangible assets based to the location of the facilities (4 sites). Once the assets were prepared to be used in the manner intended by management, they were put into operation: site installations in Utena in August 2023, and in remaining 3 sites – in September.

The direct costs attributed to the acquisition cost of the assets were allocated to the relevant asset categories based on the contractors' time sheets, estimates, while the indirect costs were allocated in proportion to the direct cost allocation principle.

The depreciation rates for the relevant asset groups were determined taking into account the depreciation rates applied by the EPSO-G Group companies for similar categories of assets, as well as the depreciation rates for similar equipment widely used in world practice.

Provisions

The Company assessed the probability of reimbursement of default interest estimated and charged (offset) to the contractors for the delays of works and, as at 31 December 2023, recognised a material amount of provision. Further information is provided for in Note 13.

Deferred tax

The Company reviews the carrying amount of a deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred income tax assets to be utilised. Deferred tax asset amounted to EUR 82 thousand, of which EUR 71 thousand were for tax losses. The Company's management assessed the extent to which a deferred tax asset can be recognised and accounted for at a relevant amount. Further information is provided for in Note 12.

Impact of the war 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 of 6 October 2023, the Company provides reserve services at full 200 MW capacity, thereby eliminating the exposure of the main infrastructure of BESS to the risk related to materials, services or goods Russia, Belarus or the occupied part of Ukraine.

As the Company plans and implements other public procurement procedures of small value, it takes into consideration the relevant recommendations of EPSO-G 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.

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.

In 2023, important steps were made in line with the Critical Information Infrastructure Identification Methodology to secure a high level of cyber resilience and cybersecurity compliance of the information infrastructure. A due diligence was carried out to fully identify the information systems and their components. This allows us to pinpoint the aspects that need to be strengthened to increase cyber resilience.

In 2023, the Lithuanian Transport Safety Administration established a no-fly zone (in particular for drones) in BESS parks in Vilnius, Utena, Alytus and Šiauliai, along with other infrastructure of Litgrid AB of strategic importance to safety. As BESS parks are adjacent to Litgrid's infrastructure, all additional safety measures are addressed through an integrated approach at the EPSO-G Group level.

The Company has not identified any other risk factors arising from the conflict in Ukraine. The situation is continuously monitored and assessed.

4 Intangible assets

EUR	Software	Other intangible assets	Total
ACQUISITION COST			
Balance as at 1 January 2022	-	6,500	6,500
Additions		4,900	4,900
Balance as at 31 December 2022	-	11,400	11,400
Reclassification with PP&E	280,500	-	280,500
Balance as at 31 December 2023	280,500	11,400	291,900
AMORTISATION			
Balance as at 1 January 2022	-	-	-
Amortisation	-	(2,645)	(2,645)
Balance as at 31 December 2022	-	(2,645)	(2,645)
Amortisation	(18,946)	(2,850)	(21,796)
Balance as at 31 December 2023	(18,946)	(5,495)	(24,441)
NET BOOK VALUE			
As at 1 January 2022	-	6,500	6,500
As at 31 December 2022	-	8,755	8,755
As at 31 December 2023	261,554	5,905	267,459

When the Company brought the energy storage facilities into operation in 2023, the facilities management software was reclassified from construction in progress under property, plant and equipment. The Company's additions of intangible assets during 2022 comprised website designing costs.

ENERGY CELLS

5 Property, plant and equipment

EUR	Buildings	Structures and machinery	Other PP&E	Construction-in-progress	Total
ACQUISITION COST					
Balance as at 1 January 2022	-	-	-	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 as at 31 December 2022	-	-	2,331	10,662,181	10,664,512
Additions			6,400	36,066,420	36,072,820
Prepayments for PP&E				(3,897,192)	(3,897,192)
Internally developed assets				438,688	438,688
Reclassification between categories	109,134	15,165,313	937,766	(16,212,213)	-
Reclassification with intangible assets				(280,500)	(280,500)
Grants offset with PP&E				(26,777,384)	(26,777,384)
Balance as at 31 December 2023	109,134	15,165,313	946-497	-	16,220,944
DEPRECIATION					
Balance as at 1 January 2022	-	-	-	-	-
Balance as at 31 December 2022	-	-	(582)	-	(582)
Depreciation	(844)	(233,751)	(31,334)		(265,929)
Balance as at 31 December 2023	(844)	(233,751)	(31,916)	-	(266,511)
NET BOOK VALUE					
As at 31 December 2022	-	-	1,749	10,662,181	10,663,930
As at 31 December 2023	108,290	14,931,562	914,581	-	15,954,433

The Company's additions of property, plant and equipment during 2023 and 2022 comprised the costs of construction (acquisition) of energy storage facilities, and prepayments to the contractors for the facilities during 2022. As described in Note 5, 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 interest capitalised at 3.5% interest rate amounted to EUR 506 thousand.

