2021
Annual report

Consolidated annual report for the year ended 31 December 2021 and the consolidated and the parent company's financial statements prepared according to International Financial Reporting Standards as adopted by the European Union and presented together with the independent auditor's report for the year ended 31 December 2021

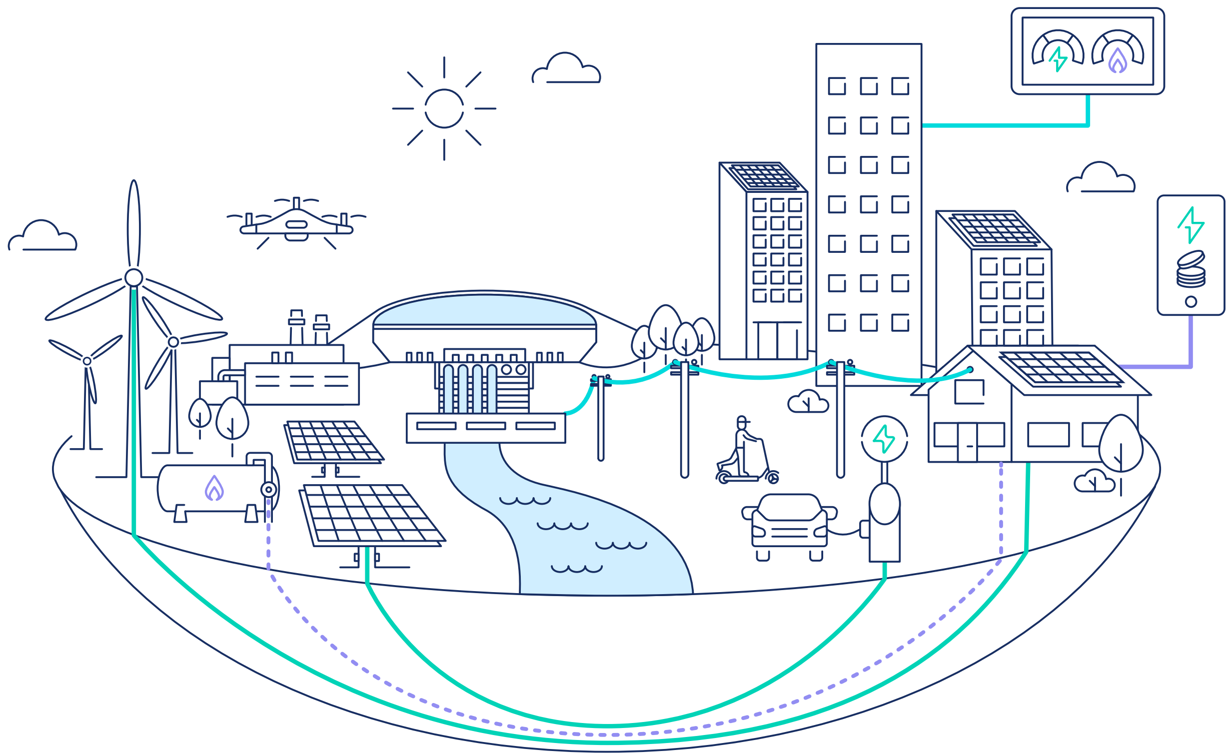
Ignitis Group – creating an energy smart world

Who we are

Ignitis Group is a leading utility and renewable energy group in the Baltic region.

Our core business is focused on operating electricity distribution Network and managing and developing Green Generation portfolio.

We also manage strategically important Flexible Generation assets and provide Customers & Solutions services, including the supply of electricity and natural gas, solar, e-mobility, improved energy efficiency and innovative energy solutions for households and businesses.



Networks
Resilient and efficient energy distribution networks enabling the energy transition.

Green Generation
Focused, sustainable and profitable growth.

Flexible Generation
Reliable and flexible power system.

Customers & Solutions
Innovative solutions for easier life and energy evolution.

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Overview

1.1 CEO's statement

Highlights

Financials

Adjusted EBITDA grew by 35.2% to EUR 332.7 million. Green Generation result increased more than twofold, reaching EUR 107.5 million, and now accounts for 1/3 of our business.

2021 Adjusted EBITDA guidance of EUR 300–310 million was surpassed by 7.3%.

In line with the Dividend Policy, for 2021 we intend to distribute a dividend of EUR 1.19 per share[1], corresponding to EUR 87.6 million and a yield of 5.7% for ordinary registered shareholders, and – 5.8% for GDR holders (considering the year-end closing prices).

Business development

We expanded Green Generation installed capacity by 113 MW after the CODs of Vilnius CHP's WtE unit (19 MWe, 60 MWth) and Pomerania WF (94 MW).

Our pipeline further increased by up to 460 MW after acquiring wind farm projects in Latvia and Poland, a solar portfolio in Poland and the start of greenfield development by securing land plots for onshore wind and solar projects in Lithuania. To accelerate growth even further as well as to capture return premium, we aim to initiate asset rotation program in 2022.

We rescheduled Vilnius CHP's biomass unit's COD to Q2 2023 (from Q4 2022) and terminated the conditional agreement with the developer of Polish solar portfolio I (up to 170 MW).

On the Networks side, Networks Methodology was updated maintaining the sustainable regulatory framework. Additionally, we have concluded an agreement with the supplier who will be responsible for implementing Networks' smart metering infrastructure and rescheduled the project's end date to 2025 (from 2023). Finally, Networks 10-year investment plan for 2021–2030 has been updated with forecasted investments of EUR 1.9 billion.

During the year, we progressed well on ESG side by receiving a rating upgrade from both MSCI (from 'A' to 'AA') and Sustainalytics (from 26.5 to 20.4), which places the Group among the industry leaders and significantly above the utility group average. Our GHG emission reduction targets across all scopes have been validated by the Science-based Targets Initiative (SBTi) as well. By 2030 we aim to cut our greenhouse gas emissions by 47% compared to the 2020 baseline.

Targets for 2022–2025

In the updated Strategic Plan for 2022–2025, we confirmed the investments between EUR 1.7–2.0 billion mainly directed into Green Generation and Networks. With this we aim to increase our Green Generation installed capacity to 2.0–2.2 GW, from the current 1.2 GW by the end of 2025, and to enhance Networks reliability, enable digitalisation and expand the grid by connecting new customers. As a result, we expect our Adjusted EBITDA to be within the range of EUR 370–410 million in 2025.

Governance

New members of the Supervisory Board have been elected for a four-year term. The majority of them, including the Chair, are independent and 5 out of 7 members are international. Additionally, 3 members worked in the previous term of the Supervisory Board or Committees, thus ensuring continuity. Further on, in Q4 2021 the committees (Audit, Nomination and Remuneration, and Risk Management and Business Ethics Supervision) have been fully formed.

Also, after the reporting period, the new members of the Management Board have been elected. 3 out of 5 are members from the previous term of the Management Board, thus, including CEO, allowing to comfortably continue the Group's development.

In terms of diversity, the Supervisory Board has four female and three male members and the Management Board has one female and four male members.

Surpassed outlook driven by Green Generation, recognition of ESG excellence

In the midst of exceptional energy market changes, we continued to demonstrate our resilient business model, as our Adjusted EBITDA grew by 35.2%, compared to 2020, reaching EUR 332.7 million. We surpassed our guidance of EUR 300–310 million by 7.3%, mainly driven by Green Generation, which now makes up one-third of our total result. In 2022, we expect Adjusted EBITDA in the range of EUR 290–335 million. Decrease compared to result for 2021 is related to skewed result of natural gas business in Customers & Solutions segment between 2021 and 2022 (more positive effect falling to 2021 and more negative to 2022).

[1] *A dividend of EUR 1.19 per share comprises of a dividend of EUR 0.589 paid for H1 2021 and a dividend of EUR 0.600 for H2 2021, which is subject to approval at Ordinary General Meeting of Shareholders to be held on 29 March 2022.*

We surpassed 2021 guidance by 7.3% with Green Generation performance more than twofold. As our renewable projects portfolio increased by up to 460 MW in 2021, we expect it to continue contributing the most to our performance.

Performance

Adjusted EBITDA grew in all business segments with Green Generation installed capacity expansion as the main driver given the higher electricity generation due to the launch of Pomerania WF (94 MW) and Vilnius CHP WtE unit (19 MWe, 60 MWth), a full year effect of Kaunas CHP (24 MWe, 70 MWth) launched in August 2020 as well as better results of Kruonis PSHP due to better commercial result exploiting favourable spread between peak and off-peak market prices and Kaunas HPP, mostly due to higher electricity market price. Further on, Customers & Solutions also grew due to temporary positive effect on natural gas performance as a result of favourable changes in natural gas market prices, which is likely to switch direction if natural gas prices normalize.

Adjusted EBITDA surpassed the higher end of our guidance range (EUR 300–310 million) for 2021 by 7.3%. The negative effect of updated Methodology changes in Networks segment was offset by better than expected results of electricity generation portfolio in Green Generation and Flexible Generation segments, mainly due to higher electricity market prices and higher spreads between peak and off-peak market prices as well as better than expected results in Customers & Solutions segment due to temporary positive effect on natural gas performance as a result of favourable changes in natural gas market prices.

In October 2021, the regulator (NERC) updated Networks Methodology, in essence, changing the RAB calculation method from LRAIC model to similar to Historical cost model. However, sustainable regulatory framework was maintained through the newly established additional tariff component, which offsets the change in RAB calculation method. As a result, our outlook, dividend policy and investment plans of the Group remained unchanged. With regard to aforementioned changes, comparable figures for 2020 were also recalculated retrospectively in order to compare the performance between the years better (for more in-depth information about the changes, see section '3.1 Annual results').

In response to the unprecedented changes in energy commodity prices, in November 2021 the Parliament of the Republic of Lithuania adopted amendments to the Laws on Electricity and Natural Gas of the Republic of Lithuania (B2C related), postponing the stage II of market deregulation by 6 months (from January to July 2022) as well as approved a scheme for the Group to amortize the increase in electricity and natural gas prices for residential users. According to the assessment of the Group, these amendments will not have a significant impact on the activities and performance of the Group but will ensure the interests of the consumers because postponing the deadline of stage II of the market deregulation will provide consumers an opportunity to make decisions in line with their interests over a longer period. We will not experience performance losses due to the amortisation of electricity and natural gas purchase price because the differences between the actual cost of commodities and the approved tariffs for private customers will be spread out over the future periods. Even though the borrowing costs will be compensated, the amendments will lead to a significant increase of working capital, which will gradually decrease until 2027.

Turning to returns to our shareholders, for 2021 we intend to distribute a dividend of EUR 1.19 per share, corresponding to EUR 87.6 million and a yield of 5.6% for ordinary registered shareholders, and – 5.7% for GDR holders (considering the year-end closing prices). Worth mentioning, a dividend of EUR 0.600 per share (out of EUR 1.19) for the second half of 2021, is subject for approval at the Ordinary General Meeting of Shareholders, to be held on 29 March 2022. With that, we ensure that the dividend pay-out is in line with the Dividend Policy, confirming annual dividend increase of at least 3%.

For 2022 we expect Adjusted EBITDA in the range of EUR 290-335 million. We expect increase in results from both of our main segments – Green Generation and Networks. Green Generation is expected to grow due to full year result of Pomerania WF and implementation of asset rotation program. Better result in Networks segment is mainly related to additional tariff component established in updated regulatory Methodology. In Customers & Solutions segment skewed result of natural gas business between 2021 and 2022 will have a negative impact. High result in the segment for 2021 was related to a temporary effect of favourable changes in natural gas prices as, using the accounting method of average cost, the COGS were lower due to the stored cheaper gas, which was bought earlier. But, as the inventory in storage was hedged, the negative hedging results will be visible in Profit and Loss statement only when the inventory is released from storage – mainly in Q1 2022.

Business development

Green Generation installed capacity expansion and pipeline development remained our key areas of focus. In 2021 we successfully managed to increase both.

Our Green Generation installed capacity grew by 113 MW since Vilnius CHP's WtE unit (19 MWe, 60 MWth) and Pomerania WF (94 MW) commenced commercial operations in March and December 2021 respectively.

Besides, we increased our pipeline by up to 460 MW. First, in Q3 2021 we entered the Latvian renewables market by signing a conditional agreement for an acquisition of 3 early stage wind farm development projects of a total capacity around 160 MW. The preliminary investments amount to EUR 200 million (including project acquisition price, which does not exceed 10%).

Towards the end of the year, we expanded our portfolio in Poland further by adding 80 MW as a result of a conditional acquisition of solar development (Polish solar portfolio II) projects and acquiring a ready to build wind farm of 50 MW (Silesia WF) and starting greenfield development (around 170 MW).

In Polish solar portfolio II (up to 80 MW), projects are under various development stages, with expected COD around 2022–2023. Estimated total investments amount to approximately EUR 50 million. When completed, the projects will operate under a CfD support scheme awarded by the Polish regulator or long-term PPAs. After the last renewables auction in Poland, 21 projects with a total capacity of around 20 MW secured indexed CfD in the range of ~53–56 EUR/MWh.

Silesia WF (50 MW), which is due to start commercial activities in Q4 2023, currently is in a ready to build phase, with construction works expected to be launched around Q2 2022. Similarly, it has secured indexed CfD tariff at the level of ~55 EUR/MWh. Total estimated investments into this wind farm amount to around EUR 70 million, including the acquisition price and construction works.

Finally, we started greenfield development by securing land plots for onshore wind and solar projects in Lithuania and Poland (around 170 MW). As it includes different projects, we expect them on a project on project basis to launch during 2024–2026.

All the remaining projects including Mažeikiai WF (63 MW), which started the construction phase in 2021 and is expected commence commercial operations around Q1 2023, both offshore projects in Scotland (800–950 MW) and Lithuania (700 MW) and, lastly, the expansion of Kruonis PSHP (900 MW) by an additional unit of 110 MW are on track and fall within their budget, with exceptions of Vilnius CHP's biomass unit (73 MWe, 169 MWth) and Polish solar portfolio I (up to 170 MW).

In respect of Vilnius CHP's biomass unit (73 MWe, 169 MWth), we still plan to start generating first energy by the end of 2022. However, due to the delay in the procurement procedures initiated after the announcement of Rafako (former main contractor) restructuring process, we now reschedule COD to Q2 2023.

In Polish solar portfolio I (up to 170 MW), over the last six months we held agreement renegotiations with the developer (Sun Investment Group) due to no projects being awarded CfD tariff in the last auctions. As no agreement regarding acceptable return level which would be in line with our target range was reached, the conditional SPA agreement was terminated in February 2022. Advance payments paid to the developer (around EUR 3.8 million) will be fully returned to the Group, therefore, the Group will suffer no loss in respect of this transaction.

Despite these discrepancies, we are continuing with pipeline additions, and we remain confident to reach our Green Generation targets. Consistently with the Group's strategy, in 2021 we initiated the consolidation of the Group's renewable energy assets to ensure a more competitive, flexible, effective implementation of Green Generation projects, and to strengthen the financial capacity of Ignitis Renewables.

To accelerate the segment's growth further, we recently strengthened the renewables team by appointing a new Ignitis Renewables CEO. Thierry Aelens is a well-respected executive with a wide experience in the development of offshore wind projects in the leading energy companies. Over 2022 we target to form the rest of the Ignitis Renewables management team to ensure growth continuity and broaden the competences of the area.

Turning to the Networks segment, in 2021 we concluded an agreement with an infrastructure supplier for approximately 1.2 million smart meters. After setting a framework to implement the roll-out in the most efficient way, in order to comply with all high level requirements (including cybersecurity), the project was rescheduled, pushing the end date to 2025 (from 2023). We also continued the Networks expansion by connecting new customers and installing upgrades as well as maintained the grid by mostly replacing the overhead lines with underground cables. Finally, towards the end year, Networks 10-year investment plan for 2021–2030 has been updated with forecasted investments of EUR 1.9 billion, which is at the same level as in the previous investment plan for 2020–2029. It will be mainly directed towards improving grid reliability, enabling digitalisation and expanding it by connecting new customers.

Sustainability

With sustainability being at the forefront of Group's strategy and activities, we place a great emphasis on environmental, social and corporate governance criteria in navigating the energy transition and working towards an energy smart world.

We are pleased to share the second annual integrated 'Sustainability (corporate social responsibility) report' that adheres to best practice reporting guidelines of the GRI. We remain committed to refining our disclosures to provide a wide set of stakeholders a clear view of our performance and progress. Having joined the formal list of TCFD supporters in Q1 2021, this year's report already reflects our initial progress towards incorporating TCFD disclosure recommendations, which we expect to bring to completion in 2022.

Speaking of our commitment to stakeholders, in 2021 we completed a comprehensive stakeholder engagement exercise across the Group involving over 40 different stakeholder groups and nearly 3,000 respondents. We have incorporated the feedback from stakeholders when upgrading our sustainability priorities for 2022 and beyond, which are reflected in the updated strategic plan.

As a result of our efforts to move towards ESG excellence, we are now ranked as a leader among global industry peers rated by MSCI, with an ESG rating of 'AA' (on a scale of 'CCC–AAA', from highest to lowest risk), which was upgraded from 'A' in July 2021. This upgrade is in large part due to the recognition of the Group's continuous commitment to reducing carbon dioxide emissions to combat climate change, expanding renewable energy portfolio, and strengthening key social and governance practices.

Similarly, a leading independent ESG ratings agency Sustainalytics improved the Group's ESG risk rating from 26.5 to 20.4 (on a scale of 100–0, from highest to lowest risk). This places the Group among the top 12 percent of utility peers that showcase industry-leading ESG risk management practices.

Further on, there were several important achievements at the close of 2021. In the last quarter of the year, we became the first Lithuanian company to validate GHG emission reduction targets to be in line with climate science. The Science-based Targets initiative (SBTi) validated the targets' alignment with the pathway that limits global warming to 1.5 °C by mid-century.

Moreover, a globally recognised environmental disclosure organisation CDP rated climate change mitigation and adaptation efforts of the Group for the first time. In Q4 2021, CDP granted the Group a score of 'B' (on a 'D-' to 'A' scale, where 'A' is the top score). Furthermore, for the third year in a row the parent company received the highest possible 'A+' rating and was recognised as a leader in the category of large SOEs as well as a frontrunner in sustainability in Lithuania's Good Corporate Governance Index.

Finally, we are pleased to share that the Group received the highest rating for its contribution to the implementation of the principles of equal opportunities within the organisation – it was awarded three 'Equal Opportunity Wings'. This is the highest achievement awarded by the Office of the Equal Opportunities

Ombudsperson and the Human Rights Monitoring Institute in Lithuania. After the reporting period, we became the first Lithuanian company to receive the prestigious Top Employer 2022 Lithuania certificate from the Top Employers Institute, which demonstrates that the working conditions we offer our employees are aligned with highest international standards.

Over 2022, we will devote even more attention to our strategic sustainability priorities: we will focus on fine-tuning our decarbonisation plan in line with science-based targets, and also devote significant attention to Taxonomy alignment, biodiversity and waste impact assessments, strengthening employee and contractor safety practices and streamlining our efforts to increase diversity and inclusion.

Targets for 2022–2025

In this report we are also introducing readers to the updated Strategic Plan for 2022–2025. Over this period, our investments of EUR 1.7–2.0 billion will mainly be directed into Green Generation and Networks. With this we aim to increase our Green Generation installed capacity to 2.0–2.2 GW, from the current 1.2 GW by the end of 2025, and to enhance Networks reliability, enable digitalisation and expand the grid by connecting new customers.

This should translate into Adjusted EBITDA within the range of EUR 370–410 million by the end of 2025 and an average Adjusted ROCE at the level of 5.5–6.5% over 2022–2025.

Finally, to maintain our balance sheet strength, the Group's leverage in terms of Net debt/Adjusted EBITDA should not exceed 5 times and we target to maintain investment-grade rating of BBB or above. This will support us in ensuring our commitment of steadily increasing dividends to our shareholders, corresponding to a yield of 6.0–6.6% in 2022–2025.

All of this we will implement while making further progress on sustainability which is at the core of the Group's strategy. We will further increase our focus on the four main sustainability pillars to have a greater impact. The first one, climate action, will ensure that we continue to deliver on our commitment to reach net zero emissions by 2050. That's why we aim to cut our greenhouse gas emissions by 23% by 2025 compared to the 2020 baseline, and we will continue to provide solutions for our customers to lower their climate footprint. We will also focus on preserving natural resources in a form of implementing circularity transformation in each business segment and working towards creating a net positive biodiversity impact by 2025.

Beyond environmental matters, we will make sure that our employees are future-fit – healthy, safe, and satisfied with their overall work experience. We are aiming to reduce our health and safety indicator TRIR to below 1.90 and to have zero employee and contractor fatalities by 2025. A future-fit workplace is also the one that is diverse, so we are aiming to increase gender balance among top management with at least 34% women in these positions.

Finally, we will focus on strong governance to maintain a robust organisation. We will maintain an extremely high level of corruption intolerance among employees (≥95%) and we will aim for the share of sustainable adjusted EBITDA (as defined by Taxonomy criteria) to be at least 70% by 2025. Moreover, we expect around 90% of our investments over the period of 2022–2025 to be Taxonomy-eligible. We are confident that these four sustainability pillars – climate action, preserving natural resources, future-fit employees and robust organisation – will create significant value to our company and our stakeholders.

Corporate changes

2021 was also marked with changes on the Group's corporate governance front. Following the end of terms of the Group's two-tier governance bodies, on 26 October 2021 new members of the Supervisory Board were elected by the General Meeting of Shareholders for a four-year term. The majority of them, including the Chair, are independent with 4 out of 7 being women. Further on, in Q4 2021 the committees (Audit, Nomination and Remuneration, and Risk Management and Business Ethics Supervision) have been fully formed. Further on, in Q4 2021 the committees (Audit, Nomination and Remuneration, and Risk Management and Business Ethics Supervision) have been fully formed. Finally, the new members of the Management Board have been elected by the Supervisory Board. 3 out of 5 are members from the previous term of the Management Board, including CEO, thus, allowing to comfortably continue the Group's development.

Looking ahead

The Group's robust performance during such turbulent time is an evidence of taking the right approach to achieve our goals by 2030. Clear priorities set for 2025 paves the way for successful achievement of objectives, while we will continue working on what is the most important – meeting regional renewable energy commitments and ensuring Lithuania's energy independence while applying the highest standards of ESG principles.

And finally, I am deeply proud to have an opportunity to lead the Group for the next term. It has been a journey of organisational and strategic changes, and now with the framework set for accelerated expansion, I am convinced of our capabilities to become the leading sustainable energy Group in the market.

Darius Maikštėnas
Chair of the Management Board and the CEO
Ignitis Group

1.2 Business highlights

Q1

February

Green Generation:
Expansion plan of Kruonis PSHP (900 MW) for an additional unit (110 MW) was approved.

Strategy:
Published the 2021–2024 Strategic Plan.

Governance:
Received a Letter of Expectations from the Majority Shareholder (The Ministry of Finance of the Republic of Lithuania) supporting the Group's strategy.

March

Innovation
Ignitis Innovation Fund has increased investments into the Israel-based company H2Pro developing green hydrogen production technology.

Sustainability:
Sustainable Brand Index™ ranked Ignitis brand as No 1 in the energy category and fifteenth in the general ranking.

Governance:
Updated the Remuneration Policy.

Green Generation:
Vilnius CHP WtE unit (19 MWe, 60 MWth) commenced commercial operations.

Q2

April

Finance:
Dividendof EUR 0.579 per share was paid out for the second half of 2020.

Governance:
Ownership rights of all ESO (Networks) shares have been transferred to the parent company.

Finance:
Investment research company Enlight Research added Ignitis Group to its coverage list.

May

Green Generation:
Pomerania WF (94 MW) in Poland generated first electricity.

Governance:
Share option programme was suspended until all doubts related to its compliance with national legal acts are cleared.

Finance:
S&P Global Ratings, after annual credit rating review, affirmed BBB+ (stable outlook) rating.

Networks:
Concluded an agreement with infrastructure supplier for approximately 1.2 million of smart meters.

June

Governance:
Dominykas Tučkus, the parent company's Management Board member and Business Development and Infrastructure Director, resigned.

Green Generation:
The consolidation of the Group's renewable energy assets, except Kaunas HPP and Kruonis PSHP was initiated.

Finance:
Published investor letter related to Green Bonds for the year 2020.

Q3

July

Sustainability:
Received ESG risk rating upgrade from MSCI from 'A' to 'AA' (on a scale of 'CCC'–'AAA').

Governance:
The General Meeting of Shareholders of the parent company adopted a resolution for the parent company to acquire its own shares (in relation to the stabilized securities after the IPO) and updated the Articles of Association.

August

Networks:
WACC for 2022 was confirmed at 4.16% for electricity and 3.98% for natural gas businesses.

Green Generation:
A conditional agreement for an acquisition of 3 wind farm projects in an early stage of development in Latvia with total capacity of 160 MW was signed.

Networks:
In order to comply with all high-level requirements (including cybersecurity), the smart meter roll-out project was rescheduled, pushing the end date to 2025 (from 2023).

September

Governance:
Ownership rights of all Ignitis Gamyba (Flexible Generation) shares have been transferred to the Group.

Finance:
Dividend of EUR 0.589 per share was paid out for the first half of 2021.

Q4

October

Networks:
NERC (the regulator) updated Networks Methodology, in essence, changing RAB calculation method from LRAIC model to similar to Historical cost model (for more in-depth information, section '3.1 Annual results').

Governance:
The General Meeting of Shareholders elected a new Supervisory Board of Ignitis Group comprising seven members – five independent members, including the Chair, and two representatives of the Majority Shareholder. In terms of diversity, the Supervisory Board has four female and three male members.

November

Governance:
For the third year in a row the parent company received the highest possible A+ rating and was recognised as a leader in the category of large SOEs as well as a frontrunner in sustainability in the Good Corporate Governance Index.

Customers & Solutions:
Due to unprecedented changes in energy commodity prices, the Parliament of the Republic of Lithuania adopted amendments to the Laws on Electricity and Natural Gas of the Republic of Lithuania (B2C related), postponing the 2nd stage of market deregulation by 6-months (from January to July 2022) as well as approved a scheme for the Group to amortize the increase in electricity and natural gas prices (for more in-depth information, see section 'Annual results').

The Government of the Republic of Lithuania confirmed mandatory supply volume for the LNG terminal amounting to 4 cargoes per year for 2022-2024 reducing the uncertainty of designated supply activities.

Green Generation:
A conditional agreement for an acquisition of solar portfolio under development in Poland with total capacity of up to 80 MW signed.

Sustainability:
Our GHG emission reduction targets across all scopes were validated by the SBTi.

December

Governance:
In relation to the stabilization implemented after the IPO, the Group implemented the acquisition of own shares.

Fully formed the Audit and the Supervisory Board committees.

Green Generation:
Pomerania WF (94 MW) obtained the generation licence and achieved COD status.

We acquired a wind farm development project in Poland with a total capacity of 50 MW.

Networks:
10-year investment plan was updated with investments planned for the period of 2021–2030 amounting to EUR 1.9 billion.

Sustainability:
The Group received an ESG risk rating upgrade from Sustainalytics from 26.5 to 20.4 (on a scale of '100–0', from the highest to the lowest risk).

The Group received a score of 'B' (on a 'D-' to 'A' scale, where 'A' is the top score) from CDP on climate change mitigation and adaptation efforts in its first-ever rating.

After the reporting period

Governance:
Supervisory Board elected new members of the Management Board of Ignitis Group comprising five members – out of which three are members from the previous term of the Management Board, including CEO.

Green Generation:
As no agreement regarding acceptable return level which would be in line with our target range was reached, we terminated the conditional SPA agreement with the developer (Sun Investment Group) of Polish solar portfolio I (up to 170 MW).

Appointed Thierry Aelen, a well-respected executive with a wide experience in the development of offshore wind projects in the leading energy companies, as a new Ignitis Renewables CEO.

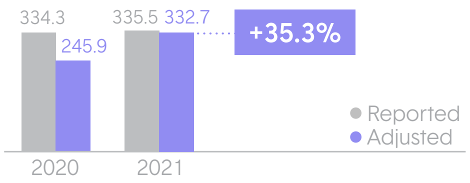
Guidance exceeded

We surpassed our guidance of EUR 300–310 million by 7.3%, mainly driven by Green Generation, which now makes up 1/3 of our business or EUR 107.5 million out of total EUR 332.7 million.

1.3 Performance highlights

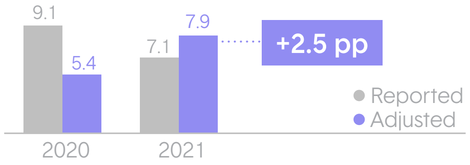
Financial[1,2]

EBITDA, Adjusted EBITDA APM
EURm



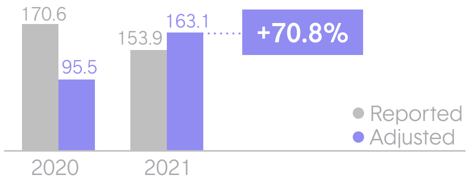
Adjusted EBITDA increased in all segments, but mostly in Green Generation. Green Generation increased more than twofold and reached EUR 107.5 million resulting from the launch of new assets: Vilnius CHP WtE unit, Kaunas CHP and Pomerania WF, and better results of operational units in Kaunas HPP and Kruonis PSHP due to higher electricity prices. Second highest growing segment was Customers & Solutions, however, it was driven by temporary effect from stored natural gas inventory.

ROCE, Adjusted ROCE APM
%



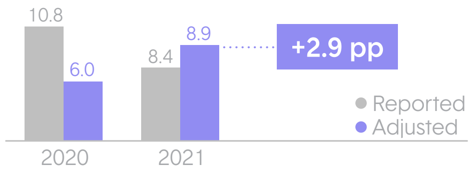
Adjusted ROCE increased to 7.9%, mostly due to an increase in Adjusted EBIT, which was mostly influenced by the same effects as Adjusted EBITDA.

Net profit, Adjusted net profit APM
EURm



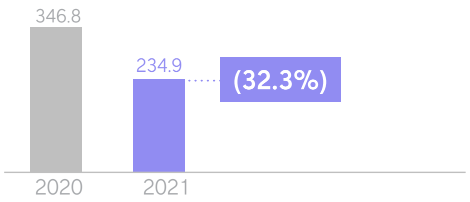
Adjusted Net Profit increase was driven by the growth in Adjusted EBITDA, which was partly offset by higher depreciation and amortisation and income tax expenses. Reported Net profit decreased mostly due to PPE revaluation in the Networks segment, Kaunas CHP option fair value change, which was partly offset by Smart Energy Fund investments' value increase.

ROE, Adjusted ROE APM
%



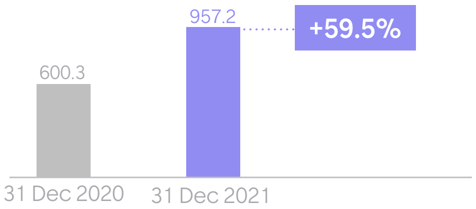
Adjusted ROE increased to 8.9%. An effect of increased Adjusted net profit was partly offset by an increase of capital during the IPO in Q4 2020.

Investments APM
EURm



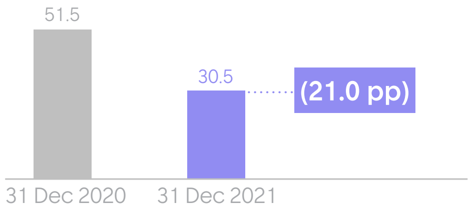
Investments decreased, mainly due to lower investments in Green Generation segment, as main investments of big projects were finished in 2020 or in the beginning of 2021 (Pomerania WF, Kaunas CHP and Vilnius CHP WtE unit) and new projects have not yet reached heavy investment phase. The decrease was partly offset by higher investments in the Networks segment.

Net debt APM
EURm



Net debt increased by 59.5% mainly due to higher need for working capital. The increase of working capital was mainly driven by higher electricity and natural gas market prices, which led to increase mostly of trade receivables, value of stored gas inventory and accrued revenue related to regulated electricity public supply activity.

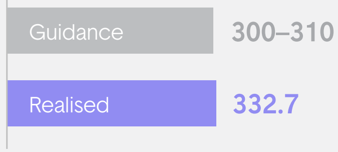
FFO/Net debt APM
%



FFO/Net debt decreased from 51.5% to 30.5%, due to significant increase of Net debt.

Results comparison with the outlook for 2021

Adjusted EBITDA APM
EURm



In the outlook announced in Annual report 2020, we expected adjusted EBITDA to be in the range of EUR 300-310 million for 2021.

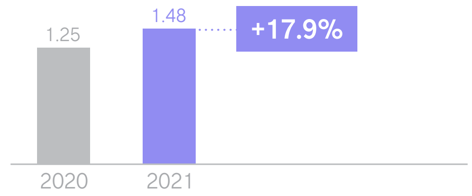
With Adjusted EBITDA of EUR 332.7 million, we exceeded the higher end of the guidance range guidance by more than 7.3%.

For more in-depth information, see section 'Annual results'.

APM Alternative Performance Measure - Adjusted figures used in this report refer to measures used for internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found in the 'Further information' section of this report and on the Group's website. [1] In case of a change of calculation of APM in 2021, measures of 2020 were recalculated as to calculation of 2021. Calculations of Net working capital and FCF were changed from Q1 2021. Calculation of Adjusted EBITDA was changed in Q4 2021. [2] Due to Networks Methodology update, change in accounting policy and reclassifications, all adjusted financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

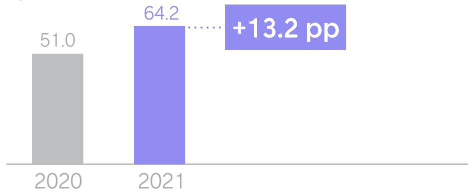
Environment

Green electricity generated (net)
TWh



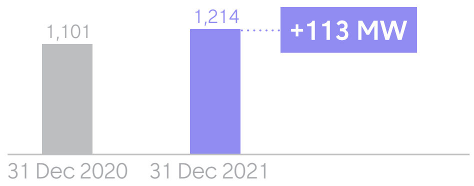
An increase in green electricity generated (net) by 17.9% was mainly driven by higher generation at Kaunas CHP, Vilnius CHP's WtE unit and Pomerania WF as well as increased generation at Kaunas HPP due to higher levels of water in the Nemunas river. This was partly offset by lower generation in Kruonis PSHP.

Green share of generation
%



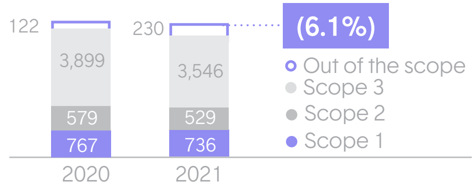
Green share of generation increased by 13.2 pp as a result of higher green electricity generated (net) and a decrease of electricity generated (net) by CCGT (Flexible Generation).

Green Generation installed capacity
MW



Installed Green Generation capacity increased by 113 MW since Vilnius CHP's WtE unit (March 2021) and Pomerania WF (December 2021) reached COD.

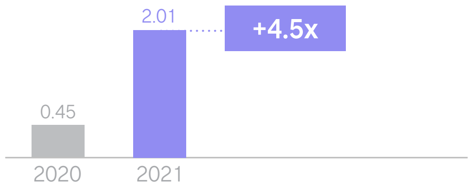
Climate action
GHG emissions[1], thousand t CO2 eq



GHG emissions in 2021 decreased by 6.1% due to lower electricity generation in Elektrėnai complex (Scope 1), lower electricity consumption in Kruonis PSHP (Scope 2) and lower retail sales of natural gas (Scope 3).

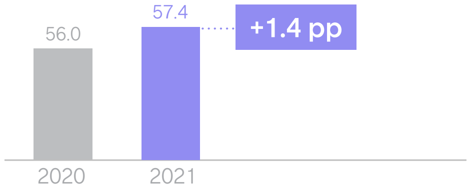
Social

Safety
TRIR, times



During 2021, total recordable employee injury rate (TRIR) equated to 2.01 injuries for a million hours worked and worsened by 4.5 times compared to 2020, which was an outlier largely as a result of the mobility restrictions imposed by the COVID-19 pandemic. For comparison, TRIR ratio for 2019 equated 2.29 injuries per million hours worked.

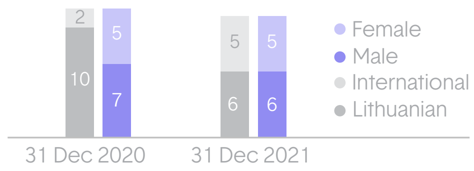
Employee satisfaction
eNPS, % (1-100)



During 2021 employee satisfaction has improved, which is indicated by an increase in eNPS of 1.4 pp to 57.4%.

Governance

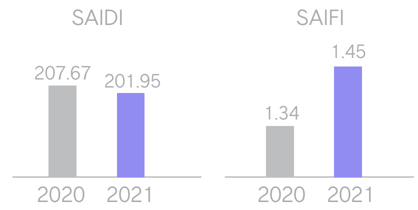
Supervisory and Management Boards
Nationality and gender diversity



As of 31 December 2021, the Management Board comprised one woman and three men. In October 2021 the new Supervisory Board was formed. 4 women and 5 international members are in Supervisory Board, which results in improvement of diversity in the main governing bodies, having 45% female and 45% international members.

Operational efficiency

Networks quality (electricity)
SAIDI, min/SAIFI, units



Electricity quality indicators during 2021 were affected by extreme conditions caused by wet snow cover (end of January 2021), local storms (during May–June and November–December 2021), but had less impact to SAIDI indicator compared to the storm Laura in Q1 2020. Electricity SAIFI indicator, which reflects average number of unplanned long interruptions per customer, increased when comparing with the previous year (from 1.34 to 1.45), while average duration of unplanned interruptions (which is shown under SAIDI indicator), improved to 201.95 minutes (compared to 207.67 minutes in 2020).

[1] Numbers for 2021 are based on preliminary data. At the time of writing, Bureau Veritas was in the process of verifying the GHG data. The data for 2020 has been recalculated following a revision of the grid loss emissions calculation methodology (using a market-based approach instead of location-based).

