Baltic RCC

Annual Report 2023

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Main activity:	Provision of engineering and technical services
Chairman of the Board:	Veiko Aunapuu
Shareholders:	AKCIJU SABIEDRĪBA AUGSTSPRIEGUMA TĪKLS, ELERING AS, LITGRID AB
Auditor:	KPMG Baltics OÜ

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1. Executive summary

Baltic RCC is glad to present the Annual Report for 2023, the first full year of operation. The 2023 was a year or shift in lot of sense.

The time of high spending, fear and impact of COVID-19, energy crisis was left behind and shift towards more conservative economic policies are ahead. The shift is still in process, and we cannot be sure what the shift itself will formulate into in the end, however we must be ready for anything - our employees and their many faces remain our strongest shield against any uncertainty to come.

For Baltic RCC the shift is also in process as we remain a company in process of growth. Looking ahead into 2026 we estimate a steady increase in numbers but not in challenges we face. They tend to come from places least expected and neatly packed. The synchronization is still the elephant in the room on the many projects we are invested in and shall continue to dictate the priority as the largest change in the field of energy in Baltics for years to come.

Nevertheless, in the process of large shifts we cannot forget the small, at times even miniscule tasks as this is what the house is built upon. Those tasks do not get the attention they require as those are not spoken in seminars, mentioned, or monitored in discussions but leave them undone and they shadow any KPI set.

In shift or in state of stability Baltic RCC will remain a colleague you can **trust**, always ready to **cooperate** and **adapt** to any challenge ahead being **transparent** and **professional** in their *modus operandi*.

Best regards,

Baltic RCC OÜ Management Board

Veiko Aunapuu, Chairman of the Board

Andrejs Eglītis, Member of the Board

Paulius Cicėnas, Member of the Board

2. Company overview

Our mission is:

To contribute to the security and reliability of the electricity network in Baltics and in Europe.

To guarantee coordinated view and common approach on Baltic energy system operation to help Baltic TSOs to ensure lower electricity price and enhanced system reliability.

The Regional Coordination Centers (RCCs) are established in line with the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity and as of 1 July 2022 replace the regional security coordinators (RSCs) foreseen by the System Operation Guideline. RCCs cover the tasks carried out by RSCs as well as additional system operation, market related and risk preparedness tasks. Their tasks include supporting the consistency assessment of transmission system operators' defense and restoration plans; carrying out regional outage planning coordination; carrying out post-operation and post-disturbances analysis; and training and certification of staff working for RCCs. In performing their tasks, RCCs contribute to the achievement of the 2030 and 2050 objectives set by the climate and energy policy frameworks (particularly in relation to fostering security of supply and efficiency, as well as increasing the electrification of the energy sector).

Baltic RCC OÜ (hereinafter the Company) is a grid security service provider for Baltic System Operation Region (hereinafter SOR) system operators established in 2022 in Tallinn, Estonia in accordance with the proposal prepared by three Baltic Transmission System Operators (TSOs): Elering AS, AS "Augstsprieguma Tīkls" and Litgrid AB (hereinafter the Baltic TSOs) in accordance with the Article 36 of the Regulation (EU) 2019/943.

The Company is driven by the vision that is set out to:

1. Be the competence center for the regional coordination with the aim to guide the Baltic TSOs in the strategic developments and regional view on the security of supply;
2. Provide the best coordination services for the Baltic and Europe TSOs to ensure regional security of supply.

The aim is to centralize the competence for both regional coordination and system security assessment to provide TSOs with guidance and ensure harmonization within the energy sector. By merging the competence, we would be able to provide the high-quality services that aim to increase the security of supply in the region.

Delivering the vision, the Company and its employees aim to carry the values of the Company, which are:

1. Professionalism - “We remain professional in all our actions and keep the Company values and ethics at all times”;
2. Cooperation - “In decision making we take into account the interest of our stakeholders”;
3. Trust - "We keep our promises and are accountable for the regional coordination assessments";
4. Transparency – “All service providers receive transparent input and results from us. We make recommendations and decisions based on data and analyses”;

5. Adaptability - “We adapt to the new and unknown situations to see problems as opportunities to deliver solutions that help to improve the security of supply".

The values are the basis for all our interactions and activities and help to guide the Company and employees in the moral and professional challenges that we face during the operation and development of the services. We proudly carry the values with us in our daily work life.

3. Corporate governance

3.1. The management of the Company

The management of the Company is based on the Estonian Commercial Code, Articles of Association and the Shareholders Agreement. The governance structure of the Company includes three levels in accordance with the Estonian Commercial Code (visualized in image below):

1. The Shareholders of the Company – The shares are allocated equally between three Baltic TSOs: Elering AS, AS "Augstsprieguma Tīkls" and Litgrid AB;
2. The Supervisory Board of the Company - One representative from each Baltic TSO to supervise and overview the strategic operations;
3. The Management Board of the Company - Three members, elected by the Supervisory Board, the main responsibilities are day-to-day operations.

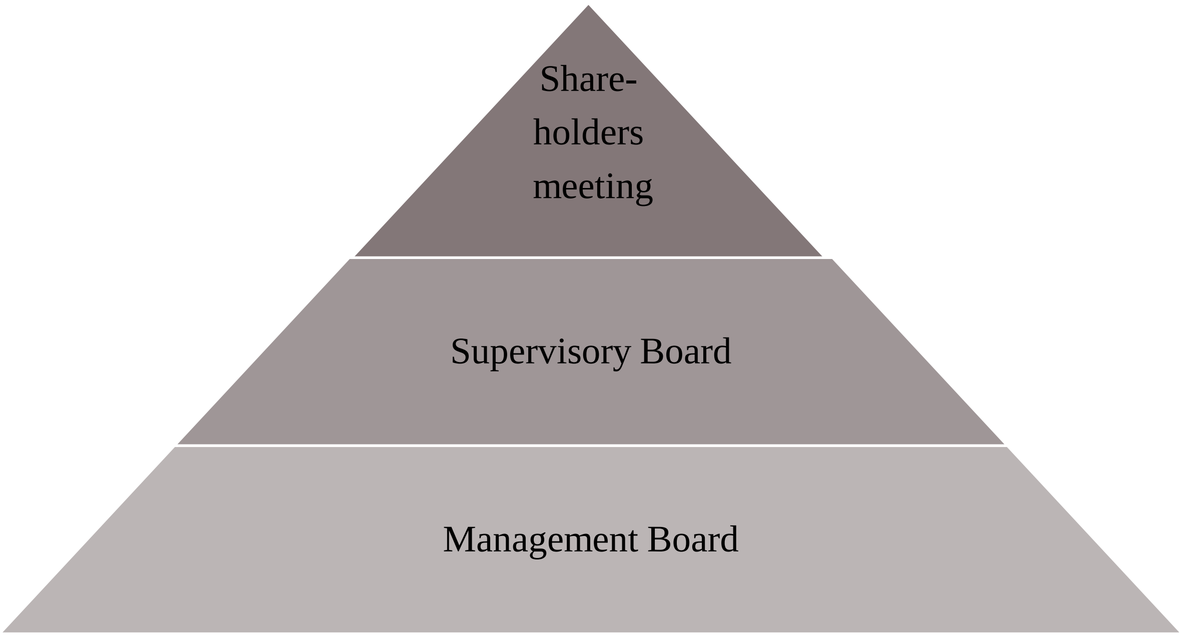


Figure 1. Company governance structure

3.1.1. General meeting of the Shareholders

The general meeting of the Shareholders is the highest managing body of the Company. In accordance with the Articles of Association the main responsibilities of the Shareholders meeting are:

(a) election and removal of the members of the Supervisory Board;

(b) deciding on conclusion and terms and conditions of transactions with the members of the Supervisory Board, deciding on the conduct of legal disputes with the members of Supervisory Board;

(c) amending the articles of association;

(d) increasing or decreasing the share capital or creation of any new share class, excluding the pre-emptive right of the shareholders to subscribe for and acquire new Shares, and approving the sale or any other disposal of Shares in the Company;

(e) entering into, or amending any material terms of, any convertible loan, warrant, option or another similar instrument which entitles the holder of such instrument to acquire shareholding in the Company;

(f) repurchasing or otherwise acquiring the Company's own Share by the Company and selling any own Share so acquired;

(g) effecting the merger, division, transformation, or dissolution of the Company;

(h) electing an auditor (if so decided by the shareholders or required under applicable laws);

(i) approving the annual report;

(j) deciding on profit distribution;

(k) other matters which pursuant to the applicable laws, the articles of association or the Shareholders' Agreement are in the competence of the shareholders.

In 2023 no general meetings of the Shareholders were held. Three decisions of the Shareholders were made without convening a meeting, related to:

1. Confirmation of the Annual Report for 2022;
2. Confirmation of the changes in the Article of Association and the Shareholders Agreement;
3. Confirmation of the Auditor.

3.1.2. Supervisory Board

The Supervisory Board of the Company (the "Supervisory Board") plans the activities and organizes the management of the Company and supervises the activities of the Management Board of the Company. Main responsibilities of the Supervisory Board are following:

(a) approving the main management and operational implementation policies of the Company, including policies regarding financial and risk management;

(b) endorsing and approving the Company's annual budget and any material changes thereto;

(c) approving the strategy and goals of the Company;

(d) supervision of the activities of the Management Board (incl. the execution of the resolutions of the Shareholders and the Supervisory Board);

(e) election and removal of the members of the Management Board;

(f) deciding on conclusion and terms and conditions of transactions with the members of the Management Board and the remuneration of the Management Board members, deciding on the conduct of legal disputes with the members of Management Board;

(g) entering into or amending any material terms of any transaction with a shareholder or its affiliate;

(h) approving and reviewing of general key performance indicators of service provision and any key performance indicators set out by the Management Board;

(i) other matters which pursuant to the applicable laws, the articles of association of the Company or the Shareholders' Agreement are in the competence of the Shareholders.

The Supervisory Board consists of three members appointed by each Shareholder of the Company and the term of the Supervisory Board is three years. Members of the Supervisory Board elect amongst themselves the Chairman of the Supervisory Board whose term will be one year. The Supervisory Board consists of the following members:

1. Riina Käi;
2. Donatas Matelionis;
3. Gatis Junghāns.

All the Supervisory Board members are authorized until 03.05.2025.

Total of 4 meetings were held in 2023 and two decisions were formulated without a meeting. All the Supervisory Board members attended all the meetings.

3.1.3. Management Board

The Management Board is the management body of the Company conducting the everyday operations of the Company and representing the Company in all transactions and acts.