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	Vehicles	Land	Total
Balance as at 1 January 2022	27,158	3,321	71,285	101,763
New contracts	102,968	57,580	-	160,548
Write-offs	(10,863)	-	-	(10,863)
Depreciation	(22,730)	(6,920)	(713)	(30,363)
Balance as at 31 December 2022	96,533	53,981	70,572	221,085
Depreciation	(22,310)	(14,395)	(720)	(37,424)
Balance as at 31 December 2023	74,223	39,586	69,852	183,661

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 till the end of the lease term.

7 Grants

Grants comprise grants for acquisition of PP&E and compensation for expenses (grants related to income). Movements in grants in 2023 and 2022 were as follows:

EUR	2023	2022
Opening balance:	25,263,018	0
Grants receivable (Note 8)	25,448,196	0
Advance grants received (liabilities)	(185,178)	0
Grants received in cash during the reporting period (monetary transaction)	(41,468,561)	(26,280,054)
Grants recognised:		
- Grants related to assets (offset with PP&E) (Note 5)	26,777,384	51,450,470
- Grants related to income (compensation for expenses)	261,470	92,602
Closing balance:	10,833,311	25,263,018
Grants receivable (Note 8)	10,833,311	25,448,196
Advance grants received (liabilities)	-	(185,178)

8 Receivables

EUR	As at 31 December 2023	As at 31 December 2022
Trade receivables	1,003,063	241,739
Grants receivable	10,833,311	25,448,196
Input value added tax	92	17,925
Total current receivables	11,836,466	25,707,860

The Company's receivables from customers consisted mainly of a receivable for isolated operating reserve services, which are settled within 30-days. Also part of the receivables from customers was a receivable from contractors for the resale of electricity transmission services and imbalance energy.

The Company's grants receivable included support from the EU under the Recovery and Resilience Facility (RRF). The Company expects that the amount of grants receivable will be paid in Q1 2024.

The ageing analysis of trade receivables is presented below.

	As at 31 December 2023	As at 31 December 2022
Not past due	860,629	168,455
Past due up to 1 month	-	39,003
Past due from 1 to 3 months	-	34,281
Past due for more than 3 months	142,434	-
Of which impairment of receivables	-	-
Carrying amount	1,003,063	241,739

As at 31 December 2023, the amount past due consisted of the aforementioned receivable from contractors for the resale of transmission services and imbalance energy. This receivable is to be offset against a payable to the contractor deferred until the defects in the contract works have been rectified.

9 Equity

Number of shares, units	Price, EUR
126,000	1,00

As at 31 December 2023 and 2022, the Company's issued capital amounted to EUR 126,000, whereas share premium amounted to EUR 1,434,944, and to EUR 1,874,000 as at 31 December 2022. In 2023, share premium was used to cover the Company's losses incurred in 2022.

10 Lease liabilities

Movement in lease liabilities during 2023 and 2022:

Lease liabilities, EUR	2023	2022
Carrying amount at 1 January	220,524	101,661
New leases	-	160,547
Terminated lease contracts	-	(9,977)
Interest charged	2,164	1,343
Lease payments	(39,756)	(31,707)
Interest paid	(2,164)	(1,343)
Carrying amount as at 31 December	180,768	220,524
Non-current lease liabilities	141,010	180,766
Current lease liabilities	39,758	39,758

Lease liabilities, EUR	As at 31 December 2023	As at 31 December 2022
Current portion	39,758	39,758
Non-current liabilities by maturity:		
Between 1 and 2 years	41,821	40,545
Between 2 and 3 years	30,578	41,217
Between 3 and 5 years	1,169	31,599
Over 5 years	67,442	67,405

In 2023, interest charged on lease liabilities and included in finance costs amounted to EUR 2,164 (2022: EUR 1,343). The Company had no leases with variable payments not included in the value of lease liabilities. In September 2022, the Company early terminated lease of premises at Gedimino ave. 20, Vilnius, by entering into lease for new premises at Ozo st. 12A-1, Vilnius.