1.4 Outlook

Adjusted EBITDA guidance

For 2022 we expect Adjusted EBITDA in the range of EUR 290–335 million. We expect increase in results from both of our main segments – Green Generation and Networks. Green Generation is expected to grow due to as a result of full year effect of Pomerania WF which reached COD in December 2021 as well as due to implementation of asset rotation program. Better result in Networks segment is mainly related to additional tariff component established in updated regulatory Methodology. However, in Customers & Solutions segment skewed result of natural gas business between 2021 and 2022 will have a negative impact.

Networks – higher

Adjusted EBITDA for the Networks segment will increase mainly due to additional tariff component established in updated regulatory Methodology. As a result of continued investments program, higher RAB value will also lead to increase in result for 2022. However, decrease in electricity distribution WACC will partly offset the growth.

Approved RAB for electricity distribution for 2022 amounts to EUR 1,097 million and for gas distribution – EUR 248 million. Approved WACC for electricity distribution for 2022 is 4.16%, for gas distribution – 3.98% Additional tariff component for electricity amounts to EUR 28 million for 2022.

Green Generation – higher

Adjusted EBITDA for Green Generation segment is expected to be higher as a result of full year effect of Pomerania WF which reached COD in December 2021 as well as due to implementation of asset rotation program.

Flexible Generation – lower

Due to extremely favourable conditions in H1 2021 when natural gas prices were significantly lower compared to H2, the CCGT unit in Elektrėnai performed better than expected. For 2022 we expect more moderate performance and slightly lower result in this segment.

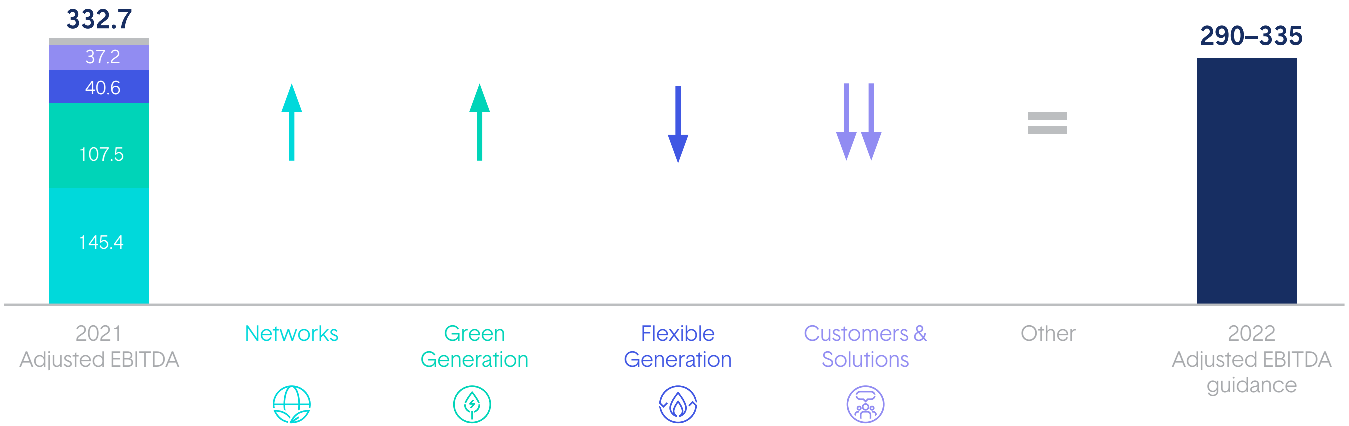
Customers & Solutions – lower

Segment's Adjusted EBITDA result of natural gas business is skewed between 2021 and 2022. A high 2021 result was related to temporary effect of favourable changes in natural gas prices because, due to the accounting method of average cost, the COGS was lower as stored cheaper gas that was bought earlier. But as the inventory in storage was hedged the negative hedging results will be visible in Profit and Loss statement only when inventory is released from storage – mainly in Q1 2022. Thus, we forecast a significantly lower result for 2022.

Other – stable

No material changes expected in other activities result for 2022.

Adjusted EBITDA outlook for 2022
EURm[1]



[1] Adjusted EBITDA indication for the Group is the prevailing guidance, whereas directional effect per business segment serves as a mean to support it. Higher/stable/lower indicates the direction of the business segment's change in 2022 relative to the actual results for 2021. Double higher/lower indicates the accelerated growth/decrease compared to other segments.

Outlook sensitivity factors

For 2022 we provide a wider guidance range compared to previous year. It mainly relates to the:

- extreme volatility in the energy market prices, which is affecting part of our generation portfolio that is unregulated or not based on long-term contracts. Also, fluctuations in power and gas prices may have a significant impact on our supply portfolio hedging results;
- expected launch of the asset rotation program in 2022.

Forward-looking statements

The Annual report contains forward-looking statements, which reflect current views and are, by nature, subject to risks and uncertainties. Because they relate to events and circumstances that will occur in the future, the actual development may differ materially from our expectations. We are unable to predict the impact of these events. For further information about the risks relevant to the Group activities, see section 'Risk and risk management'.

1.5 Sustainability highlights

Key achievements in 2021

Sustainability is at the core of the Group's strategy and strategic plan. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance and accountability. The most significant achievements of the Group in implementing the principles of sustainability in our activities are presented in the table below. For more in-depth information, see section 'Sustainability (corporate social responsibility) report'.

	MSCI ESG	Sustainalytics	CDP climate
Rank compared to utility peers	Top 28%[1]	Top 12%	In line
ignitis group	'A'	20.4	'B'
Utiities average	'BBB'[1]	36.7[2]	'B'
Rating scale (worst to best)	'CCC' to 'AAA'	100 to 0	'D-' to 'A'

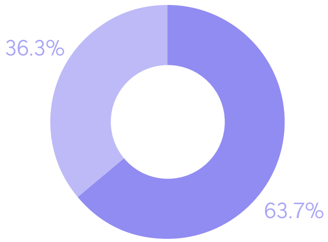
SCIENCE BASED TARGETS – DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	Validated GHG emissions targets for 2030 with the SBTi. Following net zero by 2050 trajectory.
TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	Joined TCFD supporters list and expect to fully implement TCFD guidelines for the 2022 reporting period.
top EMPLOYER LIETUVA LITHUANIA 2022 – CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS	Ensured excellence in people practices and certified as Top Employer[3].
LYGIŲ GALIMYBIŲ SPARNAI	Received highest acknowledgement for mainstreaming equal opportunities in the workplace[4].
VKC Valdymo koordinavimo centras (Governance Coordination Centre)	Maintained top score of 'A+' in Lithuania's SOE Good Governance Index[5].

[1] MSCI utilities rank and average based on utilities included in the MSCI ACWI index.
[2] Based on publicly available data.
[3] The certificate was issued in January 2022.
[4] In 2021 the Group received three 'Equal Opportunity Wings', the highest acknowledgement given by the Office of the Equal Opportunities Ombudsperson in Lithuania.
[5] Good Governance Index ratio consists of assessments in the Transparency, Board and Strategic planning and target achievement dimensions. In 2021, Ignitis Group received highest scores of 'A+' in all three dimensions.

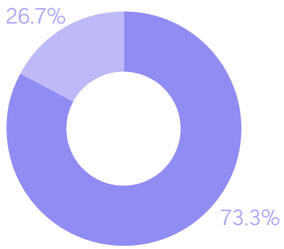
Taxonomy overview

EU Regulation 2020/852, commonly known as the Taxonomy Regulation, defines a classification and investment screening system for sustainable economic activities, which creates a common nomenclature for activities based on their contribution to environmental objectives. It is the main tool for identifying which economic activities contribute to the EU Green Deal and which aims to create transparency for investors, shareholders and other stakeholders. The Group, being focused on sustainable growth and subject to disclosure under the Taxonomy regulation, has completed a preliminary assessment of the eligibility of its activities under the current version of the Taxonomy regulation.

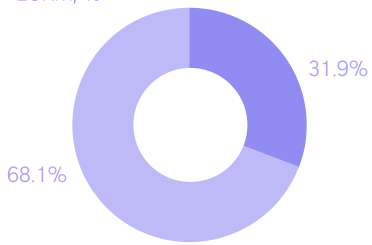
Adjusted EBITDA APM
EURm, %



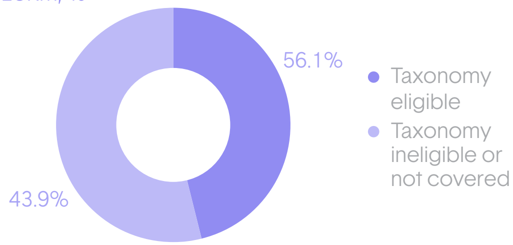
Investments APM
EURm, %



Revenue
EURm, %



OPEX APM
EURm, %



Basis for disclosures

It's important to note that the reported KPIs refer to Taxonomy-eligible activities (those activities that meet the substantial contribution criteria for the climate change mitigation objective). Activities deemed ineligible or not covered are those that do not meet the currently published substantial contribution criteria or are not covered by the currently published environmental objectives. Once the EU Commission drafts the delegated act for the remaining environmental objectives with their substantial contribution criteria (expected in 2022), the Group will be able to report on the final taxonomy eligibility.

While the regulatory requirement foresees the disclosure of Taxonomy-eligible turnover, CAPEX and OPEX, the Group additionally discloses the adjusted EBITDA metric as it provides coherence with other financial disclosures and better reflects how much the company's growth is linked to sustainable (as defined by the Taxonomy) activities.

The final EU Taxonomy alignment will be largely based on three criteria:

- activity substantially contributes to one of 6 defined environmental objectives **(substantial contribution criteria)**;
- no significant harm (DNSH) is done to any of the other environmental objectives **(DNSH criteria)**;
- activity complies with minimum social standards (will be defined by the social taxonomy in the future).

Taxonomy-eligible Group activities

According to the first delegated act on sustainable activities for climate change adaptation and mitigation objectives (EU Taxonomy Climate Delegated Act, adopted on 4 June 2021), the following activities of Ignitis Group are deemed as compliant with the substantial contribution criteria of the **climate change mitigation objective:**

- electricity generation from wind power;
- electricity generation from hydropower;
- distribution of electricity;
- storage of electricity (Kruonis PSHP).

Taxonomy-ineligible Group activities include production of heat from bioenergy (Elektrėnai biomass boiler). A significant share of Group's activity is also not covered by the Taxonomy despite making a significant contribution to sustainability, such as green energy supply. Other Group activities (gas supply and distribution, energy generation at gas-fired plants and in cogeneration plants) at the time of writing were also not included in the Taxonomy regulation.

All reported Taxonomy KPIs are directly linked to the Group's financial accounting structure and exclude double counting. Proportional accounting is only undertaken in the case of OPEX and adjusted EBITDA related to the non-material activities at the Group-level listed above.

Moreover, after the reporting period, On 2 February 2022, the Commission approved in principle a Complementary Climate Delegated Act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy.. The inclusion of nuclear does not affect the Group as the Group has no nuclear assets. The Group is also not currently planning any new gas-fired plants. The KPIs reported here do not take this latest initiative into account as the final technical criteria have not been adopted yet.

Taxonomy outlook

According to a preliminary assessment, full compliance with DNSH criteria at activity-level has not been reached in 2021. In 2022, the Group intends to conduct in-depth assessments of DNSH.

Criteria and implement the required steps to ensure full Taxonomy alignment at activity-level. The Group then expects to report on Taxonomy-aligned activities from 2023 onwards and in line with the regulatory timeline.

At Group level, management of environmental impacts is ensured through certified environmental management systems and dedicated climate risk assessments. Similarly, minimum social safeguards are ensured through our robust compliance practices and numerous commitments regarding labour and human rights that go beyond legal compliance. For more information please see the 'Sustainability (corporate social responsibility) report'.

We are dedicated to sustainable growth. **We expect around 90% our Investments** over the period of 2022–2025 to be Taxonomy-eligible, and we expect **the share of sustainable adjusted EBITDA to be at the level of at least 70%** in 2025.

1.6 Investor information

Overview

In 2021 the Group securities on Nasdaq Vilnius were traded the most in terms of turnover and comprised 40.5% of total traded value in the stock exchange. Our total turnover of EUR 247.8 million in 2021 continued to be considerably larger than the rest of Nasdaq Vilnius (EUR 219.6 million). Additionally, Nasdaq Vilnius turnover increased more than twofold (from EUR 151.7 million in 2020 to EUR 368.9 million in 2021) over the last year, and was largely driven by the Ignitis Group IPO.

Currently the Group is covered by 7 equity research analysts, out of which 2 initiated their coverage in 2021. Their recommendations and price targets are available on our website.

Finally, after the IPO, we have been included in the MSCI Frontier Markets Index (since 30 November 2020) and the Nasdaq OMX Baltic Benchmark Index (since 4 January 2021).

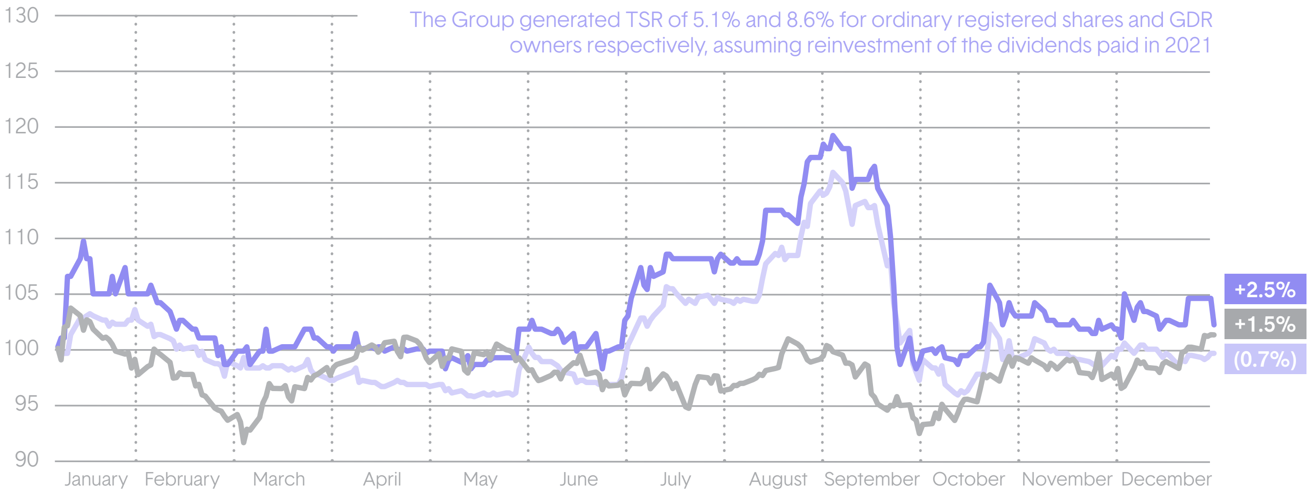
Share capital

The parent company's share capital is divided into 74,283,757 ordinary registered shares registered in Lithuania. They are all the same class of shares, each entitled to equal voting and dividend rights, specifically – one vote at the General shareholders' meetings, and to equal dividend. During 2021, the parent company's share capital remained unchanged.

However, in relation to the stabilization, which occurred after the parent company's IPO, the Group implemented the acquisition of own shares in Q4 2021. Thus at the end of 2021, the parent company held a total of 1,243,243 treasury shares (or 1.7% of total ordinary registered shares) resulting in a free-float decrease from 26.9% to 25.7%.

Acquired ordinary registered shares are expected to be annulled during 2022, hence reducing the share capital.

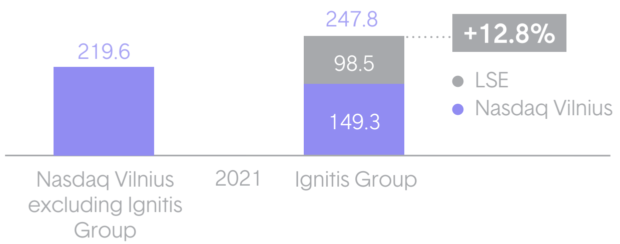
Price development and return in 2021[1]



[1] Index = 100.
[2] Relevant industry index the Group uses as a bechmark.

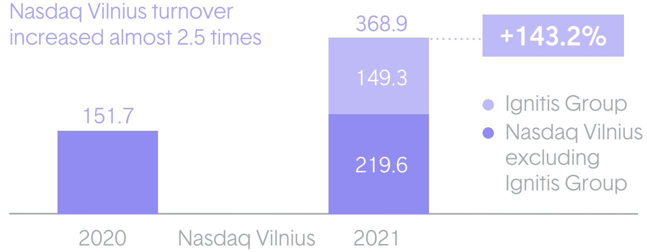
Turnover in 2021
EURm

Ignitis Group turnover continues to surpass the rest of Nasdaq Vilnius



Nasdaq Vilnius turnover change
EURm

Post Ignitis Group IPO, Nasdaq Vilnius turnover increased almost 2.5 times



Shareholder structure

At the end of 2021, the number of registered shareholders doubled, increasing by 106.7% to 14,265 (from 6,900 a year before) driven by increasing retail investor base. The Republic of Lithuania (authority implementing shareholder's rights – the Ministry of Finance of the Republic of Lithuania, Majority Shareholder) own 73.08% of the parent company's share capital, with the remaining lying with institutional investors (18.8%) and retail investors (6.6%). There are no other shareholders who own more than 5% of the parent company's share capital.

The composition of the parent company's shareholder structure by type and geography is demonstrated.

General shareholders' meetings

In 2021, five General Meetings of Shareholders were held, during which the decisions on dividend distribution, acquisition of the parent company's own ordinary registered shares (1,243,243 units), the election of new members of the Supervisory Board and the Audit Committee, and other questions were resolved. The next Ordinary General Meeting of Shareholders will be held on 29 March 2021. Further relevant information, including shareholder rights, can be found in 'Governance report' section of this report or on our website.

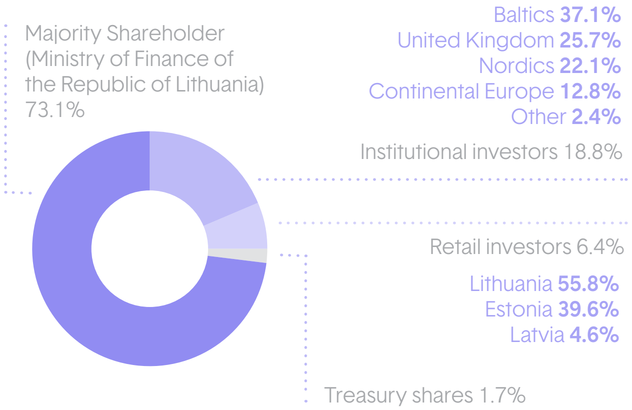
Dividends

Since the Group's IPO in September 2020, we distribute our profits in line with the Dividend Policy. It is based on a fixed starting level of EUR 85 million distributed for 2020 and a minimum growth rate of at least 3% for each subsequent financial year.

For 2021 we intend to distribute a dividend of EUR 1.19 per share, corresponding to EUR 87.6 million and a yield of 5.7% for ordinary registered shareholders, and – 5.8% for GDR holders (considering the year-end closing prices). A dividend of EUR 0.600 per share for the second half of 2021, corresponding to EUR 43.85 million, is still subject for approval at the Ordinary General Meeting of Shareholders to be held on 29 March 2022. Before that, in Q3 2021 the Extraordinary General Meeting of Shareholders approved a dividend of EUR 0.589 per share, or in total of EUR 43.75 million, for the first half of 2021.

Looking at the dividend pay-out, is expected to be equal to 56.9% for 2021, compared to 49.8% for 2020.

Shareholders composition[1]



[1] All dates, except shareholders composition by geography, which is provided as of the latest available date, are provided as of 31 December 2021.

Shareholder return KPI's[1,2]

	2021	2020	Δ	Δ, %
Dividends declared[2], EURm	87.6	85.0	*2.6*	*3.0%*
EPS APM, EUR	2.07	2.30	*(0.23)*	*(10.0%)*
DPS APM, EUR	1.19	1.14	*0.04*	*3.9%*
Dividend pay-out APM, %	56.9	49.8	*7.1*	-
Dividend yield APM, %				
For ordinary registered shares owners, %	5.7	5.6	-	-
For GDR owners, %	5.8	5.7	-	-

[1] DPS, ESP indicators for 2020 were calculated using number of nominal shares at the end of 2020 (post IPO) - if calculated using the weighted average number of nominal shares before and after the Ignitis Group IPO, indicators would amount to 1.44 and 2.89 respectively. DPS, EPS indicators for 2021 were calculated using the weighted average number of nominal shares (before and after the parent company's acquisition of own shares).

[2] Data provided based on the dividends distributed or to be distributed for a specified period. A dividend of EUR 1.19 per share for 2021 comprises of a dividend of EUR 0.589 paid for H1 2021 and a proposed dividend of EUR 0.600 for H2 2021, which is subject to approval at Ordinary General Meeting of Shareholders to be held on 29 March 2022.

Credit rating

On 26 May 2021, after the annual review, a credit rating agency S&P Global Ratings affirmed BBB+ (stable outlook) credit rating. Further information on the credit rating, including the credit rating report is available on our website.

Investor relations

We target to ensure the highest transparency and accountability standards in our stakeholder communication. On a continuous basis we engage with the market through quarterly and ad hoc earning calls, non-deal roadshows, conferences and other type of meetings. Our dialogue with the investors and other stakeholders is subject to restrictions prior to the announcements of any non-public information.

On the Group's website, 'Investors' section, we provide relevant information, including annual, interim reports and presentations, investor calendar, analyst recommendations and a wide range of other data which we believe is of interest for our stakeholders.

Additionally, further disclosure on the parent company's ordinary registered shares and bonds is disclosed in section 'Further information' of this report.

Price performance information in 2021

	Nasdaq Vilnius	LSE	Combined
Year opening[1], EUR	20.90	20.0	-
Year high[1] (date), EUR	25.35 (3 Sep)	24.80 (3 Sep)	25.35
Year low[1] (date), EUR	19.96 (14 May)	19.50 (5 May)	19.50
Year VWAP[2], EUR	21.18	20.41	21.13
Year end[1], EUR	21.00	20.50	-
P/E (year-end), times	7.17	7.00	-
Year turnover (average daily), EURm	149.3 (0.6)	98.5 (0.4)	247.8 (1.0)
Market capitalisation, year-end, EURbn	-	-	1.6

Share information

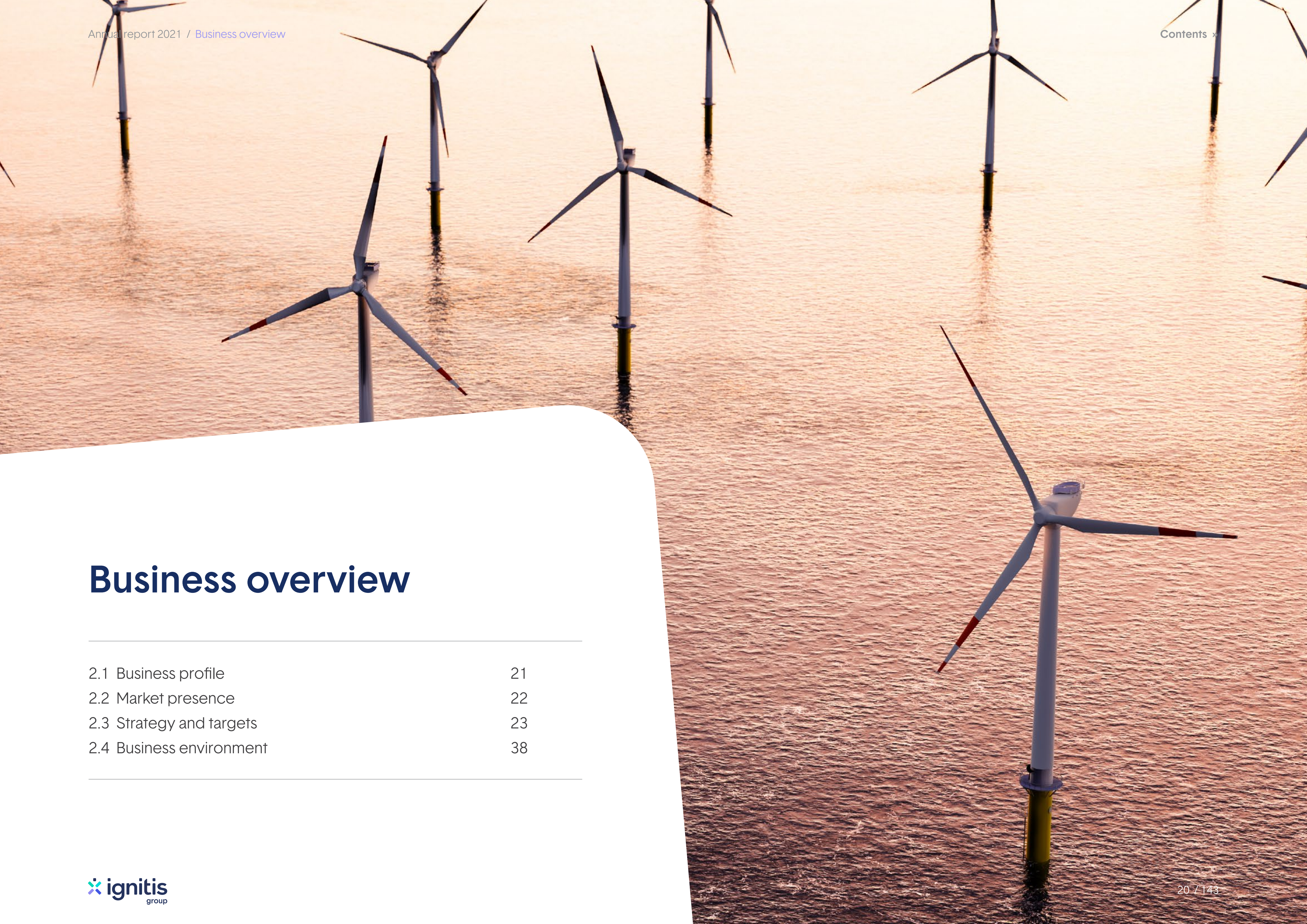
Type	Shares	GDRs	-
ISIN-code	LT0000115768	Reg S: US66981G2075; Rule 144A:US66981G1085	-
Ticker	IGN1L	IGN	-
Nominal value, EUR	-	-	22.33 per share
Number of shares (share classes)	-	-	74,283,757 (one share class)
Number of treasury shares	-	-	1,243,243
Free float, shares (%)[3]	-	-	18,756,757 (25.7%)

[1] As of closing trading market price.
[2] Weighted average volume price.
[3] Excluding treasury shares acquired by the parent company in December 2021, which are expected to be annulled during 2022.

Financial calendar 2022

29 March 2022	Ordinary General Meeting of Shareholders
11 April 2022	Expected Ex-Dividend Date (for ordinary registered shares)
12 April 2022	Expected Record Date for dividend payment (for ordinary registered shares)
19 May 2022	Interim report for the first quarter of 2022
23 August 2022	Interim report for the first half of 2022
29 September 2022	Extraordinary General Meeting of Shareholders (regarding the potential allocation of dividends for the six-month period ended 30 June 2022)
12 October 2022	Expected Ex-Dividend Date (for ordinary registered shares)
13 October 2022	Expected Record Date for dividend payment (for ordinary registered shares)
22 November 2022	Interim report for the first nine months of 2022

Financial calendar is available in our website and is immediately updated if there are any changes.



Business overview

2.1 Business profile

Creating an Energy Smart world

Core businesses

Networks

Resilient and efficient energy distribution enabling the energy transition.

Activities

Operation, maintenance, management, and development of electricity and natural gas distribution networks to ensure safe and reliable energy distribution. Supply of last resort.

Revenue model

Fully regulated through 5-year regulatory periods based on a transparent RAB-WACC methodology.

CO_2 neutral strategy support

Through reduction in network losses, timely connection of renewable energy assets, investments to allow further electrification.

Network size[1]

	Size	Volume
Electricity	126,814 km 67% overhead lines and 33% underground lines	10.37 TWh
Natural gas	9,563[2] km	8.49 TWh

[1] Information reflects data for the reporting period (2021).
[2] Previously reported network size of natural gas was adjusted.

Green Generation

Focused, sustainable, and profitable growth.

Activities

Generation of electricity from renewable energy sources including wind, hydro, solar, biomass and waste-to-energy. Development and operation of new generation capacities.

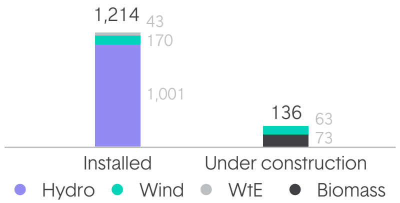
Revenue model

Contracted through renewable energy long-term support schemes (FiT, FiP, CfD), PPAs, and merchant.

CO_2 neutral strategy support

Through development of zero carbon electricity generating assets.

Electricity capacity, MW[1]



1.48 TWh

Electricity generated (net)

Complementary businesses

Flexible Generation

Reliable and flexible power system.

Activities

Provision of ancillary services to ensure stability and security of Lithuania's electricity system.

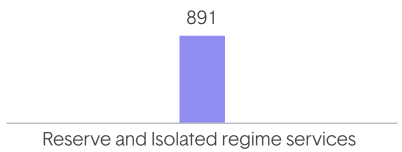
Revenue model

Largely regulated, based on a transparent methodology, with capacities awarded through annual auctions.

CO_2 neutral strategy support

Enabling the system to integrate more renewable energy capacities.

Electricity capacity, MW[1]



0.82 TWh

Electricity generated (net)

Customers & Solutions

Innovative solutions for easier life and energy evolution.

Activities

Supply of electricity and gas, wholesale trading and balancing, green energy solutions for businesses and residents and energy efficiency projects.

Revenue model

Regulated tariffs and commercial contracts.

CO_2 neutral strategy support

Enabling renewable energy build-out through provision of PPAs, increasing green electricity supply and reducing natural gas supply.

Electricity and natural gas retail sales, TWh[1]

	B2C	B2B
Electricity retail sales 6.77 TWh	2.91 TWh	3.86 TWh
Gas retail sales 8.93 TWh	2.84 TWh	6.09 TWh

15.70 TWh

Total retail sales

2.2 Market presence

Regional leader exploring opportunities in the markets undergoing energy transition paths

LITHUANIA

Networks
- Country-wide electricity and natural gas distribution

Green Generation:

OPERATIONAL (1,141.8 MWe, 130 MWth)
- Kruonis PSHP (900 MW)
- Kaunas HPP (100.8 MW)
- Eurakras WF (24 MW)
- Vėjo gūsis WF (19 MW)
- Vėjo vatas WF (15 MW)
- Kaunas CHP (24 MWe, 70 MWth)
- Vilnius CHP's WtE unit (19 MWe, 60 MWth)
- Biomass boiler in Elektrėnai (40 MWth)

UNDER CONSTRUCTION (136 MWe, 169 MWth)
- Vilnius CHP's biomass unit (73 MWe, 169 MWth)
- Mažeikiai WF (63 MW)

UNDER DEVELOPMENT (ADVANCED STAGE) (110 MW)
- Kruonis PSHP (110 MW)

UNDER DEVELOPMENT (EARLY STAGE) (around 870 MW)
- Lithuanian offshore WF I (700 MW)
- Greenfield portfolio (around 170 MW)

Flexible Generation

OPERATIONAL(1,055 MW)
- Two natural gas fired reserve power units in Elektrėnai (600 MW)
- Combined Cycle Gas Unit in Elektrėnai (455 MW)

Customers & Solutions
- B2B and B2C supply of electricity and natural gas, solar, e-mobility, ESCO services etc.

FINLAND

Customers & Solutions
- B2B supply of natural gas

ESTONIA

Green Generation:

OPERATIONAL (18 MW)
- Tuuleenergia WF (18 MW)

Customers & Solutions
- B2B supply of electricity

LATVIA

Green Generation

UNDER DEVELOPMENT (EARLY STAGE) (around 160 MW)
- Latvian onshore WF portfolio I (around 160 MW)

Customers & Solutions
- B2B supply of electricity and natural gas

POLAND

Green Generation

OPERATIONAL (94 MW)
- Pomerania WF (94 MW)

UNDER DEVELOPMENT (ADVANCED STAGE) (up to 130 MW)
- Polish solar portfolio II (up to 80 MW)
- Silesia WF (50 MW)

Customers & Solutions
- B2B supply of electricity

2.3 Strategy and targets

In 2020, we updated our Corporate Strategy by putting sustainability at its core. We are accelerating our transition towards a decarbonized world, transforming our business models by developing and scaling smart solutions, expanding in our region, and exploring new opportunities in the markets undergoing energy transition.

In our strategy we focus on four key strategic priorities. First, we are creating a sustainable future where there is no place for coal or nuclear. ESG criteria are an integral part of our strategic goals with strong commitment to a more sustainable future. We align our business targets with the United Nations' Sustainable Development Goals and we are committed to reducing net carbon dioxide emissions to zero by 2050. We also thrive to align our businesses with science-based targets to a 1.5°C-compliant business model. Second, we are ensuring resilience and flexibility of the energy system, as well as enabling energy transition and evolution. Third, we are growing renewables to meet regional energy commitments. We target to reach 4 GW of installed green generation capacity by 2030. Fourth, we are capturing growth opportunities and developing innovative solutions to make life easier for the energy smart.

Our focus on the home markets – the Baltic countries, Poland, and Finland. We also explore new opportunities in countries on the energy transition path.

We pursue our strategic priorities with a strong focus on financial discipline. Our engaged people, agile teams, learning culture, organisation with strong governance model and digital approach are the integral parts of our strategy.

To ensure strategy implementation, on a yearly basis we announce a strategic plan with targets and KPIs set for the next 4-year period.

Our values

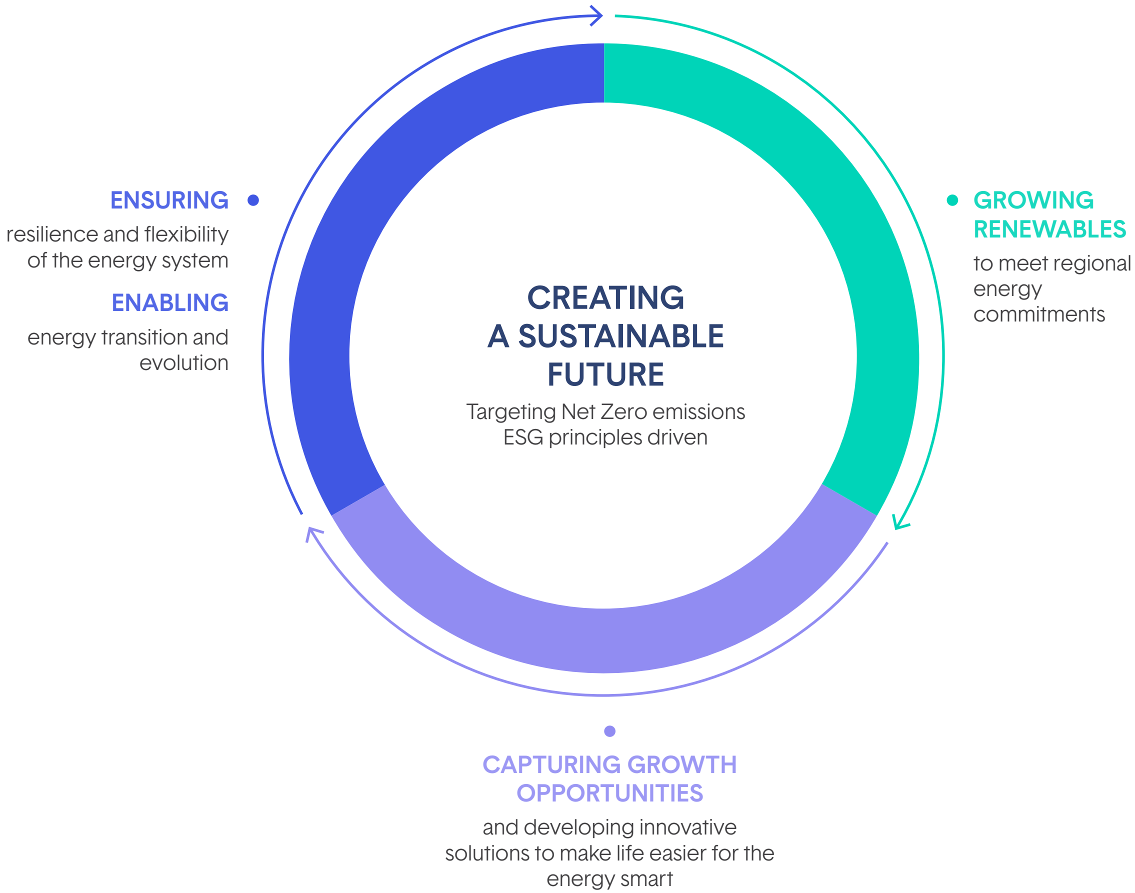
RESPONSIBILITY
Care. Do. For Earth. Starting with myself.

PARTNERSHIPS
Diverse. Strong. Together.

OPENNESS
See. Understand. Share. Open to the world.

GROWTH
Curious. Bold. Everyday.

In our **vision,** we transform for **a more sustainable world**



In everything we do, we are united by the **mission** to make **the world more Energy Smart**

Strategic directions in depth

Networks

Resilient and efficient energy distribution enabling the energy transition.

- We continuously invest country-wide to modernize our strategic assets used for electricity and natural gas distribution to ensure network resilience and efficiency for our business and residential customers.
- We digitise our distribution network and strive to develop a smart grid which would be one of the most advanced in the region.
- We enable energy innovations, renewable energy transition and facilitate the local energy market and its efficiency through data-driven solutions.

Green Generation

Focused, sustainable, and profitable growth.

- We target to reach 4 GW of installed Green Generation capacity by 2030 while ensuring that the build-out creates value for our shareholders.
- We aim to partner with strategic investors to adopt new technologies and with financial investors to maximise our returns by utilising asset rotation.
- We are pursuing onshore and offshore wind, waste-to-energy, biomass, and solar technologies across the project lifecycle.
- We apply prudent investment framework with a conservative hurdle rate.

Flexible Generation

Reliable and flexible power system.

