Management Report 2024

Management Report and Financial Statements of Energy Cells for the year ended 31 December 2024, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, presented together with the independent Auditor's Report

Rimvydas Štilinis	**Rita Smagurauskaitė**
CEO	Accountant of EPSO-G UAB acting under the power of attorney No 24Į issued on 09/08/2024

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

2024 was a momentous year for energy. On the way to decouple from BRELL ring and synchronise with continental Europe, we were also charting new directions: a vision, a strategy and goals relevant to a new energy industry. Got a lot done. In 2024, the National Energy Independence Strategy (NEIS) was developed and approved, followed by the most recent EPSO-G Group's strategy to 2035 and, of course, Energy Cells Strategy to 2030.

Banded together and well prepared for 2024, we started our much-awaited journey to an energy independent Lithuania and other Baltic countries with a clear understanding and agreement on next steps and goals. This new phase will bring both new challenges and opportunities for all energy players, including the energy storage system operator Energy Cells.

The new Energy Cells strategy, adopted at the beginning of 2025, sets the main objective to further contribute to the development of a flexible and resilient energy system. Particularly, to continue ensuring the isolated operation reserve (ISOR) service, which will be necessary until all projects in the synchronisation programme have been implemented.

Subject to the approval of the Seimas, Energy Cells will also have to continue to provide electricity system balancing services while, of course, further ensuring the uninterrupted provision of ISOR service. This temporary solution, while the market of storage facilities is still evolving, was adopted to reduce the cost for electricity consumers. The Company embraced the challenge while being prepared. Market participants are expected to provide balancing services to the full necessary extent within few years, and then the service of the storage system operator Energy Cells will be no further required.

We live in a tense geopolitical environment, and thus strengthening of a cyber-resilience is another key challenge to which the Company has devoted and continues to devote considerable attention. Sustainable and responsible operation of Energy Cells, efficient management of the battery parks and the resulting sustainable performance, increasing digitalisation level, and promoting the safety and well-being of our employees continue to be among the Company's key objectives in its day-to-day operations, thereby ensuring that the organisation is progressive, efficient, and attractive for employees.

It is important to note that, in 2024, the Lithuanian storage system helped Litgrid, the country's electricity transmission system operator, to optimise its technological losses. The full spectrum of activities demonstrates the potential of batteries as one of the most flexible tools in the energy sector, and it is very important that we have it in Lithuania. The Energy Storage Awards, the international initiative, and the regular visits of Lithuanian and foreign delegations to battery parks confirm that the progress made by our energy experts is visible worldwide. The Lithuania's storage system will remain the largest in Europe for a few more years, therefore the Company, recognizing the needs of the market, willing to contribute to the accelerated development of the storage facilities' market and, at the same time, to the accelerated integration of RES, has naturally came to the decision to provide an additional consultancy service related to the deployment and management of energy storage facilities.

I am thankful to the Energy Cells' team for their substantial efforts and ensuring safety in preparation for the BRELL disconnection, and for their work during the isolated operation test in the three Baltic countries. I am confident in Energy Cells team's exceptional excellence and ability to further significantly contribute to strengthening the resilience and autonomy of the energy system of the energy independent Baltic States and to the energy transformation.

Paulius Butkus
Energy Cells – Chair of the Board

CEO'S STATEMENT

You are reading these lines in already energy-independent Lithuania, for which Lithuania and other Baltic States have been striving for almost two decades. Energy Cells' team and our operated energy storage system, which is one of the synchronization program projects, have done our utmost to contribute to this goal, making the preparation for synchronization a key task for 2024.

On 8th February 2025, all three Baltic States disconnected from BRELL and started an isolated operation test. The Baltic energy systems underwent test, lasting for about a day, in which Energy Cells was very involved with great success. Later, prior to synchronisation with Continental European networks, Energy Cells storage facilities actively contributed to frequency regulation as a primary, fastest-responding power reserve.

On 9th February, the Baltic States completed isolated operation test and started synchronous operation with Continental European networks (CEN). This was the culmination of many years of effort and work by all actors in the energy sector. And yes, this is an achievement made in 2025, but the consistent and diligent preparatory work was started long before it, with particular attention devoted in 2024. The preparatory work was particularly important, enabling the Baltic States to independently ensure the power system balance and frequency.

Early in 2025, a new strategy of Energy Cells and other companies in the new energy group EPSO-G was also approved. The main objective is to ensure a flexible and resilient energy system. As outlined in the strategy, the critical function of Energy Cells remains the provision of isolated operation reserve (ISOR) service to the transmission system operator Litgrid, as well as the development of new services contributing to the country's energy transformation, as well as sustainability and efficiency goals.

The year 2024 also marked the first full year of Energy Cells' operation, and our continuous efforts to provide isolated operation reserve (ISOR) service, thereby contributing to the security of the national energy system. We have started providing this service at a full planned capacity of 200 MW from October 2023. Battery parks have brought tangible value, optimizing Litgrid's technological losses. This contributed to lower prices for electricity consumers in the country. Furthermore, with the amendments to the law transposing the exemption provided for in Directive (EU) 2019/944 to common rules for the internal market for electricity, makes it possible to temporarily (until an effective balancing market is established) use the electricity storage facility system to reduce the costs of acquiring balancing capacity.

In response to future market demand and eager to make better use of service opportunities for service expansion, in mid-2024, with the approval of our shareholder, we introduced new business directions. We plan to build our consulting services related to the development of energy infrastructure systems on the expertise we have gained in building and integrating battery parks into the energy system. The development of new services will be facilitated by the organizational structure, which was updated in the fall of 2024 and provides for the positions necessary for existing and new activities. This will lead to further moderate growth of our team, attracting new competent colleagues.

Finally, last year we also had reason to celebrate, as our four-battery park system received international recognition. In November 2024, our energy storage system project was recognised at the international European and UK Energy Storage Awards held in London as the best European project over 100 MW. The project also came second in the category of best overall European energy storage project of the year.
For Energy Cells' team, 2024 was a year of significant achievements and preparation for major changes, where the progress made and experience gained will serve to further strengthen the Baltic energy system and seize new opportunities.

Rimvydas Štilinis
CEO of Energy Cells

MANAGEMENT REPORT OF ENERGY CELLS UAB FOR 2024

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 standby power system operation service to Litgrid, the transmission system operator, which creates the conditions for reliable, stable and user-friendly operation of the Lithuanian power system until the completion of the CEN synchronisation project. 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 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, 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.

In line with 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 "Lithuanian Law on Synchronisation") Energy Cells additionally:

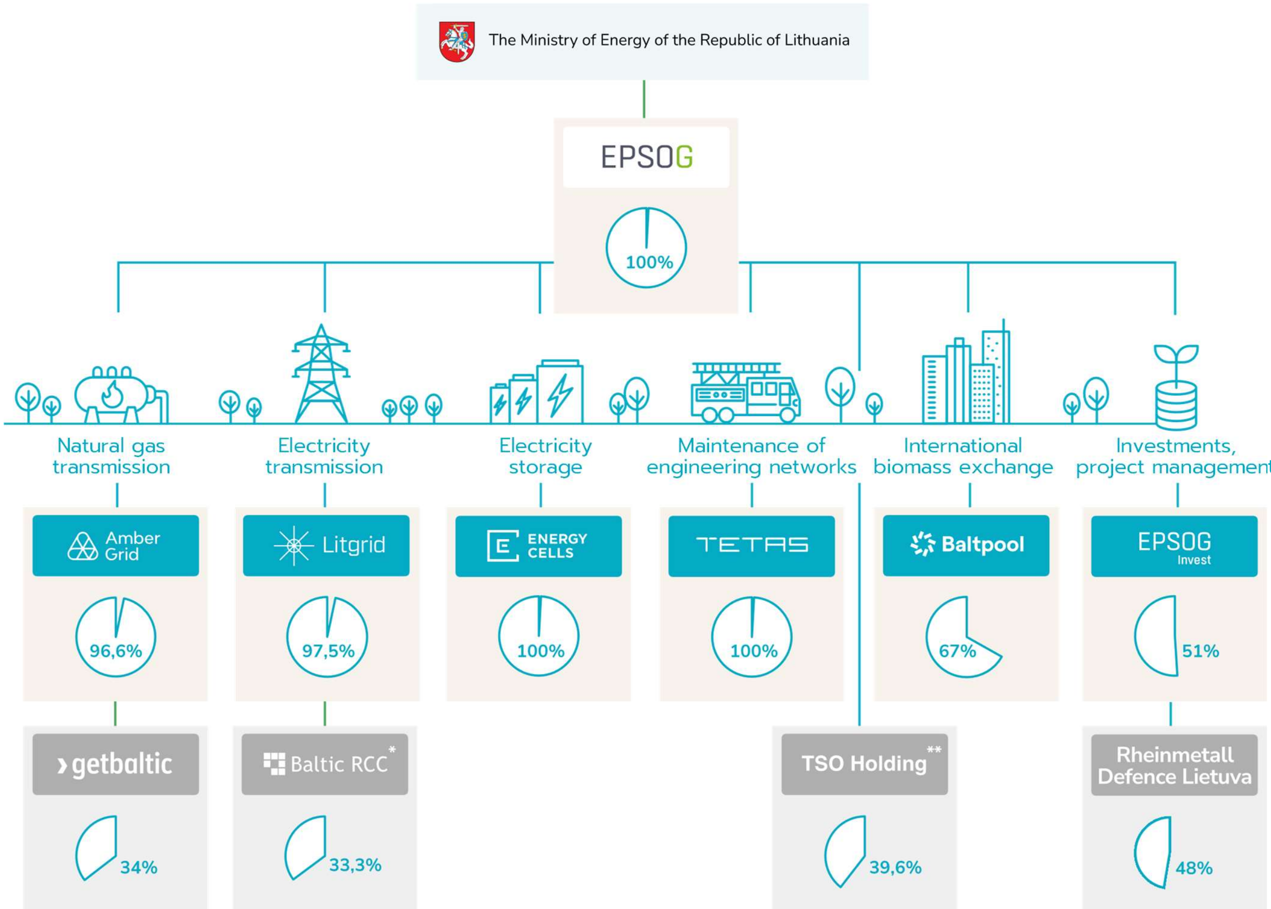
- Can provide other non-frequency regulation ancillary services necessary to ensure the security of the Lithuanian Energy System (LES), when Litgrid, a transmission system operator (TSO), is unable to purchase such services from electricity market participants;
- Must enable Litgrid, a transmission system operator, to carry out the function of reducing the cost of technological losses (which is the functionality of the Battery Energy Storage System (BESS));
- Has the right to provide (energy system) balancing services during the period specified in the Law on Electricity of the Republic of Lithuania, i.e. for a maximum of three years from the date of the interconnection of the electricity system of the Republic of Lithuania with the continental European networks for operation in synchronous mode (this period may be extended, in agreement with the European Commission, for a maximum of five years if necessary to ensure the security of electricity supply);
- Has the right to carry out other activities for which the energy storage facilities system operated by the designated storage system operator is not used.

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 a public tender (announced in January 2021) for the procurement of system installation services and energy storage technologies. According to the signed EUR 109 million worth contract(s), the consortium will provide warranty and maintenance service for 15 years after the system is switched on.

After signing the agreement with the Central Project Management Agency (CPMA) in Q2 2022, 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". In September 2024, Energy Cell closed the procedures related to the financial part and funding of the Europe's largest storage system. The project for a 200 MW system to ensure the security of Lithuania's energy system is valued at EUR 96.3 million. This amount is around EUR 8.9 million less than Energy Cells had planned at the start of the project. The European Commission (EC) has also confirmed, through its evaluation of the reports and audits, that Energy Cells has implemented the project properly and that all the project's indicators have been met. For its part, CPMA, which administers the funding, has confirmed that it will fund EUR 79.5 million (82.6% of the project value) with RRF.

The Lithuanian Law on Synchronisation provides for that the provision of the isolated standby power system operation services, the performance of the function of reducing the cost of technological losses of the transmission system operator, and the provision of 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 Lithuanian Law on Synchronisation, when a transmission system operator is unable to purchase such services from electricity market participants and/or the provision of balancing services is terminated upon the entry into force of the Government's resolution on the revocation of the designation of the designated storage system operator. The Government's resolution on the revocation of the designation of the designated storage system operator shall be adopted upon the recommendation of the Ministry of Energy of the Republic of Lithuania, when the implementation of the electricity system synchronization project is completed and the Ministry of Energy of the Republic of Lithuania evaluates the conclusion received from the transmission system operator on the completion of the electricity system synchronization project. After the synchronization, the battery parks will be available for transfer to market players (entity/s) 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	26/01/2021, the Register of Legal Entities of the Republic of Lithuania
Company code	305689545
Registered office address	Ozo st. 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 core activity 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 preparation for the isolated operation of the electricity system[1] or during the operation of such system, and will ensure the stability of the electricity system in the event of an unexpected emergency 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 regulated services and permitted return on investments set for 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 on business (operating) model

In accordance with Article 6^1 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 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. Furthermore, in accordance with Article 61(6) of the Lithuanian Law on Synchronisation, it is entitled (as also specified in section "1 General information about the Company" of this report) to provide balancing services during the period provided for in the Law on Electricity of the Republic of Lithuania, i.e. for a maximum of three years from the date of the interconnection of the electricity system of the Republic of Lithuania with the continental European networks for operation in synchronous mode (this period may be extended, in agreement with the European Commission, for a maximum of five years if necessary to ensure the security of electricity supply), and to carry out other activities for which the energy storage facilities system operated by the designated storage system operator is not used.

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 to market players (entity/s) meeting national security and other government requirements and will be operated at arms' length.

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 recognised as economically justified costs of DSSO and 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 price cap for the isolated operation reserve service 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] (hereinafter the "NERC Methodology"). This price forms part of the price of the ancillary services (referred to as the "systemic" services up to the end of 2021) provided to Lithuania's 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

[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 when the alternating current interconnection with the power systems of other countries is disabled, including the continental European grid and the IPS/UPS system.*

[2] Section V^1 of the NERC's Methodology.

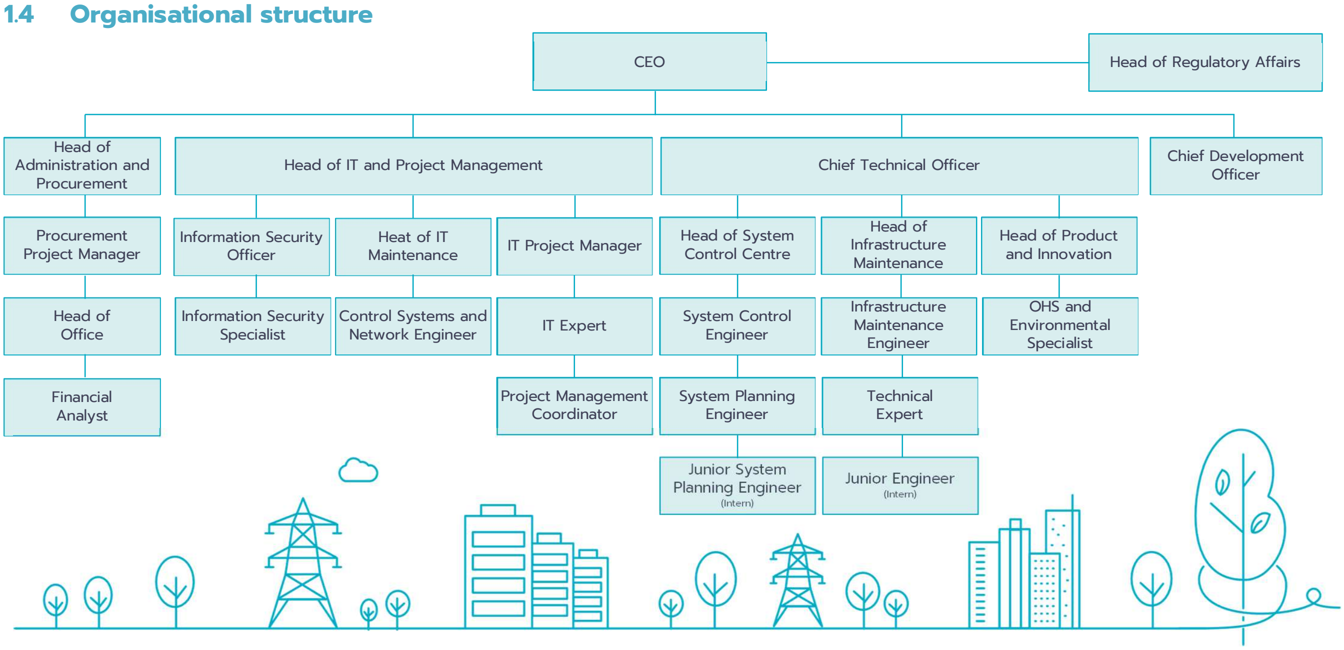
[3] Article $13(4^1)$ of the Law on Synchronisation of the Republic of Lithuania, Paragraph 2 of the NERC's Methodology for Pricing Ancillary Services Acquisition Component to the Transmission Service.

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[4], 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 is compensated by NERC, when determining a price cap 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 (as provided for in Article 6^{1}(5) of the Lithuanian Law on Synchronisation).

In accordance with Article 48^{3}(2^{3}) of the Law on Electricity of the Republic of Lithuania, the eligibility of the costs incurred by DSSO for the provision of balancing services (in accordance with Article 61(6)(2) of the Lithuanian Law on Synchronisation), including return on investment, shall be recognised based on the procedure laid down by NERC, and, if the costs are recognised as economically justified costs of DSSO, they are included in the prices of the regulated services (acquisition component of ancillary services to the transmission service price and/or other prices). The specific prices for balancing services are determined under the isolated electricity system operation reserve service purchase/sale agreement between DSSO and Litgrid, which lays down the principles for the use of the Energy Cells' facilities and the terms and conditions for the provision of balancing services after the technical synchronisation with CEN. This agreement (its terms and conditions) were coordinated by NERC's Resolution No O3E-112 of 30/01/2025[5].