11 Trade and other payables:

	As at 31 December 2023	As at 31 December 2022
Trade payables	2,696,995	31,849,185
Other payables and current liabilities	388,832	441,825
Payroll-related liabilities	203,333	177,630
Vacation reserve	67,755	70,775
Other current liabilities and accrued expenses	117,744	193,420
Total trade and other payables	3,085,827	32,291,010

The decrease in trade payables at the end of 2023 is mainly due to the payment of debts to contractors following the completion of the construction of the electricity storage facilities. As at 31 December 2023, payables to main contractors Fluence and Siemens amounted to EUR 2,383,975 as at 31 December 2023, and EUR 31,603,045 as at 31 December 2022.

12 Income tax

Income tax rate of 15% was applied in 2023 and 2022. The calculation of income tax is as follows:

EUR	2023	2022
Profit (loss) before income tax	171,974	(606,239)
Tax calculated at a rate of 15%	(25,796)	90,936
Effects of non-deductible expenses	18,101	(3,981)
Effects of accumulated paid leave	(452)	10,615
Deferred tax assets written off due to prior year corrections	(2,488)	-
Deferred tax assets recognised on realisable tax losses	-	97,570
Realised/offset deferred tax asset against current income tax	(17,955)	-
Income tax benefit (expenses)	(28,590)	97,570
Current income tax	(7,695)	-
Change in deferred income tax	(20,895)	97,570
Income tax benefit (expenses)	(28,590)	97,570

The Company set off the tax loss carried forward against the taxable profit for 2023, up to the limit of 70% of the taxable profit for the tax period as set out in the Law on Corporate Income Tax of the Republic of Lithuania. 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 tax asset	Tax loss	Vacation reserve	Total:
As at 31 December 2021	53,828		53,828
Tax loss transferred	(49,000)		(49,000)
Recognised in profit or loss	86,955	10,615	97,570
As at 31 December 2022	91,783	10,615	102,398
Restated prior period tax loss	(2,488)	-	-
Recognised in profit or loss	(17,955)	(452)	(20,895)
As at 31 December 2023	71,340	10,163	81,503

The Company had no deferred income tax liabilities.

13 Provisions

	As at 31 December 2023	As at 31 December 2022
Current provisions		
Provision for litigations/claims	9,696,873	-
Total provisions:	9,696,873	-

The Company, in line with the provisions of the Contract for the Design, Manufacture and Installation of the Battery Energy Storage System (hereinafter the "Contract"), charged EUR 9,696,873 thousand of default interest to a contractor Fluence Energy GmbH ir Siemens Energy Oy (Lithuanian branch) (hereinafter the "Contractor") for the delays in the design, manufacture and installation of the Battery Energy Storage System. The principal amount of the said default interest was settled (offset) using performance bank guarantee, and the remaining amount offset against obligation to the contractor for the contract works performed. In the opinion of the Company and the lawyers advising the Company, there is a high probability that the Contractor will seek full or partial recovery of the performance bank guarantee through legal proceedings, and will demand payment of the part contract works settled with (offset against) default interest. Due to the uncertainties of the possible outcome of the legal proceedings and the lack of arguments and justification of the Contractor's claim, the Company recognised a EUR 9,696,873 thousand provision for the full amount of the default interest calculated and charged.

14 Short-term borrowings from related parties

	As at 31 December 2023	As at 31 December 2022
Short-term borrowings from related parties	15,038,476	5,327,007
Interests accrued	101,651	-
Loans from related parties	15,140,127	5,327,007

In November 2021, the Company entered into the cash pool agreement with the Group's parent company EPSO-G UAB, whereby the Company is granted the borrowing limit of EUR 20,000 thousand. In January 2023, the additional agreement was signed to increase the limit to EUR 70,000. The agreement, including extensions thereof, is valid until 4 November 2024. At the end of the extension, the Company plans to sign a new cash pool agreement for a period of up to 36 months with a similar borrowing limit of EUR 70,000 thousand.

3-month EURIBOR variable interest rate is applied to the borrowing limit with EPSO-G UAB, plus the lending risk and profit margin at the established interest rate (0.62%).