- We invest to ensure flexibility and high reliability of the Lithuanian energy system by providing reserve and ancillary services.
- We are phasing out/decommissioning old conventional energy generation capacities.
- We aim to contribute to the synchronisation of the Baltic states with continental European network by providing new balancing services.
- We aim to develop additional Flexible Generation capacities if required to balance renewable energy and secure the required level of adequacy in the Lithuanian energy system.

Customers & Solutions

Innovative solutions for easier life and energy evolution.

- We scale our core energy supply and trading business complementing it with innovative, value-added energy solutions.
- We innovate together with our partners to help our customers become more energy smart and contribute to their environmental goals.
- We enable industrial scale renewable energy expansion by helping to secure long-term offtake contracts and capitalising on our competences in balancing services.

	Creating a **SUSTAINABLE FUTURE**	Growing **RENEWABLES**	**ENSURING** resilience **ENABLING** transition	Capturing regional growth **OPPORTUNITIES**
Networks	●		●	
Green Generation	●	●	●	●
Flexible Generation	●		●	
Customers & Solutions	●		●	●

Creating an **Energy Smart** world

We are driven by the purpose of creating an energy smart future, making it easy, seamless and green

Our people and culture

We are driven by the purpose of creating an energy smart future, making it easy, seamless, and green.

- Engaged people, agile teams and learning everywhere, always, and fast.
- We focus on the experience and personal growth of our people. Diversity in skills and competences gives us unique perspective to ensure the security of the national energy system and at the same time to be dedicated to our customers and passionate about innovation.
- We empower our teams for speed, flexibility, and innovation. We foster different models of collaboration to create an energy smart world.
- We transform and use different approaches for developing energy competencies. Our training system enables a constantly growing organisation and personal development.

Our organisation

Strong governance model and smart way of doing things with digital approach.

- We develop our organisation by applying transparent and effective governance model.
- We apply the globally-recognised corporate governance practices.
- We adopt the most effective group operating models to create competitive advantages and achieve synergies within our business segments.
- We incorporate digital approach in all areas of our activity as a key booster for efficiency improvements, motivation, and value creation.
- Operational excellence is a part of our everyday activities.

Focus on financial discipline

Target returns, capital structure, dividends.

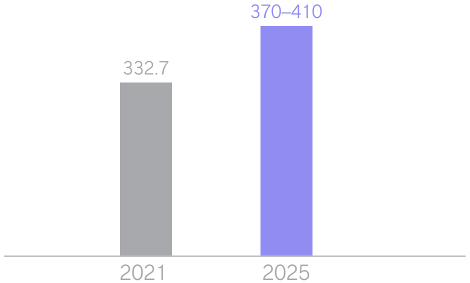
- We target high single-digit/low double-digit levered equity returns depending on the risk profile of the projects.
- Solid investment-grade rating: BBB and above. Net Debt to EBITDA < 5x.
- We aim to deliver dividends to our shareholders in line with our growth and at a minimum annual dividend growth by 3%.

Our strategic targets and KPIs for 2022–2025

With this report we present the update of our Strategic Plan for 2022–2025, placing sustainable expansion of our businesses at the core whilst ensuring return to our shareholders and the highest sustainability standards. Our annual targets and the overview of their achievement is detailed in section '4.6 Remuneration report'.

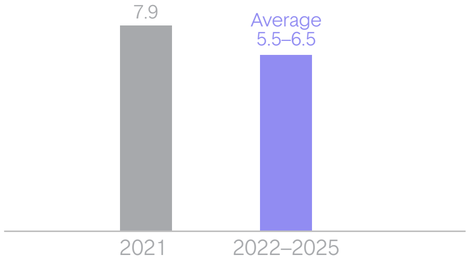
Financial

Adjusted EBITDA APM
EURm



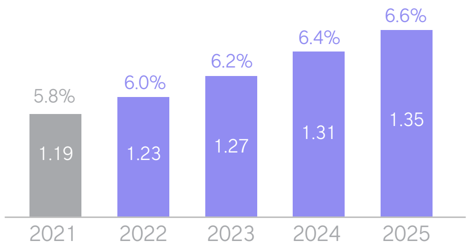
Adjusted EBITDA is expected to reach EUR 370–410 million in 2025 or up to 11–23% growth compared to 2021 driven by Green generation.

Adjusted ROCE APM
%



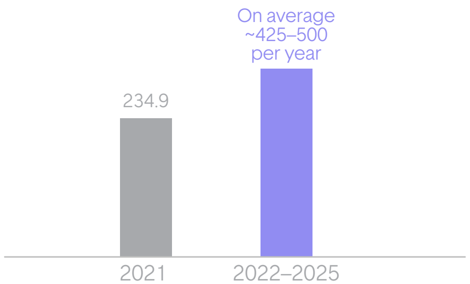
Average Adjusted ROCE during 2022–2025 is expected to be around 5.5–6.5%. Revised WACC in electricity DSO and better than usual results in 2021 for Flexible generation and Customers & Solutions segments are the key drivers for the lower 2022–2025 targeted level.

Minimum DPS and dividend yield[1]
EUR/%



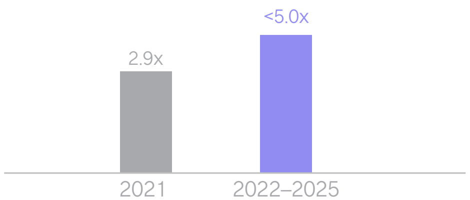
We aim to grow our dividends to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million and EUR 88 million declared for 2021. Implied dividend yield 2022–2025: 6.0–6.6%.

Investments APM
EURm



We aim to invest EUR 1.7–2.0 billion over 2022–2025 period, of which >90% a sustainable share. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, modernisation and digitisation of our electricity distribution network.

Net debt / Adjusted EBITDA APM
Times



Net Debt / Adjusted EBITDA is expected to be below 5x during 2022–2025.

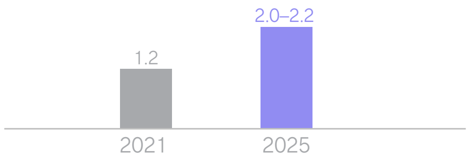
Credit rating
S&P

We are committed to solid investment–grade rating. We expect to keep BBB or above rating over the 2022–2025 period.

[1] *Calculated based on the No. of shares (73,040,514 ordinary shares) for 2022-2025 period. Implied dividend yield is calculated based on the Ignitis Group share price: 20.5 €/sh.*

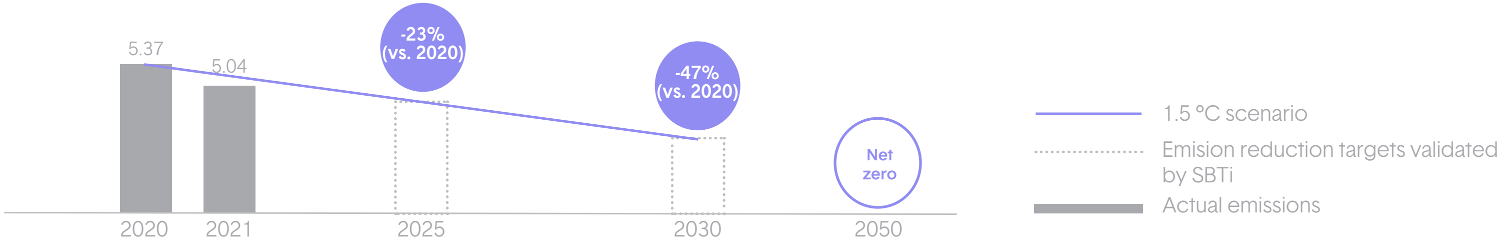
Environment

Green Generation capacity
GW



We expect to reach 2.0–2.2 GW of installed Green Generation capacity in 2025.

GHG emissions
million t CO_2-eq

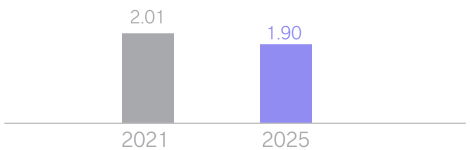


We plan to reduce our GHG emissions by 23% by 2025 and to halve it by 2030 (vs. 2020) based on GHG emission targets validated by SBTi in 2021.

Social

Safety at work
of fatal accidents & TRIR[1]

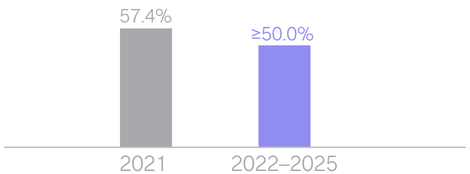
2025 target:
Fatal accidents = 0 (own emplyees and contractors) and TRIR[1] of:



Our key focus is on health and safety at work to have 0 fatal accidents (contractors and own employees) in 2025. Also, we target to have TRIR of own employees below 1.90 level in 2025.

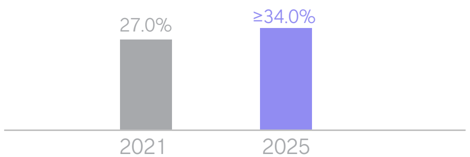
Engaged employees
Employee NPS, %

We aim to retain eNPS level of ≥50%



We measure the Group's eNPS since 2019. Our target is to retain the reached level and to have eNPS level ≥50% over 2022–2025 period.

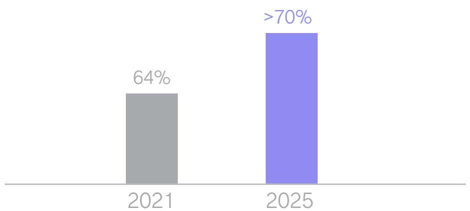
Diverse and inclusive workplace
% of women in top management



We aim to reach 34% share of women in top management in 2025.

Governance

Growing sustainable EBITDA share
Share of sustainable adjusted EBITDA[2], %

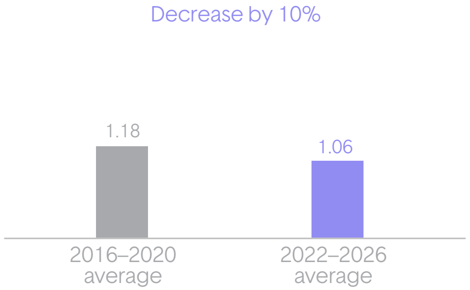


We plan to grow sustainable EBITDA share to 70% or above in 2025.

[1] *Of own employees.*
[2] *Calculated based on the principles defined in the EU Taxonomy draft version 2021.12.31.*

Resilient Network

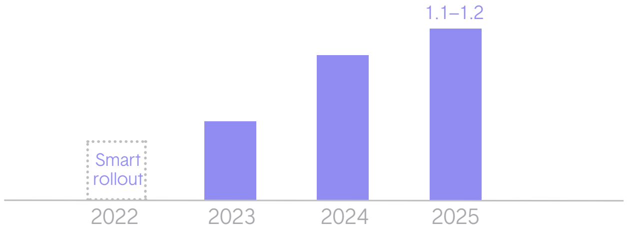
Electricity SAIFI[1]
Interruptions per customer



Investments in service quality and network efficiency boost the network resilience, resulting in an planned decrease of the SAIFI indicator by 10% over the strategic period.

Network Digitalisation

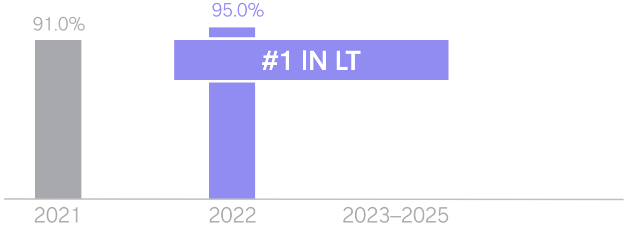
 # Smart meters
m



We digitise our electricity distribution network by implementing smart metering programme. By the end of 2025, we aim to install smart meters for all business customers and households, consuming >1,000 kWh/year. Further installations of smart meters will be continued as ongoing operating activities.

Flexible Energy System

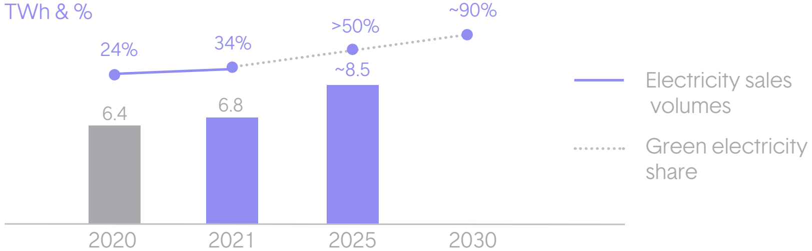
Ancillary and power reserve services
Market share & position



We aim to keep #1 market position of ancillary and power reserve services in Lithuania. In 2021, we continued providing tertiary (482 MW) power reserve services as well as isolated regime services (within the scope of 409 MW).

Green Energy Supply

Retail electricity sales volumes & Share of green electricity supply
TWh & %



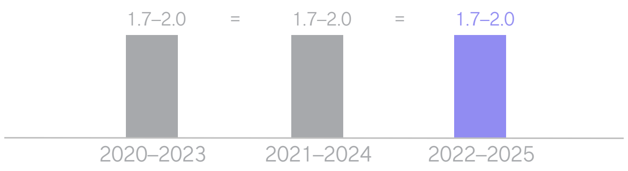
We aim to increase energy retail electricity sales volumes up to about 8.5 TWh in 2025 (implying a 5.8% CAGR for 2022–2025) and to grow share of green electricity supplied to customers to >50% in 2025 and >90% in 2030 by scaling core energy supply business in the region complemented with innovative energy solutions.

[1] Excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.

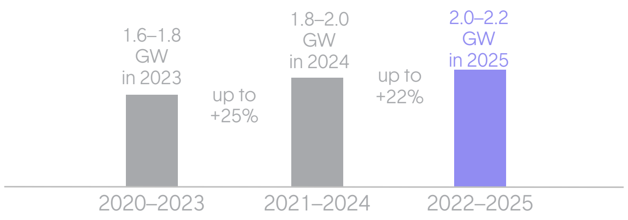
Our strategic targets evolution

We introduced the market with our 4-year Strategic plan in 2020. Since then we update it on an annual basis. To assess our key targets evolution, we provide the readers a comparison below.

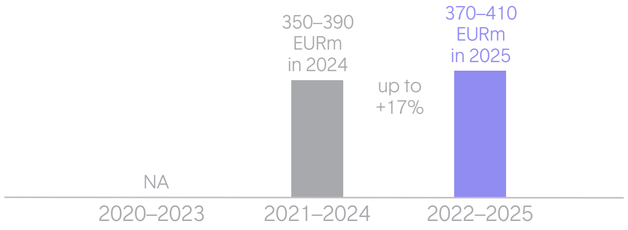
Investments APM
EURbn



Green Generation capacity
GW



Adjusted EBITDA APM
EURm



4 GW

We target to reach 4 GW of installed Green Generation capacity by 2030 while ensuring that the build-out creates value for our shareholders. In 2021 we increased both, our Green Generation installed capacity (113 MW) and projects pipeline (up to 460 MW).

Investments

Overview

The Group's sustainable growth is led by investments in our core business segments – Green Generation and Networks. In total, we expect to deploy around EUR 1.7–2.0 billion of capital over 2022–2025 or around EUR 425–500 million per annum.

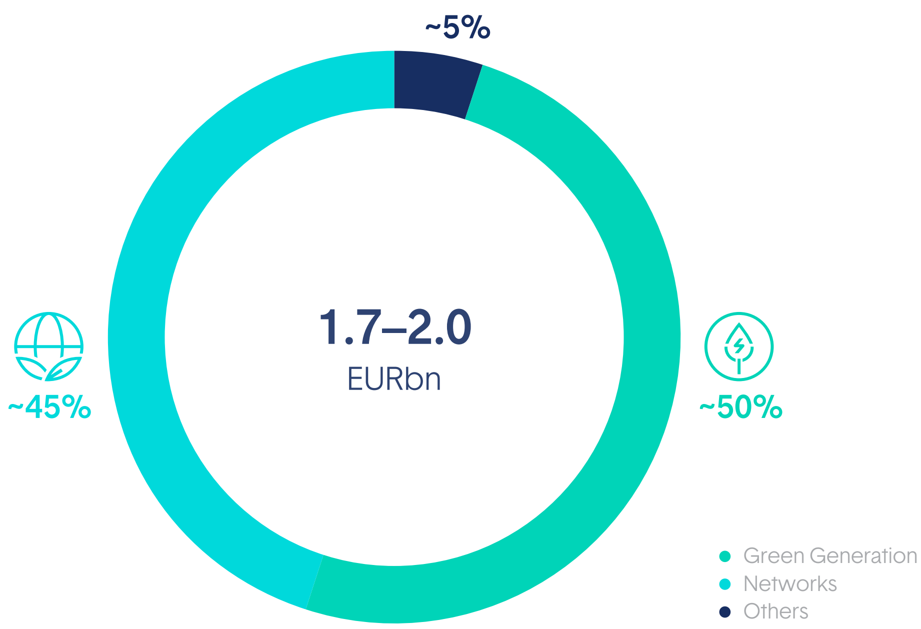
A large part or, around 50%, of the investments will be directed towards the expansion of Green Generation capacity. Based on current assumptions, we should reach 2.0–2.2 GW of installed renewables capacity by 2025, compared to currently operational portfolio of 1.2 GW.

The second largest proportion of funds or ~45% will be directed to Networks maintenance and expansion. It will contribute to the grid maintenance by increasing its security and reliability, development of new customer connections and upgrades, and digitalise the Lithuanian energy sector with the smart electricity metering programme. Regulated Asset Base to increase from EUR 1.3 billion in 2021 to EUR 1.6–1.7 billion in 2025.

In addition to a four-year investment plans, we align our investments into Networks with the regulator (NERC) for a 10-year period. The last time or on 7 December 2021 the investments of EUR 1.9 billion were confirmed over 2021–2030. We will direct these funds to improve reliability, resilience and digitalise the grid as well as to facilitate the market and customer experience. Finally, starting from 2022, 10-year investment plans will have to be submitted for the regulator's approval every two years.

In order to successfully implement our investment plans while achieving financial targets, including a commitment to increase dividends annually, we have defined and apply clear investment policy. Additionally, we constantly disclose the updates on our key investment projects. More information on both issues is provided in the following sections.

Investments over 2022–2025, EURm



SUSTAINABLE DEVELOPMENT GOALS **85–95%** of investments are SDGs related

~90% of investments are EU taxonomy aligned

Investment policy

Green Generation

The Group applies a prudent investment framework with hurdle rates for the Green Generation projects to ensure value-creating growth. A disciplined investment policy targets high single-digit to low double-digit levered equity returns depending on the risk profile of each project.

In 2022 we intend to initiate our asset rotation program. We target to sell up to 49% equity stakes of our operational Green Generation projects to capture additional return and recycle capital for future growth.

Target markets
Primarily the Baltics and Poland

Technologies
Wind (onshore and offshore), solar, waste-to-energy and biomass

Entry stage
Primarily greenfield and early-to-late development stages

Financing
60–75% leverage at the project level

Asset rotation
Targeting up to 49% asset rotation on a project level

Target returns
High single-digit to low double-digit levered equity returns depending on the risk profile of a project

Networks

As a Lithuania's distribution system operator that is working in a fully regulated business environment, our Networks segment's investments are clearly defined by the regulatory framework and coordinated with the regulator (NERC).

Unlike the return on investments in Green Generation segment, it is capped by the regulatory WACC set for a 5-year regulatory period.

Target markets
Lithuania

Technologies
Electricity and natural gas distribution grid

Type
Maintenance, new customer connections and upgrades, digitalisation

Investment capacity
10-year investment plans updated and approved by the regulator (NERC) on a 2-year basis starting from 2022 (previously on an yearly basis)

Target returns
In line with WACC set for a 5-year regulatory period

Update on key ongoing and planned investments

Green Generation

In addition to our Green Generation installed capacity increase by 113 MW since the CODs of Vilnius CHP's WtE unit (19 MWe, 60 MWth) and Pomerania WF (94 MW), our gross Green Generation projects growth amounts to up to 460 MW. We expanded our portfolio after signing conditional agreements for an acquisitions of Latvian onshore WF I (around 160 MW) and Polish solar II (up to 80 MW) portfolios, acquiring a ready-to-build Silesia WF in Poland (50 MW), and starting greenfield development by securing land plots for onshore wind and solar projects in Lithuania and Poland (around 170 MW).

All remaining projects are fully on track with exceptions of Vilnius CHP's biomass unit (73 MWe, 169 MWth) and Polish solar portfolio I (up to 170 MW). In respect of Vilnius CHP's biomass unit (73 MWe, 169 MWth), we still plan to start generating first energy by the end of 2022. However, due to the delay in the procurement procedures initiated after the announcement of Rafako (former main contractor) restructuring process, we now reschedule COD to Q2 2023. In Polish solar portfolio I (up to 170 MW), over the last six months we held agreement renegotiations with the developer (Sun Investment Group) due to no projects being awarded CfD tariff in the last auctions. As no agreement regarding return level which would be in line with our target range (of high single digit to low double digit levered equity returns) was reached, the conditional SPA agreement was terminated in February 2022. Advance payments of around EUR 3.8 million, which has been paid to the developer for the projects, will be fully returned in Q1 2022.

Status on key investment projects

Under construction

Mažeikiai WF

- **Technology:** onshore wind
- **Capacity:** 63 MW
- **Expected COD:** Q1 2023
- **Investment:** ~ EUR 80–85 million
- **Subsidy scheme:** merchant
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - Roads and foundation were completed.
  - Undergoing construction works of underground 110 kV and 30 kV electric cables, 110/30 kV transformer station, and reconstruction of grid connection point.

Vilnius CHP (biomass unit)

- **Technology:** biomass
- **Capacity:** 73 MWe, 169 MWth
- **Expected COD:** Q2 2023
- **Investment:** ~ EUR 210 million
- **Subsidy scheme:** ~ EUR 140 million EU CAPEX grant[1]
- **Ownership:** 100% (49% to be divested post COD according to EU CAPEX grant rules)
- **Status:**
- **Progress:**
  - ~75% of all works completed in the biomass unit.
  - Undergoing public procurement procedures for the remaining construction works.
  - Contracts signed with an EPCM (Engineering, Procurement and Construction Management) consultant – Ramboll (Ramboll Denmark A/S and Ramboll Polska Sp. z o.o.), engineering designer – Hidroterra, and a general contractor – Conresta.
  - Generation of first energy is planned for the end of 2022. However, due to the delay in the procurement procedures initiated after the announcement of Rafako (former main contractor) restructuring process, we now reschedule full COD to 2023.

Under development (advanced)

Polish solar portfolio II

- **Technology:** solar
- **Capacity:** up to 80 MW
- **Expected COD:** 2022–2023
- **Investment:** ~ EUR 50 million
- **Subsidy scheme:** 15-year indexed CfD (partly secured at ~53–56 EUR/MWh[2]) / PPA
- **Ownership:** 100%[3]
- **Status:**
- **Progress:**
  - A conditional agreement for an acquisition of solar portfolio in Poland signed.
  - Projects are under various development stages with expected COD around 2022–2023.
  - Currently 21 projects with a total capacity of around 20 MW already secured CfD in the range of ~53–56 EUR/MWh[3].

Silesia WF

- **Technology:** onshore wind
- **Capacity:** 50 MW
- **Expected COD:** Q4 2023
- **Investment:** ~ EUR 70 million[4]
- **Subsidy scheme:** 15-year indexed CfD at ~55 EUR/MWh[5]
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - A ready-to-build wind farm development project in Poland acquired.
  - WTG supply and maintenance agreements with Nordex signed.
  - Construction works expected to be launched around 2Q 2022 with COD by the end of 2023.
  - Total expected investments amount to approx. EUR 70 million, including the acquisition price and construction costs.

Moray West offshore wind project

- **Technology:** offshore wind
- **Capacity:** 850–900 MW
- **Expected COD:** 2025
- **Investment:** not disclosed
- **Subsidy scheme:** 15-year indexed CfD (expected)
- **Ownership:** 5% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
- **Status:**
- **Progress:**
  - The project is under active development.
  - Turbines are under PBA (Preferred Bidder Agreement), substations EPC and export cables EPCI contracts concluded.
  - Long term O&M provider selected.
  - Geotechnical and geophysical surveys undertaken to inform final detailed design.
  - High involvement of the supply chain, negotiations with main contractors.

Kruonis PSHP expansion

- **Technology:** hydro
- **Capacity:** 110 MW
- **Expected COD:** 2025[6]
- **Investment:** ~ EUR 80 million[7]
- **Subsidy scheme:** merchant
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - A consultant (AFRY Switzerland Ltd) prepared technical specification (i.e. technical requirements to implement expansion) and tender documents (for acquisition and installation of the unit).
  - Public procurement procedures for acquisition and installation of the additional unit of 110 MW were initiated in January 2022.
  - A decision on FID is expected around Q4 2022.

[1] Total CAPEX grant for Vilnius CHP (i.e. waste-to-energy (operational since Q1 2021) and biomass units). [2] 228–242 PLN/MWh, applying inflation index of 1.07 and 0.2175 EUR/PLN rate as of 31 December 2021.[3] After full completion of construction works. [4] Including project acquisition and construction works. [5] 237.5 PLN/MWh, applying inflation index of 1.07 and 0.2175 EUR/PLN rate as of 31 December 2021. [6] Tentative schedule is targeted to be aligned with Lithuanian synchronization to European continental networks project. [7] Preliminary estimate equal to the value of tender offer announced in January 2022.

On track | Time delay and / or budget deviation

Under development (early stage)

Greenfield portfolio

- **Technology:** onshore wind & solar
- **Capacity:** around 170 MW[1]
- **Expected COD:** 2024–2026[2]
- **Investment:** not disclosed
- **Subsidy scheme:** not disclosed
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - Signed land lease agreements to secure land plots across Lithuania and Poland.
  - After securing the land necessary to build reasonable capacity – EIA procedures for the specific locations will be initiated.

Latvian onshore WF portfolio I

- **Technology:** onshore wind
- **Capacity:** around 160 MW
- **Expected COD:** 2025–2027
- **Investment:** ~ EUR 200 million
- **Subsidy scheme:** merchant
- **Ownership:** 100%[3]
- **Status:**
- **Progress:**
  - EIA procedures in progress.
  - Working for design milestones.
  - Total expected investments amount up to EUR 200 million with the acquisition price of the portfolio comprising less than 10% of total investments.

Lithuanian offshore WF I

- **Technology:** offshore wind
- **Capacity:** 700 MW
- **Expected COD:** 2028
- **Investment:** not disclosed
- **Subsidy scheme:** 15-year CfD (expected)
- **Ownership:** 51% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
- **Status:**
- **Progress:**
  - The Energy Agency, the Ministry of Energy of the Republic of Lithuania, together with external consultants, have prepared and presented drafts of SEIA (Strategic Environmental Impact Assessment) and EIA (Environmental Impact Assessment) programme for public consultation.
  - Draft law related to offshore development in Lithuania was amended according to Government's proposal and submitted to the Parliament for further discussions. A new grid connection model (developer build) was introduced, but further discussions related to CfD model update are ongoing with the expected final approval by the Parliament in H1 2022.

[1] Secured land lease agreements for development of indicated capacity.
[2] As indicated capacity includes different projects, expected COD depends on the further progress within project on project basis. Additionally, Lithuanian projects operation should begin towards the end of indicated time range.
[3] After construction permits are granted.

On track   Time delay and / or budget deviation

Networks

Since Q3 2021, there have been no changes both in the implementation of Networks maintenance and expansion works. As previously disclosed, a smart meter roll-out has been rescheduled, pushing the meter roll-out to H1 2022 and the end date to 2025 from 2023. The project was delayed in order to comply with high cybersecurity requirements. Currently, the project is on track, however there is a risk of supply chain disruption due to a global supply issue (the 'semiconductor crisis'), potentially causing disruption in the production of smart meters, thus affecting the project either by delivering smart meters in smaller quantities than planned and/or within a longer timeframe. Further on, a 10-year investment plan for 2021–2030 has been updated in Q4 2021. In line with the previously confirmed investments over 2020–2029, we target to allocate ~ EUR 1.9 billion of capital, mainly focusing on grid reliability and efficiency as well as facilitating the market and customer experience.

Status on key investment projects

Maintenance

- **Investments 2021–2030 (10-year investment plan)** ~EUR 1 billion
- **Investments 2022–2025 (Strategic plan):** EUR 390–410 million
- **Subsidy scheme:** partially covered by EU funds (on a project by project basis)
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In 2021, over 685 km of electricity lines reconstructed (out of which 247 km in Q4 2021). Over 90% of these lines are underground cable lines.
  - Reconstruction of the most affected lines continued.

Expansion *New customer connections and upgrades*

- **Investments 2021–2030 (10-year investment plan):** ~EUR 730 million
- **Investments 2022–2025 (Strategic plan):** EUR 315–330 million
- **Subsidy scheme:** partially covered by customers' fees
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In 2021 almost 27,000 new electricity customers and over 23,000 capacity upgrades were connected/upgraded, which resulted in around 860 km of new electricity lines (out of which 257 km in Q4 2021).
  - New customer connections and capacity upgrades continued.

Expansion *Smart meter roll-out*

- **Investments 2021–2030 (10-year investment plan):** ~ EUR 150 million
- **Investments 2022–2025 (Strategic plan):** EUR 100–115 million
- **Subsidy scheme:** n/a
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - An agreement with the infrastructure provider (Sagemcom Energy & Telecom SAS, France) for approximately 1.2 million of smart meters and implementation of related IT systems (data transfer technology – Narrowband Internet of things) concluded.
  - After setting a framework to implement the roll-out at the most efficient way in order to comply with all high level requirements (including cybersecurity), a project was replanned pushing the end date to 2025 (from 2023).
  - In Q4 2021, testing of the basic version of the systems started.

TOTAL

- **Investments 2021–2030 (10-year investment plan):** ~ EUR 1.9 billion
- **Investments 2022–2025 (Strategic plan):** EUR 0.8–0.9 billion
- **Subsidy scheme:** n/a
- **Ownership:** 100%

On track Time delay and / or budget deviation

Strategic enablers

In order to keep the pace with the rapidly changing energy sector, we focus on innovation and digitalisation – our key strategic enablers ensuring operational efficiency and growth towards becoming the leading energy company in our home and target markets.

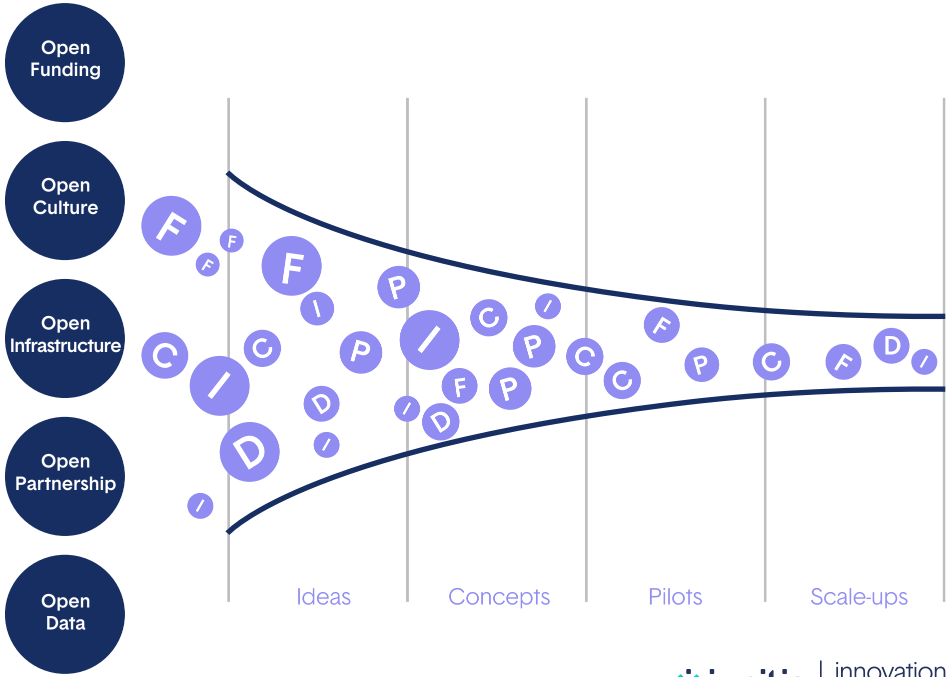
Innovations

In 2018 we established Innovation Hub, which utilises internal and external initiatives to promote energy technologies, attract innovative ideas, and promotes data sharing. Innovation Hub is an integral part of Ignitis Group, which enables other companies to test their technologies, prototypes or business ideas in the Group's infrastructure through a free-of-charge 'sandbox' programme. We cooperate with universities and other companies to develop new products and services that can later be adapted to the Group's businesses. We aim to create and lead EnergyTech ecosystem based on the principles of Open Innovation.

During the period of 2020–2024, Ignitis Innovation Hub aims to conceptualize a use-case for 50 innovative solutions, followed by 35 pilot projects to validate the ideas. In 2021, 12 concepts and 10 pilot projects were carried out, 3 solutions were scaled-up. Scaled-up solutions include a calculator for rooftop potential for solar PV, overhead power line inspection using LIDAR and smart electricity grid voltage management solution EcoVar. Use-case concepts of promising technologies and new services have been developed as well. These included smart EV charging solutions, community wind power for prosumers and mobile application for end-customers providing data and insights about their energy consumption habits.

The Smart Energy Fund powered by Ignitis Group (managed by Contrarian Ventures), which so far has invested in start-ups around EUR 9.3 million, recorded exceptional results. In the year 2021, the total investment asset value grew by EUR 20.4 million to EUR 25.3 million, contributed mainly by portfolio companies raising subsequent funding rounds with increased valuations. In addition to piloting efforts, the energy market modelling and the development of the 2nd Ignitis Innovation Fund are among the main objectives of Ignitis Innovation team for 2022. Also, as the first Ignitis Innovation Fund is in its last investment year, we aim to assess and execute the best strategy for the establishment of the 2nd Fund.

Open-innovation pillars and the process of idea development



Smart Energy Fund powered by Ignitis Group

Managed by	Investments	Total investment asset value	Different companies	Countries	Investment partners	Featured start-ups
Contrarian Ventures	EUR 9.3 million	EUR 25.3 million	16	8	80	H2PRO, Inbalance grid, PVcase, zoomo

Digitalisation

Digitalisation programme contributes to creating a culture of continuous improvement and rapid learning within the Group. In 2021, we focused on organising hackathons, process automation and improving digital employee experience which continue to remain one of our top priorities in the remote working environment.

Key initiatives

Hackathons

The pandemic did not slow us down as we continued organising hackathons to solve internal and external challenges faced by the Group. In 2021 we organised 2 hackathons – 1 external and 1 internal.

Corruption prevention
The external hackathon organised together with Special Investigation Service of the Republic of Lithuania has been the largest hackathon organised so far. With 160 participants in total, 24 teams were formed to provide various solutions to fight the corruption in Lithuania. The teams came up with different ideas, from virtual reality games to AI algorithms that would assess the need for repairing the sidewalk and making the whole process transparent to the public. Currently, the best solutions are being implemented by the Group together with Special Investigation Service of the Republic of Lithuania.

Employee wellbeing and green initiatives
In our internal hackathon, the teams focused on the challenges related to the pandemic and green initiatives. Employees from different fields gathered to provide ideas on how we should measure wellbeing and efficiency of employees working remotely, in hybrid mode or full-time at the office. In addition, teams focused on the knowledge-sharing challenges within the organisation. A couple of teams provided solutions, like a consultation app for employees to quickly get help from colleagues and an internal channel to share news from conferences and events, thus, improving knowledge sharing process within the organisation. Other ideas included carpooling solution for employees to reduce our carbon footprint and better inclusion of employees who are less susceptible to traditional communication methods. Currently, we are working on the development of these ideas.

Process automation

In 2021, a lot of attention has been paid to automating processes and improving our chatbots, so as to reduce routine work of the Group employees and increase our customer experience.

We continued to make progress with RPA usage in 2021 as FTE savings using this technology reached 155. This is an increase of 50 FTEs, compared to 2020, and 100 FTEs, compared to 2019. To increase the potential and the speed of automation, pilots of automation decentralisation were launched within the Group and will continue in 2022.

Digital employee experience

In 2021 the Group increased the focus on digital employee experience as it should make the business processes more efficient, reduce IT maintenance costs, increase employee satisfaction and productivity and foster internal IT innovations. We also standardized some of the software that we use within the Group and simplified processes to reduce the need of IT administrators in maintenance in order to focus on IT solutions development. Moreover, a lot of focus was put on digital literacy of our employees, thus the digital skills programme has been launched, which focuses on upskilling and reskilling our employees.

Plans ahead

We will continue working towards creating a smart work environment in 2022. During the upcoming 2 internal hackathons, we will mainly focus on improving various parts of digital employee experience. The digital skills programme will affect the majority of the organisation and include them in various training courses. Additionally, we are planning to launch reskilling pilot programmes, which would help employees change their career path within the organisation and obtain new competencies. The process automation will continue to bring large numbers of FTE savings for the Group.

2.4 Business environment

The Group's performance, to an extent, is governed by macroeconomic and industry dynamics in the markets it operates. Thus, especially during this turbulent period, we closely monitor key economic indicators and developments in the industry to assess the business environment in our home market and provide an overview below.

Macroeconomic environment

GDP

Improving epidemiological situation led by lower levels of hospitalisations and a massive vaccination in the European Union has enabled many European economies to reopen in the beginning of Q2 2021. Over the next quarter, following the relaxed measures, a pre-pandemic output level has been reached, moving the EU as a whole from a recovery phase to a growth phase. As a result, based on Eurostat preliminary estimates, EU GDP is significantly more robust in 2021 versus 2020, as indicated by a 5.3% growth. Despite the struggles of keeping with the pace of growing demand, energy prices surging significantly above the pre-pandemic levels, affecting consumption and investments, and the inflationary environment pressure, the growth is expected to continue in 2022, however, at a slower pace of 4.3% compared to 2021. It should be mostly supported by improving labour market, high level of savings, advantageous financing opportunities and deployments of recovery funds. A year later, economy growth should converge to a steady growth path, reaching 2.5% GDP growth in the EU. Of course, the situation is highly dependent on current geopolitical uncertainty and is uneven across EU member states. Turning to Lithuania, softer COVID-19 restrictions have stimulated national consumption, which pushed the GDP growth in 2021 to 4.8% compared to the same period last year. Over the course of the next two years, Lithuania's economy is expected to grow at a moderate level of 3.4% both in 2022 and 2023.