Regarding other activities (services): in accordance with Article 6^{1}(6)(1) of the Lithuanian Law on Synchronisation, the services that do not involve the use of an electricity storage system operated by DSSO and which, at the time of writing, include energy consultancy services, in line with the Company's new operational strategy until 2030 (for more details, see section "1.5Business strategy, objectives, vision, mission, purpose and values"), necessary to emphasize that the prices of these services are not regulated by the State, and the business model for the provision of such services is considered to be the Company's confidential information constituting commercial (trade) secret, as the Company operates in a competitive environment, where disclosure of the information could harm the Company's business and its competitiveness in the provision of such services.

1.4 Organisational structure



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

[4] NERC's Methodology for Determining the Rate of Return on Investment is accessible here.

[5] NERC's Resolution No O3E-112 of 30 January 2025 is accessible here.

1.5 Business strategy, objectives, vision, mission, purpose and values

In 2024, aiming to contribute to the development of a reliable and climate-neutral energy system, to foster the growth of high value-added industries and to support the development of exports of green energy and its products, the EPSO-G Group of companies updated/prepared Strategy to 2035. More details on the new Energy Strategy to 2035 of the EPSO-G Group are available on EPSO-G website.

Consequently, the updated Company's operational strategy to 2030 was approved by a decision of the Company's Board of 14/01/2025[6] (hereinafter the "Company's Strategy"), which replaced the Operational Strategy to 2024-2026 approved by a decision of the Company's Board of 08/01/2024.

Vision, mission and purpose:

In its Strategy to 2030, the Company is guided by the purpose, vision and mission of the EPSO-G Group of companies:

OUR PURPOSE	OUR VISION	OUR MISSION
To power a green and confident future in an ever-changing world	To enable the transformation of the energy industry while simultaneously safeguarding	To accelerate energy independence and enhance system security

[6] *Accessible here*

Values:

Implementation of the mission, pursuit of the vision and all activities of the Company, as well as those of the EPSO-G Group, are based on the fundamental human and professional values: openness, responsibility and reliability. The Company and the EPSO-G Group team's behaviour is reflected in values.

Open

1. **I accept** diversity, listen to other people's and express my own opinion, and treat everyone with respect.
2. **I am growing**, engaging, learning, and helping others to grow.
3. **I share** knowledge and expertise, collaborate and

Responsible

1. **I respect** others' time, effort and work.
2. **I take** initiative and act after evaluating the impact on people and nature.
3. **I do** what I commit to and more, and I perform efficiently.

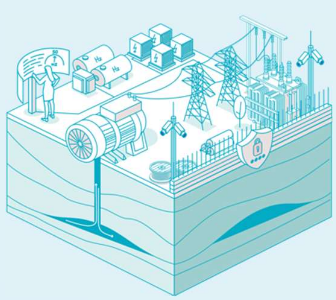
Reliable

1. **I act** professionally, work safely and follow best practice.
2. **I create** value for clients, colleagues and partners by offering solutions and acting on them.
3. **I care** about our customers and partners, our colleagues and society.

Three fundamental commitments and strategy structure

The Company's Strategy to 2030 is based on three fundamental commitments, which will serve further business developments of the Company.

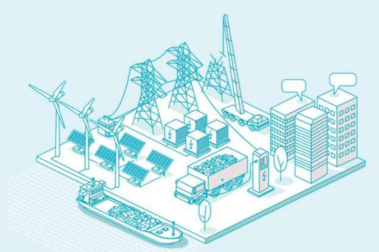
Provider of security and reliability



1

We aim to **enhance resilience and reliability** within and beyond the energy sector, strengthening **system flexibility and national security**. Our work is essential for a reliable future.

Reliable and skilled strategic partner



2

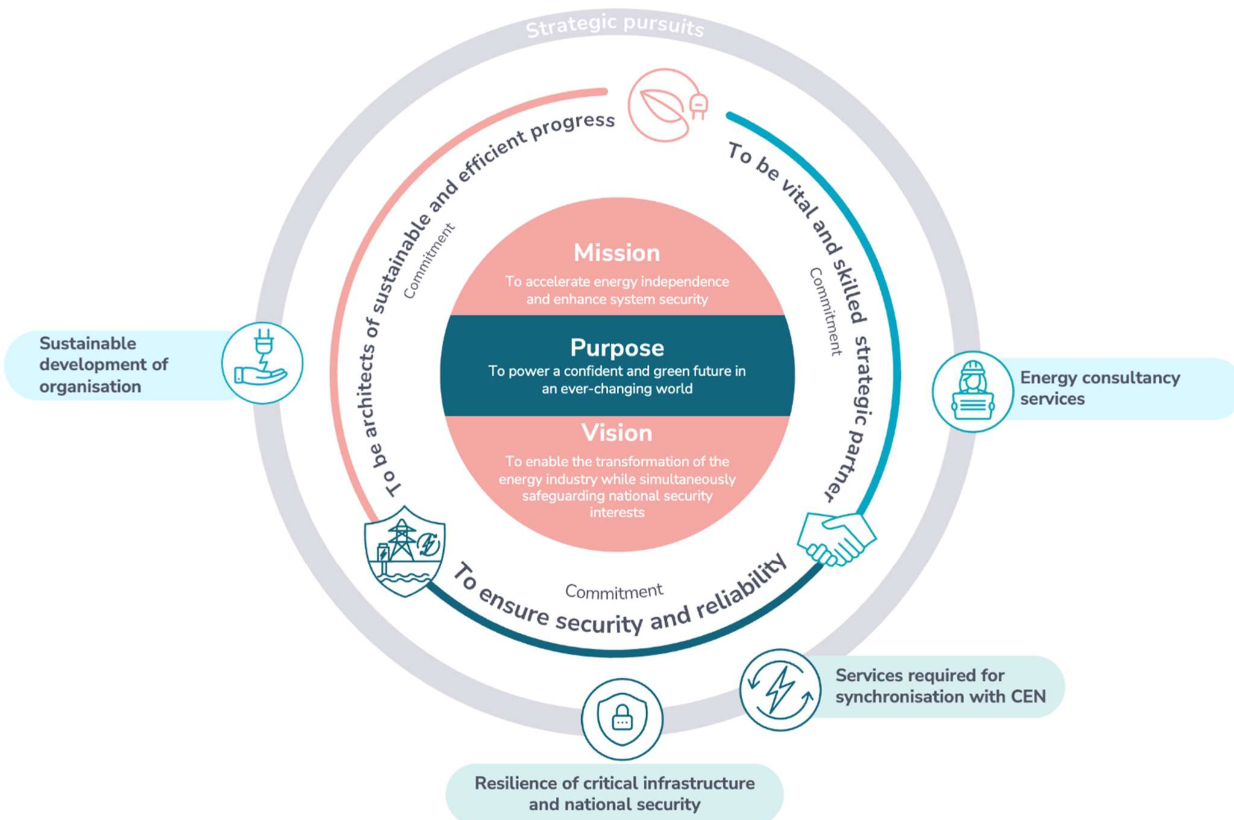
Energy **transition** requires a **close** cooperation of various industry peers, investors and governments. Our goal is to be **reliable partners** in developing environmentally friendly infrastructure and markets.

Enabling sustainable and effective progress

3

To achieve our goals, we need to transform and improve our organisation, processes and respond to sustainability priorities. Our aim is to create **sustainable and efficient progress** through our actions, **fostering financial stability, sustainable performance and continuous improvement**.

In its strategy, the Company is committed to expand existing main activities and to build new ones. Their interconnections are reflected in the strategy structure:



Sustainability commitments are integral to the Company's Strategy. The Company's Strategy and sustainability-related plans are disclosed in section "Information on Sustainability Matters".

Value created by the Company:

The Company's, and the EPSO-G Group's, Strategy is based on the value created for the key stakeholders. The Company has defined the value it creates through strategic indicators (financial, sustainability and performance (operational)), which are grouped according to their benefits to stakeholders. They represent the Company's main objectives to 2030 that will be used as a benchmark in assessing the Company Strategy's implementation success.

Describing success to 2030: value proposition for stakeholders.

1 Society
thrives in a sustainable economy

-20%
GHG gas emission (Scope 1 and 2) reduction by 2030, reaching net-zero by 2050

≥97%
Ensuring access to BESS, by providing ISOR service under the agreement on purchase/sale of ISOR service, % per year

2 Clients
experience seamless and high quality services

≥97%
Actual provision of other services contracted by TSO after the actual technical synchronisation with CEN under the agreement on purchase/sale of ISOR service

≥ 80 points
Global Customer Satisfaction Index (GCSI) as a leading companies rating scores

3 Our people
are empowered

Safe and positive workspace and culture
0 severe and fatal accidents for employees and/or contractors

≥70%
employee engagement rate maintained

4 Founders and investors
unlock new possibilities and reap the rewards

Sustainably growing
Revenue from new activities

5 Partners
collaborate for success

≥98%
Cyber security incidents addressed and contained in timely manner (annual rate, %)

The Company's Strategy has been prepared in accordance with the updated EPSO-G Group's Strategy and on the basis of the Guidelines for the Evaluation of Draft Strategic Business Plans of State-Owned Enterprises 2023-2024[7] 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[8]), i.e. exclude the environmental impact analysis (including internal and internal factors), the SWOT analysis of the competitive environment.

The Company's Strategy to 2030 is focused on ensuring the provision of an isolated operation reserve service, as well as the development of services to enable the country's energy transformation, and sustainability and efficiency objectives:

- Energy security. The Company's primary objective continues to be the provision of an isolated operation reserve service in according to the requirements of the transmission system operator.
- Sustainability. The Company aims is to reduce its GHG emissions by 20% by 2030 and to reach net-zero by 2050.
- Transformation. The Company's goal is to be a vital and skilled strategic partner in the transformation of Lithuania's energy system by developing cooperation with market players.
- Employee well-being. The Company anticipates the approx. 20% growth in its staff over the next five years, and one of its goals is to consistently maintain a high level of employee engagement of at least 70%.

[7] *Accessible here.*
[8] *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.*

Achievement of the strategic objectives in 2024 set out in the Company's Strategy to 2024-2026:

The table below presents the strategic objectives, targets and their implementation in 2024, as set out in the Company's Operational Strategy approved on 08/01/2024 (up to the updated Company's Strategy to 2030 approved by decision of the Company's Board on 14/01/2025):

Objective	Task	Indicator /units of measure	Target value for the indicator in 2024, as set in the Strategy to 2024-2026	Actual indicator achievement in 2024
1 To provide TSO with an isolated working reserve service and the function of reducing the cost of technological losses incurred by TSO.	Provision of the isolated operation reserve service	Isolated Operation Reserve (ISOR) service is provided in line with the TSO's requirements	ISOR service provided	ISOR service provided in line with the TSO's requirements throughout 2024 (100% IMPLEMENTATION)
	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)[9]	0	0.0 - losses not compensated (100% IMPLEMENTATION)
2 During 2023-2025, to earn a return not lower than the allowed return set under the methodology approved by NERC		EBITDA[10], EUR million	≥1.8*	4.1 (100% IMPLEMENTATION)
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)	≤0.5/quarter	0.5/quarter, as 2/year (100% IMPLEMENTATION)
		Compliance of the Company's activities with legal requirements related to CII (% of total requirements)	Yes (≥95%)	Yes (≥95%) (100% IMPLEMENTATION)
	Ensuring proper condition and efficiency of BESS	Ensuring access to BESS, including scheduled maintenance	≥97%	97.82% (actual hours for provision ISOR in 2024 – 8,592 hours, under TSO's requirements, the minimum required hours for service was 8,544 (≥ 97% of 8,760 hours in 2024) (100% IMPLEMENTATION)
		Maintaining BESS energy capacity	≥200 MWh	≥200 MWh (100% IMPLEMENTATION)
		BESS efficiency	≥85%	≥85% (100% IMPLEMENTATION)
4 After the implementation of the CEN synchronisation project, to transfer/sell (subject to qualifying offer(s)) the managed	Analysis of strategic alternatives and action plan	Action plan for alternative activities is developed following the analysis of strategic alternatives and options	Q2	Q2 prepared (100% IMPLEMENTATION)

[9] *In accordance with the Lithuanian Law on Synchronisation (LLS).*
[10] *Regulated activities being assessed.*

electricity storage facilities to persons who meet national security and other requirements set by the State.				
5 Development/ expansion of battery storage services	Pilot storage projects together with TSO	Number of pilot tests with TSO involving Energy Cells	Conducting tests on demand, and preparing test reports or protocols prepared	13/03/2024 Litgrid and Energy Cells signed the aFRR test report (100% IMPLEMENTATION)
	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	Safeguarding the interests of Energy Cells by developing a virtual network analysis and management model 03/12/2024 Signing the report of the study on the virtual grid, 19/12/2025 Signing the study completion certificate (100% IMPLEMENTATION)
	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	Q2 (26/04/2024) the procedures for the modification (restructuring) of the State aid (SA) were launched, and, in Q2, the justification for amending the legislation was drafted (100% IMPLEMENTATION)
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	31/03/2024 Developing the Action Plan, 01/09/2024 Developing the Operational Plan	End of 10/2024* (PARTIAL IMPLEMENTATION - 90%)
		Establishing strategic partnerships	30/06/2024 Signing the 1st Strategic Partnership Agreement	There was no need to sign a strategic partnership agreement**
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	≥71%	83% - based on the employee engagement survey conducted on 01/2024 (100% IMPLEMENTATION)
	Improving NPS[12]	Carrying out the NPS survey	A first-time survey to identify target values and an action plan to increase the NPS score (if necessary)	Given the number of the Company's customers, there was no need for the survey

* 06/05-2024 The Company's Board agreed on postponing the deadline for the development of the operational plan to 10/2024, taking into account also the new Group strategy to 2035. The operational plan was developed at the end of October 2024, with minimum amendments made in November 2024

** Taking into account the actions undertaken for the development of the new strategies (EPSO-G's Strategy to 2035, and Energy Cells' Strategy to 2030) and the strategic orientations/objectives contained therein.

[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.*

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

Achievement of performance objectives in 2024:

The Company's Board has set the following performance objectives for the Company for 2024:

No	Annual objective	Target values for the indicator	Achievement weight (%)	Achievement score (%)
1	Ensuring access to BESS, by providing isolated reserve (ISOR) service under TSO's requirements	Actual number of hours/year in 2024, when access to BESS was ensured by providing isolated reserve (ISOR) service under TSO's requirements ≥ 8,544 hours	25	25
2	Ensuring stable financial position of Energy Cells	Actual EBITDA	25	25
3	Finalised preparations for the provision of 200 MW of storage services in 2025 required for synchronisation with CEN, launching a new unregulated activity	(a) Modifying/adapting the State aid scheme under the EC decision of 28/10/2021 (b) Developing action plan for alternative activities and carrying out actions under the action plan	30	29.1
4	Enabling energy transformation	Developing Energy Cells' Strategy as an integral part of the Group strategy	10	10
5	Ensuring succession of Energy Cells employees	Planning succession and training of Energy Cells management and critical competences, measures to control the implementation thereof	10	10

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.

In 2024, the achievement rate for objectives set for the Company for 2024, based on the Company Board's decision of 07/03/2025, was 99.1%

Operational objectives for 2025:

Based on the strategic directions and planned initiatives defined in the Company's Strategy to 2030, the Company's Board has set the following objectives for the Company 2025:

No	Strategic direction	Strategic objective	Annual objective	Objective weight (%)	Indicator weight (%)
1	ENSURE SECURITY AND RELIABILITY	Ensuring a flexible and resilient energy system	Ensuring access to BESS, by providing isolated reserve (ISOR) service under the agreement on purchase/sale of ISOR service	60%	50%
			At the invitation of PSO, participating in the Baltic power system isolated operation test and providing other services contracted by PSO after the actual technical synchronization with CEN		40%
		Strengthening national security	Reducing information security risks		10%
2	BE VITAL AND SKILLED STRATEGIC PARTNERS	Expand the product range	Service development	10%	100%
3	ENABLING SUSTAINABLE AND EFFECTIVE PROGRESS	Effectively manage finances and resources	Financial sustainability	10%	100%
			Developing an action plan for the exemption under the EU Electricity Market Design (EMD) (Directive (EU) 2024/1711) and taking the necessary substantive actions	20%	100%

1.6 Services provided by the Company

The Company's main objective in 2024 was to provide the electricity transmission system operator (TSO) with the necessary service ensuring isolated operation of the power system.

Also, in accordance with the amendments to the Law on Synchronisation of the Republic of Lithuania[13] adopted on 27/04/2023, the Company had to ensure the function of reducing the cost of technological losses incurred by TSO (which is 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. During 2024, the Company carried out the function of reducing the cost of technological losses incurred by TSO. There was no need to provide other non-frequency regulation ancillary services necessary to ensure the security of the Lithuanian Energy System, other than related to frequency regulation, therefore the Company did not provide such services.

All services the Company can provide under the Lithuanian Law on Synchronization (which is one of the key legal acts regulating the Company's activities and services provided) are listed in the section "1 General Information about the Company" of this management report.

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

1.7 Most significant events in 2024

06
JUNE

- In June 2024, Energy Cells signed the agreement with Enefit for the supply of green energy, which will be used to ensure the operation of the Energy Cells' battery park system and the provision of an isolated operation reserve service. The agreement is concluded for the period of one year, with a maximum possible purchase value of EUR 1 million (excluding VAT). At the same time, this demonstrates the Company's full commitment to sustainability.

09
SEPTEMBER

- In September 2024, Energy Cell closed the procedures related to the financial part and funding of the Europe's largest storage system. The project for a 200 MW system to ensure the security of Lithuania's energy system is valued at EUR 96.3 million. This amount is around EUR 8.9 million less than Energy Cells had planned at the start of the project. The European Commission (EC) has also confirmed, through its evaluation of the reports and audits, that Energy Cells has implemented the project properly and that all the project's indicators have been met. For its part, CPMA, which administers the funding, has confirmed that it will fund EUR 79.5 million (82.6% of the project value) with RRF.