Reconciliation of net debt balances and cash flows from financing activities in 2023 and 2022:

	Cash	Borrowings	Lease	Total
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)
Terminated lease contracts			9,977	9,977
Interest charged		(40,778)	(1,343)	(42,121)
Lease payments			31,707	31,707
Interest paid		40,778	1,343	42,121
Net debt at 31 December 2022	2,627,079	(5,327,007)	(220 524)	(2,920,452)
(Decrease) in cash and cash equivalents	(1,215,793)			(1,215,793)
Proceeds from borrowings		(9,711,469)		(9,711,469)
Interest charged		(917,014)	(2,164)	(919,178)
Interest paid		815,363	2,164	817,527
Lease payments			39,756	39,756
Net debt at 31 December 2023	1,411,286	(15,140,127)	(180,768)	(13,909,609)

15 Financial risk management

The Company's activities expose it to a financial risk. 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	As at 31 December 2023	As at 31 December 2022
Non-current receivables	9,734	9,734
Trade receivables	1,003,063	-
Grants receivable	10,833,311	25,448,196
Other amounts receivable	-	241,739
Cash and cash equivalents	1,411,286	2,627,079
Financial assets at amortised cost	13,257,394	28,326,748
Financial liabilities		
Borrowings	15,140,127	5,327,007
Lease liabilities	180,768	220,524
Payables to suppliers	2,696,995	31,849,185
Other payables and liabilities	22,208	8,100
Financial liabilities at amortised cost	18,040,098	37,404,816

Liquidity risk management

In the course of its operations, the Company is exposed to liquidity risk. In 2021-2023, the Company was implementing a large-scale investment project, and received monetary funds from the EU financial support only upon payment of amounts invoiced by the suppliers and contractors. In addition, the Company was 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 were a need at certain times to secure funding from own or borrowed funds.

Liquidity risk is managed continuously by making short-term and long-term cash flow forecasts of the Company. Where necessary, the Company relies on the forecasts to make decisions aimed at ensuring its solvency, i.e. uses the credit limit on the parent's cash pool account to balance its working capital. In accordance with the cash pool agreement, the Company has a EUR 70,000 borrowing limit with maturity in 4 November 2024. At the end of the borrowing agreement, the Company plans to sign a new or extend the existing cash pool agreement with a similar borrowing limit of EUR 70,000 thousand (Note 14).

The Company's liquidity ratios as at 31 December 2023 and 2022 were as follows:

	As at 31 December 2023	As at 31 December 2022
Current ratio	0.48	0.8
Quick liquidity ratio	0.43	0.7

The change in liquidity ratios was mainly driven by a decrease in grant receivable and an increase in short-term borrowings.

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

EUR	Up to 3 months	From 4 to 12 months	From 1 to 5 years	More than 5 years	Total
Lease liabilities	10,374	32,176	75,767	89,468	207,785
Trade and other payables	2,719,203	-	-	-	2,719,203
Loans from related parties	180,000	15,340,550		-	15 520 550
Balance as at 31 December 2023	2,909,577	15,372,726	75,767	89,468	18,447,538
Lease liabilities	9,921	29,837	113,361	67,405	220,524
Payables to suppliers	31,849,185	-	-	-	31,849,185
Loans from related parties	5,327,007	-	-	-	5,327,007
Other payables	8,100	-	-	-	8,100
Balance as at 31 December 2022	37,194,213	29,837	113,361	67,405	37,404,816

In the course of its operations, the Company is exposed to liquidity risk. In 2021-2023, the Company was implementing a large-scale investment project, and received monetary funds from the EU financial support only upon payment of amounts invoiced by the suppliers and contractors. In

addition, the Company was 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 were a need at certain times to secure funding from own or borrowed funds.

Credit and interest rate risks

The Company's exposure to credit risk is minimal as it did not have receivables from entities with limited solvency. The Company's receivables consist of trade receivables from Litgrid, a financially stable and state-owned electricity transmission operator, as well as grants receivable and VAT refundable from the state budget. The Company estimates that the grant will be disbursed in April May 2024.

As at 31 December 2023 and 2022, 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 14. As at 31 December 2023 and 2022, the Company had no financial instruments designated to hedge against the interest rate risk.