GDP change, %

	2020	2021	2022F	2023F
Lithuania	(0.1)	+4.8	+3.4	+3.4
Latvia	(3.6)	+4.7	+4.4	+3.8
Estonia	(3.0)	+7.5	+3.1	+4.0
Finland	(2.9)	+3.5	+3.0	+2.0
Poland	(2.5)	+5.7	+5.5	+4.2
Euro area	**(6.4)**	**+5.3**	**+4.3**	**+2.4**
EU	**(5.9)**	**+5.3**	**+4.3**	**+2.5**

Source: Eurostat.

Inflation

European Central Bank's loose monetary policy and recovery in consumption coupled with supply chain challenges – all contributed to the record high inflation in 2021. However, one factor it affected the most - the annual energy prices which increased by almost a third in the Euro area. The largest annual harmonised CPI growth of 5.2% was recorded in Poland, followed by Lithuania and Estonia at 4.6% and 4.5% respectively. At the same time, amongst our home market countries, harmonized CPI growth in Finland was again the lowest, reaching only 2.1% annual growth rate in 2021.

Annual inflation rate change measured by harmonized CPI, %

	2020	2021	2022F	2023F
Lithuania	(1.1)	+4.6	+6.7	+2.2
Latvia	(0.1)	+3.2	+5.9	+0.9
Estonia	(0.6)	+4.5	+6.1	+2.1
Finland	+0.4	+2.1	+2.6	+1.9
Poland	+3.7	+5.2	+6.8	+3.8
Euro area	**+0.3**	**+2.6**	**+3.5**	**+1.7**
EU	**+0.7**	**+2.9**	**+3.9**	**+1.9**

Source: Eurostat.

COVID-19

Despite the resilient economic environment in the home market, COVID-19-related crisis could impact the Group's activities mostly by affecting our employees, contractors, suppliers, customers, and capital markets. We managed risks relevant to our employees based on their functions as well as by ensuring the availability to work remotely, for others – providing additional personal protection, hygiene measures and restricting unnecessary contacts with others.

So far we did not experience any significant disruptions due to COVID-19 in main business activities, investment strategies and development of projects, except for some delays in projects' milestones. However, we are continuously assessing potential disruptions of cash flow, supply of services or goods, in attraction of sources of financing, potential decrease in electricity and gas consumption due to economic slowdown, the risk of COVID-19 infection of critical function personnel and the risk of delays in ongoing projects, using all the information available at this time. Yet we have not identified any circumstances which may give rise to doubt over the activities of the Group as a whole and the continuity of individual undertakings belonging to the Group, and we have also taken actions to manage the risks arising from the Group's activities.

We will continue monitoring the potential impact to the Group based on the changes in internal and external factors to ensure the Group's business continuity.

Industry environment

Commodity market overview

Steep volatility in commodities market continued over 2021, reaching the all-time highs. Skyrocketing prices of oil, coal and natural gas combined with rising carbon prices affected electricity prices the most.

In 2021, oil demand continued to recover from its lows captured in 2020, raising its prices towards near or the highest levels over the years. Increased worldwide consumption, followed by limited spare capacity resulted in average daily price for yearly futures in Brent increase by 63.8% compared to 2020. Commodity price inflation is expected to prevail in 2022 as, according to the market experts, we might be entering into commodity bullish cycle, which will probably be tested by central banks tightening processes.

Similarly, mainly COVID-19-related recession affected a sharp decrease in industrial and power demand for coal in 2020, which reversed over 2021 as global economies recovered. Increased demand as well as soaring natural gas prices (in-depth coverage is provided below, under section 'Wholesale natural gas market'), which contributed to switching to coal to generate electricity, pushed its prices upwards by 62.8% compared to 2020. However, despite all market bullishness, coal once again saw its strong link to the domestic dynamics within China. Initially, contributing to the strong price increase by lifting imports to almost 25% of the global market, the country opened and ramped up lots of mines in recent months. The fate of the Chinese coal market will remain the single most important factor for international prices in 2022.

Consequently, an increase in use of coal, which is the largest source of CO2 emissions, lifted European Union's carbon emissions (ETS) prices by 116.2% in 2021 compared to 2020. Additionally, a substantial part of the price change is also linked to the political reforms that have been implemented in 2021 to meet Europe's climate goals, thus, reducing supply of EU ETS allowances. Based on Reuters survey, published on 14 October 2021, the average ETS is expected to cost 55.9 EUR/tonne in 2022, 69.9 EUR/tonne in 2023, exceeding 72.0 EUR/tonne by 2024. Obviously, it will change depending on the shifts in natural gas prices as well as demand for coal.

Development of commodities in 2021, compared to 2020[1]

		2021	2020	Δ, %
Oil – Brent	USD / bbl	70.9	43.3	*63.8%*
Coal – API2	USD / t	94.3	57.9	*62.8%*
Natural gas – TTF	EUR / MWh	38.6	9.4	*310.6%*
CO_2 (EU ETS)	EUR / t CO_2	53.6	24.8	*116.2%*

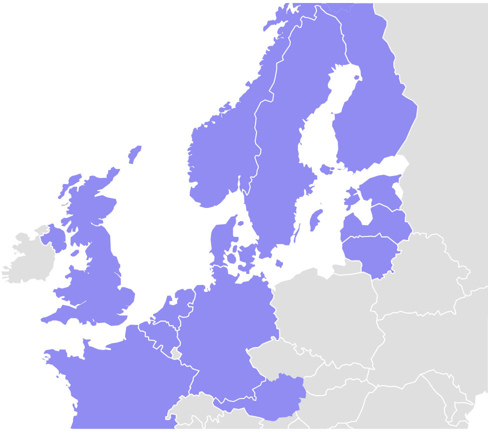
[1] *Daily future price average for the year.*

Wholesale electricity market

Lithuania is part of Nord Pool, which is a leading power market in Europe offering trading, clearing, settlement and associated services in both day-ahead and intraday markets.

During Q4 2021, prices increased remarkably in all bidding areas of the Nord Pool power exchange compared to Q4 2020, which also meant elevated prices in 2021 versus 2020. The price hike was a result of a number of reasons, with the main one being rising fuel and EUA prices (the latter growing by 116.1% from 24.8 EUR/t in 2020 to 53.6 EUR/t in 2021). The absolute EUA price record hit in December 2021 was 88.9 EUR/t. A new Nord Pool connection (Norway–United Kingdom, with a capacity of 1.4 GW) also contributed to the price increase in Scandinavia as prices in Central Europe and the United Kingdom were higher than in Scandinavia. Additionally, hydro production in Scandinavia is the key driver of electricity price in the region and in 2021 hydro production was 12.0% above normal levels (226.9 TWh), which

Nord Pool countries



resulted in price divergence, as Central Europe's prices were higher during peak hours compared to Scandinavia. Furthermore, 16.4% lower wind generation in Scandinavia in 2021 (62.3 TWh in 2020 compared to 52.1 TWh in 2021) kept prices at elevated levels. Finally, relaxed restrictions and recovery of industrial consumption of electricity in Scandinavia and the Baltics, which in 2021 increased by 6.0% (from 405.1 TWh in 2020 to 427.4 TWh in 2021), pushed power prices upwards, compared to the same period the last year.

The average system price was 470.0% higher in 2021, compared to the same period last year. The largest increase of 166.2% within our home market was captured in Lithuania, where prices in 2021 reached 90.5 EUR/MWh, and the absolute hourly price record in Lithuania was 1,000.1 EUR/MWh in December 2021. Meanwhile, the growth as well as the price level in Latvia and Estonia followed closely behind – in Latvia and Estonia prices increased by 161.2% and 157.3% to 88.8 EUR/MWh and 86.7 EUR/MWh respectively. In the Polish Power Exchange prices increased by 89.5% and were driven by post-lockdown recovery and higher EUA prices. Turning to 1-year futureprices for 2022, Nord Pool system price and electricity prices in the Baltics are driven mainly by dryer summer and beginning of winter, which resulted in extremely low hydro balance (the lowest point was at -22.00 TWh, compared to multiyear averages). Additionally, future prices are affected by projected depletion of reservoirs (filled below 10.0%) at the lowest point in 2022 as well as rising gas and EUAs prices in the market. On top of that, the new electricity connection of 1.4 GW between Scandinavia and the UK (which

Average hourly electricity spot price and its change, EUR/MWh

	2020	2021	2022F[1]	2021 vs 2020 Δ, %	2022 vs 2021 Δ, %
Nord Pool system	10.9	62.3	*62.1*	*471.6%*	*(0.3%)*
Lithuania	34.0	90.5	*131.6*[2]	*166.2%*	*45.4%*
Latvia	34.0	88.8	*131.6*	*161.2%*	*48.2%*
Estonia	33.7	86.7	*128.6*	*157.3%*	*48.3%*
Finland	28.0	72.3	*92.6*	*158.2%*	*28.1%*
Poland	45.6	86.4	*175.9*	*89.5%*	*103.6%*

[1] *1-year future price as of 28 December 2021.*
[2] *Based on Latvia's forward price (as there is no separate Lithuanian zone).*

started commercial operations on 1 October 2021) supported the increase in future prices.

In 2021, Lithuania produced 12.5% (or 0.6 TWh) less electricity compared to 2020, mainly due to lower wind energy generation levels (deteriorated by 17.0% or 0.3 TWh) driven by lower load factors as a result of unfavourable weather conditions. On the contrary, Estonia produced 31.1% (or 1.4 TWh) more electricity due to higher generation levels of its oil shale power plants (increased by 69.0% or 1.5 TWh). Poland also generated 14.0% (or 21.3 TWh) more electricity compared to 2020. Finally, the change in electricity generation level in Latvia and Finland in 2021, compared to 2020, was immaterial as both countries increased electricity generation by 1.8% (or 0.1 TWh) and 4.8% (or 2.9 TWh) respectively.

In terms of domestic generation and consumption, the countries in the home market in 2021 remained deficit countries. Specifically, Lithuania, Latvia and Estonia covered around 34.0% (or 4.2 TWh), 76.1% (or 5.6 TWh) and 69.5% (or 5.9 TWh) of total country's demand respectively. Also, based on ENTSO-e data, Finland and Poland generated approximately 75.2% (63.7 TWh) and 92.5% (161.5 TWh) of the total country's demand respectively.

During the reporting period, commercial import to Lithuania increased by only 6.6% (in 2021 – 11.6 TWh and in 2020 – 10.9 TWh). The ban of import from Belarus as a result of the law forbidding imports from third countries that operate unsafe nuclear power plants was partly offset by increased imports from Poland and Latvia. Due to lower prices in Northern Europe, import from Latvia increased by 39.1% (or 490.4 TWh), while export to Latvia decreased by 26.0% (or 66.6 TWh). Import from Poland increased by 87.4% (or 241.4 TWh), while export to Poland decreased by 37.1% (or 662.54 TWh). Import from Scandinavia to Lithuania decreased by 31.4% (1,115.5 TWh), whereas export to Scandinavia increased by 157.8% (123.40 TWh) due to higher prices in Sweden. Again, changes in flows were mainly due to limitations in LiTPol Link and NordBalt connections.

Overall, major regional impact comes from the extension of market coupling mechanism in Poland. From late June 2021, Germany, Czech Republic and Slovakia were added to the Poland coupling system, ending 16-year period of explicit day-ahead allocation. Regional flows at the moment are purely price and capacity dependent. Going forward, inefficiencies related with explicit allocation operations will no longer occur, thus maximizing capacity usage and transmission system operators' (PSE in Poland and LitGrid in Lithuania) revenues.

No material changes regarding the electricity consumption in our home market have been captured in 2021. Consumption levels grew slightly across all countries in the home market, compared to 2020.

Electricity generation change in 2021, compared to 2020, TWh

	2021	2020	Δ, %
Lithuania	4.2	4.8	*(12.5%)*
Latvia	5.6	5.5	*1.8%*
Estonia	5.9	4.5	*31.1%*
Finland	63.7	60.8	*4.8%*
Poland	173.6	152.3	*14.0%*

Electricity consumption change in 2021, compared to 2020, TWh

	2021	2020	Δ, %
Lithuania	12.4	11.8	*5.1%*
Latvia	7.3	7.0	*4.3%*
Estonia	8.4	8.0	*5.0%*
Finland	84.7	78.4	*8.0%*
Poland	174.4	165.5	*5.4%*

Wholesale natural gas market

Natural gas market during 2021 was volatile and prices shifted upwards on a global scale. Prices in the home market almost quadrupled during the course of 2021, compared to 2020. A number of events were driving the market, including competition for LNG cargoes in 2021, leading to 11% lower regasification in Europe, compared to the year before, an increase in coal and carbon prices, lower-than-average 2021 winter temperatures and a hot summer, lower renewable energy generation as well as maintenance of the major supply routes to Europe and lower pipeline flows to Europe from outside of the European Union. Some of them were driving the demand up, while others restricted additional supplies to reach the market, leading to a tension within the market. High natural gas prices in Europe were highly volatile both in the day and the day-ahead markets and varied throughout the months. TTF front month for the first time crossed 100 EUR/MWh level in October 2021. In mid-December 2021 TTF traded above Asian LNG prices for a number of days, which started to attract LNG cargoes from Asia to Europe. European TTF benchmark reached as high as 180 EUR/MWh, around 40 EUR/MWh above Asian LNG price. At this time last year, natural gas prices in Asia were around 12 EUR/MWh higher compared to the prices in Europe. This year Asian buyers were better prepared for the winter compared to last year, while European countries, on the contrary, could have had more volume in their storage for the upcoming winter. This resulted in 1-year TTF future price on the last day of the reporting period being more than four times the front year futures price a year ago.

Stock levels in the underground natural gas storage facilities in Europe as of the end of the reporting period (31 December 2021) was at 53.8%, compared to 74.4% during the same time a year ago. 2020 winter season was abnormal in the sense of a warm winter and lower demand in the continent due to COVID-19-related factors, leaving above average levels in the storage after the winter season. 2021 winter demand, on the contrary, was much healthier and left gas storages depleted by the end of the season, signalling the need for additional supplies for replenishment.

Natural gas consumption during 2021, compared to 2020 figures, in the home market was supported by colder-than-average 2020/2021 winter temperatures. On the other hand, soaring natural gas prices were forcing businesses to either choose alternative energy sources, if that is possible, or adjust production output levels, which was observed in Lithuania and Finland.

Average natural gas price and its change, EUR/MWh

	2020	2021	2022F[1]	2021 vs 2020 Δ, %	2022 vs 2021 Δ, %
TTF[2]	9.4	38.6	77.7	*310.6%*	101.3%
Lithuania[4]	10.7	40.3	-	*276.6%*	-
Latvia – Estonia[3,4]	10.5	39.9	-	*280.0%*	-
Finland[4]	12.1	40.6	-	*235.5%*	-
Poland[5]	13.0	47.9	89.1	*268.4%*	86.0%

[1] 1-year future price as of 31 December 2021.
[2] TTF natural gas front month index.
[3] Latvia and Estonia is a common natural gas balancing zone, therefore data is the same.
[4] GET Baltic daily markets, there is no futures market thus no information is provided.
[5] Weighted Average Day Ahead Price (EUR/MWh).

Natural gas consumption change in 2021, compared to 2020, TWh

	2021	2020	Δ, %
Lithuania	24.3	25.3	*(4.0%)*
Latvia	12.5	11.6	*7.8%*
Estonia	4.9	4.5	*8.9%*
Finland	25.0	25.3	*(1.2%)*
Poland	217.8	200.0	*8.9%*

Heat market

Following the commercial launch of Kaunas and Vilnius CHPs (waste-to-energy units) in August 2020 and March 2021 respectively, interim and annual reports include a section on heat and waste markets in Lithuania.

In Lithuania, the heat sector, together with electricity and gas sectors, are regulated by the NERC. In Vilnius and Kaunas district heating systems, where our CHPs are operating, if there is at least one independent operating heat producer, an auction is organized by the Baltpool exchange on a monthly basis. There are a few conditions in setting the price for the auction: (i) the heat purchased from the independent heat producers cannot be more expensive than the comparable heat production costs of the heat supplier; (ii) heat prices cannot exceed the income level set by NERC (determined by including the necessary operating, maintenance, fuel costs and profit, which is applicable to Vilnius CHP only because the company received an EU CAPEX grant); (iii) the price must be competitive compared to other heat producers in order to ensure target quantity of produced heat.

If compared, the heat markets in Vilnius and Kaunas are fundamentally different. In Kaunas, excess power is observed in the district heating system of the city, therefore, during the non-heating and transition season, the majority of heat producers do not participate in heat auctions. As a result, local heat price is close to the biofuel market price or, in some cases, even lower during the non-heating season. Furthermore, higher heat demand during the heating season leads to a higher number of participants but heat production prices then are limited by competition and the price of biofuels in the market. Meanwhile, during heating and transition periods in Vilnius district, lack of power is observed. Thus pushing prices towards higher level compared to Kaunas district as almost every market participant can bid the highest price which is set by the system operator and work at the maximum capacity. During non-heating period situation is similar to Kaunas district, heat prices are close or lower than biofuel price bringing cogeneration plants in much more favourable position.

In terms of local heat price, no material changes were recorded in 2021, especially in the Kaunas district. Price of heat energy in both districts was somewhat higher in 2021, compared to 2020, mainly because of an increase in the price of biomass in Q4 2021.

Local heat price, EUR/MWh

	2021	2020	Δ, %
Kaunas district	16.5	16.2	*2.2*
Vilnius district	23.3	21.0	*11.0*

Waste incineration market

So far, waste incineration services market was not regulated. However, at the end of 2021, the amendment of Waste Management Law was made, which established the market to be regulated by the NERC. The explicit details of the regulatory environment are not clear yet and are due to be defined in the bylaws. Until then, either waste incinerator or waste holder will continue to organize auctions or conclude contracts directly.

During Q4 2021, 51,000 tonnes of waste were delivered to Vilnius CHP, with cumulative deliveries for 2021 amounting to 160,000 tonnes. Turning to Kaunas CHP, in 2021 the power plant incinerated a total of 199,817 tonnes of waste, with 58,471 tonnes incinerated in Q4 2021. The total annual capacity of Vilnius CHP and Kaunas CHP is 160,000 and 200,000 tonnes respectively.

There have been no material changes in the national waste management sector during the reporting period, therefore, the gate fee of waste incineration remained consistent.

Gate fee of waste incineration, EUR/t

	2021	2020	Δ, %
Kaunas district	41.7	40.9	*2.0*
Vilnius district[1]	32.6	29.9	*9.0*

[1] Vilnius CHP started waste incineration in Q3 2020.

Regulatory and market environment

Regional interconnections

Lithuania is one of the most interconnected countries in Europe and it is expected that the Lithuanian electricity system's resilience and reliability will increase even more after the synchronization project with the Continental Europe is completed in 2025. However, in the light of the launch of Belarusian Astravyets Nuclear Power Plant (Belarusian ANPP) at the end of 2020, Baltic transmission system operators faced challenges in reaching joint agreements on trading with third countries, although, there was a unanimous decision not to buy electricity from the Belarusian ANPP. Even though the trade of electricity across the Lithuanian-Belarusian border was not possible, the physical power flow was still present.

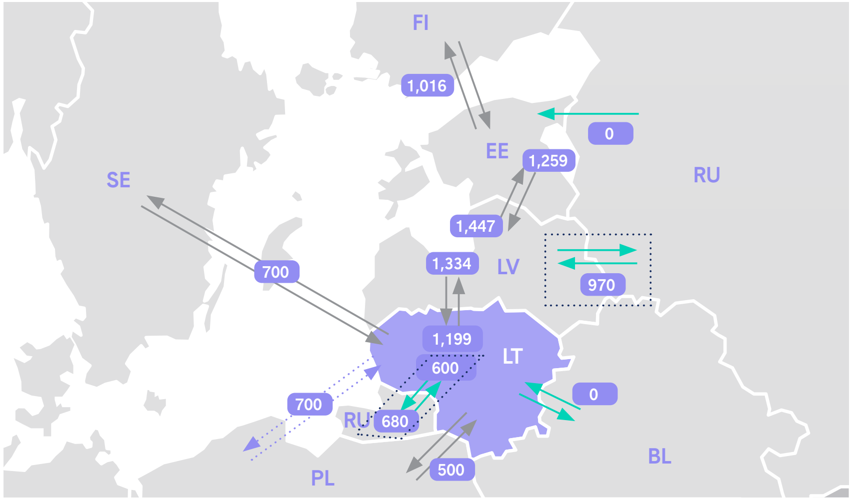
As harmonized principles of capacity allocation on interconnections with Russia were not established, the Government of the Republic of Lithuania took decisive action and imposed an obligation to set a reduced technical capacity for physical flows from Belarus across the Lithuania-Belarus border. This decision enabled the TSO ("Litgrid", AB) to limit the physical flow while lowering transmission capacity for potential imports from Russia across the Latvia-Russia border. As a result, the TSO's technical capacity restrictions had a positive impact on electricity exchanges between the Baltic states by reducing imports from third countries and increasing internal capacity between the Baltic states.

Until the synchronisation between the Baltic states and the Continental Europe is completed, which will automatically result in ultimate termination of electricity trading with third countries, an import/infrastructure tax for electricity import could be introduced. However, this requires consensus between all related parties and Baltic states, which, so far, has been difficult to reach.

Lithuanian energy market environment and the Group's contribution

The Group plays a critical role in Lithuania's energy value chain. After being transformed to lead energy transition across the region, we ensure the energy security and contribute to the decarbonisation goals, which include reaching 100% of electricity consumed to be generated from Green Generation sources by 2050.

Regional interconnections



Interconnections with Russia and Belarus for trade

Other interconnections in place

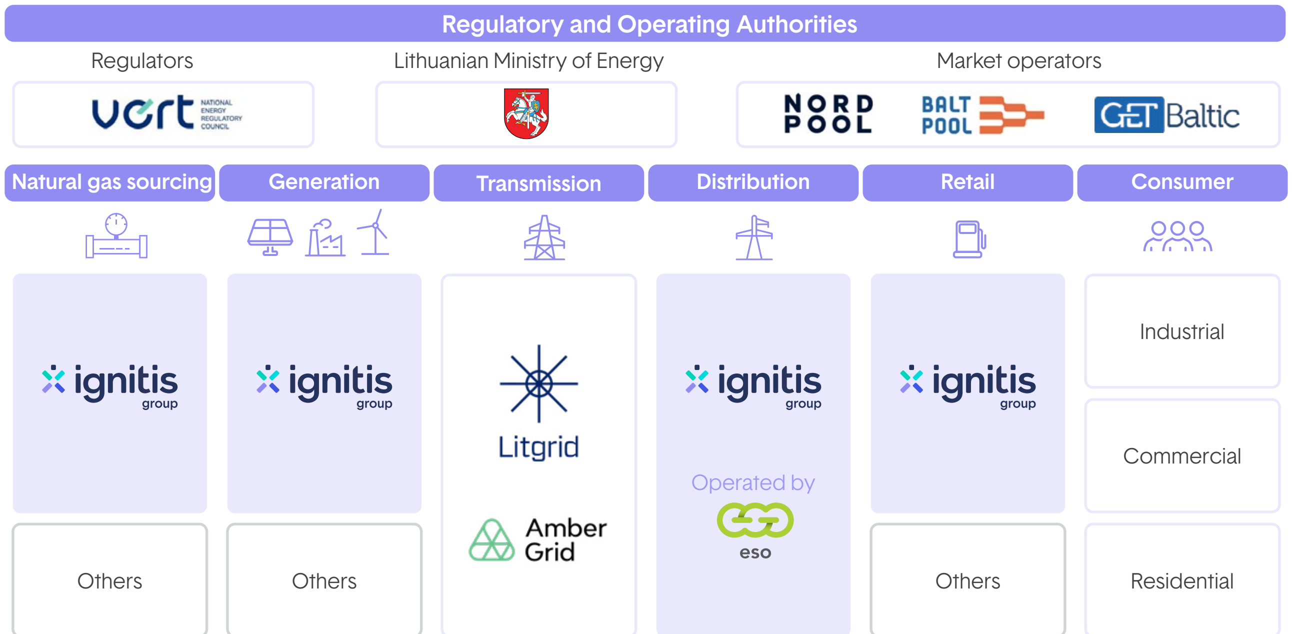
Interconnection under construction (Harmony Link)

xx Transmission capacity (MW)

Interconnection not to be used for power trading from 2025 onwards

Source: Nord Pool.

Group's contribution to Lithuania's energy value chain



Business segment relevant environment changes in 2021 and prospects

Networks

With a new 5-year electricity distribution regulatory period starting in 2022, the market regulator (NERC) presented its amendment proposal for Networks Methodology for determining the price caps for electricity transmission, distribution and public supply services and proceeded to lead a public consultation with market participants in the second half of 2021. The proposed changes included changing the RAB calculation method, in essence, bringing it from LRAIC model to similar to Historical Cost model, resulting in material impact to the Group's financial performance. However, after active discussions with the regulator, the Group and other related parties, such as the Ministry of Finance and the Ministry of Energy of the Republic of Lithuania, a sustainable regulatory framework was ensured through a newly established additional tariff component, which offsets the change in RAB calculation method (for more in-depth information about the financial impact of these changes, see section 'Annual results').

Currently, with full clarity on Networks regulatory environment for the electricity distribution business leg in the current regulatory period (2022–2026), we do not expect similar regulatory changes in the near future, including changes relating to the new regulatory period for natural gas activities, which is due to start in 2024.

The updated Networks Methodology is available in Lithuanian and WACC methodology, updated at the end of 2020, is available on the regulator's website.

Green Generation

Overall, in line with European Green Deal initiatives, Lithuania approved its National Energy and Climate Plan (NECP) in 2020. The key objective set for 2030 is to increase the renewable source electricity share in final consumption to 45% (from ~20% in 2020), with priority on wind energy, which should conclude at least 70% of electricity generated. Considering that Lithuania is net electricity importer with one of the lowest shares of electricity consumption covered by national generation in Europe (approx. 40% based on 2020 statistics) and its ambitious target to produce 80-85% of electricity consumed locally in 2030, in 2021 the majority of efforts were put into setting up the framework for offshore wind development in the Baltic Sea.

Consequently, the Government has drafted a law that includes the first auction (permitting to use sea for offshore wind development as well as approving financial support) in Lithuania for an offshore wind farm in the capacity of up

Expected auctions within the Group's home market[1]

	Poland		Lithuania	Estonia	Estonia & Latvia joint	Total
Growth potential	**2.5x**		**2.1x – 3.7x**	**2.4x**	**n/a**	**2.4x – 2.6x**
Installed capacity						
Target by 2030	30.9 GW		4.0 – 7.0 GW	2.2 GW	n/a	**37.1 – 40.1 GW**
Actual based on the latest data	12.4 GW		1.9 GW	0.9 GW	n/a	**15.2 GW**
Preliminary auctions						
Year	2022–2027[2]	2025–2027	2023	2022–2023	2025–2026	
Technology	Neutral	Offshore	Offshore	Neutral	Offshore	
Capacity	9.0 GW	5.0 GW	0.7 GW[3]	0.4 GW[4]	1.0 GW	**16.1 GW**
Status	Planned	Planned	Planned	Planned	Planned	
Support scheme	Indexed CfD	Indexed CfD	Fixed CfD	Fixed CfD	TBD	
Support period	15 years	25 years	15 years	12 years	TBD	
Group project relevance	Polish solar portfolio II	TBD	Lithuanian offshore WF I	TBD	TBD	

[1] Information provided is based on publicly available information (Wood Mackenzie, Irena and others). [2] Extension of the current renewable energy sources auction system to 2027 was approved by the European Commission. Provided capacity is illustrative and will depend on the split between technologies. [3] Second stage of the auction with additional 700 MW capacity to be held in 2024 is currently under consideration. [4] Capacity calculated based on the following assumptions: auctions technology – neutral, wind capacity factor – equal to 35%, solar – 11.5%. In Polish auction, proportion is established between the wind and solar projects, wins equaling to 50:50, whereas in the remaining countries all auctions are won by wind projects.

to 700 MW. The draft law has been discussed and approved by the Parliament's committees and the final approval by the Parliament is expected in H1 2022. The Lithuanian authorities are planning to start the auction in 2023 and select the winner in early 2024. To implement it, the Lithuanian Energy Agency started various preparations in 2021, including the contract signing and subsequent procedures of the special plan as well as preparing an environmental impact assessment. Additionally, the agency also announced procurements for wind and seabed surveys that are expected to be completed before the auction. Further on, in Q4 2021 the Ministry of Energy also presented their initial plans to launch a second offshore wind auction in 2024 (for another 700 MW). However, further discussions regarding these plans are expected to be carried out in the second half of 2022. The Green Generation is the key development direction for the Group, therefore, we are actively participating in all related activities (e.g., public consultations, legislation initiatives, etc.).

In addition to our efforts in the Baltics offshore wind development field, we continue surveying the prospects in our home market as well. In the table below we demonstrate upcoming renewable energy auctions and have identified the relevance our development projects. Of course, the pipeline is constantly expanding as we progress with our Green Generation targets. Overall, within our target Green Generation markets, more than 21.9 GW of additional renewables capacities should be installed till 2030, with the largest share of 18.5 GW planned in Poland due to its focus on phasing out coal generation, which currently represents around 85% of its electricity generation mix. The renewable capacity expansion within the Baltic States should not lag behind as well because, in growth potential terms, it is expected to double or more, similarly to Poland.

Flexible Generation

There were no major changes in this segment during the reporting period, i.e., Flexible Generation assets continued to provide tertiary active power reserve, isolated operation and other ancillary services to the Lithuanian TSO. Development of renewable energy capacities is driving the increasing demand on the grid and increasing importance of our Flexible Generation business segment while providing new opportunities for creating value not only for the country but also the region.

In 2021, Lithuania's TSO successfully carried out the test of the synchronous interconnection between Lithuania and Poland using the LitPol Link interconnector and newly installed autotransformers. This test would not have been possible without the successful participation of Flexible Generation assets providing the necessary assistance to Lithuanian and Polish TSOs. Additionally, due to the changes in the regulatory environment and the introduction of additional technical requirements for the provision of ancillary services, the overhaul process of Unit 8 of the Elektrėnai Complex was initiated in 2021 in order to ensure the requirement of 90 days of uninterrupted operation as an isolated regime service starting from 2024.

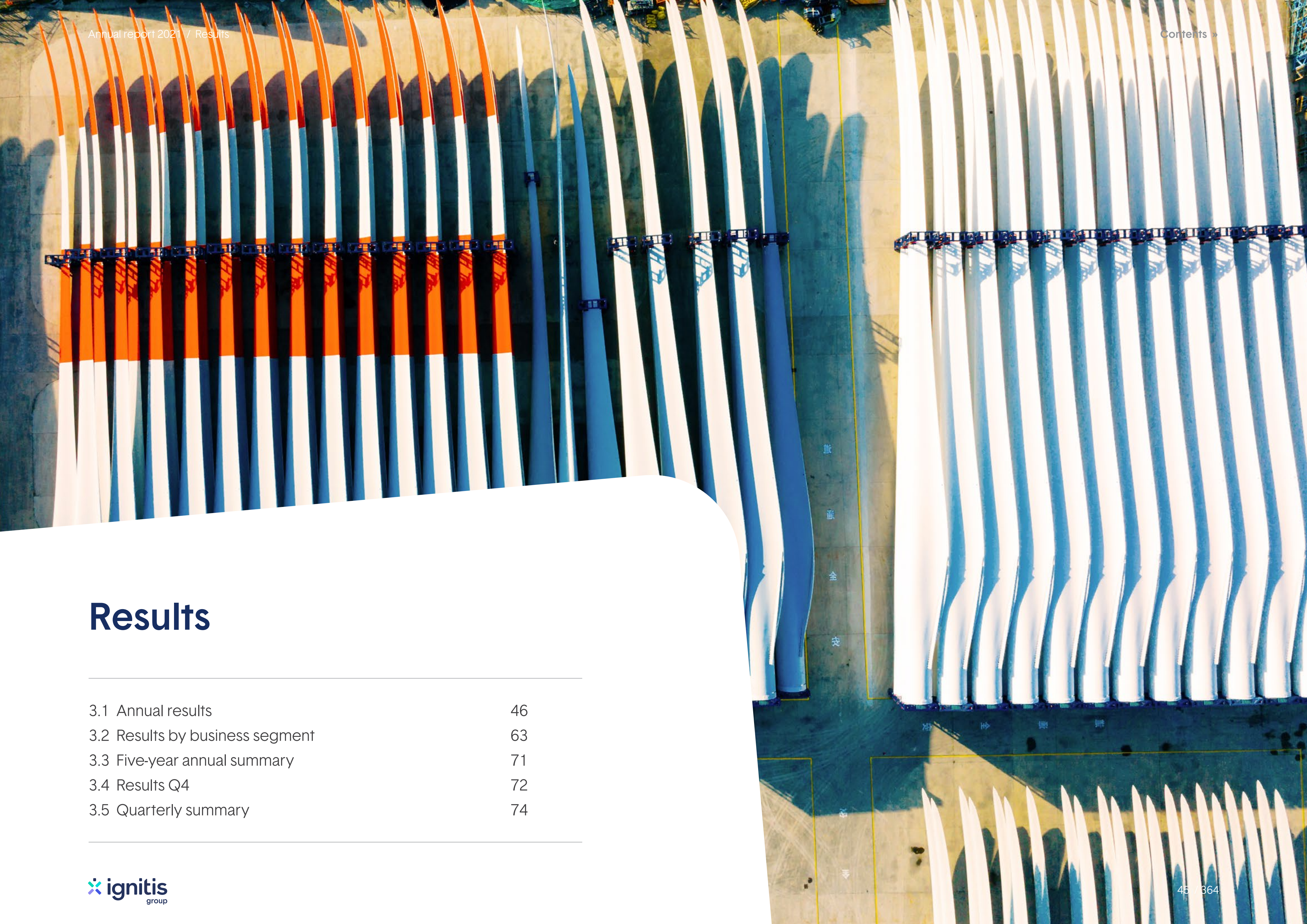
Looking to the near future, it is expected that the Flexible Generation assets managed by the Group will continue to provide various ancillary services to the Lithuanian TSO and this will contribute to the successful synchronisation of Lithuanian, Latvian and Estonian electricity power systems with the synchronously operated area of the Continental Europe in 2025.

Customers & Solutions

2021 was a year marked with unprecedented changes in the energy commodity markets. Skyrocketing electricity and natural gas prices forced governments across the Europe to find mechanisms to reduce the burden on the customers. We believe that in Lithuania a balanced solution was reached between the Government and market players as a scheme to amortize the increase in electricity and natural gas prices was introduced in the second half of 2021. Essentially, the Group is amortizing the increase in prices (e.g. the difference between the tariff set by the regulator (NERC) and the wholesale commodity prices) and the Government commits to return the difference through regulated distribution tariffs over the period of 2023–2027, including the funding costs required to ensure additional working capital needs for the Group. In relation to that, the second stage (out of three stages, which are based on consumption intensity) of electricity market deregulation (B2C related) was postponed by 6 months (from January to July 2022). However, it is not expected to affect the overall target of having fully deregulated electricity household consumers market by the end of 2022.

At last, the Government of the Republic of Lithuania confirmed the mandatory supply volume for the LNG terminal amounting to 4 cargoes per year for the whole 2022–2024 period, reducing the uncertainty of designated supply activities, which will benefit all customers, which are currently experiencing the all-time high natural gas prices.

Over the upcoming year, we do not expect any material changes in this business segment.



Results

3.1 Annual results

Key financial indicators[1]

		2021	2020	Δ	Δ,%
Revenue	EURm	1,890.4	1,223.1	*667.3*	*54.6%*
EBITDA APM	EURm	335.5	334.3	*1.2*	*0.4%*
Adjusted EBITDA APM	EURm	332.7	245.9	*86.8*	*35.3%*
Networks	EURm	145.4	137.7	*7.7*	*5.6%*
Green Generation	EURm	107.5	50.4	*57.1*	*113.3%*
Customers & Solutions	EURm	40.6	26.7	*13.9*	*52.1%*
Flexible Generation	EURm	37.2	29.3	*7.9*	*27.0%*
Other[2]	EURm	2.0	1.8	*0.2*	*11.1%*
Adjusted EBITDA margin APM	%	17.6%	21.7%	*(4.1 pp)*	*n/a*
EBIT APM	EURm	184.6	215.0	*(30.4)*	*(14.1%)*
Adjusted EBIT APM	EURm	206.6	126.6	*80.0*	*63.2%*
Net profit	EURm	153.9	170.6	*(16.7)*	*(9.8%)*
Adjusted net profit APM	EURm	163.1	95.5	*67.6*	*70.8%*
Investments APM	EURm	234.9	346.8	*(111.9)*	*(32.3%)*
FFO APM	EURm	291.8	309.4	*(17.6)*	*(5.7%)*
FCF APM	EURm	(295.6)	5.1	*(300.7)*	*n/a*
ROE APM	%	8.4%	10.8%	*(2.4 pp)*	*n/a*
Adjusted ROE APM	%	8.9%	6.0%	*2.9 pp*	*n/a*
ROCE APM	%	7.1%	9.1%	*(2.0 pp)*	*n/a*
Adjusted ROCE APM	%	7.9%	5.4%	*2.5 pp*	*n/a*
EPS (Basic)[3] APM	EUR	2.07	2.30	*(0.23)*	*(10.0%)*
DPS[3] APM	EUR	1.19	1.14	*0.05*	*4.4%*
		31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
Total assets	EURm	4,251.3	3,920.9	*330.4*	*8.4%*
Equity	EURm	1,849.0	1,813.3	*35.7*	*2.0%*
Net debt APM	EURm	957.2	600.3	*356.9*	*59.5%*
Net working capital APM	EURm	486.4	94.4	*392.0*	*415.3%*
Net debt/EBITDA APM	times	2.85	1.80	*1.05*	*58.3%*
Net debt/Adjusted EBITDA APM	times	2.88	2.44	*0.44*	*18.0%*
FFO/Net debt APM	%	30.5%	51.5%	*(21.0 pp)*	*n/a*

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').
[2] Other – other activities and eliminations (consolidation adjustments and related party transactions), including financial results of the parent company. More information about it is disclosed in the section '6.2 Parent company's financial statements'.
[3] For the calculation of 2020 EPS and DPS measures, number of shares after IPO (number of nominal shares – 74,283,757) were used in order to have comparable measures. EPS for 2020 would be EUR 2.89, DPS EUR 1.44 , if 2020 number of shares (weighted average number of nominal shares before and after IPO – 59,037,855) were used.

Highlights

2021 vs 2020

In 2021, Adjusted EBITDA amounted to EUR 332.7 million. Results increased in all segments, 35.3% in total. The increase was mainly driven by Green Generation segment, which EBITDA has more than doubled in 2021. This in turn has been driven by new assets Vilnius CHP's WtE unit and Pomerania WF launches and full year effect of Kaunas CHP and better performance of operational assets Kaunas HPP and Kruonis PSHP mostly due to higher electricity prices. Customers & Solutions segment's Adjusted EBITDA was higher due to temporary effect from stored natural gas inventory.

Realised vs guidance

Adjusted EBITDA surpassed the higher end of our guidance range (EUR 300–310 million) for 2021 by 7.3%.

The outperformance was mainly driven by:

- better results of electricity generating assets portfolio in Green Generation and Flexible Generation segments mainly due to higher electricity market prices and higher spreads between peak and off-peak market prices;
- better results of the Customers & Solutions segment due to temporary effect from stored natural gas inventory.

	Networks	Green Generation	Flexible Generation	Customers & Solutions	Other[1]	Total Adjusted	Adjustments	IFRS
2021			Adjusted					Reported
Revenue	**509.5**	**217.0**	**151.7**	**1,023.6**	**(14.2)**	**1,887.6**	**2.8**	**1,890.4**
Purchases of electricity, gas and other services	(255.7)	(82.3)	(86.0)	(955.0)	(1.0)	(1,380.0)	-	(1,380.0)
Wages and salaries and related expenses	(53.1)	(8.3)	(7.7)	(10.7)	(17.4)	(97.2)	-	(97.2)
Repair and maintenance expenses	(22.1)	(3.7)	(6.0)	-	-	(31.8)	-	(31.8)
Other expenses	(33.2)	(15.2)	(14.8)	(17.3)	34.6	(45.9)	-	(45.9)
EBITDA APM	**145.4**	**107.5**	**37.2**	**40.6**	**2.0**	**332.7**	**2.8**	**335.5**
Depreciation and amortisation	(83.2)	(21.1)	(11.3)	(1.8)	(5.1)	(122.5)	-	(122.5)
Write-offs, revaluation and impairment losses of PPE and intangible assets	(3.7)	-	(0.1)	-	0.2	(3.6)	(24.8)	(28.4)
EBIT APM	**58.5**	**86.4**	**25.8**	**38.8**	**(2.9)**	**206.6**	**(22.0)**	**184.6**
Finance activity, net						(25.6)	9.5	(16.1)
Income tax expenses						(17.9)	3.3	(14.6)
Net profit						**163.1**	**(9.2)**	**153.9**
2020[2]			Adjusted					Reported
Revenue	**438.8**	**90.4**	**110.5**	**505.2**	**(10.2)**	**1,134.7**	**88.4**	**1,223.1**
Purchase of electricity, natural gas and other services	(194.5)	(22.6)	(64.2)	(437.4)	13.0	(705.7)	-	(705.7)
Wages and salaries and related expenses	(51.4)	(6.3)	(7.1)	(9.9)	(18.1)	(92.8)	-	(92.8)
Repair and maintenance expenses	(24.8)	(2.8)	(6.3)	-	(0.2)	(34.1)	-	(34.1)
Other expenses	(30.4)	(8.3)	(3.6)	(31.2)	17.3	(56.2)	-	(56.2)
EBITDA APM	**137.7**	**50.4**	**29.3**	**26.7**	**1.8**	**245.9**	**88.4**	**334.3**
Depreciation and amortisation	(78.3)	(17.4)	(11.5)	(1.6)	(4.6)	(113.4)	-	(113.4)
Write-offs, revaluation and impairment losses of PPE and intangible assets	(4.7)	-	(0.2)	-	(1.0)	(5.9)	-	(5.9)
EBIT APM	**54.7**	**33.0**	**17.6**	**25.1**	**(3.8)**	**126.6**	**88.4**	**215.0**
Finance activity, net						(20.2)	-	(20.2)
Income tax expenses						(10.9)	(13.3)	(24.2)
Net profit						**95.5**	**75.1**	**170.6**

[1] *Other – other activities and eliminations (consolidation adjustments and related party transactions).*

Realised vs guidance 2021

	Realised 2020[2]	Guidance 26 Feb	Guidance 27 May	Guidance 31 Aug	Guidance 30 Nov	Realised 2021
Adjusted EBITDA APM	**245.9**	**300–310**	**300–310**	**300–310**	**300–310**	**332.7**
Networks	137.7	Higher	Higher	Higher	Higher	145.4
Green Generation	50.4	Higher	Higher	Higher	Higher	107.5
Flexible Generation	29.3	Lower	Lower	Lower	Lower	37.2
Customers & Solutions	26.7	Higher	Higher	Higher	Higher	40.6
Other	1.8	Lower	Lower	Lower	Lower	2.0

[2] *Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021'). Adjusted EBITDA reported in 2020 annual report was EUR 291.6 million.*

Significant changes in reporting period of 2021

Main KPI's of the Group were affected by the following events during 2021:

Networks Methodology update ① – in October 2021, Networks regulator (NERC) updated a Methodology for determining price caps for electricity transmission, distribution and public supply services (link in Lithuanian). Due to the updated RAB, ROI and D&A for 2018–2021 were recalculated based on actual historical investments (instead of the original LRAIC model, which was applied for the period of 2016–2021). Therefore, adjusted figures for Networks segment have been recalculated retrospectively.

Emission allowances accounting policy change ② – management have decided to make a voluntary change in accounting policy for European Union emission allowances for more accurate reporting. After the accounting policy change EU emission allowances are recognised at actual acquisition cost (EU emission allowances dedicated by the state are recognised at nominal (zero) value). Previously EU emission allowances were accounted for at fair value according to market prices.

Reduction of management adjustments ③ – in 2021, to simplify the reporting the management have decided to cease the use of management's adjustments for:

- cash effect of new connection points and upgrades;
- temporary fluctuations in fair value of derivatives;
- result of disposal of non-current assets;
- impairment and write-offs of current and non-current amounts receivables, loans, goods and others.

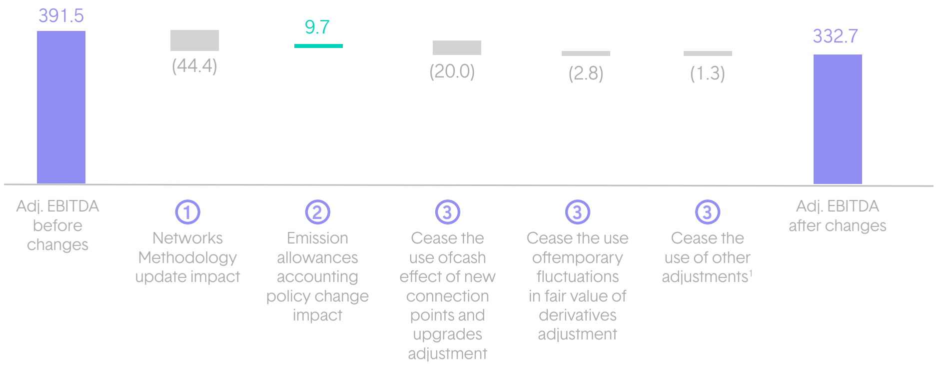
In management's view, the reduction of adjustments will help simplify interpretation of the results for intended users of Financial statements as well as align KPIs closer to reporting according to IFRS.

After the aforementioned changes management adjustments will include only:

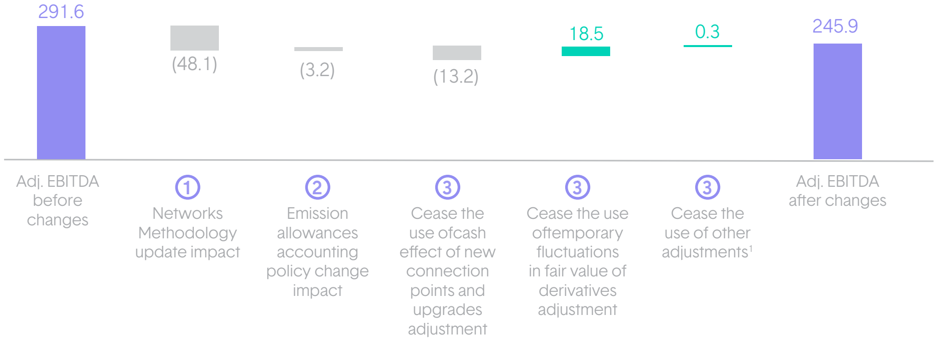
- temporary regulatory differences;
- asset rotation result;
- generation result before COD (applied only temporary – until the adoption of amendments to IAS 16 in 2022);
- significant one-off items.

For more detailed information of each effect please see the descriptions in following pages.

Impact of significant changes for Adjusted EBITDA of 2021, EURm



Impact of significant changes for Adjusted EBITDA of 2020, EURm



[1] *Other adjustments include result of disposal of non-current assets, impairment and write-offs of current and non-current amounts receivables, loans, goods and others*

Networks Methodology update ① Networks regulator (NERC) updated Methodology for determining price caps for electricity transmission, distribution and public supply services.	**Details of the change** In October 2021, Networks regulator (NERC) updated a Methodology for determining price caps for electricity transmission, distribution and public supply services (link in Lithuanian). RAB calculation method was changed from LRAIC model to similar to Historical cost model. ROI and D&A for 2018–2021 were recalculated based on actual historical investments (instead of the original LRAIC model, which was applied for the period of 2016–2021). The recalculated difference approximately amounts to EUR 160 million which is due to be returned. According to estimate by the Group, from this amount, EUR 48.1 million is related to 2020 and EUR 44.4 million is related to 2021. These amounts are treated as temporary regulatory differences and will have to be returned to the consumers (96% of payable to be returned over 2032–2036), therefore adjusted figures for the Networks segment have been recalculated retrospectively.
Emission allowances accounting policy change ② Voluntary change in accounting policy for European Union emission allowances.	**Details of the change** In 2021 the management has concluded that the current accounting policy for emission allowances does not present the Statement of Profit or Loss and the Statement of Financial Position in the best interest of the users of the financial statements. Therefore, the management has determined that there is a need for a voluntary change in the accounting policy. After the accounting policy change EU emission allowances are recognised at actual acquisition cost in the accounts (EU emission allowances dedicated by the state are recognised in the accounts at nominal (zero) value) and treated as inventory. Previously EU emission allowances were treated as intangible assets and accounted for at fair value according to market prices. After the accounting policy change revaluation of provision for EU emission allowances will no longer have impact to the Statement of Profit or Loss of other period. Statement of Profit or Loss, cash flows and the Statement of financial position are presented more fairly as emission allowances are used in the Group's operations rather than for sale. For more in-depth information see note 5 'Restatement of comparative figures due to the change in accounting policy and reclassifications' in the section 'Consolidated financial statements'.
Reduction of management adjustments ③ Cease of the use of management adjustment for cash effect of new connection points and upgrades.	**Details of the change** To simplify our reporting and align it with IFRS requirements, management adjustment for cash effect of new connection points and upgrades was removed from reported figures for 2021 and comparable figures for 2020. The adjustment was implemented in Group figures from 2018, after changes in revenue accounting principles under IFRS 15, in order to have better comparison with historical figures. According to IFRS, revenues from new connection points and upgrades are recognised throughout the useful life of the newly created infrastructure, even though the cash is received when the new connection point or upgrade is completed.
Cease of the use of management adjustment for temporary fluctuations in fair value of derivatives.	The Group uses derivatives for economic hedging of gas and electricity supply contracts, however, until July 2021 the Group did not fully comply with hedge accounting, thus, mark to market results were booked in the Statement of Profit or Loss. Therefore, management adjustment was used to eliminate temporary fluctuations (mark to market) in the fair value of derivatives related to other periods (including contracts that are settled in the current period but are related to future periods). From July 2021 Group prepared a formal hedging policy and, currently, the change in the fair value of a hedging instrument that meets the qualifying criteria for hedge accounting is accounted in the Statement of Financial Position, thus management adjustment is no longer needed. To simplify our reporting, it was decided to retrospectively remove this management adjustment from 2020.
Cease of the use of management adjustments for the result of disposal of non-current assets, impairment and write-offs of current and non-current amounts receivables, loans, goods and others.	Considering the changes in management adjustments mentioned above, and to further simplify our reporting, management adjustments for the result of disposal of non-current assets, impairment and write-offs of current and non-current amounts receivables, loans, goods and others were also removed. These adjustments were not material for the Group figures, however, in some cases they overcomplicated the interpretation of Group results for the intended users.

Summary of significant changes impact on main financial KPI's for 2021:

		2021 before changes	Networks Methodology update ①	Emission allowances accounting policy change ②	Reduction of management adjustments ③			Total effect	2021 after changes
					Cash effect of new connection points and upgrades	Temporary fluctuations in fair value of derivatives	Other adjustments[1]		
EBITDA APM	EURm	325.8	-	9.7	-	-	-	9.7	335.5
Adjusted EBITDA APM	EURm	391.5	(44.4)	9.7	(20.0)	(2.8)	(1.3)	(58.8)	332.7
EBIT APM	EURm	157.7	-	26.9	-	-	-	26.9	184.6
Adjusted EBIT APM	EURm	248.2	(44.4)	26.9	(20.0)	(2.8)	(1.3)	(41.6)	206.6
Net profit	EURm	131.0	-	22.9	-	-	-	22.9	153.9
Adjusted net profit APM	EURm	197.6	(37.7)	22.9	(17.0)	(1.6)	(1.1)	(34.5)	163.1
ROE APM	%	7.1%							8.4%
Adjusted ROE APM	%	10.8%							8.9%
ROCE APM	%	6.0%							7.1%
Adjusted ROCE APM	%	9.5%							7.9%

Summary of significant changes impact on main financial KPI's for 2020:

		2020 before changes	Networks Methodology update ①	Emission allowances accounting policy change ②	Reduction of management adjustments ③			Total effect	2020 after changes
					Cash effect of new connection points and upgrades	Temporary fluctuations in fair value of derivatives	Other adjustments[1]		
EBITDA APM	EURm	337.4	-	(3.1)	-	-	-	(3.1)	334.3
Adjusted EBITDA APM	EURm	291.6	(48.1)	(3.2)	(13.2)	18.5	0.3	(45.7)	245.9
EBIT APM	EURm	214.9	-	0.1	-	-	-	0.1	215.0
Adjusted EBIT APM	EURm	168.9	(48.1)	0.1	(13.2)	18.5	0.3	(42.3)	126.6
Net profit	EURm	169.3	-	1.3	-	-	-	1.3	170.6
Adjusted net profit APM	EURm	126.7	(40.9)	1.3	(11.2)	19.1	0.3	(31.2)	95.5
ROE APM	%	10.6%							10.8%
Adjusted ROE APM	%	7.9%							6.0%
ROCE APM	%	9.0%							9.1%
Adjusted ROCE APM	%	7.1%							5.4%

[1] *Other adjustments include result of disposal of non-current assets, impairment and write-offs of current and non-current amounts receivables, loans, goods and others.*

Revenue

In 2021, revenue increased by 54.6%, compared to 2020, and totaled EUR 1,890.4 million. Revenue increase was primarily due to the significantly higher power (around 60% of the increase) and gas (around 30% of the increase) and prices across all markets, especially during H2 2021. The main reasons causing revenue changes in our business segments were as follows:

1. **Higher revenue of the Customers & Solutions segment (EUR +460.9 million).** Positive Customers & Solutions revenue result is driven by an increase in electricity business (EUR +304.9 million) as well as gas business (EUR +153.4 million). Higher revenue of B2B electricity business (EUR +199.8 million) was due to higher market prices (+165% on average) and higher volumes sold (+11%). Total B2C electricity sales have increased (EUR + 98.2 million) mainly due to higher electricity prices and tariffs in 2021, where regulated activities generated EUR 217.5 million while independent supply activities generated EUR 47.2 million and captured 69% share of independent supply market by customer count (or 63% by volume) (source: NERC). An increase in gas business was driven by higher natural gas B2B sales (EUR +143.0 million) mainly due to higher average TTF gas price index (+313%), which is mainly referenced in the company's gas supply. Natural gas B2C sales increased moderately (EUR +8.8 million) due to the regulated tariff.
2. **Higher revenue of the Green Generation segment (EUR +119.2 million).** The increase was driven by higher revenue of Kruonis PSHP (EUR +54.2 million) and Kaunas HPP (EUR +23.6 million) mainly due to higher electricity market prices, full year effect of Kaunas CHP (EUR +21.9 million) and COD of Vilnius CHP's WtE unit (EUR +16.5 million).
3. **Higher revenue of the Networks segment (EUR +50.5 million).** The increase was mainly driven by higher electricity (EUR +27.5 million) and natural gas (EUR +12.3 million) distribution revenue, mainly due to higher distributed volumes (from 9.55 TWh to 10.37 TWh and from 7.06 TWh to 8.49 TWh respectively) as a result of colder winter compared to 2020 and overall higher consumption as well as increased revenue from supply of last resort (EUR +9.1 million) due to 165% higher electricity market price.
4. **Higher revenue of the Flexible Generation segment (EUR +42.6 million).** The increase was mainly driven by CCGT unit's commercial activity (EUR +30.1 million) due to the growth of captured electricity prices and regulated activities (EUR +7.0 million) due to higher selling price of electricity generated during testing.

Revenue by segment, EURm

	2021	2020	Δ	Δ,%
Customers & Solutions	1,009.4	548.5	*460.9*	*84.0%*
Networks	532.7	482.2	*50.5*	*10.5%*
Green Generation	209.1	89.9	*119.2*	*132.6%*
Flexible Generation	153.5	110.9	*42.6*	*38.4%*
Other[1]	(14.3)	(8.4)	*(5.9)*	*70.2%*
Revenue	**1,890.4**	**1,223.1**	***667.3***	***54.6%***

[1] Other – other activities and eliminations (consolidation adjustments and related party transactions).

Revenue by country, EURm

	2021	2020	Δ	Δ,%	2021, %
Lithuania	1,616.4	1,122.8	*493.6*	*44.0%*	*85.5%*
Other[2]	274.0	100.3	*173.7*	*173.2%*	*14.5%*
Revenue	**1,890.4**	**1,223.1**	***667.3***	***54.6%***	***100.0%***

[2] Other – Latvia, Estonia, Poland and Finland.

In 2021, the Group earned 85.5% (91.8% in 2020) of its revenue in Lithuania (EUR 1,616.4 million). The Group's revenue from foreign countries increased by 173.2%, mostly in Finland and Latvia, and reached EUR 274.0 million (2020: EUR 100.3 million), mainly due to increased natural gas prices.

Revenue by type[3], EURm

	2021	2020	Δ	Δ,%	2021, %
Electricity related	1,392.7	941.8	*450.9*	*47.9%*	*73.7%*
Natural gas related	422.7	243.5	*179.2*	*73.6%*	*22.4%*
Other	75.0	37.8	*37.2*	*98.4%*	*4.0%*
Revenue	**1,890.4**	**1,223.1**	***667.3***	***54.6%***	***100.0%***

[3] A more detailed description is presented in Annual Consolidated Financial statements for 2021, Note 34 'Revenue from contracts with customers'.

In 2021, electricity related revenue increased by EUR 450.9 million, compared to 2020, mostly due to higher revenue from B2B, B2C electricity supply and related revenue (EUR +275.0 million), higher revenue from sale of generated electricity (EUR +157.0 million) and higher electricity distribution and transmission revenue (EUR +30.4 million). Natural gas related revenue increased by EUR 179.2 million, compared to 2020, due to higher revenue from natural gas sales (incl. LNGT security component) (EUR +170.2 million) and natural gas transmission and distribution (EUR +9.1 million). Other revenue increased mostly due to higher revenue from hedging (EUR +15.4 million), of which mostly electricity hedging (accounted under other income as to accounting policy), higher revenue of heating (EUR +10.1 million) and waste recycling (EUR +8.6 million).

Expenses

Purchase of electricity, natural gas and other services

The Group's purchase of electricity and natural gas amounted to EUR 1,380.0 million in 2021 and increased by 95.6% compared to 2020. The increase was caused by higher electricity (EUR +479.4 million) and natural gas (EUR +186.0 million) purchases, mainly due to increased market prices and higher volumes due to colder winter and overall higher consumption.

OPEX

In 2021, OPEX was equal to EUR 173.2 million and increased by 4.6% (EUR +7.6 million). This change was driven by higher other OPEX by EUR 5.5 million (or +14.2%), mainly due to higher external customer service costs, mostly caused by increased number of queries due to electricity B2C market liberalisation and heavy snowfall in January as well as more IT expenses in 2021. Also, salaries and related expenses were EUR 4.4 million (or +4.7%) higher, which increased mainly due to the growth in Group's average salary and headcount as well as increased overtime resulted from repair of failures in the electricity distribution network after heavy snowfall.

New Green Generation projects under construction, under development and projects completed in the period during and after 2020 accounted for a EUR 3.0 million increase in OPEX.

Other

Write-offs, revaluation and impairment losses of PPE and intangible assets were higher as, due to changes in Networks Methodology, electricity related PPE revaluation effect of EUR 44.4 million (including grants) was recognised in 2021 (EUR 15.9 million through Statement of Profit or Loss and EUR 28.5 million through revaluation reserve). Impairment of gas related PPE of EUR 8.9 million was recognised in Other expenses in 2021.

Due to increased electricity and natural gas market prices, there was a significant decrease of energy-hedge related settlement expenses. Due to positive commodity price trend in 2021, the Group has earned revenue (EUR +23.9 million from settled derivatives in 2021). On the contrary, in 2020 commodity price trend was downward, therefore, result of settled commodities was negative and Group has incurred expenses (EUR -14.1 million from settled derivatives in 2020). According to the accounting policy of the Group, changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in Statement of Profit or Loss, the positive hedging result for the period is presented in other revenues (EUR +23.9 million in 2021), while the negative result – in other energy hedging expenses (EUR -14.1 million in 2020).

Depreciation and amortisation expenses increased due to Kaunas CHP (EUR +3.5 million), as the plant reached COD in August 2020, and Vilnius CHP's WtE unit (EUR +2.4 million), as it reached COD in March 2021, as well as higher expenses of Networks segment (EUR +2.8 million), mostly due to Investments made.

Expenses, EURm

	2021	2020[1]	Δ	Δ,%
Purchase of electricity, natural gas and other services	**1,380.0**	**705.7**	***674.3***	***95.6%***
Purchase of electricity and related services	952.5	473.1	*479.4*	*101.3%*
Purchase of natural gas and related services	415.4	229.4	*186.0*	*81.1%*
Other	12.0	3.2	*8.8*	*275.0%*
OPEX APM	**173.2**	**165.6**	***7.6***	***4.6%***
Salaries and related expenses	97.2	92.8	*4.4*	*4.7%*
Repair and maintenance expenses	31.8	34.1	*(2.3)*	*(6.7%)*
Other	44.2	38.7	*5.5*	*14.2%*
Other	**152.7**	**136.8**	***15.9***	***11.6%***
Depreciation and amortisation	122.5	113.4	*9.1*	*8.0%*
Energy hedging	-	14.1	*(14.1)*	*(100.0%)*
Write -offs, revaluation and impairment losses of PPE and intangible assets	28.5	5.9	*22.6*	*383.1%*
Write-offs and impairments of short term and long-term receivables, inventories and other	1.7	3.4	*(1.7)*	*(50.0%)*
Total	**1,705.8**	**1,008.1**	***697.7***	***69.2%***

[1] Due to change in accounting policy and reclassifications, expenses were adjusted retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

EBITDA

Adjusted EBITDA amounted to EUR 332.7 million in 2021 and was 35.3% or EUR 86.8 million higher than in 2020. Adjusted EBITDA margin was 17.6% (in 2020: 21.7%). Due to the Networks Methodology update and changes in management adjustments, Adjusted EBITDA was recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021'). Negative Networks Methodology update's impact for 2021 amounts to EUR -44.4 million and for the respective period of 2020 – EUR -48.1 million.

The main reasons behind adjusted EBITDA change were as follows:

1. **Green Generation increased by EUR 57.1 million.** The increase was mainly influenced by better results of Kruonis PSHP (EUR +15.5 million) due to better results of commercial activities (EUR +17.5 million), exploiting favorable spread between peak and off-peak market prices, and Kaunas HPP (EUR +12.7 million), mostly due to higher captured electricity prices. A positive impact of Vilnius CHP's WtE unit (EUR +13.0 million) as the plant generated first electricity in February 2021, full year impact of Kaunas CHP (EUR +10.0 million) that generated first electricity in May 2020 and Pomerania WF (EUR +5.7 million) that generated first electricity in May 2021 and reached COD in December 2021 also impacted the Adjusted EBITDA increase.

2. **Customers & Solutions increased by EUR 13.9 million.** Positive change of natural gas result (EUR +39.0 million) mainly driven by temporary effect of gas inventory in storage as a result of average cost accounting method. Inventory effect resulted by combination of increasing gas prices (+313% in average TTF index) and higher volume of stored gas (+27% on average). These temporary effects are expected to partly reverse in 2022 after settlement of hedging contracts. Positive effect was partly offset by lower B2B volumes sold as a result of one-off natural gas transactions in 2020. Negative change in electricity business (EUR -24.6 million) was driven by lower B2B and independent supply B2C sales, mainly due to ineffective "proxy" hedges as spread between Lithuanian and Finish price zones has increased, especially in Q4, and there was limited availability of products in the Lithuanian and Latvian market. Regulated B2C and other electricity supply activities decreased driven by lower regulated profitability, differentiated DSO distribution tariff effect, and higher DSO balancing costs.

3. **Flexible Generation increased by EUR 7.9 million.** The increase was mainly caused by better results of CCGT unit (EUR +8.1 million), which increased due to better commercial activity results as Clean spark spread was higher.

4. **Networks grew by EUR 7.7 million.** The increase was mainly driven by higher RAB value (EUR +7.6 million), which increased by 6.1% from EUR 1,186 million in 2020 to EUR 1,258 million in 2021[1].

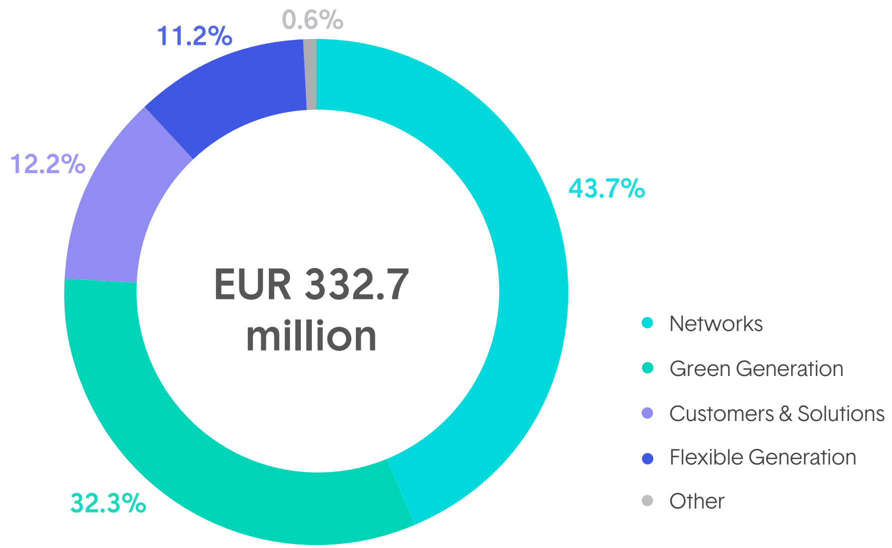
[1] *Networks RAB numbers are calculated estimating the impact of RAB correction after the Methodology update (for more information see 'Results by business segments' section 'Networks').*

Adjusted EBITDA by segments, EURm

	2021	2020[2]	Δ	Δ, %
Networks	145.4	137.7	*7.7*	*5.6%*
Green Generation	107.5	50.4	*57.1*	*113.3%*
Customers & Solutions	40.6	26.7	*13.9*	*52.1%*
Flexible Generation	37.2	29.3	*7.9*	*27.0%*
Other[3]	2.0	1.8	*0.2*	*11.1%*
Adjusted EBITDA APM	**332.7**	**245.9**	***86.8***	***35.3%***

[2] *Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021'). 2020 Adjusted EBITDA was EUR 291.6 million.*
[3] *Other – other activities and eliminations (consolidation adjustments and related party transactions).*

Adjusted EBITDA 2021



2x

Our Green Generation Adjusted EBITDA more than twofold contributing EUR 107.5 million out of total EUR 332.7 million Adjusted EBITDA in 2021.

Adjusted EBITDA by activity type

In 2021, Adjusted EBITDA from regulated and long-term contracted activities amounted to 60.0% of the total Adjusted EBITDA (2020: 73.1%). The share of such activities decreased due to significantly higher Adjusted EBITDA from merchant activities, mainly due to high electricity market prices.

Regulated activities include:

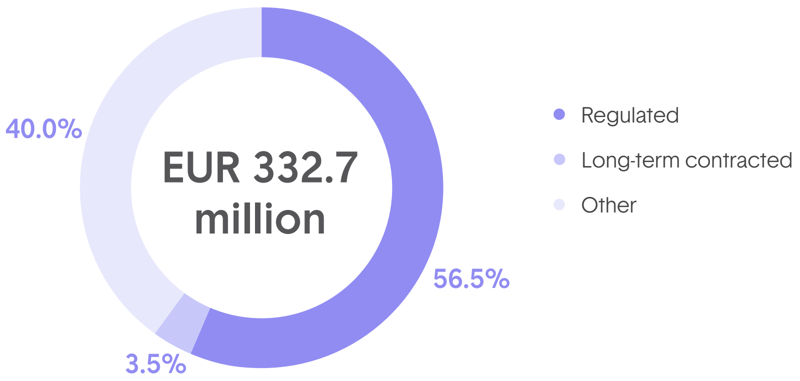
1. electricity and natural gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, natural gas supply to residents of Lithuania and designated LNG supplier services.

Long-term contracted activities include wind farms with support schemes, i.e., feed-in and feed-in premium tariffs. Pomerania WF will start selling electricity under the feed-in tariff with contracts for difference (CfD) after submission of activity reports to the regulator, which is due in March 2022.

Adjusted EBITDA by types of activities, EURm

	2021	2020	Δ	Δ,%
Regulated	187.9	166.7	*21.2*	*12.7%*
Long-term contracted	11.6	13.2	*(1.6)*	*(12.1%)*
Other	133.2	66.0	*67.2*	*101.8%*
Adjusted EBITDA APM	**332.7**	**245.9**	***86.8***	***35.3%***

Adjusted EBITDA by types of activities 2021, %



EBITDA adjustments, EURm

	2021	2020	Δ	Δ,%
EBITDA APM	**335.5**	**334.3**	***1.2***	***0.4%***
Adjustments[1]				
Temporary regulatory differences (1)	(10.4)	(86.6)	*76.2*	*(88.0%)*
Result from generation before COD (2)	7.6	-	*7.6*	*n/a*
One-off revenue related to GDRs (3)	-	(1.8)	*1.8*	*(100.0%)*
Total EBITDA adjustments	**(2.8)**	**(88.4)**	***85.6***	***(96.8%)***
Adjusted EBITDA APM	**332.7**	**245.9**	***86.8***	***35.3%***
Adjusted EBITDA margin APM	17.6%	21.7%	*(4.1 pp)*	*n/a*

[1] A more detailed description of the management adjustments is presented in Annual Consolidated Financial statements for 2021, Note 46 'Operating segments'.

(1) Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator. Elimination includes retrospective adjustments made after the changes in Networks RAB methodology for the years 2021 and 2020, specifically, EUR -44.4 million for 2021 and EUR -48.1 million for 2020. The 2021 adjustment includes the elimination of lower Networks and Customers & Solutions segments' profit earned from regulated activities (EUR +21.2 million and EUR +14.2 million respectively), which resulted from higher actual electricity and natural gas purchase prices compared to prices set by the regulator. The 2020 adjustment includes the elimination of higher Customers & Solutions segment's profit earned from regulated activities (EUR -43.3 million), which resulted from lower actual electricity and natural gas purchase prices compared to prices set by the regulator.

(2) In 2021 the result from generation before COD (and possible formal completion procedures after COD) of Vilnius CHP's WtE unit (EUR 3.6 million) and Pomerania WF (EUR 4.0 million) was added as it reflects the result which was capitalised in the Statement of Financial Position according to applicable IAS 16 requirements for the reporting period of 2021. Amendments to IAS 16 Property, Plant and Equipment to be implemented from 2022 will prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in the Statement of Profit or Loss.

(3) EBITDA adjustments include elimination of one-off gains or losses. The only one one-off elimination for 2020 is an amount related to GDRs, which was collected from the GDRs depository (the Bank York New York Mellon) during the IPO process (EUR -1.8 million).

EBIT

In 2021, Adjusted EBIT amounted to EUR 206.6 million, which was 63.2% (or EUR +80.0 million) higher than in 2020. The main effects of the change in Adjusted EBIT was higher Adjusted EBITDA (EUR +86.8 million) (the reasons behind the increase are described in 'EBITDA' section), which was partly offset by higher depreciation expenses (EUR -9.1 million).

Adjusted EBIT by segments, EURm

	2021	2020[1]	Δ	Δ,%
Networks	58.5	54.7	*3.8*	*6.9%*
Green Generation	86.4	33.0	*53.4*	*161.8%*
Flexible Generation	25.8	17.6	*8.2*	*46.6%*
Customers & Solutions	38.8	25.1	*13.7*	*54.6%*
Other[2]	(2.9)	(3.8)	*0.9*	*(23.7%)*
Adjusted EBIT APM	**206.6**	**126.6**	***80.0***	***63.2%***
Adjusted EBIT margin APM	10.9%	11.2%	*(0.3 pp)*	*n/a*

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

[2] Other – other activities and eliminations (consolidation adjustments and related party transactions).

EBIT adjustments, EURm

	2021	2020	Δ	Δ, %
EBIT APM	**184.6**	**215.0**	***(30.4)***	***(14.1%)***
Adjustments				
Total EBITDA adjustments	(2.8)	(88.4)	*85.6*	*(96.8%)*
One-off PPE revaluation and impairment adjustment (4)	24.8	-	*24.8*	*n/a*
Total EBIT adjustments	**22.0**	**(88.4)**	***110.4***	***n/a***
Adjusted EBIT APM	**206.6**	**126.6**	***80.0***	***63.2%***
Adjusted ROCE APM	7.9%	5.4%	*2.6 pp*	*n/a*
ROCE APM	7.1%	9.1%	*(2.0 pp)*	*n/a*

(4) One-off PPE revaluation adjustment of Networks segment (for more information see section 'Expenses').

Net profit

Adjusted net profit amounted to EUR 163.1 million in 2021 and was 70.8% higher than in 2020. Adjusted EBITDA's positive impact (EUR +86.8 million) was partly offset by higher depreciation and amortisation (EUR -9.1 million), income tax (EUR -7.0 million) and financial activity (EUR -5.5 million) expenses. Income tax expenses grew mostly due to higher Adjusted EBIT, which was partly offset due to higher income tax relief for investment projects.

Reported Net profit in 2021 decreased to EUR 153.9 million compared to EUR 170.6 million in 2020. Reported Net profit decreased while Adjusted Net profit increased significantly, mostly due to lower temporary regulatory differences (EUR -76.2 million), mainly in the Customers & Solutions and Networks segments (EUR -57.5 million and EUR -20.3 million respectively), PPE revaluation of Networks segment (EUR -21.1 million after income tax) and Kaunas CHP option fair value decrease (EUR -4.2 million). These effects were partly offset by value increase in Smart Energy Fund's investments (EUR +15.9 million) in 2021.

Net profit adjustments, EURm

	2021	2020[3]	Δ	Δ,%
Net profit	**153.9**	**170.6**	***(16.7)***	***(9.8%)***
Adjustments				
Total EBIT adjustments	22.0	(88.4)	*110.4*	*n/a*
One-off financial activity adjustments (5)	(9.5)	-	*(9.5)*	*n/s*
Adjustments' impact on income tax (6)	(3.3)	13.3	*(16.6)*	*n/a*
Total net profit adjustments	**9.2**	**(75.1)**	***84.3***	***n/a***
Adjusted net profit APM	**163.1**	**95.5**	***67.6***	***70.8%***
Adjusted ROE APM	8.9%	6.0%	*2.9 pp*	*n/a*
ROE APM	8.4%	10.8%	*(2.4 pp)*	*n/a*

[3] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

(5) One-off financial activity adjustments include elimination of value increase in Smart Energy Fund's investments (EUR +15.9 million), Kaunas CHP option fair value decrease (EUR -4.2 million) and decrease in variable part of EPSO-G receivable (EUR -2.1 million).

(6) An additional income tax adjustment of 15% (statutory income tax rate in Lithuania) is applied to all EBIT adjustments.

Investments

In 2021, Investments amounted to EUR 234.9 million and were EUR 111.9 million lower compared to 2020. The largest investments were made in electricity distribution network (66.4% of total Investments), gas distribution network (10.3%) and construction of Vilnius CHP (8.7%).

The Networks segment investments amounted to EUR 191.2 million and were EUR 50.1 million higher compared to 2020. Investments in maintenance of electricity distribution network increased by EUR +41.6 million or +84.9% and amounted to EUR 90.6 million or 38.6% of total 2021 Investments. Also, investments in expansion of the electricity distribution network increased by EUR 10.2 million or +18.5% due to more new connection points and upgrades and amounted to EUR 65.4 million or 27.8% of total 2021 Investments. Investments in the gas distribution network decreased by EUR -6.9 million or -22.3% due to less connection points and amounted to EUR 24.1 million or 10.3% of total 2021 Investments.