Management Board members are appointed and removed by the Supervisory Board for 3-year term. Management Board consist of three members, one appointed by each Supervisory Board member. The members of the Management Board may represent the Company with at least 2 Management Board members jointly. Management Board members elect from themselves the Chairman of the Board whose term is 3 years.

For first three-year term ending at 03.05.2025 the Management Board consist of Veiko Aunapuu, Paulius Cicėnas and Andrejs Eglītis. Based on the internal Company structure the responsibilities are divided accordingly:

- General organisational management (Veiko Aunapuu):
  - Overall lead of the Company and operations;
  - Representation of the Company in the EU and local organisations;
  - Strategy and other organisational questions.
- Service development (Paulius Cicėnas):
  - Strategy on service provision;
  - KPIs of the Company's operations;
  - Representation in the service development organisations.
- Service operations (Andrejs Eglītis):
  - Management of business tools and IT systems;
  - General technical setup of the Company's IT tools;
  - Representation of the Company in IT and tools related organisations.

Management Board received remuneration for the Company operation, in 2023 the total remuneration accounted for each Management Board member accordingly to the table below. The amounts include taxes:

Renumeration in thousand EUR

Board member	2022 (6 months)	2023 (full year)
Veiko Aunapuu	27	52,1
Paulius Cicėnas	27	67,5
Andrejs Eglītis	27,9	60,5

3.2. Prevention of conflicts of interest

The Members of the Management Board do not adopt resolutions based on their own interests, nor do they use commercial offers made to the Company to their own gain. A member of the Management Board notifies the Supervisory Board and other members of the Management Board of any conflicts of interest prior to the conclusion of their contract and without delay upon its subsequent occurrence. A member of the Management Board promptly informs other members of the Management Board, and the Chairman of the Supervisory Board of any business offers related to the Company's economic activities directed at the member of the Management Board, their relatives, or other related persons.

The requirement to avoid any conflicts of interest is stipulated in the Commercial Code and in the contract concluded with the member of the Management Board. A member of the Management Board avoids any conflicts of interests arising between the interests of the Company and the member of the Management Board and informs the Company's Supervisory Board of its direct or indirect interest in the transactions carried out by the Company and immediately informs the Supervisory Board if a conflict of interest occurs or if a situation occurs in which such a conflict may arise. The Supervisory Board decides on the conduct of transactions with a member of the Management Board, or the conduct of transactions involving the personal interest of a member of the Management Board and specifies the terms of such transactions.

Members of the Management Board must declare any related parties; the amounts of transactions executed with said related parties are disclosed in the Annual Report. The Company did not conclude any transactions with members of the Management Board or parties related to them in 2023.

3.3. Cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board cooperate closely for the purpose of the best protection of interests of the Company. The Management Board and the Supervisory Board work together to develop the Company's strategy. The Management Board follows the strategic guidelines provided by the Supervisory Board when making management decisions. The Management Board regularly informs the Supervisory Board of all material circumstances regarding the planning of the Company's activities and business activities and draws special attention to significant changes in the Company's business activities. The Management Board forwards data, including financial reports, to the Supervisory Board in sufficient time prior to Supervisory Board meetings. At the request of the Supervisory Board, a member of the Management Board provides the Supervisory Board with oral or written information regarding the activities of the Management Board and the Company and provides the Supervisory Board access to any information concerning the Management Board and the activities of the Company.

The management of the Company is governed by relevant laws, the Articles of Association, and the decisions of and the goals set by the General meeting and the Supervisory Board meetings.

3.4. Ethics and prevention of corruption

The Company is with zero tolerance for corruption. The UN Global Compact Pact highlights four main consequences of corruption for companies:

1. The risk of violation of laws, as corruption is clearly an unlawful activity

The Company wants to be a class leader to other companies in terms of abidance with law and this can only be achieved if the Company complies with the requirements of legislation itself.

2. Reputational risk

It is important for the Company to have impeccable reputation.

3. Financial risk

It’s possible to suffer remarkably serious economic damage because of corruption. This may become evident in higher purchasing costs, lower quality of the equipment purchased, etc.

4. Loss of internal trust

If employees notice that unethical behavior is enabled in the Company, it will lead to a serious loss of trust in the Company, a decrease in loyalty and deterioration of the general Company culture.

The emergence of corruption must be prevented to avoid the negative consequences. The Company has planned to work out the Anti-Corruption Policy, which focuses primarily on the prevention of corruption. The policy should address the following aspects of prevention of corruption:

- Bribery/income derived from corrupt practices;
- Conflicts of interest;
- Support and donations;
- Gifts and hospitality;
- Obligation and procedure of reporting suspicions.

No corruption cases were identified in 2023.

4. Key financial indicators

4.1. Economic environment

The Company operates both in regulated and competitive environment. With our core business being regulated by European legislation we aim to provide the services within the developed and agreed methodologies, however part of our business is also on competitive market in providing the *ad hoc* and requested services from the energy community. The labor market in 2023 continues to be difficult, although despite of that, the Company has managed to find skilled employees and at the time of formulation of the Annual Report has only one unfilled position.

In 2023 the inflation has been calmed down compared to 2022 and is mainly lead by consumer goods as a result form previous year energy price. The consumer price index compared to last year was significantly lower at 5% compared to last year's 19%.

The income of the Company is divided by two main sources:

1. Income from Shareholders for the services provided within SOR region;
2. Income from non-shareholders for the services provided outside of the SOR region.

Both incomes are directly or indirectly related to related parties and therefore is regulated by the Company's transfer pricing policy. Based on the transfer pricing policy the principle used for service cost is assumed to be cost plus 5% based on industry standard. Due to that the profit of the Company is limited to 5% and that is the target for each year. The dividend policy of the Company has not yet been developed as in line with the financial management policy the dividends are not yet foreseen before 2026.

4.2. Key financial indicators

Table 1 below reflects key financial indicators for 2023.

Table 1. Key financial indicators for 2023

In thousands of euros	**2023**	**2022 (6 months)**
Sales revenue	**1 315**	**533**
Operating expenses	**1 206**	**550**
Operating profit/loss	**109**	**-17**
Operating profit/loss before depreciation*	**175**	**-1**
Income tax	**3**	**1**
Net profit/loss	**104**	**-19**
Operating profit margin	**8,3%**	**-3,2%**
Margin of operating profit before depreciation	**13,3%**	**-0,2%**
Net profit margin	**7,9%**	**-3,6%**
Return on equity**	**4,7%**	**-16,4%**
Equity capital to assets***	**23,0%**	**12,4%**
Investments in fixed assets	**0**	**163**

**Operating profit before depreciation = operating profit + depreciation*

***Return on equity = net profit / average equity*

****Equity to assets = equity / total assets*

Main income for the Company comes from the provision of services. For year 2023 the profit for the year before deprecation was 13,3% and net profit was 7,9%. That is in line with the transfer pricing policy to ensure that services with related parties are priced in accordance with the policy. No major investments were made in 2023.

5. Personnel policy and social environment

5.1. Personnel policy

As of 31 December 2023, the Company employed 10 employees in three Baltic states. The main competence of the employees is related to the power system engineering and IT development. Half of the employees operating in the Company have previous experience from the TSOs and were directly operating the services during the RSC service operation. The employees are divided into three levels: junior engineer, engineer, and senior engineer.

Most of the support services were procured from TSO's in 2023 in order to ensure the service continuity and to be in line with the security requirements. Main change is the legal service that was discontinued in spring 2023 and since that time has been managed internally by the Company.

The labor market, the Company is operating in, is very narrow and for competence engineers we are competing mainly with TSOs.

5.2. Social environment

Even though the Company is operating in both competitive and regulated market, we feel the social responsibility as we are operating largely on Shareholders' income that in the end is income from the regulated tariff. For that purposes the operating principles and risk appetite for the daily operation is and will be kept at reasonable level to ensure the owners' expectations, but at the same time not to take any financial or operational risks that could cause issues to the Shareholders' financial positions and could indirectly lead to cost to the end consumer.

At the same time, we recognize the social obligation transferred to us via owners in providing the critical service of energy supply. Our actions are taken in respect to regional consumers to ensure security of supply as well lowest possible energy price for the consumers in Baltic region.

6. The Company's services

The Company provides services on pan-European and regional level which can be shortly described as following.

Pan-European services:

a. Common Grid Model (CGM) - merging of a mathematical model of the pan-European electricity grid based on individual grid models which will be used for calculations by TSOs and RCCs.

b. Short-Term Adequacy (STA) - adequacy assessments based on the information provided by the relevant TSOs with the aim of detecting situations where a lack of adequacy is expected in any of the control areas, considering possible cross-border exchanges and operational security limits.

c. Outage Planning Coordination (OPC) - outage coordination of grid elements located in Europe. Data and service quality is ensured by identifying Tie-Line Inconsistencies.

d. Post-Operation and Post-Disturbances Analysis and Reporting (RIAR) - to carry out post-operation and post-disturbances analysis and reporting. In case of TSO being in emergency, blackout or restoration system state, another TSO has moved from normal or alert system state to emergency system state and the incident has been confirmed as at least a scale 2 incident as defined by the Incident Classification Scale (ICS) Methodology.

e. Maximum Entry Capacity (MEC)- MEC is the maximum allowed foreign capacity (expressed in MW) on each given Capacity Market (CM) border that can participate in a capacity remuneration mechanism during a certain delivery period. The MEC should reflect the value that an interconnected system can bring in at times of 'system stress' - in terms of security of supply.

Regional services:

a. Regional STA – run in case of adequacy issue detected during pan-European process in the Baltic region. The process ensures detail analyses of adequacy issues to be investigated by the Company and Baltic TSOs. The Company provides regular reports of the Baltic power system adequacy status to Baltic TSOs.

b. Regional OPC and Outage Planning Incompatibilities (OPI) - outage coordination of grid elements and generating units. The main task is to provide assessment of OPI in the Baltic region and provide proposals to Baltic TSOs how to mitigate and/or eliminate indicated incompatibilities.

c. Regional Merged Model (RMM) – one of the main services in the Baltic region, when the Company is performing the merge of Baltic CGM with 3rd countries transmission system network models. RMM is used to perform security analysis of the Baltic region transmission network system.

d. Coordinated Security Analysis (CSA) - This is the service when the Company performs regional transmission system network operational security assessment. If a constraint is detected, it shall recommend to Baltic TSOs the most effective and economically efficient remedial action.

e. Consistency assessment of transmission system operators' defense and restoration plans - the Company reviews the TSOs' coordinated Restoration and the Defense plans.

In the next subsections the Company's services are described in more detail.

6.1. Common Grid Model

The CGM is a pan-European cooperation program that ensures seamless sharing of grid data between and among the TSOs through secure IT communication infrastructure and merging of individual grid models (IGMs) which is regulated by:

- The CGM methodology, pursuant to Article 17 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM);
- Article 18 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (FCA);
- Articles 67 and 70 of the Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (SOGL);
- Agreed procedure pursuant to the Articles 12 and 15 of the Network Code on Operational Planning and Scheduling.

The CGM is the basis for RCCs assessments to deliver the following services: Coordinated Security Analyses (CSA), Coordinated Capacity Calculation (CCC) and Outage Planning Coordination (OPC). The Company is checking the quality and plausibility of IGMs provided by TSOs and facilitating their improvement to meet the criteria of quality and plausibility.

6.1.1. Operational performance

The process of combining the IGMs of the TSOs is a recognized method for developing the CGM of the Europe's interconnected grid. These methods facilitate regional coordination up to the point where the tasks required by law, as outlined in the Clean Energy Package, Network Codes, and Guidelines, become operational.

The RCCs participate in the pan-European process of CGM creation based on a rotational principle. The pan-European process covers the following business processes for:

• Planning pre-processing data alignment for two days ahead and year-ahead IGM creation by TSOs and RCCs;

• Scheduling alignment for day-ahead and intraday IGM creations by TSOs and RCCs;

• Creating the IGM model and providing it to the Operational Planning Data Environment (OPDE) by TSOs;

• Validating the IGM model by RCC;

• Merging the CGM model and providing it to OPDE by RCC.

Boundary service as part of the pan-European service is provided under the requirements set out in the OPDE Agreement for the Minimum Viable Solution.

Regional process covers the regional specifications set out by Baltic SOR and includes Regional Merged Synchronized Model (RMM) which is Baltic's CGM merged with Poland's network model.

Starting from 2023 the concept of RMM was changed. Previously the RMM was created including 3rd countries model, but this approach was changed according to a decision of the System Operations Committee to be more ready for the desynchronization.

6.1.2. Coordinated actions and recommendations

No actions/recommendations were made during year 2023.

6.1.3. Effectiveness

The CGMs are merged and provided to the OPDE platform in timeframes defined by the service methodology (if all IGMs of Baltic TSOs are provided): 83% for day-ahead time horizon and 81% for two days ahead time horizon.

Year-ahead RMM is merged and validated. It is available in the European Merging Function (EMF) tool for internal use for the regional specific service provision of other services agreed between TSOs and the Company.

Intraday models are created also for CGM and RMM. The process runs every day, starting from 4:00AM to 4:00PM in EET.

In 95% (day-ahead) and 92% (two days ahead) of instances, the RMMs for day-ahead and two days ahead timeframes are made available for various services. This availability enables the execution of essential calculations and the maintenance of valued regional grid security.

6.1.4. Efficiency

The RMM merging algorithm is improved, the merging time is decreased from 40-55 minutes to 20-30 minutes.

The CGM merging algorithm takes around 50-60 minutes.

6.1.5. Shortcomings

Main shortcomings on the service are related to the unavailability of the IGMs and the robustness of the used IT systems. The availability of the IGMs in 2023 was up to 53% in the Baltic region. Additionally, the availability of the common IT systems used for the service provision have been lower on specific time periods. Both issues shall be kept in focus during the 2024.

6.2. Coordinated Security Analyses

SOGL requires TSOs in each region together with the RCC to set up operational security coordination service. Coordinated Security Analysis (CSA) in Baltic SOR service shall be based on EU methodology according to Article 75 of SOGL and regional common provisions for CSA service according to Article 76 of SOGL.

Full CSA service shall cover regional and cross-regional data exchanges and coordination between TSOs and RCCs. The main aspect of the CSA process is to perform operational security assessment and identification, coordination of regionally and cross-regionally impacting remedial actions and monitoring their activation. The regional process shall be developed in accordance with the CSA methodology and *All TSOs' of Baltic Capacity Calculation Region common provisions for regional operational security coordination in accordance with Articles 76 and 77 of the Commission Regulation (EU) 2017/1485 of 2 August 2017* (hereinafter the Baltic ROSC).

6.2.1. Operational performance

The main objectives for CSA process are:

- Identification of operational security violations in transmission system;
- Identification of possible remedial actions and their impact on transmission system;
- Coordination of the identified remedial actions with respective TSOs;
- Providing operational security assessment results to TSOs;
- Monitoring the inclusion and activation of the agreed remedial actions;
- Logging the exchanged data, coordination process and coordinated actions for monitoring reporting reasons.

6.2.2. Implementation status

During year 2023, the service provision was shifted from two days ahead to day-ahead time horizon to carry out transmission network security assessment on RMM models, representing the case of Baltic states synchronization with continental Europe. Main developments were focused on the implementation of the remedial action coordination tool, which enables the Company and Baltic region TSOs to propose and coordinate remedial actions for identified violations in transmission network. Implemented solution is based on data exchange according to the latest specification of Network Code CSA profiles, developed by ENTSO-E. In the end of 2023, the Company together with representatives of Baltic TSOs successfully tested implementation of remedial action coordination tool and scheduled the go-live date to 1 April 2024. Moreover, the preparations for service provision for intraday time horizon was performed, and it is ready to be operated together with the day-ahead timeframe, once the input data will be available.

6.3. Coordinated Capacity Calculation

Until the synchronization with the continental Europe, the Baltic region applies *the Methodology on Capacity calculation methodology within the Baltic Capacity Calculation Region*. In accordance with Baltic ROSC *the Methodology on Capacity Calculation, Provision and Allocation with the 3rd Countries* is not part of Baltic capacity calculation region's TSOs common operational governing rules for Coordinated Capacity Calculator. Thus, Baltic TSOs shall coordinate among themselves and perform Capacity Calculation, according to *Terms, Conditions and Methodology on Cross-Zonal Capacity Calculation, Provision and Allocation with the 3rd Countries*.

6.3.1. Implementation status

The development of capacity calculation service is ongoing. Implementation should be finalized by the beginning of year 2025. The progress achieved during the year of 2023 is following:

- Developed and tested capacity calculation algorithm;
- Aligned capacity calculation input, result data exchange and validation processes between Baltic TSOs and the Company.

6.4. Outage Planning Coordination

According to Article 84 of SOGL all TSOs must jointly develop a methodology at least per synchronous area, for assessing the relevance for the outage coordination of power generating modules, demand facilities, and grid elements located in a transmission system or in a distribution system, including closed distribution systems. In line with Article 86 of SOGL, before 1 July of each calendar year, all TSOs of each outage coordination region shall jointly re-assess the relevance of power generating modules and demand facilities for outage coordination based on the methodology developed in accordance with SOGL. The preliminary year-ahead availability plans for the following calendar year must be provided by each TSO to all other TSOs before 1st November of each calendar year via OPDE as stated in Article 97 of SOGL.

The Company has performed the Initial/Final Outage Planning Incompatibilities (OPI) assessment for the timestamps acknowledged by the Baltic TSOs which have been coordinated within dedicated coordination cycle telcos (RCC-TSO, RCC-RCC). The TSOs and RCCs reviewed the results of the Final OPI Assessment.

Regional OPI assessment results have been uploaded into common data sharing platform (ENTSO-E SharePoint).

The Company provides a quality check on OPC service on weekly basis by providing quality check on the Unavailability input data and hosts weekly coordination teleconferences to resolves any tie-line inconsistencies. Moreover, the Company participates in weekly RCC-RSC teleconferences and has undertaken the role of OPC weekly merge operator.

6.4.1. Operational performance

During year 2023, the Company has not observed any major and critical incidents in Baltic TSOs outage coordination procedures and schedules. Regional OPI assessment was performed for the year 2024 and the report was successfully acknowledged by Baltic TSOs OPC operators. Therefore, there were no investigations to be reported on for year 2023.

6.4.2. Coordinated actions and recommendations

The Company monitors outage schedule of generation units >50MW.

6.4.3. Effectiveness

Within week ahead OPC process the Company implemented coordination of in reserve elements.

During year ahead OPC process the Company coordinated overlapping generation and HVDC.

6.4.4. Efficiency

The Company has participated in all RSC-RCC weekly and yearly calls.

The Company has participated in OPC workgroups responsible for defining requirements for future release of Pan-EU OPC tool specifications that includes geographic representation of outages elements.

Annual regional OPI report has been finalized and results accepted by TSO OPC single point of contacts.

6.4.5. Shortcomings

For year ahead regional OPC process, Baltic TSOs delivered unbalanced grid net positions for Baltic. Net positions are aligned within NMFT (Network Model and Forecast Tool) group. This issue required the Company to adjust the generation and production positions for year ahead timestamps to meet balance model requirements.

6.5. Short-Term Adequacy

The Company is providing STA in line with Article 81 of SOGL. Each RCC shall perform regional adequacy assessments for at least the week-ahead timeframe. Each TSO shall provide the regional security coordinator with the information necessary to perform the regional adequacy assessments, including:

a. the expected total load and available resources of demand response;
b. the availability of power generation modules; and
c. the operational security limits.

Each RCC shall perform adequacy assessments based on the information provided by the relevant TSOs with the aim of detecting situations where a lack of adequacy is expected in any of the control areas or at regional level, considering possible cross-border exchanges and operational security limits. It shall deliver the results together with the actions it proposes to reduce risks to the TSOs of the capacity calculation region. Those actions shall include proposals for remedial actions that allow the increase of cross-border exchanges. When performing a regional adequacy assessment, each RCC shall coordinate with other RCCs.

RCCs (on a rotating basis) perform a Cross-Regional Adequacy Assessment (CRAA) daily to highlight at ENTSO-E level situations where a lack of adequacy is expected. When not performing the CRAA, the RCCs monitor the CRAA results for their own area of responsibility for potential lack of adequacy situations.

Based on the CRAA results or on TSO requests, e.g., due to lack of adequacy assessed or by estimation of TSOs, RCCs shall perform a Regional Adequacy Assessment (RAA) in the relevant adequacy coordination region and shall deliver the results of the regional adequacy assessment together with the actions they propose to reduce the risk to the associated TSOs.

The energy crisis in Europe brought the attention to the STA service and the monitoring of the system adequacy was more important than ever. The Company introduced extensive additions to the regional service set out to monitor and alarm the TSOs. A communication procedure was set out to alarm the high-risk periods and provide early warnings. The procedure of early warning was activated once in mid-December due to low generation availability in the Nordic-Baltic region, but due to update of wind generation the situation did not develop into crisis.

6.5.1. Operational performance

During year 2023, and since the go-live of the STA service:

- the duty of the pan-European STA service was accomplished 100% of days/weeks as expected by the agreements;
- RAA was not triggered for the service area of the Company, therefore there were nothing to be reported on for year 2023.

6.5.2. Coordinated actions and recommendations.

No actions/recommendations were made during the year 2023, since no RAA-s were triggered.

6.5.3. Effectiveness

Effectiveness of this task has been defined as:

The ratio of initiated RAA adequacy issues in Baltic SOR compared to the total number of the RAAs triggered for this area. Result for 2023: 100%.

6.5.4. Efficiency

Efficiency of this task has been defined as:

The ratio of finalized RAA adequacy issues compared to the number of triggered RAA issues in Baltic SOR. Result for 2023: 100%.

6.5.5. Shortcomings

For 2023, there are no shortcomings to be reported.

6.6. Post-Operation and Post-Disturbances Analysis and Reporting

The Regulation (EU) 2019/943 mandates all RCCs to carry out post-operation and post-disturbances analysis and reporting. On 31 March 2022, the post-operation and post-disturbances analysis and reporting methodology [3] was approved by the European Union Agency for the Cooperation of Energy Regulators (ACER) in accordance with the regulation. This methodology and service went live on 1 October 2022.

Regional Incident Analysis and Reporting (RIAR) - the RCC is investigating a situation where a result of actions taken by a TSO being in emergency, blackout or restoration system state, another TSO has moved from normal or alert system state to emergency system state and the incident has been confirmed as at least a scale 2 incident as defined by the Incident Classification Scale (ICS) Methodology. The Company will provide recommendations aiming to prevent similar incidents in the future.

6.6.1. Operational performance

In 2023, one incident that was suspect to be classified as scale 2 was reported to RCCs. On 19 September 2023, RCCs were informed that an incident had occurred in Montenegro on 28 May 2023. The methodology would have foreseen a nomination within one week after the incident occurred. On 22 September 2023, all RCCs nominated their main and backup members according to Article 3 of the RIAR methodology. During the detailed assessment of the ICS Expert Panel, it was decided that the incident would only be classified as scale 1 which implies that the RCC investigation threshold was not met and no RCC investigation was initiated.

6.6.2. Coordinated actions and recommendations.

No actions or recommendations were made during year 2023.

6.6.3. Effectiveness

Effectiveness of this task has been defined as:

- Nomination and communication of the RCC members within one week after the incident occurred;
- Publication of the final report, including the RCC chapter by the end of September in the year after the incident.

A nomination of the RCC members within one week deadline for the incident on 28 May 2023 was not possible since RCCs became only aware of the incident on 19 September 2023. Once the RCCs became aware of the incident, they nominated and communicated RCC members within three days.

No final reports were published since no incident was above the threshold.

6.6.4. Efficiency

Efficiency of this task has been defined of hours spent on the Post-Operation and Post-Disturbances Analysis and Reporting task (process implementation, training and certification, recommendation follow-up) and the number of hours spent per incident investigation.

The Company spent 160 hours for the process implementation and for the improvement of training materials for certifying additional investigators. An incident investigation was not initiated in 2023.

6.6.5. Shortcomings

The communication during the incident occurring in 2023 towards RCCs was not sufficient for allocation of resources. Independent of the fact that the incident was later classified as scale 1, a communication should have happened in due time to allow RCCs to nominate RCC members within the foreseen timeframe of one week and ensure that data can be collected for the investigation.

6.7. Training and Certification

Training and Certification (T&C) service is based on RCC Training and Certification Methodology developed in line with Article 37(1)(g) of the Regulation (EU) 2019/943 and approved by ACER on 18 May 2022. T&C service covers the implementation of continuous training and certification activities to RCC operators who are performing tasks of regulated services. Goal of this services is to ensure necessary skills and knowledge level of RCC operators to provide high quality and efficient services to region TSOs.

Methodology implementation divides into two phases:

- Development of training modules including trainings and assessment material – until 28 May 2024;
- Certification of RCC Operators – until 28 May 2026.

6.7.1. Operational performance

The main objectives for T&C service are:

- Develop internal RCC Training Program and Annual Training plan with definition of roles and responsibilities of related parties, organizational and certification principles;
- Develop Joint Training Program with common guidelines for all European RCCs;
- Develop Joint and Internal Training modules for regulated services;
- Train and certify RCC operators according to defined guidelines and developed materials.

6.7.2. Implementation status

In 2023, together with T&C implementation working group, the Company developed the Joint Training Program and initiated the creation of Joint Training Modules for STA, OPC, CGM and RIAR pan-European services. Internal Training Program and Annual Training Plan for 2024 was developed from regional perspective. With set of rules and guidelines defined in the previously mentioned documents the joint and internal training modules developments are ongoing and planned to be finalized until regulated deadline in 2024.

6.8. Consistency assessment of transmission system operators' defense and restoration plans

6.8.1. Operational performance

The Company reviews the coordinated restoration and coordinated defense plans of Baltic TSOs in line with Article 6(3) of the Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a network code on electricity emergency and restoration.

6.8.2. Effectiveness

In the reviewed coordinated restoration and coordinated defense plans of Baltic TSOs no potential incompatibilities have been identified.

6.8.3. Efficiency

By the end of 2023, each of the Baltic TSOs have prepared the preliminary documentation of the coordinated restoration and coordinated defense plans.

6.8.4. Shortcomings

For 2023, there are no shortcomings to be reported.

6.9. Maximum Entry Capacity (MEC)

Pursuant to Article 21 of the Regulation (EU) 2019/943, if resource adequacy problems have been identified in a Member State, Capacity Remuneration Mechanisms (CRM) open for cross-border capacity participation may be introduced as a last resort. The resource adequacy concern must be identified by National Recourse Adequacy Assessment and/or European Resource Adequacy Assessment. If a TSO is implementing CRM, open for cross-border participation, RCC needs to calculate available maximum entry capacity (MEC) value for foreign capacity participation in cross border capacity mechanisms and issue recommendation pursuant to Article 26(7) of the Regulation (EU) 2019/943.

MEC is the maximum allowed foreign capacity (expressed in MW) on each given Capacity Market (CM) border that can participate in a capacity remuneration mechanism during a certain delivery period. The MEC should reflect the value that an interconnected system can bring in at times of 'system stress' - in terms of security of supply. All calculated amounts for each CM border should be included in one recommendation, which annually are provided by RCC to relevant TSO's. The first MEC recommendation will be delivered and published in 2024.

6.9.1. Operational performance and implementation status

Until 2023, there are no cross-border CMs in Baltic region introduced.

In December 2023, the Company sent out an official e-mail to each Baltic TSO to determine if MEC calculations are needed for their cross-border Capacity Remuneration Mechanisms.

7. Service development outlook

CSA and CCC services development focus has been throughout year 2022 and 2023. The projects have been initiated to become operational services with the respective deadlines of 28 March 2024 and 1 January 2025.

Training and certification service preparation work started in 2023. The "Baltic RCC training program" has been developed and confirmed, which defines the main roles and responsibilities of relevant parties or activities as well as procedures, processes, and coordinated tasks to be followed and performed in the Company. This document serves as an internal company document which sets out all aspects of training and certification activities laid out in the Regional Coordination Centre Training and Certification of Staff Methodology in accordance with Article 37(1)(g) of the Regulation (EU) 2019/943, approved by the European Union Agency for the Cooperation of Energy Regulators with 18 May 2022 Decision No 07/2022 and enhanced with the Company related specifics and good practices. The Company aims to finalize Training and certification service and start certification procedure of the Company's operators in 2025.

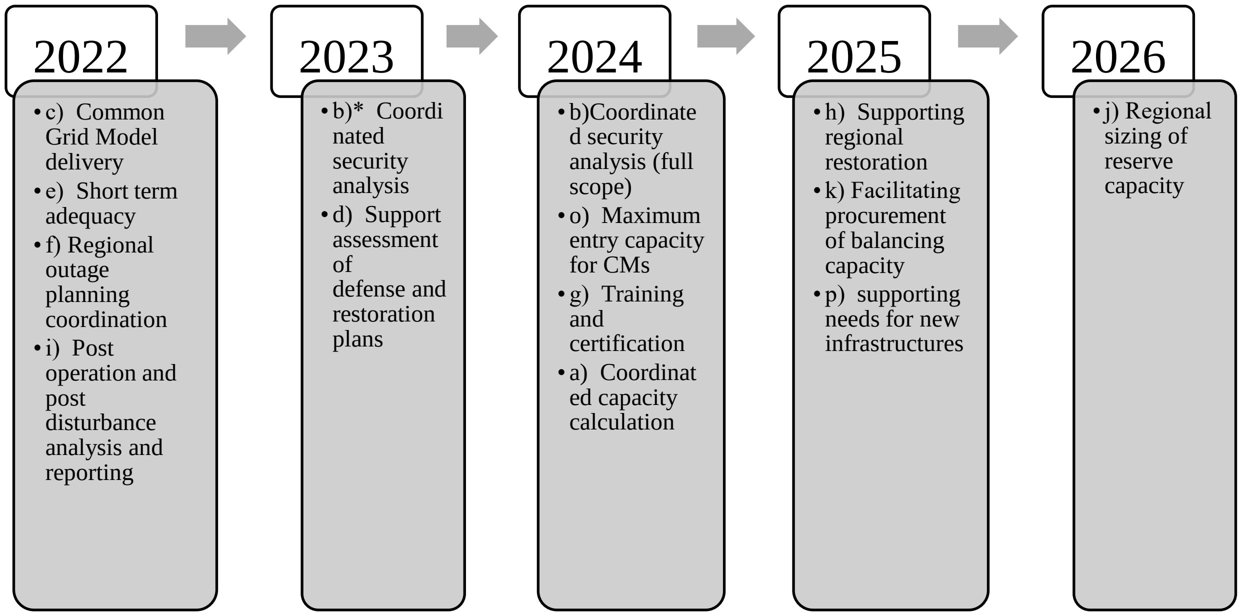
Additionally, the Company has set out the implementation plan for all services set out in Article 37(1) of the Regulation (EU) 2019/943 and the initial implementation deadlines are set out in the table 2 below.

Table 2. Implementation deadlines for services set out in Article 37(1) of the Regulation (EU) 2019/943

Task as per Article 37(1)	Implementation	Scope
c) Common Grid delivery	01.07.2022	Pan-EU, SOR (System operation Region)
d) Support assessment of defense and restoration plans	01.07.2022	SOR
e) Short term adequacy	01.07.2022	Pan-EU, SOR
f) Regional outage planning coordination	01.07.2022	Pan-EU, SOR
i) Post operation and post disturbance analysis and reporting	01.10.2022	Pan-EU
b) Coordinated security analysis of the Baltic region	Q2 2024 (full scope)	SOR
o) Maximum entry capacity for CMs	Q1 2024	Pan-EU
g) Training and certification	Q2 2024	Pan-EU, SOR
a) Coordinated capacity calculation*	Q1 2025	CCR (Capacity calculation region)
h) Supporting regional restoration	Q1 2025	Pan-EU, SOR
k) Facilitating procurement of balancing capacity	Q1 2025	SOR
p) Supporting needs for new infrastructures	Q1 2025	Pan-EU
j) Regional sizing of reserve capacity	Q1 2026	SOR
l) Support optimization Inter TSO settlement	On demand	-
m) Crisis scenarios	On demand	-
n) Seasonal adequacy	On demand	-

** Coordinated capacity calculation service is scheduled to go-live on 01.01.2025 in accordance with the synchronization timeline.*

The implementation deadlines for individual services and scope of the services for which a methodology has not been confirmed are indicative and subject to amendments where necessary. Illustrative overview of services is shown on image below:



* - Partially developed service, full scope in 2024.

Figure 2. Services implementation flowchart

8. The Company's main interest projects

The Company has several strategic projects and workstreams that are connected to both TSOs strategic goals and the Company's internal goals. Most important projects are listed below with a short description.

8.1. Synchronization with the continental Europe electricity system

Synchronization is and will remain the focus of Baltic electricity system in the coming years. The Company supported implementation of the SAFA policy. SAFA policy 4 has been finalized in 2023 and the compliance procedure started in January 2024. This is one of the supporting activities for Baltic TSOs to meet compliance procedures for the synchronization.

8.2. Capacity calculation and coordination

The Company contributed in the preparations of two methodologies in 2023:

1. The Capacity calculation methodology in accordance with Article 20 of CACM (hereinafter the intraday capacity calculation methodology) considers the general principles and goals set in CACM as well as in the Regulation (EU) 2019/943. The goal of CACM is the coordination and harmonization of capacity calculation and allocation in the day-ahead and intraday cross-border markets. It sets, for this purpose, the requirements to establish the day-ahead and an intraday capacity calculation methodology to ensure efficient, transparent, and non-discriminatory capacity allocation;

2. Common coordinated capacity calculation methodology in accordance with article 10 seq. of FCA (hereinafter the Long-Term Capacity Calculation Methodology" (LT CCM). The LT CCM takes into account the general principles and goals set in FCA as well as the Regulation (EU) 2019/943.

Based on those methodologies the Company started implementation of the Capacity Calculation tool in 2023. The aim is to finalise the Capacity Calculation tool implementation until the begining of Q3 and run dry-run testing until the end of 2024. CCC service go-live is scheduled for the begining of 2025.

8.3. Capacity market for balancing reserve allocation (incl. sizing and reserves)

Baltic TSOs have agreed to implement the reserve market by 2025. In accordance with Article 37(1) of the Regulation (EU) 2019/943 the Company has integral role in the capacity market. For that reason, the Company would allocate resources for the process development to ensure that the services scope would meet confirmed methodologies for service sizing and procurement.

8.4. Harmonized communication exchange (data formats and channels)

In 2022, the Company introduced common data exchange to be used between the Company and the Baltic TSOs. The EDX/ECP based common data exchange network aim is to harmonize the communication channel used between the Baltic TSOs and RCCs. The longer-term aim of this channel development is to expand it in the Baltic region and use it for data exchange between the Company, the Nominated Electricity Market Operator and the Baltic TSOs. The communication network needs to be further developed to introduce higher availability requirements, however technical readiness is already possible, and some technical capabilities of the network being used.

8.5. Open-Source EMF tool

The Company is using European Merging Function tool (hereinafter the Tool) internally for the model merging and validation to compose and validate the CGM/RMM models. The Tool is currently maintained by external service provider, however the operation of the Tool has proven to cause availability and development issues. Mainly the delivery time of the new releases and the Tool patch have caused the service availability issues, what could lead to the breach of services agreement requirements with the Company’s customers. That encouraged the Company to investigate possible alternatives.

One possible alternative that the Company has set out in 2023 is open source inhouse developed EMF tool (hereinafter the Inhouse EMF Tool). The development work in 2023 proved, that the Inhouse EMF Tool is capable to meet the Company’s needs and ensure services provision for Baltic and European TSOs quality. The aims are to replace the existing Tool with the Inhouse EMF Tool by year 2025; to make finalized Inhouse EMF Tool available for ENTSO-E community and to increase awareness of the Company.

9. Outlook

Since 2022, the Company was established and total of 10 services were implemented. 1,5 million EUR budget and 10 employees were allocated for the new service implementation and operation. Article 37(1) of the Regulation (EU) 2019/943 foresees total of 16 services that would be allocated to RCCs with different implementation times. 19 employees would be needed in total by year 2027, to support and implement the new services and expand the current services further. This is the initial assessment, the decision of implementation of new services for Baltic TSOs should be approved within an amendment of the service agreement and the budget would be subject to annual review. The Company's estimated budget will be at least 3 million EUR in 2027, to follow the Company's strategy and hire necessary personnel and expand the services scope.

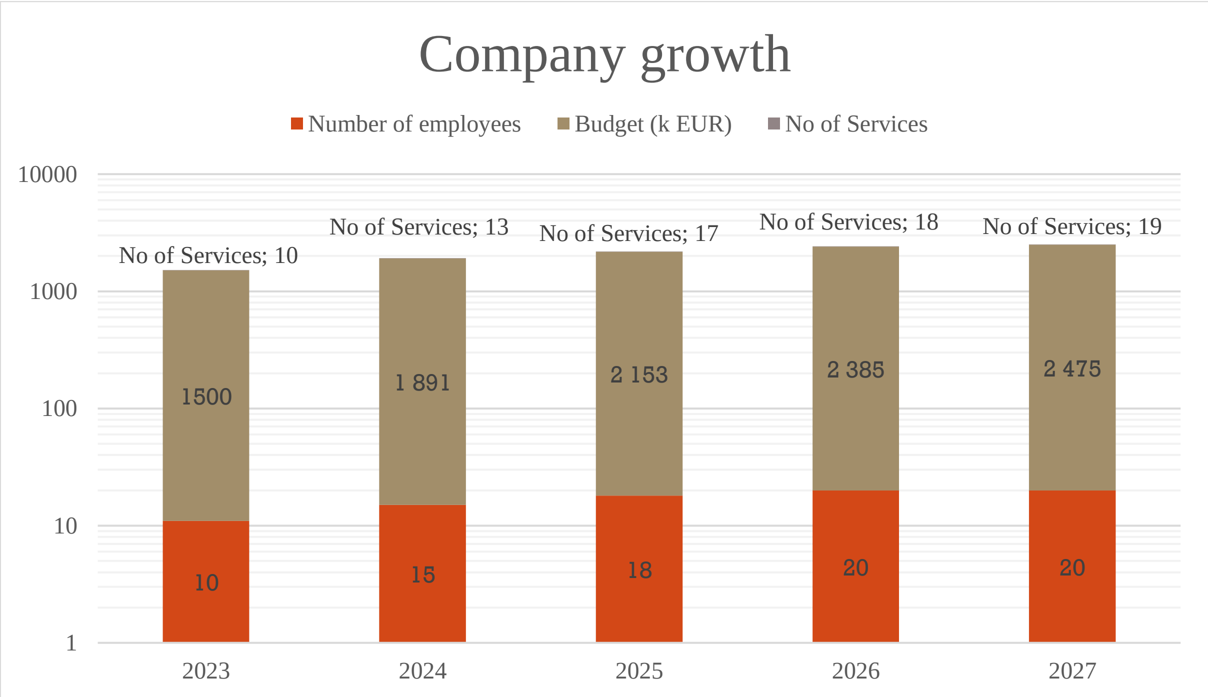


Figure 3. Company growth parameters from 2023-2027

10. Risks

As the Company is operating in similar environment as TSOs the risks we face are largely similar to transmission system operators, both from external and internal factors. The main risk categories identified internally are:

1. Corporative;
2. IT/IT security;
3. Services implementation;
4. Operational.

Risk management procedures and registries have been developed and confirmed in 2023. This registry and risk mitigation plans are reviewed quarterly. The risks that are indicated either high or very high are reviewed regularly. The identified and monitored main risks of the Company are described below.

10.1. Business continuity in case of synchronization

As for all other Baltic energy companies, mainly TSOs, the business continuity in case of synchronization is the main challenge and risk.

Mitigation:

Dedicated procedures were developed and implemented for all regional services to mitigate the risks related to urgent synchronization with continental Europe. Regular testing of key services to incorporate relevant procedures are in place and switch could be made without loss of service.

10.2. IT and cybersecurity risks

Risk related with noncompliance to OPDE security plan.

Audit results for compliance to OPDE security plan is: Role Participant 282 total controls audited, the compliance level of controls was evaluated as fully compliant for 245 controls, partially compliant for 34 controls and noncompliant for 3 controls. Full compliance of controls has increased by 8 % in compare with 2022 audit results.

Role Service Provider 333 total controls audited, the compliance level of controls was evaluated as fully compliant for 294 controls, partially compliant for 37 controls and noncompliant for 2 controls. Full compliance of controls have been increased by 9 % in compare with 2022 audit results.

Mitigation:

For the cybersecurity update a cooperation is set in place with TSOs and service providers providing both cybersecurity governance and cybersecurity operations services. The identified risks are actively being monitored and mitigation measures for high risks are taken into action plan to resolve the possible vulnerabilities.

10.3. Risk of competent personnel

There is a risk, that the Company will not be able to hire high level experienced engineers for services provision, that could lead services provision to lower quality level.

Mitigation:

The Company is offering extensive benefit package that has proven to be positive for employees and has helped to fulfill the positions in 2023. Additionally, open and challenging tasks ahead helps to motivate the employees.

11. Financial Statements (01.01.2023-31.12.2023)

Statement of financial position

in thousands of euros	Note	31.12.2023	31.12.2022 corrected
ASSETS			
Current assets			
Cash and cash equivalents	6	659	570
Trade and other receivables	7	120	125
Total current assets		**779**	**695**
Non-current assets			
Fixed assets (with correction 2022)	8	56	81
Intangible assets	9	119	160
Total non-current assets		**175**	**241**
TOTAL ASSETS		**954**	**936**
LIABILITIES			
Current liabilities			
Current lease liabilities	10,11	26	25
Trade and other payables	10	677	726
Deferred income		0	12
Total current liabilities		**703**	**763**
Non-Current liabilities			
Long-term leases	11	31	57
Total Non-Current liabilities		**31**	**57**
TOTAL LIABILITIES		**734**	**820**
Share capital	12	135	135
Retained earnings	12	85	-19
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**220**	**116**
14			
TOTAL LIABILITIES AND EQUITY		**954**	**936**

Appendices 1 to 17 an integral part of these annual accounts.

Statement of profit and loss and other comprehensive income

in thousands of euros	Note	01.01.2023-31.12.2023	20.06.2022-31.12.2022 corrected
Sales revenue	13	1315	533
Goods, raw material, materials and services	14	-360	-146
Miscellaneous operating expenses	15	-153	-75
Labor costs	16	-627	-314
Amortization	8,9	-66	-16
Operating profit		**109**	**-17**
Profit before tax		**109**	**-17**
Financial costs		-2	-1
Income tax		-3	-1
Total comprehensive income for the period, net of tax		**104**	**-19**
Profit attributable to:			
Owners of the Company		104	-19
Total comprehensive income attributable to:			
Owners of the Company		104	-19

Appendices 1 to 17 are an integral part of these annual accounts.

Statement of cash flows

in thousands of euros	Note	31.12.2023	31.12.2022 corrected
Cash flow from operating activities			
Profit before income tax		109	-19
Adjustments for:			
- Amortization	8,9	66	16
Changes in working capital:			
- Change in trade and other receivables	7	5	-125
- Change in current liabilities	10	-64	739
Total cash flows from operating activities		**116**	**611**
Cash flows used in investing activities			
Acquisitions of intangible assets	9	0	-163
Total cash flows used in investing activities		**0**	**-163**
Cash flows from financing activities			
Received lease liabilities	11	0	0
Paid leases	11	-25	-12
Paid interest	11	-2	-1
Total cash flows from financing activities		**-27**	**-13**
Net change in cash and cash equivalents		**89**	**435**
Cash and cash equivalents at the beginning of the period	6	**570**	**135**
Cash and cash equivalents at the end of the period	6	**659**	**570**

Appendices 1 to 17 are an integral part of these annual accounts.

Statement of changes in equity

in thousands of euros	Share capital (Note 12)	Retained profits (Note 12)	Together
Profit for the year 2022	**135**	25	160
Correction for 2022	0	-44	-44
Balance as at 31.12.2022	**135**	**-19**	**116**
Profit for the year	0	104	104
Balance as at 31.12.2023	**135**	**85**	**220**

More detailed information on share capital is provided in Note 12.

Annexes 1 to 17 are an integral part of these annual accounts.

Notes to the annual accounting report

Note 1. The Company and its operations

Baltic RCC OÜ (hereinafter "The Company") is a company established in the Republic of Estonia, entry in the commercial register on 20.06.2022. The registered address of the Company is Kadaka tee 42, 12915 Tallinn, Republic of Estonia. The annual financial report for the financial year ended on December 31, 2023, covers the units in Estonia, Latvia, and Lithuania. Ultimate parent of the group is Republic of Estonia. The main activity of the Company is the provision of engineering and technical services in the energy sector in Estonia, Latvia and Lithuania.

The management of the Company is based on the Estonian Commercial Code, Articles of Association, and the Shareholders Agreement. The governance structure of the Company includes three levels in accordance with the Estonian Commercial Code:

4. The Shareholders of the Company – The shares are allocated equally between three Baltic TSOs: Elering AS, AS "Augstsprieguma Tīkls", and Litgrid AB;
5. The Supervisory Board of the Company - One representative from each Baltic TSO to supervise and overview the strategic operations;
6. The Management Board of the Company - Three members, elected by the Supervisory Board, the main responsibilities are day-to-day operations.

The Company's economic activities are regulated by the laws of the Republic of Estonia and the European Union.

Note 2. Standards, interpretations and amendments to published standards

The following new and amended standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Company has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the financial statements when become effective.

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendments to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement the classification changes resulting from the amended guidance.

The Company does not expect the amendments to have a material impact on its financial statements when initially applied.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, have removed the requirement for a right to be unconditional and instead require that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early). The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: 1) on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction; 2) after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

The Company plans to apply the amendments from 1 January 2024.

Note 3. Corrections

During the reporting period, the Company identified the following errors:

- Bonus reserve 2022, which should have been reflected in 2022, but actually has been reflected in 2023.

- IFRS 16 lease accounting was not disclosed in 2022 according to the standard.

Errors from previous periods was corrected in 2023.

in thousands of euros 31.12.2022	**Before correction**	**Bonus reserve correction**	**IFRS 16 correction**	**After correction**
Asset right to use	0	0	94	94
Asset right to use depreciation	0	0	-13	-13
Total assets	**0**	**0**	**81**	**81**
Bonus reserve 2022	0	37	0	37
Taxes from bonus reserve 2022	0	7	0	7
Total current liabilities	**0**	**44**	**0**	**44**
Rental liability	0	0	81	81
Total non-current liabilities	**0**	**0**	**81**	**81**
Total liabilities	**0**	**44**	**0**	**0**
Retained earnings (loss)	0	0	0	0
Total Equity	**0**	**44**	**0**	**44**

Note 4. Summary of significant accounting policies

The basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Accounting and presentation currency. The annual accounting report is prepared in euros, which is the accounting and presentation currency. The annual report of the Company is prepared in thousands of euros.

Foreign currency conversion. Transactions in foreign currency are translated into the functional currency on the basis of the exchange rates of the European Central Bank valid on the day of the transaction. Exchange rate gains and losses arising from the recognition of these transactions and the recalculation of the exchange rates of monetary assets and liabilities based on the year-end exchange rate are recognized in the profit or loss.

Cash and cash equivalents. In the statement of cash flows, cash and cash equivalents include short term (up to 3 months) highly liquid investments that can be converted to known amounts of cash and that lack significant risk of market value changes, incl. cash on hand, bank accounts and short-term deposits with original maturities of three months or less.

Classification, forward measurement and profit and loss

Financial assets

The Company records the financial asset in the future at adjusted cost, at fair value through other comprehensive income, or at fair value through the income statement.

Financial assets are not reclassified after their initial recognition, unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets are measured at amortized cost if both of the following conditions are met:

– the financial asset is held within the framework of a business model, the purpose of which is to hold the financial asset for the collection of contractual cash flows; and

– cash flows resulting from the contractual terms of the financial asset on specified dates, which are only the principal and the interest calculated on the unpaid principal.

The Company classifies cash and cash equivalents, trade receivables and other receivables as financial assets measured at amortized cost.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as an asset at fair value through profit or loss:

– the instruments are held in a business model that aims to achieve both the collection of contractual cash flows and the sale of financial assets; and

— the terms of the contract guarantee cash flows on specific dates, which are only the principal and the interest calculated on the unpaid principal.

All financial assets that are not classified as measured at adjusted cost or at fair value through other comprehensive income as described above are measured at fair value through profit and loss.

Upon initial recognition, the Company may also define financial assets to be measured at fair value through the income statement that meet the conditions for recognition either at adjusted acquisition cost or at fair value through other comprehensive income, if this either eliminates or significantly reduces the consistency of measurement or recognition that would otherwise arise from the measurement of assets or liabilities or the resulting from recognizing gains or losses on different bases.

The following table provides an overview of the Company's financial assets and their measurement and recognition of profits and losses.

Adjusted acquisition cost	These assets are recorded at amortized cost using the internal interest rate method. From the adjusted acquisition cost, the loss from the decrease in the value of the asset is deducted. Interest income, profit or loss from exchange rate changes and depreciation are reflected in the income statement. The profit or loss on derecognition is recognized in the income statement.

Financial liabilities

Financial liabilities are classified as measured either at adjusted cost or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is held for trading, is a derivative instrument or is recognized as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net profit and loss, including any interest expense, is recognized in profit or loss.

Other financial liabilities are recorded at amortized cost using the internal interest rate method. Interest expenses and gains or losses from exchange rate changes are recognized in the income statement. The profit or loss on derecognition is recognized through net profit.

Termination of reporting

Financial assets

An entity derecognizes a financial asset if and only if the contractual rights to the cash flows arising from the financial asset terminate or if the entity transfers the financial asset and the transfer meets the criteria for derecognition. The entity transfers the right to receive contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are transferred, or where the entity does not transfer the risks and rewards of ownership of the financial asset during the transfer, but the entity does not retain control of the financial asset.

Transactions with which the Company transfers the assets recorded in its financial statements, but the Company retains all or the main risks and rewards of the transferred assets, in such cases the Company does not stop recording the transferred assets.

Financial liabilities

An entity removes a financial liability from its statement of financial position if, and only if, it has been extinguished. This means when the obligation defined in the contract has been fulfilled, canceled, or expired. The Company ceases to recognize a financial liability if the terms of the financial liability are changed in such a way that the cash flows of the liability are significantly different from the original liability. In this case, the new financial liability based on the changed terms is recognized at fair value.

The difference between the residual balance sheet value of a terminated financial liability or a financial liability transferred to another party (or a part of a financial liability) and the consideration paid, including all non-monetary assets transferred or liabilities assumed, is recorded through net profit

Offsetting

Financial assets and liabilities are offset and reflected as a net amount in the financial statement if and only if the Company has the legal right to offset the amounts at that moment and the Company has a conscious intention to either pay them on a net basis or to realize the asset and pay the liability at the same time.

Impairment of financial assets

The Company applies the expected credit loss model to financial assets reported at adjusted cost when recognizing impairment.

The Company measures impairment at an amount equal to lifetime expected credit losses, except for financial assets that are measured at an amount equal to 12-month expected credit losses:

- other requirements;
- cash and cash equivalents whose credit risk has not increased significantly since initial recognition.

The Company applies the simplified method provided in IFRS 9 for the recognition of expected credit losses on all claims against buyers, which allows for the formation of a discount in the amount of expected credit losses during the validity period of the reserve.

The Company always records a discount formed against receivables in the amount equal to the expected credit loss during their validity period. To estimate the expected credit loss of said assets, a provisioning matrix is used, which is based on the Company's historical credit loss experience, which is adjusted by factors related to specific debtors, general economic conditions and, if necessary, the time value of money. Expected credit losses are probability-weighted estimated credit losses. The credit loss is the difference between the contractual cash flows and the cash flows expected by the Company, discounted at the internal interest rate of the financial asset.

At each reporting date, the Company assesses whether the credit quality of financial assets recognized at adjusted cost has declined. The credit quality of a financial asset has decreased if one or more events have occurred that have a negative impact on the expected future cash flows of this financial asset. Circumstances that give an indication that the credit quality of a financial asset has decreased are as follows:

- significant financial difficulties of the debtor;
- breach of contract (non-fulfilment of an obligation or non-payment by the due date);
- restructuring of the loan or advance on terms that the Company would not otherwise have done;
- it is likely that the debtor will run into payment difficulties.

The balance sheet value of the assets is reduced by the decrease in the value of the financial assets reflected in the adjusted acquisition cost.

Intangible assets. Intangible assets are recognized in the statement of financial position only if the following conditions are met:

- the asset is controlled by the Company;
- it is probable that the future economic benefits that are attributable to the assets will flow to the Company;
- the cost of the asset can be reliably estimated.

An intangible asset is initially recognized at its cost, comprising its purchase price, any directly attributable expenditure on preparing the asset for its intended use and borrowing costs that relate to assets that take a substantial period of time to get ready for use. After initial recognition, an intangible asset is carried at its acquisition cost less any accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method over their useful lives:

	Useful lives in years
Software and software Licenses	3-5 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Provisions and contingent liabilities. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Other possible or present obligations arising from past events but whose settlement is not probable or the amount of which cannot be measured with sufficient reliability are disclosed as contingent liabilities in the notes to the financial statements.

Share capital. Incremental costs directly attributable to the issue of new shares are recognized as a reduction of equity. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recognized as a liability and deducted from equity in the period they are declared and approved. Dividends declared after the balance sheet date and before the publication of the annual accounts are disclosed in the notes to the annual report.

Sales revenue. The fee specified in the customer contract is used as the basis for measuring sales revenue. The Company recognizes revenue when it gives control of a good or service to a customer. The following table presents information on the fulfillment and timing of operational obligations arising from customer contracts and, as a result, accounting principles for recording sales revenue.

Type of service	**Fulfilment and timing of performance obligations, important payment terms**	**Accounting principles of sales revenue**
Engineering services provided to Shareholders	Services are ordered in line with the service agreements. Payments for services are bi-annual in line with the Shareholders agreement	Income is set twice a year in line with the Transfer Pricing methodology. Revenue is recognized at the time the service is rendered.

Engineering services provided to non-shareholders	Services are offered in line with the individual agreements for services. Payments for services are in line with the cost-profiles and standard term is either quarterly or annually	Income in line with the cost profile and invoices provided for services. Revenue is recognized at the time the service is rendered.

Rent calculation. When concluding a contract, the Company assesses whether the contract is a rental contract or if the contract contains rent. Contract forward a lease agreement (or includes a lease) if the agreement gives the right to control and use specified property for a fee within a certain period of time. To assess whether the contract gives the right to control and use the property, the Company uses the definition of a lease in IFRS 16.

Company as lessee.When concluding or amending a contract containing a rental component, the Company distributes the fee included in the contract to each to the rental component based on its stand-alone price. The Company recognizes the right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is measured initially at the acquisition cost, which consists of the initial amount of the lease obligation. The initial amount of the rental obligation is adjusted by the advances made, by the direct expenses made and by the restoration costs (which result from property dismantling and restoration). Received rental discounts are deducted from the received amount. The right-of-use asset is depreciated using the straight-line method from the start date of the lease to the end of the lease period unless the lease agreement transfers ownership of the underlying asset to the group at the end of the lease period or if the residual value of the right-of-use asset indicates that the group plans to exercise the option to buy the asset. In this case is depreciated over the entire useful life of the right-of-use asset's underlying asset, which is determined on the same basis as in the case of the corresponding tangible fixed assets owned by the group. In addition, the right-of-use property is reduced in the event of losses resulting from a decrease in value. Lease obligations of right-of-use assets are also adjusted on certain revaluations. The lease liability is initially measured at the present value of the lease payments that have not yet been paid during the lease term by the start date using the internal interest rate of the lease or, if this rate cannot be determined, alternative loan interest rate. In general, the group uses an alternative loan interest rate as a discount rate. The Company finds an alternative loan interest rate using different sources of financing. Received inputs are adjusted taking into account the lease terms and the type of leased asset to arrive at the leased asset to a suitable alternative loan interest rate. The rental payments included in the rental obligation include the following parts:

- fixed payments (including essentially fixed rental payments);
- fines for termination of the rental agreement (if the termination is sufficiently certain);
- purchase price (if the purchase of the asset is sufficiently certain);
- guaranteed residual value (expected value of the amount to be paid);
- Index or rate dependent rental payments.

The lease liability is measured at adjusted cost. It will be recalculated when in the future there are changes in the rental payments due to the index or rate when the estimate of the guaranteed residual value changes in terms of the amount or if the group changes its assessment as to whether it is desired to use the asset buyout, lease options for extension or termination. The lease liability is also remeasured if the changes are fixed payments (including essentially fixed rental payments). If the lease liability is revalued for the reasons listed above, the right-of-use asset is recognized in the balance sheet corresponding adjustment in the cost. The effect of a change in a lease liability is recognized in the income statement if the carrying amount of the right-of-use asset is reduced to zero. The group has decided not to recognize right-of-use assets and lease liabilities for low-value asset leases and for short-term rentals. The Group recognizes the lease payments related to these leases as an expense on a straight-line basis during the rental period.

Employee benefits. Employee short-term benefits include wages, salaries and social taxes, benefits related to temporary suspension of employment contracts (holiday or other similar pay). These benefits are recognized in profit or loss in the year in which the associated services are rendered by the employees of the Company. Any amounts unpaid by the balance sheet date are recognized as a liability.

If during the reporting period, an employee has provided services for which payment of compensation is to be expected, the Company will recognize a liability (accrued expense) in the amount of forecasted compensation, from which all amounts already paid, will be deducted.

Taxation. According to the Income Tax Act in force in Estonia, legal entities do not pay income tax on their profits earned. Income tax is paid on fringe benefits, gifts, donations, reception expenses, dividends, and non-business-related disbursements. In Latvia, income tax is paid on dividends, non-business-related payments, and loans to related parties. In Lithuania, income tax is paid on dividends and payments not related to business. From 01.01.2015, the tax rate of the profit distributed as dividends is 20/80 of the net amount to be paid out. The income tax accompanying the payment of dividends is recorded as a liability and an income tax expense when the dividends are declared. From 2019, it is possible to apply the tax rate 14/86 to dividend payments. This more favorable tax rate can be used for dividend payments up to the average dividend payout of the previous three financial years, which is taxed at the 20/80 tax rate. When calculating the average dividend payment of the previous three financial years, 2018 is the first year to be taken into account. Corporate income tax paid on dividends is recorded in the income statement as income tax expense and in the balance sheet as deferred income tax liability to the extent of the planned dividend payment. The obligation to pay income tax arises on the 10th of the month following the dividend payment.

The maximum income tax liability that accompanies the payment of distributable earnings as dividends is disclosed in the annual financial statements, Note 9. Due to the specifics of the ´Tax Act, the Company registered in Estonia does not have differences between property taxation and the residual balance sheet value, and as a result, there are no deferred income tax claims or liabilities. In the income statement, the corporate income tax calculated on the profit in Lithuania is reflected. Taxation associated with a permanent establishment in Latvia and Lithuania is carried out in accordance with the legislation of the Republic of Latvia and the Republic of Lithuania. In the Republic of Latvia, the profit is taxed at the rate of 20/80 when distributed. In the Republic of Lithuania, profit is taxed at a 15% income tax rate.

Note 5. Financial risk management

The Company's activities entail various financial risks: credit risk, liquidity risk, market risk, currency risk. The purpose of financial risk management is to mitigate financial risks and reduce the volatility of financial results.

In the company's opinion, the balance sheet values of the financial assets (appendices 6 and 7) and liabilities (appendix 9) reflected in the adjusted acquisition cost in the statement of financial position do not differ significantly from their fair values as of December 31, 2022 and December 31, 2023. Receivables from buyers and debts to suppliers are short-term, therefore, according to the management, their balance sheet value is close to their fair value.

The following table shows the classes of financial assets and financial liabilities of The Company according to IFRS 9 measurement categories:

Financial assets

in thousands of euros	**31.12.2023**	**31.12.2022**
Financial assets at amortized cost		
Cash and cash equivalents (Note 6)	659	570
Trade and other receivables (Note 7)	120	125
Total financial assets	**779**	**695**

Financial obligations

in thousands of euros	**31.12.2023**	**31.12.2022**
Financial liabilities at amortized cost		
Trade and other payables (Note 10)	703	763
Total financial liabilities	**703**	**763**

Credit risk

Credit risk reflects the potential loss resulting from the counterparty's inability to fulfill its obligations to the Company in a timely manner. The Company's primary risk is the counterparty's inability to pay regular payments resulting from the contract. Credit risk is mitigated applying the prepayments for the services to be rendered for.

Monthly receivable report is reviewed and analyzed by the Chairman of the Company. Information on credit risk is disclosed in Note 5. The book value of financial and contractual assets reflects the maximum credit risk.

To measure the expected credit losses, trade receivables are grouped based on the shared credit risk and the expiry period.

There were no losses resulting from the decline in the value of financial assets recorded in the income statement during the reporting period.

Liquidity risk

Liquidity risk is a risk where the Company will encounter difficulties in meeting its obligations associated with financial liabilities. The liquidity risk of the Company is closely related to the credit risk arising from contracts related to the counterparty. It is possible to use advance payments received on the basis of contracts to mitigate the risk.

The following table presents the liabilities as of 31.12.2023 according to their contractual maturity. The amounts in the table present the contractual undiscounted figures.

The liquidity analysis of financial liabilities as of 31.12.2023 is as follows:

in thousands of euros	**On demand and less than 1 month**	**1 to 12 mont hs**	**Total 2023**	**On demand and less than 1 month**	**1 to 12 months**	**Total 2022**
Obligations						
Short-term rental liabilities (Note 10)	0	26	**26**	0	25	**25**
Trade and other payables (Note 10)	677	0	**677**	694	44	**738**
Total future payments	**677**	**26**	**703**	**694**	**69**	**763**

Market risk

The Company is open to market risk. Market risk arises mainly in relation to changes in service prices and open positions assets and liabilities in foreign currencies. Management sets limits on acceptable open positions, which are monitored on a daily basis, however, using this method does not completely prevent losses outside of these limits but limits their maximum amounts.

Currency risk. Currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate in the future due to exchange rate changes. As the base currency of most the Company transactions and balances is the euro, The Company is not exposed to significant currency risk.

Capital management

The Company's main goal in capital risk management is to ensure the Company's sustainability in order to secure income for Shareholders and ensure confidence for creditors, while maintaining an optimal capital structure to reduce the cost of capital. For maintaining or improving the capital structure, the Company can regulate dividends paid to Shareholders, return part of the paid-in share capital to Shareholders, issue new shares or bonds and take out new loans.

According to common practice in the industry, the Company uses the ratio of equity and assets to monitor the capital structure, which is obtained by dividing the total amount of equity capital by the total amount of assets as of the balance sheet date. The Company's goal is to maintain a ratio of equity to assets between 15% - 40%.

The share of equity in total assets is shown in the following table:

in thousands of euros	**31.12.2023**	**31.12.2022 corrected**
Equity	220	116
Total assets	954	936
Equity to assets ratio	**23,0%**	**12,4%**

Note 6. Cash and cash equivalents

in thousands of euros	**31.12.2023**	**31.12.2022**
Cash and cash equivalents	659	570
Total cash and cash equivalents	**659**	**570**

Note 7. Trade and other receivables

in thousands of euros	**31.12.2023**	**31.12.2022**
Trade receivables	23	5
Other receivables	5	5
Prepaid taxes	46	76
including refundable VAT	*46*	*76*
Prepayments	46	39
Total trade and other receivables	**120**	**125**

According to the accounting principles of the Company, as a rule, claims whose payment deadline has passed by more than 90 days are assessed. Claims overdue by more than 90 days are evaluated individually and according to the age of the claim, taking into account extraordinary effects such as the deterioration of the global economic situation, the debtor's known financial difficulties, non-compliance with payment deadlines. The total amount of the discount is adjusted as of the balance sheet date according to how much of the receivables assessed as unlikely to be received will be received in the later period. Impairment discounts are recognized as an expense in the income statement.

If the previously made estimate of the amount of unlikely receivables later changes, it must be reflected in the profit and loss account for the period of the change in estimate and not adjusted retroactively to previous periods. Receipt of an unlikely or hopeless claim must be shown as a reduction of the expense in the period in which the receipt occurs.

Note 8. Fixed assets

Amortization of intangible fixed assets is reflected in the income statement 2023 in an item depreciation in sum 25 thousand euros.

in thousands of euros	Asset right to use	Total
Acquisitin cost as of 20.06.2022	0	0
Depreciation as of 20.06.2022	0	0
Residual value as of 20.06.2022	**0**	**0**
Purchases and improvements	94	94
Depreciation of the reporting period	-13	-13
Acquisition cost as of 31.12.2022	94	94
Depreciation as of 31.12.2022	-13	-13
Residual value as of 31.12.2022	**81**	**81**
Residual value as of 31.12.2022 corrected 2023	**81**	**81**
Purchases and improvements	0	0
Depreciation of the reporting period	-25	-25
Acquisition cost as of 31.12.2023	94	94
Depreciation as of 31.12.2023	-38	-38
Residual value as of 31.12.2023	**56**	**56**

Note 9. Intangible assets

Amortization of intangible fixed assets is reflected in the income statement 2023 in an item depreciation in sum 41 thousand euros.

in thousands of euros	**Acquired software, licenses**	**Total**
Acquisitin cost as of 20.06.2022	0	0
Depreciation as of 20.06.2022	0	0
Residual value as of 20.06.2022	**0**	**0**
Purchases and improvements	163	163
Depreciation of the reporting period	-3	-3
Acquisition cost as of 31.12.2022	163	0
Depreciation as of 31.12.2022	-3	0
Residual value as of 31.12.2022	**160**	**160**
Purchases and improvements	0	163
Depreciation of the reporting period	-41	-41
Acquisition cost as of 31.12.2023	163	163
Depreciation as of 31.12.2023	-44	-44
Residual value as of 31.12.2023	**119**	**119**

Note 10. Trade and other payables

in thousands of euros	31.12.2023	31.12.2022 corrected
Current finance lease liabilities	26	25
Trade payables	19	3
Payables to related parties	501	618
Trade payables total	**546**	**646**
Taxes payable:		
Social security tax	17	15
Personal income tax	12	9
Corporate income tax and fringe benefits	3	2
Total tax payables	**32**	**26**
Accrued expenses- employee benefits:		
Salaries	28	23
Bonus reserve 2022 correction 2023	0	37
Bonuses	60	0
Holiday pay	23	11
Social security and unemployment insurance tax	14	8
Total accrued expenses- employee benefits	**125**	**79**
Deferred income	0	12
Total Trade and other payables	**703**	**763**

Information on debts to related parties are disclosed in Note 17

Note 11. Lease liabilities

Analysis of undiscounted financial liabilities by due date:

in thousands of euros	Less than 3 month	From 3 to 12 months	From 1-5 years	Total
Lease liabilities 31.12.2022 corrected 2023	0	29	57	86
Lease liabilities 31.12.2023	0	26	31	57
Total lease liabilities	**0**	**55**	**88**	**143**

The Company’s statement of comprehensive income includes the following amounts relating to leases:

in thousands of euros	2023	2022 corrected 2023
Interest expense on lease liabilities	2	1
Expense relating to short-term leases	26	25
Total lease liabilities	**28**	**26**

Note 12. Equity

The share capital of the Company consists of 3 common shares with a nominal value of 45 thousand euros. The shares have been paid for in full. As of 31.12.2023, the Company had 85 thousand euros of undistributed profit eligible for distribution.

As of 31.12.2023, it is possible to distribute 64 thousand euros as net dividends, and the corresponding income tax would be 21 thousand euros (with a tax rate of 20/80).

Note 13. Sales revenue

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Sales of services		
Sales of services	1315	533
Total sales revenue	**1315**	**533**

Sales revenue by customer geographical location:

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Estonia (Elering AS)	334	133
Lithuania (Litgrid UAB)	334	133
Latvia (Augstsprieguma Tikls AS)	334	133
Belgium (ENTSO-E A.I.S.B.L)	313	134
Total sales revenue	**1315**	**533**

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Main services		
Engineering services provided to Shareholders	1002	399
Engineering services provided to non-Shareholders	313	134
Total	**1315**	**533**

Note 14. Goods, materials and services

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Purchased services for the provision of engineering and technical services		
Purchased IT services	325	139
Purchased telecommunication services	35	7
Total goods, materials and services	**360**	**146**

Note 15. Miscellaneous operating expenses

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Financial services	60	24
Rent	18	8
Travel costs	38	13
Legal services	6	8
Training costs	10	7
Audit and consultations	5	6
Personnel management costs	11	4
Other operating expenses	5	5
Total miscellaneous operating expenses	**153**	**75**

Note 16. Labor costs

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Basic salaries, additional remuneration, bonuses, holiday pay	501	257
Termination benefits	1	1
Other remuneration	13	6
Total remuneration to employees	**515**	**264**
Social tax	112	50
Total labor costs	**627**	**314**
including benefits for board members		
Basic salaries, additional remuneration, bonuses, holiday pay	180	79
Fringe benefits and fringe benefits' income tax	12	5
Social tax	51	27
Total remuneration to the members of the Management and Supervisory Board	**243**	**111**
Average number of employees	**13**	**8**
Average number of employees by type:		
Persons working under the employment contract	10	8
Members of the Management or Supervisory Board	6	6
Average salary of employees with bonuses reduced to full-time work per month (in euros)	4192	2359

**No fees were paid to members of Supervisory Board in 2023 year.*

Note 17. Balances and transactions with related parties

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or has significant influence or joint control over the other party in making financial and operational decisions. In considering each potential related party relationship, attention is paid to the substance of the relationship, not just the legal form.

The parties involved in the preparation of the annual report were:

- The state and companies under state control or significant influence;
- Management Board and Supervisory Board of the Company;
- lose family members of the persons listed above and companies controlled by them or under their significant influence.

Outstanding balances with related parties were as follows:

in thousands of euros	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Trade and other payables		
Companies controlled or significantly influenced by the State	**501**	**618**

Income and expenses from transactions with related parties:

in thousands of euros	**Related party**	**01.01.2023-31.12.2023**	**20.06.2022-31.12.2022**
Income from the sales of services	**Companies under state control or significant influence**	**1001**	**399**
Purchase of goods	Companies under state control or significant influence	2	29
Purchase of services	Companies under state control or significant influence	327	131
Total purchase of goods and services		**329**	**160**
Investments into intangible assets	Companies under state control or significant influence	**0**	**163**

- Income from the sale of services is mainly derived from the sale of engineering and technical services;
- The cost of the purchase of goods results from the goods necessary for the provision of engineering and technical services;
- The purchase of services consists mainly of services necessary for the provision of engineering and technical services.

During the reporting year, there were no transactions with companies in which the members of the Supervisory Board and the Management Board or their relatives have significant influence.

Profit allocation proposal

The retained earnings of the Company as of 31.12.2023 was 85 thousand euros.

The Management Board of the Company proposes to the Shareholders to distribute the retained earnings of the Company as follows:

To transfer 85 thousand euros to the retained earnings.

The Company’s sales revenue according to EMTAK 2008

The Company's sales revenue is divided by major areas of activity as follows:

	01.01.2023-31.12.2023
71129 Other engineering and technical activities	1315

* EMTAK – Estonian economic activity classification

12. Glossary

ACER: Agency for Cooperation of Energy Regulators;
CACM: Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management;
CRAA: Cross-Regional Adequacy Assessment;
CCC: Coordinated Capacity Calculation;
CCR: Capacity Calculation Region;
CGM: Common Grid Model;
CGMA: Common Grid Model Alignment;
CRAA: Cross-Regional Adequacy Assessment;
CSA: Coordinated Security Analysis;
EDX: Data Exchange Software;
ECP: Energy Communication Platform;
EMF: European Merging Function;
FCA: Commission Regulation (EU) 2016/1719 of 26 September 2016, establishing a guideline on Forward Capacity Allocation;
ICS: Incident Classification Scale;
IGM: Individual Grid Model;
KPI: Key Performance Indicator;
MLA: Multilateral Agreement;
NC OPC: Network Code on Operational Planning and Scheduling;
NEMO: Nominated Electricity Market Operators;
OPC: Outage Planning Coordination;
OPDE: Operational Planning Data Environment;
OPI: Outage Planning Incompatibility;
RA: Remedial Action;
RAA: Regional Adequacy Assessment;
RAOCM: Methodology for assessing the relevance of assets for outage coordination;
RIAR: Regional Incident Analysis and Reporting;
RMM: Regional Merged Model;
ROSC: Regional Operational Security Coordination;
RSC: Regional Security Coordinator;
SAFA: Synchronous Area Framework Agreement;
SOC: System Operations Committee;
SOGL: Guideline on Electricity Transmission System Operation Commission Regulation (EU) 2017/1485 of 02 August 2017 establishing a guideline on electricity transmission system operation;
SOR: System Operation Region;
STA: Short Term Adequacy;
TSO: Transmission System Operator.

Signatures of the Management to the 2023 Annual Report

The signing of the Company’s 2023 Annual Report on 14 April 2024.

/signed digitally/

Chairman of the Management Board

Veiko Aunapuu

/signed digitally/

Management Board member

Andrejs Eglītis

/signed digitally/

Management Board member

Paulius Cicėnas