The following table demonstrates the sensitivity of the Company's pre-tax loss to reasonably possible changes in interest rates with all other variables held constant (through the impact on floating rate borrowings). There is no impact on the Company's equity, other than effect of current year loss.

	Increase/decrease, %	Total change	Impact on property, plant and equipment	Impact on profit before tax
As at 31 December 2023				
EUR thousand	+0.5	(106)	(66)	(40)
EUR thousand	-0.5	106	66	40
As at 31 December 2022				
EUR thousand	+0.5	(17)	(11)	(6)
EUR thousand	-0.5	17	11	6

16 Revenue

Revenue from contracts with customers	2023	2022
Isolated electricity system operation reserve services	2,329,772	-
Trade in balancing/imbalance electricity	125,930	
	2,455,702	-

As of August 2023, the Company has started to provide isolated electricity system operation reserve services at one of the energy storage sites (in Utena). The Company provides the service at full capacity from October 2023.

In 2023, the Company also received revenues from the imbalance energy sales related to the deviation of the transmission system energy balance.

The Company resold the electricity transmission services necessary for the construction of the energy storage facilities to contractors.

All the Company's revenue is recognised over the period.

Other income

	2023	2022
Revenue grant	261,470	92,601
	261,470	92,601

The Company recognised the amount of the eligible costs, which are not classified as capital grant, reimbursed through the State aid from the RRF, as a revenue grant.

17 Other expenses

	2023	2022
Other expenses	356,274	200,570
Financial audit expenses	16,000	7,260
Non-audit expenses	4,500	840
Telecommunications and IT maintenance expenses	41,621	38,499
Remuneration of Board members	37,668	12,537
Event organisation	37,844	12,621
Insurance expenses	34,057	8,182
Taxes (other than income tax)	30,651	4,626
Professional service fee	28,450	25,680
Rent of premises and utility services	25,144	36,974
Transport expenses	12,727	16,773
Personnel development expenses	10,254	9,696
Business trip expenses	16,502	5,749
Marketing and public relations	17,558	8,837
Landscaping	9,783	-
Other expenses	33,515	12,296

18 Finance expenses, net

	2023	2022
Finance income	-	-
Finance costs		
Lease interest expenses	(2,164)	(1,343)
Interest on borrowings	(309,176)	(40,782)
Interest on positive account balance	-	(12,181)
Other finance costs	(50)	-
Result from financing activities	(311,390)	(54,306)

19 Related-party transactions

As at 31 December 2023 and 2022, 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). The disclosures comprise transactions with the companies of the EPSO-G Group, all entities controlled by or under a significant influence of the state and with the management and their close family members, and balances arising from these transactions The list of state-owned enterprises or enterprises subject to significant influence, which are included in the disclosure of transactions, is provided at Visos VVĮ - VKC | Valdymo koordinavimo centras (governance.lt).

The transactions with related parties conducted during 2023 and the outstanding balances of these transactions as at 31 December 2023 are presented below:

2023	Purchases	Borrowings	Sales	Payables	Receivables	Finance costs
EPSO-G UAB, parent company	209,915	15,140,127	-	172,349	-	309,176
LITGRID AB (common shareholders)	535,285	-	2,455,077	15,217	860,629	-
TETAS UAB (common shareholders)	199,842	-	-	26,797	-	-
Ignitis UAB	472,906	-	-	103,354	-	-
Other state-owned enterprises	3,813	-	-	-	-	-
Total:	1,421,761	15,140,127	2,455,077	317,717	860,629	309,176

2022	Purchases	Borrowings	Sales	Payables	Receivables	Finance costs
EPSO-G UAB, parent company	123,828	5,327,007	-	38,681	-	40,782
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

20 Compensation to management and other benefits

	2023	2022
Employment-related payments	119,683	114,497
Whereof: termination benefits	-	-
Payments to Board members	37,668	12,537

The Company's management is comprised of the Company's manager. The Company's management received no share-based payments, nor were any assets transferred free of charge, nor were any loans granted to the Company's management.

21 Off-balance sheet commitments and contingencies

In 2023 and 2022, the Company was not involved in any litigation proceedings.

22 Events after the reporting period

There were no any events after the end of the reporting period and until the date of these financial statements.

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Translation note: This version of the report 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 document takes precedence over this translation

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 2023, 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 2023;
- 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, comprising material accounting policy information 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 (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.

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 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 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
15 March 2024