11
NOVEMBER

- 21/11/2024 The 200 MW and 200 MWh energy storage system project of Energy Cells was recognised at the prestigious European and UK Energy Storage Awards, winning one of the most important categories – the best European project over 100 MW. Energy Cells' project also came second in the category of best overall European energy storage project of the year.
- 28/11/2024 By decision No O3E-1555[14], based on NERC's certificate No O5E-1141 of 21/11/2024 On Setting the Price Cap for the Isolated Power System Operation Reserve Service of Energy Cells for 2025[15], in 2025, NERC approved the permitted revenue level of EUR 7.31 million and the price cap for the isolated power system operation reserve service of 4.17 Eur/MW/h (excl. VAT). In 2024, the level of allowed revenue and the price cap were set at EUR 7.37 million and EUR 4.19/MW/hour (excluding VAT), respectively. Consequently, the price of EUR 4.17/MW/hour (excluding VAT) for isolated operation reserve service is applied from 01/01/2025, which is in line with the adjusted price cap for the Energy Cells's isolated operation reserve service approved by NERC in November 2024, which is EUR 4.17/MW/hour (excluding VAT), a 0.5% decrease compared to the price cap set for 2024. The decrease in the permitted revenue level was influenced by the slightly lower Energy Cells' operating expenses and lower capital costs set by NERC due to the depreciation of SSO-operated BESS in the regulatory accounting, which directly affects the value of Energy Cell's regulatory asset base (RAB) and the permitted revenue level. The prices (price forecasts) of the isolated operation reserve services for 2023-2025 were and are included in the acquisition component of Litgrid's ancillary services to the Transmission Service Price approved by NERC for 2023-2025.

12
DECEMBER

- On 03/12/2024, the report of the study on the virtual grid as an electricity market product, carried out by Litgrid and Energy cells together with the Lithuanian Energy Institute (LEI), was received, and, on 19/12/2024, the study completion act was signed.

[14] *NERC's certificate No O3E-1555 of 28/11/2024 is accessible here.*
[15] *NERC's certificate No O5E-1141 of 21/11/2024 is accessible here (the certificate information was revised by minutes No O2E-84 of 28/11/2024, see Question 28 in Section II of the minutes.)*

1.8 Events after the end of the reporting period

01 JANUARY

- On 14/01/2025 the Company's Operational Strategy to 2022-2026 was approved.
- On 17/01/2025, amendments to the Law on Electricity of the Republic of Lithuania and the Lithuanian Law on Synchronisation with the continental European networks for Operation in Synchronous Mode of the Republic of Lithuania, adopted by the Seimas on 19/12/2024, came into force, which allow Litgrid, after the synchronization with the Continental European networks (since 10/02/2025), to purchase a small portion of the balancing services necessary for the management of the electricity transmission system from the energy storage system operator Energy Cells for a limited period. Accordingly, on 30/01/2025, the European Commission adopted a decision, enabling Energy Cells to provide balancing services for a limited period of time, and, on 30/01/2025, NERC adopted a decision on coordination of the isolated electricity system operation reserve service purchase/sale agreement (its terms and conditions) between Litgrid and Energy cells. These decisions enable Litgrid to purchase a small part of the balancing services from Energy Cells on a temporary basis, until the market is able to offer a sufficient supply of balancing services. The agreement provides that Energy Cells will provide 40 MW of aFRR balancing capacity in 2025 and will participate in the balancing energy (aFRR) market, where its bid will be placed at the end of the auction, i.e. Energy Cell's batteries are only activated when these services cannot be provided by other market participants.

02 FEBRUARY

- Since 10/02/2025, the Company has been providing balancing services to TSO Litgrid.

02 Financial information

2 Financial information

The Company's revenue in 2024 totalled EUR 9,178 thousand (2023: EUR 2,717 thousand). In 2024, the Company provided an isolated working reserve service throughout the year and earned EUR 7,361 thousand from this activity, which accounted for 80% of total revenue for the reporting period. In 2024, the Company incurred operating costs of EUR 5,059 thousand (2023: EUR 2,320 thousand), the increase of which was caused by the isolated operation reserve service which was provided in full throughout 2024. Net profit for the reporting period amounted to EUR 2,133 thousand (a EUR 207 thousand loss was reported in 2023).

Key performance indicators of Energy Cells (EUR thousand):

	2024	Change		2023	2022	2021
		+/-	%			
Revenue	9,178	6,461	238%	2,717	93	0
Operating expenses	5,059	2,739	118%	2,320	611	334
EBITDA[1]	4,119	3,722	936%	397	-518	-334
Net profit	2,133	2,340	-1130%	-207	-509	-305
Assets	18,160	-11,710	-39%	29,870	39,399	10,178
ROE	90%	0		-14%	-28%	-35%
Current liquidity ratio[2]	0.14	-0.33	-70%	0.48	0.75	0.11
Net debt[3]	412	-13,498	-97%	13,910	2,920	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 (in 2024 compared to 2023) because the isolated operation reserve service (operating activity) became fully operational only in 2024, while in 2023 the isolated operation reserve service, generating main revenue and expenses for the Company, was only launched in Q3 2023 (consequently, due to non-comparability of indicators in different reporting periods, as the isolated operation reserve service was only launched in Q3 2023, the Company did not assess asset turnover ratios and the reasons for their change).

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

	2024	Change		2023	2022	2021
		+/-	%			
Non-current assets	16,023	-528	-3%	16,551	11,006	9,296
Current assets	2,137	-11,182	-84%	13,319	28,394	882
TOTAL ASSETS	18,160	-11,710	-39%	29,870	39,399	10,178
Equity	3,371	2,017	149%	1,354	1,561	2,070
Payables and liabilities	14,789	-13,727	-48%	28,516	37,839	8,108
TOTAL EQUITY AND LIABILITIES	18,160	-11,710	-39%	29,870	39,399	10,178

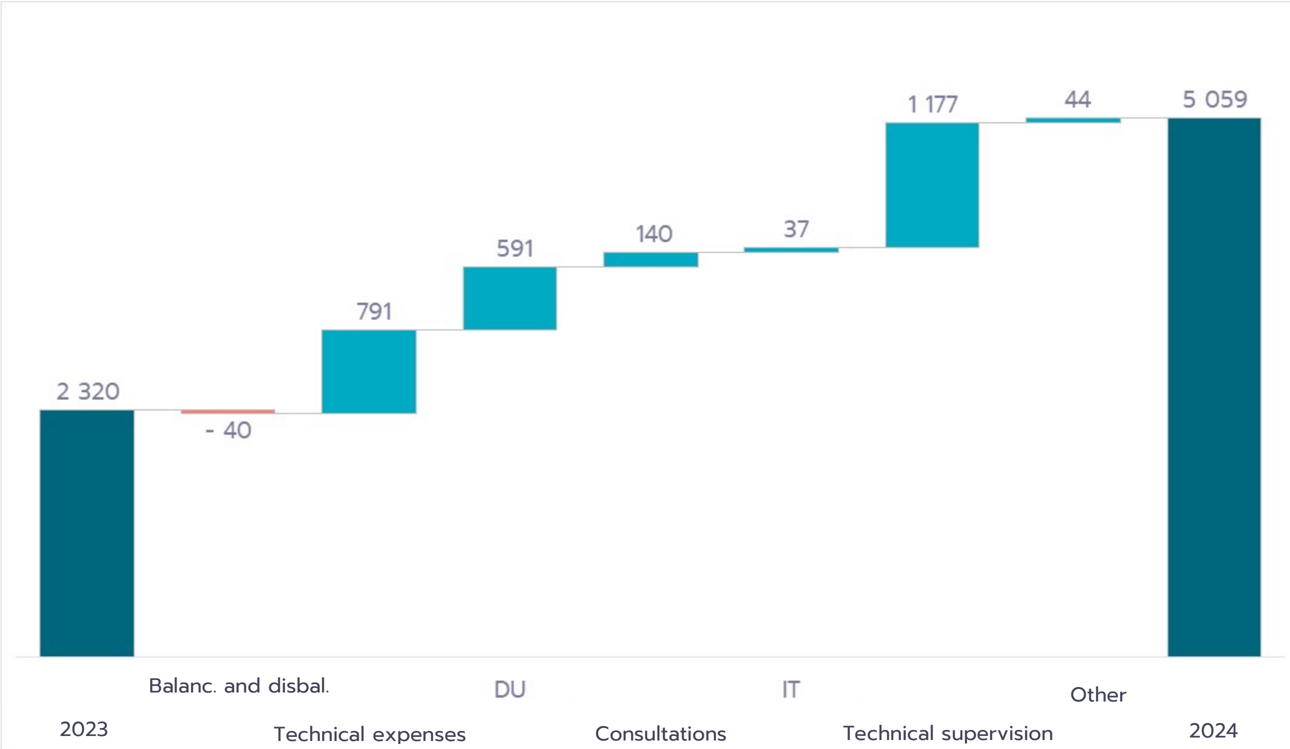
In 2024, the Company's non-current assets amounted to EUR 16,023 thousand (2023: EUR 16,551 thousand). It consisted of property, plant and equipment and intangible assets, such as energy storage facilities, related buildings, structures, equipment and other property, plant and equipment and intangible assets. In 2024, the change in current assets was determined by a decrease of EUR 10,833 thousand in the amount of grants receivable. As at 31/12/2024, payable and liabilities, amounting to EUR 14,789 thousand (2023: EUR 28,515 thousand), mostly consisted of provisions of EUR 9,038 thousand (2023: EUR 9,038 thousand), as well as of trade payables of EUR 1,753 thousand (2023: EUR 3,355 thousand) and other payables of EUR 2,237 thousand (31 December 2023, EUR 800 thousand).

Operating expenses of Energy Cells (EUR thousand):

	2024	Change		2023	2022	2021
		+/-	%			
Expenses for purchase of balancing and imbalance electricity	162	-40	-20%	202	0	0
Expenses for electricity technological needs	1,077	791	276%	286	0	0
Wages and salaries and related expenses	1,182	591	100%	591	254	183
Consultation services	419	140	50%	279	136	68
Telecommunications and IT maintenance expenses	79	37	88%	42	38	16
Rent of premises and utility services	34	9	35%	25	37	15
Technical maintenance expenses	1,782	1,177	195%	605	21	0
Transport expenses	15	2	18%	13	17	4
Taxes (other than income tax)	34	3	10%	31	5	3
Professional services	31	3	11%	28	26	17
Other expenses	244	27	12%	217	77	28
TOTAL OPERATING EXPENSES	5,059	2,739	118%	2,320	611	334

The significant change in operating costs was mainly attributable to the fact that the isolated operation reserve service was fully operational in 2024, whereas, in 2023, this service was only launched in the third quarter. The main elements of operating costs in 2024 were technical maintenance expenses, payroll-related expenses and expenses for electricity technological needs, which accounted for 80% of all operating expenses (2023: 64%), whereas consulting expenses accounted for 8% (2023: 12%), telecommunication and IT system costs - 2 % (2023: 2%), and other expenses - 5% (2023: 9%) of all operating expenses.

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 2024.

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 energy storage system operator Energy Cells, in cooperation with Lithuanian Energy Institute (LEI) and Lithuania’s electricity transmission system operator Litgrid, conducted a study on the virtual grid as an electricity market product.

The study assessed the potential of virtual power network to contribute to the reliability of the electricity system and increase the capacity of power lines. This innovation would increase the electricity network's potential to integrate energy from renewable sources, e.g. solar and wind farms. The study offered technical solutions on how a virtual network can work for the benefit of the Lithuanian electricity transmission system.

Investments:

On 20/10/2022, the Company's investment project Installation of the electricity storage facilities (200 MW) (hereinafter the "Project") [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:

- To mitigate the threat of black-out arising due to unintended or uncoordinated action/omission of third parties;
  1. To ensure the reliable operation of the Lithuanian electricity system in an isolated mode;
  2. 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);
- 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 NERC for 2023). Given the actual investments and depreciation costs planned for the end of 2023, the price/price cap 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] Given the actual investments and NERC's assessment of the Company's depreciation expenses, the price/price cap of the Company's isolated operation reserve service for 2025 was set and approved by NERC by including the planned RAB of EUR 15.3 million as at 31/12/2024.[20]

Given the new Company's Strategy to 2030, approved on 14/01/2025, the preliminary estimates show that investments in existing and new activities (strategic directions) could reach up to ~EUR 2 million by 2030, with the main focus on BESS functionality (IT, etc.), providing storage system services necessary for the synchronization with CEN, as well as on the development of consulting services. Specific investments planned by Energy Cells until 2030 may be adjusted in the future, taking into account the progress of the planned strategic directions and possible legal restrictions on activities. In 2025, 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. until start of 2026 (inclusive).

[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).*

[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).*

[20] *NERC's certificate No O5E-1141 of 20/11/2023 regarding the price cap applicable to the Company in 2025 is accessible here (for RAB, see table 4). (by NERC's minutes No O2E-84, the certificate information was revised, by correcting RAB in the table 4 from incorrectly indicated amount of EUR 14.3 million to EUR 15.3 million).*

03 Risk management

3 Risk management

3.1 Risk management framework

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

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

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

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

The 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.

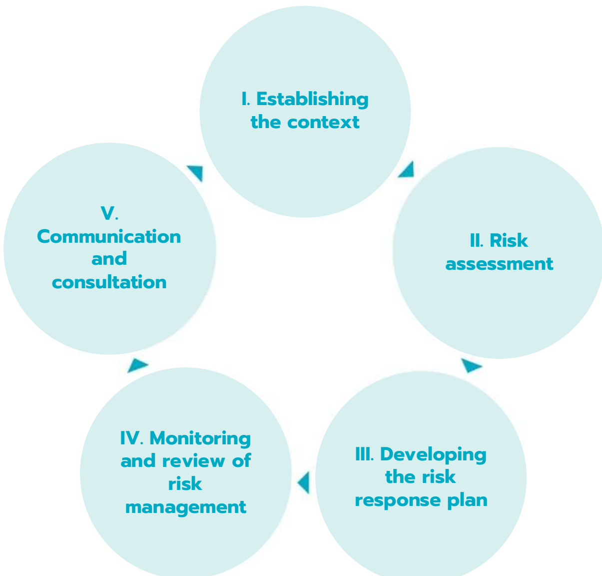
II. Assessment of risks:
The Company identifies, analyses and assesses risks on regular basis, identifies Key Risk Indicators, and prepares the List of Risks. The Company also identifies the risk appetite, and categorizes risks according to their priority and the appetite identified.

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 2024, 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.

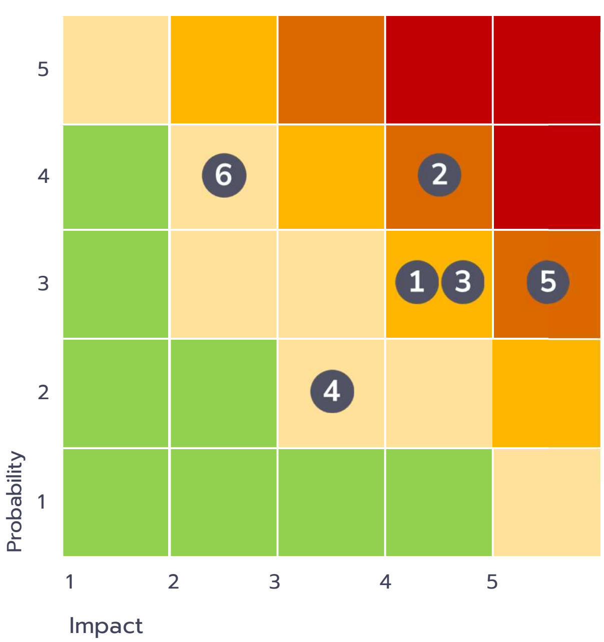
In each quarter of 2024, the Audit Committee of EPSO-G assessed the changes in the key risk indicators of the Company, the effectiveness of risk management and presented its conclusions and recommendations to the Company's Board.

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

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.

3.2 Key risks and their management

3.2.1 Group's risk map



1	Regulatory risk	■
2	Risk of ensuring insufficient level of the Company's revenue (expenses)	■
3	Cybersecurity risk	▲
4	Failure to secure required level of BESS accessibility (not less than 97%)	▲
5	Risk of non-compliance with occupational safety requirements	▼
6	Environmental impact mitigation risk	▼

Trends in a risk level:
▲ Increase
■ No change
▼ Decrease

3.2.2 Full description of the Group's risks

1 Regulatory risk

Risk level

MODERATE

Risk factors
External - economic, political

Risk impact
Finances, reputation

ESG type
Governance

Risk area
Regulatory

Risk description

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 CEN, the operations of Energy Cells, including prices of regulated services, are regulated by the State. The regulatory function is carried out by 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, 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

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

2 Risk of ensuring insufficient level of the Company's revenue (expenses)

Risk level

HIGH

Risk factors
External - economic

Risk impact
Finances, reputation

ESG type
–

Risk area
Finance management

Risk description

Every year, NERC analyses and monitors the investments implemented and planned, and costs incurred and planned by the Company, and sets the price cap for the Company's regulated service(s) and, respectively, the permitted revenue level.

In addition, in 2024, the Central Project Management Agency (CPMA) assessed the costs incurred by the Company in the 200 MW energy storage facility project, which had to be eligible for EU funding. The Company could fail to ensure a sufficient level of revenue and costs, if justification of investments, costs, and revenues was insufficient, inappropriate or was provided outside the statutory requirements.

Management measures

- Regular (in accordance with legal requirements) submission of reasoning and information to NERC, CPMA and/or other Lithuanian and/or EU institutions regarding the investments made and planned, costs incurred and planned, and income received and planned by the Company.
- Submission of additional reasoning and additional information to NERC, CPMA and/or other Lithuanian and/or EU institutions regarding the investments made and planned, costs incurred and planned, and income received and planned by the Company.

3 Cybersecurity risk

Risk level

MODERATE

Risk description

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,

Management measures

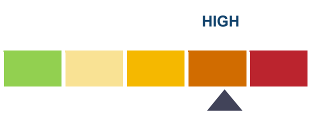
- In order to prevent cyber incidents, threats to the information systems, physical protection and security management systems of the Company are regularly assessed,

Risk factors External - technological Internal - IT **Risk impact** Finances, reputation **ESG type** Governance **Risk area** Information security	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.	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. • Employees 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 Failure to secure required level of BESS accessibility (not less than 97%)

Risk level	**Risk description**	**Management measures**
 **Risk factors** External - technological Internal - IT **Risk impact** Finances, reputation **ESG type** - **Risk area** Management of the assets attributed to the transmission system	Given that BEES parks will be operated for the first time, there is a risk that any defects will prevent from meeting the accessibility rate. Failure to maintain the accessibility level may be caused by unavailability of spare parts or inadequate response of personnel in the event of a failure or accident.	• The contractor's duty to ensure that system defects will not affect its accessibility during the operational phase. • Timely rectification in accordance with the long-term service agreement. • Implementation of the preventive maintenance plan.

5 Risk of non-compliance with occupational safety requirements

Risk level	**Risk description**	**Management measures**
 **Risk factors** Internal - personnel **Risk impact** Finances, reputation **ESG type** Corporate Social Responsibility **Risk area** Occupational Safety	Group companies place great emphasis on occupational safety. Given the applicable and most relevant occupational safety requirements and the current implementation situation, there is a risk of non-compliance with the OHS requirements.	• Proper installation of workstations, timely maintenance and control of systems, equipment, work tools. • Internal documents on health and safety have been approved. • Staff training, certification and briefings on safety and health issues. • Continuous monitoring and supervision of employees' and contractors' compliance with OHS requirements.

6 Environmental impact mitigation risk

Risk level	**Risk description**	**Management measures**

 **Risk factors** External - environmental Internal - infrastructure **Risk impact** Finances, reputation, environment **ESG type** Environment protection **Risk area** Environmental, Sustainability development	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.	• 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.

In 2024, 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.

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

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

1 **Risk materiality**
An exhaustive list of physical and transition climate-related risks, adapted to the companies' field of activity.

2 **Probability assessment of**
Based on the study by the Lithuanian Hydrometeorological Service (physical risk) and an expert assessment under the IPCC scenarios (transition risk).

3 **Impact assessment**
Assessment of the impact of identified material and potential physical and transition risks, treated as an approximate of the financial costs.

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

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

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).

04 Corporate Governance

4 Corporate Governance

The Company's Articles of Association (a new wording registered on 13/05/2024) set forth that the Company's governance structure comprises the General Meeting of Shareholders, the Board, and the Company's manager. The Company's Articles of Association are available on the Company's website https://www.energy-cells.eu, in the section "About company".

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.

The Company's Articles of Association stipulate that the group of companies consists of the Company and the parent company EPSO-G UAB, and other legal entities directly and indirectly controlled by the parent company. 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 24/04/2018 (a new wording approved on 29/12/2022), 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 2024, 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 13/05/2024, 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 2024, 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.

On 30/04/2024, the Ordinary General Meeting of Shareholders resolved to allocate EUR 116,446 thousand for payment of dividends.

4.2 The General Meeting of Shareholders

The procedure for convening the General Meeting of Shareholders, decision-making process, and the powers of the General Meeting of Shareholders are consistent with those stipulated in the Law on Companies of the Republic of Lithuania, except for the additional powers of the General Meeting of Shareholders, stipulated in Article 23 of the Articles of Association.

Article 23 of the Articles of Association provides that the General Meeting of Shareholders shall also decide on (additional competence of the Meeting):

(i) Appointment and removal of the Board members, remuneration of the Board members, conclusion of contracts with the Board members and standard terms and conditions;
(ii) The suspension or non-suspension of the Board members and on the adoption of a decision on a relevant matter from which all members of the Board have been suspended by the General Meeting of Shareholders, in the cases provided for in Article 46 of the Articles of Association;
(iii) Approval of the Board's decisions referred to in Article 34(iii) to (viii) of the Company's Articles of Association if the value, price or amount of the transaction concerned exceeds EUR 500,000 (five hundred thousand euros), as well as decisions referred to in Article 34(ix) to (xi).

The following decisions were adopted by the sole shareholder EPSO-G in 2024:

Date	Key decisions
30/04/2024	Approval of the set of financial statements of Energy Cells UAB for the year ended 31 December 2023. Approval of the distribution of profit/loss of Energy Cell UAB for 2023. Approval of a new wording of the Articles of Association of Energy Cell UAB.
31/05/2024	Approval of Energy Cells UAB Board's decision of 24/05/2024: to conclude the electricity sale and purchase agreement with Enefit UAB, and to approve material terms and conditions thereof.

4.3 The Board of the Company

The Board consists of 3 (three) members, including the Chair 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.[21]

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

The powers of the Board are consistent with those stipulated in the Law on Companies, except for the additional powers stipulated in Articles 32–39 of the Articles of Association.

The Company’s Board reserves the competence to:

- Approve the Company’s business strategy (including long-term and short-term, financial and non-financial targets and/or performance indicators);
- Approve the Company’s budget;
- Approve the Company’s annual performance objectives;
- Take decisions on the Company’s significant transactions in an amount of EUR 6,300 or higher, and approves material terms a conditions of such transactions;
- Adopt decisions on the humanitarian aid provision transactions, provided for in the Law on the Development Cooperation and Humanitarian Aid of the Republic of Lithuania;
- Adopt decisions on the Company’s participation in a joint venture with other entities, if the Company's participation in the joint venture involves financial commitments;
- Adopt decisions on the commencement of a new activity of the Company or on the discontinuation of a specific ongoing activity (unless it is provided in the Articles of Association);
- Adopt decisions on the transfer or pledge of the shares (ownership interest, member contributions) held by the Company, on the disposal or mortgage of the Company’s undertaking as a complex of assets or a substantial part thereof;
- Adopt decisions on the Company becoming a founder of or participant in other legal entities (except for entities specified in Article 34(xii) of the Articles of Association), as well as decisions on increasing and reducing the number of shares (ownership interest, member contributions) held by the Company or any other change in the rights attached to such shares (ownership interest, member contributions); and confirming the material terms and conditions of share subscription agreements;
- Adopt decisions on the Company becoming a founder of, or participant in, legal entities, such as associations, public organizations, groupings, confederations, unions, societies, or other non-profit organizations, the purpose of which is to coordinate the activities of the members of such legal entity, to satisfy, represent and defend their interests or to pursue other common goals;
- The initiation of strategic projects, issue of bonds (except for convertible bonds);
- On the non-application to the Company or the application with exceptions of the documents applicable at the level of the Group of Companies approved by the Board of the Parent Company;
- Take other decisions within the competence of the Board as provided for in the Articles of Association and the Law on Companies of the Republic of Lithuania.

The Board performs the following supervisory functions:

(i) Supervises the performance of CEO, provides feedback and proposals to the General Meeting of Shareholders on CEO’s performance;

(ii) Considers whether CEO is fit to hold the office in case the Company is operating at a loss;

[21] *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.*

(iii) Submits suggestions to CEO on revocation of the decisions that are in conflict with the laws and other legal acts, the Articles of Association, and decisions adopted by the General Meeting Shareholders or the Board;

(iv) Decides on other matters pertaining to supervision of activities of the Company and the Company's CEO that are assigned to the authority of the Board under the Articles of Association or by the decision of the General Meeting of Shareholders.

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 20 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

Composition of the Company's Board as at 31 December 2024:

Full name	Position	Term of office	Other positions	Education
Paulius Butkus	Chair of the Board (since 16/05/2023)	Since 11/05/2023	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 13/04/2022	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 13/04/2022	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 Board meetings in 2024:

Paulius Butkus	Dovilė Kapačinskaitė	Darius Klimašauskas
20/20	20/20	20/20

Key decisions of the Board adopted in 2024:

01/2024	**08/01** Approval of the annual operational objectives of Energy Cells UAB for 2024. Approval of the updated Operational Strategy 2024-2026 of Energy Cells UAB and its submission to the Governance Coordination Centre for review. Approval of the budget of Energy Cells UAB for 2024. **23/01** No major decisions were adopted at the meeting of the Board of Energy Cells UAB on 23/01/2024.
02/2024	**12/02** Determination of the risk appetite and approval of the plan of risk management measures of Energy Cells UAB for 2024. **28/02** Approval of the report on the implementation of the annual operational objectives of Energy Cells UAB for 2023. Adoption of the decision on the assessment of the achievement of annual operational objectives of Energy Cells UAB in 2023.
03/2024	**26/03** Adoption of the decision on signing the amendment to the agreement for the purchase of commercial metering equipment and installation works with Siemens Energy Oy (Lithuanian branch), and on approval of the updated material terms and conditions thereof. Approval of the Annual Report of Energy Cells UAB for 2023. Authorisation of the set of financial statements of Energy Cells UAB for the year ended 31 December 2023. Authorisation of the draft distribution of profit/loss of Energy Cell UAB for 2023. Adoption of the decision for convening the General Meeting of Shareholders of Energy Cells UAB (regarding presentation of the independent auditor's report, the financial statements and annual report of Energy Cells UAB for the year ended 31 December 2023; approval of the financial statements of Energy Cells UAB for the year ended 31 December 2023, and approval of the draft profit /loss of Energy Cells UAB for 2023 distribution). Approval of the report on the implementation of the Actions Strategy 2022-2026 of Energy Cells UAB for 2023 and its submission to the Governance Coordination Centre for review.
04/2024	**23/04** Adoption of the decision to award CEO of Energy Cells UAB a variable component for achieving objectives set for 2023 and to determine monthly remuneration. Confirmation of the independence of independent Board member.
05/2024	**21/05** No major decisions were adopted at the meeting of the Board of Energy Cells UAB on 21/05/2024. **24/05** Adoption of the decision to conclude the electricity sale and purchase agreement with Enefit UAB, and to approve material terms and conditions thereof. Adoption of the decision for convening the Extraordinary General Meeting of Shareholders of Energy Cells UAB (regarding the Approval of Energy Cells UAB Board's decision to conclude the electricity sale and purchase agreement with Enefit UAB, and to approve material terms and conditions thereof).
06/2024	**06/06** Adoption of the decision to launch a new activity: initiate the establishment of a consultancy centre of Energy Cells UAB and EPSO-G UAB providing consulting services for the development of energy storage facilities/systems, energy infrastructure (including, but not limited to, photovoltaic, wind farms) systems, and other related services, meeting statutory requirements, and to instruct CEO of Energy Cells UAB to prepare, together with EPSO-G UAB, a concept of this service centre, the form and plan for its operations reflecting the return in short- and long-term.

	19/06 No major decisions were adopted at the meeting of the Board of Energy Cells UAB on 19/06/2024.
07/2024	**18/07** Adoption of the decision to conclude an agreement for the sale and purchase of the technological network and reserve technological network data transmission services with Bitė Lietuva UAB, and to approve material terms and conditions thereof. **25/07** Adoption of the decision to conclude an agreement for the sale and purchase of the energy storage facilities and office movable assets insurance services with COMPENSA Vienna Insurance group ADB, and to approve material terms and conditions thereof.
08/2024	**20/08** Adoption of the decision to terminate the existing Cash-Pooling Agreement from the conclusion date of a new Cash-Pooling Agreement with EPSO-G UAB, and to conclude a new Cash-Pooling Agreement with EPSO-G UAB for lending and borrowing from the Group's cash pool account, and to approve material terms and conditions thereof. Adoption of the decision to conclude a service agreement for configuring GPRS transmitters G17F for transmitting alarm system signals to the security office with Siemens Energy Oy (Lithuanian branch), and to approve material terms and conditions thereof. Adoption of the decision to conclude a service agreement for the first full relay protection and automation testing with TETAS UAB, and to approve material terms and conditions thereof.
09/2024	**17/09** Adoption of the decision to conclude a verbal agreement for the sale and purchase of network and computer hardware (switches) with Santa Monica Networks UAB, and to approve material terms and conditions thereof. Adoption of the decision to conclude the fire-resistant fabric sales and purchase agreement with Flameksas UAB, and to approve material terms and conditions thereof. **30/09** Approval of the updated organisational structure, list of posts of employees and mid-level management of Energy Cells UAB.
10/2024	**15/10** No major decisions were adopted at the meeting of the Board of Energy Cells UAB on 15/10/2024. **22/10** No major decisions were adopted at the meeting of the Board of Energy Cells UAB on 22/10/2024.
11/2024	**11/11** Approval of the Operational Strategy of Energy Cells UAB to 2030, and consent to its submission to the Governance Coordination Centre for review. **19/11** No major decisions were adopted at the meeting of the Board of Energy Cells UAB on 19/11/2024.
12/2024	**11/12** Approval of Energy Cells UAB's employee remuneration bands as of 2025. Adoption of the decision to determine the risk appetite for 2025, and approval of the Plan of Risk Management Measures. Approval of Energy Cells UAB Board's meeting calendar and the activity plan for 2025.

Information on remuneration of the Board members

By the decision of the sole shareholder of 22/12/2022, the following fixed monthly pay components (excluding payable taxes) were established for the Board members, which apply from 22/12/2022:

Job position	Fixed monthly remuneration amount (EUR)
Chairman of the Board (independent)	2 326
Member of the Board (independent)	1,744
Member of the Board (civil servant), if the civil servant does not hold the position and is not engaged in activities of the collegial body of another SE/SOE and/or ME/MOE*	1,395
Member of the Board (civil servant), if the civil servant holds the position and is engaged in activities of the collegial body of another SE/SOE and/or ME/MOE	872

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

Remuneration for the functions fulfilled at the Board is payable only to independent Board member and public servant acting as the Board member. In 2024, EUR 37.7 thousand (before taxes) was paid to the independent member and civil servant 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 2023, EUR 37.7 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.

In view of the Guidelines on the Annual Self-Assessment of the Activities of the Group's Collegial Management Bodies approved by the Remuneration and Nomination Committee of EPSO-G, at the beginning of 2025, the Company's Board performed the self-assessment of its activities for 2024, and discussed aspects of the implementation of the action plan for 2024. The summarised assessments of each member of the Board were discussed during the session on the self-assessment of the activities of the Board, during which the areas for improvement were identified and directions for improving business processes were determined by setting up an action plan for 2025, agreeing to focus on the cooperation between the Board and management, and training in key areas.

4.4 Company's CEO

Mr. Rimvydas Štilinis has been holding the position of the Company's CEO since 26/01/2021. He was permanently appointed to the position of the Company's CEO 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 2024, the remuneration of the Company CEO'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) financial incentive 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 activity report of EPSO-G for 2024, 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 2024, the audit fee paid by the Company amounted to EUR 17 thousand (2023: EUR 16 thousand).

In 2024, the Company will have to pay EUR 4 thousand to the audit firm for the non-audit services, i.e. verification services of regulated activity reports (2023: the Company paid EUR 4.5 thousand).

4.6 Information on compliance with the transparency guidelines

The Company complies with Resolution No 1052 of 14/07/2010 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 EPSO-G Group of companies, implements the Employee Remuneration, Performance Review and Training Policy (hereinafter the "EPSO-G remuneration policy") based on the principles of responsibility, transparency and accountability. The Remuneration Policy's 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 Remuneration Policy provides that the remuneration of management and staff consists of two main components: monthly remuneration and financial incentives. The monthly remuneration depends on the level of responsibility of the job position, which is determined according to a methodology used in international practice. Financial incentives are linked to the achievement of the Company's targets: financial incentives can only be awarded when the Company's objectives are achieved by at least 80%. If the Company's financial performance is unsatisfactory or the achievement of the Company's objectives is below 80%, no financial incentive is payable. The Board of the Company may decide to reduce the minimum threshold for the achievement of the Company's objectives set for the financial incentive due to objective and reasonable circumstances, after assessing the impact of such circumstances on the Company's performance. Financial incentives for individual staff members depend on their individual performance, including the objective achievement, value behaviours and performance criteria.
Based on international good governance practice, the Company's Remuneration Policy is approved or changed by the EPSO-G' Board after the Remuneration and Nomination Committee, composed mainly of 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;
- the remuneration for management and staff consists of two parts: monthly remuneration and financial incentive.
- 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 lump-sum 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, except for the Company's CEO whose terms of employment are determined by the Board.
- 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 offer a wide range of non-financial rewards, including voluntary health insurance, additional leave days, seminars on wellness and psychological well-being, seasonal vaccinations, employee events and traditions, flexible working time arrangements, recognition programmes, and career advancement within the EPSO-G Group companies.

To ensure the effectiveness of the Remuneration Policy, the amounts of fixed remuneration and financial incentives are made public by functional groups. This practice creates assumptions for the Company to adequately remunerate the employees for meeting targets and exceeding expectations, on the basis of the average market value. The competitiveness of remuneration of the Company's employees is assessed based on market research data. External consultants were not engaged to prepare the Remuneration Policy.

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

As the Company moved from the project implementation phase to the operational phase, the personal employee targets for 2024 were set in accordance with the updated Description of the Procedure for Employee Remuneration, Performance Review and Development.

The annual and interim performance appraisal meetings are a performance assessment tool ensuring that individual objectives of the Company's employees are tailored to the objectives of the Company. The meetings are intended to discuss and set measurable, time-defined and motivating objectives for the employees, to discuss and assess an employee's performance compliance with the value behaviours and quality criteria.

The annual and interim performance appraisal meetings are intended to assess the achievement of the objectives that have been set for the Company's employee and to set the new ones. They create a culture of feedback between executives and subordinates. The meetings also include discussions on the employee's training programme, where possible, planning of his/hers activities, consideration of the need for competence development and further professional growth, and career opportunities.

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

In the Company, as in the entire EPSO-G Group, employees' performance is evaluated in different ways and at different intervals, depending on the nature of their activities and responsibilities. The performance of all employees, regardless of their position, age or gender, is subject to an annual appraisal, in which an employee and his/her manager discus and evaluate the employee's performance in the relevant areas: achievement of the employee's annual objectives, quality of performance, compliance with the value behaviours, competences, and the manager determines the overall result of the performance appraisal. During the performance review, when setting new annual objectives, an employee discusses career opportunities with his/her manager and provides each other with feedback on work organisation issues.

In Q1 2025, the employee performance appraisal is carried out in accordance with the updated Description of the Procedure for Employee Remuneration, Performance Review and Development. All employees whose probationary period ends during the performance review will have annual performance appraisal meetings to discuss their individual objectives and performance. The performance review process will also include an assessment of results, quality criteria, and employee behaviour against the Company's values, attention will also be given to improving the clarity and objectivity of results.

4.8 Personnel

As at 31/12/2024, the Company had 23 employees (2023: 19 employees).

In 2024, the remuneration fund amounted to EUR 1,140 thousand (2023: EUR 991 thousand).

Group of employees	Number of employees at the end of the period		Average monthly pay (including the variable pay component) (eur)	
	2024	2023	2024	2023
Company's CEO	1	1	11,864	9,974
Middle and lower level managers	4	3	7,077	5,536
Experts-specialists	18	15	4,533	3,320
Total employees	23	19	5,402	4,068

05 | Information on Sustainability Matters

5 Information on Sustainability Matters

General basis for preparation of sustainability statements

Energy Cells, as the subsidiary of the EPSO-G Group, may be exempted from preparing information on sustainability matters in accordance with the Law on the Reporting of Undertakings and Groups of Undertakings of the Republic of Lithuania. However, Energy Cells has prepared the information on sustainability matters (hereinafter the "Sustainability Report") in line with good governance practices and included it in Energy Cells' Management Report for FY 2024. The "Sustainability Report" section is based on the EFRAG Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) and follows the reporting guidelines defined in the basic module.

It is noted that the sustainability information presented in the Group's 2024 Consolidated Management Report includes consolidated information for all Group companies, including Energy Cells. The Group's consolidated Sustainability Report discloses the Group's most material sustainability topics and their impacts, risks and opportunities, based on the Group's double materiality assessment carried out in accordance with the requirements of the European Sustainability Reporting Standard (ESRS). The Group's double materiality assessment has replaced the materiality assessment of the sustainability topics relevant to the Group's companies, which was developed in line with the Global Reporting Initiative (GRI) principles.

This report communicates only the relevant environmental, social and governance (ESG) impacts of Energy Cells in the period from 01/012024 to 31/12/2024. Furthermore, this section should be read in conjunction with this Management Report which provides detail information on Energy Cells' activities.

The EPSO-G's Consolidated Management Report is available on EPSO-G's website, in section "Objectives and Accountability", at https://www.epsog.lt/en/reports/financial-reports.

The full list of disclosure requirements in this report can be found in the Annex "VSME Index List".

Lithuanian words *darnumas* and *tvarumas* are used interchangeably in the Lithuanian version of the report.

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 DSSO during the period of appointment of DSSO until the completion of the implementation of the project of synchronisation of the electricity system of the Republic of Lithuania with CEN, including the prices of the regulated services and permitted return on investments set for the services, are regulated by the State. The regulatory function is performed by 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.

Detailed information on the operational strategy, model, business environment, organisation, structure and objectives is provided in Energy Cells Management Report's section "1.5 Business strategy, objectives, vision, mission, purpose and values" and other sections.

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, which are integral to the Company's Strategy. The EPSO-G Group's vision is to enable the transformation of the energy industry while simultaneously safeguarding national security interests. The EPSO-G Group aims to transform the energy sector by striking a balance between environmental, social and economic objectives. The Group and the Company aim to integrate sustainability principles into the Company's activities and processes.

in 2024, the EPSO-G Group conducted the Group's double materiality (impact and financial) assessment, and Energy Cells forms an integral part thereof. The Group's materiality assessment for 2024, which considers sustainability matters, was based on the principle of double materiality laid down by the European Union's Corporate Sustainability Reporting Directive. A sustainability matter is "material" when it meets the criteria defined for impact materiality or financial materiality. The double materiality of sustainability matters was identified in accordance with ESRS and EFRAG guidelines (version May 2024).

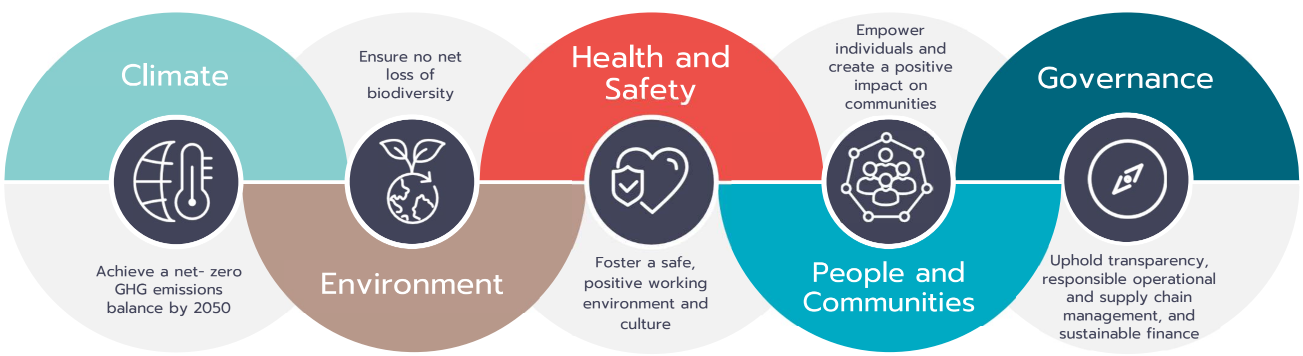
The following significant sustainability topics have been identified at the Group level:

- **Environmental:** Climate change, circular economy, biodiversity and ecosystems
- **Social area:** Own workforce, affected communities, consumers and end-users
- **Governance:** Business conduct

For more information on the Group's double materiality assessment, methodology and related material topics, see the section "Double materiality assessment" in EPSO-G's Consolidated Sustainability Report.

Key environmental, social and governance objectives and indicators

Energy Cells contributes to the implementation of the EPSO-G Group's sustainability goals, subject to the following commitments and objectives:



Area	Indicator
Environmental area	• 20% reduction in Scope 1 and 2 GHG emissions by 2030 • Net zero by 2050 • No net loss of biodiversity in new projects
Social area	• Ensure 0 serious or fatal accidents • Share of women in top management ≥21% by 2027 • Employee Engagement rate ≥70%
Governance	• 50% of suppliers with the target to reduce GHG emissions by 2035 • Transition to a circular procurement by 2035

Sustainability and risk management

At Energy cells, sustainability principles are integrated into our business processes, and the sustainability management 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. Within its remit, the Board also approves the Company's annual objectives, which include sustainability-related objectives. The EPSO-G's Board also approves policies on the environment, equal opportunities, health and safety of employees, anti-corruption, remuneration, performance evaluation and development, and other ESG policies.

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. For more details on the Company's risk management, see section "3 Risk management".

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
- Operational Transparency and Communication Policy
- Anti-Corruption Policy
- Recruitment Policy
- Remuneration, Performance Appraisal and Development Policy
- Procurement Policy
- Interest Management Policy
- Financial Support and Humanitarian Aid Policy
- Personal Data Protection Policy.
- Environmental Policy
- Compliance Management Policy.
- Code of Ethics
- Supplier Code of Conduct

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

5.1 Environmental area

In the environmental area, Energy cells has the ultimate goal of enabling climate-neutral energy, while also reducing the environmental impacts and greenhouse gas emissions from its operations. In 2021, the EPSO-G Group companies, including Energy Cells, committed in an Environmental Policy approved by the Board 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 2024, 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

Energy Cells, as all the EPSO-G Group companies, calculated GHG emissions in accordance with the International GHG Protocol's Corporate Accounting and Reporting Standard. GHG emissions are classified into three scopes: direct (Scope 1), indirect (Scope 2) and other emission sources (Scope3).

In 2024, Scope 1 GHG emissions increased by 77.7% compared to the previous year due to higher diesel consumption. Diesel was used in diesel generators (for own use in facilities) and in vehicles.

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. BEES incur technological electricity losses in electrical equipment, included in Scope 2. In 2024, Scope 2 GHG emissions increased by 73.1% compared to the previous year. Higher technological losses, i.e. losses in electrical equipment, and greater electricity consumption for own use provided the largest contribution to the increase. This is explained by the fact that the Company operated BEES throughout the year, unlike in 2023, when it started operating at full capacity only in October 2023.

The majority of Scope 3 GHG emissions came from the following categories: capital goods (Scope 2), purchased goods and services (scope 1) and extraction and transport of fuels (Scope 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 area	2024*	2023*	2022
Scope 1, tCO_2e	8.0	4.5	6.0
Scope 2, tCO_2e	1,862.6	1,076	258
Total Scope 1 and 2 emissions, tCO_2e	1,870.6	1,080.5	264
Scope 3, tCO_2e	440.2	277	1,258
Total emissions, tCO_2e	2,310.8	1,354	1,487

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 GHG emissions in 2024 totalled 1,872 tCO_2e.

* 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.

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, bird or plant species were recorded in 2024.

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's fleet is managed in accordance with the provisions of the EPSO-G Group's Transport Policy.

The administrative activities are fully powered by certified electricity from RES, while a small part of electricity used in BEES sites also comes from other generation sources. This part is determined by a complex model for forecasting own needs, as it is necessary to assess not only the consumption needs of the equipment in BEES parks, but also environmental factors such as weather conditions and their unpredictable changes, as well as defects of wearing parts in auxiliary installations. In 2024, 90% of the Company's total energy consumption came from RES.

Electricity and heat consumption, MWh	2024		2023		2022	
	Res	Non-res	Res	Non-res	Res	Non-res
Electricity consumption in administrative activities	18.8	-	26.9	-	3.9	n/d
Electricity consumption for technological needs at BESS sites	9164.5	1022.5	4,279.0	194.4	-	466.2
Heat consumption in administrative activities	3.6	-	-	5.6	-	5.3
Electricity consumption for charging electric vehicles	7.2	0.1	1.1	0.3	0.1	-
Fuel consumption, MWh	**2024**		**2023**		**2022**	
Diesel fuel	19.8		2.1		-	
Petrol	12.8		15.7		28.8	
Total energy consumption, MWh	10249.3		4,525.1		504.3	
Share of renewable energy, %	89.7		95.2		1.8	

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.

Waste name	2024			2023			2022		
	Waste generated, t	Sent to recycling, t	Sent to disposal, t	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 wastes	n/d	n/d	n/d	13.1	12.5	0.6	153.8	151.5	2.3

All waste generated is classified as non-hazardous. After completion of the main construction works in 2022-2023, waste no longer generates and constitutes an insignificant part in the Company's activities. Only municipal waste is generated. The volume of waste generated at the Company's office premises is insignificant and is not counted. The municipal waste generated in the office is subject to sorting.

Other environmental topics. The topics, such as pollution of air, water and soil caused by the Company's activities are immaterial and are not disclosed in this report. Inputs and topics on circular economy are disclosed in the Group's Consolidated Sustainability Report 2024.

5.2 Social area

Personnel

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.
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. As the Company moved to the operational phase and launched consulting services in 2024, the organizational structure, employee responsibilities changed, and the need for additional employees emerged. At the end of 2024, the Company had 23 employees, of which 5 were part-time and 3 were fixed-term employees. At the end of 2024, the Company had 3 female and 20 male employees, of which 5 employees aged under 30, 17 employees aged between 30-50 years and 1 employee aged over 50.

As at 31/12/2024, all Company employees had up to 5 years of service with the Company (the Company was founded in 2021).

Number of employees by age groups and gender in 2022-2024

	Women			Men		
	Under 30 years	30-50 years	Over 50 years	Under 30 years	30-50 years	Over 50 years
2024	0	3	0	5	14	1
2023	0	2	0	4	12	1

Gender distribution at top management level

Gender distribution at top management level								
	2024		2023		2022		2021	
	Number of employees	Share of employees, %	Number of employees	Share of employees, %	Number of employees	Share of employees, %	Number of employees	Share of employees, %
Men	1	4%	1	5%	1	2%	1	5%
Women	0	0%	0	0%	0	0%	0	0%
Total	1	4%	1	5%	1	2%	1	5%

Comment: CEO is the term used to describe the top management.

There are a few employees in the EPSO-G Group and the Company who have disclosed a disability, although there may be more who have disability but have chosen not to disclose it. There were no any need to adapt workplaces to accommodate these people, but could be adapted, if needed.

Both the Company and the EPSO-G Group welcomes motivated candidates, without rejecting applicants solely on the grounds of disability, thereby ensuring equal opportunities and non-discrimination. We also regularly emphasise this in our public communications: job advertisements and the Company's website.
In 2024, the EPSO-G Group participated in the SOPA training on the employment of people with disabilities. The topic awareness will be increased further in the coming years.

Share of employees with disabilities

	2024	2023	2022	2021
	Share of employees with disabilities, %	Share of employees with disabilities, %	Share of employees with disabilities, %	Share of employees with disabilities, %
All employees	4%	no data collected	no data collected	no data collected

Notes: the data are based on information provided by employees, subject to any restrictions on the collection of such information.

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

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

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

All reports received 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 Commission, who shall decide whether to open an investigation into the breach of labour law or to take any other measures that may be necessary. The persons concerned (the victim and the complainant) 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.

	2024	2023	2022	2021
Reports received through the helpline on possible cases of discrimination, mobbing at work and human rights violations	0	0	0	0
Investigating reports of possible cases of discrimination, mobbing at work and human rights violations	0	0	0	0
Confirmed cases of discrimination, mobbing at work and human rights violations	0	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

Seeking to retain prominent professionals in their fields and maintain their level of professional competence, the Company, and the EPSO-G Group, pays particular attention to the employee learning and development, as well as for upskilling required for effective performance. The Group enables to develop professional excellence required for the work, to anticipate future competence needs and the ways to build them, by establishing prerequisite for this to happen.

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.

In 2024, as every year, the Company's employees were engaged in individual and group development activities, with training sessions, conferences, seminars, and upskilling workshops taking place in person or remotely.

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 2024, the Company developed a succession and training plan for management and critical positions, which contributes to the development and maintenance of the necessary competencies of employees. Based on the assessment of the competencies of management and critical positions, development plans are drawn up and discussed with employees, and approved during the annual performance review. This objective is also subject to a periodic assessment during the year.

Percentage of employees that participated in regular performance and career development reviews

	2024	2023	2022	2021
	Share of employees that participated in regular performance and career development reviews, %			
All employees	100%	100%	100%	100%
Men	100%	100%	100%	100%
Women	100%	100%	100%	100%

Average number of training hours per employee and by gender

	2024	2023	2022	2021
	Average number of training hours per employee			
All employees	29.9	52.42	6.5	6.3
Men	27.5	54.06	2.9	5.1
Women	45.5	38.5	55	9.8

Comment: "Average number of training hours per employee and by gender" refers to the number of hours of actual (completed) and proposed training. Training was held in person and/or remotely. In many cases, group training sessions were recorded and made available to employees in an accessible environment.

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.

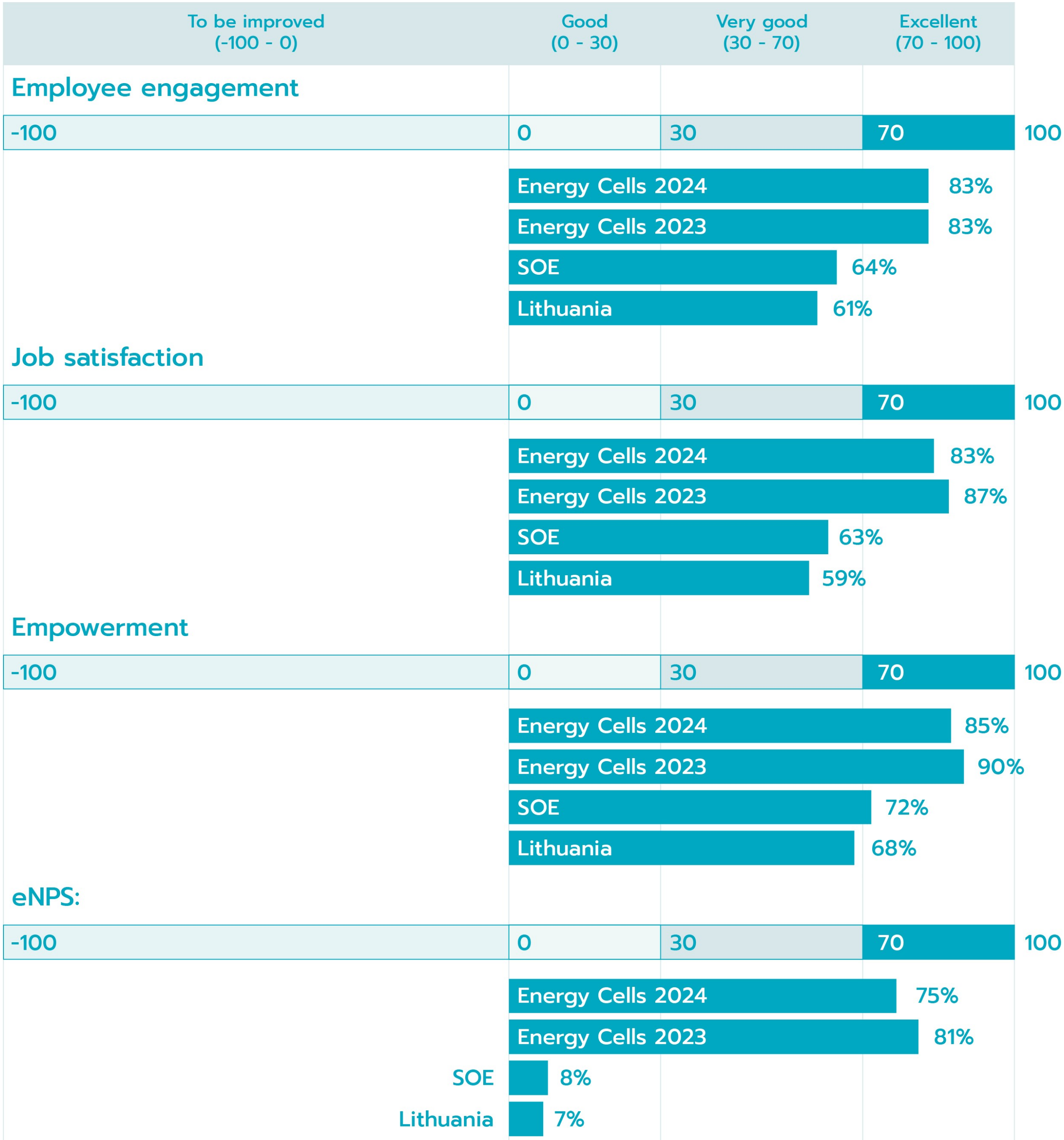
Average monthly remuneration of employees by gender and age (EUR)

	Women	Men					
	30-50 years	Under 30 years	30-50 years	Over 50 years	Top level managers	Middle and first-level managers	Specialists
2024	4,403	4,024	6,505	3,355	11,865	7,661	4,727
2023	3,811	2,946	4,674	2,916	9,985	5,858	3,312

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, (vii) reimbursement of vaccination against seasonal diseases, e.g. influenza, tick-borne encephalitis, and ensures strict compliance with occupational health and safety requirements. Various communications for employees on healthy lifestyles and physical activity are delivered, both directly and remotely, allowing them to access the records at their convenience.
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 excellent in 2022, with further growth recorded in 2023, and, despite a slight decline in 2024, remain very good.



The survey was conducted by Addelse.
The indicators "SOEs" and "Lithuania" represent the national average for the category in 2024.

Energy Cells does not have a Works Council. In November 2024, the Company formed the Works Council Election Panel and launched the process of electing Works Council members. In January 2025, a Works Council consisting of three members (two men and one woman) started operating at the Company. 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 Management Report.

Employee turnover

	Employee turnover	%
	Employees resigned or dismissed* (headcount)	Employee turnover rate**
2024	1	4%
2023	31	70%
2022	1	3%
2021	0	0%

* Employees who left voluntarily or due to dismissal, retirement, or death in service (headcount) A full-time equivalent was calculated as follows: A full-time equivalent was calculated as follows: In accordance with the Labor Code of the Republic of Lithuania, the standard working week is 40 hours, and a full working day is 8 hours.

Accounting method:
** Employees who left voluntarily or due to dismissal (headcount) divided by the number of the **Company's employees** (headcount)

Explication: In 2022, while the implementation of the Battery Energy Storage System project was under way, the need for additional temporary employees with particular expertise arose, therefore the number of employees grew. Most of the employees involved in the project during its implementation phase were engaged from Litgrid, the Group's company, as the battery energy storage parks were connected to the transmission system of Litgrid. The employment of the specialists of this company on a part-time basis for a limited period of the project implementation was aimed at making effective use of the Group's existing expertise. This solution also helped to avoid the risk of a shortage of specialists and expertise, as it would have been difficult to find specialists willing to leave their current jobs and work for the project implementation company for a limited period of time, and the employment of such specialists on a part-time basis for a limited period of time enabled both to achieve the project objectives and to develop new energy storage-related skills for the Group's employees. For these reasons, at the end of 2022, the Company employed 44 employees, of which 32 were part-time and 28 were fixed-term employee. In 2023, the main project works were completed, resulting in a reduction of number of employees.

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 2021-2024.

	2024	2023	2022	2021
The number of fatalities as a result of work-related injuries and work-related ill health	0	0	0	0
The number of reportable work-related accidents	0	0	0	0
Total hours worked by all employees	32,712	37,307	27,689	13,873
The rate of reportable work-related fatalities and accidents per 1,000,000 hours worked	0	0	0	0

5.2.4 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:

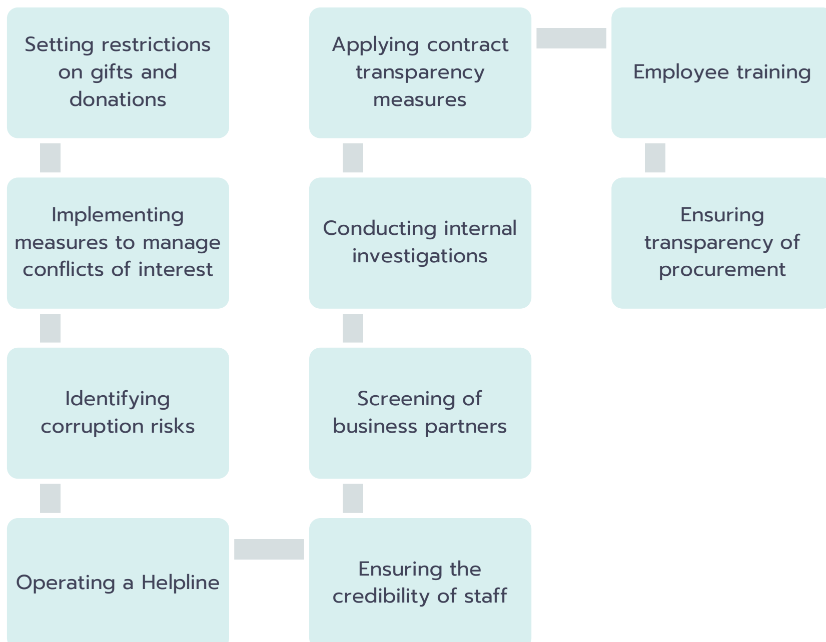
- Measurement of current ambient noise level and noise projection modelling prior to planning activities;
- Modelling of noise reduction measures during the design process;
- Post-project noise level measurements and assessment of their compliance with legal acts. In 2023, the latter were carried in 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 maintains a dialogue, and shares best practices, with the companies in energy sector (and beyond) and Lithuanian and foreign authorities, thereby promoting the implementation of storage projects, which will enable the increased integration of RES into transmission system networks. In 2024, Energy Cells welcomed 23 international and Lithuanian delegations to its battery energy storage parks, participated in five video projects to promote the growth of the storage market and RES integration.

5.3 Governance area

Anti-corruption activities and conflict of interest management

Energy Cells' business decisions are guided by the principles of objectivity, impartiality, transparency, accountability and the rule of law, combined with the zero tolerance to corruption or any other forms and manifestations thereof. With the aim to build a transparent and trust-based Company, we continuously assess and implement measures to manage corruption risks. The Company's anti-corruption activities are based on the international standard ISO 37001:2016 Anti-bribery management systems — Requirements with guidance for use, as well as the following measures implemented by Energy Cells:



Corruption risk assessment is carried out in Energy Cells on annual basis in accordance with the Group's Risk Management Policy and methodology, and the status of implementation of the measures identified to manage corruption risk is assessed on quarterly basis. To better manage third-party corruption risk, in 2024, together with other Group companies, we developed a business partner screening system, defining procedures for assessing risks related to business partners.

Anti-corruption education of employees is an important part of Energy Cells' anti-corruption activities, delivered in various forms: training sessions for external or in-house coaches, and communication messages on the current anti-corruption related issues. To ensure consistent anti-corruption awareness-rising among employees, we developed an interactive mandatory anti-corruption training in 2024. All employees of Energy Cells will be required to complete the training from 2025 onwards, starting with all new hires. We also built competences of our anti-corruption experts by inviting guest speakers to give a talk on practical topics of conflict of interest management.

In 2024, we conducted a corruption tolerance survey of employees to determine employees' approach to corruption and to identify aspects of anti-corruption requiring improvement, meantime, we updated the survey with new questions and a new title, which is Anti-Corruption Culture Survey. The number of employees participating in the Survey is growing (15 employees in 2024, 12 employees in 2023, and 12 employees in 2022). The answers to the main survey questions are systematically positive for several consecutive years: percentage of employees who have not encountered any forms corruption in their work (100% in 2024, 100% in 2023, and -100% in 2022), percentage of employees who know where to go to report a case of corruption (87% in 2024, 100% in 2023, and 100% in 2022). The new survey questions (knowledge about withdrawal in the event of a conflict of interest, actions after receiving a gift, etc.) provided new indications in terms of raising anti-corruption awareness.

Key anti-corruption indicators

	2024	2023	2022
Cases of corruption identified	0	0	0
Staff members sanctioned and dismissed for corruption	0	0	0
Corruption-related cases filed against the Company/employees	0	0	0
Corruption cases identified due to which contracts with business partners were not concluded/renewed	0	0	0

Energy Cells has the Trust line pranesk@epsog.lt, where employees and other stakeholders can directly or anonymously report, without fear of negative consequences, potential violations, unethical or unfair behaviour. In 2024, Trust Line did not received any reports.

Management of Conflicts of Interest

Energy Cells' governance framework promotes avoidance of conflicts of interest among and members of collegial bodies, and ensures a transparent and an effective conflict of interest disclosure mechanism. Energy Cells has an integrated model for the declaration of private interests as defined in the Policy of Management of Interests of Employees and Members of Collegial Bodies. It requires to disclose all private interests of Energy Cells' employees and members of the collegiate bodies in an internal declaration form prescribed by the Group, and, when applicable to the job position and functions, in PINREG, the register of private interests.

Energy Cells implements active monitoring, control and supervision of private interests: assessing potential conflict of interest situations during the job application process, reviewing and analysing declarations, recommending on potential conflicts of interest management and actions and/or decisions requiring refraining.

As part of the implementation of the Policy of Management of Interests of Employees and Members of Collegial Bodies, and to ensure the proper functioning of the conflict of interest framework, the legislation governing the management of interests in Energy Cells was updated in 2024, clarifying the procedures for declaring, and refraining, removing, monitoring, supervising and controlling in the context of private interests.

At the end of the reporting period

- The declarations of interests of all members of the collegial management bodies of Energy Cells UAB, members of the Board of EPSO-G and the Company's CEO, are submitted and published in the Register of Private Interests (PINREG), on the website of the Chief Official Ethics Commission (COEC), and at www.energy-cells.eu. The Company's CEO has submitted declarations of interest to the holding company to the extent and according to the procedure set out in the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies, which is available at www.epsog.lt in the menu item "Operating Policies".

- No any potential conflicts of interest of the members of the collegial management bodies and the Company's CEO as regards their obligations to the EPSO-G Group and their private interests and/or other duties have been identified.

- There were no family relationships between members of the collegial management bodies and the Company's administrative staff.

- Members of the collegial management bodies and the Company's CEO have not been convicted of any criminal offence, have not been subject to any indictment or sanction by any regulatory authority in the last five years, have not been barred by a court from holding any office as a member of the Company's administrative, management or supervisory bodies of the Company or from holding any managerial position or from managing the affairs of any issuer.

- Energy Cells has not entered into any transactions with the above-mentioned persons which are outside the operating activities of the Company or which have not been duly notified to and authorised by the Company's collegial management bodies.

5.3.1 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.

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.

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 2024, no any 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.
The EPSO-G group companies, including Energy Cells, regularly draw up, update and assess lists of critical information infrastructures, and carry out their assessment. In line with the updated the Law on Cybersecurity of the Republic of Lithuania, which also covers NIS2 Directive (Security of Network and Information Systems Directive, a European Union-wide cyber security law which provides legal measures to enhance cybersecurity across the European Union), important steps were made to ensure greater cyber resilience of information infrastructure and compliance with cybersecurity requirements. 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 2024, Energy Cells implemented significant changes in the field of cyber security. A comprehensive risk assessment of the Centralized Electricity Storage Facility Management System and the equipment located at the facilities identified key vulnerabilities and potential threat scenarios. The assessment results were transformed into the action plan to mitigate risks, comprising network segmentation, strengthening access control for privileged users, and improving intrusion detection systems.

The Company has implemented measures to counter and mitigate distributed denial of service (DDoS) attacks, ensuring effective network protection against DDoS, and has also implemented network inventory counting using the platform. This system allows to monitor the status of network components and to promptly respond to potential vulnerabilities, as well as monitor various network devices, such as routers, switches, servers, sensors, and other systems, providing detailed information about their health, capacity, and performance. Furthermore, the update of software (main operating system) of all facilities to the relevant version was guaranteed in 2024, ensuring their compliance with modern security standards.

Employee training on cyber security took place every quarter and focused on identifying social engineering attacks, password management, and raising general awareness. The training contributed to strengthening employee resilience to cyber threats and ensured a high level of security culture within the organization.

Incident management processes were reviewed and improved to ensure effective response to cyber incidents and mandatory incident reporting to stakeholders. Backups were made daily and stored both on local servers and cloud-based platforms, ensuring a reliable data recovery process. Recovery tests in 2024 confirmed the credibility of these processes.

Guided by the Group's Personal Data Protection Policy, the Company ensured GDPR compliance. During this year, no data security breaches were identified, nor any complaints were received regarding the processing of personal data.

Further strengthening of cyber security is planned for 2025 through the information security management system that will collect, analyse, and correlate security events and logs from various IT infrastructure sources. Development of network segmentation is also envisaged, confirming the management of mobile equipment. These measures will contribute to strengthening the Company's resilience to cyber threats and achieving its strategic objectives.

5.3.2 Sustainable supply chain

The procurement function in the EPSO-G Group companies, including Energy Cells, is assigned to the enablers of the Group's Strategy. The main activities of the procurement function that contribute to the Strategy and risk management are:

- Long-term planning;
- Promotion of supplier competition;
- Digitalisation;
- Resilience:
- Sustainability.

The goals set for the function are centred on such lines as, for example, the procurement target is to achieve 100% procurement based on green criteria and at least 7% procurement based on social criteria.
The most significant procurements are carried out by certified procurement officers, thus ensuring compliance risk management. The companies organise in-house training on social and environmental efficiency.
It should be noted that the majority of the Group's suppliers are local (more than 80% in terms of number of contracts).
The Group has contract performance controls in place that enables companies to monitor and assess the ability of suppliers to perform their contracts, including vulnerable suppliers.
Majority of the Group's procurement activities are carried out in accordance with the requirements of the Law on Public Procurement of the Republic of Lithuania or the Law of the Republic of Lithuania on Procurement by the entities, operating in the Field of Procurement, Waste Water Management, Energy, Transport or Postal Services, therefore all suppliers shall have no grounds for exclusion, such as environmental and/or social violations. Any public procurement

is subject to at least one green criterion, and 100% of public procurement, carried out by Energy Cells and other Group companies, is green. From 2024, the companies also apply social criteria, and the share of socially responsible procurement transactions must reach at least 7% by 2025.
Procurement function leaders are invited to present their experience at procurement conferences, as the practices used by the function are considered among the most progressive in Lithuania.

Procurement Policy and Supplier Code of Conduct

The Group's Procurement Policy and the Supplier Code of Conduct (SCC) define the minimum standards of conduct that the EPSO-G Group companies expect all its Suppliers and Sub-suppliers to adhere to in order to promote legitimate, professional, sustainable and fair business practices that incorporate the objectives of environmental protection, human rights, labour standards, and business ethics. Suppliers are encouraged to integrate sustainability principles into their operations in the above areas. By participating in the Group's procurement, suppliers declare that they are aware of the SCC and undertake to comply with it. In 2024, the Group (except for TETAS UAB) has implemented a supplier screening process whereby suppliers, prior to the conclusion of the contract, complete a screening questionnaire in the Group's screening system, outlining their policies on the issues specified by SCC and identifying potential operational risks. The information obtained is then analysed, providing additional obligations and/or recommendations to suppliers.
During the reporting period (from July when the supplier screening system was implemented), screenings were initiated on 368 suppliers, sending them the questionnaires. 41% of the suppliers voluntarily responded to the questionnaire and provided details on their activities.
An evaluation of the data provided by the suppliers identified the following indicators to be monitored in 2025:

(1) Percentage of suppliers who comply with SCC provisions.
(2) Percentage of suppliers implementing GHG emission reduction measures.
(3) Percentage of suppliers having/implementing policies related to business sustainability, social responsibility, sustainability or other ESG-elated (environment, social, governance) policies.
(4) Percentage of suppliers who completed the questionnaire.

Performance of contracts

The Company pays attention to the contract management: a harmonised Contract Management and Control Process has been adopted which allows contract performance issues to be dealt with in the most efficient way, ensuring consistency in decisions, equivalence of suppliers and overall management of the contract list, by identifying critical contracts, potential risks etc. It should be also noted that:

- the provisions of contracts with suppliers require maintaining compliance with SCC during the contract performance;
- the contracts provide for contract performance mechanisms, including fines, default interest and bank guarantees;
- the contracts include provisions regarding environmental, social and governance requirements.

International and national sanctions

The Group adheres to the systematic implementation of international sanctions. In all procurements, suppliers to be awarded contracts are subject to a sanctions screening, which may result in contract not being awarded, if the sanctions are identified during the screening, or terminated, if identified during the contract performance.
As part of national security policy, the Group avoids awarding and performing procurement contracts with suppliers having links to hostile states or territories:

- The Group companies important for ensuring national security or companies managing critical infrastructure or information systems are subject to additional requirements for the purchase of hardware, software, maintenance or support services.

- The Group aims to reduce its dependence on manufacturers and suppliers of products that do not meet the criteria for the European and transatlantic integration, i.e., are not established or registered in the Member States of the European Union, the North Atlantic Treaty Organisation, the European Economic Area and/or the Organisation for Economic Cooperation and Development.

SCC sets contractual duties for the supplier to:

- Have zero tolerance for swindling, bribery, trading in influence, money laundering, abuse of office and/or other forms of corruption;
- Not participate in any form of illegal agreements or other mechanisms that restrict fair competition, not enter into any form of cartel with competitors, for example, market or customer sharing or assignment, or price agreements;
- Seek to reduce its dependence on product manufacturers and suppliers that do not meet the criteria of European and transatlantic integration – which are not established or registered in the Member States of the European Union, the North Atlantic Treaty Organisation, the European Economic Area and / or the Organisation for Economic Co-operation and Development;
- Maintain a transparent, cohesive, and collaborative business relationship that complies with the provisions of SCC and the Anti-corruption Policy.

SCC enforcement measures

- Publicly available SCC
- Supplier declarations regarding knowledge, compliance
- Completing questionnaires
- Information system for screening
- Data analysis, recommendations
- Supplier events

Sustainability Information Index

VSME Index List

VSME Basic Module		
Disclosure requirements		Page
B1	General basis for preparation of sustainability statements	45
B2	Practices, policies and future initiatives for transitioning towards a more sustainable economy	46, 48, 49
B3	Energy and greenhouse gas emissions	48, 49
B4	Pollution of air, water and soil	Not applicable
B5	Biodiversity	49
B6	Water	Not applicable
B7	Resource use, circular economy and waste management	50, 52, 58
B8	Workforce – General characteristics	50, 51, 52
B9	Workforce – Health and safety	57
B10	Workforce – Remuneration, collective bargaining and training	40, 53, 54, 55
B11	Convictions and fines for corruption and bribery	60, 61, 63

06 Financial Statements for 2024 and Independent Auditor's Report

ENERGY CELLS

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 2024, 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 2024;
- 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 and Other Assurance Services 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 and Other Assurance Services.

Reporting on other information including the management report

Management is responsible for the other information. The other information comprises the management report including the information on corporate governance matters, remuneration and sustainability matters (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 management 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 management report, including the information on corporate governance matters and remuneration and excluding the information on sustainability matters that the legislation did not require the Company to prepare and on which assurance services were not within the scope of our work, we considered whether the management report includes the disclosures required by the Law of the Republic of Lithuania on Reporting by Undertakings and by Groups of Undertakings.

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

- the information given in the management report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the management report, including the information on corporate governance matters and remuneration and excluding the information on sustainability matters has been prepared in accordance with the Law of the Republic of Lithuania on Reporting by Undertakings and by Groups of 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 management 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
10 March 2025

Original report is signed in Lithuanian language.

		Notes	As at 31 December 2024	As at 31 December 2023 (restated)*
ASSETS				
A	Non-current assets		16,022,700	16,550,840
I	Intangible assets	5	201,618	267,459
II	Property, plant and equipment	6	15,646,456	15,954,433
III	Right-of-use assets	7	147,952	183,661
IV	Deferred tax asset	14	16,940	135,553
V	Receivables after one year		9,734	9,734
B	Current assets		2,137,538	13,318,828
I	Prepayments		104,434	71,168
II	Trade receivables		906,111	1,003,063
III	Grants receivable		-	10,833,311
IV	Other amounts receivable		496	-
V	Cash and cash equivalents		1,126,497	1,411,286
Total assets			18,160,238	29,869,668
EQUITY AND LIABILITIES				
C	Equity		3,371,043	1,354,439
I	Issued capital	10	126,000	126,000
II	Share premium		1,434,944	1,434,944
III	Reserves	11	26,938	-
III 1	Legal reserve		12,600	-
III 2	Other reserves		14,338	-
IV	Retained earnings		1,783,161	(206,505)
D	Payables and liabilities		14,789,195	28,515,229
I	**Non-current liabilities**		101,063	141,010
I.1	Lease liabilities	12	101,063	141,010
II	**Current liabilities**		14,688,132	28,374,219
II 1	Current borrowings	16	1,397,547	15,140,127
II 2	Current portion of finance lease liabilities	12	39,758	39,758
II 3	Trade payables	13	1,753,221	3,355,478
II 4	Income tax liabilities	14	222,281	-
II 5	Provisions	15	9,038,390	9,038,390
II 6	Other payables and current liabilities	13	2,236,935	800,466
Total equity and liabilities			18,160,238	29,869,668

* Information regarding restatement of the financial statements due to an error correction is disclosed in Note 4.

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

Statement of comprehensive income	Notes	2024	2023 (restated)*
Revenue			
Revenue from contracts with customers	18	7,476,793	2,455,702
Other income	8.18	1,700,710	261,470
Total revenue and other income		9,177,503	2,717,172
Expenses			
Expenses for purchase of balancing and imbalance electricity		(162,407)	(202,254)
Expenses for electricity technological needs		(1,076,757)	(286,227)
Wages and salaries and related expenses		(1,181,950)	(591,289)
Consultation service expenses		(418,682)	(278,919)
Technical maintenance expenses		(1,782,356)	(605,331)
Other expenses	19	(436,624)	(356,274)
Total expenses		(5,058,776)	(2,320,294)
EBITDA		4,118,727	396,878
Depreciation and amortisation	5,6,7	(1,135,196)	(325,148)
Operating profit (loss) (EBIT)		2,983,531	71,730
Total finance costs, net	20	(498,044)	(311,390)
Profit (loss) before income tax		2,485,487	(239,660)
Income tax			
Current income tax expenses	14	(233,824)	-
Deferred income tax benefit (expenses)	14	(118,613)	33,155
Total income tax		(352,437)	33,155
Profit (loss) for the period		2,133,050	(206,505)
Other comprehensive income		-	-
Total comprehensive income		2,133,050	(206,505)

* Information regarding restatement of the financial statements due to an error correction is disclosed in Note 4.
The accompanying notes form an integral part of these financial statements.

	Notes	Issued capital	Share premium	Legal reserve	Other reserves	Retained earnings (deficit)	Total equity
Balance at 31 December 2022		126,000	1,874,000	-		(439,056)	1,560,944
Net profit (loss) for the year*						(206,505)	(206,505)
Total comprehensive income for the period:						(206,505)	(206,505)
Coverage of losses			(439,056)			439,056	-
Total transactions with the Company's shareholder recognised directly in equity		-	(439,056)			439,056	-
Balance as at 31 December 2023 (restated)	10	126,000	1,434,944	-		(206,505)	1,354,439
Balance as at 31 December 2023 before restatement		126,000	1,434,944			143,384	1,704,328
Effect of error correction, net of taxes						(349,889)	(349,889)
Balance as at 31 December 2023 after restatement		126,000	1,434,944	-		(206,505)	1,354,439
Profit for the period						2,133,050	2,133,050
Total comprehensive income for the period:				-		2,133,050	2,133,050
Transfers to reserves	11			12,600	14,338	(26,938)	-
Dividends						(116,446)	(116,446)
Total transactions with the Company's shareholder recognised directly in equity				12,600	14,338	(143,384)	(116,446)
Balance as at 31 December 2024	10	126,000	1,434,944	12,600	14,338	1,783,161	3,371,043

* Information regarding restatement of the financial statements due to an error correction is disclosed in Note 4.

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

	Notes	2024	2023 (restated)*
Operating activities			
Profit (loss) for the period		2,133,050	(206,505)
Adjustments for non-cash items:			
Depreciation and amortisation expenses	5,6,7	1,135,196	325,148
Income tax expense (benefit)	14	352,437	(33,155)
Elimination of results of financing activities	20	498,044	311,390
Proceeds from grants	8		(261,470)
Elimination of provisions			9,038,390
		1,985,677	9,380,303
Changes in working capital:			
(Increase) decrease in receivables		96,456	(761,324)
(Increase) decrease in prepayments		(33,266)	(12,524)
Increase (decrease) in payables		1,382,139	1,287,108
Income tax (paid)/received	14	(11,543)	-
Effect of changes in working capital:		1,433,786	513,260
Net cash flows from operating activities		5,552,513	9,687,058
Cash flows from investing activities			
(Acquisition) of property, plant and equipment and intangible assets	5.6	(1,659,248)	(61,327,249)
Grants received	8	10,218,963	41,468,561
Net cash flows used in investing activities		8,559,715	(19,858,688)
Cash flows from financing activities			
Change in overdraft	16	(13,742,580)	9,813,120
Lease payments		(39,947)	(39,756)
Interest paid		(498,044)	(817,527)
Dividends paid		(116,446)	
Cash flows from/used in financing activities		(14,397,017)	8,955,837
Increase (decrease) in cash and cash equivalents		(284,789)	(1,215,793)
Cash and cash equivalents at the beginning of the year		1,411,286	2,627,079
Cash and cash equivalents at the end of the period		1,126,497	1,411,286

* Information regarding restatement of the financial statements due to an error correction is disclosed in Note 4.
The accompanying notes form an integral part of these financial statements.

1. General information

Energy Cells UAB is 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 st. 12A-1, LT- 08200 Vilnius, the Republic of Lithuania. Company code 305689545, VAT payer's code LT100013813219.

An energy storage system operator Energy cells is a designated storage system operator designated by Decision No 590 of the Government of the Republic of Lithuania of 28 July 2021. The principal role of Energy Cells is to ensure the provision of the isolated standby power system operation service to Litgrid, the transmission system operator.

In line with 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 "Lithuanian Law on Synchronisation") Energy Cells additionally:
Can provide other non-frequency regulation ancillary services necessary to ensure the security of the Lithuanian Energy System (LES), when Litgrid, a transmission system operator (TSO), is unable to purchase such services from electricity market participants;
Must enable Litgrid, a transmission system operator, to carry out the function of reducing the cost of technological losses;
Has the right to provide (energy system) balancing services during the period specified in the Law on Electricity of the Republic of Lithuania, i.e. for a maximum of three years from the date of the interconnection of the electricity system of the Republic of Lithuania with the continental European networks for operation in synchronous mode (this period may be extended, in agreement with the European Commission, for a maximum of five years if necessary to ensure the security of electricity supply);
Has the right to carry out other activities for which the energy storage facilities system operated by the designated storage system operator is not used.

The Lithuanian Law on Synchronisation provides for that the provision of the isolated standby power system operation services, the performance of the function of reducing the cost of technological losses of the transmission system operator, and the provision of 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 Lithuanian Law on Synchronisation, when a transmission system operator is unable to purchase such services from electricity market participants and/or the provision of balancing services is terminated upon the entry into force of the Government's resolution on the revocation of the designation of the designated storage system operator. The Government's resolution on the revocation of the designation of the designated storage system operator shall be adopted upon the recommendation of the Ministry of Energy of the Republic of Lithuania, when the implementation of the electricity system synchronization project is completed and the Ministry of Energy of the Republic of Lithuania evaluates the conclusion received from the transmission system operator on the completion of the electricity system synchronization project. After completion of all synchronization projects, the battery parks will be available for transfer to market players (entity/s) 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 2024 and 2023, 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 2024		As at 31 December 2023	
	Number of shares held	%	Number of shares held	%
EPSO-G UAB	126,000	100	126,000	100

The Republic of Lithuania is a sole shareholder of EPSO-G UAB (the rights and obligations of the shareholder are exercised by the Ministry of Energy of the Republic of Lithuania).

As at 31 December 2024, the Company had 23 employees (as at 31 December 2023, 19 employees).

2. Accounting policies

The Company's financial statements for the year ended 31 December 2024 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 5 March 2025. 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 2024 and later periods:

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

For the year ended 31 December 2024 the Company for the first time have been adopted these IFRS and their amendments and IFRIC:

Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback* (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to sale and leaseback transactions which satisfy the requirements of IFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate Based on the assessment of the Company's management, these amendments have no significant impact on these financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least 12 months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Based on the assessment of the Company's management, these amendments have no significant impact on these financial statements.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments. Disclosure - Supplier Finance Arrangements (Amendments) (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. Based on the assessment of the Company's management, these amendments have no significant impact on these financial statements.

(b) Standards, amendments and interpretations endorsed by the European Union on 1 January 2025, but have not been early adopted by the Company:

Amendments to IAS 21 Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.
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	35/10
Structures and equipment	55/35
Plant and machinery	35/8
Other PP&E	10/3

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 used in parts to the extent of expenses incurred during the reporting period or there is a reasonable assurance that the grant will be received to compensate expenses incurred in previous periods.

For the purpose of the statement of comprehensive income, 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 12 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 2024 and 2023, 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 2024 and 2023, 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.

Corrections of errors in recognition of income and expenses

Fundamental income and expense recognition errors are corrected retrospectively by restating the comparative financial information for the prior period presented in the financial statements for the current reporting period and the opening balance of retained earnings (losses) of each reporting period prior to the period in which the error was discovered. The financial statements, including the comparative information for prior periods, are presented as if the fundamental error had been corrected in the period in which it was made. As disclosed in Note 4, the Company retrospectively restated financial statements for 2023, recognising a significant amount of operating expenses attributable to the reporting period of 2023.

3. Accounting estimates

The preparation of financial statements according to International Financial Reporting Standards requires management to make estimates and assumptions that affect the accounting policies applied, the reported amounts of assets, liabilities, income and expenses, and the disclosures of contingencies. Actual results may differ from those estimates. The significant management estimates and assumptions and the main sources for uncertainties used in the preparation of these financial statements that might cause substantial changes in the carrying amounts of the related assets and liabilities in the next financial year are presented below:
Estimates of recoverable amounts of property, plant and equipment
In 2024, the Company tested assets for the indications of impairment. Based on the management's assessment, no impairment indications exist for non-current assets, as there were no negative changes in the regulatory environment, there are no indications that there will be no return on investments or that operating losses will be incurred, and there have been no significant technological changes.
The Company also assessed the useful life of its property, plant, and equipment, which, in the opinion of management, is consistent with the requirement.

Provisions
The Company assessed the probability of reimbursement of default interest estimated and charged (offset) to the contractors for the delays of works and, consequently, a material amount of provision was recognised as at 31 December 2024 and 2023. Further information is provided for in Note 15.

4. Corrections of material error and reclassification of comparative figures

4.1. In 2024, the Company identified a material error related to the recognition of BESS facilities' operation and maintenance expenses. In 2024, after the Company started providing BESS facilities' operation and maintenance services to suppliers under a long-term service agreement, it accrued EUR 1,822,949 of technical maintenance expenses for the period from the date the assets were brought into operation until 31 December 2024. Given that BESS facilities were brought into operation in August-September 2023, the said technical maintenance expenses include the amount of EUR 411,634 attributable to the last quarter of 2023. Considering the matching principle, the Company corrected material error retrospectively and prepared restated previous year's statements of profit or loss and financial position.

4.2. When preparing financial statements for 2024, the Company reviewed the classification of items related to the litigation with the contractor, recorded in the statement of financial position under liabilities. In the opinion of the Company's management, the provision should correspond to the amount of funds received under the bank guarantee and disputed by the contractor, and the remaining amount due for the non-current assets should continue to be recognised under trade payables. The Company reclassified trade payables of EUR 658,483 in the statement of financial position to provisions.

Statement of profit or loss	2023 before restatement	Restatement effect	2023 after restatement
Expenses			
Expenses for purchase of balancing and imbalance electricity	(202,254)		(202,254)
Expenses for electricity technological needs	(286,227)		(286,227)
Wages and salaries and related expenses	(591,289)		(591,289)
Consultation service expenses	(278,919)		(278,919)
Technical maintenance expenses	(193,697)	(411,634)	(605,331)
Other expenses	(356,274)		(356,274)
Total expenses	(1,908,660)	(411,634)	(2,320,294)
Profit (loss) before income tax	171,974	(411,634)	(239,660)
Current income tax (expenses)	(7,695)	7,695	-
Deferred income tax benefit (expenses)	(20,895)	54,050	33,155
Total income tax	(28,590)	61,745	33,155
Profit (loss) for the period	143,384	(349,889)	(206,505)

Statement of financial position	2023 before restatement	Restatement effect	2023 after restatement
Non-current assets	16,496,790	54,050	16,550,840
Deferred tax asset	81,503	54,050	135,553
Equity	1,704,328	(349,889)	1,354,439
Issued capital	126,000	-	126,000
Share premium	1,434,944	-	1,434,944
Retained earnings	143,384	(349,889)	(206,505)
Payables and liabilities	28,111,290	403,939	28,515,229
Current liabilities	27,970,280	403,939	28,374,219
Trade payables	2,696,995	658,483	3,355,478
Income tax liabilities	7,695	(7,695)	-
Provisions	9,696,873	(658,483)	9,038,390
Other payables and current liabilities	388,832	411,634	800,466
Total equity and liabilities	29,815,618	54,050	29,869,668

Statement of cash flows	2023 before restatement	Restatement effect	2023 after restatement
Operating activities			
Profit (loss) for the period	143,384	(349,889)	(206,505)
Adjustments for non-cash items:			
Income tax expense (benefit)	28,590	(61,745)	(33,155)
Elimination of provisions	9,696,873	(658,483)	9,038,390
	10,100,531	(720,228)	9,380,303
Changes in working capital:			
Increase (decrease) in payables	216,991	1,070,117	1,287,108
Effect of changes in working capital:	(556,857)	1,070,117	513,260
Net cash flows from operating activities	9,687,058	-	9,687,058

5. Intangible assets

EUR	Software	Other intangible assets	Total
ACQUISITION COST			
Balance as at 1 January 2023	-	11,400	11,400
Reclassification with PP&E	280,500	-	280,500
Balance as at 31 December 2023	280,500	11,400	291,900
Correction of the grant acquisition value	10,448	-	10,448
Balance as at 31 December 2024	290,948	11,400	302,348
AMORTISATION			
Balance as at 1 January 2023	-	(2,645)	(2,645)
Amortisation	(18,946)	(2,850)	(21,796)
Balance as at 31 December 2023	(18,946)	(5,495)	(24,441)
Amortisation	(73,440)	(2,849)	(76,289)
Balance as at 31 December 2024	(92,386)	(8,344)	(100,730)
NET BOOK VALUE			
As at 1 January 2023	-	8,764	8,764
As at 31 December 2023	261,554	5,905	267,459
As at 31 December 2024	198,562	3,056	201,618

6. Property, plant and equipment

EUR	Buildings	Structures and machinery	Other PP&E	Construction-in-progress	Total
ACQUISITION COST					
Balance as at 1 January 2023	-	-	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
Additions		29,645	81,677	-	111,322
Prepayments for PP&E					
Correction of the grant acquisition value	4,065	564,903	34,931		603,899*
Balance as at 31 December 2024	113,199	15,759,861	1,063,105	-	16,936,165
DEPRECIATION					
Balance as at 1 January 2023	-	-	(582)	-	(582)
Depreciation	(844)	(233,751)	(31,334)		(265,929)
Balance as at 31 December 2023	(844)	(233,751)	(31,916)	-	(266,511)
Depreciation	(3,266)	(901,987)	(117,945)		(1,023,198)
Balance as at 31 December 2024	(4,110)	(1,135,736)	(149,862)		(1,289,708)
NET BOOK VALUE					
As at 31 December 2023	108,290	14,931,562	914,581	-	15,954,433
As at 31 December 2024	109,089	14,624,123	913,244	-	15,646,456

* For more information, see Note 8.

7. 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
Net book value as at 1 January 2023	96,533	53,981	70,572	221,085
Depreciation	(22,310)	(14,395)	(720)	(37,424)
Net book value as at 31 December 2023	74,223	39,586	69,852	183,661
Depreciation	(20,594)	(14,395)	(720)	(35,709)
Net book value as at 31 December 2024	53,629	25,191	69,132	147,952

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.

8. Grants

Grants comprise grants for acquisition of PP&E and compensation for expenses (grants related to income). Movements in grants in 2024 and 2023 were as follows:

EUR	2024	2023
Opening balance:	10,833,311	25,263,018
Grants receivable (Note 8)	10,833,311	25,448,196
Advance grants received (liabilities)	-	(185,178)
Grants received in cash during the reporting period (monetary transaction)	(11,765,792)	(41,468,561)
Grants recognised:		
- Correction of assets-related grant*	(614,347)	-
- Assets-related grant (offset with PP&E) (Note 5)	0	26,777,384
- Income-related grant (compensation for expenses incurred)** (Note 2.17)	1,546,828	261,470
Closing balance:	-	10,833,311
Grants receivable (Note 8)	-	10,833,311
Advance grants received (liabilities)	-	-

* CPMA did not recognize the contractor's work as eligible for funding due to defects that had not been rectified by the end of the project funding period, therefore, the amount of the grant recognized in previous periods was adjusted respectively (reversed as non-receivable).

** When submitting applications for project funding during the project implementation period, the Company only applied for funding of direct costs specified in the RRF funding agreement and for the main indirect costs necessary for the project activities. When submitting applications for funding of indirect costs, the Company adhered to a conservative principle, by including only the costs of remuneration of employees directly involved in the project and other costs directly related to the project, such as technical, engineering consulting and similar services. During the project, the Company did not have sufficient assurance regarding the eligibility of other project administration costs for funding and their scope.

When submitting the final application for funding of the project costs, the Company determined that indirect costs amounted to less than 1% of direct costs, whereas under the RRF funding agreement and the Description of the Rules for the Administration of the 2021-2027 European Union Investment Program and the Economic Recovery and Resilience Plan "New Generation Lithuania" (hereinafter the "Description"), the eligible indirect costs cannot exceed 7% of direct costs. To comply with the provisions of the Description, declare all costs directly and indirectly related to the implementation of the project, and assess the eligibility of additional costs for financing, in July–August 2024, the Company consulted with representatives of CPMA administering the eligibility of the RRF funds. The consultations, taking into account that the Company was established as a BEES project-based organization and carried out solely the BEES installation project, considered that the majority of administration costs, including operating costs but excluding corporate costs, could be classified as indirect project costs. On 23 August 2024, the Company submitted a revised application for funding, by including additional indirect costs. CPMA did not identify any objections to the funding of additional costs and, on 9 September 2024. approved the application for funding as appropriate. As a result, in 2024, EUR 1,546,828 of the compensated costs incurred in previous project implementation periods were recognized as income-related grants.

9. Receivables

EUR	As at 31 December 2024	As at 31 December 2023
Trade receivables	906,111	1,003,063
Grants receivable	-	10,833,311
Input value added tax	496	
Total current receivables	906,607	11,836,374

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 ageing analysis of trade receivables is presented below.

	As at 31 December 2024	As at 31 December 2023
Not past due	763,677	860,629
Past due up to 1 month	-	-
Past due from 1 to 3 months	-	-
Past due for more than 3 months	142,434	142,434
Of which impairment of receivables	-	-
Carrying amount	906,111	1,003,063

As at 31 December 2024, 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 and the contractor has been paid in full, therefore no impairment losses are recognized.

10. Issued capital

Number of shares, units	Price, EUR
126,000	1.00

As at 31 December 2024 and 2023, the Company's share capital consisted of 126,000 ordinary registered shares with the nominal value of EUR 1 each. All the shares were fully paid.
As at 31 December 2024 and 2023, the Company's share premium amounted to EUR 1,434,944.

11. Reserves

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the authorised capital. By the Company sole shareholder's decision of 30 April 2024, the legal reserve of EUR 12,600 was made from retained earnings.
By the Company sole shareholder's decision of 30 April 2024, the other reserves for financial support of EUR 14,338 were made from retained earnings.

12. Lease liabilities

Movement in lease liabilities during 2024 and 2023:

Lease liabilities, EUR	As at 31 December 2024	As at 31 December 2023
Carrying amount at 1 January	180,768	220,524
New leases	-	-
Terminated lease contracts	-	-
Interest charged	1,538	2,164
Lease payments	(39,947)	(39,756)
Interest paid	(1,538)	(2,164)
Carrying amount as at 31 December	140,821	180,768
Non-current lease liabilities	101,063	141,010
Current lease liabilities	39,758	39,758
Lease liabilities, EUR	**As at 31 December 2024**	**As at 31 December 2023**
Current portion	39,758	39,758
Non-current liabilities by maturity:		
Between 1 and 2 years	32,631	41,821
Between 2 and 3 years	583	30,578
Between 3 and 5 years	586	1,169
Over 5 years	67,263	67,442

In 2024, interest charged on lease liabilities and included in finance costs amounted to EUR 1,538 (2023: EUR 2,164). The Company had no leases with variable payments not included in the value of lease liabilities.

13. Trade and other payables:

	As at 31 December 2024	As at 31 December 2023 (restated)
Trade payables	1,753,221	3,355,478
Other payables and current liabilities	2,236,935	800,466
Payroll-related liabilities	172,327	203,333
Vacation reserve	105,875	67,755
Other current liabilities and accrued expenses	1,958,733	529,378
Total trade and other payables	3,990,156	4,155,944

The decrease in trade payables at the end of 2024 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 2024, trade payables to main contractors Fluence and Siemens amounted to EUR 1,481,315, and, as at 31 December 2023, to EUR 3,042,458. In 2024, the increase in accrued expenses was recorded due to recognised BEES maintenance expenses, which totalled EUR 1,822,949 as at 31 December 2024, and EUR 411,634 as at 31 December 2023.

14. Income tax

Income tax rate of 15% was applied in 2024 and 2023. The calculation of income tax is as follows:

EUR	2024	2023 (restated)
Profit (loss) before income tax	2,485,487	(239,660)
Tax calculated at a rate of 15%	(372,823)	35,949
Effect of non-deductible expenses and non-taxable income	20,386	146
Effects of accumulated paid leave	-	(452)
Deferred tax assets written off due to prior year corrections	-	(2,488)
Income tax benefit (expenses)	(352,437)	33,155
Current income tax	(233,824)	-
Change in deferred income tax	(118,613)	33,155
Income tax benefit (expenses)	(352,437)	33,155

The Company set off the tax loss carried forward against the taxable profit for 2024, 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.

The movement in deferred income tax assets is as follows:

Deferred tax asset	Tax loss	Vacation reserve	Total:
As at 31 December 2022	91,783	10,615	102,398
Restated prior period tax loss	(2,488)	-	(2,488)
Recognised in profit or loss	36,095	(452)	35,643
As at 31 December 2023 (restated)	125,390	10,163	135,553
Restated prior period tax loss	-	-	-
Recognised in profit or loss	(125,390)	6,777	(118,613)
As at 31 December 2024	-	16,940	16,940

Deferred tax asset:	As at 31 December 2024	As at 31 December 2023
Deferred tax assets to be realised within 12 months	16,940	135,553
Total:	16,940	135,553

15. Provisions

Provisions	
As at 1 January 2023	-
Estimated provisions for litigations/claims	9,038,390
As at 31 December 2023 (restated)	9,038,390
Change in provisions for litigations/claims	-
As at 31 December 2024	9,038,390

In prior periods, a purchase contract was executed under which a buyer, i.e. the Company, in line with the provisions of the purchase contract, charged EUR 9,696,873 thousand of default interest to the seller. The total amount of default interest and the consideration under contract for work were disputed and the contractor brought a claim before the court in August 2024, which is currently pending. Due to the uncertainty of the surrounding the situation (uncertain amount and timing), the Company did not recognise the amount of the default interest received as revenue and classified it as the provision until the outcome of the dispute is certain. The details of this dispute are withheld on the grounds that their disclosure could prejudice the position of the Company in the context of a dispute with a contractor over a deferral, contingent liability or contingent asset. In addition, the court has declared the case and its material non-public.

16. Short-term borrowings from related parties

	As at 31 December 2024	As at 31 December 2023
Short-term borrowings from related parties	1,379,055	15,038,476
Interests accrued	18,492	101,651
Loans from related parties	1,397,547	15,140,127

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 credit 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, was valid until 26 September 2024. On 26 September 2024, a new cash-pool agreement was signed to grant the Company a EUR 15,000 thousand credit limit from 27 September 2024. The agreement is valid until 26 September 2025. The limit may be extended twice for the period of 12 months unless the parties express their intention not to extend it.
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 (1.04%).
Reconciliation of net debt balances and cash flows from financing activities in 2024 and 2023:

	Cash	Borrowings	Lease	Total
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)
(Decrease) in cash and cash equivalents	(284,789)			(284,789)
Repayments of borrowings		13,742,580		13,742,580
Interest charged		(496,506)	(1,538)	(498,044)
Interest paid		496,506	1,538	498,044
Lease payments			39,947	39,947
Net debt at 31 December 2024	1,126,497	(1,397,547)	(140,821)	(411,871)

17. Financial risk management

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

Financial assets and liabilities by category:

Financial assets	2024 31 December	2023 31 December (restated)
Non-current receivables	9,734	9,734
Trade receivables	906,111	1,003,063
Grants receivable	-	10,833,311
Other amounts receivable	496	-
Cash and cash equivalents	1,126,497	1,411,286
Financial assets at amortised cost	2,042,838	13,257,394
Financial liabilities		
Borrowings	1,397,547	15,140,127
Lease liabilities	140,821	180,768
Payables to suppliers	1,753,221	3,355,478
Provisions	9,038,390	9,038,390
Other payables and liabilities	1,849,222	434,408
Financial liabilities at amortised cost	14,179,201	28,149,171

Liquidity risk management

In the course of its operations, the Company is exposed to liquidity risk.

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 26 September 2024. On 27 September 2024, a new cash-pool agreement was signed to grant the Company a EUR 15,000 thousand credit limit (Note 16). The agreement is valid until 26 September 2025. The limit may be extended twice for the period of 12 months unless the parties express their intention not to extend it.

The Company's liquidity ratios as at 31 December 2024 and 2023 were as follows:

	As at 31 December 2024	As at 31 December 2023
Current ratio	0.15	0.48
Quick liquidity ratio	0.07	0.43

The change in liquidity ratios was mainly driven by a decrease in grant receivable and a decrease in short-term borrowings. As disclosed in this note, to secure liquidity, the Company was granted a EUR 15,000 thousand credit limit by the Group under the Cash-Pool Agreement.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on undiscounted contractual payments.

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	36,327	87,358	166,235
Trade and other payables	2,121,116	1,481,315	-	-	3,602,431
Loans from related parties		1,417,431		-	1,417,431
Balance as at 31 December 2024	2,131,490	2,930,922	36,327	87,358	5,186,097
Lease liabilities	10,374	32,176	75,767	89,468	207,785
Trade and other payables	3,789,886	-	-	-	3,789,886
Loans from related parties	180,000	15,340,550		-	15 520 550
As at 31 December 2023 (restated)	3,980,260	15,372,726	75,767	89,468	19,518,221

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. As at 31 December 2024, the amount of EUR 142,434 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 and the contractor has been paid in full, therefore no impairment losses are recognized.
The Company's receivables consist of trade receivables from Litgrid, a financially stable and state-owned electricity transmission operator, which also belongs to the EPSO-G Group, and VAT refundable from the state budget.

As at 31 December 2024 and 2023, 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 16. As at 31 December 2024 and 2023, 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 2024				
EUR thousand	+0.5	(51)	-	(51)
EUR thousand	-0.5	51	-	51
As at 31 December 2023				
EUR thousand	+0.5	(106)	(66)	(40)
EUR thousand	-0.5	106	66	40

18. Revenue

Revenue from contracts with customers	2024	2023
Isolated electricity system operation reserve services	7,360,992	2,329,772
Trade in balancing/imbalance electricity	115,801	125,930
	7,476,793	2,455,702

In 2024, 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

	2024	2023
Revenue grant	1,546,828	261,470
	1,546,828	261,470

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 (Note 8).

19. Other expenses

	2024	2023
Other expenses	436,624	356,274
Financial audit expenses	16,000	16,000
Non-audit expenses	3,292	4,500
Telecommunications and IT maintenance expenses	78,742	41,621
Remuneration of Board members	37,668	37,668
Event organisation	6,305	37,844
Insurance expenses	97,678	34,057
Taxes (other than income tax)	33,744	30,651
Professional service fee	30,764	28,450
Rent of premises and utility services	33,870	25,144
Transport expenses	15,247	12,727
Personnel development expenses	15,938	10,254
Business trip expenses	14,656	16,502
Marketing and public relations	18,928	17,558
Landscaping	-	9,783
Other expenses	33,792	33,515

20. Finance expenses, net

	2024	2023
Finance income	-	-
Finance costs		
Lease interest expenses	(1,538)	(2,164)
Interest on borrowings	(496,506)	(309,176)
Interest on positive account balance	-	-
Other finance costs	-	(50)
Result from financing activities	(498,044)	(311,390)

21. Related-party transactions

As at 31 December 2024 and 2023, 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 and obligations 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 2024 and the outstanding balances of these transactions as at 31 December 2024 are presented below:

2024	Purchases	Borrowings	Sales	Payables	Receivables	Finance costs
EPSO-G UAB, parent company	302,365	1,397,547	-	71,377	-	495,651
LITGRID AB (common shareholders)	373,818	-	7,476,793	31,473	763,678	-
TETAS UAB (common shareholders)	371,041	-	-	-	-	-
Ignitis UAB (other state-owned enterprise)	410,492	-	-	-	-	-
Other state-owned enterprises	-	-	-	-	-	-
Total:	1,457,716	1,397,547	7,476,793	102,850	763,678	495,651

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

22. Compensation to management and other benefits

	2024	2023
Employment-related payments	143,175	119,683
Whereof: termination benefits	-	-
Payments to Board members	37,668	37,668

The Company's Chief Executive Officer is considered to be management of the Company. The Company's management received no share-based payments, nor were any assets transferred free of charge, nor were any loans or guarantees granted to the Company's management. As at 31 December 2024, the accrued vacation reserve and social security insurance liabilities attributable to the Company's management totalled EUR 22,096.84.

23. Off-balance sheet commitments and contingencies

The contingencies resulting from the dispute with the contractor are described in Note 15. The Company does not have any other significant contingencies.

24. Events after the reporting period

On 17 January 2025, amendments to the Law on Electricity of the Republic of Lithuania and the Lithuanian Law on Synchronisation with the continental European networks for Operation in Synchronous Mode of the Republic of

Lithuania, adopted by the Seimas on 19 December 2024, came into force, which allow Litgrid, after the synchronization with the Continental European networks (since 10/02/2025), to purchase a part of the balancing services necessary for the management of the electricity transmission system from the energy storage system operator Energy Cells for a limited period. Accordingly, on 30/01/2025, the European Commission adopted a decision, enabling Energy Cells to provide balancing services for a limited period of time, and, on 30/01/2025, NERC adopted a decision on coordination of the isolated electricity system operation reserve service purchase/sale agreement (its terms and conditions) between Litgrid and Energy cells. These decisions enable Litgrid to purchase a part of the balancing services from Energy Cells on a temporary basis, until the market is able to offer a sufficient supply of balancing services. The agreement provides that Energy Cells will provide 40 MW of aFRR balancing capacity in 2025 and will participate in the balancing energy (aFRR) market, where its bid will be placed at the end of the auction, i.e. Energy Cell's batteries are only activated when these services cannot be provided by other market participants.

On 8th February 2025, all three Baltic States disconnected from BRELL and started an isolated operation test. The Baltic energy systems underwent test, lasting for about a day, in which Energy Cells was very involved with great success. Later, prior to synchronisation with Continental European networks, Energy Cells storage facilities actively contributed to frequency regulation as a primary, fastest-responding power reserve. On 9 February 2025, the Baltic Transmission System Operators Litgrid, AS Augstsprieguma tikls and Elering AS completed isolated operation test and started synchronous operation with Continental European networks.

Consequently, as of 10 February 2025 (after the actual technical synchronization of the electricity systems of the Baltic States with CEN on 9 February 2025), Energy Cells provides balancing services to the electricity transmission system operator Litgrid.

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