The Green Generation segment investments amounted to EUR 32.3 million in 2021 and were EUR 164.7 million lower compared to 2020. The main reason for the decrease was that the main investments into big projects were finished in 2020 or in the beginning of 2021 and new projects have not yet reached heavy investment phase. The majority of investments in 2021 were allocated to Vilnius CHP (EUR 20.5 million), specifically, EUR 18.0 million to WtE unit. Main investments in 2020 included EUR 75.8 million to Pomerania WF (construction was completed in March 2021), EUR 70.5 million to Kaunas CHP (construction was fully completed in October 2020) and EUR 46.0 million to Vilnius CHP, specifically, EUR 30.5 million to biomass unit (still under construction) and EUR 15.5 million to WtE unit (main construction was completed by the end of 2020).

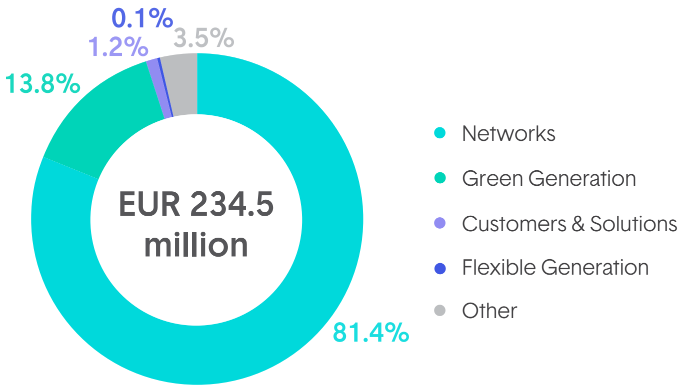
In 2021, Grants and Investments covered by customers and contractor guarantees amounted to EUR 49.4 million and accounted for 21.1% of total Investments. The Group received EUR 17.2 million in grants for Investments in 2021. It mainly contains grants related to maintenance of electricity and gas distribution networks (EUR 11.5 million) and grants for Vilnius CHP project (EUR 5.7 million). Also, part of investments into Networks related to new customer connections, upgrades and infrastructure equipment transfers were covered by customers (EUR 32.2 million). There were investments covered by guarantees in 2020, due to the termination of agreement with Vilnius CHP's contractor (EUR 15.0 million).

Investments by segment, EURm

	2021	2020[1]	Δ	Δ,%
Networks	191.2	141.1	*50.1*	*35.5%*
Maintenance of the electricity network	90.6	49.0	*41.6*	*84.9%*
Expansion of the electricity network	65.4	55.2	*10.2*	*18.5%*
Expansion of the gas network	13.9	21.4	*(7.5)*	*(35.0%)*
Maintenance of the gas network	10.2	9.6	*0.6*	*6.3%*
Other	11.1	5.9	*5.2*	*88.1%*
Green Generation	32.3	197.0	*(164.7)*	*(83.6%)*
Vilnius CHP	20.5	46.0	*(25.5)*	*(55.4%)*
Pomerania WF	2.4	75.8	*(73.4)*	*(96.8%)*
Kaunas CHP	1.5	70.5	*(69.0)*	*(97.9%)*
Other	7.9	4.7	*3.2*	*68.1%*
Customers & Solutions	2.9	3.2	*(0.3)*	*(9.4%)*
Flexible Generation	0.2	1.5	*(1.3)*	*(86.7%)*
Other[2]	8.3	4.0	*4.3*	*107.5%*
Investments APM	**234.9**	**346.8**	***(111.9)***	***(32.3%)***
Grants	(17.2)	(25.7)	*8.5*	*(33.1%)*
Investments covered by customers[3]	(32.2)	(26.3)	*(5.9)*	*22.4%*
Investments covered by contractor guarantees[4]	-	(15.0)	*15.0*	*(100.0%)*
Investments (excl. grants and investments covered by customers and contractor guarantees)	**185.5**	**279.8**	***(94.3)***	***(33.7%)***

[1] Investments of 2020 were not recalculated retrospectively after change in accounting policy (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021'). Kaunas CHP Investment would be EUR 1.9 million lower in 2020, if measure was recalculated.
[2] Other – other activities and eliminations (consolidation adjustments and related party transactions).
[3] Investments covered by customers include new customer connections and upgrades, and infrastructure equipment transfers.
[4] Investments covered by contractor guarantees after termination of agreement with Vilnius CHP's contractor.

Investments by segment, 2021, %



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Statement of financial position

Assets

As of 31 December 2021, total assets reached EUR 4,251.3 million (8.4% increase from 31 December 2020).

As of 31 December 2021, current assets increased by EUR 282.1 million or 27.6% from 31 December 2020, mainly due to increase in working capital (for more information see section 'Net working capital'). Also receivable from EPSO-G for the shares of AB "LitGrid" (EUR 86.2 million) was transferred from long-term to short-term receivables as, according to the agreement, it must be repaid until 30 September 2022. EPSO-G repaid EUR 50.0 million in December, before due date.

As of 31 December 2021, non-current assets increased by EUR 48.3 million or 1.7% from 31 December 2020. The growth was mainly influenced by the increase in property, plant and equipment and intangible assets, resulting from investments made in 2021. Increase was partly offset by Networks segment's electricity-related PPE assets revaluation effect of EUR -48.7 million (excluding grants) and gas-related PPE impairment EUR -8.9 million.

Equity

As of 31 December 2021, equity amounted to EUR 1,849.0 million and increased by EUR 35.7 million or 2.0% from 31 December 2020, mostly due to net profit for 2021 (EUR +153.9 million) and an increase in hedging reserve (EUR +18.6 million), which was partly offset by paid dividends (EUR -86.8 million), decrease in revaluation reserve (EUR -32.2 million) and acquisition of treasury shares (EUR -23.0 million).

Liabilities

Total liabilities increased by 14.0% or EUR 294.7 million in 2021. Current liabilities increased by 129.4% or EUR 393.5 million, which was mostly caused by liabilities related to higher electricity and natural gas price hedging contracts, the increase in payables related to electricity purchases and Kaunas CHP loan (EUR 110.0 million) transfer from non-current loans.

Net working capital

As of 31 December 2021, Net working capital amounted to EUR 486.4 million and increased by EUR 392.0 million from 31 December 2020, mainly driven by high energy prices. More detailed drivers for the change are listed below:

- higher electricity and natural gas related trade receivables (EUR +146.8 million) mostly due to higher market prices (mainly Customers & Solutions);
- growth in gas inventory value by EUR +121.1 million (Customers & Solutions), mainly resulting from combination of higher natural gas prices (+313% in average TTF index) and higher volume of gas inventory in storage (2.6 TWh as of 31 December 2021, almost doubled compared to 31 December 2020);
- increase in accrued revenue (EUR +113.0 million) related to regulated activity of the electricity public supply (Customers & Solutions) due to higher actual electricity acquisition prices than set in the tariff by regulator. From 1st of January, 2021 regulatory debt for electricity public supply is accounted in balance sheet, previously it was off-balance sheet item;
- growth in deposits for electricity and gas derivative trading related margin calls (EUR +66.2 million) due to higher market prices (mainly Customers & Solutions);
- higher advance payments for natural gas (EUR +50.1 million), mainly due to higher gas market prices (mainly Customers & Solutions);
- higher payables for electricity and gas derivative trading MtM (EUR -69.2 million) due to higher market prices (Customers & Solutions);
- higher payables for electricity purchase (EUR -45.2 million) due to higher electricity market price (Customers & Solutions, Green Generation and Networks segments).

Balance sheet, EURm

	31.12.2021	31.12.2020[1]	Δ	Δ,%
Non-current assets	2,947.0	2,898.7	*48.3*	*1.7%*
Current assets	1,304.3	1,022.2	*282.1*	*27.6%*
TOTAL ASSETS	**4,251.3**	**3,920.9**	***330.4***	***8.4%***
Equity	1,849.0	1,813.3	*35.7*	*2.0%*
Total liabilities	2,402.3	2,107.6	*294.7*	*14.0%*
Non-current liabilities	1,704.8	1,803.6	*(98.8)*	*(5.5%)*
Current liabilities	697.5	304.0	*393.5*	*129.4%*
TOTAL EQUITY AND LIABILITIES	**4,251.3**	**3,920.9**	***330.4***	***8.4%***
Asset turnover APM	0.46	0.34	*0.12*	*35.3%*
ROA APM	3.8%	4.8%	*(1.0 pp)*	*n/a*
Current ratio APM	1.87	3.36	*(1.49)*	*(44.3%)*
Net working capital APM	486.4	94.4	*392.0*	*415.3%*
Net working capital/Revenue APM	25.7%	7.7%	*18.0 pp*	*n/a*
Capital employed APM	2,806.2	2,413.5	*392.7*	*16.3%*

[1]Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

Financing

Net debt

As of 31 December 2021, Net debt amounted to EUR 957.2 million, an increase of 59.5% or EUR 356.9 million compared to 31 December 2020, mostly due to higher need for working capital (EUR +392.0 million) (for more information see section 'Statement of financial position').

As Net debt increased, FFO/Net debt decreased significantly, from 51.5% to 30.5%, however, ratio is above 23% threshold required for BBB+ credit rating.

Net debt, EURm

	2021.09.30	2020.12.31	Δ	Δ,%
Total non-current financial liabilities	**1,164.4**	**1,275.3**	***(110.9)***	***(8.7%)***
Non-current loans	229.6	359.0	*(129.4)*	*(36.0%)*
Bonds	888.5	887.0	*1.5*	*0.2%*
Interests payable (including accrued)	-	0.2	*(0.2)*	*(100.0%)*
Lease liabilities (IFRS 16)	46.3	29.1	*17.2*	*59.1%*
Total current financial liabilities	**241.9**	**28.8**	***213.1***	***739.9%***
Current portion of non-current loans	13.8	6.3	*7.5*	*119.0%*
Current loans	214.1	-	*214.1*	*n/a*
Interests payable (including accrued)	9.3	9.1	*0.2*	*2.2%*
Lease liabilities (IFRS 16)	4.7	13.4	*(8.7)*	*(64.9%)*
Gross debt APM	**1,406.3**	**1,304.1**	***102.2***	***7.8%***
Cash, cash equivalents and cash in escrow account	**449.1**	**703.8**	***(254.7)***	***(36.2%)***
Cash and cash equivalents	449.1	658.8	*(209.7)*	*(31.8%)*
Cash in escrow account	-	45.0	*(45.0)*	*(100.0%)*
Net debt APM	**957.2**	**600.3**	***356.9***	***59.5%***
EPSO-G receivable	86.2	150.7	*(64.5)*	*(42.8%)*
Net debt less EPSO-G receivable	**871.0**	**449.6**	***421.4***	***93.7%***
Net debt / Adjusted EBITDA APM	2.88	2.44	*0.44*	*18.0%*
Net debt / EBITDA APM	2.85	1.80	*1.05*	*58.3%*
FFO / Net debt APM	30.5%	51.5%	*(21.0 pp)*	*n/a*
Gross debt/Equity APM	0.76	0.72	*0.04*	*5.6%*
Equity ratio APM	0.43	0.46	*(0.03)*	*(6.5%)*

Debt summary, EURm

	Outstanding as of 31.12.2021	Effective interest rate (%)	Average time to maturity (years)	Fixed interest rate	Euro currency
Bonds (incl. interest)	909.1[1]	*1.96*	7.3	*100.0%*	*100.0%*
Bank loans	457.7	*0.96*	4.6	*49.5%*	*81.0%*
Lease liabilities	51.0	-	7.0	-	*100.0%*
Total	**1,417.8**	***1.62***	**6.4**	***80.1%***	***93.9%***

[1] Nominal value of issued bonds amount to 900 EURm. As of 31 December 2021 bonds accounted for 888.5 EURm in the consolidated balance sheet as the nominal remaining capital will be capitalised until maturity according to IFRS.

Bond issues and loans

The Group has 3 bond issues with a total EUR 900.0 million nominal outstanding amount, out of which 2 are green (EUR 600.0 million).

Outstanding bond issues

	2017 issue	2018 issue	2020 issue
ISIN-code	XS1646530565	XS1853999313	XS2177349912
Currency	EUR	EUR	EUR
Nominal amount	300,000,000	300,000,000	300,000,000
Coupon	2.000	1.875	2.000
Maturity	17 July 2027	10 July 2028	21 May 2030
Credit rating	BBB+	BBB+	BBB+

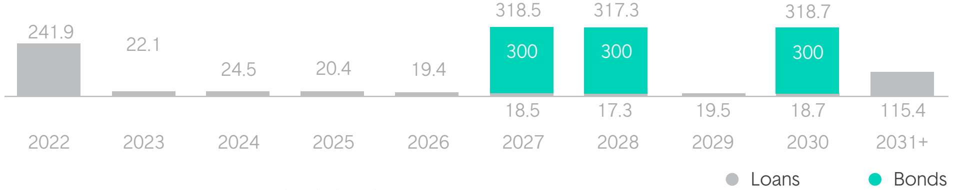
During the reporting period, there have been no material changes regarding bonds. Related information, including the structure of bondholders as of the issue date, is available in the section 7.1 'Further investor related information'.

As of 31 December 2021, outstanding amount of loans from banks were EUR 457.5 million, of which 73.6% were dedicated for Green Generation segment's projects and 22.7% for working capital of Customers & Solutions segment.

Maturities

Bonds maturing in 2027 (EUR 300.0 million, green), in 2028 (EUR 300.0 million, green) and in 2030 (EUR 300.0 million) make the largest portion of the Group's financial liabilities. The average maturity of the financial liabilities as of 31 December 2021 was 6.4 years (31 December 2020: 7.7 years).

Repayment schedule of Group's financial liabilities, EURm



Interest rate, currency, and liquidity risk

On 31 December 2021, financial liabilities amounting to EUR 1,135.8 million were subject to fixed interest rate (83.1% of loans, bonds and interests payable) and the remaining amount of financial liabilities were subject to floating interest rate. Effective interest rate was 1.62% as of 31 December 2021. 93.9% of total debt were in EUR, and 6.1% – in PLN.

The Group manages liquidity risk by entering into the credit line agreements with banks. On 31 December 2021 one credit line facility from one bank amounted to EUR 104 million. The credit line is committed, i.e., funds must be paid by the bank upon request.

Cash flows

CFO

Net cash flows from operating activities (CFO) amounted to EUR 97.1 million in 2021. Compared to 2020, CFO decreased by EUR 183.4 million, mainly due to an increase in working capital (for more information see section 'Statement of financial position'), which was partly offset by higher EBITDA.

CFI

Net cash flows from investing activities (CFI) amounted to EUR -228.7 million in 2021. Compared to 2020, CFI decreased by EUR 29.7 million, mainly due to lower Investments (EUR +111.9 million), which were partly offset by lower prepayments for non-current assets (EUR -51.7 million), lower proceeds from PPE and intangible assets (EUR -12.1 million), acquisition of subsidiaries (EUR -9.5 million) and lower grants received (EUR -8.6 million).

CFF

Net cash flows from financing activities (CFF) amounted to EUR -78.1 million in 2021. In 2021, CFF were negative due to dividend, interest and lease payments, while in 2020 CFF were positive mostly due to an increase in share capital after IPO in October 2020, issue of bonds in May 2020 and loans received.

Cash flows, EURm

	2021	2020	Δ	Δ, %
Cash and cash equiv. at the beginning of the period	**658.8**	**131.8**	***527.0***	***399.8%***
CFO	97.1	280.5	*(183.4)*	*(65.4%)*
CFI	(228.7)	(258.4)	*29.7*	*(11.5%)*
CFF	(78.1)	504.9	*(583.0)*	*n/a*
Increase (decrease) in cash and cash equiv.	**(209.7)**	**527.0**	***(736.7)***	***n/a***
Cash and cash equiv. at the end of period	**449.1**	**658.8**	***(209.7)***	***(31.8%)***

FFO

In 2021, the Group's FFO decreased by 5.7% (EUR 17.6 million) and amounted to EUR 291.8 million. The main reason for the decrease was higher paid interest and income tax.

FFO, EURm

	2021	2020[1]	Δ	Δ,%
EBITDA APM	335.5	334.3	*1.2*	*0.4%*
Interest received	0.6	0.6	-	-%
Interest paid	(26.0)	(15.9)	*(10.1)*	*63.5%*
Income tax paid	(18.3)	(9.6)	*(8.7)*	*90.6%*
FFO APM	**291.8**	**309.4**	***(17.6)***	***(5.7%)***

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

FCF

In 2021, the Group's FCF decreased by EUR 300.7 million and amounted to EUR -295.6 million. The main reason for the decrease was the change in working capital, which was partly offset by lower Investments.

FCF, EURm

	2021	2020[2]	Δ	Δ, %
FFO APM	291.8	309.4	*(17.6)*	*(5.7%)*
Investments	(234.9)	(346.8)	*111.9*	*(32.3%)*
Grants received	17.2	25.8	*(8.6)*	*(33.3%)*
Investments covered by guarantees	-	15.0	*(15.0)*	*(100.0%)*
Cash effect of new connection points and upgrades	20.0	13.2	*6.8*	*51.5%*
Proceeds from sale of PPE and intangible assets[3]	2.3	14.4	*(12.1)*	*(84.0%)*
Change in net working capital	(392.0)	(25.9)	(366.1)	*1,413.5%*
FCF APM	**(295.6)**	**5.1**	**(300.7)**	**n/a**

[2] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').
[3] Cash inflow as disclosed in CF statement line "Proceeds from sale of PPE and intangible assets" less gain or loss which is already included in FFO.

Key operating indicators

		2021	2020	Δ	Δ,%
Electricity					
Green Generation capacity	MW	1,350	1,350	-	-%
Green Generation installed capacity	MW	1,214	1,101	*113*	*10.3%*
Green Generation projects under construction	MW	136	249	*(113)*	*(45.4%)*
Electricity distributed	TWh	10.37	9.55	*0.82*	*8.6%*
Electricity generated (net)	TWh	2.30[1]	2.45	*(0.15)*	*(6.3%)*
Green electricity generated (net)	TWh	1.48[1]	1.25	*0.22*	*17.9%*
Green share of generation	%	64.2%	51.0%	*13.2 pp*	*n/a*
Electricity sales	TWh	7.11	6.79	*0.32*	*4.7%*
SAIFI	units	1.45	1.34	*0.11*	*8.2%*
SAIDI	min	201.95	207.67	*(5.72)*	*(2.8%)*
Heat					
Green Generation capacity (Heat)	MW	339	339	-	-%
Green Generation installed capacity	MW	170	110	*60.0*	*54.5%*
Green Generation projects under construction	MW	169	229	*(60.0)*	*(26.2%)*
Heat generated (net)	TWh	0.85	0.32[2]	*0.53*	*162.6%*
Natural gas					
Natural gas distributed	TWh	8.49	7.06	*1.43*	*20.3%*
Natural gas sales	TWh	11.55	14.70[3]	*(3.15)*	*(21.4%)*
SAIFI	units	0.006	0.010	*(0.004)*	*(41.8%)*
SAIDI	min	0.47	1.61	*(1.14)*	*(70.7%)*

[1] Electricity generated (net) includes electricity sales by Pomerania WF before COD (in December 2021), which was not previously reported in our interim reports.
[2] Previously reported 0.33 value was corrected.
[3] 14.77 value reported in Annual report 2020 was corrected after updating sales volumes in Latvia.

Electricity

Installed capacity of Green Generation increased by 113 MW YoY since Vilnius CHP's WtE unit (March 2021) and Pomerania WF (December 2021) reached COD.

The total distributed electricity increased by 8.6%. The increase was a result of proportionally growing electricity consumption of both B2C and B2B customers (+8.6% each), which was mainly affected by weather conditions and overall higher consumption, whereas distribution to B2B customers was also positively impacted by more intense hybrid work in 2021.

Electricity generation (net) decreased by 6.3%, compared to 2020, and amounted to 2.30 TWh in 2021. However, combined with higher green electricity generated (net), it resulted in increased green share of generation. The decrease in electricity generated (net) was mainly driven by lower flexible generation of the CCGT unit at Elektrėnai Complex (-0.36 TWh) as well as decreased green generation of Kruonis PSHP (-0.07 TWh) due to market conditions. These were partly offset by increased volumes in Vilnius CHP's WtE unit (+0.09 TWh), Kaunas CHP (+0.08 TWh), Kaunas HPP (+0.06 TWh) and wind farms (+0.06 TWh). Increased electricity generated (net) in wind farms was mainly affected by additional volumes generated in Pomerania WF (first electricity generated in May 2021). The positive impact of Kaunas CHP and Vilnius CHP's WtE unit was due to the first electricity being generated in May 2020 (full year effect) and in February 2021 respectively, whereas the increase of electricity generated (net) at Kaunas HPP was driven by higher water levels in the Nemunas river.

An increase in electricity sales (4.7% higher, when comparing to the previous period) was mostly affected by higher B2B sales (due to increased number of B2B customers and more active economy), whereas B2C sales slightly decreased due to electricity market deregulation.

Electricity SAIFI indicator, which reflects average number of unplanned long interruptions per customer, increased comparing with the previous year and was 1.45 interruptions (1.34 interruptions in 2020). Despite higher number of interruptions, electricity SAIDI indicator, which shows average duration of unplanned interruptions, improved to 201.95 minutes (compared to 207.67 minutes in 2020). 2021 quality level was negatively affected by the extreme weather conditions (wet snow cover in January 2021, local storms in May–June and November–December 2021). Nevertheless, the negative impact of the storm Laura in March 2020 (the biggest storm since 2005) was more significant in terms of SAIDI, thus 2021 SAIDI ratio improved, when comparing to the 2020 ratio.

Heat

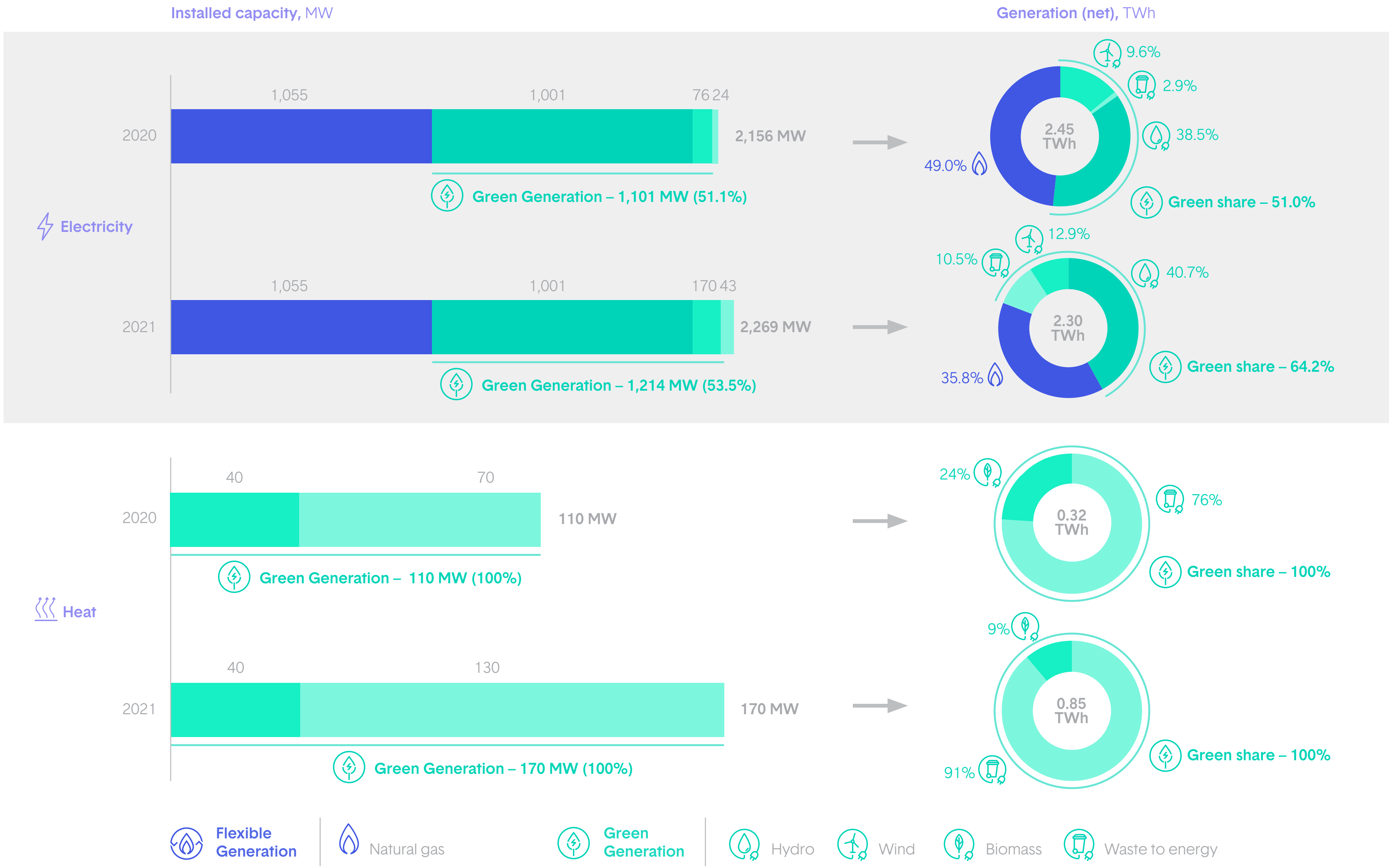
Heat generation (net) in 2021 increased more than 2 times compared to 2020 mainly due to the full year effect of heat generation by Kaunas CHP and Vilnius CHP's WtE unit.

Natural gas

Natural gas distribution volumes increased by 20.3% as a result of colder weather during the heating season. Natural gas sales decreased by 21.4%. Despite an increase in B2C sales due to colder weather and higher number of B2C customers, B2B volumes sold were 41.9% lower, which were mainly driven by lower B2B sales in Lithuania ,Latvia and Finland. Drop of B2B sales in Lithuania and Latvia was mainly the result of one-off gas transactions in 2020, which did not occur in 2021. The decrease in sales in Finland was affected by higher competition.

Natural gas distribution SAIFI and SAIDI indicators improved in 2021, when comparing them to the corresponding last year period as there were no significant disruptions during 2021. Natural gas SAIFI improved to 0.006 interruptions (from 0.010 interruptions in 2020). SAIDI indicator also decreased and was 0.47 minutes (compared to 1.61 minutes in 2020).

Installed capacity and generation mix overview

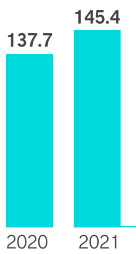


3.2 Results by business segment

Overview[1,2]

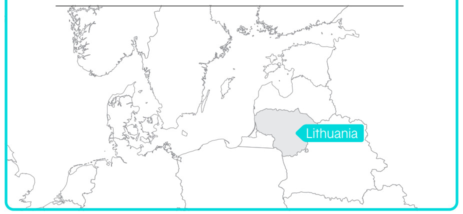
Networks

Adjusted EBITDA, EURm



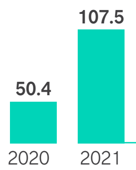
44%
of the Group's Adjusted EBITDA

Revenue, EURm	532.7
Adjusted EBIT, EURm	58.5
Investments, EURm	191.2
Net debt, EURm	710.0



Green Generation

Adjusted EBITDA, EURm

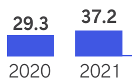


32%
of the Group's Adjusted EBITDA

Revenue, EURm	209.1
Adjusted EBIT, EURm	86.4
Investments, EURm	32.3
Net debt, EURm	390.1

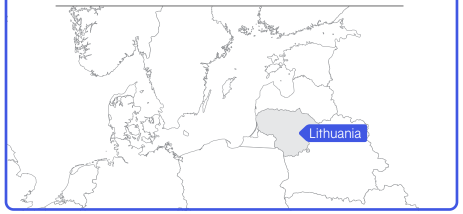
Flexible Generation

Adjusted EBITDA, EURm



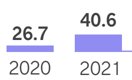
11%
of the Group's Adjusted EBITDA

Revenue, EURm	153.5
Adjusted EBIT, EURm	25.8
Investments, EURm	0.2
Net debt, EURm	(37.5)



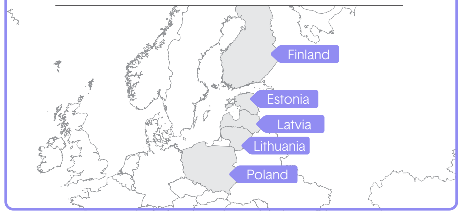
Customers & Solutions

Adjusted EBITDA, EURm



12%
of the Group's Adjusted EBITDA

Revenue, EURm	1,009.4
Adjusted EBIT, EURm	38.8
Investments, EURm	2.9
Net debt, EURm	474.4



[1] Indicators provided in this page (except Revenue) are considered as Alternative Performance Measures APM.
[2] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

Networks

Highlights

- The regulator (NERC) has published updated data for calculation of WACC, which as of 1 January 2022 for electricity will be 4.16% (calculated in accordance with the updated methodology on ROI), for natural gas – 3.98% (in accordance with the old methodology on ROI).
- Pursuant to the Methodology update, RAB calculation method was changed from LRAIC model to similar to historical cost model. The recalculated difference approximately amounts to EUR 160 million, which is due to be returned in 2032–2036. According to a preliminary estimate made by the Group, this amount comprises EUR 48 million for the period of 2020 and EUR 44 million – 2021, therefore, Adjusted EBITDA has been reduced retrospectively. However, sustainable regulatory framework was ensured through a newly established additional tariff component (EUR 28.0 million), which offsets the change in RAB calculation method (for more information see 'Annual results' section 'Significant changes in reporting period of 2021').
- Due to changes in Methodology, electricity related PPE revaluation effect of EUR 44.4 million (including grants) was recognised in 2021 (EUR 15.9 million through Statement of Profit or Loss and EUR 28.5 million through revaluation reserve). Impairment of gas related PPE of EUR 8.9 million was recognised in Statement of Profit or Loss in 2021.
- In 2021 an agreement with an infrastructure supplier for approximately 1.2 million of smart meters was concluded. The project was rescheduled pushing the end date to 2025 (from 2023) in order to implement the most efficient roll-out and to comply with all high-level requirements (including cybersecurity).
- Datahub is a project concerning the whole industry for the development of information exchange and efficiency of the electricity market. Datahub is divided into four main phases till the end of 2023. The second phase was implemented in 2021 with two modules included. In 2022 the third phase will include two modules and project should be finalised at the end of 2023 within the implementation of the last three modules.
- Electricity quality indicators (SAIFI and SAIDI) were strongly affected by extreme weather conditions caused by wet snow cover (end of January 2021), local storms (May–June and November–December 2021).

Financial results

Revenue

In 2021, the Networks revenue reached EUR 532.7 million and was 10.5% or EUR 50.5 million higher than in 2020. The increase was mainly driven by higher electricity (EUR +27.5 million) and natural gas (EUR +12.3 million) distribution revenue, mainly due to higher distributed volumes (from 9.55 TWh to 10.37 TWh and from 7.06 TWh to 8.49 TWh respectively) as a result of colder winter compared to 2020 and overall higher consumption as well as increased revenue from supply of last resort (EUR +9.1 million) due to 165% higher electricity market price.

Adjusted EBITDA

Adjusted EBITDA reached EUR 145.4 million and was 5.6% or EUR 7.7 million higher than in 2020. The increase was mainly driven by higher RAB value (EUR +7.6 million), which increased by 6.1% from EUR 1,186 million in 2020 to EUR 1,258 million in 2021.

Investments

Compared to 2020, Investments increased by EUR 50.1 million or 35.5%. The increase was mainly driven by higher level of investments in maintenance of electricity distribution network (EUR +41.6 million) and expansion of electricity distribution network (EUR +10.2 million), however, it was partly offset by lower investments in expansion of the natural gas distribution network (EUR -7.5 million) due to less new connection points. 2021. The decrease in sales in Finland was affected by higher competition.

Key financial indicators, EURm	2021	2020[1]	Δ	Δ, %
Revenue	532.7	482.2	*50.5*	*10.5%*
Adjusted EBITDA APM	145.4	137.7	*7.7*	*5.6%*
EBITDA APM	168.6	181.1	*(12.5)*	*(6.9%)*
Adjusted EBIT APM	58.5	54.7	*3.8*	*6.9%*
EBIT APM	56.8	98.1	*(41.3)*	*(42.1%)*
Investments APM	191.2	141.1	*50.1*	*35.5%*
Adjusted EBITDA margin, % APM	28.5%	31.4%	*(2.9 pp)*	*n/a*
	31.12.2021	**31.12.2020**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	1,654.6	1,616.9	*37.7*	*2.3%*
Net debt APM	710.0	680.7	*29.3*	*4.3%*

Key regulatory indicators		2022[2]	2021 After Methodology update[3]	2021 Before Methodology update[2]	2020 After Methodology update[3]	2020 Before Methodology update[2]
Regulated activities share in adjusted EBITDA	%		**100.0**	**100.0**	**100.0**	***100.0***
Total						
RAB	EURm	1,345	1,258	1,663	*1,186*	*1,635*
WACC (weighted average)	%	4.13	5.05	5.12	*5.00*	*5.08*
D&A (regulatory)	EURm	67.8	69.1	91.9	*65.2*	*89.6*
Additional tariff component[4]	EURm	28	-	-	-	-
Deferred part of investments covered by clients and electricity equipment transfer[5]	EURm		14.9	14.9	*15.8*	*15.8*
Electricity distribution						
RAB	EURm	1,097	1,009	1,414	*957*	*1,406*
WACC	%	4.16	5.34	5.34	*5.28*	*5.28*
D&A (regulatory)	EURm	58.5	59.6	82.4	*55.6*	*80.0*
Additional tariff component[4]	EURm	28	-	-	-	-
Deferred part of investments covered by clients and electricity equipment transfer[5]	EURm		13.5	13.5	*14.5*	*14.6*
Natural gas distribution						
RAB	EURm	248	249	249	229	*229*
WACC	%	3.98	3.90	3.90	3.84	*3.84*
D&A (regulatory)	EURm	9.3	9.5	9.5	9.6	*9.6*
Deferred part of investments covered by clients and electricity equipment transfer[5]	EURm		1.4	1.4	1.2	*1.2*

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021'). [2] Numbers approved and published by NERC. [3] For more information see 'Annual results' section 'Significant changes in reporting period of 2021'. [4] Due to changes in the Networks RAB methodology, an additional tariff component of EUR 28 million annually will be added starting from year 2022. [5] Actual numbers from Statement of Profit or Loss.

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Operating performance

Electricity distribution

The total distributed electricity increased by 8.6%. The increase was a result of proportionally growing (+8.6% each) electricity consumption of both B2C and B2B customers, which was mainly affected by weather conditions and overall higher consumption, whereas distribution to B2B customers was also positively impacted by more intense hybrid work in 2021. Technological losses ratio decreased by 0.6 pp, when comparing with the last year, due to the effect of the measures taken to minimize electricity losses and the updated process, which allowed to detect undeclared distributed volumes. The number of electricity distribution customers increased by 1.4% in 2021, when comparing to 2020, which was affected by growing number of traditional B2C and B2B customers as well as new connections of prosumers and producers. A more intense growth of new B2C customers was mainly affected by active real estate market in 2021, whereas an increase in prosumers and producers is related to the support schemes for solar plants and more attractive connection pricing for prosumers. Average time to connect increased by 28.5% due to disrupted supply of materials, increased workload of contractors (higher demand, unfavourable weather conditions and COVID-19 effect), expanded scope of mandatory design works and lower number of planned disconnections.

Electricity distribution quality indicator SAIFI slightly deteriorated comparing with previous year and was 1.45 interruptions (1.34 interruptions in 2020). Electricity SAIDI indicator improved to 201.95 minutes (compared to 207.67 minutes in 2020). 2021 quality level was negatively affected by the extreme weather conditions (wet snow cover in January 2021, local storms in May–June and November–December 2021).

Natural gas distribution

Natural gas distribution volumes increased by 20.3% because of colder weather. Average time to connect ratio increased by 25.2% because, under new agreements, contractors have longer terms while the scope of design works was expanded, which require additional time. Both natural gas supply quality indicators SAIFI and SAIDI improved, when comparing to the same period last year, and were equal to 0.006 interruptions and 0.47 minutes respectively. Natural gas quality indicators improved as there were less significant disruptions in 2021 comparing with 2020.

Key operating indicators		2021	2020	Δ	Δ, %
Electricity distribution					
Electricity distributed	TWh	10.37	9.55	*0.82*	*8.6%*
Distribution network	'000 km	126.81	126.11	*0.71*	*0.6%*
Technological losses	%	5.2%	5.8%	*(0.6 pp)*	*n/a*
Number of customers	'000	1,801	1,777	*24*	*1.4%*
of which prosumers and producers	'000	17	11	*6*	*51.7%*
New connection points	'000	26.88	22.77	*4.10*	*18.0%*
Connection point upgrades	'000	23.41	18.27	*5.14*	*28.1%*
Admissible power of new connection points and upgrades	MW	515.75	386.19	*129.56*	*33.5%*
Time to connect (average)[1]	c. d.	36.67	28.54[1]	*8.13*	*28.5%*
SAIFI	unit	1.45	1.34	0.11	*8.2%*
SAIDI	min	201.95	207.67	(5.72)	*(2.8%)*
Natural gas distribution					
Natural gas distributed	TWh	8.49	7.06	*1.43*	*20.3%*
Distribution network	'000 km	9.56	9.41[2]	*0.15*	*1.6%*
Technological losses	%	1.8%	2.2%	*(0.4 pp)*	*n/a*
Number of customers	'000	619	611	*7*	*1.2%*
New connection points and upgrades	'000	8.13	7.79	*0.34*	*4.4%*
Time to connect (average)[1]	c. d.	71.86	57.41[1]	*14.45*	*25.2%*
SAIFI	unit	0.006	0.010	*(0.004)*	*(41.8%)*
SAIDI	min	0.47	1.61	*(1.14)*	*(70.7%)*
Customer experience					
NPS	%	60%	60%	-	*n/a*

[1] There were changes in methodology due to newly purchased contracts, also changes in legislation and adjustments in algorithm for calculating engineering stages more precisely. With respect to the implementation of the new methodology, 2020 data was updated as follows: "Time to Connect" ratio for electricity was 31.14 c.d., new 28.54 c.d., "Time to Connect" ratio for natural gas was 56.82 c. d., new 57.41 c.d.
[2] Previously reported 9.69 value was corrected.

Green Generation

Highlights

- **More than two-fold increase in EBITDA, which reached 107.5 EURm in 2021, driven by new asset launches and better performance of the operating assets.**
- **Vilnius CHP's WtE unit (19 MWe, 60 MWth) reached COD in March 2021.**
- **Pomerania WF (94 MW) in Poland reached COD in December 2021. Construction works were completed in March 2021.**
- **Expansion plan of Kruonis PSHP (900 MW) for an additional unit (110 MW) was approved.**
- **Conditional agreements to acquire 100% of shares of Latvian companies that are developing three wind farms in Latvia (160 MW) were concluded. Estimated COD is around 2026–2027.**
- **Conditional agreements were concluded to acquire 100% of shares of Polish companies that are developing a solar project portfolio in Poland (up to 80 MW). Estimated COD is around 2022–2023.**
- **100% of shares of a Polish company developing a wind farm (50 MW) were acquired. Estimated COD is around 2023.**
- **The main reason for the decrease in Investments was that main investments of big projects were finished in 2020 or in the beginning of 2021 and new projects have not yet reached heavy investment phase.**

Financial results

Revenue

In 2021, Green Generation revenue amounted to EUR 209.1 million and was 132.6% or EUR 119.2 million higher than in 2020. The increase was driven by higher revenue of Kruonis PSHP (EUR +54.2 million) and Kaunas HPP (EUR +23.6 million), mainly due to higher electricity market prices, full year effect of Kaunas CHP (EUR +21.9 million) and COD of Vilnius CHP's WtE unit (EUR +16.5 million).

Adjusted EBITDA

In 2021, Adjusted EBITDA reached EUR 107.5 million and was 113.3% or EUR 57.1 million higher than in 2020. The main effects were:

- better results of Kruonis PSHP (EUR +15.5 million) due to better result of commercial activities (EUR +17.5 million), exploiting favorable spread between peak and off-peak market prices;
- better results of Kaunas HPP (EUR +12.7 million), mostly due to higher captured electricity prices;
- positive impact of Vilnius CHP's WtE unit (EUR +13.0 million) as the plant generated first electricity in February 2021;
- positive full year impact of Kaunas CHP (EUR +10.0 million) that generated first electricity in May 2020;
- positive impact of Pomerania WF (EUR +5.7 million) that generated first electricity in May 2021.

Key financial indicators, EURm	2021	2020[1]	Δ	Δ,%
Revenue	209.1	89.9	*119.2*	*132.6%*
Adjusted EBITDA APM	107.5	50.4	*57.1*	*113.3%*
EBITDA APM	99.5	49.9	*49.6*	*99.4%*
Adjusted EBIT APM	86.4	33.0	*53.4*	*161.8%*
EBIT APM	78.4	32.4	*46.0*	*142.0%*
Investments APM	32.3	197.0	*(164.7)*	*(83.6%)*
Adjusted EBITDA margin, % APM	49.5%	55.7%	*(6.2 pp)*	*n/a*
	31.12.2021	**31.12.2020**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	773.1	748.8	*24.3*	*3.2%*
Net debt APM	390.1	349.9	*40.2*	*11.5%*

[1] Due to change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

Key regulatory indicators		2022[2]	2021[2]	2020[2]
Regulated activities share in adjusted EBITDA	%		**1.6**	**7.5**
Kruonis PSHP				
RAB	EURm	16.6[3]	16.2[3]	*35.6*
WACC	%	4.03	3.50	*5.07*
D&A (regulatory)	EURm	1.4	1.3	*1.7*

[1] Due to change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').
[2] Numbers approved and published by NERC. Additionally, 2020 and 2021 numbers were adjusted as to actual services provided.
[3] The regulator has halved the RAB of the secondary power reserve, but allowed to keep half of the profit earned from electricity sales from activities of the secondary power reserve in 2021 and 2022.

Investments

Investments amounted to EUR 32.3 million in 2021 and were EUR 164.7 million lower compared to 2020. The main reason for the decrease was that main investments of big projects were finished in 2020 or in the beginning of 2021 and new projects have not yet reached heavy investment phase. The majority of investments in 2021 were allocated to Vilnius CHP (EUR 20.5 million), specifically, EUR 18.0 million to WtE unit. Main investments in 2020 included EUR 75.8 million to Pomerania WF (construction was completed in March 2021), EUR 70.5 million to Kaunas CHP (construction was fully completed in October 2020) and EUR 46.0 million to Vilnius CHP specifically, EUR 30.5 million to biomass unit (still under construction) and EUR 15.5 million to WtE unit (main construction was completed by the end of 2020).

Operating performance

Electricity generation

Electricity generated (net) in the Green Generation segment increased by 17.9% in 2021, compared to 2020.

This was mainly due to higher electricity generation from waste and wind as a result of Kaunas CHP (full year effect), Vilnius CHP's WtE unit and Pomerania WF first electricity was generated in May 2020, February and May 2021 respectively. Another reason was the increased generation at Kaunas HPP due to higher water level in the Nemunas river.

In 2021 electricity generated (net) by wind farms amounted to 0.30 TWh and increased by 0.06 TWh comparing to 2020: a positive effect of Pomerania WF exceeded the negative effect of lower wind speed this year. Relatively lower wind speed in 2021 was also the main reason of the decrease in wind farm load factor, whereas availability factor of wind farms improved when comparing with 2020. Electricity generated (net) by Kruonis PSHP amounted to 0.65 TWh, which is 10% lower than in 2020 due to market conditions (fewer favourable days for generation, but with higher margin).

Heat generation

Heat generation (net) in 2021 increased more than 2 times compared to 2020 as a result of full year effect of heat generation by Kaunas CHP and Vilnius CHP WtE unit.

Key operating indicators		2021	2020	Δ	Δ,%
Electricity generation					
Installed capacity	MW	1,214	1,101	*113*	*10.3%*
Wind	MW	170	76	*94*	*123%*
Hydro	MW	1,001	1,001	-	*-%*
Pumped storage	MW	900	900	-	*-%*
Run-of-river	MW	101	101	-	*-%*
Waste	MW	43	24	*19*	*79.2%*
Projects under construction	MW	136	249	*(113)*	*(45.4%)*
Wind	MW	63	157	*(94)*	*(59.8 %)*
Waste	MW	-	19	*(19)*	*(100.0%)*
Biomass	MW	73	73	-	*-%*
Electricity generated (net)	TWh	1.48[1]	1.25	*0.22*	*17.9%*
Wind	TWh	0.30[1]	0.24	*0.06*	*25.8%*
Hydro	TWh	0.94	0.94	*(0.01)*	*(0.8%)*
Pumped storage	TWh	0.65	0.72	*(0.07)*	*(10.0%)*
Run-of-river	TWh	0.29	0.23	*0.06*	*28.3%*
Waste	TWh	0.24	0.07	*0.17*	*239.4%*
Wind farms availability factor	%	99.1%	98.5%	*0.5 pp*	*n/a*
Wind farms load factor	%	33.5%	35.7%[2]	*(2.2 pp)*	*n/a*
Heat generation					
Installed capacity	MW	170	110	*60*	*54.5%*
Projects under construction	MW	169	229	*(60)*	*(26.2%)*
Heat generated (net)	TWh	0.85	0.32[3]	*0.53*	*162.6%*
Waste[4]	TWh	0.78	0.25	*0.53*	*215.2%*
Biomass	TWh	0.07	0.08	-	*(6.1%)*

[1] Electricity generated (net) by wind includes electricity sales by Pomerania WF before COD (in December 2021), which was not previously reported in our interim reports.
[2] Previously reported 35.5 % value was corrected. Total wind farms load factor was calculated using weighted average.
[3] Previously reported 0.33 value was corrected.
[4] Vilnius CHP and Kaunas CHP can use natural gas for starting/stopping the power plant, test runs, etc., which are included in reported values of "Waste".

Flexible Generation

Highlights

- **Higher clean spark spread in CCGT commercial activities led to higher Adjusted EBITDA.**
- **Electricity generated from natural gas decreased significantly, by 31.5%.**

Financial results

Revenue

In 2021, Flexible Generation revenue reached EUR 153.5 million and was 38.4% or EUR 42.6 million higher than in 2020. The increase was mainly driven by higher revenue of the CCGT unit's commercial activity (EUR +30.1 million) due to higher captured electricity prices and regulated activity (EUR +7.0 million) due to higher selling price of electricity generated during testing.

Adjusted EBITDA

In 2021, Adjusted EBITDA reached EUR 37.2 million and was 27.0% or EUR 7.9 million higher than in 2020. Regulated activities reached EUR 15.2 million and were 1.9% or EUR 0.3 million lower than in 2020. Commercial activities reached EUR 22.1 million and were 59.2% or EUR 8.2 million higher than in 2020. The increase was mainly caused by better results of CCGT unit (EUR +8.4 million), which increased as Clean spark spread was higher. In 2021 emission allowance accounting has been changed to acquisition costs in order to better reflect the company's performance, numbers of 2020 were adjusted accordingly.

PPE, intangible and right-of-use assets

PPE, intangible and right-of-use assets decreased compared to 31 December 2020, mostly due to depreciation and amortisation.

Operating performance

Electricity generation (net) volume of CCGT unit as well as units 7 and 8 at Elektrėnai Complex was 0.82 TWh and decreased by 31.5% in 2021, compared to 2020. The decrease was mainly influenced by lower CCGT generation caused by market conditions (less favourable days for generation, but with higher margin).

In 2020, tertiary active power reserve in the capacity of 475 MW was ensured by units 7 and 8 at Elektrėnai Complex, in 2021 tertiary power reserve was ensured in the scope of 482 MW whereas starting from 2022 – in the scope of 519 MW.

In 2021, the CCGT was providing isolated system operation services in the scope of 371 MW. The remaining part of the isolated system operation services were provided by unit 7 in the scope of 38 MW. From the beginning of 2022, isolated regime services are provided as follows: 371 MW by the CCGT and 1 MW by unit 8 at Elektrėnai Complex.

During reporting period, the initiation of the project of restoration (extension), renewal and overhaul of the main facilities and systems of The Elektrėnai Complex Unit 8 in January–June 2023, was approved. Furthermore, a decision has been made to decommission TE-3 loss-making energy units since 6 January 2022. Such decision will not have a material impact on the stability, safety, reliability and adequacy of the work of the electricity system.

Key financial indicators, EURm	2021	2020[1]	Δ	Δ,%
Revenue	153.5	110.9	*42.6*	*38.4%*
Adjusted EBITDA APM	37.2	29.3	*7.9*	*27.0%*
EBITDA APM	39.0	29.7	*9.3*	*31.3%*
Adjusted EBIT APM	25.8	17.6	*8.2*	*46.6%*
EBIT APM	27.5	18.0	*9.5*	*52.8%*
Investments APM	0.2	1.5	*(1.3)*	*(86.7%)*
Adjusted EBITDA margin, % APM	24.5%	26.5%	*(2.0 pp)*	*n/a*
	31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
PPE, intangible and right-of-use assets	307.4	326.3	*(18.9)*	*(5.8%)*
Net debt APM	(37.5)	(37.7)	*0.2*	*(0.5%)*

Key operating indicators		2021	2020	Δ	Δ,%
Installed electricity capacity	MW	1,055	1,055	-	-%
Electricity generated (net)	TWh	0.82	1.20	*(0.38)*	*(31.5%)*
Total reserve and Isolated regime services	MW	891	890	*1*	*0.1%*
Tertiary power reserve services	MW	482	475	*7*	*1.5%*
Isolated system operation services	MW	409	415	*(6)*	*(1.4%)*

Key regulatory indicators		2022[2]	2021[2]	2020[2]
Regulated activities share in adjusted EBITDA	%		**40.8**	**52.7**
CCGT				
RAB	EURm	-	-	-
WACC	%	-	-	-
D&A (regulatory)	EURm	9.3	9.9	9.8
Units 7 and 8				
RAB	EURm	32.1	33.8	36.5
WACC	%	4.03	3.50	5.07
D&A (regulatory)	EURm	3.9	4.4	3.8

[1] Due to change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').
[2] Numbers approved and published by NERC. Additionally, 2020 and 2021 numbers were adjusted as to actual services provided.

Customers & Solutions

Highlights

- **Gas inventory was accumulated mainly in H1 at lower average cost, hence generating positive effect in Adjusted EBITDA due to average cost accounting method.**
- **NWC increased over 6 times, mainly due to higher gas inventory value, regulated differences and increased derivatives trading margin calls and advance payments for gas.**
- **C&S revenue nearly doubled and exceeded EUR 1 billion threshold driven by increased gas and electricity prices.**
- **Continuing B2C electricity market deregulation activities while maintaining leadership in total B2C market share of 84% by volume.**
- **The Government of the Republic of Lithuania confirmed mandatory supply volume for the LNG terminal amounting to 4 cargoes per year for 2022-2024, which aligns with the annual designated supply volume set out in the agreement with Equinor ASA.**
- **Due to unprecedent changes in energy commodity prices, the Parliament of the Republic of Lithuania adopted amendments to the Laws on Electricity and Natural Gas of the Republic of Lithuania (B2C related), postponing the 2nd stage of electricity market deregulation by 6-months (from January to July 2022) as well as approved scheme for the Group to amortize the increase in electricity and natural gas prices.**

Financial results

Revenue

In 2021, Customers & Solutions revenue reached EUR 1,009.4 million and was 84.0% or EUR 460.9 million higher than in 2020. Positive Customers & Solutions revenue result is driven by an increase in electricity business (EUR +304.9 million) as well as gas business (EUR +153.4 million). Higher revenue of B2B electricity business (EUR +199.8 million) was due to higher market prices (+165% on average) and higher volumes sold (+11%). Total B2C electricity sales have increased (EUR +98.2 million) in 2021, where regulated activity generated EUR 217.5 million while independent supply activity generated EUR 47.2 million and captured 69% of independent supply market customer share (or 63% by volume) (source: NERC). An increase in gas business was driven by higher natural gas B2B sales (EUR +143.0 million), mainly due to higher average TTF gas price index (+313%), which is mainly referenced in company's gas supply. Natural gas B2C sales increased moderately (EUR +8.8 million) due to the regulated tariff.

Adjusted EBITDA

In 2021, Adjusted EBITDA reached EUR 40.6 million and was 52.1% or EUR 13.9 million higher than in 2020. The main effects were:

- positive change of natural gas result (EUR +39.0 million) mainly driven by temporary effect of gas inventory in storage as a result of average cost accounting method. Inventory effect resulted by combination of increasing gas prices (+313% in average TTF index), higher volume of stored gas (+27% on average). These temporary effects are expected to partly reverse in 2022 after settlement of hedging contracts. Positive effect was partly offset by lower B2B volumes sold as a result of one-off natural gas transactions in 2020.
- negative change in electricity business (EUR -24.6 million) was driven by lower B2B and independent supply B2C sales, mainly due to ineffective "proxy" hedges as spread between Lithuanian and Finish price zones has increased, especially in Q4, and there was limited availability of products in the Lithuanian and Latvian market. Regulated B2C and other electricity supply activities decreased, driven by lower regulated profitability, differentiated DSO distribution tariff effect, and higher DSO balancing costs.

Key financial indicators, EURm	2021	2020[1]	Δ	Δ,%
Revenue	1,009.4	548.5	*460.9*	*84.0%*
Adjusted EBITDA APM	40.6	26.7	*13.9*	*52.1%*
EBITDA APM	26.4	70.0	*(43.6)*	*(62.3%)*
Adjusted EBIT APM	38.8	25.1	*13.7*	*54.6%*
EBIT APM	24.7	68.4	*(43.7)*	*(63.9%)*
Investments APM	2.9	3.2	*(0.3)*	*(9.4%)*
Adjusted EBITDA margin, % APM	4.0%	5.3%	*(1.3 pp)*	*n/a*
	31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
PPE, intangible and right-of-use assets	6.5	6.6	*(0.1)*	*(1.5%)*
Net debt APM	474.4	29.4	*445.0*	*1,513.6%*

Key regulatory indicators		2022[2]	2021[2]	2020[2]
Regulated activities share in adjusted EBITDA	%		**63.1**	**36.5**
RAB[3]	EURm	14.2	25.7	74.8
WACC	%	3.05	2.93	2.94

[1] Due to change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').
[2] Numbers approved and published by NERC.
[3] RAB for businesses of the Customers & Solutions segment comprises net working capital for covering the demand of public supply of electricity.

Net debt

Compared to 31 Dec 2020, net debt increased (EUR +445.0 million), mainly due to higher need for working capital. The increase of working capital (EUR + 429.5 million) was mainly driven by increased value of stored gas inventory (EUR +121.1 million), regulated price differences in electricity (EUR +113.0 million), derivatives trading related margin calls and deposits (EUR +65.9 million), advance payments for gas (EUR +49.3 million) and significantly increased trade receivables (EUR +121.3 million). It was partly offset by higher payables (EUR +50.5 million).

Operating performance

Electricity volume sales

Total electricity sales in retail market in 2021 increased by 6.3% compared to 2020. The increase was mainly caused by higher sales in Lithuania for B2B (due to increased number of B2B customers and more active economy) as well as higher sales in Latvia and Poland. However, sales to B2C customers in Lithuania were lower (-0.12 TWh) and number of customers decreased (-0.11 million), when comparing with 2020, due to liberalization effect. However, it can be noted that we still maintain leadership position (69% B2C customer share of independent supply market).

Natural gas volume sales

The volume of natural gas sold in 2021 decreased by 21.4%. Although B2C sales increased (+0.59 TWh) due to colder weather and higher number of customers, B2B sales were significantly lower (-4.39 TWh). It can be explained by decreased B2B sales in Lithuania, Latvia and Finland. Drop of B2B sales in Lithuania and Latvia was mainly a result of one-off natural gas transactions in 2020, which did not occur in 2021. The decrease in sales in Finland was affected by higher competition. Better performance of wholesale market was mostly affected by unplanned sale of 1.41 TWh LNG cargo.

Other

In 2021 customer experience (NPS) ratio in Customers & Solutions segment decreased by 14 pp and 18 pp of both B2B and B2C customers respectively when comparing to 2020. Impaired customer experience is related with liberalization process and therefore increased number of inquiries, which led to longer response time. Furthermore, customers were not satisfied with growing electricity and natural gas prices.

Key operating indicators		2021	2020	Δ	Δ,%
Electricity sales					
Lithuania	TWh	5.62	5.48	*0.14*	*2.6%*
Latvia	TWh	1.04	0.87	*0.17*	*19.8%*
Other[1]	TWh	0.10	0.02	*0.08*	*433.2%*
Total retail	TWh	6.77	6.37	*0.40*	*6.3%*
of which B2C	TWh	2.91	3.03	*(0.12)*	*(3.9%)*
of which B2B	TWh	3.86	3.34	*0.52*	*15.5%*
Number of customers	m	1.55	1.66	*(0.11)*	*(6.5%)*
Natural gas sales	TWh	11.55	14.70[2]	*(3.15)*	*(21.4%)*
Lithuania	TWh	6.01	7.65	*(1.63)*	*(21.3%)*
Latvia	TWh	0.34	2.04	*(1.70)*	*(83.2%)*
Finland	TWh	2.57	3.05	*(0.48)*	*(15.8%)*
Poland	TWh	0.01	-	*0.01*	*n/a*
Total retail	TWh	8.93	12.74	*(3.81)*	*(29.9%)*
of which B2C	TWh	2.84	2.25	*0.59*	*26.1%*
of which B2B	TWh	6.09	10.49	*(4.39)*	*(41.9%)*
Wholesale market	TWh	2.62	1.96	*0.66*	*33.5%*
Number of customers	m	0.62	0.61	*0.01*	*1.1%*
Customer experience					
NPS (B2C)	%	60.5%	74.5%	*(14 pp)*	*n/a*
NPS (B2B)	%	17.0%	35.0%	*(18 pp)*	*n/a*

[1] Electricity sales in Poland and Estonia.
[2] 14.77 value reported in Annual report 2020 was corrected after updating sales volumes in Latvia.

3.3 Five-year annual summary

Key financial indicators[1]		2021	2020	2019	2018	2017
Revenue	EURm	1,890.4	1,223.1	1,099.3	1,070.1	1,100.8
EBITDA APM	EURm	335.5	334.3	207.1	145.3	227.2
EBITDA margin APM	%	17.7%	27.6%	18.8%	13.6%	20.6%
Adjusted EBITDA APM	EURm	332.7	245.9	259.9	221.3	238.2
Adjusted EBITDA margin APM	%	17.6%	21.7%	22.6%	18.1%	21.2%
EBIT APM	EURm	184.6	215.0	83.1	(20.4)	97.1
EBIT margin APM	EURm	9.8%	17.6%	7.6%	(1.9%)	8.8%
Adjusted EBIT APM	EURm	206.6	126.6	135.0	124.3	136.3
Net profit	EURm	153.9	170.6	59.0	(22.0)	93.5
Net profit margin APM	%	8.1%	13.9%	5.4%	(2.1%)	8.5%
Adjusted net profit APM	EURm	163.1	95.5	106.0	99.0	126.7
Investments APM	EURm	234.9	346.8	453.2	418.3	260.1
FFO APM	EURm	291.8	309.4	189.5	129.7	214.6
FCF APM	EURm	(295.6)	5.1	(189.8)	(192.7)	(62.8)
ROE APM	%	8.4%	10.8%	4.4%	(1.7%)	7.0%
Adjusted ROE APM	%	8.9%	6.0%	8.0%	7.5%	9.5%
ROCE APM	%	7.1%	9.1%	3.8%	(1.1%)	5.7%
Adjusted ROCE APM	%	7.9%	5.4%	6.2%	6.6%	8.0%
ROA APM	%	3.8%	4.8%	1.9%	(0.8%)	3.8%
		31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Total assets	EURm	4,251.3	3,920.9	3,198.1	2,853.9	2,505.1
Equity	EURm	1,849.0	1,813.3	1,348.6	1,302.5	1,343.6
Net debt APM	EURm	957.2	600.3	966.5	736.0	442.3
Working capital APM	EURm	486.4	94.4	52.6	(19.2)	(8.8)
Working capital/Revenue APM	%	25.7%	7.7%	4.8%	(1.8%)	(0.8%)
Equity ratio APM	times	0.43	0.46	0.42	0.46	0.54
Net debt/EBITDA APM	times	2.85	1.80	4.67	5.07	1.95
Net debt/Adjusted EBITDA APM	times	2.88	2.44	3.72	3.33	1.86
FFO/Net debt APM	%	30.5%	51.5%	19.6%	17.6%	48.5%
Current ratio APM	times	1.87	3.36	0.78	1.16	1.29
Asset turnover APM	times	0.46	0.34	0.36	0.40	0.45

Key operating indicators		2021	2020	2019	2018	2017
Electricity						
Green Generation capacity	MW	1,350	1,350	1,287	1,193	1,159
Green Generation installed capacity	MW	1,214	1,101	1,077	1,077	1,043
Green Generation projects under construction	MW	136	249	210	116	116
Electricity distributed	TWh	10.37	9.55	9.55	9.59	9.22
Electricity generated (net)	TWh	2.30	2.45	1.06	1.01	1.28
Green electricity generated (net)	TWh	1.48	1.25	1.03[2]	0.95	1.14
Green share of generation	%	64.2%	51.0%	97.7%	93.4%	89.1%
Electricity sales	TWh	7.11	6.79	5.86	5.91	5.43
SAIFI	units	1.45	1.34	1.31	1.14	1.32
SAIDI	min	201.95	207.67	91.80[3]	81.37	137.83
Heat						
Green Generation capacity	MW	339	339	339	339	339
Green Generation installed capacity	MW	170	110	40	40	40
Green Generation projects under construction	MW	169	229	299	299	299
Heat generated (net)	TWh	0.85	0.32[4]	0.09	0.10	0.11
Natural gas						
Natural gas distributed	TWh	8.49	7.06	6.97	7.60	7.37
Natural gas sales	TWh	11.55	14.70[5]	9.84	11.33	11.47
SAIFI	units	0.006	0.010	0.008	0.006	0.007
SAIDI	min	0.47	1.61	1.25	0.61	1.16

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021'). Financial indicators were not recalculated for the years 2017–2019.
[2] Previously reported 1.04 value was corrected.
[3] Previously reported 91.79 value was corrected.
[4] Previously reported 0.33 value corrected.
[5] 14.77 value reported in Annual report 2020 was corrected after updating sales volumes in Latvia.

3.4 Results Q4

Financial results

Revenue

In Q4 2021, compared to Q4 2020, an increase in revenue was caused by:

- Customers & Solutions segment (EUR +281.1 million) from electricity business (EUR +149.1 million), as market price and volumes were higher, and gas business (EUR +131.9 million) due to inventory effect;
- Green Generation segment (EUR +75.1 million), mostly due to higher revenue of Kruonis PSHP (EUR +40.9 million) and Kaunas HPP (EUR +13.5 million), as electricity market prices were higher, as well as new assets launch effect (EUR +14.9 million).

Adjusted EBITDA

Adjusted EBITDA increased by EUR 20.5 million, mainly due to:

- better results of Green Generation segment (EUR +44.9 million) due to better results of Kruonis PSHP (EUR +17.5 million), Kaunas HPP (EUR +10.8 million), Vilnius CHP WtE unit (EUR +5.7 million), that generated first electricity in January 2021, Pomerania WF (EUR +4.7 million), that generated first electricity in May 2021, and Kaunas CHP (EUR +3.8 million);
- increase was partly offset by worse results of Customers & Solutions segment (EUR -16.6 million), mostly due to ineffective electricity hedging, and Networks segment (EUR -7.6 million), mostly due to the effect of higher distributed volumes before December.

Adjusted net profit

Adjusted net profit increased by EUR 21.0 million mainly due to higher Adjusted EBITDA.

Investments

Investments in Q4 2021 increased mainly due to higher Networks segment investments in maintenance and expansion of electricity distribution network (EUR +20.3 million and EUR +5.1 million respectively).

Operating performance

Electricity

Distributed electricity increased by 8.3%, when comparing with same quarter last year, mostly due to colder than usual weather and a more active business segment. Electricity generated (net) decreased by 9.4%. The decrease was mainly driven by lower electricity generation (net) of the CCGT unit at Elektrėnai Complex (-0.21 TWh), which offset an increased electricity generation (net) of Pomerania WF (+0.07 TWh), Kaunas HPP (+0.03 TWh), Vilnius CHP's WtE unit (+0.03 TWh), Kruonis PSHP (+0.02 TWh) and Kaunas CHP (+0.01 TWh).

Operational Green Generation capacity increased by 113 MW and capacity under construction decreased accordingly by 113 MW since COD of Vilnius CHP's WtE unit was reached in March 2021 and COD of Pomerania WF – in December 2021.

Deterioration of electricity quality indicators SAIFI and SAIDI was mainly caused by gusty wind in November–December 2021.

Heat

Heat generation (net) in Q4 2021 increased as a result of Vilnius CHP WtE unit working in full capacity as well as increased generation (net) in Kaunas CHP due better position in auctions and less repair works/testing comparing with Q4 2020.

Natural gas

Natural gas distribution volumes increased due to higher consumption and a colder weather. Natural gas sales volumes decreased due to lower sales in wholesale market and lower B2B retail sales.

Natural gas quality indicators SAIDI and SAIFI improved, when comparing with the same period in 2020 as there were no significant disruptions during Q4 2021.

Key financial indicators[1]		Q4 2021	Q4 2020	Δ	Δ,%
Revenue	EURm	725.0	354.3	*370.7*	*104.6%*
EBITDA APM	EURm	79.8	105.0	*(25.2)*	*(24.0%)*
Adjusted EBITDA APM	EURm	111.1	90.6	*20.5*	*22.6%*
Adjusted EBITDA margin APM	%	14.7%	26.7%	*(12.0 pp)*	*n/a*
EBIT APM	EURm	22.0	72.5	*(50.5)*	*(69.7%)*
Adjusted EBIT APM	EURm	78.1	58.1	*20.0*	*34.4%*
Net profit	EURm	41.7	61.7	*(20.0)*	*(32.4%)*
Adjusted net profit APM	EURm	70.5	49.5	*21.0*	*42.4%*
Investments APM	EURm	103.9	76.0	*27.9*	*36.7%*
FFO APM	EURm	74.7	102.1	*(27.4)*	*(26.8%)*
FCF APM	EURm	(334.2)	(7.7)	*(326.5)*	*n/a*

Key operating indicators		Q4 2021	Q4 2020	Δ	Δ,%
Electricity					
Green Generation capacity	MW	1,350	1,350	-	-%
Green Generation installed capacity	MW	1,214	1,101	*113*	*10.3%*
Green Generation projects under construction	MW	136	249	*(113)*	*(45.4%)*
Electricity distributed	TWh	2.77	2.55	*0.21*	*8.3%*
Electricity generated (net)	TWh	0.59	0.65	*(0.06)*	*(9.4%)*
Green electricity generated (net)	TWh	0.49	0.34	*0.16*	*46.6%*
Green share of generation	%	84%	52%	*32 pp*	*n/a*
Electricity sales	TWh	1.97	1.83	*0.14*	*7.8%*
SAIFI	units	0.35	0.23	*0.12*	*52.2%*
SAIDI	min.	28.64	13.49	*15.15*	*112.3%*
Heat					
Green Generation capacity	MW	339	339	-	-%
Green Generation installed capacity	MW	170	110	*60*	*54.5%*
Green Generation projects under construction	MW	169	229	*(60)*	*(26.2%)*
Heat generated (net)	TWh	0.28	0.15	*0.14*	*94.3%*
Natural gas					
Natural gas distributed	TWh	2.74	2.48	*0.26*	*10.3%*
Natural gas sales	TWh	2.85	3.84	*(0.99)*	*(25.8%)*
SAIFI	units	0.001	0.003	*(0.002)*	*(54.8%)*
SAIDI	min.	0.10	0.76	*(0.65)*	*(86.8%)*

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

Results by business segments Q4[1]

Networks

Networks revenue was 9.1% or EUR 12.0 million higher than in Q4 2020. The increase was mainly driven by higher electricity distribution revenue (EUR +6.1 million) and revenue from supply of last resort (EUR +4.8 million).

Adjusted EBITDA was 19.5% or EUR 7.6 million lower than in Q4 2020. The decrease was driven by the effect of higher distributed volumes before December as annual ROI and compensated D&A is fixed for the year, but allocated between the months based on distributed volumes.

Investments were 60.1% or EUR 33.1 million higher than in Q4 2020, mainly due to higher investments in maintenance and expansion of electricity distribution network (EUR +20.0 million and EUR +5.1 million respectively).

Green Generation

Green Generation revenue was 259.0% or EUR 75.1 million higher than in Q4 2020. The increase was driven by higher sales of Kruonis PSHP (EUR +40.9 million) and Kaunas HPP (EUR +13.5 million), mainly due to higher electricity market prices and volumes, the launch of Vilnius CHP's WtE unit (EUR +9.6million) and Pomerania WF (EUR +2.0 million) and Kaunas CHP (EUR +3.3 million) due to higher prices and volumes.

Adjusted EBITDA was 261.0% or EUR 44.9 million higher than in Q4 2020. The increase was mainly influenced by better results of Kruonis PSHP (EUR +17.5 million), Kaunas HPP (EUR +10.8 million), Vilnius CHP WtE unit (EUR +5.7 million) that generated first electricity in March 2021, Pomerania WF (EUR +4.7 million) that generated first electricity in May 2021 and better results of Kaunas CHP (EUR +3.8 million).

Flexible Generation

Flexible Generation revenue was 12.7% or EUR 4.7 million higher than in Q4 2020. The increase was mainly driven by higher revenue of commercial activities of the CCGT unit (EUR +7.7 million) due to higher electricity market prices.

Adjusted EBITDA was 14.5% or EUR 1.1 million higher than in Q4 2020. The increase was mainly caused by better results of the CCGT unit's commercial activity (EUR +0.8 million), mainly due higher clean spark spread for commercial activities.

Customers & Solutions

Customers & Solutions revenue was 177.7% or EUR 281.1 million higher than in Q4 2020. The increase was mainly driven by higher revenue of electricity business (EUR +149.1 million) due to higher market price and volumes and higher revenue from natural gas sales (EUR +131.9 million) due to higher natural gas prices.

Adjusted EBITDA was EUR 16.6 million lower than in Q4 2020. The decrease was mainly influenced by worse electricity business results due to ineffective hedging, which was partly offset by positive gas business results due to inventory effect.

Networks		**Q4 2021**	**Q4 2020**	**Δ**	**Δ,%**
Revenue	EURm	144.5	132.5	*12.0*	*9.1%*
Adjusted EBITDA APM	EURm	31.4	39.0	*(7.6)*	*(19.5%)*
EBITDA APM	EURm	21.3	41.8	*(20.5)*	*(49.0%)*
Adjusted EBIT APM	EURm	8.4	16.6	*(5.2)*	*(49.4%)*
EBIT APM	EURm	(26.7)	19.5	*(46.2)*	*n/a*
Investments APM	EURm	88.2	55.1	*33.1*	*60.1%*
Adjusted EBITDA margin APM	%	20.3%	30.1%	*(9.8 pp)*	*n/a*
		31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
PPE, intangible and right-of-use assets	EURm	1,654.6	1,616.9	*37.7*	*2.3%*
Net debt APM	EURm	710.0	680.7	*29.3*	*4.3%*
Green Generation		**Q4 2021**	**Q4 2020**	**Δ**	**Δ, %**
Revenue	EURm	104.1	29.0	*75.1*	*259.0%*
Adjusted EBITDA APM	EURm	62.1	17.2	*44.9*	*261.0%*
EBITDA APM	EURm	58.8	16.7	*42.1*	*252.1%*
Adjusted EBIT APM	EURm	56.1	12.0	*44.1*	*367.5%*
EBIT APM	EURm	53.5	11.4	*42.1*	*369.3%*
Investments APM	EURm	14.0	19.7	*(5.7)*	*(28.9%)*
Adjusted EBITDA margin APM	%	57.9%	58.3%	*(0.4 pp)*	*n/a*
		31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
PPE, intangible and right-of-use assets	EURm	773.1	748.8	*24.3*	*3.2%*
Net debt APM	EURm	390.1	349.9	*40.2*	*11.5%*
Flexible Generation		**Q4 2021**	**Q4 2020**	**Δ**	**Δ, %**
Revenue	EURm	41.8	37.1	*4.7*	*12.7%*
Adjusted EBITDA APM	EURm	8.7	7.6	*1.1*	*14.5%*
EBITDA APM	EURm	10.5	8.0	*2.5*	*31.3%*
Adjusted EBIT APM	EURm	5.9	4.8	*1.1*	*22.9%*
EBIT APM	EURm	7.6	5.2	*2.4*	*46.2%*
Investments APM	EURm	0.0	(1.4)	*1.4*	*(100.0%)*
Adjusted EBITDA margin APM	%	21.7%	20.7%	*1.0 pp*	*n/a*
		31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
PPE, intangible and right-of-use assets	EURm	307.4	326.3	*(18.9)*	*(5.8%)*
Net debt APM	EURm	(37.5)	(37.7)	*0.2*	*(0.5%)*
Customers & Solutions		**Q4 2021**	**Q4 2020**	**Δ**	**Δ, %**
Revenue	EURm	439.3	158.2	*281.1*	*177.7%*
Adjusted EBITDA APM	EURm	9.4	26.0	*(16.6)*	*(63.8%)*
EBITDA APM	EURm	(10.3)	35.4	*(45.7)*	*(129.1%)*
Adjusted EBIT APM	EURm	8.9	25.6	*(16.7)*	*(65.2%)*
EBIT APM	EURm	(10.8)	35.0	*(45.8)*	*(130.9%)*
Investments APM	EURm	1.7	2.4	*(0.7)*	*(29.2%)*
Adjusted EBITDA margin APM	%	2.0%	17.5%	*(15.5 pp)*	*n/a*
		31.12.2021	**31.12.2020**	**Δ**	**Δ,%**
PPE, intangible and right-of-use assets	EURm	6.5	6.6	*(0.1)*	*(1.5%)*
Net debt APM	EURm	474.4	29.4	*445.0*	*1,513.6%*

[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 (for more information, see 'Annual results' section 'Significant changes in reporting period of 2021').

3.5 Quarterly summary

Key financial indicators[1]		Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	EURm	725.0	427.3	344.7	393.4	354.3	277.9	265.3	325.7
EBITDA APM	EURm	79.8	83.8	84.2	87.6	105.0	79.0	88.2	62.1
Adjusted EBITDA APM	EURm	111.1	72.2	71.0	78.3	90.6	72.9	60.4	22.0
Adjusted EBITDA margin APM	%	14.7%	17.4%	21.4%	20.4%	26.7%	26.8%	25.4%	7.7%
EBIT APM	EURm	22.0	53.0	52.5	57.0	72.5	48.9	60.8	32.8
Adjusted EBIT APM	EURm	78.1	41.4	39.3	47.7	58.1	42.8	33.0	(7.3)
Net profit	EURm	41.7	51.2	18.0	43.0	61.7	36.4	48.2	24.3
Adjusted net profit APM	EURm	70.5	29.2	28.3	35.1	49.5	31.2	24.5	(9.8)
Investments APM	EURm	103.9	54.1	48.7	28.2	76.0	83.7	124.5	62.6
FFO APM	EURm	74.7	67.5	65.5	84.1	102.1	65.3	81.7	60.3
FCF APM	EURm	(334.2)	(47.3)	54.3	31.7	(7.7)	23.6	(1.1)	(9.9)
ROE LTM APM	%	8.4%	11.1%	10.1%	12.0%	10.8%	9.4%	7.8%	5.0%
Adjusted ROE LTM APM	%	8.9%	9.1%	9.1%	8.9%	6.0%	5.9%	5.2%	4.8%
ROCE LTM APM	%	7.1%	9.9%	9.7%	10.2%	9.1%	7.0%	5.8%	4.1%
Adjusted ROCE LTM APM	%	7.9%	7.8%	7.9%	7.7%	5.4%	4.6%	4.0%	3.9%
		Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Total assets	EURm	4,251.3	4,131.1	3,967.5	3,975.2	3,920.9	3,408.8	3,368.4	3,183.4
Equity	EURm	1,849.0	1,811.2	1,831.0	1,810.7	1,813.3	1,312.7	1,320.4	1,356.2
Net debt APM	EURm	957.2	620.4	571.6	579.2	600.3	1,026.8	1,019.2	950.6
Net working capital APM	EURm	486.4	169.5	99.1	129.7	94.4	31.4	55.9	88.1
Net debt/EBITDA LTM APM	times	2.85	1.72	1.61	1.61	1.80	3.64	4.04	4.42
Net debt/Adjusted EBITDA LTM APM	times	2.88	1.99	1.83	1.92	2.44	4.51	4.80	4.50
FFO/Net debt LTM APM	%	30.5%	51.4%	55.5%	57.5%	51.5%	24.8%	22.5%	20.7%

[1] *Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for the year 2020 and 2021 (for more information, see 'Annual results' section).*

Key operating indicators		Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Electricity									
Green Generation capacity	MW	1,350	1,350	1,350	1,350	1,350	1,350	1,287	1,287
Green Generation installed capacity	MW	1,214	1,120	1,120	1,120	1,101	1,101	1,077	1,077
Green Generation projects under construction	MW	136	230	230	230	249	249	210	210
Electricity distributed	TWh	2.77	2.45	2.43	2.72	2.55	2.30	2.17	2.53
Electricity generated (net)	TWh	0.59	0.57[1]	0.58	0.57	0.65	0.86	0.56	0.39
Green electricity generated (net)	TWh	0.49	0.28[2]	0.35	0.35	0.34	0.32	0.26	0.34
Green share of generation	%	84.1%	50.0%[3]	61.0%	61.0%	52.0%	36.7%	46.8%	87.1%
Electricity sales	TWh	1.97	1.67	1.67	1.81	1.83	1.64	1.62	1.71
SAIFI	units	0.35	0.38	0.36	0.37	0.23	0.25	0.41	0.45
SAIDI	min	28.64	30.80[4]	44.54[5]	97.97[6]	13.49	16.36	34.15	143.67
Heat									
Green Generation capacity	MW	339	339	339	339	339	339	339	339
Green Generation installed capacity	MW	170	170	170	170	110	110	40	40
Green Generation projects under construction	MW	169	169	169	169	229	229	299	299
Heat generated (net)	TWh	0.28	0.12	0.21	0.23	0.15	0.03	0.09	0.06
Natural gas									
Natural gas distributed	TWh	2.74	1.02	1.41	3.32	2.48	0.99	1.18	2.41
Natural gas sales	TWh	2.85	1.39	2.07	5.25	3.84	3.62	2.98	4.26
SAIFI	units	0.001	0.001	0.001	0.002	0.003	0.004	0.002	0.001
SAIDI	min	0.10	0.12	0.09	0.16	0.76	0.61	0.19	0.05

[1] *Previously reported value 0.55 was adjusted with electricity generated by Pomerania WF before COD in December 2021.*
[2] *Previously reported value 0.26 was adjusted with electricity generated by Pomerania WF before COD in December 2021.*
[3] *Previously reported value 48.3% was adjusted with electricity generated by Pomerania WF before COD in December 2021.*
[4] *Previously reported 31.41 value was adjusted with regards to new information.*
[5] *Previously reported 45.30 value was adjusted with regards to new information.*
[6] *Previously reported 100.41 value was adjusted with regards to new information.*

Governance

4.1 Supervisory Board Chair's statement

Newly elected Supervisory Board – same goal of governance excellence

It is my pleasure for the first time to introduce and provide an overview of the new Group's Supervisory Board. It has only been a few months, but we progressed well by analysing and adopting decisions of strategic significance. We will continue doing that while ensuring the highest standards of governance within the Group.

New Supervisory Board

In October 2021, the new Supervisory Board comprising seven members started its four-year term. Four out of seven members served as members of the Supervisory Board and/or its committees in the previous term, thus deploying in-house knowledge and expertise of these members to continue the Group's activities successfully. Unlike ever before, the composition of the Supervisory Board is diverse in gender (four members are women), nationality (the majority are foreigners) as well as experience and knowledge of key areas required to ensure the Group's growth. The new Supervisory Board brings vast international experience, and we see it as our goal that the Group becomes a truly key energy sector player in its home and target markets.

Sustainable future perspective

As new members, we took an active interest in learning the Group's strategic goals and expectations of the Majority Shareholder – the Ministry of Finance – and all other stakeholders in order to make informed decisions and fulfil the duties conferred to us.

In line with the Group's long-term strategy, we approved decisions relevant to the consolidation of Ignitis Renewables, thus paving the way for the fulfilment of the Green Generation business leg growth. Together with the Management Board, we challenge, discuss, and support its M&A, asset rotation strategies, which are key to the realization of the Group's Green Generation portfolio target of reaching 4 GW of installed capacity by 2030. We also approved the Strategic Plan for 2022–2025 which is now the grounds for the Group's activities going forward.

We encourage the Group's ambitious greenhouse gas reduction targets and commitment to reach net-zero emissions by 2050. The fact that the Science-Based Target Initiative validated the Group's targets proves that we are going in the right direction and we will continue to oversee its progress towards reaching the Group's ambitious goals.

Management Board selection

With an end of term of the Management Board in mind, we, as newly appointed members, faced a challenge of ensuring the succession of the Management Board members and the CEO. The newly formed Nomination and Remuneration Committee led by Lorraine Wrafter, an expert in organizational development and human resources, played a key role in the selection process. It had an utmost important role in assessing, together with the individual members of the Supervisory Board, the talent pipeline available and advising on the best succession candidates. To ensure the transparent and effective selection process, we decided to contract international executive recruitment advisors. The entire Supervisory Board was involved and held active discussions on the required competencies of the new management team and the selection process.

We are thankful to all the employees of the Group for the results they have delivered and continue to deliver. We are also grateful to the former members of the Management Board for their contribution proving that the Group is capable of delivering growing financial results during such unprecedented times while creating added value for all stakeholders. We expect the newly elected members of the Management Board will continue the work their predecessors had begun.

Whilst our term of office has only begun, we are proud of the progress of the Supervisory Board's results so far, and we look forward to sharing our insights and knowledge and contributing towards the success story of the Group.

Alfonso Faubel
Chair of the Supervisory Board
Ignitis Group

4.2 Governance framework

Overview of the Group's corporate governance

The Group's governance structure and model have been developed on the basis of the most advanced international and national practices, following the recommendations published by the OECD, having regard to the Corporate Governance Code for the companies listed on Nasdaq Vilnius and the Guidelines on the Governance for State-Owned Enterprises (SOEs) recommended by the Baltic Institute of Corporate Governance. Additionally, the corporate governance model of state-owned group of energy companies was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania (Corporate Governance Guidelines). Their most recent amendments were adopted on 2 July 2021. They include changes in the procedure of forming the parent company's Audit Committee, resulting in its members being elected by the General Meeting of Shareholders (instead of the Supervisory Board), which was also reflected in the Articles of Association.

The parent company acknowledges the importance of good corporate governance and currently applies the Corporate Governance Code for the companies listed on Nasdaq Vilnius to the extent possible. This code is based on the principle of 'comply or explain' (link in Lithuanian). In accordance with Article 12 (3) of the Law on Securities and Paragraph 24.5 of the Nasdaq Vilnius Listing Rules, the parent company discloses annually how it complies with, or reasons for non-compliance with, the Nasdaq Vilnius Corporate Governance Code (including its specific provisions or recommendations). For its detailed description, please see section 'Further information'.

Overall, the Group's governance principles and model aim at the assessment and harmonisation of stakeholders' interests and their translation into measurable targets and indicators.

Key principles of corporate governance

1. **Creating conditions for effective corporate governance:** an environment in which the Group of companies or individual companies operate promotes transparency in the market, ensures separation of management, oversight and state regulatory functions.
2. **The exercise of the rights conferred by shares:** the corporate governance system shall ensure the possibilities of exercising the property and non-property rights arising from the share management while safeguarding the interests of minority shareholders. The majority shareholder of the parent company shall seek and ensure that the Group of companies operates on an equal footing with other market participants, without creating exclusive business conditions for the Group of companies.
3. **The role of stakeholders:** the corporate governance system shall recognise the expectations and rights of stakeholders arising from agreements or legal regulation and shall encourage active cooperation in creating sustainable added value.
4. **Openness and transparency:** the corporate governance system must ensure timely and accurate disclosure of information about the Group of companies by providing financial, operational, managerial as well as other information to be communicated to the stakeholders. The Group of companies strives for transparency in all areas of its activities, and observes the principles of zero tolerance to corruption and of unbundling of the activities of the Group of companies from political influence.
5. **Responsibility and accountability of the managing and supervisory bodies:** the corporate governance system shall ensure that the managing and supervisory bodies of the Group of companies or of individual companies properly perform their functions and are accountable to the shareholders.

Corporate governance awards

Since 2012 the parent company receives the highest rating in Good Corporate Governance Index and has been recognised as the best managed SOE. The Good Corporate Governance Index has been compiled since 2012 by the Governance Coordination Centre on annual basis with the aim to assess and measure how each SOE implements key good governance practices. Currently, this index is the most widely used measure for assessing the quality of governance of all SOEs. In the

Ignitis Group – 2020/2021 Governance Index leaders

A+	A+	A+	A+
Overall rating	Collegial bodies	Strategic planning and Implementation	Transparency

Corporate Governance Index of the SOEs of 2020–2021, the parent company received the highest possible (A+) rating and was recognised as the governance leader in the category of large companies for the third year in a row. The rating total was compiled in accordance with the three governance criteria – collegial bodies, strategic planning and implementation and transparency standards. Same as last year, the parent company maintained the highest possible rating (A+) in all three criteria. More than that, the parent company has also received a separate award for leading in sustainability.

Furthermore, the parent company received the highest possible score in the assessment carried out by Transparency International Lithuania in the three categories assessed – the anticorruption measures, organisational transparency and financial transparency. Also, in July 2021 the Group's rating of 'A' was upgraded to 'AA' (on a scale of 'CCC'– 'AAA') in the MSCI ESG Ratings assessment. This places the Group among the industry leaders and significantly above the utility group average of 'BBB'. Moreover, a globally recognised environmental disclosure organisation CDP rated climate change mitigation and adaptation efforts of the Group for the first time. In December 2021, the CDP granted the Group a score of 'B' (on a 'D-' to 'A' scale, where 'A' is the top score). Furthermore, in 2021, the Group received a score of 20.4 (on a scale of 100–0, from highest to lowest risk) in the Sustainalytics, leading independent ESG ratings firm, ESG Risk Rating assessment. The Group's score in 2020 was 26.5. This places the Group among the top 12 percent of utility peers that manage their ESG risks optimally. Sustainalytics designated the overall ESG risk level as 'medium', approaching the 'low' risk category. For more information on ESG, please see section 'Sustainability (corporate social responsibility) report'.

Governance

New international, diverse and highly respected by the industry members of the Supervisory Board and Committees will continue working to ensure the highest standards of governance within Ignitis Group.

Governance model

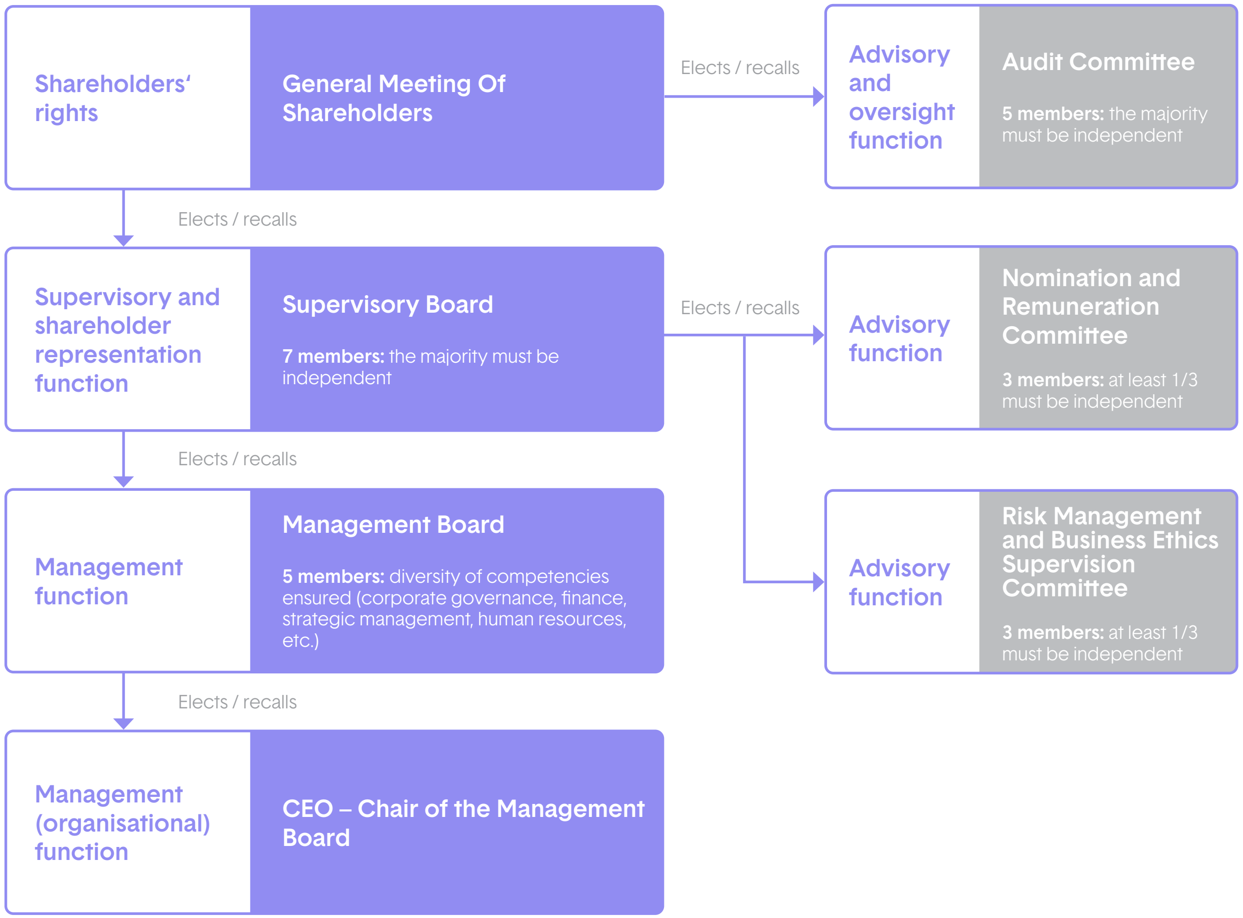
The parent company employs a corporate governance system designed to manage and control the Group as a whole, with a view to achieve common objectives. The corporate governance of the Group is exercised through the parent company's functions, e.g., by coordinating common Group areas such as finance, law, risk management, etc. Activities of the Group in these areas are based on mutual agreement, i.e., cooperation with a focus on achieving a common result, and are coordinated by policies (common provisions and norms) applicable to the whole Group.

The parent company has a Chief Executive Officer (CEO) and a two-tier board system consisting of a Management Board and a Supervisory Board. The CEO represents the parent company in all matters and, together with the Management Board, is responsible for its management, while the Supervisory Board is the body that oversees the Management Board and the CEO. The CEO manages the parent company's day-to-day operations and is entitled to solely represent the parent company.

The parent company's management and supervisory bodies are designed, and are to be operated, in such a way as to ensure the proper representation of the Republic of Lithuania as the majority shareholder, alongside other stakeholders, and the separation of the management and supervisory functions.

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

Corporate governance model



Key changes in collegial bodies

Supervisory Board and committees

During the reporting period on 26 October 2021, new members of the Supervisory Board were elected by the General Meeting of Shareholders for a four-year term. A gap of almost two months between the end of term on 29 August 2021 and the election of the new Supervisory Board, caused by the delay in the selection process, did not have any effect on the Group's performance, as the parent company planned its activities and decision-making processes in a way to ensure the continuous and efficient operation of the Group. Additionally, after the end of term of the former Supervisory Board, those former Supervisory Board members who were also members of Supervisory Board's committees were not eligible to participate in the activities of the committees, and thus, during the gap between the end of term and the election of the new Supervisory Board, due to a no quorum, committees (except the Audit Committee) could not operate.

On 3 November 2021, the newly elected Supervisory Board adopted a decision to form a new Nomination and Remuneration Committee and elect three members for a four-year term. The Supervisory Board also adopted a decision to elect two new members of the Risk and Business Ethics Supervision Committee until the end of term of the currently effective committee (19 April 2022).

Audit Committee

On 2 July 2021, the Majority Shareholder has issued an order on the amendment of the Corporate Governance Guidelines. Based on the latest amendments, the procedure for forming the parent company's Audit Committee has been changed – members of the Audit Committee are no longer elected by the parent company's Supervisory Board, but instead by the decision of the General Meeting of Shareholders.

The Audit Committee'a term of office was to end on 12 October 2021. In view of this, the selection of independent members of the Audit Committee was announced on 5 July 2021, and, on 27 September 2021, the General Meeting of Shareholders elected three independent members to the parent company's Audit Committee. The other two members of the Audit Committee were nominated by the Supervisory Board on 3 November 2021, and were elected by the General Meeting of Shareholders on 15 December 2021.

For more in-depth information about the changes in the collegial bodies, please see sections 'Supervisory Board and committees', 'Audit Committee', and 'Management Board'.

Management Board, its Chair and CEO of the parent company

During the reporting period, there has been a change in the composition of the Management Board. On 25 June 2021 Dominykas Tučkus resigned from the position of a Member of the parent company's Management Board. Given that the term of office of the parent company's Management Board expires on 31 January 2022, as well as the fact that the selection of a new member of the Management Board could have taken several months, the Supervisory Board decided not to announce the selection process for the position of a new member of the Management Board and to delegate the responsibilities of Dominykas Tučkus to the remaining members of the Management Board.

On 29 November 2021, the Supervisory Board, considering that the term of the Management Board was to end on 31 January 2022, adopted a decision to initiate a public selection of a new Management Board, as well as decided to extend the term of the effective Management Board until a new Management Board is elected, but in any case not later than until 28 February 2022.

The new members of the Management Board, its Chair and the CEO were elected after the reporting period on 18 February 2022. More information on the new CEO and the members of the Management Board is available on our website.

Shareholders' rights and general meetings

Our shareholders exercise their rights at the General Meeting. The General Meeting is the highest decision-making body of the parent company and adopts resolutions in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian).

Each shareholder who has been entered in the parent company's shareholders' register before the record date (fifth day before the General Meeting) has the right to attend the General Meeting and exercise his/her power of decision in the matters belonging to the competence of the General Meeting. Notices about the convening of the General Meeting of Shareholders, as well as all relevant and necessary information, the annex of items to be addressed in the meeting and the decisions of the General Meeting are published on our website and through the Nasdaq Vilnius and London stock exchanges.

Shareholders' competence

The parent company's shareholders' competence covers the following key areas:

- appointment and removal of the members of the parent company's Supervisory Board, determination of the remuneration for the independent members of the Supervisory Board;
- amendment of the Articles of Association of the parent company;
- approval of the annual financial statements and the consolidated financial statements of the Group companies as well as the interim financial statements prepared for the purpose of deciding on the distribution of dividends for a period shorter than the financial year;
- approval of the parent company's annual report and consolidated annual report of the Group companies;
- making a decision on the allocation of profit (loss) and the distribution of dividends for a period shorter than a financial year;
- making a decision to increase or decrease the authorised capital of the parent company;
- making a decision on the parent company's restructuring, reorganisation, liquidation;
- approval of the decisions of the Management Board of the parent company regarding the parent company becoming a founder and shareholder of other legal entities;
- approval of the decisions of the Management Board of the parent company regarding the most important decisions related to the status of the Group companies of strategic importance for national security engaged in the production, distribution and supply activities in the energy sector as well as the status of the companies directly controlled by the parent company operating in the energy production sector.

General meetings

During the reporting period, five General Meetings of the parent company's shareholders were held:

- on 25 March 2021, profit (loss) of the parent company for the year 2020 was allocated, a reserve of EUR 23,000,000 was formed for the acquisition of own shares, updated Remuneration Policy of Group companies, and updated Share Allocation Rules of the parent company were approved;
- on 29 July 2021, principles regarding the acquisition of the parent company's own shares were adopted[1];
- on 27 September 2021, dividends of EUR 43.75 million for shareholders of the parent company for the six-month period ended 30 June 2021 were allocated, an audit company to perform the audit of the financial statements of the parent company was elected, Remuneration Policy of Group companies was approved and new members of the Audit Committee were elected;
- on 26 October 2021, new members of the Supervisory Board of the parent company for the term of 4 years were elected;
- on 15 December 2021, two new members of the Audit Committee were elected.

[1] A resolution on the acquisition of the parent company's own shares included setting the maximum number of shares to be potentially acquired (1,243,243, corresponding to approximately 1.7% of the total number of shares, or for the maximum amount equal to a reserve formed for the acquisition of own shares which was equal to EUR 23,000,000), the purpose of which is to reduce the parent company's share capital by annulling its own shares, thus potentially increasing the Majority Shareholder's holdings. On 14 December 2021, the parent company completed an acquisition of all offered own shares.

Further information, including resolutions of previously held General Meetings of the parent company's shareholders, is available on our website.

Majority Shareholder

The majority shareholder of the parent company – the Republic of Lithuania – owns 73.08% of the parent company's shares. The rights and obligations of the Republic of Lithuania are exercised by the Ministry of Finance of the Republic of Lithuania (Majority Shareholder). The Majority Shareholder, together with other shareholders, adopt the most important decisions relating to the exercise of property rights and obligations. The management of the shares shall be carried out in accordance with the Law on Companies, which establishes the property and non-property rights and obligations of all shareholders, the Description of the Procedure of the Implementation of State Property and Non-Property Rights in State-Owned Enterprises approved by the Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012 (the Property Guidelines), and the Articles of Association of the parent company.

One of the corporate governance principles outlined in the Corporate Governance Guidelines is the exercise of the rights conferred by shareholders' shares, which is set to ensure that the Majority Shareholder exercises the voting rights attached to the shares within its competence and undertakes its best effort to ensure that the parent company and the Group companies are able to operate independently, i.e., the Majority Shareholder:

- shall not take actions that could prevent the parent company and the Group of companies from conducting business independently;
- shall not influence the day-to-day running of the parent company's business or hold or acquire a material shareholding in one or more significant subsidiaries of the Group companies;
- shall not take any action (or refuse to take any action) which would be prejudicial to the parent company's status as a listed company or the parent company's eligibility for listing, or would reasonably prevent the parent company from complying with the obligations and requirements established by law applicable to listed companies;
- shall conduct all transactions and ensure relationships with the companies of the Group companies on market basis (on an arm's length terms) and on a normal commercial basis;
- shall not vote in favour of, or propose, any decision to amend the Articles of Association of the parent company, which would be contrary to the principle of independence of the parent company's business;
- shall vote in a manner that ensures that the management of the parent company complies with the principles of good governance set out in the Corporate Governance Code.

Expectations of Majority Shareholder

In accordance with the Property Guidelines (link in Lithuanian), the Majority Shareholder releases a Letter of Expectations to the parent company at least once every four years on the objectives pursued by the Majority Shareholder in the SOE and its expectations. With that in mind, the Letter of Expectations in relation to the activities of the Group was approved by the Order of the Minister of Finance of 13 April 2018, with the last amendment supporting the Group's strategy published on 17 February 2021.

In this letter, the Majority Shareholder indicates the following expectations of the Group's strategic priorities:

- to ensure the increase in reliability and development of the electricity distribution network;
- to ensure a reliable and flexible Lithuanian energy system and its development by contributing to the implementation of changes in the energy sector in Lithuania and in the region;
- to expand green generation by contributing to Lithuania's and regional commitments to increase electricity generation from renewable energy sources;
- to develop innovative solutions and to actively seek new opportunities for profitable development of activities;
- to ensure sustainable development of the activities of the Group:
    - to follow the principles of environmental social and good corporate governance practices (including the criteria of transparency of activities of the SOEs);
    - to contribute to achieving the sustainable development goals of the United Nations by giving priority to those Sustainable Development Goals (SDG) which are affected by the Group's activities the most;
    - to consistently reduce greenhouse gas emissions.

4.3 Supervisory Board and committees

Supervisory Board overview

The Supervisory Board is a collegial supervisory body established in the Articles of Association of the parent company. The Supervisory Board is functioning at the Group level, i.e., where appropriate, it addresses the issues related not only to the activities of the parent company, but also to those of Group companies or their respective management and supervisory bodies.

For the purposes of effective fulfilment of its functions and obligations, the Supervisory Board forms committees: the Risk Management and Business Ethics Supervision Committee and the Nomination and Remuneration Committee. If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve specific issues, to prepare, supervise or coordinate strategic projects).

The Supervisory Board is elected by the General Meeting for the period of four years. The Supervisory Board of the parent company comprises seven members: five independent members and two representatives of the Majority Shareholder. The Supervisory Board also elects its Chair from among its members. Such method of forming a Supervisory Board is in line with the corporate governance principles.

The main functions and responsibilities of the Supervisory Board are:

- considering and approving the business strategy, annual budget and investment policy of the parent company and the Group;
- analysing and evaluating implementation of business strategy, providing this information to the General Meeting;
- electing and removing members of the Management Board;
- supervising activities of the Management Board and the CEO;
- providing comments to the General Meeting of Shareholders on a set of financial statements, allocation of profit or loss, and annual report;
- considering the conclusion of the parent company's Audit Committee, delivering an opinion regarding certain agreements of the parent company to be made with a related party.

The Supervisory Board also addresses other matters within its competence as stated in the parent company's Articles of Association and the Law on Companies.

Information on selection criteria of the members

The selection of the members of the Supervisory Board is initiated and conducted by the Majority Shareholder in accordance with the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Company, a State-Owned or Municipally-Owned Parent Company or its Subsidiary approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015. According to latter resolution, members of Supervisory Board shall have diverse competences. All members must have at least one of the following competences: finance (financial management, financial analysis or audit), strategic planning and management, knowledge of the industry in which the parent company operates (i.e., the energy sector), other competences (i.e., law, management, human resources).

The decision on the election of a Supervisory Board member is adopted by the General Meeting.

Information on remuneration of the members during the reporting period

The Articles of Association set out that independent members of the Supervisory Board may be remunerated for their work at the Supervisory Board. The terms and conditions of the agreements with the members of the Supervisory Board, including the remuneration of independent members, are determined by the General Meeting.

Details of remuneration of the independent members of the Supervisory Board during the reporting period are provided in section 'Remuneration report' below.

Conflicts of interest

In accordance with the Articles of Association of the parent company, each candidate to the members of the Supervisory Board must provide the General Meeting with a written consent to participate in the selection and the Declaration of Interests, stating therein all circumstances which may give rise to a conflict of interest between the candidate and the parent company. If circumstances that could result in a conflict of interest between the member of the Supervisory Board and the parent company arise, the member of the Supervisory Board must immediately notify the Supervisory Board and shareholders in writing of such new circumstances. A member of the Supervisory Board must withdraw from preparation, consideration and/or making decisions on the issue, if the issue may cause a conflict of interest between the member of the Supervisory Board and the parent company and/or Group companies, including but not limited to, if making decisions on the issue may or may not create a conflict of interest. If a conflict of interest becomes apparent and a member of the Supervisory Board fails to withdraw, the Supervisory Board must consider the motives and/or circumstances that may cause a conflict of interest and make a decision on the removal of a member of the Supervisory Board.

Activities of the committee during the reporting period

Supervisory Board meetings takes place on a monthly basis. Additionally, ad hoc meetings are held if necessary. Overall 30 meetings of the Supervisory Board were held in 2021, covering the following key areas:

- submission of proposals regarding business organisation and planning, objectives, financial position and performance of the parent company and the Group, including sustainability considerations;
- issues related to the remuneration system of the Group, including long-term incentive share options programme for executives and employees, and the updated Remuneration Policy;
- issues related to the annual report, annual financial statements for the year 2020, as well as to the interim dividends for the first half of 2021;
- submission of opinion regarding related party transactions;
- submission of opinion regarding the audit company;
- evaluation of nominations for members of the Group companies' management and supervisory bodies.

Performance evaluation

At least once every three years the parent company shall contract an independent external consultant to carry out evaluation of the Supervisory Board's performance. The first such evaluation was conducted in the third quarter of 2021. The findings of such evaluation is used to improve the work of the Supervisory Board and its committees and prepare a supervisory board profile. In addition, in line with good governance practices and the Majority Shareholders' expectations, each year on its own initiatives the Supervisory Board conducts self-assessment and agrees on further actions to improve the functioning of the Supervisory Board.

Changes in the composition of the Supervisory Board

The term of office of the former Supervisory Board expired on 29 August 2021. In view of this, selection procedure of new Supervisory Board members was announced by the Ministry of Finance on 15 June 2021. However, due to delay in the selection process, the new members of the Supervisory Board were elected by the General Meeting of Shareholders on 26 October 2021. The newly elected Supervisory Board members started their activities immediately after the end of the General Meeting of Shareholders that elected them.

The new Supervisory Board comprises seven members, five of them are independent and two represent the Majority Shareholder. On 29 October 2021, the Supervisory Board elected Alfonso Faubel as the Chair from amongst its members. The term of office of the new Supervisory Board expires on 25 October 2025.

The members of the Supervisory Board were selected on the basis of the general expectations and competencies set out in the Competence Profile of the Supervisory Board. The profile included general requirements, independence requirements (for independent members only), ethical and values requirements (including diversity requirement). The members were being selected to the six areas of competence – financial management, organizational development, sustainable development and risk management, strategy development and international expansion, renewable energy as well as public policy and governance.

Information on education, experience and place of employment of the new Supervisory Board members is available below.

There were no significant changes in the information on education, experience and place of employment of the former Supervisory Board members during the reporting period. The relevant information is available in our Annual report 2020.

Neither former, nor new members of the Supervisory Board had any participation in the capital of the parent company or its subsidiaries.

Committees of the Supervisory Board

In order to perform its functions and duties effectively, the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. The committee must have at least three members, where at least one member must be a member of the Supervisory Board and at least 1/3 of the members must be independent. The members of the committees are elected for the period of four years.

The following committees of the Supervisory Board are operating:

- **the Nomination and Remuneration Committee** is responsible for submitting conclusions or proposals to the Supervisory Board on the matters of appointment, removal or promotion of the Management Board members and members of the supervisory and management bodies of the parent company's subsidiaries. The committee's functions also cover forming a common remuneration policy for the Group companies, determining the size and composition of remuneration, incentive principles, etc.;
- **the Risk Management and Business Ethics Supervision Committee** is responsible for submitting conclusions and suggestions regarding management and control system in the Group and/or status of implementation of the main risk factors and risk management tools to the Supervisory Board; for compliance with business ethics, maintenance of a bribery and corruption risk management system and submitting recommendations to the Supervisory Board.

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve specific issues, to prepare, supervise or coordinate strategic projects, etc.). On the day when this report was announced, the committees of Nomination and Remuneration and Risk Management and Business Ethics Supervision were operating in the parent company.

Activities, composition of the committees as well as information on members' education, experience, place of employment and shareholdings of the Group companies at the end of the reporting period is provided below in the report.

There were changes in the composition of the committees during the reporting period – they are provided in the following sections. Furthermore, details of remuneration of the members of the committees during the reporting period are provided below in section 'Remuneration report'.

Members of the new Supervisory Board

Alfonso Faubel

Chair, member since 26/10/2021
Independent
Competence: renewable energy
Committees: R
Term of office expires: 25/10/2025

Experience
Alfonso Faubel has held executive responsibilities in Siemens Gamesa and Alstom/GE, which are leading players in the global wind power market. When assuming the role of Senior Vice President at Alstom/GE, he contributed towards launching businesses in 16 new markets. Alfonso Faubel is an executive with 34 years of diverse experience in automotive, digitization and energy industries and is valued for his skills in business turnaround, improving operational excellence, working with teams in different cultural environments on assignments worldwide.

Education
Richmond American International University, Bachelor's degree in Business Administration; INSEAD, Executive Education; London School of Economics, the Landscape of Philanthropy and Social Entrepreneurship.

Other current place of employment, position
None.

Number of shares in parent company
None.

Lorraine Wrafter

Member since 26/10/2021
Independent
Competence: organisational development
Committees: N
Term of office expires: 25/10/2025

Experience
Lorraine is a global HR director with a specialisation in Organisation Effectiveness (change, culture, M&A, organisation design, reward and talent management), working with boards and executive teams to transform organisations and workforce performance to deliver business value in complex multinational organisations.
Lorraine has more than 30 years of experience in big multinational corporations: CARGILL Inc. and HOLCIM.

Currently she has her own business, 'The Problem' and works on varied projects such as Organisation Transformation, Culture, Team Dynamics, and Coaching. She is also a board Advisor to a German start-up company HACK - CMP.

Education
Limerick University, Diploma in Business Studies; University West of London, Diploma in Human Resources and Fellow of the Chartered Institute of Personal Development; Leicester University, Master's degree in Human Resources Management and Development; INSEAD, Diploma in Clinical Organisational Psychology, Executive Masters, Consultancy and Coaching for Change.

Other current place of employment, position
The Problem (single person company; Galeistraat 7, Putte, 2580, Belgium) consultant and owner; Königstein im Taunus, Hesse (collaborative platform) Advisory Board Member.

Number of shares in parent company
None.

Judith Buss

Member since 12/11/2020 (re-elected on 26/10/2021)
Independent
Competence: financial management
Committees: A
Term of office expires: 25/10/2025

Experience
Judith Buss has more than 20 years of experience in various senior leadership positions in the global energy industry and financial markets and has worked internationally in Germany, Norway and the UK. She has significant experience in corporate finance, leading and negotiating large international M&A growth acquisitions, integration processes and organizational and cultural change processes. Judith has held several executive positions at E.ON group, most recently as Chief Financial Officer of E.ON Climate & Renewables. She also has experience in corporate governance serving as a member of several boards of directors in companies operating in Germany, Norway, the UK, Russia and Algeria.

Education
University of Augsburg, Master's degree in Business Administration (Banking, Finance and Controlling); Leadership Programs at IMD Business School, Lausanne, and Massachusetts Institute of Technology, Boston.

Other current place of employment, position
Uniper SE (international energy company, Emilie-Preyer-Platz 1, 40479 Düsseldorf, Germany), Member of the Supervisory Board.

Number of shares in parent company
None.

Tim Brooks

Member since 26/10/2021
Independent
Competence: sustainable development and risk management
Committees: R
Term of office expires: 25/10/2025

Experience
Tim is a senior executive with more than 20 years of experience in sustainable development both as a consultant, and in large corporate entities. Tim has been working at The LEGO Group for 9 years, most recently as a Vice President for Sustainability and regularly contributes to the company's risk and compliance boards. Tim has valuable experience in communicating on sustainability issues, developing sustainability strategies and working with a broad range of stakeholders to implement industry leading sustainability programmes.

At LEGO Systems, Tim Brooks has worked with KIRKBI, the LEGO Group parent company, to support and coordinate over 700 million USD of funding for renewable energy projects resulting in construction of two offshore wind parks, and delivery of over 50MW of building and ground mounted solar PV for LEGO buildings. He has also launched the 'Engage2Reduce' supply chain engagement programme and the 450 million USD LEGO Sustainable Materials programme. Currently, he serves as a Board Trustee of the Global Action Plan and a Board Member of the Honnold Foundation.

Education
University of Sheffield, Bachelor's degree in Environmental Geoscience; Imperial College, Master's degree in Environmental Technology (Energy Policy); Cambridge University, Institute of Sustainability Leadership.

Other current place of employment, position
Vice President, Corporate Responsibility at LEGO System A/S (Åstvej 1 7190, Billund, Syddanmark); Board Trustee, the Global Action Plan (network of organisations); Member of the Board, the Honnold Foundation (non-profit organisation).

Number of shares in parent company
None.

A Audit committee *N Nomination and remuneration committee* *R Risk management and business ethics supervision committee*

Bent Christensen

Member since 12/11/2020 (re-elected on 26/10/2021)
Independent
Competence: strategic management and international development
Committees: N
Term of office expires: 25/10/2025

Experience
Bent is a senior executive with more than 35 years of international experience in the energy sector. During his career he held various key positions in Siemens and Orsted and took part in developing these companies into global leading companies within renewables sector. Bent has worked with almost all kinds of energy resources and was responsible for or involved in the development and construction of several on- and off-shore wind farms and thermal power plants.

Education
University of Southern Denmark, Bachelor's degree in Electrical Engineering; Horsens University College, Engineering Business Administration; IMD Business School, Executive development program; Siemens, Leadership Excellence.

Other current place of employment, position
Christensen Management Consulting Holding ApS (code: 40648313; Sanddal Strandsti 1, Fredericia, 7000, Denmark), Chief Executive Officer and owner; Christensen Management Consulting ApS (code: 40648542; Sanddal Strandsti 1, Fredericia, 7000, Denmark), Chief Executive Officer and owner; Chair of the Supervisory Board of Wind Estate A/S (Læsøvej 1 8940 Randers, Denmark).

Number of shares in parent company
None.

Aušra Vičkačkienė

Member since 30/08/2017 (re-elected on 26/10/2021)
Majority shareholder's representative
Competence: public policy and governance
Committees: N
Term of office expires: 25/10/2025

Experience
Aušra has more than 20 years of experience in civil service. For the last 13 years she has been the Director of the Asset Management Department of the Ministry of Finance, previously managed the Financial Services Division of the Ministry's Financial Markets Department, and was the Head of the Loan and Guarantee Supervision Division. In addition to this, Aušra has served on management boards of various state-owned companies: Būsto Paskolų Draudimas, