



# AB Energijos skirstymo operatorius

Annual report 2024

# Content

<b>1. Overview</b>	<b>3</b>
1.1 CEO's statement	4
1.2 Business highlights	5
1.3 Performance highlights	9
<b>2. Business overview</b>	<b>14</b>
2.1 Business profile	15
2.2 Strategy	17
<b>3. Results</b>	<b>20</b>
3.1 Annual results	21
3.2 Three-year annual summary	30
<b>4. Governance</b>	<b>31</b>
4.1 Governance framework	32
4.2 Management Board	35
4.3 People and remuneration	39
4.4 Risk management	45
<b>5. Sustainability</b>	<b>50</b>
5.1 Sustainability overview	51
<b>6. Financial statements</b>	<b>57</b>
6.1 Financial statements of the Company	58
6.2 Independent Auditor's Report	94
6.3 Information about the auditor	97
<b>7. Additional information</b>	<b>98</b>
7.1 Other statutory information	99
7.2 Information on compliance with the Guidelines on Transparency in State-Owned Companies	100
<b>8. Terms and abbreviations</b>	<b>102</b>
<b>9. Responsibility statement</b>	<b>103</b>

# 1. Overview

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1.1	CEO's statement	4
1.2	Business highlights	5
1.3	Performance highlights	9

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## 1.1 CEO's statement

**Dear customers, shareholders, partners, colleagues,**

The ambitious goals of the energy sector inspired us in 2024 to pursue results, seek alternatives when facing obstacles, and continuously adapt to meet the expectations of shareholders and customers. Energijos skirstymo operatorius (ESO) actively contributes to the sector's transformation by investing in modernisation, digitalisation, and innovative solutions. The strategy approved in 2023 (2023–2026) defines how we will operate in changing market conditions, promote innovation, and grow not only domestically but also within the broader European Union (EU) energy sector context.

The Company is rapidly progressing, and one of the most significant achievements – a milestone reached in April 2024 – is that ESO connected 100 thousand prosumers to the grid, who collectively generated almost half of the country's total electricity needs. This impressive figure demonstrates public engagement in green energy development and the effectiveness of our long-term strategy.

Grid digitalisation remains one of our key priorities. By mid-2024, 905 thousand smart meters had been installed, and in autumn, we marked the installation of the millionth meter. Smart metering is an essential tool for managing increasing electricity flows resulting from renewable resource integration and providing customers the ability to manage their consumption more efficiently.

Lithuania remains one of the leading countries in green energy within the EU context. It is projected that by 2030, Green Generation capacity in Lithuania will grow by 93 per cent (+6.1 GW), whilst the EU average is 23 per cent lower. Moreover, energy storage devices play an important role – in Lithuania, this segment will grow by +35 MW, and in the EU by +30 GW.

In implementing these goals, we are also evolving as an organisation. We are expanding our concept of customer, where alongside traditional consumers, suppliers, aggregators and third parties with whom we collaborate and seek constructive dialogue are becoming increasingly significant. Digitalisation and investments in innovation help ensure that customer expectations are fulfilled – already 97 per cent of prosumers submit their requests for technical conditions online.

Through sustainable investments and digital solutions, we are creating the network of the future – resilient, efficient and adapted to the growing number of green energy consumers. Lithuania is rapidly moving towards energy independence, and this journey is only gathering pace. Together with you, we are creating a reliable and sustainable energy future.

We concluded 2024 preparing for the most significant step in the energy sector in the history of independent Lithuania. In February, Lithuania, Latvia and Estonia successfully disconnected from the Russian BRELL ring and synchronised with continental European electricity networks. This historic decision ensures our country's energy independence, security and reliable electricity supply.

**Renaldas Radvila**

**CEO**

## 1.2 Business highlights

### During the reporting period

#### January

- ESO together with the regulator National Energy Regulatory Council (NERC) adopted a decision to accelerate repayment of the regulatory difference. Repayment through the ESO tariff will start in April 2024 and it will be repaid over a period of 2 years and 3 months (compared to the previous planned period of 2.5 years) for residents, and over a period of 7.75 years for B2B customers, while ensuring the necessary investments in the network at the same time. The agreements are laid down in the methodology adopted after a public consultation held in December 2023. The Company invested more than EUR 800 million in the network during the regulatory period 2016–2021 and the regulatory difference during this period was a result of different calculation methodologies from the network restoration value applied by NERC and ESO.
- Following a devastating accident in which dozens of residents were injured in an explosion in an apartment block in the capital, ESO proactively communicated the necessary measures and safe behaviour when smelling gas and suspecting a gas leak. The company also reminded people of the procedure for inspecting gas systems. The analysis showed that the inspections are carried out smoothly, not only in compliance with all legislation but also in line with consumers' expectations.
- From the beginning of this year prosumers have been paying for the use of the electricity grid according to new tariffs approved by NERC. As of January, there were 77 thousand private prosumers in Lithuania, of which almost 26 thousand were connected in 2023. With the changes in the above-mentioned tariffs, ESO expert shared practical advice on what to consider when choosing a billing method and to keep in mind that the plan can be changed once in 12 months or within one month of the announcement of the new tariffs.
- Another new edition of the #EnergySmartSTART programme, which brings together various energy initiatives, invited students and their teachers to learn more about the energy sector and the daily work of energy professionals. Students from grades 9-12 visited ESO Practical Training Centre together and learned about the work of the professionals who supervise the distribution network. The education at ESO Practical Training Centre, which started in early December, is part of the #EnergySmartSTART programme. Students from Jonava Jeronimas Ralys Gymnasium participated in the first educational session. The educational experience, lasting up to 1.5 hours and designed for students and their teachers, received positive feedback.

#### February

- The Government of the Republic of Lithuania has adopted a resolution approving the sale of the electricity distribution network infrastructure held by the public railway infrastructure manager LTG Infra in trust to ESO. Following the signing of the sale and purchase agreements, the electricity distribution infrastructure was transferred to the ownership of ESO. LTG Infra transferred part of the electricity network, which supplies energy not only to ensure the functioning of the public railway infrastructure, but also to other consumers, natural or legal persons.
- NERC has approved amendments to the Methodology for setting tariffs for the connection of electricity installations to the electricity grid, which entered into force on 1 April. The change was aimed at simplifying the pricing of connection services for new electricity connections and upgrades. With the changes, all consumers pay more proportionately for connecting to the grid. The new methodology divides customers into three groups. The final cost of connection is determined by the distance from the site to the nearest connection point: Group I – customers up to 500 kW (inclusive) and 100 meters (inclusive), Group II – up to 500 kW (inclusive) and 100–400 meters, (inclusive) Group III – up to 500 kW (inclusive) and 400–1000 meters (inclusive). Customers with a permitted capacity of more than 500 kW or less than 500 kW, but with more than 1,000 meters from the site to the nearest connection point, will pay for the connection services based on a separately calculated cost estimate.

#### March

- Every second Lithuanian resident who has installed a smart meter has changed the electricity consumption habits, according to a survey conducted on ESO initiative. Two thirds of respondents said that energy efficiency is still an important topic for them; however, 6 out of 10 said they lack knowledge about energy efficiency in at least one area.

- NERC has assessed a report submitted by ESO, which is developing Lithuania's digital energy network, which provides an overview of the progress of smart electricity meter deployment and the benefits generated in 2022. NERC examined the report in accordance with the rules of the project's monitoring and control system and did not have any comments, noting that more benefits have been achieved than ESO planned. For the calculation of benefits and damages, the scenarios without and with smart metering were assessed (reporting period: from the start of the project to the end of 2022). For the scenario with smart metering, ESO included the recorded results in the report, while for the scenario without smart metering, it used the data specified in the investment project. In other words, for the assessment of the benefits and damages, the actual benefits and damages have been compared with the benefits and damages calculated in the project. The benefits and damages assessed represent 96% of the total benefits and damages foreseen in the project, of which 6 are financial and 3 socio-economic.

### April

- The 100 thousand prosumers produce almost half of the electricity needed by Lithuania. One hundred thousand prosumers have been connected to the network over the past few years and ESO recorded its 100,000th connection in April. According to ESO, 64 thousand prosumers installed solar power plants on the same or adjacent plot, usually on the roof of a building. Their installed generating capacity reached 895 megawatts (MW). The remaining 36 thousand prosumers are customers of remote solar parks with an installed capacity of 220 MW and generated power over 1 GW.

### June

- ESO has connected its 100,000th prosumer to the network, and this number is growing steadily. Although it takes on average 24 days to become a prosumer, sometimes applications are not approved due to exhausted network capacity. Updates to the Electricity Distribution Network Access Procedures (PETA), which came into force on 12 June, provide more opportunities for both private and business customers to connect their own solar or wind power plant to the grid. The change, approved by NERC, affected 1.8 million electricity consumers – the previous version of PETA provided for 9 priority groups to which spare capacity on the grid was allocated. The updates in force combine these groups into 3 main priority groups.
- In June 2024, ESO updated 10-year (2024–2033) Investment Plan for the distribution networks and submitted it to the regulator (NERC) for public consultation and coordination. The Draft Investment Plan foresees a 40% increase in Investments to EUR 3.5 billion compared to the previous 10-year Investment Plan submitted to NERC (EUR 2.5 billion, 2022–2031).

### July

- With the rapid modernisation of the electricity network, the Company has reached an important milestone – 900 thousand smart meters have been installed in Lithuania. This means that smart metering technology is now used by every second ESO customer. In 6M 2024 alone, ESO specialists and contractors installed over 176 thousand smart meters, compared to 210 thousand in 2022 and even 519 thousand in 2023. The fastest deployment is taking place in Marijampolė, Kaunas, Alytus and Šiauliai counties, where the number of installed smart meters exceeds 50%.

### August

- To reduce the impact of natural disasters on its customers, the Company has submitted proposals to the Government on how to distribute power lines clearings in forests, following the example of neighbouring Latvia and Estonia. In addition, it is proposed that ESO should finance tree pruning work carried out by municipalities in settlements to create greater incentives for local authorities to maintain green areas.
- After addressing the damage caused by the largest storm in four years, ESO approved the Process for Loss Compensation and Payment of Compensations during Extraordinary Situations and announced direct storm damage compensation for residents. Taking into account that private customers often belong to a more sensitive social group, the simplified application procedure and form has been tailored specifically for private customers who received a 72-hour or more restoration of electricity distribution after the biggest storm in Lithuania in four years, which struck on 28–29 July. The affected consumers could submit claims for damage compensation through the ESO self-service portal or by submitting documents and applications by post or email. ESO will allocate up to EUR 4 million to compensate for direct losses.

## October

- ESO rejects doubts about smart meters: data manipulation is impossible. The new generation smart metering devices being installed for Lithuanian residents are reliable and it is impossible to alter their data, while the highest security solutions are implemented at all stages of the transmission system. Following the spread of biased information and doubts about smart meter reliability in the public domain, the Company assured that the system is secure, reliable, and data manipulation is impossible. It was also explained that ESO's smart metering consists of three elements – smart meters, communication technology and smart metering information system, and neither remote nor any other type of reading modification is possible in any of these components, both due to equipment technological specifications and a multi-level security system.
- The Regulator (NERC) has set price caps for electricity distribution services for 2025 for AB Energijos skirstymo operatorius (ESO):
  - for medium-voltage (MV) networks, the price cap is 1.147 ct/kWh excluding VAT, a 7.1% decrease compared to 2024 (1.235 ct/kWh excluding VAT in 2024);
  - for low-voltage (LV) networks, the price cap is 2.639 ct/kWh excluding VAT, a 6.3% reduction compared to 2024 (2.817 ct/kWh excluding VAT in 2024).

## November

- During the All-Saints' Day weekend, ESO promptly restored electricity supply to tens of thousands of consumers after outages caused by strong winds, fallen trees and their branches. For some customers, electricity supply was temporarily secured by installing 31 electricity generators, as strong winds made it impossible to perform certain network repairs due to safety concerns. At any given time, the number of residents without electricity due to disruptions generally did not exceed 2–4 thousand, only reaching 22 thousand during the peak outage period on the evening of 1 November, but was reduced to 3.6 thousand consumers by morning. In total, 1,632 network damages due to severe wind effects were recorded during the long weekend, of which 301 were in the 10 kV network. The latter tend to be complex and time-intensive. According to the Company's data, during the *Kirsti* storm that raged at the end of July, the number of such damages exceeded 6 thousand. As with previous natural disasters, in the first days of November, the greatest damage to the network was caused by uprooted trees and breaking branches, which damaged overhead lines. The Company's data indicates that about 80 percent of electricity supply disconnections occur due to disruptions in the 10 kV network, which is vulnerable to falling trees and their branches.
- The millionth smart electricity meter has been installed in Lithuania. The new generation smart device replaced the old electricity meter at the *Art Deco* museum in Kaunas. Rapid digitalisation benefits not only individual customers but also everyone connected to the grid. With an automated network, the operator plans expansion more efficiently, identifies and eliminates disruptions faster, and ensures reliable electricity supply to every home. Since beginning the installation of smart electricity meters, both operating costs and the number of thefts have decreased. Electricity meter failures also occur less frequently, resulting in lower electricity losses. Kaunas County stands out in Lithuania for its activity in installing smart meters – new metering devices have already been installed for more than 215 thousand or 57.59 percent of all customers. In Marijampolė County, 62.87 percent of meters have already been replaced, in Alytus – 55.91 percent, in Šiauliai – 53.68 percent, in Tauragė – 53.23 percent, in Klaipėda – 52.09 percent, and in Vilnius – 52.02 percent. Telšiai, Utena and Panevėžys counties are approaching 50 percent.

## December

- NERC approved new tariffs for connection to gas networks for household users and new consumer connection to electricity networks and capacity increase tariffs for next year. The new tariffs, effective from January 2025, are calculated based on the operator's actual expenses for previous periods. The new procedure, which came into force in 2024, stipulates that all customers pay for connection proportionally. The Company's expenses increased as the number of residents located far from connection points grew. Due to these incurred costs, connection tariffs, which are calculated according to actual expenses incurred, increased. The new procedure is socially more equitable and increases network accessibility for all customers. Before it came into force, newly connecting customers effectively had to pay for network installation or reconstruction costs for those residents who would connect to the network later and use the infrastructure created by previously connected customers who had paid these costs. Now the price is distributed proportionally among everyone.
- The Company's research shows that 8 out of 10 ESO customers who participated in the survey positively evaluate their experience of smart meter installation. In 2023, 7 out of 10 customers spoke positively about their experience with ESO installing a smart meter. During the research, customers were asked to evaluate the specific employee's ability to arrange the time for meter replacement, as well as the engineers'

professionalism, courtesy and clarity of communication. The customer recommendation index received is 72 percent and exceeds the market average. Engineers replace about a thousand electricity meters daily and, when visiting customers, strive to listen to their needs and meet different expectations. Customer surveys show that these efforts are yielding results. The survey was performed in compliance with the methodology of the customer recommendation index (Net Promoter Score, NPS). The Net Promoter Score is one of the most widely used indicators for measuring customer loyalty and satisfaction. When conducting this research, customers are typically asked whether they would recommend the company to their friends and relatives based on their experience. The index value can range from -100 to 100, and an indicator value exceeding 50 is considered very good.

- In Lithuania, we have one of the most modern distribution networks in Central Europe. The average age of ESO's network is just 35 years, and continuously increasing investments ensure reliability, innovation and security. The CEO of ESO Renaldas Radvila appeared on the *Experts Advise* programme on *Knowledge Radio*, where he reviewed the ending year and discussed how modern technologies and a modern network help solve customer problems faster, improve electricity supply and create benefits for customers. ESO will invest EUR 330 million in network expansion in 2025: of which more than EUR 100 million will be allocated to network renewal, and the remaining amount will be used for connecting new users and digitalisation. According to R. Radvila, every euro directed to the network increases its reliability and resistance to external threats and contributes to the company's main goal: ensuring electricity reaches every home – keeping it warm and illuminated. In Lithuania's natural conditions, this is not always easy to ensure – even this week, some residents were left without electricity when trees toppled by intensifying winds knocked down supports and broke wires. The network was damaged in more than 1.3 thousand locations.

## After the reporting period

### January

- The Regulator (NERC) approved the 10-year (2024–2033) investment plan. In the plan, we have projected to increase Investments by 40% to EUR 3.5 billion. The previous 10-year (2022–2031) investment plan submitted to NERC for approval projected investments of EUR 2.5 billion.
- There are more than 124 thousand prosumers (GV) in Lithuania – their number increased by about 40 percent over the year. During December, the Company connected almost 1.5 thousand new prosumers who installed solar power plants, while 800 became clients of remote solar parks. If similar growth rates are maintained, we can achieve the ambitious goal of having 300 thousand prosumers in Lithuania by 2030 even earlier than the planned deadline. In 2024, ESO connected 37.7 thousand new prosumers to the network, of which more than 33 thousand were household and about 4.5 thousand business customers. Over the past year, the permitted generating capacity of solar power plants increased by more than 50 percent. Rapid renewable energy development directly affects production as well – over the past year, solar power plants produced more electricity than in 2020–2023 combined. Another important step for prosumers who want to ensure their home's energy independence is the installation of a storage unit. After the Environmental Project Management Agency announced a new EUR 3 million support call for electricity storage installation on January 7, ESO has already received more than 700 declarations from B2C customers about installed storage units. A new EUR 15 million support call for electricity storage systems in homes will be announced this March.

### February

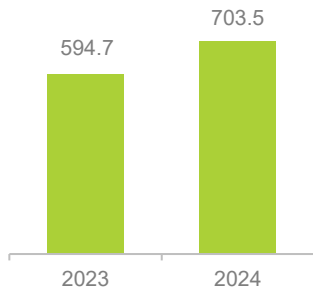
- In preparation for the synchronisation of the Baltic States with continental European networks on February 8–9, ESO and Lithuania's electricity transmission system operator Litgrid informed residents that they do not need to take any additional actions regarding this event. On February 8, Lithuania, Latvia and Estonia disconnected from the Russian IPS/UPS power system, and on February 9, they began operating synchronously with continental Europe. The synchronisation of power systems was the final step towards Lithuania's energy independence; however, physically ESO customers did not feel the transition in any way and did not need to take any related actions. Electricity supply proceeded normally, with no disruptions recorded.
- The Company will pay compensations to 35.5 thousand customers for whom electricity supply was restored later than 72 hours after the storm that devastated Lithuania at the end of July last year. The total compensation amount may exceed EUR 2.9 million. Following NERC's decision regarding the accident, ESO will pay compensations in accordance with the procedure provided by law. Customers will be informed about this individually.



# 1.3 Performance highlights

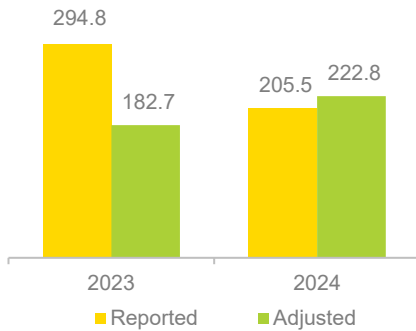
## Financial

### Revenue EURm



In 2024, the Company's Revenue amounted to EUR 703.5 million, an increase of EUR 108.8 million, or 18.3%, compared to 2023. The increase was mainly driven by higher revenues related to electricity transmission (+EUR 148.4 million). This was partly offset by lower revenues from electricity distribution (-EUR 29.2 million) due to lower tariffs set by the regulator. The decrease in electricity distribution tariffs was mainly caused by lower expenses from electricity distribution technological losses, which have decreased due to lower electricity purchase price.

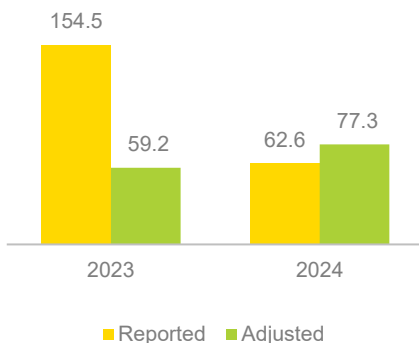
### EBITDA, adjusted EBITDA <sup>APM</sup> EURm



In 2024, Adjusted EBITDA was EUR 40.1 million higher than in 2023, mainly due to higher RAB (Regulated asset base) effect (EUR 12.1 million) and higher WACC (Weighted average cost of capital) (EUR 13.5 million). Also, the Adjusted EBITDA increase was partly related to the higher share of allowed return, D&A (Depreciation and amortisation) and additional tariff component (EUR 12.0 million) recognised in 2024.

Reported EBITDA in 2024 amounted to EUR 205.5 million, a decrease of EUR -89.3 million compared to 2023. The decrease mainly resulted from higher Purchases of electricity and related services (EUR -185.5 million) mostly due to higher volumes of electricity distributed, higher transmission tariff and system services price approved by the regulator and higher operating costs (EUR -17.2 million). The decrease was partly offset by higher Revenue earned in 2024 (+EUR 108.8 million).

### Net profit, adjusted Net profit <sup>AMP</sup> EURm

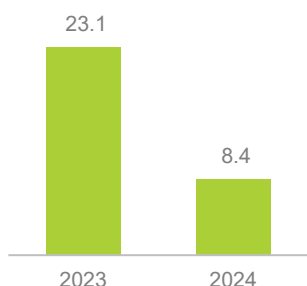


Change in net profit correlates with a change in EBITDA. In 2024, Reported Net profit decreased by EUR -91.9 million, mainly due to lower Reported EBITDA (EUR -89.3 million), while Adjusted Net profit increased by EUR +18.1 million, mainly due to growth in Adjusted EBITDA (EUR +40.1 million).

<sup>1</sup> Alternative performance measures (APM) – the adjusted numbers presented in this report used for internal assessment of operating activities. These measures are not defined by the International Financial Reporting Standards (IFRS) and do not comply with the requirements of IFRS. Definitions of alternative performance measures are provided on the Group's website ([link](#)).

### ROE LTM <sup>AMP</sup>

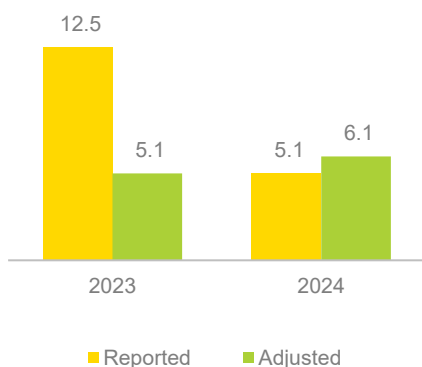
%



The indicator of return on equity (ROE LTM) decreased by 14.7 percentage points in 2024 mainly due to lower net profit.

### ROCE LTM, Adjusted ROCE LTM <sup>AMP</sup>

%

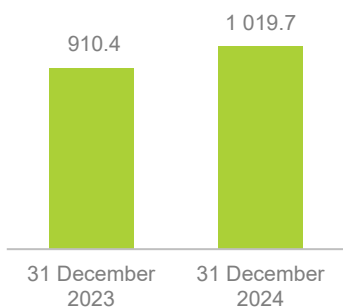


The indicator for return on capital employed (ROCE LTM) decreased to 5.1%, or 7.4 percentage points, in 2024 mainly due to lower EBIT.

Adjusted ROCE LTM increased to 6.1%, or 1.1 percentage point, mainly due to the growth in Adjusted EBIT.

### Net debt <sup>AMP</sup>

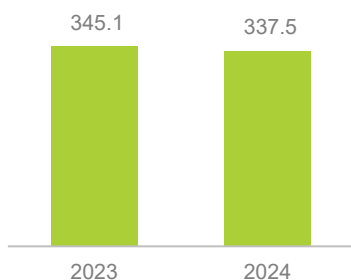
EURm



As of 31 December 2024, Net Debt amounted to EUR 1,019.7 million and increased by 12.0%, or EUR 109.3 million, compared to 31 December 2023. The increase was caused by additional loans taken for investments into PPE (Property, plant and equipment).

### Investments <sup>AMP</sup>

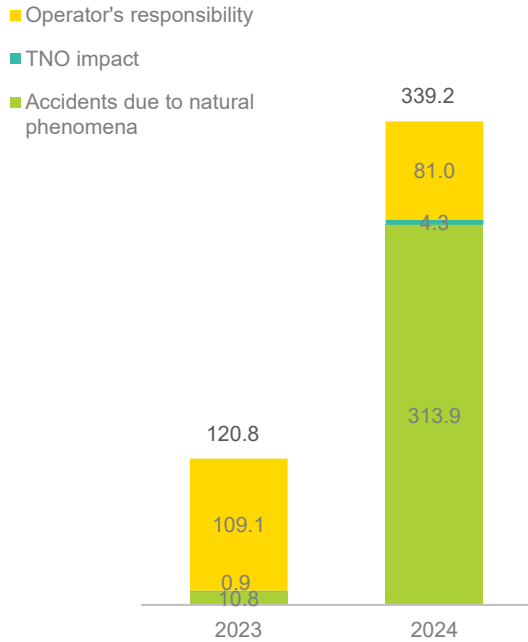
EURm



In 2024, Company's investments decreased by EUR 7.6 million, or 2.2%, compared to 2023. The decrease was mainly affected by lower investments in maintenance of the electricity distribution network (EUR -7.0 million), mostly due to the fewer object implemented, which were brought forward to 2025. There was also a slight decrease in investments in the expansion of the electricity distribution network (EUR -0.4 million), out of which investments made in Smart meters decreased by EUR -18.1 million, as most of the smart meters were installed in 2023. Investments in the connection of new customers increased by EUR 17.4 million due to a higher number of new connections and power upgrades.

## Activities

### Electricity distribution quality indicator SAIDI, unscheduled, minutes

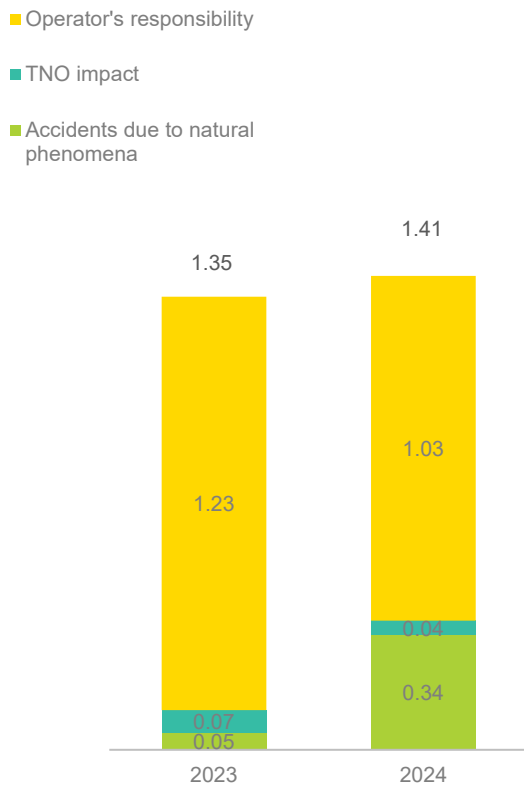


The impact of the average duration of unplanned interruptions (SAIDI) was 339.2 minutes per customer, an increase of 278.5 minutes in 2024 compared to 120.8 minutes in 2023.

Deterioration of the SAIDI indicator was most affected by the storm of 28-29 July – the biggest in Lithuania since 2020. The storm in July had a 75% impact on the overall indicator. In addition, natural phenomena (wind) caused accidents in November and December.

Compared to 2023, the SAIDI indicator (109 minutes), not due to external influences such as natural phenomena, improved to 81 minutes.

### Electricity distribution quality indicator SAIFI, unscheduled, unit

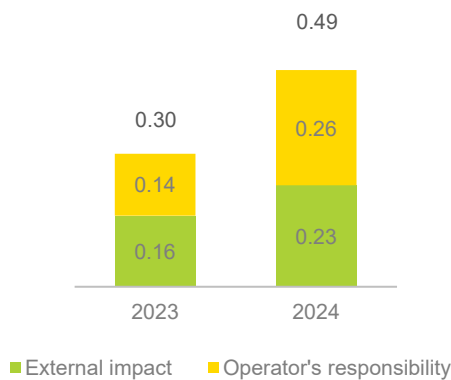


In 2024, Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, deteriorated by 0.06 interruptions compared to 2023 and was 1.41 interruptions (1.35 interruptions in 2023).

Deterioration of the SAIDI indicator was most affected by the storm of 28-29 July, as well as accidents due to natural phenomena in November and December.

The impact of natural phenomena in 2024 was 0.34 interruptions, or 24%.

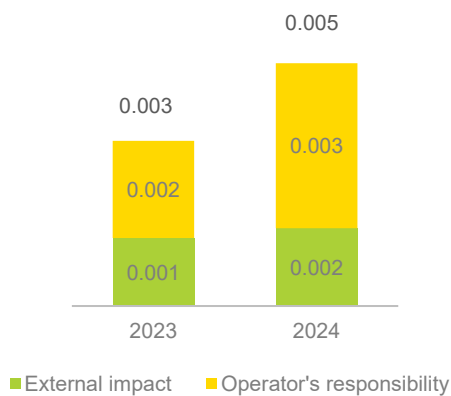
**Natural gas supply quality indicator  
SAIDI, unscheduled, units**



The average duration of interruptions in natural gas distribution (SAIDI) per customer in 2024 reached 0.49 minutes and increased by 0.19 minutes comparing to 2023 (0.30 minutes in 2023).

The main reason for deterioration of the indicator was unfavourable weather conditions, the cold weather in the beginning of the year, resulted in more natural gas consumers disconnections due to faulty equipment and increased duration of the disconnections.

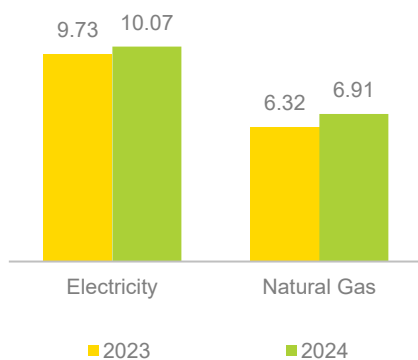
**Natural gas supply quality indicator  
SAIFI, unscheduled, times**



The average number of unplanned long interruptions per customer (SAIFI) amounted to 0.005 times in 2024 and increased by 0.002 times compared to 2023 (0.003 times in 2023).

Natural Gas SAIFI indicator deteriorated as more consumers were disconnected in 2024 than in the same period 2023, due to faulty equipment as a result of colder weather conditions at the beginning of the year.

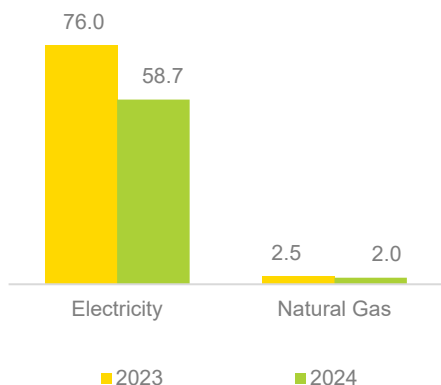
**Distributed volumes  
TWh**



Electricity distributed increased by 0.34 TWh, or 3.5% and reached 10.07 TWh in 2024. The higher electricity distribution was driven mainly due to colder than usual weather at the beginning of the year. Electricity consumption by both B2C and B2B customers increased.

Distributed natural gas volume in 2024 increased by +0.59 TWh, or 9.3%, amounting to 6.91 TWh. The growth was due to colder than usual weather conditions at the beginning of the year and higher consumption by B2B customers. Demand from industrial companies consuming gas for technological process increased in line with higher production volumes.

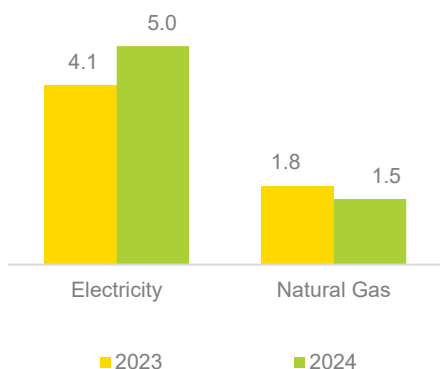
### New connection points and upgrades thousand units



In 2024, 58.7 thousand new customers were connected to the electricity distribution network or increased their capacity. Number of new connection points decreased by 10.7 thousand, or 21.1%, while power upgrades decreased by 6.5 thousand, or 26%. The decrease was due to fewer applications received to connect to ESO's network or to upgrade power.

Number of new connection points and upgrades in the natural gas distribution network decreased by 18.7%.

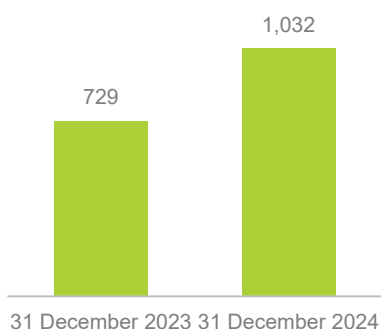
### Technological losses %



In 2024, electricity distribution technological losses ratio was 5.0%, 0.9 percentage points higher than in 2023. The 2023 ratio was affected by reversal of the 2022 estimated amount of the overdeclared consumption of residential customers (-0.1 TWh).

Natural gas distribution technological losses ratio decreased by 0.3 percentage points due to higher volumes of natural gas distributed.

### Number of Smart meters installed thousand



From the beginning of Smart meters mass roll-out in July 2022, around 1,032 thousand smart meters were successfully installed in total, out of which around 302 thousand meters were installed in 2024.

## 2. Business overview

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2.1	Business profile	15
2.2	Strategy	17

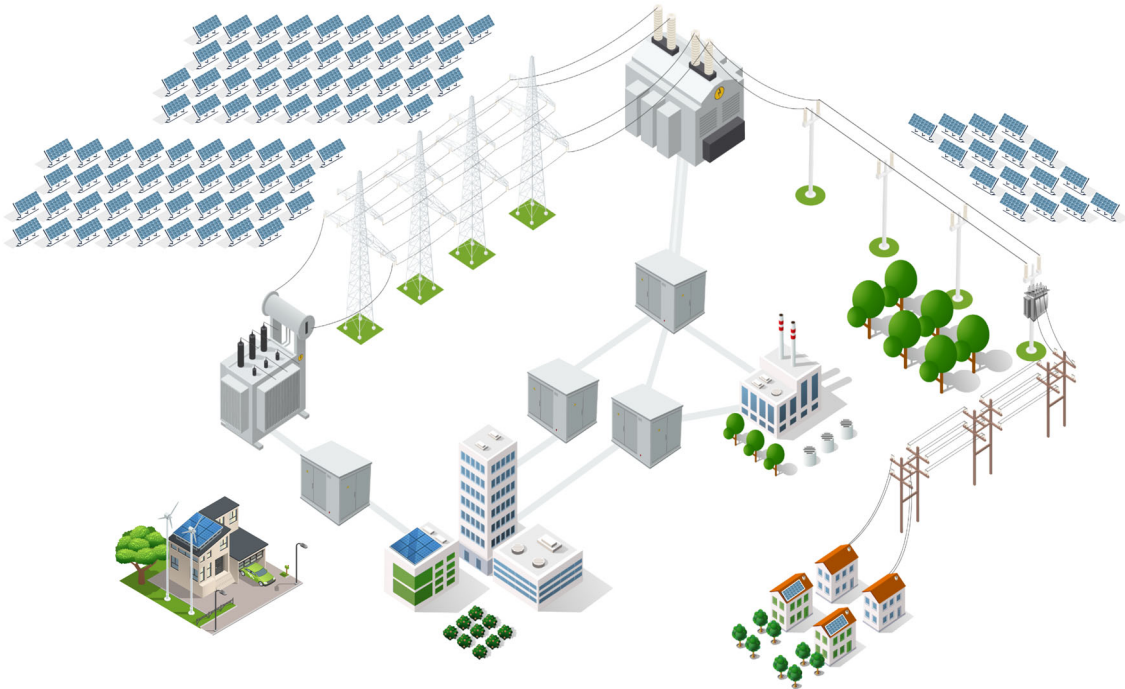
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## 2.1 Business profile

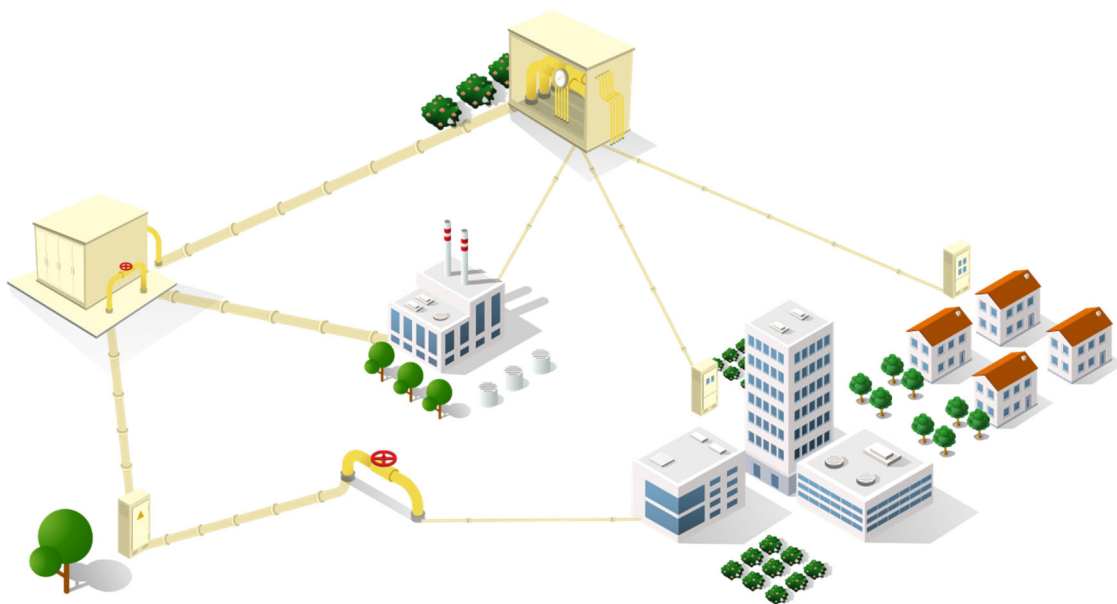
### KEY company network indicators

The Company distributes electricity and natural gas, maintains distribution networks, implements smart solutions to make them reliable and efficient, troubleshoots and connects new customers.

#### Electricity distribution network operated by ESO



#### Gas distribution network operated by ESO



The Company ensures resilient and effective electricity distribution services throughout entire Lithuania, enabling transformation of the energy sector, continually invests and modernises its strategic assets used in the activities of electricity and natural gas distribution by increasing resilience, safety, and efficiency of the network in the entire country. The Company's activity is fully regulated with electricity and natural gas distribution licences granted by the National Energy Regulatory Council (NERC). Regulation has been implemented by establishing price caps for services rendered by ESO, which are measured for the regulatory period of 5 years (currently, the regulatory period of 2022–2026 is applied to the electricity sector, whereas the regulatory period of 2024–2028 is applied to the natural gas sector).

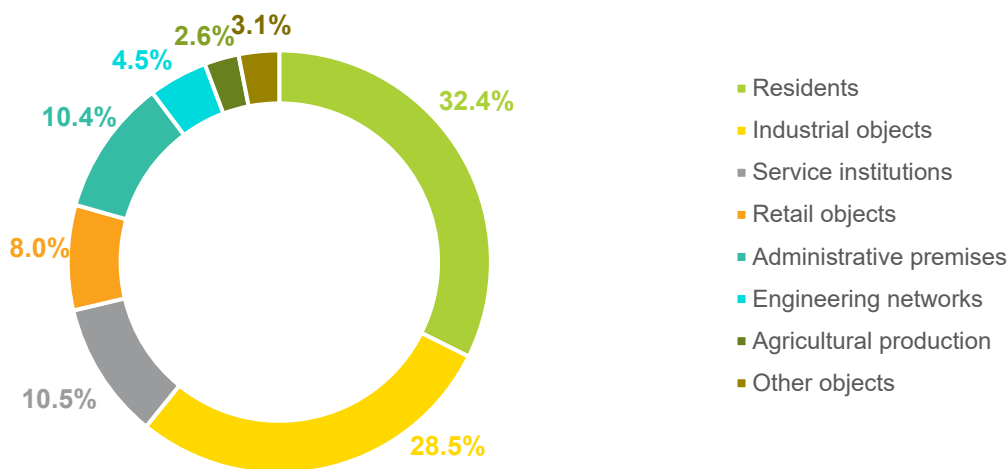
ESO is developing digitisation solutions of the distribution network aiming at developing one of the most advanced smart networks throughout the region. ESO also contributes to development of energy innovations and renewable energy production, and to promotion and efficiency increase of the local energy market.

### Electricity distribution

ESO owns and operates 131,052 thousand kilometres of electricity lines: out of which 63.4% are overhead electricity lines, and 36.6% – electricity cables. In 2024, the Company distributed to customers 10.07 TWh of electricity (in 2023 – 9.73 TWh), i.e. 0.34 TWh, or 3.5%, more than in the same period in 2023. The electricity consumption of both B2C and B2B customers has increased. The supply of last resort made up 2.4% of this amount (2.3% in 2023). The remaining customers of the Company were provided only with the electricity distribution service.

The electricity distributed by ESO during January-December 2024 was consumed by residents at around 32%. Industrial facilities and service establishments consumed 28% and 10%, respectively. Compared to 2023 the structure of electricity distributed has not changed significantly.

#### Electricity distribution volume by objects, %



### Natural gas distribution

ESO operates 9,719 thousand kilometres of natural gas distribution pipelines. In 2024, the Company distributed 6.91 TWh of natural gas to the customers, which is 0.59 TWh, or 9.3%, more than in the same period in 2023 (6.32 TWh in 2023).

The growth was driven by colder than usual weather conditions in the beginning of 2024 and a recovery in the industrial sector, which led to an increase in demand for natural gas from business customers. Consumption of natural gas by private customers remained stable in 2024.



## 2.2 Strategy

### Main purpose and integrated strategy

AB Energijos skirstymo operatorius is an important part of Ignitis Group's integrated business model and [strategy](#). Ignitis Group is a renewables-focused integrated utility and the largest energy group in the Baltic States.

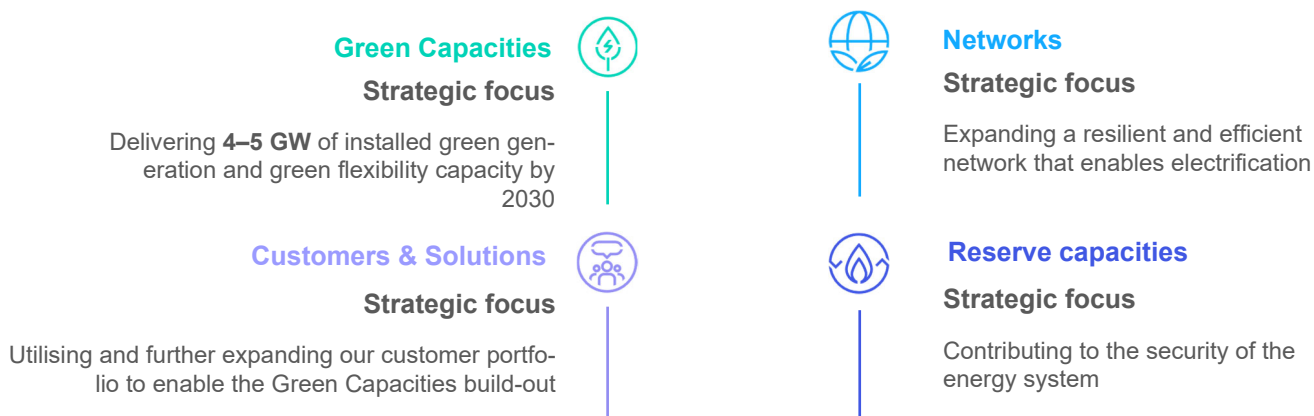
**Our main purpose is to create a 100% green and secure energy ecosystem for current and future generations.** We are strengthening our contribution to Europe's decarbonisation and energy security in our region, accelerating the transition to green energy in the Baltic States, and building an exclusively green energy system.



1. **Green** (growing green and flexible generation capacities)
2. **Flexible** (creating a flexible system that can operate on 100% green energy in the short, medium, and long term)
3. **Integrated** (utilising the integrated business model to enable Green Capacities build-out)
4. **Sustainable** (Maximising sustainable value)

We are investing with the aim of installing 4–5 GW of operating Green Capacities by 2030 and target net-zero GHG emissions by 2040–2050, focusing on green generation and green flexibility technologies: offshore and onshore wind farms, batteries, pumped-storage hydro, electricity storage and power-to-X.

### Integrated business model



AB Energijos skirstymo operatorius is part of Ignitis Group and belongs to Networks segment. Our activities include electricity and natural gas distribution, supply of last resort and maintenance of distribution networks, troubleshooting, installing smart solutions and connecting new customers.

### Sustainability and ESG focus

As part of our strategy, we focus on reducing greenhouse gas emissions intensity in Scopes 1 and 2, promote safety at work with a focus on TRIR and zero fatalities, care for the employee experience through the initiatives related to well-being, education and growth, fair pay, diversity and inclusion, encourage diversity at the top, and create sustainable value through sustainable investments and returns.

### Our values

We are a team of diverse and energetic people united by a common purpose.



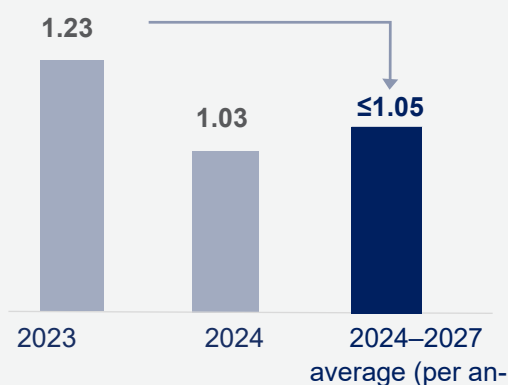
## Strategic focus, targets and key performance indicators

### Strategic focus:

1. Resilient and efficient electricity distribution
2. Network expansion and energy market facilitation
3. End-to-end customer experience

### Electric SAIFI<sup>1</sup>,

interruptions per customer



We invest in the electricity distribution network and ensure its resilience. We aim to reduce the SAIFI to an average of  $\leq 1.05$  interruptions per customer in 2024–2027. We are improving network automation and aim to have 66% of consumers connected to automated control lines by 2027. For the period 2024–2027, the average technological losses in the electricity distribution network should remain  $\leq 5.0\%$ . By 2026, we plan to complete the roll-out of smart meters (over 1.2 million units).

The 2024 annual performance targets linked to the variable remuneration component and their implementation, as well as the 2025 annual performance targets linked to the variable remuneration component, are presented in the *4.3 People and Remuneration* section of the annual report.

## Main projects and investments

### Investment plan: modernisation of the electricity and gas distribution networks

From 2022, in accordance with the Law on Electricity and legislation, the Investment Plan have to be provided to the National Energy Regulatory Council (“the Council”) for approval every second year. In June 2024, a new 2024–2033 Investment Plan project was submitted to the Council for approval, which was approved on 23 January 2025. The revised Investment Plan is published on the company’s website ([link](#)).

The planned investments continue to focus on two main areas – improving network resilience and efficiency, as well as market enablement and customer experience:

- Increase in resilience and efficiency of network. This programme intends to accelerate restoration of energy supply after the failures, continue replacement of airways of electrical grid by underground line giving priority to replacement of frequently disconnecting and emergency airways, wooded territories. It will be continued to install equipment that ensures network automation by increasing the share of customers connected to automated control lines. In addition, focus will be put on increasing the efficiency of the grid by focusing on solutions reducing technological losses;
- Electricity network expansion and market facilitation and end-to-end customer experience. This programme is meant to create incentives for market formation in a balanced and systematic manner and

<sup>1</sup> Indicators are calculated in accordance with the provisions of the Description of Electricity Distribution Reliability and Service Quality Indicators approved by the National Energy Regulatory Council for the regulatory period (established based on Resolution No. O3E-79 of the National Energy Regulatory Council of January 26). Targets are evaluated according to the principles applied in determining the level, and the current methodology, according to which these cases are not included in SAIFI: (1) interruptions due to natural phenomena equivalent to natural disasters, catastrophic meteorological and hydrological phenomena – wind speed  $>28$  m/s and eliminating interruptions throughout the country (not in individual regions); (2) interruptions due to failures in the electricity transmission system operator’s networks.

to enable the market to provide new, higher quality services necessary for the transformation of the energy sector. The main tool of this programme is roll-out of smart meters. This technological solution will ensure accuracy and timeliness of data in the ESO network, will enable the market and customers to create services of higher quality as well as improve the efficiency of distribution network management.

The Council, by resolution dated 5 January 2024, approved the draft methodology for electricity transmission, distribution and public supply services and the public price cap, as well as the schedule for the repayment of ESO's excess return on investments. These resolutions were incorporated into the newly submitted 2024–2033 plan.

## Investment policy

Since the end of 2023, we have successfully continued working on grid maintenance and expansion, including the smart meter roll-out. Smart meter roll-out for B2C and B2B customers whose energy consumption exceeds 1,000 kWh a year began in July 2022 and successfully continues today. During the 12-month period of 2024, about 302 thousand smart meters were installed, bringing the total to about 1,032 thousand smart meters. After coordination with the regulator (NERC), the total number of smart meters to be installed by the end of 2025 was increased from 1.175 million to 1.33 million. This way, the benefits of smart metering will reach a larger number of customers, and ESO will receive more data for network monitoring and management. Full functionality of the new smart metering solutions were deployed at the end of 2023. Although the system is already operational and performs routine daily tasks, in 2024 we continued its improvement and implementation of additional functions. The integration of the smart metering system into the distribution management system is ongoing, and we plan to fully integrate it by mid-2025. In addition, in 2024 we began developing a smart metering data centre, which will use cloud technologies to create a big data platform for storing smart meter data and developing analytical algorithms. In June 2024, the initial launch of the metering data centre system took place, and work continues on creating data integrations and calculation algorithms. A project was also initiated to develop an Electricity Network Loss Calculation Solution using smart meter data. At the end of 2024, a contract amendment was signed that includes an additional 150 thousand smart meters and related services to meet the needs of the additionally approved programme scope. The meters will be supplied and installed for consumers in 2025.

## Status on key investment projects

Project name	Electricity network expansion and facilitation of energy market	Maintenance and other	TOTAL
Country	Lithuania	Lithuania	
Investments 2024–2033 (10-year investment plan) <sup>1</sup>	~EUR 1.9 billion	~EUR 1.6 billion	~EUR 3.5 billion
Investments 2024–2027 (Strategic plan)	~EUR 620-750 million	~EUR 480-580 million	~EUR 1.1-1.3 billion
Investments covered by customers and grants (3-year average)	31.0% (covered by customers' fees)	10.7% (covered on project-by-project basis by EU funds and customer's fees)	21.7%
Ownership	100%	100%	100%
Progress	In 2024, 40,151 new electricity customers were connected and 18,587 capacity upgrades were carried out. It resulted in around 2,647 km of new power lines (out of which 300 in Q4 2024).	In 2024, around 766 km of power lines were reconstructed (out of which 197 in Q4 2024). Around 85% of the reconstructed lines were replaced with underground cables.	
Status	On track	On track	

<sup>1</sup> The figures are in line with the most recent 10-year investment plan (2024-2033), which was submitted to the regulator (NERC) and approved on 23 January 2025.

## 3. Results

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3.1	Annual results	21
3.2	Three-year annual summary	30

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## 3.1 Annual results

### Revenue

#### Revenue, EURm

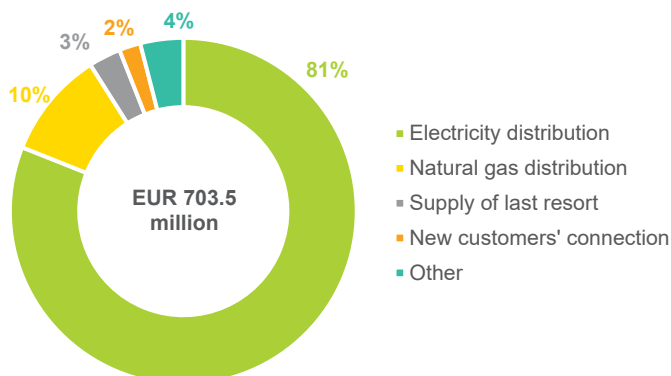
	2024	2023	Δ	Δ, %
Revenue from electricity distribution	572.1	453.0	119.1	26.3%
Revenue from natural gas distribution	69.2	73.1	(4.0)	(5.4%)
Revenue from the supply of last resort	22.4	30.0	(7.6)	(25.3%)
Revenue from new customers' connection	15.3	13.3	2.0	15.0%
Other	24.6	25.3	(0.7)	(2.9%)
<b>Revenue</b>	<b>703.5</b>	<b>594.7</b>	<b>108.8</b>	<b>18.3%</b>

In 2024, the Company's Revenue totalled to EUR 703.5 million and was 18.3%, or EUR +108.8 million, higher than in 2023.

The main reason the Company's revenue increased compared to the previous period was higher revenue from electricity distribution (EUR +119.1 million), out of which revenue from electricity transmission increased by EUR +148.4 million, partly offset by decreased revenue from electricity distribution (EUR -29.2 million) due to lower tariffs set by the regulator. The decrease in electricity distribution tariffs was mainly caused by lower expenses from electricity distribution technological losses, which have decreased due to lower electricity purchase prices. The result was partly offset by lower revenue from the supply of last resort (EUR -7.6 million, or 25.3%) due to lower electricity market prices. Revenue from natural gas distribution also decreased by EUR 4.0 million due to lower natural gas price. Revenue from connection of new customers increased by EUR +2.0 million, or 15.0%.

#### Revenue by type of activity, 2024, %

The main source of the Company's revenue is electricity distribution which in 2024 amounted to 81% of the Company's total revenue. Revenue from natural gas distribution – to 10%, revenue from the supply of last resort accounted to 3%, other revenue – to 4%, revenue from connection of new customers accounted to 2% of the Company's total revenue.



#### Revenue by type, EURm and %

	2024	2023	Δ	Δ, %	2024, %
Electricity related	606.1	494.0	112.2	22.7%	86%
Natural gas related	69.2	73.2	(4.0)	(5.4%)	10%
Other	28.2	27.5	0.7	2.4%	4%
<b>Revenue</b>	<b>703.5</b>	<b>594.7</b>	<b>108.8</b>	<b>18.3%</b>	<b>100%</b>

In 2024, revenue from electricity related activities which are comprised of sales from electricity distribution and transmission, supply of last resort and other sales of electricity and related services accounted to 86% of Company's total revenue. Natural gas related revenues amounted to 10% of total revenue. Other revenue, including the revenue received from new connection points and upgrades, dismantling of electricity equipment and other revenue under contracts with customers, rent and other operating revenue – to 4%.

## Expenses

### Expenses, EURm

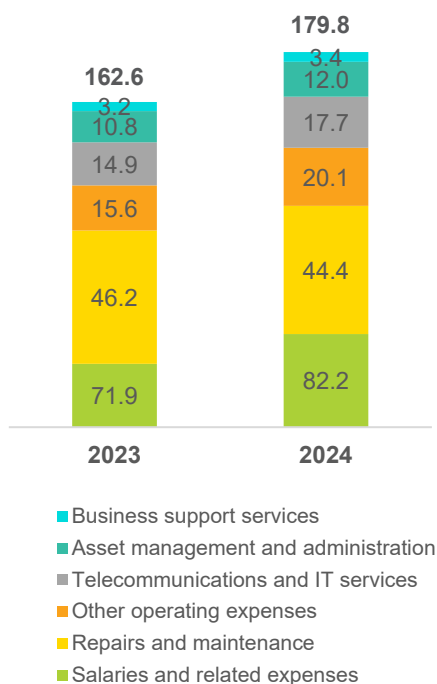
	2024	2023	Δ	Δ,%
<b>Purchases of electricity, natural gas, and other services</b>	<b>316.7</b>	<b>135.5</b>	<b>181.2</b>	<b>133.8%</b>
Purchases of electricity and related services	312.6	127.1	185.5	145.9%
Purchases of gas and related services	3.7	7.9	(4.1)	(52.6%)
Other	0.4	0.5	(0.1)	(23.5%)
<b>OPEX <sup>APM</sup></b>	<b>179.8</b>	<b>162.6</b>	<b>17.2</b>	<b>10.6%</b>
Salaries and related expenses	82.2	71.9	10.3	14.3%
Repair and technical maintenance expenses	44.4	46.2	(1.8)	(3.8%)
Other	53.2	44.5	8.7	19.6%
<b>Other</b>	<b>119.2</b>	<b>107.6</b>	<b>11.6</b>	<b>10.8%</b>
Depreciation and amortisation	114.4	104.0	10.4	10.0%
Write-offs, revaluation and impairment losses of property, plant, and equipment	3.3	1.7	1.5	89.8%
Write-offs and impairment of non-current and current amounts receivable, inventories, and other amounts	1.5	1.8	(0.3)	(18.6%)
<b>Total expenses</b>	<b>615.7</b>	<b>405.7</b>	<b>210.1</b>	<b>51.8%</b>

### Purchases of electricity, natural gas, and other services (COGS)

In 2024, the Company's purchases of electricity, natural gas and related services amounted to EUR 316.7 million and increased by EUR +181.2 million compared to 2023. The increase was mainly caused by higher volumes of electricity distributed and increase in electricity transmission expenses (EUR +153.4 million) as a result of higher transmission tariff and system services price set by the regulator. The decrease in natural gas purchases (EUR -4.1 million, or 52.6%) was mainly due to lower natural gas prices.

### Operating expenses (OPEX)

#### OPEX, EURm



In 2024, the Company's operating expenses reached EUR 179.8 million and was higher by 10.6%, or EUR +17.2 million, compared to 2023. The increase was mainly influenced by higher salaries and related expenses due to the increase in average wages (EUR. +10.3 million, or 14.3%). Other operating expenses increased, mainly due to higher expenses for telecommunication and IT services (EUR +2.8 million), asset management and administration (EUR +1.3 million), taxes (EUR +2.3 million) and miscellaneous other services. While repairs and maintenance costs decreased by EUR -1.8 million or 3.8%, mainly due to fewer repairs of 10 kV overhead lines, costs related to track clearing increased by EUR +1.8 million compared to the same period in 2023 as LiDAR project - identification and removal of hazardous trees along medium voltage overhead lines - continued in 2024. Costs related to the winding-up implications of accidents and natural disaster caused by storms increased by EUR +2.2 million in 2024.

### Other

In 2024 depreciation and amortisation expenses increased by EUR +10.4 million mainly due to the investments carried out.

## EBITDA

### EBITDA bridge, EURm



In 2024, the Company's EBITDA amounted to EUR 205.5 million and was EUR -89.3 million, or 30.3%, lower than in 2023. The decrease was mainly related to higher purchases of electricity, natural gas, and other services (COGS) (EUR -181.2 million), of which the largest increase was in purchases of electricity and related services (EUR -185.5 million). The decrease in EBITDA was also due to higher operating expenses (OPEX) (EUR -17.2 million). The result was partly offset by higher revenue earned in 2024 (EUR +108.8 million).

To disclose the Company's ordinary operating results, excluding the impact of atypical, non-recurring factors or factors not directly related to the current operating period, EBITDA result is presented after adjustments made by management to eliminate the variance between the actual and regulated earnings and the impact of non-recurring factors. Adjusted EBITDA is considered by management to be a more accurate reflection of the results for a given period and allows for a better comparison of actual results with prior periods. From 2024 onwards, Adjusted EBITDA includes interest assessed by the regulator for under-recovery of regulatory differences and other differences resulting from the difference between regulatory and financial accounting requirements.

### EBITDA adjustments, EURm

	2024	2023	Δ	Δ.%
<b>EBITDA <sup>[APM]</sup></b>	<b>205.5</b>	<b>294.8</b>	<b>(89.3)</b>	<b>(30.3%)</b>
<i>Adjustments</i>				
<b>Temporary regulatory differences<sup>1</sup></b>	<b>17.3</b>	<b>(112.1)</b>	<b>129.4</b>	<b>n/a</b>
<i>Recalculation of regulated income (current year)<sup>2</sup></i>	<i>(36.1)</i>	<i>(153.8)</i>	<i>118.1</i>	<i>n/a</i>
<i>Recalculation of regulated income (previous periods)<sup>3</sup></i>	<i>53.4</i>	<i>41.7</i>	<i>11.3</i>	<i>n/a</i>
<b>Total EBITDA adjustments</b>	<b>17.3</b>	<b>(112.1)</b>	<b>129.4</b>	<b>n/a</b>
<b>Adjusted EBITDA <sup>[APM]</sup></b>	<b>222.8</b>	<b>182.7</b>	<b>40.1</b>	<b>21.9%</b>
<i>Margin of the adjusted EBITDA <sup>[APM]</sup></i>	<i>30.9%</i>	<i>37.9%</i>	<i>(7.0 p. p)</i>	<i>n/a</i>

<sup>1</sup> Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator (NERC, the Council).

<sup>2</sup> Recalculation of regulated income in the current period due to the possibility, in management's assessment, of profits in excess of the allowed profit. The calculation takes into account the difference between the forecasts for the main components of the revenue level (the Company's operations, captive power purchase and losses in technological installations, depreciation and amortisation costs, return on investment, and other revenues) and the price components approved by the regulator. 2024, plus adjustments to be agreed with the Council in subsequent periods.

<sup>3</sup> Recalculation of regulated income from previous periods, which is implemented in the current year's prices, is set by the regulator when approving regulated prices. The Council's recalculation of the expenses related to the compensation and administration of servitudes shall be taken into account in ESO's recalculation of regulated revenues for previous periods in 2024. Also in 2024, the recalculation of ESOs' regulated revenues for prior periods shall not include interest calculated by the regulator if the recalculation of regulated revenues for prior periods is not fully taken into account in the determination of the prices of distribution services.

In 2024, Adjusted EBITDA was EUR 40.1 million higher than in 2023, mainly due to higher RAB effect (EUR 12.1 million) and higher WACC (EUR 13.5 million). Also, the Adjusted EBITDA increase was partly related to the higher share of allowed return, D&A and additional tariff component (EUR 12.0 million) recognised in 2024.

EBITDA adjustments include:

- elimination of the higher profit for 2024 (EUR -36.1 million) which will be added back in the future, and which accumulated due to discrepancies between the planned and actual expenses and revenue, while EUR +53.4 million is related to previous periods and is realised through the tariffs for the current period;
- recalculation of the Company's regulated income from 2023 related to the current period amounted to EUR -153.8 million, and recalculation from previous periods amounted to EUR +41.7 million.

Annual values of the price components approved by the regulator are published on the regulator's website, in the price approval certificates.

Resolutions of the regulatory body based on which regulated revenues for 2024 and 2023 are recalculated:

- Resolution No O3E-1309 of 15 October 2021 "Regarding the adjustment of the price caps for distribution services of medium and low voltage networks of Energijos Skirstymo Operatorius AB for 2022–2026" ([link](#));
- Resolution No O3E-1424 of 17 October 2022 "Regarding the adjustment of the price caps for distribution services of medium and low voltage networks of Energijos Skirstymo Operatorius AB for 2023" ([link](#));
- Resolution No O3E-1544 of 17 October 2023 "Regarding the adjustment of the price caps for distribution services of medium and low voltage networks of Energijos Skirstymo Operatorius AB for 2024" ([link](#));
- Resolution No O3E-1 of 5 January 2024 "Regarding the resolution of National Energy Regulatory Council No O3E-1309 of 15 October 2021 "Regarding the adjustment of the price caps for distribution services of medium and low voltage networks of Energijos Skirstymo Operatorius AB for 2022–2026" correction" ([link](#));
- Resolution No O3E-4 of 5 January 2024 "Regarding the resolution of National Energy Regulatory Council No O3E-1424 of 17 October 2022 "Regarding the adjustment of the price caps for distribution services of medium and low voltage networks of Energijos Skirstymo Operatorius AB for 2023" correction" ([link](#));
- Resolution No O3E-2 of 5 January 2024 "Regarding the resolution of National Energy Regulatory Council No O3E-1544 of 17 October 2023 "Regarding the adjustment of the price caps for distribution services of medium and low voltage networks of Energijos Skirstymo Operatorius AB for 2024" correction" ([link](#));
- Resolution No O3E-1473 of 31 October 2022 "Regarding the adjustment of the upper limit of the revenue level of natural gas distribution activities of Energijos Skirstymo Operatorius AB for 2023" ([link](#)).
- Resolution No O3E-1571 of 20 October 2023 "Regarding the adjustment of the upper limit of the revenue level of natural gas distribution activities of Energijos Skirstymo Operatorius AB for 2024–2028" ([link](#)).

## Net profit

### Net profit adjustments, EURm

	2024	2023	Δ	Δ.%
<b>Net profit</b>	<b>62.6</b>	<b>154.5</b>	<b>(91.9)</b>	<b>(59.5%)</b>
<i>Adjustments</i>				
Total EBITDA adjustments	17.3	(112.1)	129.4	n/a
Impact of the adjustments on income tax <sup>1</sup>	(2.6)	16.8	(19.4)	n/a
<b>Total net profit adjustments</b>	<b>14.7</b>	<b>(95.3)</b>	<b>110.0</b>	<b>n/a</b>
<b>Adjusted net profit</b> <small>[APM]</small>	<b>77.3</b>	<b>59.2</b>	<b>18.1</b>	<b>30.6%</b>
<i>Adjusted ROE LTM</i> <small>[APM]</small>	10.3%	8.8%	1.5 pp	n/a
ROE LTM <small>[APM]</small>	8.4%	23.1%	(14.7 pp)	n/a

In 2024, net profit has decreased and amounted to EUR 62.6 million compared to EUR 154.5 million in 2023. Reported Net profit decreased by EUR -91.9 million, mainly due to lower Reported EBITDA (EUR -89.3 million). Adjusted Net profit amounted to EUR 77.3 million and was EUR +18.1 million, or 30.6%, higher than in 2023. The main effect of the positive change was higher Adjusted EBITDA (EUR +40.1 million).

<sup>1</sup> An additional income tax adjustment of 15% (statutory income tax rate in Lithuania) is applied to all EBIT adjustments.



## Investments

### Investments, EURm

	2024	2023	Δ	Δ.%	2024, %
Maintenance of the electricity network	89.6	96.6	(7.0)	(7.3%)	26.5%
Expansion of the electricity network (new connections and upgrades)	182.7	165.3	17.4	10.5%	54.1%
Expansion of the electricity network (electrical equipment dismantling)	12.9	12.7	0.2	1.7%	3.8%
Expansion of the electricity network (Smart meters)	25.0	43.1	(18.1)	(41.9%)	7.4%
Maintenance of the natural gas network	7.3	6.8	0.5	7.7%	2.2%
Expansion of the natural gas network	6.3	7.8	(1.4)	(18.6%)	1.9%
Vehicles	5.5	0.1	5.4	n/a	1.6%
IT and management systems	8.2	6.3	1.9	30.9%	2.4%
Other	-	6.5	(6.5)	n/a	-
<b>Investments</b>	<b>337.5</b>	<b>345.1</b>	<b>(7.6)</b>	<b>(2.2%)</b>	<b>100.0 %</b>

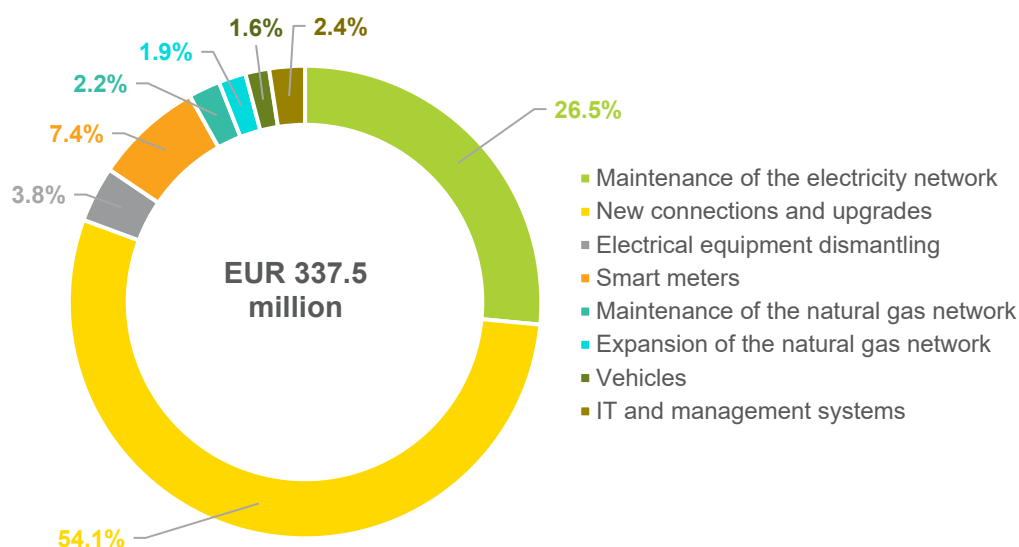
In 2024, the Company's Investments amounted to EUR 337.5 million and were EUR 7.6 million or 2.2% lower than in 2023. The main investments (EUR 220.6 million) were in the expansion of the electricity distribution network, with investments in new customer connections and power capacity upgrades increasing by EUR +17.4 million due to the larger number of completed projects, while investments in the electrical equipment dismantling increasing by EUR +0.2 million. This was offset by lower investment in smart meters (EUR 25.0 million), which decreased by EUR -18.1 million, or 41.9%, compared to 2023 (2023: EUR 43.1 million). Investments in smart meters decreased as the majority of smart meters were installed in 2023, causing gradual decline in the number of smart meters installed in 2024. Investments in the expansion of the electricity network accounted for 65.4% of the Company's total investments.

Investments in maintenance of the electricity network amounted to EUR 89.6 million and were lower by EUR 7.0 million, or 7.3%, compared to the same period in 2023. Investments in the maintenance of the electricity distribution network accounted for 26.5% of the Company's total investments.

In 2024, the Company invested EUR 13.6 million in the expansion and maintenance of the natural gas distribution network, i.e. EUR 0.9 million less than in 2023, of which investments in the maintenance of the gas network increased by EUR 0.5 million, or 7.7%. The steady increase in the country's electrification led to a decrease in the number of newly connected customers due to fewer requests for connection to ESO's natural gas distribution network, which resulted in a decrease in investments in the expansion of the natural gas network of EUR -1.4 million, or 18.6%.

In 2024, the Company invested EUR 5.5 million in the acquisition of a new fleet of own vehicles. Investments in electric vehicles amounted to EUR 0.8 million and EUR 4.7 million for other vehicles.

### Investments in 2024 by type of activity, %



## Statement of financial position

### Statement of financial position, EURm

	31 Dec 2024	31 Dec 2023	Δ	Δ.%
Non-current assets	2,303.0	2,093.5	209.5	10.0%
Current assets	110.7	103.3	7.4	7.1%
<b>TOTAL ASSETS</b>	<b>2,413.6</b>	<b>2,196.8</b>	<b>216.9</b>	<b>9.9%</b>
Equity	763.3	731.2	32.0	4.4%
Total liabilities	1,650.4	1,465.5	184.9	12.6%
Non-current liabilities	1,243.2	1,204.8	38.4	3.2%
Current liabilities	407.2	260.7	146.5	56.2%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,413.6</b>	<b>2,196.8</b>	<b>216.9</b>	<b>9.9%</b>
Asset turnover LTM <sup>APM</sup>	0.31	0.28	0.02	8.9%
ROA LTM <sup>APM</sup>	2.7%	7.3%	(4.6 pp)	n/a
Current ratio <sup>APM</sup>	0.27	0.40	(0.12)	(31.4%)
Net working capital	(77.8)	(60.3)	(17.6)	29.2%
Net working capital/Revenue LTM <sup>APM</sup>	(11.1%)	(10.1%)	(1.0 pp)	n/a
Capital employed LTM <sup>APM</sup>	1,782.9	1,641.6	141.3	8.6%

### Assets

As of 31 December 2024, the total value of the assets reached EUR 2,413.6 million (an +9.9% increase from 31 December 2023).

Non-current assets increased by EUR 209.5 million or 10.0% compared to 31 December 2023 and amounted to EUR 2,303.0 million. The growth was mainly driven by an increase in property, plant, and equipment (EUR +216.9 million) as a result of investments carried out in January-December 2024. Right of use (RoU) assets decreased by EUR -3 million in 2024, mainly due to the expiry of long-term lease contracts for vehicles. Non-current assets comprised 95% of the Company's total assets.

Compared to 31 December 2023, the Company's current assets increased by EUR 7.4 million, or 7.1%, mainly due to an increase in trade and other amounts receivable (EUR +16.2 million). This was partly offset by a decrease in other current assets (EUR -8.5 million) due to the repayment of guarantees to independent electricity suppliers.

### Equity

As of 31 December 2024, equity amounted to EUR 763.3 million, an increase of EUR +32 million, or 4.4%, compared to 31 December 2023, mainly due to the positive change in retained earnings resulting from the higher net profit earned in 2024 (EUR +62.6 million). The result was partly offset by dividends paid (EUR -30.0 million).

### Liabilities

As of 31 December 2024, total liabilities increased by EUR +184.9 million, or 12.6%. Non-current liabilities increased by EUR +38.4 million, or 3.2%, mainly due higher deferred income (EUR +47.7 million), higher grants and subsidies (EUR +2.3 million), partly offset by repayment of non-current loans (EUR -7.9 million), lease liabilities (EUR -2.6 million) as a result of the expiry of long-term lease contracts for vehicles and a decrease in the long-term part of the provision for servitudes (EUR -4.0 million) due to a change in calculation assumptions. Current liabilities also increased by EUR +146.5 million, or 56.2%, mainly due higher current loans under cash-pool agreement (EUR +118.8 million), trade payables and advances received (EUR +23.8 million).

## Financing

### Net debt

#### Net debt, EURm

	31 Dec 2024	31 Dec 2023	Δ	Δ.%
<b>Total non-current financial liabilities</b>	<b>822.9</b>	<b>833.4</b>	<b>(10.5)</b>	<b>(1.3%)</b>
Non-current loans	819.1	827.0	(7.9)	(1.0%)
Lease liabilities (IFRS 16)	3.8	6.4	(2.6)	(40.4%)
<b>Total current financial liabilities</b>	<b>207.2</b>	<b>88.9</b>	<b>118.3</b>	<b>133.1%</b>
Current loans	204.6	85.7	118.8	138.6%
Lease liabilities (IFRS 16)	2.7	3.2	(0.5)	(15.9%)
<b>Gross debt <sup>[APM]</sup></b>	<b>1,030.2</b>	<b>922.3</b>	<b>107.9</b>	<b>11.7%</b>
<b>Cash and cash equivalents</b>	<b>10.5</b>	<b>11.9</b>	<b>(1.4)</b>	<b>(11.8%)</b>
<b>Net debt <sup>[APM]</sup></b>	<b>1,019.7</b>	<b>910.4</b>	<b>109.3</b>	<b>12.0%</b>
<i>Net debt/Adjusted EBITDA LTM <sup>[APM]</sup></i>	4.58	4.87	(0.3)	(6.0%)
<i>Net debt/EBITDA LTM <sup>[APM]</sup></i>	4.96	3.38	1.6	47.0%
<i>Gross debt/Equity <sup>[APM]</sup></i>	1.35	1.29	0.1	4.6%
<i>Equity ratio <sup>[APM]</sup></i>	0.32	0.33	(0.0)	(5.0%)

As of 31 December 2024, net debt amounted to EUR 1,019.7 million, an increase of EUR +109.3 million, or 12.0%, compared to 31 December 2023. The increase was mainly due to increased current loans under cash-pool agreement (EUR +118.3 million), driven by higher need for working capital for investments carried out.

## Dividends

The Company is subject to the Dividend policy of the subsidiaries of Ignitis Group AB approved on 30 January 2024. In line with the Dividend policy Clause 4.2 "ESO shall propose to allocate dividends of at least EUR 30 million but no more than 50% of ROIt<sup>1</sup> for the financial year, taking into account the sustainable debt level of ESO determined by NERC, which is calculated as the ratio of ESO D<sup>2</sup>/ESO EBITDA<sup>3</sup>, which must not exceed 5.5 times at the end of the current period."

#### Dividends allocated for the year indicated, EURm

	2023	2022	Δ	Δ.%
Dividends paid for the period indicated	30.0	29.0	1.0	3.4%

The Ordinary General Meeting of Shareholders of AB Energijos Skirstymo Operatorius which took place on 19 March 2024 approved distribution of profit for 2023 and decided to allocate EUR 0.034 dividends per share, a total of EUR 30.0 million. For 2022 the amount of EUR 29.0 million was allocated for dividends, EUR 0.032 per share.

<sup>1</sup> ROIt – ESO's return on investment, calculated by applying the rate of return on investment set by NERC for the year t from the regulated asset base for the beginning of year t, in EUR.

<sup>2</sup> ESO Net Debt (ESO D) is calculated using the following formula:  $ESO\ D = PI + O + PT - PE - PS$ , where:

PI – long-term loans and other long-term liabilities of ESO, in EUR;

O – bonds issued by ESO, in EUR;

PT – current portion of ESO's loans, short-term loans and other short-term liabilities of ESO, in EUR;

PE – cash and cash equivalents of ESO, in EUR;

PS – loans granted to economic entities related to ESO, in EUR

<sup>3</sup> ESO EBITDA – ESO earnings before taxes, interest, depreciation and amortisation. ESO EBITDA is calculated using the following formula:  $ESO\ EBITDA = ROIt + Nt +/- Kt + \text{additional component}$ , where:

ROIt – ESO's return on investment, calculated by applying the rate of return on investment set by NERC for the year t from the regulated asset base for the beginning of year t, in EUR;

Nt – ESO's planned depreciation costs for the year t, in EUR;

Kt – the deviation of the return on investment assessed by NERC for the year t from the previous year in allowed revenue of the regulated ESO activities, calculated in accordance with paragraph 23.8 of the Methodology, and which is subject to the condition defined in paragraph 25.2 of the Methodology, in EUR.

Methodology – Methodology for determining electricity transmission, distribution and public supply services and the public price cap approved on 15 January 2015 by NERC's Resolution No O3-3 "On the approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap".

## Key operating indicators

		31 Dec 2024	31 Dec 2023	Δ	Δ,%
<b>Electricity</b>					
Distribution network	thousand km	131.1	128.4	2.6	2.1%
Number of customers	thousand	1,868.9	1,850.8	18.1	1.0%
B2C	thousand	1,739.0	1,723.6	15.4	0.9%
B2B	thousand	129.9	127.2	2.7	2.2%
of which prosumers and producers	thousand	89.7	65.0	24.8	38.1%
admissible power of producers and prosumers	MW	1,540.8	1,117.1	423.7	37.9%
Number of smart meters installed	thousand	1,031.8	729.4	302.4	41.5%
<b>Natural gas</b>					
Distribution network	thousand km	9.7	9.7	0.0	0.33%
Number of customers	thousand	626.4	625.6	0.8	0.13%
		2024	2023	Δ	Δ,%
<b>Electricity distribution</b>					
Electricity distributed	TWh	10.07	9.73	0.34	3.5%
of which B2C	TWh	3.26	3.25	0.01	0.3%
of which B2B	TWh	6.80	6.47	0.33	5.1%
Technological losses	%	5.0%	4.1%	0.9 pp	n/a
Share of users connected to automated control lines	%	67%	57%	10.0 pp	n/a
New connection points and upgrades	thousand	58.7	76.0	(17.3)	(22.7%)
New connection points	thousand	40.2	50.9	(10.7)	(21.1%)
Connection point upgrades	thousand	18.6	25.1	(6.5)	(26.0%)
Admissible power of new connection points and upgrades	MW	399	556	(157)	(28.3%)
Time to connect (average)	c. d.	39	42	(2.9)	(6.9%)
SAIFI	units	1.41	1.35	0.1	4.3%
SAIDI	min	399.2	120.8	278.5	230.6%
Supply of last resort	TWh	0.24	0.23	0.0	5.0%
<b>Natural Gas</b>					
Natural gas distributed	TWh	6.91	6.32	0.59	9.3%
of which B2C	TWh	2.29	2.29	(0.0)	(0.0%)
of which B2B	TWh	4.62	4.03	0.59	14.6%
Technological losses	%	1.5%	1.8%	(0.3 pp)	n/a
New connection points and upgrades	thousand	2.0	2.5	(0.5)	(18.7%)
Time to connect (average)	c. d.	63	55	7.7	13.8%
SAIFI	units	0.005	0.003	0.002	46.1%
SAIDI	min	0.49	0.30	0.20	65.9%
<b>Customer experience</b>					
NPS transactional	%	56.2%	52.1%	4.1 pp	n/a

### Electricity distribution

In 2024, the total amount of electricity distributed increased by 0.34 TWh, or 3.5%, to 10.07 TWh. The higher electricity distribution is mainly due to colder than normal weather at the beginning of the year. During the year, electricity consumption of both residential and business customers increased.

In 2024, electricity distribution technological losses ratio was 5.0%, 0.9 percentage points higher than in 2023. The 2023 ratio was affected by reversal of the 2022 estimated amount of the overdeclared consumption of residential customers (-0.1 TWh). A normal level of technological losses is observed in 2024.

The number of electricity distribution network customers increased by 18.1 thousand clients, or 1.0%, compared to 2023. The number of prosumers and producers increased by +24.8 thousand, or 38.1%. The increase in connections of producers and prosumers is related to cheaper technologies, better awareness, year-on-year increases in public support schemes for solar parks, more attractive connection prices, and the rise in electricity prices in recent years.

In 2024, ESO connected to the electricity distribution network or made power upgrades to 58.7 thousand new customers (out of which 40.2 thousand new connection points and 18.6 thousand upgrades), which is 17.3%



less compared to 2023. The decrease in the number of new connection points and upgrades related to resulted from the lower volume of requests received for connection to the ESO network.

The average time to connect shortened by 3 c.d, due to lower number of applications which allowed to manage the flows, and to the higher volume of works without a project, which are carried out faster.

From the beginning of Smart meters mass roll-out in July 2022, around 1,032 thousand smart meters were successfully installed in total, out of which around 302 thousand meters were installed in 2024.

During January-December 2024, the volume of electricity supplied for Supply of last resort clients increased by +0.01 TWh, or 5%, and reached 0.24 TWh. The growth was driven by increased electricity consumption in commercial customers.

The impact of the average duration of unplanned interruptions (SAIDI) was 339.2 minutes per customer, an increase of 278.5 minutes in 2024 compared to 120.8 minutes in 2023. Electricity SAIDI indicator, which shows the average duration of unplanned interruptions per customer, was most affected by the storm of 28-29 July 2024 - the largest in Lithuania since 2020. Power outages were recorded in all 60 municipalities: the largest in Vilnius and its surroundings, as well as in Šalčininkai, Trakai, Širvintos, Šiauliai. During the storm, around 470,000 consumers were disconnected, and more than 5,000 faults occurred due to fallen trees and branches on overhead electricity lines. Broken poles' supports and cut overhead lines significantly increased the time needed to restore electricity supply. More than 300 field teams (700 employees, including from Latvia), around 40 dispatchers, 50 coordinators and 140 call centre representatives were mobilised during the emergency. During the first day, electricity supply was restored to around 70,000 customers. Also on 29 July 2024, extremely strong and dangerous winds made it almost impossible to safely repair faults, such as replacing broken poles' supports, or repairing overhead lines cut by falling trees. This storm had a 75% impact on the increased SAIDI index.

In 2024, accidents in November and December were also caused by natural phenomena (wind). Compared to 2023, the SAIDI indicator (109 minutes), not due to external influences such as natural phenomena, improved to 81 minutes.

In 2024, Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, deteriorated by 0.06 interruptions compared to 2023 and was 1.41 interruptions (1.35 interruptions in 2023). Electricity SAIFI indicator was mainly affected by the storm of 28-29 July 2024 and faults in electrical installations caused by natural phenomena in November and December. In 2024, the impact of natural phenomena was 0.34 times or 24% compared to the 2023 period. The non-natural phenomena improvement in the electricity SAIFI is 16% or 0.2 times. The increase in the number of automated solutions deployed and the investments made in the electricity network have allowed to maintain a steady improvement in the SAIFI excluding accidents caused by natural phenomena.

### **Natural gas distribution**

The distributed natural gas volume in 2024 increased by +0.59 TWh, or 9.3%, amounting to 6.91 TWh. The growth was driven by colder-than-normal weather at the start of the year and increased consumption in commercial customers. An increase in production volumes has driven the need for industrial companies to use more natural gas in their processes. Consumption of natural gas by private consumers remained stable in 2024.

In 2024, the Company connected 18.7% fewer new customers to the natural gas distribution network. The decrease in the number of new customers was due to a lower volume of requests received for connection to ESO network as a result of increasing electrification.

The average time to connect in the natural gas distribution network increased by 7.7 c.d. compared to 2023, mostly due to more complex connection works.

Natural gas distribution technological losses ratio decreased by 0.3 percentage points due to higher volumes of natural gas distributed.

Both natural gas reliability quality indicators (SAIDI and SAIFI) increased compared to the same period in 2023, reaching 0.49 minutes and 0.005 times respectively. The indicators deteriorated due to the cold weather in January which resulted in more natural gas consumers disconnections due to faulty equipment and increased duration of the disconnections.

## 3.2 Three-year annual summary

### Key financial indicators

		2024	2023	2022
Revenue	EURm	703.5	594.7	683.7
EBITDA <sup>APM</sup>	EURm	205.5	294.8	150.6
Adjusted EBITDA <sup>APM</sup>	EURm	222.8	182.7	167.1
Adjusted EBITDA margin <sup>APM</sup>	%	30.9%	37.9%	23.9%
EBIT <sup>APM</sup>	EURm	87.8	189.0	45.9
Adjusted EBIT <sup>APM</sup>	EURm	105.1	76.9	62.4
Net profit	EURm	62.6	154.5	31.1
Adjusted net profit <sup>APM</sup>	EURm	77.3	59.2	45.1
Investments <sup>APM</sup>	EURm	337.5	345.1	265.0
ROE <sup>APM</sup>	%	8.4%	23.1%	5.0%
Adjusted ROE <sup>APM</sup>	%	10.3%	8.8%	7.3%
ROCE <sup>APM</sup>	%	5.1%	12.5%	3.4%
Adjusted ROCE <sup>APM</sup>	%	6.1%	5.1%	4.6%
ROA <sup>APM</sup>	%	2.7%	7.3%	1.6%
Adjusted ROA <sup>APM</sup>	%	3.4%	2.8%	2.3%
		31 Dec 2024	31 Dec 2023	31 Dec 2022
Total assets	EURm	2,413.6	2,196.8	2,046.9
Equity	EURm	763.3	731.2	607.5
Net debt <sup>APM</sup>	EURm	1,019.7	910.4	875.2
Net working capital <sup>APM</sup>	EURm	(77.8)	(60.3)	(138.8)
Net debt/EBITDA LTM <sup>APM</sup>	times	4.96	3.09	5.15
Net debt/Adjusted EBITDA LTM <sup>APM</sup>	times	4.58	4.98	4.64
Current ratio <sup>APM</sup>	times	0.27	0.40	0.66
Asset turnover LTM <sup>APM</sup>	times	0.31	0.28	0.35

### Key operating indicators

		2024	2023	2022
<b>Electricity</b>				
Electricity distributed	TWh	10.07	9.73	10.01
Supply of last resort	TWh	0.24	0.23	0.26
New connections points and upgrades	thousand	58.74	76.01	64.00
Time to connect (average)	c.d.	39.45	42.36	63.91
SAIFI	times	1.41	1.35	1.52
SAIDI	minutes	399.23	120.77	178.73
Smart meters installed	thousand	1,031.84	729.39	210.44
<b>Natural gas</b>				
Natural gas distributed	TWh	6.91	6.32	6.68
New connections points and upgrades	thousand	2.04	2.50	4.81
Time to connect (average)	c.d.	63.1	55.5	58.3
SAIFI	times	0.005	0.003	0.003
SAIDI	minutes	0.49	0.30	0.27

## 4. Governance

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4.1	Governance framework	32
4.2.	Management Board	35
4.3	People and remuneration	39
4.4	Risk management	44

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## 4.1 Governance framework

The Company's management structure consists of the CEO of the Company and the Company's Management Board (hereinafter – the Management Board) with a supervisory function. The CEO of the Company represents the Company on all matters and, together with the Management Board, is responsible for the Company's management. The CEO of the Company manages the Company's daily operations and solely represents the Company. The Management Board has the duty to exercise the supervisory functions set out in Article 34(11) of the Law on Companies.

The Management Board is a collegial management body provided for in the Company's Articles of Association, whose activities are regulated by the Law on Companies of the Republic of Lithuania, the Company's Articles of Association and the Management Board's work regulations.

- The Management Board is elected by the General Meeting of Shareholders for a term of 4 (four) years;
- The Management Board consists of 6 (six) members: 2 independent members, 2 shareholder representatives, 1 civil servant and 1 employee representative;
- Management Board members must meet the requirements established in the Company's Articles of Association and the legal acts applicable to the Company, including the Law on the Protection of Objects Critical for National Security of the Republic of Lithuania;
- Management Board members are remunerated for their activities on the Management Board in accordance with the Remuneration Policy of AB Ignitis grupė;
- The Management Board elects the Chairperson of the Management Board from among its members. Management Board members must ensure proper execution of the Company's activities according to their competence;
- The functions and responsibilities of the Management Board are detailed in the Company's Articles of Association.

The composition of the Company's Management Board until 12 November 2024<sup>1</sup>:

- for the area of financial management – Nerijus Datkūnas, an independent member;
- for the area of organisation development – Eligijus Kajieta, an independent member;
- for the area of energy distribution and regulation – Darius Maikštėnas, the shareholder's representative;
- for the area of strategic planning and management – Živilė Skibarkienė, the shareholder's representative;
- for the area of business continuity and security – Jonas Skardinskas, civil servant;
- for representation of employees – Dalia Jakutavičė.

Changes in the Management Board composition during the reporting period:

Jonas Skardinskas (who served on the Management Board as a civil servant for the area of business continuity and security) informed the Company's Management Board and the Company's management about his decision to resign from his position as a Management Board member as of 12 November 2024 during the AB Energijos skirstymo operatorius Management Board meeting held on 28 October 2024.

The Company's management bodies are:

- General Meeting of Shareholders;
- A collegiate governing body – the Management Board;
- A single-person governing body – the Company's CEO.

A more detailed description of each collegial body and its members is provided in the following sections.

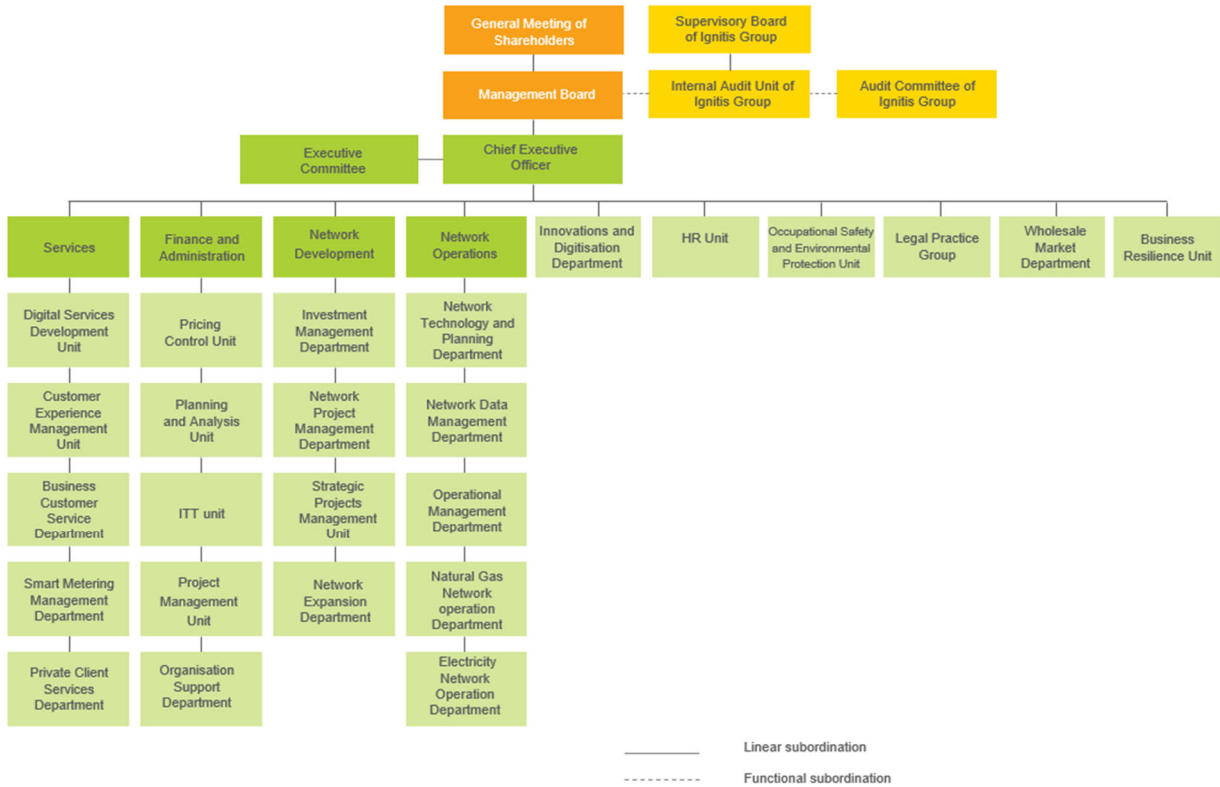
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<sup>1</sup> Jonas Skardinskas resigned from the Management Board as of 12 November 2024.

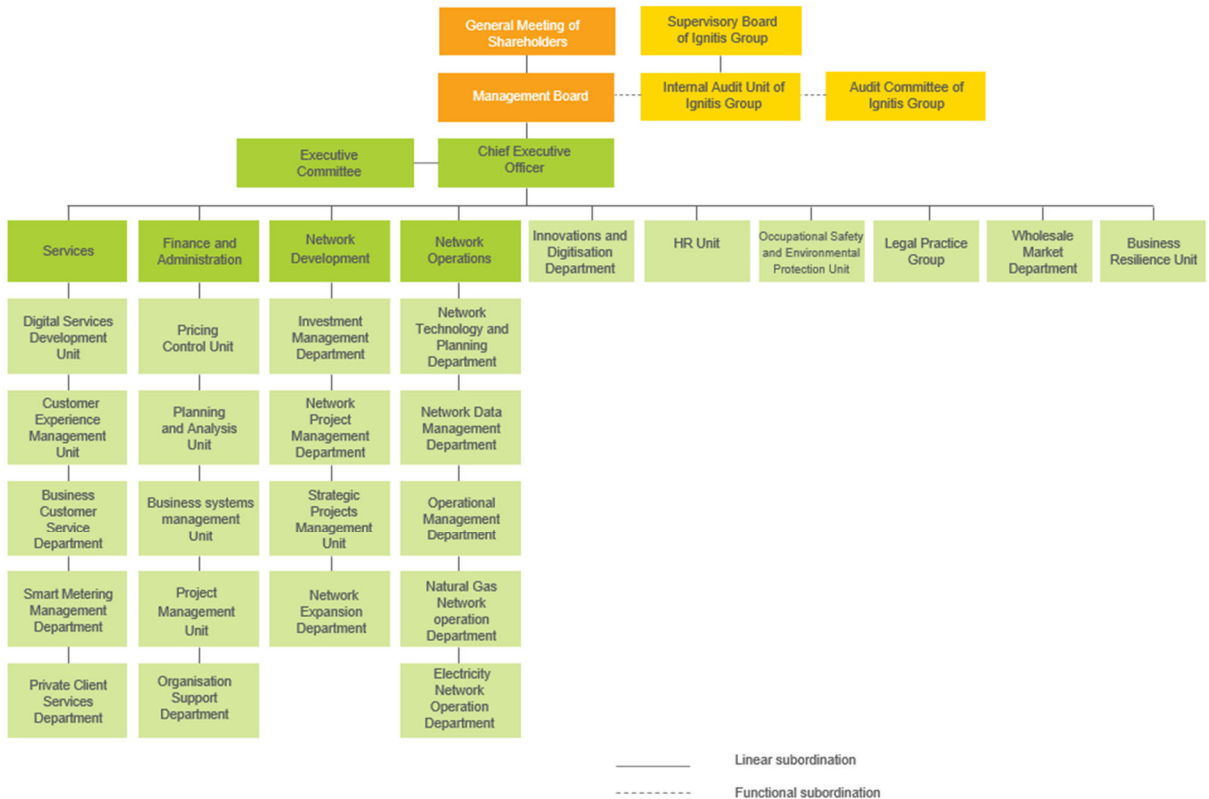


# Company's Structure

## Structure of the Company until 31 December 2024



## Structure of the Company after the reporting period (valid as of 1 January 2025)



## Shareholders, their decisions during the reporting period

The competence of the General Meeting of Shareholders, the procedure for convening and taking decision is determined by the laws, other legal acts and the Company's Articles of Association. Additional competence of the General Meeting of Shareholders of the Company:

- to make decisions regarding the conclusion of contracts with members of the Company's Management Board and the Chairperson of the Management Board and their terms of service, as well as the appointment of a person authorised to sign these contracts on behalf of the Company;
- to approve or disapprove the company's annual report and the interim report drawn up for the purpose of deciding on the granting of dividends for a period of less than a financial year;
- to approve transactions in accordance with the parent company's transaction procedures;
- to approve or disapprove the decisions of the Management Board provided for in points 22.1, 23.1, 23.2 and 23.3 of the Articles of Association of the Company.

As of 15 April 2021, 100% of the Company's shares are held by a single shareholder – AB Ignitis grupė; therefore, in accordance with Article 29(7) of the Law on Joint-Stock Companies of the Republic of Lithuania, where the owner of all the shares of the Company is a single shareholder, the written decisions of the shareholder shall be treated as the decisions of the general meeting of shareholders.

One ordinary General Meeting of Shareholders was held during the reporting period on 27 March 2024.

During the reporting period, the Company's sole shareholder passed the following resolutions:

- On 19 March 2024, made a decision to approve AB Energijos skirstymo operatorius annual management report, the set of annual financial statements and distribute the profit (losses) of AB Energijos skirstymo operatorius for 2023;
- On 21 May 2024, adopted a decision on approval of the decision of AB Energijos skirstymo operatorius Management Board regarding the borrowing limit, using the unified inter-borrowing platform of AB Ignitis grupė group of companies, for the period of one calendar year, which has started from 25 May 2024;
- On 18 June 2024, adopted a decision on the approval of the decision of the Management Board of AB Energijos skirstymo operatorius regarding the conclusion of the contract for J2 class electric cars purchase and the approval of the essential conditions of this contract.
- On 5 November 2024, adopted a decision on the approval of the decision of the Management Board of AB Energijos skirstymo operatorius regarding investments in the modernisation of the electricity distribution network, which will be partially financed by European Union funds.
- On 27 November 2024, adopted a decision on the approval of the decision of the Management Board of AB Energijos skirstymo operatorius regarding conclusion of an agreement to amend the smart metering infrastructure procurement contract with Sagemcom Energy & Telecom SAS.

## 4.2 Management Board

### Overview

The Management Board of the Company is a collegiate governing body. The competence of the Management Board, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts, the Company's Articles of Association and the work regulations of the Management Board.

#### The main roles and responsibilities of the Management Board

The main roles and responsibilities of the Company's Management Board, within the framework of which the annual activities of the Management Board are planned, include the following competences to take decisions on:

- the management and organisational structure of the company, the list of and the maximum number of staff positions;
- a list of confidential information and commercial secrets;
- the appointment and removal of the Company's CEO, setting their remuneration and other terms of their employment contract;
- the Company as a founder or participant in legal entities;
- any transfer or restriction of the Company's shareholdings or the rights attaching thereto to other persons;
- establishing and closing branches or representative offices of the company;
- approval of the Company's annual report and of the interim report drawn up for the purpose of deciding on the declaration of dividends for a period of less than one financial year;
- conclusion of certain contracts in accordance with the parent company's transaction procedures;
- the Company's operational planning documents;
- on other matters falling within the competence of the Management Board under the law, the Articles of Association or the General Meeting of Shareholders, as well as on significant matters addressed to the Management Board by the CEO.

In certain cases, before taking the decisions the Management Board must obtain the approval of the General Meeting of Shareholders. Cases requiring the approval of the General Meeting of Shareholders are specified in the Company's Articles of Association.

#### Information on selection criteria for the members of the Management Board

The Management Board shall be elected and dismissed by the General Meeting of Shareholders in accordance with the Company's Articles of Association and the legal acts. The Management Board is accountable to the General Meeting of Shareholders.

Each member of the Management Board is elected for a term of four years. The composition of the Company's Management Board shall be composed taking into consideration the fact that members of the Board shall have diverse competences. A member of the Supervisory Board of the Company or a parent company cannot be appointed as a member of the Management Board. In addition, neither a member of a legal entity, which is engaged in transmission or production of electricity and natural gas, or a member of a supervisory body, managerial body or administrative body of another legal entity, which is engaged in transmission or production of electricity and natural gas, nor an auditor or an employee of an audit firm, participating and (or) having participated in audit of the financial statements within a period of two years can be appointed as a member of the Management Board. The members of the Company's Management Board shall comply with general and specific criteria set out by legislation.

#### Management Board activities

The Management Board plans its activities and carries them out according to the annual activity plan approved by the Management Board, which schedules issues within the Management Board's competence to be considered for the calendar year. On 29 January 2024, the Management Board approved the Management Board's activity plan for 2024, which was properly implemented. Management Board meetings are held at least once a month, with ad hoc meetings convened when necessary.

#### Performance evaluation

Following good governance practices, the Management Board conducts a self-assessment of its activities each year and agrees on further actions for improvement. On 22 April 2024, the Management Board approved the 2024 performance improvement plan.

During the reporting period, 18 Management Board meetings were held. The following main issues were discussed at these meetings:

- evaluation of the most significant transactions planned by the Company and approval of essential terms of transactions;
- evaluation of the arrangement of the Company's activities and taking decisions related thereto;
- evaluation and approval of the Company's operational planning documents;
- approval of the Company's annual report and submission to the General Meeting of Shareholders;
- evaluation of the Company's annual financial statements and profit (loss) distribution project and provision to the General Meeting of Shareholders;
- approval of the support allocation procedure;
- the management and organisational structure of the company, the list of and the maximum number of staff positions.

After the reporting period, 1 Management Board meeting was held. The following issues were discussed at the meeting:

- evaluation of the most significant transactions planned by the Company and approval of essential terms;
- review of 2024 Q4 performance results.

### Attendance at meetings

Member	Position	Attendance at meetings
Nerijus Datkūnas	Chairman, independent member	18 / 18
Dalia Jakutavičė	Member	18 / 18
Eligijus Kajieta	Independent member	15 / 18
Jonas Skardinskas	Member	15 / 18
Živilė Skibarkienė	Member, Group Head of Organisational Development	16 / 18
Darius Maikštėnas	Member, Head of the Parent Company	16 / 18

## Members of the Management Board



**Nerijus Datkūnas**  
Chairman / independent member

Start and end of term of office:  
From 14/02/2023 until  
13/02/2026

#### Experience

Nerijus Datkūnas has 17 years of experience as a Finance Manager at Utenos trikotažas, Omnitel (now Telia Lietuva) and other companies. He also has 15 years of experience as a Management Board member, including 10 years as an independent Management Board member. Nerijus Datkūnas is also the founder of MB Leading LT, which provides business management consulting and training services.

#### Education

Master's degree in Economics from Vilnius University and a Master's degree in Business Administration from the Baltic Management Institute (BMI).  
Baltic institute of corporate governance - professional member of the Management Board

#### Other workplaces, positions

Founder and Head of MB Leading LT, also Head of MB Metakomanda, Independent Management Board Member and Audit Committee Member of AB Kelių priežiūra, Management Board Member of UAB LVG holding.



**Dalia Jakutavičė**  
Member of the Management Board (representative of employees)

Start and end of term of office:  
From 14/02/2023 until  
13/02/2026

#### Experience

Lithuanian Federation of Trade Unions of Energy Workers, Deputy Chairman Lawyer

#### Education

Kaunas Radio and Television Mechanics School, Kolping College, Law (Specialisation - Public Administration), Professional competence of social dialogue mediator.

#### Other workplaces, positions

Head of the Lithuanian Federation of Industrial Trade Unions, Member of the Labour Disputes Commission under the State Labour Inspectorate of the Republic of Lithuania, Member of the Tripartite Council of the Republic of Lithuania.



**Eligijus Kajieta**  
Independent member

Start and end of term of office:  
From 14/02/2023 until  
13/02/2026

**Experience**

Managing Director at Korn Ferry for Baltic Countries / Head of Services and Products in the Nordic region (Denmark, Norway, Sweden, Finland, Lithuania, Latvia, Estonia) 2009/10 - 2018/12  
Head of Reward Information Services in the Baltic Countries Up to 2012/02  
Head of HR at INVL FINASTA 2007/01 - 2008/10  
Head of HR at BITĖS GRUPĖ Senior Manager for Internal Communications and Training 2004/09 - 2007/01

**Education**

Vilnius University, Master's degree in Public Relations 2001–2003, Vilnius University Bachelor's degree in Communication and Information 1997–2001; Borussia University College Studies in Information Management 2000/08 – 2001/01

**Other workplaces, positions**

Independent member of the Supervisory Board of Klaipėda State Seaport Authority, member of the Management Board of FMĮ Myriad Capital, founder and principal consultant of Atlygio konsultacijos.



**Jonas Skardinskas**  
Management Board member  
(civil servant)

Resigned, does not perform  
Management Board member duties since 12/11/2024

**Experience**

Representative of Lithuania to the Executive Council of UNESCO (Vice-Chairperson) 10/2016 – 07/2017.  
Until 12 November 2024 J. Skardinskas was Head of the Cyber Security and IT Policy Group at the Ministry of National Defence. J. Skardinskas gained leadership experience at the Lithuanian Embassy in Canada, the Ministry of Foreign Affairs of the Republic of Lithuania and elsewhere.

**Education**

Harvard University, Cybersecurity course, 2020 Mykolas Romeris University Business Management (Cybersecurity) / Master's degree, 2020 Vytautas Magnus University Humanities / Bachelor's degree 1997.

**Other workplaces, positions**

Director of the Cyber Security Management Department at the National Cyber Security Centre under the Ministry of National Defence.



**Živilė Skibarkienė**  
Member of the Management Board (representative of shareholder)

Start and end of term of office:  
From 14/02/2023 until  
13/02/2026

**Experience**

Legal and organisational development professional with extensive experience as a top manager. She joined AB Ignitis grupė in 2018, having previously served as the Head of the Legal and Administration Department at AB Šiaulių bankas. She was the Deputy General Director and a Board Member at UAB Finasta, and served as the Head of Compliance at AB DNB (now Lumitor).

**Education**

Harvard Business School, Business Leadership Programme; Saïd Business School (University of Oxford), Leadership Programme; Mykolas Romeris University, Faculty of Law, Doctorate of Social Sciences in Law; Vilnius University, Faculty of Law, Master's degree.

**Other workplaces, positions**

Chairman and Member of the Management Board of UAB Ignitis grupės paslaugų centras; Member of the Management Board of AB Ignitis grupė.



**Darius Maikštėnas**  
Member of the Management Board (representative of shareholder)

Start and end of term of office:  
From 14/02/2023 until  
13/02/2026

**Experience**

An experienced senior executive with an international background in the energy, telecommunications, information technology sectors and venture capital funds. He joined AB Ignitis grupė in 2018 and has since served as CEO and Chairman of the Management Board. Prior to joining AB Ignitis grupė, D. Maikštėnas was the CEO of Wider Communications Limited and Wider Communications Incorporated, an advisor to the Nextury Ventures Fund, Chairman of the Supervisory Board of ESO, Chairman of the Management Board of LESTO, and Vice President of AB Telia (former Omnitel).

**Education**

Harvard Business School, General Management Programme; Baltic Management Institute, Master of Leadership; Kaunas University of Technology, Bachelor of Business Management

**Other workplaces, positions**

Chairman and Member of the Management Board at Eurelectric Association and AB Ignitis grupė.



## CEO

The CEO of the Company acts as a single-person management body of the Company. The competence of the Chief Executive Officer, election and recalling procedures are established by laws, other legal acts and the Articles of Association of the Company. The CEO organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his/her own discretion, except for the cases stipulated in the Articles of Association of the Company and legal acts.

The CEO is elected, recalled and dismissed by the Management Board of the Company. The competence of the CEO, the procedure of appointment and removal, the number of terms of office shall be established in accordance with the provisions of the Law on Joint Stock Companies, the relevant legislation, and the Articles of Association of the Company. It should be noted that the CEO of the Company, as a subsidiary of a state-controlled company, is also subject to the special recruitment requirements set out in the Law on Companies, according to which the CEO's term of office is limited to five years. The Law stipulates that the same person can only be appointed for two consecutive five-year terms.

Main functions and responsibilities of the Company's CEO:

- ensures implementation of the Company's business strategy, strategic plans and Management Board decisions;
- concludes and terminates employment contracts with employees, provides incentives and imposes penalties;
- issues decisions regulating the company's activities;
- ensures protection of the company's assets, creation of proper working conditions for the company's employees, protection of the company's trade secrets and confidential information;
- is responsible for the preparation of the set of the company's annual financial statements, preparation of the company's annual report;
- is responsible for the preparation of a draft decision on the allocation of dividends for a period shorter than the financial year, preparation of interim financial statements and preparation of an interim report for making a decision on the allocation of dividends for a period shorter than the financial year;
- performs other duties specified in the Law on Companies and other laws and legal acts, as well as in the Company's Articles of Association, resolves other issues of the Company's activities that are not attributed to the competence of other Company bodies according to laws or Articles of Association.

Remuneration to CEO is established in accordance with the Remuneration Policy and its implemented legislation of AB Ignitis Group. More information is disclosed in the Remuneration Policy ([link](#)).

On 23 November 2022, taking into account the opinion of the Company's Supervisory Board, the Management Board elected for a 5-year term of office the Company's Chief Executive Officer, Renaldas Radvila, who acted as the interim Chief Executive Officer of the Company since 22 August 2022.

To ensure effective management of the Company, the CEO, with the approval of the Parent Company's Management Board, forms the Executive Committee. The Executive Committee members are executives directly reporting to the CEO who oversee respective areas of activity. The main purpose of the Executive Committee's activities is to properly organise and carry out the company's economic, business and financial activities together with the CEO, make decisions on matters specified in the company's Articles of Association, the Executive Committee's rules of procedure and other internal legal acts of the Parent Company and/or the company, ensure effective company operations and achievement of the company's goals.



**Renaldas Radvila**  
CEO

Start and end of term of office:  
From 24/11/2022 until 23/11/2027

### Experience

Renaldas has over 20 years of leadership experience in various business sectors, telecommunications and energy sector companies, including four years of high-level leadership experience in ESO. He has extensive experience in managing large-scale energy projects, liaising with stakeholders and representing the Company.

### Education

He holds a Bachelor's degree from Vilnius University and Executive MBA degree from ISM University of Management and Economics.

## 4.3 People and remuneration

### People and culture

#### Overview

The Group, of which the Company is a part, is one of the largest employers in Lithuania. Maintaining good employee relations and contributing to employee engagement and well-being is a huge responsibility, a challenge and an opportunity at the same time.

The Group develops and strives to maintain an organisational culture that fosters a long-term partnership between employer and employee, based on values and a Code of Ethics, mutual understanding and the opportunity to work together to create an energy smart future.

The objective of the [Group's Remuneration Policy](#) is to attract and retain competent, fast-learning, technologically advanced, globally minded, and creative employees. It includes remuneration elements that support our strategy. The Group is rapidly moving towards a sustainable performance management model, including management of human resources. The transformation of the energy sector requires new skills and competences and the continuous development of the Group's culture. In 2024, we further developed the Remuneration Policy in order to maintain the principles of transparency and clarity.

In this report, we provide a transparent and comprehensive overview of the remuneration of the Company's CEO and Management Board members. The remuneration indicated in this report complies with the Group's Remuneration Policy.

#### Employees, diversity, and representation

As at 31 December 2024, there were 2,611 employees in the Company (as at 31 December 2023: 2,595 employees).

In the Company, as in the Group as a whole, the job opportunities are independent of the gender of an employee. The Company ensures equality of opportunity and diversity among its employees and does not tolerate direct or indirect discrimination in all areas of their activities. As at 31 December 2024, men accounted for 80% of all employees, women – 20%. Only men worked in the qualified workers category. Among specialists, men constituted 71% and women 29%. The distribution of Mid and top-level managers was: men 79%, women 21%.

The Company grants job opportunities for people of all ages. As at 31 December 2024, the Company had the highest percentage of employees in the 37–56 age group (52%) and the lowest percentage of employees in the 17–24 age group (2%). More than 72% of the Company's employees have higher education.

The Company promotes and maintains social dialogue with employee representatives. The Company has trade unions and a collective agreement in force.

### Remuneration

#### Remuneration-related decision-making process

Remuneration structure of the Group is based on two key documents: [Remuneration Policy](#) and Remuneration Guidelines. The Remuneration Policy defines the key principles and essential provisions on remuneration management and structure whereas Remuneration Guidelines, which is an internal document, is a supporting document detailing the provisions of Remuneration Policy (e.g., setting and evaluation of objectives, determination and payment of short-term incentives). Both documents are integrated and apply to all companies of the Group.

The **Remuneration Policy's** approval process is based on the Lithuanian Labour Code, the Law on Companies and the Corporate Governance Code for the Companies Listed on Nasdaq. The parent company must submit any amendments to the Remuneration Policy to the General Meeting of Shareholders for approval. Mon the updates to the Remuneration Policy (if any) are also subject to discussion with employee representatives of the parent company and Group companies and other stakeholders. The latest version of the Remuneration Policy was approved at the General Meeting of Shareholders on 27 March 2024, receiving 95 percent of votes "for" ([Decisions and Voting Results](#)) and is published on the Group's [website](#).

The **Remuneration Guidelines** are approved by the Management Board of the Parent Company.

## Remuneration Policy and its structure

The key objective of the [Remuneration Policy](#) is to support the Group's pathway towards achievement of targets through 5 key principles detailed below.

### Key principles of the Group's Remuneration Policy

<b>Internal fairness</b>	The same salary is paid for the same or equivalent (equal value-creating) work throughout the organisation.
<b>External competitiveness</b>	Employees are paid a competitive salary in the labour market of the country where they work.
<b>Clarity</b>	It must be clear to every worker how his or her salary is determined and how his or her performance, competences and qualifications determine its level.
<b>Transparency</b>	In line with the principle of transparency, staff are informed of the objective criteria for determining remuneration.
<b>Flexibility</b>	Decisions on remuneration must be made in accordance with the provisions of the <a href="#">Remuneration Policy</a> and <a href="#">Equal Opportunity and Diversity Policy</a> .

The Remuneration Policy defines the remuneration structure, the fixed base salary (FBS) review and determination process, the composition of the maximum variable remuneration, related guidelines, principles, etc. To be competitive in the market and to ensure internal fairness, the Group participates in annual remuneration market surveys to obtain a fair view of market expectations and tendencies.

Our Remuneration Policy is designed to attract, retain, and motivate employees to ensure the achievement of the Group's targets and results-oriented organisational culture. Thus, we aim to pay the median of the market where the Group companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower than the median remuneration market) may be set. In order to ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually, considering the data of an independent national salary survey and the remuneration market trends. Salary scales are set for each level of post on the basis of the market median of remuneration.

Remuneration structure is primarily consistent across the Group, including for the CEO of the Company, whose remuneration structure is consistent with the structure for remaining employees of the Group. It includes fixed and variable remuneration parts, which are described in detail in the following table. In addition, on the following pages we provide more information about the short-term incentives (STI) targets. Detailed information about the long-term incentives (LTI) can be found in the [Group's Annual Report for 2024](#) and on the [Group's website](#).

The full [Remuneration Policy](#), [the Group's People and Culture Policy](#) and other information related to human resource management are provided on the Group's [website](#).

### Remuneration structure

Type	Component	Applicability	Description and performance indicators
Fixed remuneration	Fixed base salary (FBS)	All Group employees	The FBS is set out in the employment contract, taking into account the level of the position and the level of competences. The FBS is paid monthly in cash. The FBS is reviewed at the annual remuneration review or when needed (changes in job functions, career progression, etc.).
	Payment for being a board member (PBM) <sup>1</sup>	Members of the Management Boards of the parent company and Group companies	PBM is fixed and paid on a monthly basis (for more information, see section 'Remuneration of collegial bodies of the parent company' in the Group's annual report).

<sup>1</sup> On 15 February 2023, PBM was merged with FBS.



Type	Component	Applicability	Description and performance indicators
Variable remuneration	Short-term incentives (STI)	All Group employees	Performance-based incentivization (cash-based), i.e., for meeting targets or indicators set for an individual position. STI proportion is determined as a percentage of FBS, STI of 20% (of the annual FBS) applies for the executives and positions with strategic responsibilities, and other employees receive 10%. In order to achieve the flexibility of the remuneration system for specific job groups, a specialised remuneration system with different STI size or payment frequency may be introduced.
	Long-term incentives (LTI)	Key Executives <sup>1</sup>	Performance-based incentivization (cash-based) for meeting targets of a four-year strategic period (not overlapping with STI targets <sup>2</sup> ). The LTI proportion is determined as a percentage of the average remuneration, e.g., 40 percent LTI from the average annual FBS over the respective strategic period (10% each year). LTI is determined by evaluating the sustainable business performance over a rolling four-year performance period and is paid after the end of each strategic period of 4 years (the right to LTI is granted after 4 years).
		Managers with strategic responsibilities <sup>3</sup>	Performance-based incentivization (cash-based) paid for the development of strategic long-term projects (not overlapping with STI targets <sup>16</sup> ). The LTI proportion is determined as a percentage of the average remuneration, e.g., up to 30 percent LTI (from the average annual FBS over the respective strategic period). Criteria for and objectives of the implementation of long-term targets are determined and approved by the Management Board of the parent company.
Other rewards	Additional financial incentives	All Group employees except CEOs, members of the Management Board of the parent company and the executive committees of the Group companies	Performance-based incentivization to promote extraordinary results or for managing strategically important initiatives of the Group. Additional financial incentives may be provided at the initiative and discretion of the employer and are not a guaranteed part of the remuneration package.
	Expatriate's/attraction package	Employees who are hired from a foreign country	Reimbursement of additional expenses related to the relocation of an employee from one country to another due to his/her job functions. It is also used to attract talents from foreign countries.
	Additional benefits	All Group employees	Non-cash remuneration such as accidental injury insurance and a variety of health insurance schemes with pre-set funds (amount does not exceed EUR 1,000 per person and is the same for everyone), contributions to a private pension fund and other benefits applied according to the internal procedures and an employee's decisions. It is designed to promote employee motivation and loyalty. The additional benefits package for the members of the Management Board of the parent company and the executive committees of the Group companies additionally includes a company EV or mobility allowance.

## Remuneration of the Company's employees

The Company's payroll was EUR 82.2 million in 2024 and EUR 71.9 million in 2023. The table below shows the average monthly salary of the employees for the period 2024-2023 (FBS and STI). Information on remuneration is also available on the Company's website ([link](#)).

<sup>1</sup> Key Executives – employees holding the position of a member of the Parent Company's Management Board as well as CEOs of AB Energijos skirstymo operatorius, UAB Ignitis, AB Ignitis gamyba and UAB Ignitis renewables.

<sup>2</sup> This rule shall apply from 30 March 2023, following the approval of a new version of the Remuneration Policy by the General Meeting of Shareholders of the parent company.

<sup>3</sup> Managers with Strategic Responsibilities – managers who have long-term (>1 year) Group's strategic objectives and/or objectives of critical importance.



## Average monthly salary and number of the Company's employees, EUR (before taxes)

Position category	2024		2023	
	Number of employees	Average salary	Number of employees	Average salary
Top and mid-level executives	223	4,749	223	4,210
Experts, specialists	1,705	2,790	1,708	2,480
Employees	683	2,415	664	2,190
<b>Total</b>	<b>2,611</b>	<b>2,865</b>	<b>2,595</b>	<b>2,553</b>

## Remuneration of the Company's Management Board

Until 14 February 2023, the Company had an executive board formed from the Company's employees. As of 14 February 2023, the Company's two-tier governance model has been replaced by a single-tier governance model, when the Management Board with supervisory function carries out its activities.

The remuneration of the members of the Company's collegiate bodies is determined in accordance with the Description of the Procedure for Payment of Remuneration to Members of Collegiate Bodies of State-Owned Companies and Municipal-Owned Enterprises approved by Resolution No. 794 of 3 August 2022 of the Government of the Republic of Lithuania, which establishes the procedure for the payment of remuneration to the members of the collegiate bodies of the state-owned companies and of their subsidiaries, which are of significance to the national security, as elected by the Meeting of General Shareholders Meeting.

## Remuneration of current members of the Company's Management Board, EUR (before tax)

Name, surname (position)	2024	2023 <sup>1</sup>
Nerijus Datkūnas (Chairman of the Management Board)	40,800	39,254
Dalia Jakutavičė (Member of the Management Board)	30,600	30,511
Darius Maikštėnas (Member of the Management Board) <sup>2</sup>	-	-
Eligijus Kajieta (Member of the Management Board)	30,600	30,511
Živilė Skibarkienė (Member of the Management Board) <sup>19</sup>	-	-
Jonas Skardinskas (Member of the Management Board) <sup>3</sup>	13,208	15,195

## Remuneration of the former Management Board member of the Company in 2023, EUR (before taxes)<sup>4</sup>

Name, surname (position)	FBS	STI <sup>5</sup>	PBM	Total
Renaldas Radvila (Chairman of the Management Board)	14,567	-	2,700	17,267
Virgilijus Žukauskas (member of the Management Board)	12,481	-	1,950	14,431
Ovidijus Martinonis (member of the Management Board)	11,947	-	1,950	13,897
Audrius Ruseckas (member of the Management Board)	10,427	-	1,950	12,377

## Remuneration of the Company's CEO

In order to attract high level professionals to management positions, we aim to maintain remuneration close to the market median in the country, in which the Group operates. For more information about the Group's remuneration principles, please see the [Remuneration Policy](#) and [in the Group Annual Report 2024](#).

## Remuneration of the CEO, EUR (before taxes)

		2024	2023
Fixed base salary	Renaldas Radvila	142,507	131,031

## Targets

Annual performance targets, linked to variable remuneration component, for the Company's executives and the members of the Executive Committee are set and evaluated by the Company's Management Board on the basis of the Ignitis Group's and the Company's strategic plans, action plans and annual budgets.

<sup>1</sup> As of 14 February 2023, the Company's two-tier governance model has been replaced by a one-tier governance model, meaning that the Supervisory Board is no longer formed and the Management Board with supervisory function has commenced its activities. Accordingly, the data for 2023 are reported for service on the Supervisory Board until 14 February 2023 and on the Management Board from 15 February 2023.

<sup>2</sup> The remuneration of AB Ignitis grupė employees (Darius Maikštėnas and Živilė Skibarkienė) for their activities in the Company's collegiate bodies is included in their remuneration and no additional remuneration is paid.

<sup>3</sup> On 12 November 2024, Jonas Skardinskas resigned from his position as a Member of the Management Board.

<sup>4</sup> Until 14 February 2023, the Company had an executive board formed from the Company's employees. As of 14 February 2023, the Company's two-tier governance model has been replaced by a single-tier governance model. Accordingly, the data for 2023 are reported for the period from 1 January 2023 until 14 February 2023.

<sup>5</sup> STI for the results of the previous calendar year is paid in Q2. Accordingly, until 14 February 2023, STI was not paid.



## 2024 annual performance targets linked to the variable remuneration component

Criteria	Weight, %	Items	Realisation
		<b>Ensuring network resilience and efficiency</b>	
Service quality	35%	Electricity SAIDI/SAIFI (min/times) and natural gas distribution SAIFI (min/times) (15%)	<b>35%</b>
		Reduction of electricity network losses	
		<b>Improvement of end-to-end customer experience:</b>	
		Customer satisfaction (NPS), % (10%)	
Strategic projects	30%	Smart metering programme: annual installed smart meters (10%) Network regulation: to ensure a sustainable and long-term regulatory model for the new regulatory period (20%)	<b>30.0%</b>
		<b>Achievement of financial targets, with priority given to:</b>	<b>17.2%</b>
Financial targets	20%	OPEX (10%) CAPEX (10%)	
		<b>Achievement of ESG targets, with priority given to:</b>	
Sustainability targets	15%	Increase of occupational safety (10%) Ensuring inclusive selection (5%)	<b>13.8%</b>
<b>Total STI, %</b>			<b>96%</b>

2025 annual performance targets linked to the variable remuneration component and their weights have been formulated taking into account the Company's strategic priorities and directions, 2025 budget and/or key performance indicators plan. The table below illustrates the 2025 annual performance targets linked to the variable remuneration component.

## 2025 annual performance targets linked to the variable remuneration component

Criteria	Weight, %	Items
		<b>Ensuring network resilience and efficiency</b>
Service quality	30%	Electricity SAIFI <sup>1</sup> (times) (20%)
		<b>Improvement of end-to-end customer experience:</b>
		Customer satisfaction (NPS <sup>2</sup> ), % (10%)
Strategic projects	20%	Network regulation: to ensure a sustainable and long-term regulatory model for the new regulatory period (20%)
		<b>Achievement of financial targets, with priority given to:</b>
Financial targets	30%	Operating expenses <sup>3</sup> (20%) Capital expenditure <sup>4</sup> (10%)
		<b>Achievement of ESG targets, with priority given to:</b>
Sustainability targets	20%	Increase of occupational safety <sup>5</sup> (15%) Ensuring inclusive selection <sup>6</sup> (5%)

## Information on payments of variable remuneration to the CEO, EUR (before taxes)

		2024	2023
STI	Renaldas Radvila	25,433	16,513

## Information on payments of long-term variable remuneration to the CEO, EUR (before taxes)

<sup>1</sup> The SAIFI targets have been developed taking into account the minimum electricity distribution reliability level set by the National Energy Regulatory Council (NERC) for the 2022–2026 regulatory period (established based on the resolution No. O3E-79 of the National Energy Regulatory Council dated January 26, 2022: an average level for the 2022–2026 period). The achievement of the target shall be assessed in accordance with the principles used and the methodology in force at the time of level setting (as adopted in the provisions of the Description of the Electricity Distribution Reliability and Quality of Service Indicators, hereinafter referred to as "the Methodology"), according to which the following cases are excluded: (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator. In the event of a change in the provisions of the Methodology, the achievement of the target would be assessed in accordance with the Methodology in force at the time the target was set.

<sup>2</sup> NPS – Net Promoter Score.

<sup>3</sup> OPEX

<sup>4</sup> CAPEX

<sup>5</sup> TRIR (Total Recordable Injury Rate)

<sup>6</sup> Aiming for gender balance in the selection process for top management positions: ensuring a minimum of 33% under-represented sex in the short-list of candidates for new/open positions.

		2024
LSTI <sup>1</sup>	Renaldas Radvila	11 124

For more information on Ignitis Group's Remuneration Principles, please refer to Ignitis Group's Annual Report for 2024 ([link](#)).

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<sup>1</sup> Estimated amount of the first LSTI payments

## 4.4 Risk management

### Risk management framework

In carrying out its activities, the Company faces strategic, operational (performance), financial and external risks that may affect the performance results. To ensure the management of such risks, the Company and the entire Group apply uniform risk management principles, which are based on the best market practices, including the practices of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO 31000:2018. The Company and the Group apply the 'Three-lines enterprise risk management framework', where the duties are distributed between management and supervisory bodies, structural units, and functions. In order to ensure that risk management information and decisions are uniform, the Company and the Group apply a standardised risk management process, which includes all the Group companies and functions. During this process, at the end of each quarter, risks, their management measures and key risk indicators are monitored, and reports are prepared and submitted to management. In this section we provide information on the risks management governance model, the main parts of the risk management process, the review of key risks of 2024 and the key risk management plan for 2025.

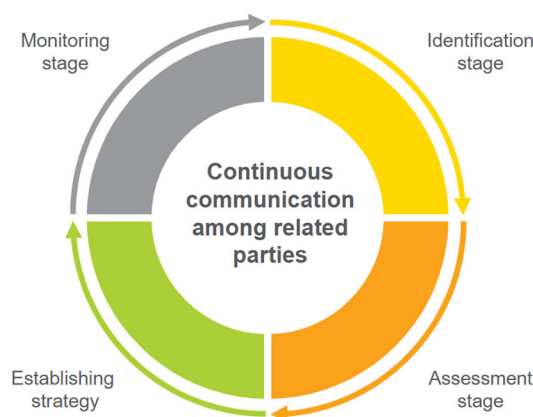


#### Risk management goals:

- to ensure that all decisions taken to achieve the Company's objectives are consistent with the Company's values;
- to eliminate or minimise the impact of risks on the Company's objectives over time;
- to ensure the stability (including financial stability) and sustainability of the Company's operations;
- to ensure that accurate information reaches the parties concerned on time;
- to protect the Company's reputation and ensure its credibility;
- to protect the interests of stakeholders.

## Risk management process

In order to achieve strategic goals and respond to a dynamic operating environment, the Company and the Group pay special attention to proactive risk management. The quarterly risk review ensures that decisions in all Group companies are made in a timely and effective manner. ESG risks (including climate change-related risks) and opportunities are fully integrated into the unified risk management process applied throughout the Group, which we briefly describe below. More information about the risk management model and processes we apply in the Group is provided on the Group's [website](#).



**1. Identification stage.** Identifying risks. In the identification stage, we analyse the potential impact of climate change, regulatory changes, geopolitical and economic situation, market trends and social issues. All of the Company's employees are responsible for timely risk identification. Risks are assessed based on the periods of when they could potentially materialise and are categorised as follows: short-term (0–1 years), medium-term (2–4 years), long-term (≥5 years).

**2. Assessment stage.** Assessment stage is where risk levels are determined. Risk levels are defined from low to very high and are based on the ratio of probability of the risk occurrence to its potential impact. We assess risks according to their impact on four areas: finance, reputation, compliance, people's safety and health. According to the impact of risks, if risks are affected by ESG, they are assigned the appropriate type.

We categorise the risks the Company and the Group face while running its businesses into 4 different categories described below.

Strategic risks	Financial <sup>1</sup> risks	Operational risks	Legal risks
Risks affecting the Company's long-term goals and objectives, including market competition, technological and regulatory changes.	Risks related to the Company's financial results, including credit, working capital requirements, market fluctuations, interest rates and liquidity risks.	Daily operational risks, including system failures, supply chain disruptions and human errors.	Risks related to legal obligations and compliance, including litigation, statutory penalties and contractual disputes.

**3. Establishing strategy.** At this stage the Company decides on the risk management strategy (to accept, mitigate, avoid or transfer the risk). The risks exceeding the risk appetite must be managed. We are committed to achieving the Company's objectives sustainably; therefore, we pay special attention to and manage risks related to employee safety and health, corruption, climate change and environmental protection, cyber threats, non-compliance with legal requirements (for example, the European Union's third energy package, requirements for the prevention of money laundering and terrorist financing, the General Data Protection Regulation, etc.), partnership that would have any connections with countries hostile to Lithuania, etc.

**4. Monitoring risks.** In the monitoring stage, we evaluate risk impact, probability and their respective sources quarterly, update risk management measures and key risk indicators, and provide them to management along with other risk-related information. In the monitoring stage, we identify new risks and eliminate those that are no longer relevant. In addition, we periodically inform the Company's management bodies about sustainability risks and provide them with all information related to the double materiality assessment, including impacts, risks and opportunities.

<sup>1</sup> Financial risks of the Company (market, currency, interest rate, credit, liquidity) which do not exceed the Company's risk appetite and key risk indicators (KRI) tolerance thresholds, in accordance with the IFRS requirements, are disclosed in section 'Financial statements' of this report.

## Key risks

### Risk management in 2024

#### Overview

The main financial impact risk to the Company remains the risk of external regulation; changing regulatory mechanisms, pricing, infrastructure investments may have a negative impact on the Company's financial sustainability.

The risk of failing to manage the smart metering programme arises from supply chain instability and IT competency resource shortages. For the reporting period, the Company's strategic objectives in the smart metering programme are being implemented and the probability of risk management failure has significantly decreased (the majority of smart meters have been installed within the programme scope), which has changed the risk level to within tolerance limits, and during the reporting period this risk no longer exceeds the risk appetite.

Accident risk is one of the priority areas and the Company continues to promote the implementation of a safety culture programme, to improve preventive measures, to increase the focus on employee health and to take other risk management measures. During the reporting period, the Company's employees did not experience fatal accidents; however, the incidence of both minor and major accidents in the Company persists. During the reporting period, the Company had two major accidents at work, one involving a Company's employee, the other involving an employee of a Company's partner.

The risk of failure to ensure network reliability is the main operational risk in the Company's activities. Existing sources due to external environmental impact and the network's overhead lines remain the main sources of risk. The Company consistently makes efforts to ensure the reliability of the network. During the reporting period, the main risk management and operational measures (removal of hazardous trees, network automation and planned maintenance works) have been implemented without deviations.

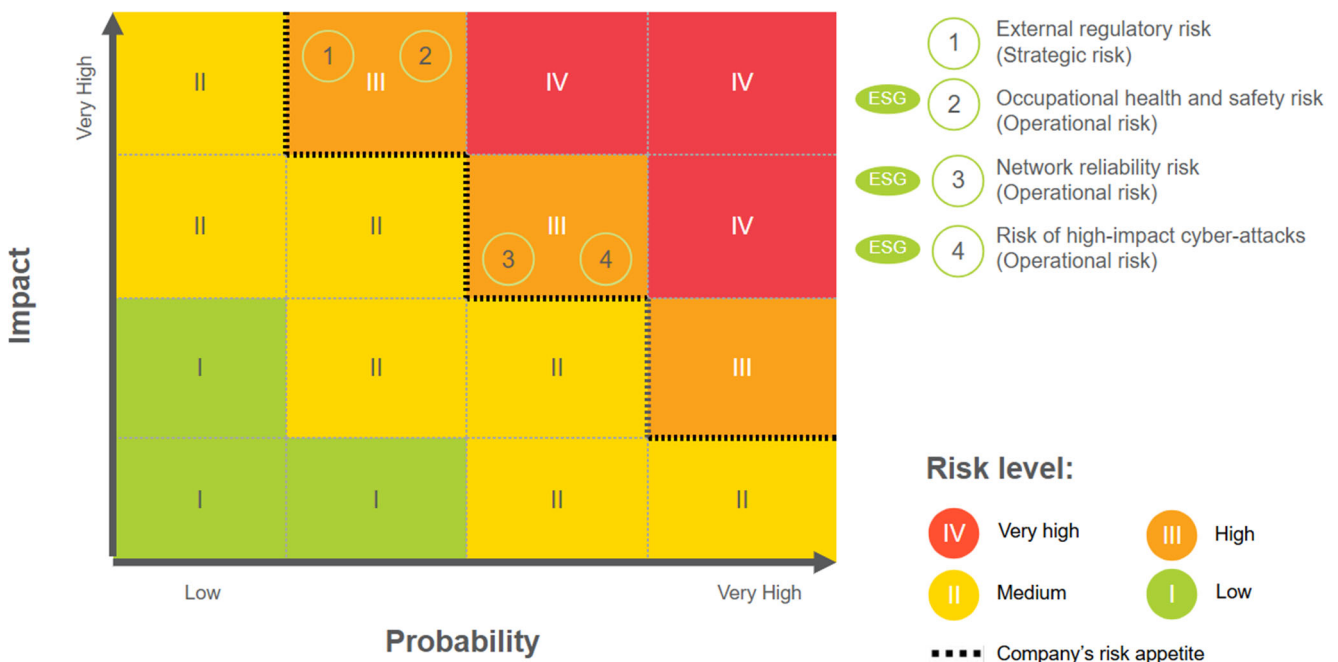
The risk of high-impact cyber-attacks on business is centrally managed by the digital security function throughout the Group.

For more information on Ignitis Group's Risk Management Framework, risk factors and their management, please refer to Ignitis Group's Annual Report for 2024 ([link](#)).

### Risk management in 2025

The Company's key risks of the that exceed the risk appetite are presented in the heat map below.

#### Map of the key risks of the Company



## Management plan of the key risks of the Company

External regulation risk		
<p><b>Key sources of risk:</b></p> <ul style="list-style-type: none"> <li>the volatility of the regulatory environment (frequent changes in legislation, which allow for mistakes, misinterpretations, as well as the risk of significant changes in the regulatory model as regulatory periods change).</li> </ul>	<p><b>Type of risk</b> Strategic</p> <p><b>Type of ESG risk</b> Not related</p> <p><b>Period</b> Long-term</p> <p><b>The main possible effects</b> Financial</p>	<p><b>Key mitigation directions:</b></p> <ul style="list-style-type: none"> <li>Group projects are organised to ensure compliance with the new requirements, involving the best experts in the group on a given issue;</li> <li>active involvement in the public consultation process on legislation;</li> <li>initiating draft legislation relevant to the Company's activities and raising concerns about the application of the legislation.</li> </ul>
Risk of accidents		
<p><b>Key sources of risk:</b></p> <ul style="list-style-type: none"> <li>non-compliance with safety requirements;</li> <li>lack of practical knowledge and skills;</li> <li>lack of staff awareness.</li> </ul>	<p><b>Type of risk</b> Operational</p> <p><b>Type of ESG risk</b> Social</p> <p><b>Period</b> Short-term</p> <p><b>The main possible effects</b> On people's health &amp; safety</p>	<p><b>Key areas of risk management:</b></p> <ul style="list-style-type: none"> <li>maintaining an occupational safety and health management system (ISO 45001:2018);</li> <li>introducing an enhancement programme of safety culture;</li> <li>continuous safety monitoring and supervision of employees and contractors;</li> <li>a mobile app used to conveniently record workplace safety violations for all employees;</li> <li>ongoing practical and virtual trainings;</li> <li>systematic ongoing monitoring of the staff training process;</li> <li>preventive measures management database implemented to record actions after accidents, incidents, etc., to ensure timely implementation of planned measures;</li> <li>ongoing successful development of the information system to improve the supply of protective measures and the health screening process;</li> <li>digitisation of employees health and safety instructions.</li> </ul>
Network reliability risk		
<p><b>Key sources of risk:</b></p> <ul style="list-style-type: none"> <li>power cuts due to natural conditions, third-party impacts. Network equipment that is worn out, frequently breaks down, or has the highest probability of failure (e.g. complete transformer stations);</li> <li>68% of the power lines in ESO's network are overhead lines, which are much more vulnerable than underground cable lines;</li> <li>shortages and increase in the costs of contractors' labour, raw materials, technical and human resources.</li> </ul>	<p><b>Type of risk</b> Operational</p> <p><b>Type of ESG risk</b> Environmental – climate</p> <p><b>Period</b> Long-term</p> <p><b>The main possible effects</b> Financial/Compliance</p>	<p><b>Key areas of risk management:</b></p> <ul style="list-style-type: none"> <li>cooperation with the Meteorological Service to obtain advance information on predictable meteorological events, which determines when resource mobilisation is activated;</li> <li>cooperation with the State Forestry Agency on felling trees that pose a risk to electricity grids;</li> <li>investments to replace overhead lines with cable lines in forested areas;</li> <li>a new management and maintenance system for technological assets that meets today's expectations has been put in place to make maintenance and repair processes more efficient and of higher quality;</li> <li>investment property rating models are continuously reviewed and updated;</li> <li>centralised monitoring of power quality parameters in accordance with LST EN 50160;</li> <li>a long-term investment programme for network automation;</li> <li>streamlining the management of mass disconnections.</li> </ul>



## The risk of high-impact cyber-attacks on business

<b>Key sources of risk:</b>	<b>Type of risk</b>	<b>Key areas of risk management:</b>
<ul style="list-style-type: none"> <li>– due to geopolitical factors, the Group’s critical services are targets for state-sponsored cyber attacks from hostile nations. These attacks may exploit:</li> <li>– unresolved vulnerabilities in IT and OT systems;</li> <li>– human factors, such as employee susceptibility to social engineering attacks; inadequate privileged access control and monitoring of privileged users.</li> </ul>	<p>Operational</p> <p><b>Type of ESG risk</b></p> <p>Social</p> <p><b>Period</b></p> <p>Short-term</p> <p><b>The main possible effects</b></p> <p>Reputational/Compliance</p>	<ul style="list-style-type: none"> <li>– periodic preparation of vulnerability reports and their submission to responsible employees;</li> <li>– implementation of a vulnerability management process where vulnerabilities are classified and eliminated according to their severity;</li> <li>– restriction and isolation of critical systems within the local network;</li> <li>– development of digital security competencies through training accredited CERT team members within the organisation and participating in cyber security exercises with external partners;</li> <li>– provision of 24/7 cyber security monitoring across the Group;</li> <li>– supervision of the incident management process to ensure effective response;</li> <li>– regular phishing simulations conducted across all Group companies to enhance employee vigilance.</li> </ul>

The Company's other inherent financial risks (currency, interest rate, credit, liquidity), which do not exceed the Company's risk appetite in accordance with the requirements defined by IFRS, are described in the Financial Statements section of this report.

The Company's risks in the areas of ESG (environmental protection, social responsibility and governance), health and safety of employees (and contractors), corruption, compliance, business continuity, etc. have been assessed as medium/low risk and fall within the risk appetite and KPIs (tolerance), and therefore are not mentioned in the table above, but are monitored in order to stay within tolerance limits. More information on some of them can be found in the section “Sustainability” in the Annual Report as well as in the section “Risks and their management” under “Other risks” in the [Annual Report of AB Ignitis grupė for 2024](#).

## 5. Sustainability

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5.1 Sustainability overview	51
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## 5.1 Sustainability overview

Relevant sustainability information of AB Energijos skirstymo operatorius is provided in the consolidated management report of AB Ignitis grupė, with registered office at Laisvės pr. 10, 04215 Vilnius.

The AB Ignitis grupė consolidated management report [with sustainability reporting assurance conclusion](#) is available on the [Group's website](#).

AB Energijos skirstymo operatorius (hereinafter – ESO) is a subsidiary company and its sustainability information is presented in the consolidated management report of the parent company AB Ignitis grupė. Therefore, in accordance with Article 23(1)(1) of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania, it fulfils the condition not to provide information on sustainability issues specified in the Law on Reporting by Undertakings and Groups of Undertakings.

The integrated 2024 annual Sustainability Statement within the consolidated management report of AB Ignitis grupė provides sustainability information for AB Ignitis grupė and its companies (hereinafter – the Group), including its subsidiary ESO. This includes an overview of commitments and actions in areas such as environmental performance, social responsibility and governance practices. The Sustainability Statement can be found in the *Investors* and *Sustainability* sections of the Group's website [www.ignitisgrupe.lt](http://www.ignitisgrupe.lt).

The Group's Sustainability Statement has been prepared in accordance with the Corporate Sustainability Reporting Directive, which was transposed into the law of the Republic of Lithuania on 1 July 2024 and fully aligned with the European Sustainability Reporting Standards (ESRS). The disclosed information is based on a double materiality assessment, which identified significant sustainability-related impacts, risks and opportunities (hereinafter – IRO) at the Group level.

The Group's Sustainability Statement is prepared on a consolidated basis and its scope is aligned with the 2024 financial statements.

The following provides a summarised overview of the relevant sustainability information for ESO and where it can be found in the Group's Sustainability Statement.

### Sustainability management in the Group and the Company

Sustainability is an integral part of the Group's strategy. To realise our aspiration of creating a 100% green and secure energy ecosystem for current and future generations, the Group's strategy establishes clear aspiration-oriented priorities for achieving environmental, social responsibility and governance (ESG) goals. It is important for us to follow the best sustainable practices, maintain and constantly improve our ESG ratings. [The Group's 2024–2027 strategic plan](#) established five strategic sustainability priorities, focusing on decarbonisation, safety, employee experience, diversity and sustainable value creation. All five of these areas address the Group's sustainability-related IRO.

[The Group's Sustainability Policy](#) establishes shared sustainability principles of the Group and their implementation measures at the Group, including ESO. It shapes the culture and practice of responsible and sustainable business development. The Sustainability Policy discloses, among other things, the Group's commitment to the principles of the United Nations Global Compact and to aligning its strategic goals and activities with the Sustainable Development Goals, to contributing to the Paris Agreement in the fight against climate change, and to adhering to good governance practices.

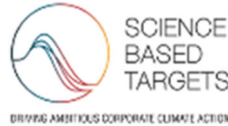
Information on other [policies](#) and [sustainability management](#) is publicly disclosed and presented in the Group's Sustainability Statement for 2024. Alongside detailed information on our sustainability management, we periodically publish a sustainability overview and ESG data in our interim and annual [reports](#). This ensures that all our stakeholders receive the necessary information about the Group's sustainability objectives.

Sustainability activities in the Group companies are coordinated centrally through a separate Sustainability function reporting directly to the CEO of the parent company. The Group's Management Board decides on the formulation, approval and updating of sustainability strategic directions, policies and activities of the organisation. Detailed description of the management of sustainable activities within the Group is available in the Group's Sustainability Statement for 2024 and in the ['Sustainability'](#) section on the website of the Group.

#### Group's memberships and external initiatives

We carry out sustainable activities together with our partners. By participating in the activities of various organisations, we share our experience and learn from others. The Group is contributing to global initiatives:

- we are committed to adhering to the principles of the United Nations Global Compact;
- we aim to contribute to the achievement of the Sustainable Development Goals of the United Nations;
- we are committed to achieve net-zero emissions by 2040–2050 according to GHG emission reduction targets approved by SBTi;
- we signed the Women's Empowerment Principles to advance gender equality and women's empowerment.



More detailed information on our memberships is available on the Group's [website](#).

## Sustainability goals and target indicators

ESO places great importance on ESG aspects, has set key status indicators for ESG and constantly monitors their values.

### ESG key indicators monitored by ESO

Indicator	Unit of measure	2024	2023
GHG emissions <sup>1</sup>	thousand t CO <sub>2</sub> equiv.	446.93	520.01
Scope 1	thousand t CO <sub>2</sub> equiv.	71.8	71.8
Scope 2	thousand t CO <sub>2</sub> equiv.	103.06	93.3
Scope 3	thousand t CO <sub>2</sub> equiv.	271.56	351.89
Fatal accidents (employees)	number	0	0
Fatal accidents (contractors)	number	0	0
TRIR (employees)	-	1.09	1.10
TRIR (contractors)	-	0.95	0.92
eNPS (indicator of employee satisfaction)	-	68	61
Proportion of women in management positions	%	28.57	21.43

## Stakeholder relations and assessment of ESG priorities

Active stakeholder engagement is an essential aspect of the sustainability implementation agenda when evaluating ESG priorities. The Group's stakeholder engagement guidelines emphasise its commitment to listening to and involving stakeholders. Through maintaining continuous dialogue, the Group strives to understand stakeholder perspectives, concerns and expectations. This ongoing dialogue guides us in implementing sustainability goals, projects and processes that align with our stakeholders' interests and expressed views.

In 2024, the Group prepared stakeholder assessment engagement guidelines in accordance with the principles set out in Annex I of Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, and the European Financial Reporting Advisory Group (EFRAG) implementation guidelines on double materiality provided by the European Sustainability Reporting Standard (ESRS). The Group identified and assessed the impact of its activities on people and the environment, as well as potential business risks and opportunities. In addition, the Group assessed the impacts, risks and opportunities across its value chain on multiple themes, focusing particularly on insights gained from mapping value chain diagrams for different business segments, including ESO.

### Primary stakeholders of ESO

B2C customers	Suppliers, contractors	State and municipal authorities
B2B customers	Energy sector partners	The media
Employees	Associations and educational institutions	Shareholders / investors

The expectations of stakeholders expressed during this process were aligned with existing goals and objectives of ESO, which led to the identification of priority themes that are in line both with stakeholders' expectations and the established operational objectives of ESO. The outcome of the double materiality assessment (DMA) provides for the basis for further embedding sustainable development in the activities of ESO in a way that makes it possible to take into account the overall impact of ESO on its stakeholders and

<sup>1</sup> In 2024, the GHG calculation methodology was updated, resulting in significant changes to ESO emissions. The GHG data presented in this report cannot be compared with previous reports.

align the expectations expressed by the stakeholders with the strategic objectives. The main expectations of ESO stakeholders are described in the [Investment Plan of ESO](#).

### Group's double materiality assessment matrix

Impact materiality	Very high	<b>Impact material</b> Biodiversity and ecosystems (E4) Consumers and end-users (S4) Business conduct (G1)	<b>Double material</b> Climate change (E1) Resource use and circular economy (E5) Own workforce (S1) Workers in the value chain (S2) Affected communities (S3)
	Low	<b>Non-material</b> Pollution (E2) Water and water resources (E3)	<b>Financially material</b>
		Low	Very high

The comprehensive DMA process conducted by the Group encompassed these stages:

- Stakeholder engagement: involving various experts and Group functions to establish a shared understanding of legislation and assessment objectives.
- Value chain mapping: experts created value chain maps for key business segments, including ESO, identifying impacts, risks and opportunities.
- Compilation and grouping of impacts: developing a comprehensive inventory of existing and potential impacts, categorised according to ESRS.
- Impact materiality assessment: scoring impacts, documenting results and integrating them into the DMA tool.
- Verification of significant impacts: discussing with stakeholders and evaluating their importance. During the internal strategy sessions, the Management Board of ESO

clarified the links between stakeholders' expectations and the operational strategy.

- The financial materiality assessment aimed to evaluate potential sustainability-related risks and opportunities. It was conducted with the involvement of risk management, finance and sustainability experts. A list of risks and opportunities was compiled and their financial materiality assessed.
- Final identification of significant impacts, risks and opportunities: based on outcomes from meetings with ESO and other Group companies and Group management, the final list of significant impacts, risks and opportunities was refined and approved.

The Group determined that the sustainability issues of Climate change (E1), Biodiversity and ecosystems (E4), Resource use and circular economy (E5), Own workforce (S1), Workers in the value chain (S2), Affected communities (S3), Consumers and end-users (S4) and Business conduct (G1) are material, while Pollution (E2) and Water and marine resources (E3) are immaterial. It was determined that the Group's materiality assessment corresponds to ESO's material topics, with the exception of the topic relevant to the Group concerning affected communities (S3) – this topic is not material to ESO individually. A detailed description of the Group's materiality assessment is provided in the Group's annual Sustainability Statement for 2024.

### Overview of key ESO impacts, risks and opportunities and references to information about their management

The tables below list sustainability-related IROs that are material to ESO. The complete list of topics material to the Group, implemented measures and initiatives are provided in the Group's Annual Report for 2024. Information about ESO's actions, initiatives and goals is presented in the descriptions of the 'Networks' business segment.

Each material ESRS topic in the tables is presented with specified subtopics where significant impacts, risks or opportunities have been identified related to, for example, climate change mitigation and adaptation to climate change.

Additionally, the tables indicate whether the impacts and risks occur in the Group's own operations (hereinafter – OO) or in its value chain (hereinafter – VC). The Group also discloses whether its impacts are positive or negative. Impact refers to existing impact unless specified as potential impact.

## Environment

Material IROs	Description	More details about the IRO and its relevance are provided in the Group's Sustainability Statement section:
<b>GHG emissions</b> Negative impact (OO and VC)	GHG emissions that occur during energy use (e.g., electricity purchased for own needs) and other activities negatively affect climate change. The Group responds to this impact by implementing its strategic goals and undertaking decarbonisation actions.	6.2 Environment - E1 Climate change - Sub-topic: Climate change mitigation
<b>Creating conditions for electrification implementation</b> Positive impact (VC)	Electrification is a key component of the energy sector transformation. Development of a resilient and efficient network capable of meeting electrification needs, accelerating the expansion of electric vehicle charging station networks.	6.2 Environment - E1 Climate change - Sub-topic: Climate change mitigation
<b>Insufficient support for implementing energy sector transformation</b> Risk (OO)	Further expansion of green generation capacities and green flexible technologies may be hindered by political uncertainty and insufficient political support, which would slow down green capacity development and climate change mitigation activities.	6.2 Environment - E1 Climate change - Sub-topic: Climate change mitigation
<b>Global and regional renewable energy</b> Opportunity (OO)	The Paris Agreement on climate change and the EU Green Deal promote a rapid transition to renewable energy. This creates an opportunity to invest in sustainability-promoting solutions and reduce GHG emissions.	6.2 Environment - E1 Climate change - Sub-topic: Climate change mitigation
<b>Acute and chronic climate-related physical events</b> Risk (OO)	Chronic events may create uncertainties in production assessment, as renewable energy production depends on natural resources such as wind patterns. Acute events can disrupt construction or operations across different projects, necessitating additional repair work, especially for overhead lines.	6.2 Environment - E1 Climate change - Sub-topic: Adaptation to climate change
<b>Ecosystem state and conditions</b> Negative impact (OO)	The necessity to cut trees to ensure power line safety and resilience may impact forest cutting and cause landscape changes.	6.2 Environment - E4 Biodiversity and ecosystems - Sub-topic: Impact on ecosystem coverage and condition and species condition
<b>Shortage of materials and components</b> Risk (VC)	The increasing need to transform the energy sector, combined with inflexible supply chains, stricter ESG standards and unstable geopolitical situation, presents potential challenges. These challenges can affect the availability, delivery times and prices of key materials and components needed for the Group's operations.	6.2 Environment - E5 Resource use and circular economy - Sub-topic: Resource inputs, including resource use
<b>Waste generated in operations and from decommissioning</b> Negative impact (OO)	With limited solutions for managing certain materials and technologies used in the Group's operations at the end of their life cycle, recycling or reuse possibilities are often limited. This increases waste volumes and environmental protection challenges.	6.2 Environment - E5 Resource use and circular economy - Sub-topic: Resource outputs related to products and services

## Social responsibility

Material IROs	Description	More details about the IRO and its relevance are provided in the Group's Sustainability Report section:
<b>Safety and health</b> Negative impact (OO)	Working in the energy sector inevitably involves operating in a high-risk environment; therefore, employee safety and health face inherent risks that create health-related impacts on the Group's own workforce.	6.3. Social responsibility - S1 Own workforce - Sub-topic: Working conditions
<b>Ensuring fair work environment and remuneration</b> Positive impact (VC)	By creating conditions for each employee to feel valued and respected, the Group creates a positive work environment that attracts and retains talent. Offering competitive remuneration and fostering a fair and transparent work environment ensures greater employee engagement, positive team dynamics and overall business success.	6.3. Social responsibility - S1 Own workforce - Sub-topic: Working conditions

<b>Occupational Health and Safety</b> Risk (OO)	Working in the energy sector inevitably involves operating in high-risk environments, such as construction sites, remote locations and under hazardous conditions (heights, voltage, etc.). This may increase the risk of physical harm, including accidents, injuries and fatalities.	6.3. Social responsibility - S1 Own workforce - Sub-topic: Working conditions
<b>Promoting a culture free of discrimination and harassment</b> Positive impact (VC)	Creating a safe, inclusive and highly productive work environment requires fostering a culture free of discrimination and harassment. By cultivating respect and ensuring equality, the Group empowers employees and strengthens collaboration.	6.3. Social responsibility - S1 Own workforce - Sub-topic: Equal treatment and equal opportunities for all
<b>Promoting gender balance</b> Positive impact (VC)	Promoting gender balance in the workplace not only creates a diverse and inclusive environment but also ensures equal opportunities for all employees. This reduces gaps related to underrepresented groups.	6.3. Social responsibility - S1 Own workforce - Sub-topic: Equal treatment and equal opportunities for all
<b>Human capital</b> Risk (OO)	Highly qualified employees are crucial for implementing the Group's strategic goals, especially as the Group leads the energy sector transformation. The Group requires employees with new competencies to operate successfully in this changing environment, as lack of expertise can significantly impede the Group's progress. To maintain competitive advantage, the Group must invest in talent development and foster a culture that encourages innovation and adherence to best practices.	6.3. Social responsibility - S1 Own workforce - Sub-topic: Equal treatment and equal opportunities for all
<b>Safety and health</b> Negative impact (VC)	Throughout the energy sector value chain – from resource extraction to production and distribution – there are inherent risks to occupational health and safety that create health-related impacts on the Group's suppliers, contractors and other related parties.	6.3. Social responsibility - S2 Value chain employees - Sub-topic: Working conditions
<b>Occupational Health and Safety</b> Risk (VC)	Working in the energy sector involves operating in high-risk environments, such as construction sites, remote locations and under hazardous conditions (heights, voltage, etc.). This may increase the risk of physical harm, including accidents, injuries and fatalities.	6.3. Social responsibility - S2 Value chain employees - Sub-topic: Working conditions
<b>Ensuring access to energy</b> Positive impact (VC)	Recognising that energy is a crucial factor in social and economic development, the Group provides accessible, reliable and sustainable energy services and solutions, ensuring that everyone can access the energy they need. While providing energy services, the Group also emphasises the importance of education and consultation on responsible energy consumption and reducing energy waste. By offering tailored consultations and innovative solutions, the Group enables customers and end users to make informed decisions that reduce environmental impact, optimise energy efficiency and lower costs.	6.3. Social responsibility - S4 Consumers and end users - Sub-topic: Social inclusion of consumers and/or end users
<b>High-impact cyber attacks</b> Risk (OO)	Cyber attacks pose a significant risk to the organisation due to the importance of the energy services it provides in Lithuania. These attacks can range from simple phishing to complex data security breaches and ransomware attacks, which disrupt the operation of critical energy production systems at Group level, result in personal data leaks and theft of confidential information.	6.3. Social responsibility - S4 Consumers and end users - Sub-topic: Information-related impact on consumers and/or end users

## Governance

Material IROs	Description	More details about the IRO and its relevance are provided in the Group's Sustainability Report section:
<b>Strong corporate culture</b> Positive impact (VC)	Alongside the Group's commitment to creating a 100 percent green and safe energy ecosystem, a strong corporate culture based on ethics, transparency and whistleblower protection principles is fostered. This creates a reliable and responsible environment that sets a positive example and builds trust among the Group's stakeholders.	6.4. Governance - G1 Business conduct - Sub-topic: Corporate culture
<b>Sustainability-promoting procurement practices</b> Positive impact (VC)	Recognising that its environmental and social impact extends beyond its operations, the Group integrates sustainability management practices into its supply chain, thereby promoting environmental and social responsibility, transparency and traceability.	6.4. Governance - G1 Business conduct - Sub-topic: Supplier relationship management, including payment practices

<b>Energy security</b>  Positive impact (VC)	The Group, by assuming leadership in the transition to a climate-neutral, safe and independent energy ecosystem in the region, contributing to European decarbonisation and enabling renewable energy flows, plays a key role in implementing Lithuania's energy security strategy.	6.4. Governance - G1 Business conduct - Company-specific subtopic: Contribution to ensuring national energy security
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Other financial and non-financial performance results related to climate actions (E1), personnel (S1), anti-corruption and anti-bribery (G1) are disclosed in the Group's annual report.

We encourage to report possible unethical behaviour of employees or representatives of AB Ignitis grupė, cases of discrimination or corruption, as well as other breaches of the principles of sustainability or concerns to the Trust Line by email [pasitikejimolinija@ignitis.lt](mailto:pasitikejimolinija@ignitis.lt), by phone +370 640 88889, or by filling out the [online form](#). Both employees and all stakeholders can use these contacts.

If you have any questions concerning the content of the Group's Sustainability Statement or sustainability activities, please contact [sustainability@ignitis.lt](mailto:sustainability@ignitis.lt).



## 6. Financial statements

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6.1	Financial statements of the Company	58
6.2	Independent Auditor's Report	94
6.3	Information about the auditor	97

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## 6.1 Financial statements of the Company

For the year ended 31 December 2024, prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Statement of Profit or Loss and Other Comprehensive Income	59
Statement of Financial Position	60
Statement of Changes in Equity	61
Statement of Cash Flows	62
Notes	63

The financial statements of the Company were prepared and signed by the management of AB Energijos skirstymo operatorius on 26 February 2025:

**Renaldas Radvila**

CEO

**Audrius Ruseckas**

Head of Finance and Administration

**Pranas Miltenis**

UAB Ignitis grupės paslaugų centras, Head of Corporate Accounting, acting in accordance with Decision No 24\_GSC\_SP\_0051 of 30 September 2024

# Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

EUR thousand	Notes	2024	2023
Revenue from contracts with customers	6	701,499	593,041
Other income	7	2,013	1,643
<b>Total revenue and other income</b>		<b>703,512</b>	<b>594,684</b>
Purchase of electricity, natural gas and other services	8	(316,722)	(135,487)
Depreciation and amortisation	14,15,16, 23	(114,446)	(104,049)
Salaries and related expenses	9	(82,189)	(71,895)
Repair and maintenance expenses		(44,407)	(46,183)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	10	(3,252)	(1,713)
Other expenses	11	(54,710)	(46,324)
<b>Total expenses</b>		<b>(615,726)</b>	<b>(405,651)</b>
<b>Operating profit (loss)</b>		<b>87,786</b>	<b>189,033</b>
Finance income	12	469	260
Finance expenses	12	(24,084)	(19,013)
<b>Finance activity, net</b>		<b>(23,615)</b>	<b>(18,753)</b>
Share (of result) of associates		-	-
<b>Profit (loss) before tax</b>		<b>64,171</b>	<b>170,280</b>
Income tax (expenses)/benefit	13	(1,579)	(15,812)
<b>Net profit for the year</b>		<b>62,592</b>	<b>154,468</b>
<b>Other comprehensive income (loss)</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods (net of tax)</b>			
Revaluation of property, plant and equipment		-	824
Change in actuarial assumptions		90	938
Other movement	13.3	(689)	-
<b>Items that will not be reclassified to profit or loss in subsequent periods, total</b>		<b>(599)</b>	<b>1,762</b>
<b>Total other comprehensive income (loss) for the year</b>		<b>(599)</b>	<b>1,762</b>
<b>Total comprehensive income (loss) for the year</b>		<b>61,993</b>	<b>156,230</b>

## Statement of financial position

As at 31 December 2024

EUR thousand	Notes	31 December 2024	31 December 2023
<b>ASSETS</b>			
Intangible assets	14	47,703	51,886
Property, plant and equipment	15	2,248,783	2,031,876
Right-of-use assets	16	6,223	9,267
Prepayments for non-current assets		38	214
Investments in associates		-	-
Non-current receivables		201	207
Other non-current assets	2	2	2
<b>Non-current assets</b>		<b>2,302,950</b>	<b>2,093,452</b>
Inventories		5,175	4,538
Prepayments and deferred expenses		2,909	2,464
Trade receivables	17	82,623	64,588
Other receivables		6,710	8,500
Other current assets		2,739	11,279
Cash and cash equivalents	18	10,521	11,930
<b>Current assets</b>		<b>110,677</b>	<b>103,299</b>
<b>TOTAL ASSETS</b>		<b>2,413,627</b>	<b>2,196,751</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	19.1	259,443	259,443
Revaluation reserve	20.2	57,869	64,996
Legal reserve	20.1	25,944	25,944
Retained earnings		420,008	380,858
<b>Equity</b>		<b>763,264</b>	<b>731,241</b>
Non-current loans	21	819,126	827,027
Non-current lease liabilities	21	3,804	6,380
Grants and subsidies	23	46,263	43,951
Deferred tax liabilities	13.3	35,692	33,424
Provisions	24	4,718	8,163
Deferred income	25.1	333,597	285,862
<b>Non-current liabilities</b>		<b>1,243,200</b>	<b>1,204,807</b>
Loans	21	204,573	85,741
Lease liabilities	21	2,670	3,176
Trade payables		42,901	34,233
Advances received	25.2	64,286	49,193
Provisions	24	3,162	3,722
Deferred income	25.1	16,408	14,082
Other current liabilities	26	73,163	70,556
<b>Current liabilities</b>		<b>407,163</b>	<b>260,703</b>
<b>Total liabilities</b>		<b>1,650,363</b>	<b>1,465,510</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,413,627</b>	<b>2,196,751</b>

## Statement of changes in equity

For the year ended 31 December 2024

EUR thousand	Notes	Share capital	Revaluation reserve	Legal reserve	Retained earnings	In total
<b>Balance as at 1 January 2023</b>		<b>259,443</b>	<b>71,769</b>	<b>25,944</b>	<b>250,313</b>	<b>607,469</b>
Net profit for the year		-	-	-	154,468	154,468
<b>Other comprehensive income (loss)</b>						
Result of changes of other actuarial assumptions	24	-	-	-	938	938
Revaluation of property, plant and equipment, net of tax		-	824	-	-	824
<b>Total other comprehensive income (loss) for the year</b>		<b>-</b>	<b>824</b>	<b>-</b>	<b>938</b>	<b>1,762</b>
<b>Total comprehensive income (loss) for the year</b>		<b>-</b>	<b>824</b>	<b>-</b>	<b>155,406</b>	<b>156,230</b>
Transfer of revaluation reserve to retained earnings (net of tax)	20.2	-	(7,597)	-	7,597	-
Dividends	19.2	-	-	-	(28,986)	(28,986)
Other movements		-	-	-	(3,472)	(3,472)
<b>Balance as at 31 December 2023</b>		<b>259,443</b>	<b>64,996</b>	<b>25,944</b>	<b>380,858</b>	<b>731,241</b>
<b>Balance as at 1 January 2024</b>		<b>259,443</b>	<b>64,996</b>	<b>25,944</b>	<b>380,858</b>	<b>731,241</b>
Net profit for the year		-	-	-	62,592	62,592
<b>Other comprehensive income (loss)</b>						
Result of changes of other actuarial assumptions	24	-	-	-	90	90
Other movement	13.3	-	(689)	-	-	(689)
<b>Total other comprehensive income (loss) for the year</b>		<b>-</b>	<b>(689)</b>	<b>-</b>	<b>90</b>	<b>(599)</b>
<b>Total comprehensive income (loss) for the year</b>		<b>-</b>	<b>(689)</b>	<b>-</b>	<b>62,682</b>	<b>61,993</b>
Transfer of revaluation reserve to retained earnings (net of tax)	20.2	-	(6,438)	-	6,438	-
Dividends	19.2	-	-	-	(29,970)	(29,970)
<b>Balance as at 31 December 2024</b>		<b>259,443</b>	<b>57,869</b>	<b>25,944</b>	<b>420,008</b>	<b>763,264</b>

## Statement of cash flows

For the year ended 31 December 2024

EUR thousand	Notes	2024	2023
Net profit (loss) for the year		62,592	154,468
<b>Adjustments to reconcile net profit to cash flows:</b>			
Depreciation and amortisation expenses	14, 15, 16	116,451	106,439
Depreciation and amortisation of grants		(2,005)	(2,390)
(Gain)/loss on disposal of investments in subsidiaries		-	(41)
Revaluation of property, plant and equipment		-	(1,071)
Impairment/(reversal of impairment) of financial assets		366	1,519
Income tax expenses/(benefit)	13	1,579	15,812
Increase/(decrease) in provisions	24	1,136	2,386
Inventory write-down to net realizable value/(reversal)		47	(2)
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		5,937	3,994
Interest income	12	(469)	(219)
Interest expenses	12	23,986	18,848
Other expenses/(income) of financing activities	12	98	124
<b>Changes in working capital:</b>			
(Increase)/decrease in trade receivables and other amounts receivable		(16,642)	7,174
(Increase)/decrease in inventories, prepayments, other current and non-current assets		7,411	(3,764)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current liabilities		72,936	(50,014)
<b>Net cash flows from operating activities</b>		<b>273,423</b>	<b>253,263</b>
Acquisition of property, plant and equipment, and intangible assets		(327,252)	(345,898)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		1,282	1,580
Loan repayments received		38	5,978
Grants received	23	4,317	6,451
Dividends received		-	244
Interest received	12	469	219
Proceeds from sale of investments in associates		-	3,701
<b>Net cash flows from investing activities</b>		<b>(321,146)</b>	<b>(327,725)</b>
Repayments of loans	22	(7,901)	(7,902)
Group's cash pool platform, net change	22	118,280	65,562
Dividends paid	19.2	(29,982)	(29,016)
Lease payments	22	(3,928)	(4,265)
Interest paid	22	(30,155)	(22,612)
<b>Net cash flows from financing activities</b>		<b>46,314</b>	<b>1,767</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>(1,409)</b>	<b>(72,695)</b>
Cash and cash equivalents at the beginning of the year	18	11,930	84,625
<b>Cash and cash equivalents at the end of the year</b>		<b>10,521</b>	<b>11,930</b>

# Notes

## 1. General information

AB „Energijos skirstymo operatorius“ (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The Company was registered with the Register of Legal Entities, the registrar whereof is State Enterprise Centre of Registers, on 11 December 2015. The Company started its activities with effect from 1 January 2016. The Company is headquartered at Laisvės pr. 10, LT-04215, Vilnius, Lithuania. Company code 304151376, VAT identification code LT100009860612. The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2024.

The Company's core lines of business include electricity and gas distribution, and last resort supply of electricity.

Shareholders of the Company:

	31 December 2024		31 December 2023	
	Share capital, in EURm	Ownership interest (%)	Share capital, in EURm	Ownership interest (%)
AB „Ignitis grupė“	259,443	100	259,443	100
<b>Total</b>	<b>259,443</b>	<b>100</b>	<b>259,443</b>	<b>100</b>

The parent company of the Company is AB „Ignitis grupė“ (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania), which owns 100% of shares of the Company as at 31 December 2024 and 2023.

AB „Ignitis grupė“ is the ultimate controlling company. The Group comprises AB „Ignitis grupė“ and all of its subsidiaries („the Group“).

The Company's activities are regulated by the Lithuanian Law on Energy, the Lithuanian Law on Electricity, the Lithuanian Law on Natural Gas and other regulatory legislation. The licenses are issued and licensed activities are controlled by the National Energy Regulatory Council (hereinafter – the Council, NERC). The Council sets the price caps for the services of electricity distribution and natural gas distribution (Note 1.13.)

These financial statements were signed by the management of the Company on 26 February 2025. The Company's shareholders have a statutory right to approve or not to approve these financial statements and to require the preparation of a new set of the financial statements.

## 2. Basis of preparation of the financial statements

### 2.1. Basis of accounting principles

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS'), approved by the International Accounting Standards Board (hereinafter referred to as 'IASB') and adopted by the European Union.

The Company's financial statements as at and for the year ended 31 December 2024 have been prepared on a going concern basis applying measurement based on historical acquisition cost, except for certain items of property, plant and equipment.

The financial statements provide comparative information in respect of the previous period.

Details of the Company's accounting policies, including changes thereto, are included in Note 3.1 and section 'Accompanying information' of these financial statements

### 2.2. Functional and presentation currency

These financial statements are presented in euros, which is the Company's functional currency and all values are rounded to the nearest thousand (EUR '000), except when indicated otherwise.

## 3. Changes of material accounting policies

### 3.1. Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the Company's annual financial statements for the year ended 31 December 2023, with the exception of the new standards which entered into force during the year of 2024. The Company has not applied any standard, interpretation, or amendment for which the early application is permitted but is not yet effective

More information about new standards is available in section 'Material accounting policies' of these financial statements.

## 4. Critical accounting estimates and judgments used in the preparation of the financial statements

In preparing these financial statements, the management has made judgements and estimates about the future, including climate-related risks and opportunities, that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, costs and contingencies. Changes in the underlying assumptions of such estimates and judgements may have a material effect on financial statements in the future.

Estimates and judgements with underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate related commitments, where appropriate. Revisions to the estimates and judgements are recognised prospectively.

Significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used herein, refer to other notes of these financial statements.

### 4.1. Revaluation of property, plant and equipment, used in electricity distribution

The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 1,908.9 million as at 31 December 2024 (EUR 1,691.6 million as at 31 December 2023).

Taking into account the fact that there were no significant changes in the legal regulatory environment related to electricity, after evaluating all related assumptions, the Company determined that the carrying amount of property, plant and equipment used in electricity distribution as at 31 December 2024 would change insignificantly (up to 0.1%), taking this into account, the Company's management decided not to carry out a full revaluation of such assets in order to represent them at their new fair value. For more detailed information – see Note 15.2.

### 4.2. Impairment of property, plant and equipment, used in natural gas distribution

The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 259.2 million as at 31 December 2024 (EUR 258.3 million as at 31 December 2023).

As at 31 December 2024 there has been assessed whether there are any indications that the carrying amount of this CGU could be impaired. In assessment the Company's management determined that during the year 2024 there were no significant changes in the legal regulatory environment related to natural gas distribution activity, as well the remeasured assumptions used in assessment of recoverable amount had an insignificant impact on change of carrying amount of property, plant and equipment used in this CGU. Accordingly, no impairment test was performed for 2024 and no additional impairment loss or reversal was recognised as at 31 December 2024.

### 4.3. Provisions for compensations and special conditions on land use (protection zones)

#### 4.3.1 Provision for statutory land servitudes

Following the amendments to the Law on Electricity of the Republic of Lithuania entered into force on 1 November 2017, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator, and the servitudes payment methodology which entered into force in 31 July 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it.

The Company reviewed other assumptions used in the calculation of the provision, specifically the expected number of applicants, the period over which all benefits will be paid:

- in 2023 the expected number of applicants was estimated on the basis of available actual historical four-year information. The percentage of clients who are unlikely to claim benefits was used to calculate the total amount of benefits. 81.86% used as at 31 December 2023, based on management's assessment and the number of clients actually claiming in 2018-2019 and 2022-2023, with an average annual rate of around 1.42% (historical data for 2021 and 2020 are not included in the methodology calculations due to the methodological break due to the Constitutional Court ruling issued on 8 July 2020 which would distort the overall average);
- in 2024 the expected number of applicants was estimated on the basis of available actual 2022-2024 information, with an average annual rate of only around 0.24%. Used in the calculations the percentage of clients who are unlikely to claim benefits is around 91.41% as at 31 December 2024.

After assessing the changed circumstances, the Company decided to adjust a provision decreasing the amount of the provision from EUR 5,430 thousand to EUR 818 thousand (Note 24). In the part of intangible assets, this decrease was from EUR 5,277 thousand down to EUR 597 thousand (Note 14.4).

#### 4.3.2 Provision for special conditions on land use (protection zones)

The Law on Special Land Use Conditions of the Republic of Lithuania was approved on 6 June 2019, which obliges the Company to register special protection conditions (protection zones) for land near the Company's infrastructure objects and to pay compensations for them. This Law defines the procedure and principles for the registration of such special land territories and provides that compensation must be paid for the use of special land territories in accordance with the procedure approved by the Government of the Republic of Lithuania.



The amendment to the Real Estate Cadaster Regulations necessary for the implementation of the Law on Special Land Use Conditions of the Republic of Lithuania entered into force on 12 February 2020, which details the procedure for changing tags and cadastral provisions for development and for existing networks. This amendment provides for an alternative process for registering protection zones (avoiding the change of cadastral data and the hiring of land surveyors). According to the Law on Special Land Use Conditions of the Republic of Lithuania, the Government has an order to adopt an amendment to this legal act, although after the updating of the real estate register, which entered into force in 1 January 2022. Did not contain provisions on how protection zones should be registered from 1 January 2023.”

As at 1 January 2024 according to changes in Law of the Republic of Lithuania on special land use conditions, the registration of protection zones has to be finalized 31 December 2026.

During the year 2024 the Company has capitalized assets the costs incurred for completion of protection zones related works for amount of 933 thousand to intangible assets (EUR 1,194 thousand as at 2023). After assessing the changes in circumstances in 2024, the Company decided to adjust provision for protection zones' registration expenses by decreasing the amount of the provision from EUR 987 thousand (after 2024 utilization due to factual costs) to EUR 616 thousand.

#### 4.3.3 Provision for compensations for the Special Land Use Conditions (protection zones)

In addition to the above, the Ministry of Environment has prepared a methodology for the calculation and payment of Compensation for the application of special land use conditions in the territories specified in the Law on Special Land Use Conditions of the Republic of Lithuania, established in the public interest, which entered into force in 8 April 2020. In the light of the letter of the Ministry of Energy of the Republic of Lithuania issued on 18 June 2020, which explains that the provisions of the Methodology apply to both the existing network and the newly built network. According to the provisions of the Methodology, compensation for protection zones would be paid upon registration of protection zones, i.e. under the simplified procedure, this would happen after 2024, and the amount of compensation is of an evaluative nature, taking into account the main purpose of the plot, the scope of restrictions, the specific losses incurred and / or incurred by the plot owners based on supporting documents. In view of these Methodological requirements and the data available to the Company, the Company cannot reliably estimate future compensation for registered Special Land Use Conditions (Protected Areas), therefore, in accordance with IAS 37 this liability does not qualify for recognition and is therefore not recognised in the financial statements. In addition, management is not able to provide a quantitative assessment of a possible contingency without having all the necessary information.

#### 4.4 Determining whether servitudes established by law or transaction is a lease

Having conducted an analysis on whether servitudes established by law or transaction are subject to IFRS 16 “Leases”, the Company has concluded that they are not, as time limits do not apply to servitudes established by law or transaction and the Company can use them for an unlimited period of time.

#### 4.5 Determining whether the Company, providing electricity transmission services, acts as a Principal or an Agent

##### 4.5.1 Electricity transmission and distribution services

In providing electricity transfer service, which includes transmission and distribution services, to end-users, the Company acquires electricity transmission services from transmission grid operator. Management of the Company analyzed related contracts with electricity transmission grid operator and contracts with customers, also evaluated applicable regulatory environment for the conclusion whether the Company is acting as a Principal or as an Agent in relation of electricity transmission services. Management has concluded that the Company acts as a Principal in relation to electricity transmission services acquired from the operator of transmission system.

#### 4.6 Determining whether the Company collecting PSO fees and the security component of LNGT, acts as the Principal or an Agent

The Company collects PSO fees through the guarantee electricity tariff paid by the customers and transfers them to the PSO fund administrator Baltpool UAB. PSO funds are used to support and promote local production from renewable energy sources, to secure reserves of the electricity system at designated power plants, which is necessary for ensuring the state's energy security and to ensure other services related to public interest. The list of services supported by the PSO is determined by the Government of the Republic of Lithuania

The Management took an important decision and concluded that the Company, when collecting PSO fees and the security components of LNGT from customers, acts as an agent for the reasons stated below:

- the Company is not responsible for PSO and LNGT projects/initiatives, accordingly it is not responsible that collected PSO fees and security components of LNGT were used for their intended purpose;
- the Company is not exposed to any inventory risk;
- the Company has no legal power to establish pricing of these components.

#### 4.7 Expected credit losses of trade receivables and other receivables

The Company uses a provision matrix to calculate expected credit losses on trade receivables. The Company accounts for expected credit losses (hereinafter referred to as ECL) by assessing amounts receivable on an individual basis or on a collective basis applying provision matrixes adopted by the Company in respect of their clients.

ECL for other receivables, and contract assets are calculated using individual assessment.

For short-term trade receivables without a significant financing component the Company applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.

##### 4.7.1 Collective assessment of ECL applying provision matrix

The Company uses provision matrixes to calculate ECL for trade receivables. The provision rates are based on days past due or allocation to the Company's internal credit rating system for groupings of various customer segments that have similar loss patterns (i.e. by customer type).

The provision matrixes are initially based on the Company's historical observed default rates. For instance, if forecast economic conditions (i.e., changes in gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in Note 17.

## 5. Operating segments

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

Based on the judgement of the management, the Company has two operating segments, i.e., electricity distribution and transmission, and gas distribution. All the Company's assets and customers are located in the Republic of Lithuania. Operating segment of electricity distribution and transmission derives its revenues from electricity distribution and transmission, supply of last resort, other electricity related activity, as well as revenue from new customers' connection and upgrades fees, other revenues from contracts with customers and other income. Operating segment of natural gas transmission derives its revenue from natural gas distribution and natural gas sales, revenue from new connection points and upgrades, other revenue from contracts with customers, and other income.

The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements. The primary performance measures are Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation (adjusted EBITDA – a non-IFRS alternative performance measure. Additionally, management also analyses Investments of each individual segment. All measures are calculated starting from the data presented in the financial statements adjusted by management for selected items which are not defined by IFRS.

The Company's management calculates main performance measures as follows:

Performance measure	Calculation
EBITDA	Total revenue and other income - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses
Adjusted EBITDA	EBITDA + Management adjustments
Investments	Additions of property, plant, and equipment + Additions of intangible assets + Additions of other financial assets + Additions of investment property + Prepayments for non-current assets - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets

## 5.1 Management's adjustments, Adjusted EBITDA

Management's adjustments include temporary regulatory differences.

Adjusted EBITDA is EBITDA further adjusted by adding management's adjustments. Management's adjustments all may have both positive and negative impact on the reporting period results.

In managements view, adjusted EBITDA more accurately present results of operations and enable to better compare results between the periods as it indicates the amount that was actually earned by the Company in the reporting year by:

- eliminating differences between the permitted return set by the NERC and the actual return for the period (temporary regulatory differences);
- adjusting for effects not related to the main activities of the Company or related to other periods.

Management's adjustments used in calculating Adjusted EBITDA:

Segment / Management's adjustments, EUR thousand	2024	2023
Temporary regulatory differences for prior periods	53,362	41,696
Temporary regulatory differences for reporting period	(36,089)	(153,811)
<b>Total EBITDA adjustments</b>	<b>17,273</b>	<b>(112,115)</b>

Adjusted EBITDA results are reported after the adjustments made by the management that comprise the impact of temporary regulatory differences resulting from the NERC resolutions and by deducting the current year difference arising between the return on investments permitted by the NERC and estimated by management. For 2024 the adjustment amounted to EUR 17,273 thousand (EUR (112,115) thousand for 2023). This adjustment includes:

- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 53,362 thousand for 2024 (EUR 41,696 thousand during 2023). These amounts are based on resolutions published by the NERC;
- new amounts of temporary regulatory differences formed during the reporting period – EUR (36,089) thousand (EUR (153,811) thousand during 2023). The amounts for current year are based on management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by management using actual financial and operating data for the current period.

The table below shows Company's information on segments for the year 2024 and 2023.

EUR thousand	Electricity distribution and transmission		Natural gas distribution		In total	
	2024	2023	2024	2023	2024	2023
<i>IFRS<sup>1</sup></i>						
Electricity related revenue	606,137	493,980	-	-	606,137	493,980
Gas related revenue	-	-	69,184	73,168	69,184	73,168
Other revenue	23,803	23,434	2,375	2,459	26,178	25,893
Other income	1,738	1,412	0,275	0,231	2,013	1,643
<b>Total revenue and other income</b>	<b>631,678</b>	<b>518,826</b>	<b>71,834</b>	<b>75,858</b>	<b>703,512</b>	<b>594,684</b>
Purchases of electricity, gas and other services	(312,643)	(127,200)	(4,079)	(8,287)	(316,722)	(135,487)
Salaries and related expenses	(62,914)	(54,736)	(19,275)	(17,159)	(82,189)	(71,895)
Repair and maintenance expenses	(40,154)	(42,205)	(4,253)	(3,978)	(44,407)	(46,183)
Other expenses	(44,826)	(37,613)	(9,884)	(8,711)	(54,710)	(46,324)
<b>EBITDA</b>	<b>171,141</b>	<b>257,071</b>	<b>34,343</b>	<b>37,724</b>	<b>205,484</b>	<b>294,795</b>
Depreciation and amortisation	(100,169)	(87,153)	(14,277)	(16,896)	(114,446)	(104,049)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(3,138)	(1,274)	(0,114)	(0,439)	(3,252)	(1,713)
<b>Operating profit (loss) (EBIT)</b>	<b>67,834</b>	<b>168,643</b>	<b>19,952</b>	<b>20,390</b>	<b>87,786</b>	<b>189,033</b>
<i>Adjusted<sup>2</sup></i>						
EBITDA	171,141	257,072	34,343	37,723	205,484	294,795
Management adjustments	25,317	(96,545)	(8,044)	(15,570)	17,273	(112,115)
<b>Adjusted EBITDA</b>	<b>196,458</b>	<b>160,527</b>	<b>26,299</b>	<b>22,153</b>	<b>222,757</b>	<b>182,680</b>

<sup>1</sup>Amounts are presented according to statement of profit or loss and other comprehensive income of these financial statements.

<sup>2</sup>The indicators of Adjusted EBITDA and Adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods.

## 6. Revenue from contracts with customers

### 6.1 Revenue from contracts with customers by type

EUR thousand	2024	2023 <sup>1</sup>
<b>Electricity related revenue</b>		
Revenue from electricity distribution	572,109	452,996
Revenue from the sale of electricity	34,116	41,059
Revenue from PSO	(88)	(75)
Revenue from new customers' electricity connection fees	13,681	11,721
<b>Gas related revenue</b>		
Revenue from gas distribution	69,160	73,118
Revenue from gas sales	24	50
Revenue from new customers' gas connection fees	1,588	1,557
<b>Other revenue</b>		
Other revenue from contracts with customers	10,909	12,615
<b>Total</b>	<b>701,499</b>	<b>593,041</b>

<sup>1</sup> In 2024 the Company changed the classification of revenue from contracts with customers, accordingly comparative figures for 2023 have been reclassified from Revenue from supply of last resort - 29,954 and Revenue from other electricity related activity - 11,030 to lines Revenue from the sale of electricity - 41,059 and Revenue from PSO - (75), also Revenue from new customers' connection and upgrade fees - 13,278 was split to Revenue from new customers' electricity connection fees -11,721 and Revenue from new customers' gas connection fees -1,557.

The Company's revenue based on the timing of transfer of goods or services:

EUR thousand	2024	2023
Performance obligations settled over time	690,669	584,089
Performance obligations settled at a specific point in time	10,830	8,952
<b>Total</b>	<b>701,499</b>	<b>593,041</b>

### 6.2 Contract balances

EUR thousand	Notes	31 December 2024	31 December 2023
<b>Trade receivables</b>	17	<b>82,623</b>	<b>64,588</b>
Other accrued revenue		-	190
<b>Contract assets</b>		-	<b>190</b>
Advances received	25.2	64,007	48,746
Deferred income	25.1	350,005	299,944
<b>Contract liabilities</b>		<b>414,012</b>	<b>348,690</b>
Non-current contract liabilities	25.1	333,597	285,862
Current contract liabilities		80,415	62,828

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts.

### 6.3 Transaction price allocation to remaining performance obligations

All the Company's performance obligations entitle the Company to receive from the customer such amount that corresponds directly to the value of the Company's performance completed to date, therefore, the Company applies the practical expedient in paragraph 121 of IFRS 15 and chooses not to disclose the allocation of transaction price to the remaining performance obligations.

### 6.4 Rights to returned goods and refund liabilities

The Company does not have any significant contracts with the customers' right to return goods.

### 6.5 Performance obligations

The performance obligation is satisfied upon delivery of the service and payment is generally due within 30 days from delivery. For more information on fulfilment of performance obligations, issuing invoices see Note 1.2.

## 7. Other income

EUR thousand	2024	2023
Rent income	362	362
Interest on late payments equivalent to interest	1,659	356
Gain/(loss) on disposal of non-current assets	(221)	(37)
Other income	213	962
<b>Total:</b>	<b>2,013</b>	<b>1,643</b>

## 8. Purchases of electricity, natural gas and other services

EUR thousand	2024	2023
Purchases of electricity and related services	312,604	127,110
Purchases of natural gas and related services	3,731	7,871
Other purchases	387	506
<b>Total</b>	<b>316,722</b>	<b>135,487</b>

## 9. Salaries and related expenses

EUR thousand	2024	2023
Wages and salaries	75,851	65,720
Social security contributions	1,455	1,303
Result of change in assumptions of benefits to employees	833	1,075
Change in vacation accrual	774	606
Termination benefits	779	592
Recharged payroll (work for several employees)	2,496	2,599
<b>In total</b>	<b>82,188</b>	<b>71,895</b>

## 10. Impairment, revaluation and write-off expenses

EUR thousand	2024	2023
Write-off of property, plant and equipment	3,252	2,784
Revaluation and impairment losses (reversal) of property, plant and equipment (Note 15.3)	-	(1,071)
<b>In total</b>	<b>3,252</b>	<b>1,713</b>

## 11. Other expenses

EUR thousand	2024	2023
Telecommunications and IT services	17,701	14,901
Asset management and administration	12,151	10,889
Taxes (other than income tax)	5,927	3,677
People and culture	4,209	2,916
Customer service	3,791	3,878
Legal	769	582
Finance and accounting	617	595
Communication	465	450
Sustainability	124	46
Other	8,956	8,390
<b>Total</b>	<b>54,710</b>	<b>46,324</b>

## 12. Finance activity

EUR thousand	2024	2023
Interest income at the effective interest rate	468	219
Other income from financing activities	1	41
<b>Total finance income</b>	<b>469</b>	<b>260</b>
Interest expenses	23,731	18,530
Interest and discount expenses on lease liabilities	255	318
Other expenses of financing activities	98	165
<b>Total finance expenses</b>	<b>24,084</b>	<b>19,013</b>
<b>Finance activity, net</b>	<b>(23,615)</b>	<b>(18,753)</b>

## 13. Income taxes

### 13.1 Amounts recognised in profit or loss

EUR thousand	2024	2023
Deferred tax expenses (benefit)	1,579	15,812
<b>Total</b>	<b>1,579</b>	<b>15,812</b>

### 13.2 Reconciliation of effective tax rate

Income tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company.

EUR thousand	2024	2024	2023	2023
<b>Profit or loss before tax</b>	-	<b>64,171</b>	-	<b>170,280</b>
Income tax expenses (benefit) at tax rate of 15%	15.00%	9,626	15.00%	25,542
Non-taxable income and non-deductible expenses	5.29%	3,393	1.59%	2,705
Income tax relief for the investment project	(15.43%)	(9,899)	(7.23%)	(12,318)
Donation	-	-	(0.07%)	(117)
Income tax rate change	(2.40%)	(1,541)	-	-
<b>Income tax expenses (benefit)</b>	<b>2.46%</b>	<b>1,579</b>	<b>9.29%</b>	<b>15,812</b>

Current income tax is calculated on profit before tax. The standard income tax rate in Lithuania was 15% in 2024 and 2023 (starting from 2025 – 16%). Income tax relief for the investment project included the income tax relief for the investment projects in 2024.

### 13.3 Deferred tax

EUR thousand	31 December 2022	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2023	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2024 <sup>1</sup>
<b>Deferred tax asset</b>							
Difference on recognition of income from new customer connection services	12,051	(720)	-	11,331	(13)	-	11,318
Write-down of inventories and impairment of receivables	447	239	-	687	113	-	800
Accrued expenses	1,864	(1,281)	-	583	1,271	-	1,854
Electricity over declaration	6,800	(6,800)	-	-	-	-	-
Lease liability (IFRS16)	1,084	296	-	1,380	(344)	-	1,036
Unused income tax relief for the investment project	2,468	(737)	-	1,731	7,764	-	9,495
<b>Deferred tax asset</b>	<b>24,714</b>	<b>(9,003)</b>	-	<b>15,712</b>	<b>8,791</b>	-	<b>24,503</b>
<b>Deferred tax liability</b>							
Differences of financial and tax value (PPE)	(37,419)	(6,703)	(146)	(44,268)	(10,669)	(689)	(55,626)
Income tax relief for the investment project	(595)	150	-	(445)	129	-	(316)
Right-of-use asset (IFRS16)	(1,046)	(291)	-	(1,337)	341	-	(996)
Differences in tax and financial values of grants	(3,122)	35	-	(3,087)	(171)	-	(3,258)
<b>Deferred tax liability</b>	<b>(42,181)</b>	<b>(6,809)</b>	<b>(146)</b>	<b>(49,136)</b>	<b>(10,370)</b>	<b>(689)</b>	<b>(60,195)</b>
<b>Deferred tax, net</b>	<b>(17,466)</b>	<b>(15,812)</b>	<b>(146)</b>	<b>(33,424)</b>	<b>(1,579)</b>	<b>(689)</b>	<b>(35,692)</b>

<sup>1</sup> As at 31 December 2024 and as at 31 December 2023, the Company does not have any temporary differences from which deferred tax assets were not recognised.

## 14. Intangible assets

EUR thousand	Patents and licences	Computer software	Other intangible assets	Software development	Servitudes and protection zones	Total
<b>Acquisition cost at 1 January 2023</b>	<b>232</b>	<b>20,746</b>	<b>288</b>	<b>16,705</b>	<b>22,905</b>	<b>60,876</b>
Additions	-	-	-	12,957	1,194	14,151
Reclassifications between categories	2	15,701	-	(15,703)	-	-
Reclassified (to) from property, plant and equipment	-	-	-	2,007	-	2,007
Re-measurement related to Rights to servitudes and security zones (Note 5.6)	-	-	-	-	(3,435)	(3,435)
<b>Acquisition cost at 31 December 2023</b>	<b>234</b>	<b>36,447</b>	<b>288</b>	<b>15,966</b>	<b>20,664</b>	<b>73,599</b>
<b>Accumulated amortisation at 1 January 2023</b>	<b>(216)</b>	<b>(16,858)</b>	<b>(274)</b>	<b>-</b>	<b>-</b>	<b>(17,348)</b>
Amortisation	(6)	(4,348)	(11)	-	-	(4,365)
<b>Accumulated depreciation at 31 December 2023</b>	<b>(222)</b>	<b>(21,206)</b>	<b>(285)</b>	<b>-</b>	<b>-</b>	<b>(21,713)</b>
<b>Carrying amount at 31 December 2023</b>	<b>12</b>	<b>15,241</b>	<b>3</b>	<b>15,966</b>	<b>20,664</b>	<b>51,886</b>
<b>Acquisition cost at 1 January 2024</b>	<b>234</b>	<b>36,447</b>	<b>288</b>	<b>15,966</b>	<b>20,664</b>	<b>73,599</b>
Additions	-	1	-	10,544	933	11,478
Reclassifications between categories	-	22,636	1	(22,637)	-	-
Reclassified (to) from property, plant and equipment	-	-	-	855	-	855
Write-offs	(9)	(314)	(63)	-	-	(386)
Re-measurement related to Rights to servitudes and security zones (Note 5.6)	-	-	-	-	(5,051)	(5,051)
<b>Acquisition cost at 31 December 2024</b>	<b>225</b>	<b>58,770</b>	<b>226</b>	<b>4,728</b>	<b>16,546</b>	<b>80,495</b>
<b>Accumulated amortisation at 1 January 2024</b>	<b>(222)</b>	<b>(21,206)</b>	<b>(285)</b>	<b>-</b>	<b>-</b>	<b>(21,713)</b>
Write-offs	9	314	63	-	-	386
Reclassifications between categories	-	-	-	-	-	-
Amortisation	(6)	(11,455)	(4)	-	-	(11,465)
<b>Accumulated depreciation at 31 December 2024</b>	<b>(219)</b>	<b>(32,347)</b>	<b>(226)</b>	<b>-</b>	<b>-</b>	<b>(32,792)</b>
<b>Carrying amount at 31 December 2024</b>	<b>6</b>	<b>26,423</b>	<b>-</b>	<b>4,728</b>	<b>16,546</b>	<b>47,703</b>

### 14.1 Fully amortised intangible assets

As at 31 December 2024 and 2023, the cost of acquisition of fully amortised intangible assets used by the Company were as follows:

EUR thousand	31 December 2024	31 December 2023
Patents and licences	161	53
Computer software	3,298	3,145
Other intangible assets	219	108
<b>Cost of fully amortised assets, total</b>	<b>3,678</b>	<b>3,306</b>

### 14.2 Acquisition commitments

As at 31 December 2024 and 2023, the Company has no significant acquisition commitments of intangible assets to be fulfilled during the subsequent years.

### 14.3 Pledged assets

As at 31 December 2024 and 2023, the Company did not have non-current intangible assets pledged.

### 14.4 Servitudes and protection zones

The movement of intangible assets "Servitudes and protection zones" during 2024 year is presented below:

Servitudes and security zones, EUR thousand	31 December 2023	Change	31 December 2024
Statutory servitudes – provision (Note 4.3.1)	5,277	(4,683)	594
Protection zones – provision (Note 4.3.2)	987	(371)	616
Statutory and contractual servitudes – acquisition cost	6,598	524	7,122
Protection zones – acquisition cost	7,802	412	8,214
<b>Servitudes and security zones, in total</b>	<b>20,664</b>	<b>(4,118)</b>	<b>16,546</b>

### 14.5 Intangible assets additions by operating segments

In 2024 intangible assets additions amounted to EUR 11,478 thousand, out of which additions related to electricity transmission and distribution operating segment comprised EUR 9,607 thousand, and additions related to natural gas transmission operating segment comprised EUR 1,871 thousand.

In 2023 intangible assets additions amounted to EUR 14,151 thousand, out of which additions related to electricity transmission and distribution operating segment comprised EUR 12,662 thousand, and additions related to natural gas transmission operating segment comprised EUR 1,489 thousand.

## 15. Property, plant and equipment

### 15.1 Company's property, plant and equipment

EUR thousand	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Vehicles	Other property, plant and equipment	Construction-in-progress	In total
<b>Acquisition cost or revalued amount at 1 January 2024</b>	<b>1,752,373</b>	<b>446,775</b>	<b>2,862</b>	<b>26,359</b>	<b>97,330</b>	<b>2,325,699</b>
Additions	4,511	-	535	591	320,392	326,029
Disposals	(4,762)	(50)	-	(113)	-	(4,925)
Write-offs	(2,993)	(293)	-	(17)	(786)	(4,089)
Reclassifications from construction in progress	305,895	10,731	4,398	3,550	(324,574)	-
Other reclassifications between categories	(503)	(6)	-	509	-	-
Reclassification from (to) intangible assets	-	-	-	-	(855)	(855)
<b>Acquisition cost or revalued amount at 31 December 2024</b>	<b>2,054,521</b>	<b>457,157</b>	<b>7,795</b>	<b>30,879</b>	<b>91,507</b>	<b>2,641,859</b>
<b>Recalculated accumulated depreciation and impairment losses at 1 January 2024</b>	<b>(155,300)</b>	<b>(126,010)</b>	<b>(2,251)</b>	<b>(10,262)</b>	-	<b>(293,823)</b>
Depreciation	(87,642)	(10,347)	(403)	(2,656)	-	(101,048)
Disposals	1,196	32	-	56	-	1,284
Write-offs	351	143	-	17	-	511
Other reclassifications between categories	503	7	-	(510)	-	-
<b>Accumulated depreciation and impairment losses at 31 December 2024</b>	<b>(240,892)</b>	<b>(136,175)</b>	<b>(2,654)</b>	<b>(13,355)</b>	-	<b>(393,076)</b>
<b>Carrying amount at 31 December 2024</b>	<b>1,813,629</b>	<b>320,982</b>	<b>5,141</b>	<b>17,524</b>	<b>91,507</b>	<b>2,248,783</b>
<b>Acquisition cost or revalued amount at 1 January 2023</b>	<b>1,432,691</b>	<b>435,542</b>	<b>2,862</b>	<b>22,683</b>	<b>107,647</b>	<b>2,001,425</b>
Additions	618	-	-	653	329,701	330,972
Revaluation	2,041	-	-	-	-	2,041
Disposals	(3,771)	(30)	-	(60)	-	(3,861)
Write-offs	(2,243)	(119)	-	(11)	(498)	(2,871)
Reclassifications from construction in progress	323,037	11,382	-	3,094	(337,513)	-
Reclassification from (to) intangible assets	-	-	-	-	(2,007)	(2,007)
<b>Acquisition cost or revalued amount at 31 December 2023</b>	<b>1,752,373</b>	<b>446,775</b>	<b>2,862</b>	<b>26,359</b>	<b>97,330</b>	<b>2,325,699</b>
<b>Recalculated accumulated depreciation and impairment losses at 1 January 2023</b>	<b>(73,719)</b>	<b>(114,267)</b>	<b>(1,529)</b>	<b>(7,860)</b>	-	<b>(197,375)</b>
Depreciation	(82,633)	(11,813)	(722)	(2,438)	-	(97,606)
Disposals	862	17	-	26	-	905
Write-offs	190	53	-	10	-	253
<b>Accumulated depreciation and impairment losses at 31 December 2023</b>	<b>(155,300)</b>	<b>(126,010)</b>	<b>(2,251)</b>	<b>(10,262)</b>	-	<b>(293,823)</b>
<b>Carrying amount at 31 December 2023</b>	<b>1,597,073</b>	<b>320,765</b>	<b>611</b>	<b>16,097</b>	<b>97,330</b>	<b>2,031,876</b>

The interest capitalised by the Company during the year of 2024 as part of property, plant and equipment amounted to EUR 1.776 million, at an average interest rate of 2.48% (2023 year: interest capitalised amounted to EUR 1.631 million, at an average interest rate of 2.88%.

In 2023 part of other property, plant and equipment was accounted for at revalued amount (EUR 13.2 million), the other part - with the cost method (EUR 2.9 million). In 2023 part of the construction in-progress was accounted for at revalued amount (EUR 95.9 million), the other part - the cost method (EUR 1.4 million).

During the year 2024 the full revaluation of property, plant and equipment used in electricity distribution was not performed. For more detailed information see Note 4.1 and 15.2.



## 15.2 Electricity Business Segment CGU

The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 1,908.9 million as at 31 December 2024 (EUR 1,692.1 million as at 31 December 2023).

As mentioned in Note 4.1, the Company performed assessment of fair value of this CGU and decided not to perform full revaluation. For this the Company analysed whether the assumptions made in full revaluation in 2021 had not changed significantly – it was noted that only several assumptions changed:

- discount rate (after-tax) was 4.89% (5.82% pre-tax);
- rate of return set by NERC in 2025 – 5.82% (approximates the pre-tax discount rate);
- the advance schedule for returning the EUR 137.5 million regulatory difference, which has formed due to the long run average increase costs ('LRAIC') model, will reduce the Company's revenue by EUR 137.5 million in 2025–2031.
- changes in the additional component amount calculation, which will allow to keep the sustainable debt level of 5.5x, as determined in the approved methodology.

However, these changes did not significantly impact the recoverable amount.

The following key assumptions were used in 31 December 2024 valuation:

- discount rate (after-tax) was 4.89% (5.82% pre-tax).
- WACC rate of return set by NERC 2024 – 5.82%, (approximates the pre-tax discount rate).
- long-term forecast for investments in the electricity segment was applied, including their funding according to the updated 10-year investment plan of the Company;
- an additional tariff component is established for funding of investments, on the basis whereof the amount will be included yearly in the Company's regulated income of the period of 2025-2026 and subsequent periods which will allow the keep sustainable debt level of 5.5x, as determined in the approved methodology. According to the management's assessment, even though there is a possibility that after the forecast period (2025-2039) an additional component will remain, however, assumed at a conservative level it is not included in the measurement of a continuous value.
- according to the measurement model, the calculated return adjustment, amounting to EUR 137.5 million, formed due to the main network elements' depreciation and investment return level being optimized and not optimized by the long run average increase costs ('LRAIC') model and due to the actual depreciation and investment return level, will reduce the Company's revenue by EUR 137.5 million in 2025–2031 and, in addition, the interest will be charged on the outstanding portion on a yearly basis;
- the fair value of assets was determined using the revenue model when forecasting cash flows until 2039, taking into consideration the projected adjustment of investment returns due to the LRAIC asset depreciation and the expected repayment term of return differences in 2018–2021.

Information about gains and losses of revaluation of assets of the Electricity CGU, incurred during 2024 is presented below:

EUR thousand	Recognised in other comprehensive income and revaluation reserve	Recognised through profit or loss	Total revaluation result
Increase (decrease) in the carrying amount	-	-	-
Total	-	-	-

Information about gains and losses of revaluation of assets of the Electricity CGU, incurred during 2023 is presented below:

EUR thousand	Recognised in other comprehensive income and revaluation reserve	Recognised through profit or loss	Total revaluation result
Increase (decrease) in the carrying amount	970	1,071	2,041
Total	970	1,071	2,041

### Sensitivity analysis

The Company exercised the fair value assessment analysis of unobservable inputs variation, relying on the following scenarios:

sensitivity of variation in the investment return rate (WACC) (starting from the regulation period 2027) and the discount rate. The possible fair value changes due to the variation of these inputs are disclosed in the table below (EUR million):

		WACC (pre-tax), %							
		4.89%	5.25%	5.55%	5.82%	6.12%	6.40%	6.70%	
		Δ	(16)%	(10)%	(5)%	0%	5%	10%	15%
Discount rate (pre-tax) %	4.89%	(16)%	263	255	249	243	237	231	225
	5.25%	(10)%	164	157	151	145	139	134	128
	5.82%	0%	17	11	5	-	(6)	(11)	(16)
	6.40%	10%	(121)	(127)	(133)	(137)	(143)	(148)	(153)
	6.70%	15%	(189)	(195)	(200)	(205)	(210)	(214)	(219)

### 15.3 Revalued property, plant and equipment

If property, plant and equipment had not been revalued, the carrying amount of the Company's property, plant and equipment would have been following:

EUR thousand	Electricity networks and their structures	Vehicles	Total revaluation result
As at 31 December 2023	1,714,173	602	1,714,775
As at 31 December 2024	1,933,573	5,138	1,938,711

### 15.4 Acquisitions and disposals of property, plant and equipment

Acquisitions of property, plant and equipment during 2024 include the following major acquisitions to the construction in progress:

- acquisitions related to the development of the electricity distribution network (cable lines, modular transformers, meters etc.)
- acquisitions related to the development of the gas distribution network (plastic distribution pipelines etc.).

The Company has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Company's acquisition and construction commitments amounted to EUR 330,150 thousand (31 December 2023: EUR 323,774 thousand).

### 15.5 Fair value hierarchy of property, plant and equipment

In the opinion of the Company's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2024 and 2023 did not differ significantly from their fair value. Total fair value of the Company's revalued property, plant and equipment is attributed to Level 3 of the hierarchy (refer to Note 1.12 for the description of the fair value hierarchy levels). The last full revaluation was performed in 2021. The revaluation was performed internally.

### 15.6 Fully depreciated assets, that are used in the Company's activities

The cost or revalued amount of fully depreciated property, plant and equipment, but still in use by the Company were as follows:

EUR thousand	31 December 2024	31 December 2023
Buildings	-	139
Electricity networks and their structures	21,764	17,558
Gas distribution pipelines, gas technological equipment and installations	16,888	14,368
Other property, plant and equipment	6,014	2,893
<b>Total</b>	<b>44,666</b>	<b>34,958</b>

### 15.7 Pledged property, plant and equipment

As at 31 December 2024 and 2023, the Company did not have pledged property, plant and equipment.

### 15.8 Property, plant and equipment additions by operating segments

In 2024 property, plant and equipment additions amounted to EUR 326,029 thousand, out of which additions related to electricity transmission and distribution operating segment comprised EUR 312,163 thousand, and additions related to natural gas transmission operating segment comprised EUR 13,866 thousand.

In 2023 property, plant and equipment additions amounted to EUR 330,972 thousand, out of which additions related to electricity transmission and distribution operating segment comprised EUR 315,884 thousand, and additions related to natural gas transmission operating segment comprised EUR 15,088 thousand.

## 16. Right-of-use assets

### 16.1 The Company's right-of-use assets

EUR thousand	Land	Buildings	Other property, plant and equipment	Total
<b>31 December 2022</b>				
Acquisition cost	1,495	11,833	11,708	25,036
Accumulated amortisation	(166)	(7,389)	(10,254)	(17,809)
<b>Carrying amount</b>	<b>1,329</b>	<b>4,444</b>	<b>1,454</b>	<b>7,227</b>
<b>Carrying amount at 1 January 2023</b>	<b>1,329</b>	<b>4,444</b>	<b>1,454</b>	<b>7,227</b>
Additions	9	1,406	5,147	6,562
Write-offs and disposals	-	(2)	(3)	(5)
Depreciation	(39)	(2,121)	(2,308)	(4,468)
Remeasurement of lease agreements	(49)	-	-	(49)
<b>Carrying amount at 31 December 2023</b>	<b>1,250</b>	<b>3,727</b>	<b>4,290</b>	<b>9,267</b>
<b>31 December 2023</b>				
Acquisition cost	1,455	13,237	16,851	31,543
Accumulated amortisation	(205)	(9,510)	(12,561)	(22,276)
<b>Carrying amount</b>	<b>1,250</b>	<b>3,727</b>	<b>4,290</b>	<b>9,267</b>
<b>Carrying amount at 1 January 2024</b>	<b>1,250</b>	<b>3,727</b>	<b>4,290</b>	<b>9,267</b>
Additions	-	807	270	1,077
Write-offs	-	-	(153)	(153)
Depreciation	(40)	(2,094)	(1,804)	(3,938)
Remeasurement of lease agreements	-	(30)	-	(30)
<b>Carrying amount at 31 December 2024</b>	<b>1,210</b>	<b>2,410</b>	<b>2,603</b>	<b>6,223</b>
<b>31 December 2024</b>				
Acquisition cost	1,455	14,014	17,121	32,590
Accumulated amortisation	(245)	(11,604)	(14,518)	(26,367)
<b>Carrying amount</b>	<b>1,210</b>	<b>2,410</b>	<b>2,603</b>	<b>6,223</b>

### 16.2 Expenses related to lease agreements recognised in statement of profit or loss

EUR thousand	2024	2023
Depreciation	3,938	4,468
Interest expenses	255	318
Other rent expenses	990	867
<b>Lease expenses, total</b>	<b>5,183</b>	<b>5,653</b>

### 16.3 Future expenses related to lease agreements

EUR thousand	31 December 2024	31 December 2023
Future cash outflow for leases not yet commenced to which the lessee is committed	7,552	134
<b>Future lease expenses, total</b>	<b>7,552</b>	<b>134</b>

### 16.4 Right-of-use assets additions by operating segments

In 2024 Right-of-use assets additions amounted to EUR 1,077 thousand, out of which additions related to electricity transmission and distribution operating segment comprised EUR 834 thousand, and additions related to natural gas transmission operating segment comprised EUR 243 thousand.

In 2023 Right-of-use assets additions amounted to EUR 6,562 thousand, out of which additions related to electricity transmission and distribution operating segment comprised EUR 5,061 thousand, and additions related to natural gas transmission operating segment comprised EUR 1,501 thousand.

## 17. Trade receivables

EUR thousand	31 December 2024	31 December 2023
Receivables from electricity related sales	74,591	53,848
Receivables from gas	10,458	12,399
Other trade receivables	2,267	2,678
<b>In total</b>	<b>87,316</b>	<b>68,925</b>
Less: loss allowance of trade receivables	(4,693)	(4,337)
<b>Carrying amount</b>	<b>82,623</b>	<b>64,588</b>

Trade receivables are not subject to interest, the general term of settlement is 25-35 days.

### 17.1 Loss allowance of trade receivable (lifetime expected credit losses)

The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of forward looking information where forward looking information is indicative of any exacerbation of economic conditions during upcoming years or of customer types. A different loss ratio matrix is used with regard to household consumers and non-household consumers.

The Company's trade receivables as at 31 December 2024 and 2023 for the assessment whereof the collective estimate is applied using the loss ratio matrix are presented below:

EUR thousand	Loss ratio	Trade receivables	Loss allowance
Not past due	0.50%	39,739	197
Up to 30 days	9.18%	1,253	115
30–60 days	15.98%	488	78
60-90 days	19.46%	334	65
90-120 days	29.65%	199	59
More than 120 days	57.73%	7,239	4,179
<b>As at 31 December 2024</b>	<b>9.53%</b>	<b>49,252</b>	<b>4,693</b>

EUR thousand	Loss ratio	Trade receivables	Loss allowance
Not past due	0.39%	27,711	109
Up to 30 days	3.03%	1,123	34
30–60 days	7.82%	537	42
60-90 days	11.94%	444	53
90-120 days	17.03%	229	39
More than 120 days	53.28%	7,620	4,060
<b>As at 31 December 2023</b>	<b>11.51%</b>	<b>37,664</b>	<b>4,337</b>

The Company's trade receivables for the assessment whereof the individual estimate is applied:

EUR thousand	31 December 2024		31 December 2023	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not past due	38,064	-	31,261	-
Up to 30 days	-	-	-	-
30–60 days	-	-	-	-
60-90 days	-	-	-	-
90-120 days	-	-	-	-
More than 120 days	-	-	-	-
<b>Carrying amount</b>	<b>38,064</b>	<b>-</b>	<b>31,261</b>	<b>-</b>

Movements in the Company's loss allowance account for trade receivables were as follows:

EUR thousand	2024	2023
<b>Carrying amount as at 1 January</b>	<b>4,337</b>	<b>2,765</b>
Loss allowance during the year	1,491	1,783
Reversal of loss allowance	(1,135)	(211)
<b>Carrying amount as at 31 December</b>	<b>4,693</b>	<b>4,337</b>

Impairment loss of receivables was recognised in line item "Other expenses" in the Statements of profit or loss.

Fair value of trade and other receivables approximates their carrying amounts as at 31 December 2024 and 2023.

## 18. Cash and cash equivalents

EUR thousand	31 December 2024	31 December 2023
Cash balances in bank accounts	10,521	11,930
<b>Carrying amount</b>	<b>10,521</b>	<b>11,930</b>

Fair value of cash and cash equivalents approximates to their carrying amount as at 31 December 2024 and 2023.

As at 31 December 2024 and 2023, the Company did not have pledged or otherwise restricted owned funds in banks.

There was no balance of the administrated state budget funds in the accounts in 2024.

According to the management's assessment, ECL on cash and cash equivalents are not significant because:

- The Company's cash and cash equivalents are kept in international group banks with good credit ratings. The banks are charged with the highest liquidity, capital adequacy, own funds, additional capital reserves and other risk-limiting requirements and regulations that banks must comply with and regularly report to supervisory authorities.
- The Company mostly uses banks that are supervised by the European Central Bank.

## 19. Equity

### 19.1 Share capital

thousand	31 December 2024	31 December 2023
<b>Authorised shares</b>		
Ordinary shares, units	894,630	894,630
<b>Ordinary shares issued and fully paid, units</b>	<b>894,630</b>	<b>894,630</b>

As at 31 December 2024 and 31 December 2023 the issued capital of the Company amounted to EUR 259,442,797 and it was divided into 894,630,333 ordinary registered shares with a par value of EUR 0.29 each. All issued shares were fully paid.

## 19.2 Dividends

EUR thousand	2024	2023
Declared dividends	29,970	28,986

On 19 March 2024, during the Ordinary General Meeting of Shareholders of the Company a decision was made to approve profit distribution for 2023 and to distribute EUR 0.0335 dividend per share, EUR 29,970 thousand of dividends in total.

On 28 March 2023, during the Ordinary General Meeting of Shareholders of the Company, a decision was made to approve profit distribution for 2022 and to distribute EUR 0.032 dividend per share, EUR 28,986 thousand of dividends in total.

## 20. Reserves

### 20.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the share capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

The Company's legal reserve was fully formed at 31 December 2024 and 2023.

### 20.2 Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment due to the fair value changes (for more information see Note 15.3). This reserve cannot be used to cover losses.

The movement in the Company's revaluation reserve during the year was as follows:

EUR thousand	Revaluation re- serve	Deferred income tax	Revaluation re- serve less de- ferred income tax
<b>Carrying amount at 1 January 2023</b>	<b>84,434</b>	<b>(12,665)</b>	<b>71,769</b>
Transfer from revaluation reserve to retained earnings during the year (depreciation, write-offs, disposals)	(8,938)	1,341	(7,597)
Profit or loss due to revaluation of property, plant and equipment during the year	970	(146)	824
<b>Carrying amount at 31 December 2023</b>	<b>76,466</b>	<b>(11,470)</b>	<b>64,996</b>
<b>Carrying amount at 1 January 2024</b>	<b>76,466</b>	<b>(11,470)</b>	<b>64,996</b>
Transfer of revaluation reserve to retained earnings during the year (depreciation, write-offs, disposals)	(7,575)	1,136	(6,439)
Tax	-	(688)	(688)
<b>Carrying amount at 31 December 2024</b>	<b>68,891</b>	<b>(11,022)</b>	<b>57,869</b>

## 21. Loans and lease liabilities

EUR thousand	Note	31 December 2024	31 December 2023
<b>Non-current</b>			
Loans received	27	819,126	827,027
Lease liabilities		3,804	6,380
<b>Total non-current</b>		<b>822,930</b>	<b>833,407</b>
<b>Current</b>			
Current portion of non-current loans received	27	19,668	19,842
Current loans		184,905	65,899
Lease liabilities	27	2,670	3,176
<b>Total current</b>		<b>207,243</b>	<b>88,917</b>
<b>In total</b>		<b>1,030,173</b>	<b>922,324</b>

Loans and lease liabilities by maturity:

EUR thousand	31 December 2024	31 December 2023
Up to 1 year	207,243	88,917
From 1 to 2 years	14,888	11,910
From 2 to 5 years	437,488	443,502
After 5 years	370,554	377,995
<b>In total</b>	<b>1,030,173</b>	<b>922,324</b>

### 21.1 Covenants and unwithdrawn balances

The Company has the following unwithdrawn committed credit facilities from related parties expiring within or after one year:

EUR thousand	31 December 2024	31 December 2023
Credit facilities	46,158	84,438

The loan agreements provide for financial and non-financial covenants that Company obliged to comply with. Company complied with the covenants as at 31 December 2024 and 31 December 2023.

## 22. Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Company. Management is monitoring net debt metric as a part of risk-management strategy.

Net debt balances:

EUR thousand	31 December 2024	31 December 2023
Cash and cash equivalents	(10,521)	(11,930)
Non-current portion	822,930	833,407
Current portion	207,243	88,917
<b>Net debt</b>	<b>1,019,652</b>	<b>910,394</b>

Reconciliation of the Company's net debt balances and cash flows from financing activities:

EUR thousand	Loans		Lease liabilities		Assets	Total
	Non-current	Current	Non-current	Current	Cash and cash equivalents	
<b>Net debt at 1 January 2023</b>	<b>834,929</b>	<b>18,333</b>	<b>6,328</b>	<b>1,098</b>	<b>(84,625)</b>	<b>776,063</b>
<b>Cash changes</b>						
(Increase) decrease in cash and cash equivalents	-	-	-	-	72,695	<b>72,695</b>
Repayments of loans	-	(7,902)	-	-	-	<b>(7,902)</b>
Lease payments	-	-	-	(4,265)	-	<b>(4,265)</b>
Interest paid <sup>1</sup>	-	(22,294)	-	(318)	-	<b>(22,612)</b>
Cash-pool net change	-	65,562	-	-	-	<b>65,562</b>
<b>Non-cash changes</b>						
Lease contracts concluded	-	-	6,153	409	-	<b>6,562</b>
Accrual of interest payable	-	20,161	-	318	-	<b>20,479</b>
Lease remeasurement	-	-	(76)	-	-	<b>(76)</b>
Reclassifications between items	(7,902)	7,902	(6,011)	6,011	-	-
Other non-monetary changes	-	3,979	(14)	(77)	-	<b>3,888</b>
<b>Net debt at 31 December 2023</b>	<b>827,027</b>	<b>85,741</b>	<b>6,380</b>	<b>3,176</b>	<b>(11,930)</b>	<b>910,394</b>
<b>Net debt at 1 January 2024</b>	<b>827,027</b>	<b>85,741</b>	<b>6,380</b>	<b>3,176</b>	<b>(11,930)</b>	<b>910,394</b>
<b>Cash changes</b>						
(Increase) decrease in cash and cash equivalents	-	-	-	-	1,409	<b>1,409</b>
Repayments of loans	-	(7,901)	-	-	-	<b>(7,901)</b>
Lease payments	-	-	-	(3,928)	-	<b>(3,928)</b>
Interest paid <sup>1</sup>	-	(29,668)	-	(487)	-	<b>(30,155)</b>
Cash-pool net change	-	118,280	-	-	-	<b>118,280</b>
<b>Non-cash changes</b>						
Lease contracts concluded	-	-	1,077	-	-	<b>1,077</b>
Accrual of interest payable	-	25,507	-	255	-	<b>25,762</b>
Lease remeasurement	-	-	1	-	-	<b>1</b>
Reclassifications between items	(7,901)	7,901	(3,654)	3,564	-	-
Other non-monetary changes	-	4,713	-	-	-	<b>4,713</b>
<b>Net debt at 31 December 2024</b>	<b>819,126</b>	<b>204,573</b>	<b>3,804</b>	<b>2,670</b>	<b>(10,521)</b>	<b>1,019,652</b>

<sup>1</sup> Interest paid are presented with VAT

## 23. Grants and subsidies

The balance of grants comprises grants to finance acquisition of property plant and equipment and assets acquired free of charge. Movements on the account of grants were as follows:

EUR thousand	
<b>Carrying amount at 1 January 2023</b>	<b>39,890</b>
Grants received	6,451
Depreciation and amortisation	(2,390)
<b>Carrying amount at 31 December 2023</b>	<b>43,951</b>
<b>Carrying amount at 1 January 2024</b>	<b>43,951</b>
Grants received	4,317
Depreciation and amortisation	(2,005)
<b>Carrying amount at 31 December 2024</b>	<b>46,263</b>

Amortisation of grants is accounted for under depreciation and amortisation in Statement of Profit or Loss and reduces depreciation expenses of related property, plant and equipment. Grants written off are reported within revaluation/impairment of assets and reduce these expenses.

## 24. Provisions

Movement of the Company's provisions was as follows:

EUR thousand	Employee benefits	Servitudes	Other	Total
<b>Balance as at 1 January 2023</b>	<b>4,143</b>	<b>8,154</b>	<b>1,575</b>	<b>13,872</b>
Increase during the year	1,076	-	1,187	2,263
Utilised during the year	-	-	(588)	(588)
Result of change in assumptions	(938)	(2,724)	-	(3,662)
<b>Balance as at 31 December 2023</b>	<b>4,281</b>	<b>5,430</b>	<b>2,174</b>	<b>11,885</b>
Non-current	3,497	4,656	10	8,163
Current	784	774	2,164	3,722
<b>Balance as at 1 January 2024</b>	<b>4,281</b>	<b>5,430</b>	<b>2,174</b>	<b>11,885</b>
Increase during the year	1,107	-	1,164	2,271
Utilised during the year	(274)	-	(1,300)	(1,574)
Result of change in assumptions	(90)	(4,612)	-	(4,702)
<b>Balance as at 31 December 2024</b>	<b>5,024</b>	<b>818</b>	<b>2,038</b>	<b>7,880</b>
Non-current	4,010	689	19	4,718
Current	1,014	129	2,019	3,162

Total change in provisions in 2024 EUR (4,005) thousand. Change recognised in the Statement of profit or loss EUR 1,136 thousand, recognised in the Statement of other comprehensive income EUR (90) thousand and recognised in the Intangible assets EUR (5,051) thousand. Total change in provisions in 2023 EUR (1,987) thousand, change recognised in the Statement of profit or loss EUR 2,386 thousand, recognised in the Statement of other comprehensive income EUR (938) thousand, recognised in the Intangible assets EUR (3,435) thousand.

### Description of Company's provisions and the expected timing of resulting outflows of economic benefits

The provision for servitudes relates to the compensation of easements to third parties when the distribution operator (the Company) installs electricity networks on land belonging to them. A one-time compensation for the use of statutory easements is paid to compensate for losses when a third party applies the request for compensation. The Company's management estimated (Note 4.3.1) that the period during which third parties will apply for compensation is 10 years starting from 2023. An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Company pays within one year).

The provision for registration of protection zones relates to the Company's obligation to register special protection conditions (protection zones) for land near the Company's infrastructure objects. According to the Company's management plans the registration of protection zones should last till the end of 2026 (Note 4.3.3).

Provisions for employee benefits include a statutory retirement benefit payable to the Company's employees (Note 1.11.3). The period of non-current provision is calculated according to each employee using actuarial assumptions that include:

	2024	2023
Discount rate	3,56%	3,37%
Annual employee turnover rate	7.7%	7.6%
Annual salary increase	5%	5%
Average time until retirement (years)	18	18

## 25. Deferred income and advances received

### 25.1 Deferred income

EUR thousand	31 December 2024			31 December 2023		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
<b>Deferred income under contracts with customers</b>						
Deferred income related to new customers connection and upgrade fees	16,405	333,597	350,002	14,079	285,862	299,941
Deferred income related to electricity over declaration	-	-	-	-	-	-
Other deferred income	3	-	3	3	-	3
<b>Carrying amount</b>	<b>16,408</b>	<b>333,597</b>	<b>350,005</b>	<b>14,082</b>	<b>285,862</b>	<b>299,944</b>

Movement in the Company's deferred income:

EUR thousand	2024		Total
	Current portion	Non-current portion	
<b>Carrying amount at 1 January</b>	<b>14,082</b>	<b>285,862</b>	<b>299,944</b>
Increase	2,326	63,004	65,330
Recognised as revenue	(15,269)	-	(15,269)
Reclassifications between items	15,269	(15,269)	-
<b>Carrying amount at 31 December</b>	<b>16,408</b>	<b>333,597</b>	<b>350,005</b>

EUR thousand	2023		Total
	Current portion	Non-current portion	
<b>Carrying amount at 1 January</b>	<b>19,017</b>	<b>251,014</b>	<b>270,031</b>
Increase	1,699	48,125	49,824
Recognised as revenue	(19,911)	-	(19,911)
Reclassifications between items	13,277	(13,277)	-
<b>Carrying amount at 31 December</b>	<b>14,082</b>	<b>285,862</b>	<b>299,944</b>

Revenue from new customers fees is recognised over the average useful life of related items of property, plant and equipment (Note 15).

## 25.2 Advances received

EUR thousand	31 December 2024	31 December 2023
Current prepayments under contracts with customers (contract liabilities)	64,007	48,746
Current prepayments under other contracts	279	447
<b>In total</b>	<b>64,286</b>	<b>49,193</b>

## 26. Other current liabilities

EUR thousand	31 December 2024	31 December 2023
Amounts payable for property, plant and equipment	48,300	37,867
Payroll related liabilities	13,717	12,125
Non-controlling interest dividends	2,150	2,162
Accrued expenses	1,833	5,245
Taxes (other than income tax)	295	269
Other current liabilities	6,868	12,888
<b>Carrying amount</b>	<b>73,163</b>	<b>70,556</b>

Line items "Amounts payable for property, plant and equipment", "Non-controlling interest dividends" and "Other current liabilities" are financial instruments.

## 27. Contingent liabilities and commitments

### 27.1. Temporary regulatory differences

#### 27.1.1 Electricity distribution

Regulatory differences are determined in accordance with the Methodology for setting the price caps for electricity transmission, distribution and public supply services (hereinafter – the Methodology) and are of two types: adjusted by NERC or estimated by the Company.

NERC adjusts the regulatory differences after the first two years of the regulatory period for the regulated activities, and then after four years of the regulatory period as well as after the entire regulatory period (including the extension of the regulatory period), which reduces the level of revenue allowed for the regulated activities for the following year.

The Company has agreed with the regulator (NERC) to amend the repayment period of the EUR 160.0 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (Net Debt/ Adjusted EBITDA, both calculated based on the methodology approved by NERC), which means that if the Company's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

According to the amendment, the regulatory differences for B2C customers (EUR 57.1 million, including accrued interest) will be repaid over a period of 2 years and 3 months (from 1 April 2024 to 30 June 2026). For B2B customers (EUR 100.6 million, including accrued interest), the repayment period is 7 years and 9 months (from 1 April 2024 to 31 December 2031).

The regulatory difference mentioned above relates to the changes in the Networks methodology in 2021 and, in turn, the recalculated ROI and D&A for the period 2018–2021. Accordingly, after the agreement was made, the Methodology for determining the price caps for electricity transmission, distribution and public supply services has been changed.

The evaluation of the return on investment for 2024 will be performed in 2026, when setting the electricity distribution price caps for 2027.

As at 31 December 2024, total over collected amount EUR (263.3) million (2023: over collected amount of EUR (284.3) million). As at 31 December 2024, from the total balance EUR 238.6 million have been approved by NERC (31 December 2023: EUR 172.6 million).



### 27.1.2 Natural gas distribution

Regulatory differences are determined in accordance with the Methodology for setting state-regulated prices in the natural gas sector (hereinafter – the Methodology) and are of two types: adjusted by NERC or estimated by the Company.

NERC adjusts the regulatory differences of the regulated activities after the first two years of the regulatory period, and then after four years of the regulatory period as well as after the entire regulatory period (including the extension of the regulatory period), which changes the level of revenue allowed for the regulated activities for the following year.

By the Resolution No. O3E-1571 passed on 20 October 2023, NERC has set the price cap for the natural gas distribution price for 2024 on the basis of a certificate No.O5E-904 issued on 19 October 2023.

The evaluation of the return on investment for 2024 will be performed in 2026, when setting the natural gas distribution income level for 2027.

As at 31 December 2024, total over collected amount EUR (24.4) million (2023: under collected amount of EUR (14.1) million). As at 31 December 2024, from the total balance EUR 14.9 million have been approved by NERC (31 December 2023: EUR 1.8 million).

## 28. Related party transactions

Related parties, EUR thousand	Loans payable 31 December 2024	Accounts payable 31 December 2024	Accounts receivables 31 December 2024	Purchases 2024	Sales 2024	Finance income 2024	Finance expenses 2024
Parent company AB „Ignitis grupė”	988,934	309	151	1,070	-	-	(24,345)
AB „Ignitis grupė” group companies	34,765	13,867	33,513	78,445	219,096	-	(1,310)
UAB „EPSO-G” group companies	-	31,303	1,436	259,369	24,785	-	-
Other related parties	-	1,199	844	4,952	10,042	-	(7)
<b>Total</b>	<b>1,023,699</b>	<b>46,678</b>	<b>35,944</b>	<b>343,836</b>	<b>253.923</b>	<b>-</b>	<b>(25,662)</b>

The Company purchased the following goods and services from other group companies: leases of assets, information technology and telecommunication services, organization and execution of tenders, accounting and personnel administration services, also construction, reconstruction and maintenance of electric equipment. The main share of purchases from AB „Ignitis grupė” group companies belongs to purchase of electricity. Companies of UAB „EPSO-G” group provide electricity and gas transmission services, public service offerings (PSO), and carry out contractual works.

On 18 May 2016 the Company signed with AB „Ignitis grupė” the Group account (cash-pool) agreement of an unlimited validity, under which the Company may obtain current loans from other companies of the Group. The internal lending limit established from 25 May 2024 is EUR 230,000 thousand. The latter limit is valid until 24 May 2025. The interest rate of 5.44% is determined for the one year period and coincides with interest rates of commercial banks.

As at 31 December 2024, the Company’s balance of cash-pool is disclosed under borrowings – EUR 149,191 thousand was borrowed from parent company and EUR 34,651 thousand was borrowed from other group companies of AB „Ignitis grupė”.

As at 31 December 2023, the Company’s balance of cash-pool is disclosed under borrowings – EUR 57,709 thousand was borrowed from parent company and EUR 7,853 thousand was borrowed from other group companies of AB „Ignitis grupė”.

The Company’s transactions with related parties during the year 2023 and the balances as at 31 December 2023 are presented below:

Related parties, EUR thousand	Loans payable	Accounts payable	Accounts receivables	Purchases	Sales	Finance income	Finance expenses
Parent company AB „Ignitis grupė”	904,912	144	36	1,118	-	-	(18,521)
AB „Ignitis grupė” group companies	7,856	16,383	28,508	81,209	196,463	60	(172)
UAB „EPSO-G” group companies	-	17,794	801	103,568	75,324	-	-
Other related parties	-	577	8,544	175	5,669	-	-
<b>Total</b>	<b>912,768</b>	<b>34,898</b>	<b>37,889</b>	<b>186,070</b>	<b>277,456</b>	<b>60</b>	<b>(18,693)</b>

## 28.1 Terms of transactions with related parties

Payment terms set range from 30 to 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. As at 31 December 2024, the Company had EUR 200 thousand of guarantees paid to LITGRID AB under the electricity balancing service agreement (31 December 2023 EUR 200 thousand). These guarantees were reported in the line item other non-current receivables in the statement of financial position. During the year 2024, the Company did not have bad debt allowance for expected credit losses, receivables from related parties.

## 28.2 Compensations to key management personnel

EUR thousand	2024	2023
Wages and salaries and other short-term benefits to key management personnel	302	323
Whereof:		
Short-term employee benefits	283	314
Termination benefits	19	9
Number of key management personnel	6	7

In 2024 and 2023 members of Board, Supervisory Board (was active until 14<sup>th</sup> February 2023) and Chief Executive Officer are considered to be the Company's key management personnel. For more information on the key management personnel, see the 'Governance report' of Annual Management Report.

# 29. Risk management

## 29.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Company aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Other risks management are presented in the Governance section.

## 29.2 Financing risk factors

The Company is exposed to a variety of financial risks in its operations: market risk (including foreign currency exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. By managing these risks, the Company seeks to mitigate the effects of factors that might have an adverse effect on the Company's financial performance.

### 29.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency exchange risk and interest rate risk.

#### 29.2.1.1 Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The sale/purchase contracts of the Company is denominated in the euro, therefore, the Company's overall risk remains low.

#### 29.2.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's revenue and cash flows are affected by fluctuations in market interest rates, since as at 31 December 2024 the Company had loans granted and received with variable interest rates. The Company has financial assets subject to variable interest rates that are measured at amortised cost and it is therefore exposed to the interest rate risk.

Debt commitments aim to have long-term liabilities with a fixed interest rate. If, for objective reasons, it is not possible to fix the interest rate and the assumed liability amounts to a significant amount, interest rate derivatives would be used for interest management. At least 50% the Company's long-term loan portfolio would consist of long-term fixed-rate loans. The use of any of the interest rate derivatives requires that the maturity date coincides with the maturity date of the debt obligation.

The risk of a negative change in the interest rate of investments is not actively hedged. Risk control measures are used only if there is a clear indication in the market that the interest rate may fall significantly to such an extent that the return on investment becomes negative.

A portion of the Company's loans is subject to a variable interest rate, which is linked to EURIBOR and creates interest rate risk, and another portion is subject to a fixed interest rate. As at 31 December 2024, loans with fixed interest amounted to EUR 993,130 thousand (as at 31 December 2023: EUR 874,850 thousand) and loans with variable interest amounted to EUR 17,739 thousand (as at 31 December 2023: EUR 25,640 thousand) (Note 21).

The Company has not entered into any derivative financial instruments to manage the interest rate risk.

The interest rate risk is assessed taking into consideration the Company's sensitivity to changes in interest rates. This assessment is presented in the table below.

	Increase/(Decrease), pp	(Decrease)/Increase in profit
2024	1.0/(1.0)	(220)/220
2023	1.0/(1.0)	(299)/299

As at 31 December 2024 and as at 31 December 2023, the Company had no significant valid interest rate swaps.

### 29.2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (granted loans, finance lease agreements). The Company's risk related to cash is limited, as the Company keeps cash balances only in reliable financial institutions.

The Company does not guarantee obligations of other parties. Due to specific nature of the Company's operations, no collateral is required from customers, except for agreements on electricity distribution services provided by independent suppliers.

The priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) not lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

Maximum credit risk is equal to the carrying amount of the financial assets:

EUR thousand	Notes	31 December 2024	31 December 2023
<b>Financial assets measured at amortised cost</b>			
Non-current receivables		200	207
Trade receivables	17	82,623	64,588
Other receivables		72	294
Loans granted		21	-
Cash and cash equivalents	18	10,521	11,930
<b>Total</b>		<b>93,437</b>	<b>77,019</b>

### 29.2.3 Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amounts of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Company's liquidity (total current assets / total current liabilities) and quick ((total current assets – inventories) / total current liabilities) ratios as at 31 December 2024 were 0.27 and 0.26, respectively (0.40 and 0.38 as at 31 December 2023).

The current level of a debt enables the Company to optimise the capital structure by financing its operations through long-term borrowing solutions, such as long-term loans or bonds transfer agreements. As disclosed in Note 21, for the purpose of the management of the short-term cash flow needs, the Company had EUR 46,158 thousand unused financing facilities under the agreement regarding the short-term lending to related parties platform (as at 31 December 2023: EUR 84,438 thousand).

The financial statements of the Company are prepared on a going concern basis. Despite the fact that the Company's current liabilities as at 31 December 2024 exceeded current assets by EUR 296,486 thousand (31 December 2023: EUR 157,404 thousand), the Company's management is confident that this circumstance will not have a material impact on the Company's ability to continue as a going concern (see in Note 29.3).

The following table presents information about the Company's financial liabilities by groups:

EUR thousand	Notes	31 December 2024	31 December 2023
<b>Amounts payable measured at amortised cost</b>			
Loans	21	1,023,699	912,768
Lease liabilities	21	6,474	9,556
Trade payables		42,901	34,233
Other current liabilities		57,318	52,917
<b>Total</b>		<b>1,130,392</b>	<b>1,009,474</b>

The table below summarises the maturity profile of the Company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

EUR thousand	31 December 2024				Total
	Less than 3 months	3 months to 1 year	1 to 5 years	After 5 years	
Loans	10,456	194,117	448,587	370,539	1,023,699
Lease liabilities	794	2,729	4,158	1,023	8,704
Trade payables	42,901	-	-	-	42,901
Other current liabilities	57,308	10	-	-	57,318
<b>As at 31 December 2024</b>	<b>111,459</b>	<b>196,856</b>	<b>452,745</b>	<b>371,562</b>	<b>1,132,622</b>

31 December 2023

Total

EUR thousand	Less than 3 months	3 months to 1 year	1 to 5 years	After 5 years	
Loans	19,940	88,594	543,768	389,128	1,041,430
Lease liabilities	868	2,605	5,004	3,268	11,745
Trade payables	34,233	-	-	-	34,233
Other current liabilities	35,588	17,329	-	-	52,917
<b>As at 31 December 2023</b>	<b>90,629</b>	<b>108,528</b>	<b>548,772</b>	<b>392,396</b>	<b>1,140,325</b>

### 29.3 Going concern

The Company's financial statements have been prepared on a going concern basis. Irrespective of the fact that as at 31 December 2024 the Company's current liabilities exceeded its current assets by EUR 296,486 thousand (as at 31 December 2023, EUR 157,404 thousand), the Company's management believes that this circumstance will not have a material impact on the Company's ability to continue as a going concern. Negative difference between current assets and current liabilities is common for infrastructure managers, developing and renewing its assets, as a significant portion of short-term payables is related to investments in non-current assets. Since the deferment term is generally provided for payments for completed works, until the invoice is paid a situation occurs where the completed works, related to managed non-current assets, are accounted for as non-current assets, and payables – as current liabilities.

A difference between current assets and liabilities as at 31 December 2024, as compared with 31 December 2023, increased mainly due to higher short-term loans under cash-pool agreement (EUR 118,832 thousand), more trade payables and advances received.

It must be noted that the Company's stable cash flows from the main operating activities, which amounted to EUR 273,424 thousand in 2024 (in 2023: EUR 253,263 thousand) will allow to ensure liquidity in the future, and the current level of debt has not reached the maximum level. Sustainable and enabling regulatory environment and the current level of indebtedness will ensure the necessary funding for the business continuity of the Company and the implementation of investment projects in the future. As disclosed in Note 29.2.3 as at 31 December 2024 for the short-term management of cash flow needs the Company had EUR 46,158 thousand of unused financing facility under the cash-pool agreement.

On 13 February 2025, the parent company of the Company AB "Ignitis grupė" has provided comfort letter, where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to Company at least for the next twelve months from the date of this letter, to enable the Company to continue to trade and to meet its obligations.

## 30. Fair values of financial instruments

The Company does not have any financial instruments measured at fair value. The Company discloses financial liabilities related to loans received.

The Company discloses the fair value of loans granted to the Group companies under loan agreements, which is calculated by discounting future cash flows referring to the interest rate observed in the market. As at 31 December 2024 the Company had no material loans granted (31 December 2023, cash flows were discounted at weighted average discount rate of 6.42% for loans over EUR 1 million and 5.58% for loans under EUR 1 million). The measurement of loans granted to the Group companies is attributed to Level 3 of the fair value hierarchy.

The Company discloses the fair value of financial liabilities, related to loans received from the Group companies under loan agreements, which is calculated by discounting future cash flows referring to the interest rate observed in the market. As at 31 December 2024, cash flows were discounted at weighted average discount rate of 3.546% for loans over EUR 1 million and 3.546% for loans under EUR 1 million (31 December 2023: 5.58%). Neither as at 31 December 2024 nor 31 December 2023, the Company had no loans of less EUR 1 million. The measurement of loans received from the Group companies is attributed to Level 2 of the fair value hierarchy.

The fair value of the Company's financial liabilities related to loans received under proportional transfer agreements for Green Bonds concluded with the parent company is calculated by discounting cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds of the parent company. The cash flows were discounted using a weighted average discount rate of 3.55% as at 31 December 2024 (31 December 2023: 3.95%). Discount rates for certain bond issues are determined as bond yields for certain issued bond. Loans under proportional transfer agreements for Green Bonds, concluded with the parent company, are attributed to Level 2 of fair value hierarchy.

The table below shows distribution of the fair value of the Company's financial instruments by hierarchy levels:

EURk	Notes	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
<b>As at 31 December 2024</b>						
<b>Financial instruments for which fair value is disclosed</b>						
<b>Liabilities</b>						
Loans received from the Group companies	21	399,222	-	376,990	-	376,990
Loans received from the parent company	21	624,477	-	594,268	-	594,268
<b>As at 31 December 2023</b>						
<b>Financial instruments for which fair value is disclosed</b>						
<b>Liabilities</b>						
Loans received from the Group companies	21	288,124	-	225,787	-	225,787
Loans received from the parent company	21	624,644	-	575,067	-	575,067

## 31. Events after reporting period

There were no material subsequent events after the reporting period until the date of issue of these financial statements.

## 32. Accompanying information

### 1 Material accounting policies

#### 1.1 New standards, amendments and interpretations

##### 1.1.1. Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2024:

#### Standards or amendments that came into force during the year of 2024

Classification of Liabilities as Current or Non-current Liabilities with Covenants  
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements  
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The adoption of these standards, revisions and interpretations had no material impact on the financial statements.

##### 1.1.2. Standards issued, but not yet effective and not early adopted

The Company did not adopt new IFRS and International Accounting Standards (hereinafter referred to as 'IAS'), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2024 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

#### Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

Other new standards and amendments	IASB effective date	EU status of approval for application
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	Endorsed
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 Annual Improvements Volume 11	1 January 2026	Not yet endorsed
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026	Not yet endorsed
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027	Not yet endorsed
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	Not yet endorsed

#### 1.2. Revenue from contracts with customers

The Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

- (i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and
- (ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

The Company's major legal performance obligations identified in the contracts with customers are: sale of electricity and gas, supply of electricity, sales of produced electricity, services ensuring the isolated operation of power system and capacity reserve, distribution of gas, distribution and transmission of electricity, new customers connection and upgrade, provision of Public Service Obligations (hereinafter referred to as 'PSO services') and provision of Liquefied Natural Gas Terminal Security Component Obligations (hereinafter referred to as 'LNGT services').

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

### 1.2.1. Revenue from electricity transmission and distribution

Revenue from electricity transfer (includes both transmission and distribution) of electricity to household customers is recognised over the time in accordance with invoices issued, in which the presented volume of electricity consumed is calculated on the basis of declared or actual readings, i.e. determined upon inspection or received via smart meters. If declared or actual meter readings are not available, revenue from electricity distribution and transmission is recognised based on the average usage estimation method.

Revenue from electricity transfer (includes both transmission and distribution) to business customers is recognised over time based on the actual electricity supplied which is determined in accordance with readings of electricity meters. Invoices are issued for customers after the end of the month during which the performance obligation is fulfilled, i.e. in the beginning of the next month, thus assets of contracts are not recognised. Also, these contracts with customers do not provide for any advance payments before or during fulfilment of the obligation, however, in case of over-declaration by customers, overpayments occur which are recognised as obligations of contracts. The contracts do not establish any significant payment terms.

Electricity transmission services are provided by and purchased from the electricity transmission system operator. The Company collects fees for electricity transmission services from household and business customers through the electricity tariff paid by the consumer and transfers them to the electricity transmission system operator. The Company's management has identified that the Company acts as a principal in relation to electricity transmission services acquired from the electricity transmission system operator and recognises revenue from electricity transmission (Note 4.5).

Revenue from electricity distribution and transmission is subject to regulation.

### 1.2.2. Revenue from last resort electricity supply

The Company provides a last resort electricity supply service to household and non-household customers. Supply of last resort electricity means ensuring electricity supply to consumers on a temporary basis for 6 months:

- who have not chosen the independent supplier within the set time;
- whose chosen independent supplier has failed to fulfil its obligations to supply electricity on agreed terms and conditions;
- whose chosen independent supplier has discontinued its operations;
- whose chosen independent supplier has terminated the electricity purchase and sale agreement concluded with the consumer.

The supply of last resort electricity tariff for the consumers who are ensured guaranteed electricity supply includes the distribution and transmission service price, PSO (Public service obligation) price and guaranteed supply price. Invoices are issued for customers after the end of the month during which the performance obligation is fulfilled, i.e. in the beginning of the next month; also, these contracts with customers do not provide for any advance payments before or during fulfilment of the obligation, therefore assets and obligations of contracts are not recognised. The contracts do not establish any significant payment terms.

Supply of last resort price includes electricity price which is calculated by applying the coefficient of 1.15 for household customers and 1.25 for non-household customers to the average power exchange price for the previous month. Revenue from supply of last resort is recognised over the time based on invoices issued, in which the presented volume of electricity consumed is calculated on the basis of declared or actual readings, i.e. determined upon inspection or received via smart meters.

The Company collects PSO fees through the electricity tariff paid by the customers and transfers them to the PSO fund administrator Baltpool UAB. The Company's management identified that in respect of collecting and transferring PSO fees the Company acts as agent, therefore, PSO fees are accounted for by netting revenue against expenses in the line item "Purchase of electricity and related services" in statements of profit or loss (Note 4.6).

Revenue from supply of last resort is subject to regulation.

The price caps of electricity distribution services are established in accordance with the Methodology for the Determination of the Price Caps of Electricity Transmission, Distribution and Public Supply Services (hereinafter - "the Methodology") approved by Resolution No O3-3 of 15 January 2015 of the Council.

The price caps of electricity distribution services are established for the regulatory period of 5 years (the 2022-2026 regulatory period is currently applicable to the electricity sector) and they can be adjusted not more than twice per year if substantial changes in one or several factors, based on which the price caps were determined, occur, including a substantial change in the scope of services, inflation, taxes and other objective factors (outside the control of the market participant).

### 1.2.3. Revenue from natural gas distribution

Revenue from non-household customers for the distribution of natural gas is recognised over time based on to the readings of measuring devices provided by users or, if users did not provide the readings of measuring devices, referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, as agreed with NERC (an accrual basis).

Revenue from household customers is recognised over time based on the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, i.e. the calculation of revenue takes into account mismatches between quantities of gas declared by household customers and quantities of gas distributed to them (an accrual basis). Revenue from household consumers does not form a significant part of revenue from natural gas distribution activities. Invoices are issued for customers after the end of the month during which the activity obligation is fulfilled, i.e. in the beginning of the next month; also, these contracts with customers do not provide for any advance payments before or during fulfilment of the obligation, therefore assets and obligations of contracts are not recognised. The contracts do not establish any significant payment terms.

The pricing of the natural gas distribution service is regulated by the Council in accordance with the Procedure for Determining Regulated Prices in Natural Gas Sector approved by Resolution No O3-367 of 13 September 2013 of the Council.

The price cap and/or revenue cap of natural gas distribution service is established for the regulatory period of 5 years (the 2022–2026) regulatory period is currently applicable to the natural gas sector) and it can be adjusted once per year if there is a change in the inflation level, prices of imported (transported into the country) natural gas, taxes, requirements of regulatory legislation, also when the investments agreed with the Council have been implemented by natural gas companies, when those companies do not reach or exceed the revenue cap or deviate from the indicators established by the description approved by Resolution No O3-90 of 11 April 2012 of the Council.

Revenue from natural gas distribution is subject to regulation.

#### 1.2.4. Revenue from connection of new customers

Proceeds from new customers' connection fees obtained by the Company are recognised as income for the period in which the Company ensured the connection to electricity and gas distribution network. The Company signs separate agreements with customers for connection services. Company also signs a distribution agreement with business customers for electricity distribution or has an implied contract for electricity distribution service with private customers and gas distribution service with business and private customers. Connection fees do not represent a separate performance obligation from the sale of ongoing distribution of electricity or gas services as are highly interrelated. Having entered into a contract with a customer, the customer shall make an 100% advance payment which is accounted for by the Company as a contract liability as an advance received (Note 25.2). Subsequently, after connection works have been completed, the certificate of transfer and acceptance of works is signed and the invoice is issued, and then these payments received from customers are accounted for as deferred income (contract liabilities, see Note 25.1), which are proportionally recognised as revenue over the estimated period of relationship with customers limited by the useful life of property, plant and equipment, being 27 years for electricity grid and 46–55 years on for gas grid. Connection fees received from customers are accounted for as "Liabilities under connection contracts with customers" in the statement of financial position.

### 1.3. Intangible assets

#### 1.3.1. Computer software

Computer software is accounted for at acquisition cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is calculated using the straight-line method over the estimated useful lives of 3 years.

#### 1.3.2. Servitudes

The category of the Company's intangible assets "Servitudes and protection zones" includes the Company's rights to use the land plots owned by third persons on the basis of servitudes. Servitudes comprise statutory and contractual servitudes:

- Statutory servitudes comprise the Company's rights to use the land plots owned by third persons in which electric networks were established up to 10 July 2004 based on statutory servitudes. During the period from 10 July 2004 until 2018, according to the provisions of the Law on Electricity (hereinafter – the LE) in force at the time, it was provided that the establishment of new networks can only be agreed with the owners, thus during this period the owners were negotiated individually (notary contracts were concluded, agreements made with the consent of the owner etc.), therefore the LE does not provide for the obligation to reimburse the Company for servitude established during this period.
- Contractual servitudes comprise the Company's rights to use the land plots owned by third persons in which electric networks were established since 2018 based on servitudes.

The useful life of an intangible asset is indefinite, therefore, these assets are not subject to amortisation. Useful life of intangible assets are indefinite since the right to use the land is granted for an indefinite period of time according to the conditions of agreements for compensation for servitudes as well as Clause 4.130 of Civil code of the Republic of Lithuania. It implies that, irrespective of the condition of the Company's property, plant and equipment, the right to use designated land plot is retained and (after the physical condition of the property is restored or a new property is developed), the land plot will continue to be used for indefinite time. Provision for non-current obligations is accounted for under IAS 37 to compensate for statutory provisions (see Note 4.3). The estimation of the amount of the provision takes into account the expected time of settlement and the number of applicants. The provision is calculated at the discounted value (see Note 4.3).

The Company tests the intangible assets of servitudes for potential impairment, by comparing their recoverable value with the carrying value at least once per year or when there are signs of impairment. If the value of the asset changes, such change is accounted for by decreasing/increasing the value of the assets of servitudes.

#### 1.3.3. Special conditions on land use (protection zones)

A group of the Company's intangible assets "Servitudes and protection zones" includes the Company's obligations to register and the right to use a third-party land on the basis of special conditions on land use. The accounting policies applied are analogous to those applied (see Note 14.4).

#### 1.3.4. Other intangible assets

Intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment loss, if it is probable that future economic benefits that are attributable to the asset will flow to the Company. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years. Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

#### 1.4. Property, plant and equipment

The assets, which are allocated to electricity business segment cash generating unit (hereinafter as 'Electricity Business segment CGU or Electricity CGU'), are accounted for at revalued amount and assets, which are allocated to gas business segment cash generating unit (hereinafter as 'Gas Business Segment CGU or Gas CGU'), are accounted for at cost.

At cost method – Gas CGU	At revalued amount – Electricity CGU
Land	Electricity networks and their structures
Buildings	Construction-in-progress
Gas distribution pipelines, gas technological equipment and installations	
Construction-in-progress	
Other property, plant and equipment	

In Construction-in-progress are assigned to various asset groups, therefore part of the assets of this group are accounted for at cost method, the other part – at revalued amount.

Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Company and the costs can be measured reliably. All other repairs and maintenance costs charged to statement of profit or loss during the financial period in which they are incurred.

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment. The assets' residual values and useful lives are reviewed at least once per year and adjusted if appropriate. For accounting of borrowing costs (Note 1.6.2.4).

When asset is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised, and any related gains or losses are included in statement of profit or loss. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed. When revalued assets are disposed, the corresponding portion of revaluation reserve is transferred to retained earnings.

Construction in progress is transferred to appropriate categories of property, plant and equipment when asset is completed and ready for its intended use.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income of statement of comprehensive income and accumulated to the revaluation reserve in equity. However, the increase is recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss section. Decreases in the carrying amount of an asset arising on revaluation are generally recognised in profit or loss section; decreases that offset previous increases of the same asset are recognised in other comprehensive income section and charged against the revaluation reserve. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) is charged to profit or loss section and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred tax.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost/revalued amounts to their residual values over their estimated useful lives (number of years), as follows:

Groups of property, plant and equipment	Useful life (number of years)
<b>Buildings</b>	15-60
<b>Electricity networks and their structures</b>	
Engineering constructions	50
35-110 kV transformer substation constructions	35
6-10 kV electricity distribution constructions	35
10/0.4 kV transformer constructions	35
Communication and operation system constructions	15-25
Electricity networks and their structures	5-50
35-110 kV transformer substation equipment (excl. constructions)	30
6-10 kV distribution equipment (excl. constructions)	30
10/0.4 kV capacity transformers	30
35 kV cables and lines	40-45
0.4-10 kV cables and lines	15-40
35-110 kV capacity transformers	40
Communication and operation system equipment (excl. constructions)	5-45
Hydrotechnical structures and equipment	50-75
<b>Gas distribution pipelines, gas technological equipment and installations</b>	<b>13-55</b>
<b>Vehicles</b>	5-10
<b>Computer hardware and other communication equipment</b>	3-10
<b>Other property, plant and equipment</b>	3-50

#### 1.5. Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. The Company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.



### 1.5.1. Initial measurement of right-of-use assets

At the commencement date, the Company measures right-of-use assets at cost. The cost of right-of-use assets comprises: the amount of the initial measurement of the lease liability, any lease payments at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition which is required under the lease terms, unless those costs are incurred in producing the inventories. The Company assumes a liability for these costs at the commencement date or by using the leased asset for a specified period. The Company recognises these costs as part of the cost of right-of-use assets when an obligation for those costs is assumed.

### 1.5.2. Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company measures the right-of-use asset at cost. Under the cost model, the Company measures a right-of-use asset at cost: less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use assets are depreciated by the Company under the depreciation requirements of IAS 16, Property, Plant and Equipment.

Depreciation of right-of-use assets on a straight line basis:

Group of right-of-use assets	Depreciation period (in years)
Land	3-136
Vehicles	2-5
Premises	3-31
Other right-of-use assets	3-6

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company calculates the depreciation of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company presents right-of-use assets in the statement of financial position separately from property, plant and equipment.

## 1.6. Financial instruments

A financial instrument is any contract resulting in the creation of a financial asset in one entity and a financial obligation or ownership instrument in another.

### 1.6.1. Financial assets

The Company classifies its financial assets into the following 3 categories:

- (i) financial assets subsequently measured at amortised cost;
- (ii) financial assets subsequently measured at fair value recognising the change in fair value through other comprehensive income (hereinafter – FVOCI); and
- (iii) financial assets subsequently measured at fair value recognising the change in fair value through profit or loss (hereinafter – FVTPL).

Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are “solely payments of principal and interest” (hereinafter – SPPI) on the principal amount outstanding. This measurement is referred to as the SPPI test and is performed at a financial instrument level. Financial assets related to cash flows, which are not SPPI, are classified and measured at FVTPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in statements of profit or loss. Impairment loss is accounted for as the cost of receivables and impairment of loans in statements of profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. Intentions of the Company’s management in respect of individual instruments do not have an effect on the applied business model. The Company may apply more than one business model to manage its financial assets. Taking into consideration the business model applied in management of the group of financial assets, the accounting of the financial assets, except for those which are subsequently measured at FVOCI and FVTPL, and which the Company does not have, is as follows:

#### 1.6.1.1. Financial assets measured at amortised cost

Financial assets measured at amortised cost are subsequently accounted for using the effective interest rate (hereinafter – “EIR”) method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the preparation of the statement of financial position, in which case they are classified as non-current assets.

#### 1.6.1.2. Effective interest rate method

The EIR method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in statements of profit or loss over the relevant period.

The EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

#### 1.6.1.3. Impairment of financial assets – expected credit losses (ECL)

The Company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

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 sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime ECL are expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including future-oriented information.

The Company applies individual and collective approach for assessment of impairment of receivables.

In application of the collective approach for determination of expected credit losses of receivables, the Company applies a provision matrix to calculate the provision for losses in respect of trade receivables with different maturities and overdue payment periods. To measure ECL, trade receivables are grouped based on shared credit risk characteristics. The non-recoverability analysis is conducted for the past 3 years in order to determine the general default ratio.

The Company's management decides on an individual assessment taking into consideration the possibility to obtain information about 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 ECL in respect of that particular borrower. In absence of reliable information sources regarding the borrower's credit history, its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt applying the collective approach.

Recognition stages of expected credit losses on loans and cash and cash equivalents:

1. Upon granting of a loan or receiving cash or cash equivalents, the Company recognises the ECL for the twelve-month period. Interest income from the loan (finance lease) or cash equivalents is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL.
2. Upon establishing that the credit risk related to the borrower or bank, where cash and cash equivalents are held, has significantly increased (reflected by accounts receivable overdue for more than 30 days and significant negative information about changes affecting the borrower, etc.), the Company accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan (finance lease) or cash equivalents is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL.
3. Where the Company determines that a recovery of the debt becomes doubtful, when contractual payments are 90 days past due, and that the debt of this customer shall be classified as doubtful debts, the Company then classifies this loan as a financial asset that is impaired due to credit risk (doubtful loans and receivables). The loan interest income is calculated on the carrying value of the financial assets, reduced by the amount of ECL.

The lifetime expected credit losses of loans receivable and trade receivables are recognised in statements of profit or loss.

ECL for cash and cash equivalents is estimated evaluating credit ratings and other significant criteria (such as liquidity, capital adequacy supervision) of the financial institutions in which cash deposits are held. The management's estimation is that ECL for cash and cash equivalents usually is not significant.

#### 1.6.1.4. Credit-impaired financial assets

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

- (a) significant financial difficulty of a borrower;
- (b) a breach of contract, such as a default or a past due event for more than 90 days;
- (c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties;
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

#### 1.6.2. Financial liabilities and equity instruments issued

Debt or equity instruments are classified initially as financial liabilities or equity based on the substance of the arrangement. The Company has not issued any equity instruments except issued capital.

##### 1.6.2.1. Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL (change in fair value of which is accounted through profit or loss), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are recognised initially at fair value and, in the case of loans, liabilities and payables, net of directly attributable transaction costs

##### 1.6.2.2. Subsequent measurement

For the purposes of subsequent measurement, financial liabilities fall into two categories:

- Financial liabilities at FVTPL. As at 31 December 2024 and 2023, the Company has not designated any financial liability at FVTPL.
- Financial liabilities accounted for at amortised cost.

##### 1.6.2.3. Financial liabilities measured at amortised cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gain and loss is recognised statements of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs statements of profit or loss.

##### 1.6.2.4. Presentation and borrowing costs

Financial liabilities are classified as current unless the Company has an unconditional right to postpone repayment for at least 12 months after the end of the reporting period.

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

Borrowing costs directly attributable to the acquisition, construction or production of assets the value of which exceeds EUR 100 thousand and that necessarily take a substantial time (more than one year) to get ready for intended use or sale are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

## 1.7. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is established using the FIFO method, except for natural gas the cost whereof is established using the weighted average (see further). The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses.

The weighted average cost is calculated as the weighted average price of inventories at the beginning of the month and purchases per month.

## 1.8. Lease liabilities

At the commencement date, the Company measures lease liability at the present value of the lease payments that are not paid at that date. At the commencement date, the lease payments included in the measurement of the lease liability comprise: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the initial recognition, the Company shall measure the lease liability by: increasing the carrying amount to reflect interest on the lease liability; reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### 1.8.1. Short-term and low-value lease

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply low-value asset lease recognition exemption to office equipment that are considered to be low value. Lease related discounts are charged to the lease income proportionally over the term of the lease.

#### 1.8.2. The Company as an operating lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments are accounted for on a straight-line basis over the lease term and recognised as other revenue in statements of profit or loss based on its lease nature. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised as rental costs over the lease term on the same basis as income received under the lease agreement. Contingent payments are recognised as revenue in the period in which they are earned.

### 1.9. Grants and subsidies

#### 1.9.1. Grants related to assets

For presentation of grants related to assets the Company uses the method which recognises the grant as deferred income that is recognised in statements of profit or loss on a systematic basis over the useful life of the asset. Government and the EU asset-related grants comprise grants received in the form of non-current assets or in the form of cash intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised statements of profit or loss by reducing the depreciation charge of the related asset over the expected useful life of the asset. Liability related to received asset-related grants is presented in the statement of financial position under the item of non-current liabilities "Grants and subsidies".

Upon the revaluation of non-current assets and in case impairment was recognised on revaluation, grants related to this non-current assets are written off in a respective proportion.

#### 1.9.2. Grants related to income

Government and the EU grants received as a compensation for the expenses or unearned income for current or previous reporting period, and all grants other than those related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. These grants are presented statements of profit or loss, less related expenses.

### 1.10. Provisions

Provisions are recognised when the Company has a legal obligation or irrevocable commitment as a result of the 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. When the Company expects that provision amount in part or in full will be compensated, e.g. under an insurance contract, compensation to be received is recorded as a separate asset, but only when it is virtually certain. Expenses related to provisions are recorded statements of profit or loss, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is applied, increase in the provisions reflecting the period of past time is accounted for as finance expense.

#### 1.10.1. Provisions for servitudes

Expenses related to provisions for servitudes are recognised as non-current intangible assets taking into consideration the amounts of compensation.

Compensation payments to land owners are accounted for as a decrease in provisions, while remeasurement of provisions due to changes in underlying assumptions is recorded as a change in respective intangible asset (Note 4.3).

#### 1.10.2. Provisions for registration of protection zones

Expenses related to provisions for registration of protection zones are recognised as non-current intangible assets taking into consideration the amounts of compensation.

Compensation payments to land owners are accounted for as a decreases in provisions, while remeasurement of provision due to changes in underlying assumptions is recorded as a change in respective intangible asset (Note 4.3.1).

## 1.11. Employee Benefits

### 1.11.1. State plans

The Company participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Company, the State Social Security Fund). State plans are defined benefit plan under which the Company pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. These contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

### 1.11.2. Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan and agreements signed with employees without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy that cannot be withdrawn.

### 1.11.3. Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws. If an employee belongs to trade union of the Company, he/she is also entitled to additional retirement benefit according in accordance with the agreement of the Company. A liability for such pension benefits is recognised in the statement of financial position and reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the date of the statement of financial position is estimated with reference to actuary valuations, applying the projected unit credit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for long-term government debentures, i.e. the term of which is no less than 5 years. According to the Company's management, such discount ratio best reflects the value of future benefits. Actuarial gains or losses are recognised immediately in other comprehensive income.

## 1.12. Fair value

The Company does not have financial instruments and non-financial assets measured at fair value. The fair value of financial instruments measured at amortised cost is disclosed by the Company in Note 30.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is determined using the assumptions used by market participants to determine the price of the asset or liability, assuming that market participants have the best economic interests.

The Company uses measurement methodologies that are appropriate in the circumstances and for which sufficient data is available to determine the fair value, using as much relevant observable data as possible and as little unobservable data as possible.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, provided below. The hierarchy is based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value of assets where the lowest level inputs that are significant to the fair value measurement are directly or indirectly observable.
- Level 3: fair value of assets where the lowest level inputs that are significant to the fair value measurement are unobservable

For assets and liabilities re-recognised in the financial statements, the Company shall, by re-evaluating the allocation, determine whether the transferred amounts occurred between levels of the hierarchy (based on input of the lowest level that is significant to the determination of fair value in general) at the end of each reporting period.

## 1.13. Regulated activities

NERC regulates the Company's level of profitability by approving the prices of services for the next year. The level of tariffs depends on the projected costs, volume of services for the next period (volumes of distributed electricity), the extent to which the previous period earnings are at variance with the regulated level etc.

Actual costs incurred by the Company during the year may differ from the projected costs that are considered during the approval of the tariffs, and the actual volume of services may differ from the projected one. Accordingly, the actual earnings of the Company may differ from the regulated level, and the resulting difference will affect the future tariffs of services.

The Company does not recognise regulatory assets or liabilities that would be used to adjust the current year profit in order to arrive at the regulated level of profit, if this difference is recovered / returned in the course of provision of services in future.

Tariffs for electricity distribution are regulated by NERC by establishing the price caps. NERC regulates the tariff for supply of last resort electricity, which is calculated by applying the coefficient of 1.15 for household customers, and 1.25 for non-household customers to the average power exchange price for the previous month in the Lithuanian price zone. Just as in the electricity segment, NERC regulates prices of natural gas transmission and distribution services by setting price caps.

# Independent Auditor's Report

To the Shareholder of AB „Energijos skirstymo operatorius“

## ■ Opinion

We have audited the financial statements of AB „Energijos skirstymo operatorius“ (“the Company”). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2024,
- the statement of profit or loss and other 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 policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

## ■ 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 are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and the requirements of the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements and Other Assurance Services of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ■ Other Information

The other information comprises the information included in the Company's management report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's management report has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

## ■ 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 IFRS Accounting 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 KPMG Baltics, UAB

Rokas Kasperavičius

Partner

Certified Auditor

Vilnius, the Republic of Lithuania

26<sup>th</sup> February 2025



## 6.3 Information about the auditor

### Overview

On 30 March 2023, KPMG Baltics, UAB was re-appointed by the Company's General Meeting of Shareholders as auditor for the period 2023–2027. Under the previous contract, KPMG audited the Company's financial statements for the years 2021 and 2022.

It is worth noting that all tenders for an independent auditor are conducted in accordance with prevailing best practice. As the audit tender is carried out in accordance with public law requirements, experience in auditing companies in the energy sector is a key selection criterion in order to ensure competitiveness. The entire selection process is overseen by the Group's Audit Committee and the appointment of the independent auditor is made by a decision of the Company's General Meeting of Shareholders.

### Independent auditors and the financial period for which audit services were provided

2021–2024
KPMG Baltics, UAB Lvivo g. 101 LT-08104 Vilnius, Lithuania

### Services and fees

During the period 2023–2024, the independent auditors, together with their international partners, provided the following services.

### Independent auditor's services and fees, thousand EUR

	2024	2023
Audit of financial statements	75	77
Other*	2	

\*Other services included translation of the Company's Annual Report into English.

In accordance with the Group's policy, the annual fee for non-audit services provided by the auditor performing our statutory audit cannot exceed the annual fee for statutory audit services assessed at Group level. The ceiling may be exceeded subject to the approval of the Audit Committee of the parent company.

## 7. Additional information

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7.1	Other important statutory information	99
7.2	Information on compliance with the guidelines on transparency in state-owned companies	100

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## 7.1 Other statutory information

This annual report includes an annual management report and financial statements, in which AB „Energijos skirstymo operatorius“ (hereinafter - the Company), informs shareholders, creditors and other stakeholders about the operations of the Company for the period of January–December 2024. The composition of this document corresponds to the composition of the set of annual accounts as per Article 6 of the Law on Financial Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania.

The annual report has been prepared in accordance with the requirements of the Laws on Financial Reporting of the Republic of Lithuania, on Law on Companies of the Republic of Lithuania with reference to the description of the Guidelines for Transparency in State-Owned Companies. The Company's securities are not listed or traded on a regulated market. The Articles of Association of the Company do not impose any requirements on the content of the Company's annual report beyond those provided for in the above-mentioned laws.

The Company's management is responsible for the information contained in the interim report. The report and the documents based on which it was prepared are available at the registered office of the Company (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement).

### Company details

1. Company name: AB Energijos skirstymo operatorius
2. Legal form: Joint Stock Company
3. Share capital: EUR 259,442,796.57
4. Registration date and place: 11 December 2015, the Register of Legal Entities of the Republic of Lithuania
5. Company code: 304151376
6. Company address: Laisvės pr. 10, LT-04215 Vilnius
7. Company's register: Register of Legal Entities
8. Phone: 8 697 61 852
9. E-mail address: info@eso.lt
10. Website: [www.eso.lt](http://www.eso.lt)

### Legal notes

1. There were no significant events after the end of the financial year.
2. The Company has not used financial and hedging instruments subject to hedge accounting that would be significant in assessing the Company's assets, equity, liabilities, financial position, and performance.
3. The Company had no treasury shares at the beginning of the reporting period and did not acquire any treasury shares during the reporting period.
4. The Company has no branches or representative offices.
5. The Company envisages further sustainable development of its existing operations to ensure higher profitability and asset efficiency in the long term. Research will be carried out as and when required.
6. The Company's operations are in compliance with the requirements of environmental protection legislation.

### Significant transactions

There were no material agreements, to which the Company is a party that would take effect, change or terminate upon a change of control of the Company.

There were no harmful transactions concluded on behalf of the Company during the reporting period (not complying with the parent company's objectives, normal market conditions, detrimental to the interests of shareholders and other interest groups etc.) which were or are likely to have an adverse effect on the Company's activities and (or) performance in the future, nor transactions entered into in a conflict of interest between the Company's management, controlling shareholders or other related parties' obligations to the Company and their private interests and (or) other duties.

There were no agreements of the Company or members of its governing bodies or employees, providing for compensation in the event of their resignation or termination of employment on no grounds or in case their employment is terminated due to changes in control of the Company.

### Key features of internal control and risk management systems relevant to the preparation of financial statements

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. All financial data provided in the Annual report have been calculated in accordance with IFRS and correspond to the audited financial statements of the Company.

The staff of the company's accounting firm ensures that the financial statements are properly prepared and that the data is collected in a timely and accurate manner. The preparation of the Company's financial statements, the systems of internal control and financial risk management and the legislation governing the preparation of the financial statements are controlled and managed.

Information about the main intangible resources and an explanation of how these resources affect the activities and business model of AB Energijos skirstymo operatorius, and how they contribute to its value creation at the Group level is provided in AB Ignitis grupė 2024 Integrated Annual Report in sections "2.2 Strategy and objectives", "6.3 Social responsibility" and "6.4 Governance", as well as in the Group's Remuneration Policy and People and Culture Policy, which are provided [here](#).

### Alternative performance measures

Alternative Performance Measures ("APM") are the adjusted figures presented in this report used for the internal assessment of performance management. These measures are not defined by the International Financial Reporting Standards (IFRS) and do not comply with the requirements of IFRS. Definitions of alternative performance measures are available on the Ignitis Group website ([link](#)).

### Notice on the language

In the event of discrepancies between the Lithuanian and English versions of the documents, the Lithuanian version shall prevail.

## 7.2 Information on compliance with the Guidelines on Transparency in State-Owned Companies

### Information on compliance with the Guidelines on Transparency in State-Owned Companies

Point in the description of the Guidelines on Transparency in State-Owned Companies (version as at 30 April 2021)	Disclosure	Explanation
<b>Chapter II. Disclosure of information by a State-owned enterprise</b>		
5. The following data and information must be published on the website of a state-owned entity:		
5.1. name;	Yes	
5.2. the code and register in which the company's data is collected and stored;	Yes	
5.3. registered office (address);	Yes	
5.4. the legal status if the state-owned entity is being restructured, reorganised (indicating the type of reorganisation), liquidated, bankrupt or insolvent;	Yes	
5.5. the name of the authority representing the State and a link to its website;	Yes	
5.6. operational objectives, vision and mission;	Yes	
5.7. structure;	Yes	
5.8. data about the head of the company;	Yes	
5.9. data about the chairman and members of the management board, if the management board established under the articles of association;	Yes	
5.10. data about the chairman and members of the supervisory council, if the supervisory council is established under the articles of association;	Yes	Information available on <a href="http://www.eso.lt">www.eso.lt</a>
5.11. names of committees, data about their chairmen and members, if committees are established under the articles of association;	Yes	
5.12. the sum of the nominal values of the shares owned by the State (to the nearest euro cent) and the share (as a percentage) in the authorised capital of the State-owned company;	Yes	
5.13. special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations shall be specified, the state budget allocations for their execution in the current calendar year and the legal acts by which the state-owned companies is entrusted with the execution of the special obligation shall be indicated, the terms and conditions of the execution of the special obligation shall be set and/or the pricing shall be regulated;	Not applicable	
5.14. information on social responsibility initiatives and measures, major investment projects underway or planned.	Yes	
6. In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies and committees of State-owned companies, the following data shall be published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 is elected or appointed as an independent member, this shall be indicated in addition to his/her data.	Yes	Information available on <a href="http://www.eso.lt">www.eso.lt</a>
7. The following documents shall be published on the website of a State-owned enterprise:	Yes	
7.1. Articles of Association;	Yes	
7.2. statement from the representative body of the State on the definition of the State's objectives and expectations in a State-owned enterprise;	Yes	
7.3. the business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret;	Yes	Information available on <a href="http://www.eso.lt">www.eso.lt</a>
7.4. a document setting out the remuneration policy covering the remuneration of the chief executive of a State-owned enterprise and the remuneration of the members of the collegiate bodies and committees of a State-owned enterprise, as detailed in the Corporate Governance Code;	Yes	
7.5. annual and interim reports of a State-owned enterprise, and annual and interim activity reports of a State-owned enterprise for a period of at least 5 years;	Yes	
7.6. sets of annual and interim financial statements for a period of at least 5 years and auditor's reports on the annual financial statements.	Yes	
8. If the State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description concerning the subsidiaries and entities of subsequent rows, the website addresses, the percentage of the parent company's shareholding in their share capital as well as the annual consolidated financial statements and the consolidated annual reports.	Not applicable	
9. If a State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Not applicable	
9 <sup>1</sup> . If the entity is a subsidiary or an entity of a subsequent row of the State-owned company, the website shall contain the parent company's data referred to in points 5.1 to 5.3 of the Description and a link to the website of the parent company.	Yes	The requested information is published on the websites of the parent company's subsidiaries and subsequent-row subsidiaries (if any)
10. Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 91 of the Schedule shall be promptly amended and published on the website.	Yes	Information and documents that have changed are updated immediately
11. The set of annual financial statements of the State-owned company, the annual report of the State-owned company, the annual activity report of the State-owned company, as well as the auditor's report on the annual financial statements of the State-owned company, must be published on the website of the State-owned company within 10 working days from the date of the approval of	Yes	Documents are published on the website within a set time limit

the annual financial statements of the State-owned company.		
12. The sets of interim financial statements of the State-owned company, the interim reports of the State-owned company and the interim activity reports of the State-owned company must be published on the website of the State-owned company at the latest 2 months after the end of the reporting period.	Yes	Documents are published on the website within a set time limit
13. The documents referred to in point 7 of the Description shall be published in PDF format and shall be technically printable.	Yes	Documents are published in the PDF format
<b>Chapter III. Preparation of financial statements, reports and activity reports</b>		
14. State-owned companies shall maintain their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Yes	The Company's accounting is in accordance with IFRS
15. In addition to the annual financial statements, a State-owned company prepares a set of 6-month interim financial statements, and a state enterprise prepares sets of 3-month, 6-monthly and 9-month interim financial statements.	Yes	The Company prepares 6-month interim financial statements
16. A State-owned company classified as a public interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares a 6-month interim report in addition to the annual report. A State-owned enterprise classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania shall, in addition to the annual activity report, prepare a 6-month interim activity report.	Yes	The Company prepares a 6-month interim report
17. The annual report of a State-owned company or the annual activity report of a State-owned company shall, in addition to the content requirements set out in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or the Law on State and Municipal Enterprises of the Republic of Lithuania, contain:	Yes	
17.1. a brief description of the business model of the State-owned company;	Yes	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) that had a material impact on the activities of the State-owned enterprise;	Yes	
17.3. the results of the achievement of the objectives set out in the State-owned company's operational strategy;	Yes	
17.4. profitability, liquidity, asset turnover, debt ratios;	Yes	The Company presents information in the annual report
17.5. fulfilment of specific obligations;	Not applicable	
17.6. Implementation of the investment policy, ongoing and planned investment projects and Investments during the year under review;	Yes	
17.7. implementation of the risk management policy in a State-owned company;	Yes	
17.8. implementation of dividend policy in State-owned companies;	Yes	
17.9. implementation of remuneration policy;	Yes	
17.10. the total annual payroll fund, the average monthly salary by position and/or department;	Yes	
17.11. information on compliance with the provisions of Chapters II and III of the Description: how they are being implemented, which provisions are not being complied with and an explanation of why.	Yes	
18. State-owned companies and state enterprises that are not required to prepare a corporate social responsibility report are recommended to include in their annual report or annual activity report, as appropriate, information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues.	Not applicable	The Company prepares a social responsibility report (integrated into the annual report)
19. If the information referred to in point 17 of the Description is considered to be a commercial (industrial) secret or confidential information of the State-owned company, the State-owned company may not disclose such information, but state in the annual report of the State-owned company or the annual activity report of the State-owned company, as the case may be, that the information is not to be disclosed and under what reason.	Not applicable	The Company presents information in the annual report
20. The annual report of the State-owned company or the annual activity report of the State enterprise may also contain other information not specified in the Description.	Yes	The annual report also contains other information
21. A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as the data referred to in points 5.1 to 5.3, for each of its subsidiaries and subsequent-row subsidiaries, the shareholding (in percentage of share capital) in the authorised capital of the subsidiary and the financial and non-financial results of its operations for the financial year. Where a State-owned company which is the parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply <i>mutatis mutandis</i> to it.	Not applicable	
22. The interim report of a State-owned enterprise or the interim performance report of a State-owned enterprise shall include a brief description of the business model of the State-owned enterprise, an analysis of its financial performance for the period under review, information on significant events that occurred during the period under review, as well as the indicators of profitability, liquidity, turnover, assets and debt, and the changes of these indicators as compared to the corresponding period of the previous year.	Yes	The Company presents information in the annual report

## 8. Terms and abbreviations

%	Per cent
AB	Joint Stock Company
APM	Alternative performance measures - the adjusted figures used for the internal performance management assessment in this report
B2B	Business to business
B2C	Business to consumer
COGS	Cost of goods sold
Company, ESO	AB Energijos skirstymo operatorius
c.d.	Calendar days
D&A	Depreciation and amortisation
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
eNPS	Employee Net Promoter Score
etc.	Et cetera
ESG	Environmental, social and corporate governance
EU	European Union
EURm	Million EUR
IRO	Impacts, risks and opportunities
Group or Ignitis Group	AB Ignitis grupė and its controlled companies
GW	Gigawatt
GWh	Gigawatt hour
IFRS	International Financial Reporting Standards
Y	Year
LTM	Last twelve months
m	Million
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NERC, regulator, the Council	The National Energy Regulatory Council
New connection points and upgrades	Number of new customers connected to the network and capacity upgrades of the existing connection points
NPS	Net promoter score
OO	Own operations
OPEX	Operating expenses
pp	Percentage point
Parent company	AB Ignitis grupė (former UAB Lietuvos energija)
Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence
Q	Quarter
RAB	Regulated asset base
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
SAIDI	Average duration of unplanned interruptions in electricity or natural gas transmission
SAIFI	Average number of unplanned long interruptions per customer
Supply of last resort	Provision of electricity to ensure the supply of electricity to customers who have not chosen an independent supplier in accordance with the established procedures or whose chosen independent supplier defaults, terminates activity or terminates an electricity sales contract.
TWh	Terawatt hour
UAB	Private Limited Liability Company
WACC	Weighted average cost of capital

## 9. Responsibility statement

26 February 2025

We, Renaldas Radvila, the Chief Executive Officer of AB Energijos skirstymo operatorius, Audrius Ruseckas, Director of Finance and Administration of AB Energijos skirstymo operatorius, and Pranas Miltenis, Head of Corporate Accounting of UAB Ignitis grupės paslaugų centras, acting in accordance with Decision No. 24\_GSC\_SP\_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, the financial statements of AB Energijos skirstymo operatorius, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss for the period and cash flows of AB Energijos skirstymo operatorius, and that the annual report for the year 2024 includes a fair review of the business development and performance of the business as well as the condition of AB Energijos skirstymo operatorius, together with the description of the main risks and uncertainties it faces.

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**Renaldas Radvila**

CEO

**Audrius Ruseckas**

Head of Finance and Administration

**Pranas Miltenis**

UAB Ignitis grupės paslaugų centras, Head of Corporate Accounting, acting in accordance with Decision No 24\_GSC\_SP\_0051 of 30 September 2024

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Laisvės pr. 10, LT-04215,  
Vilnius, Lithuania

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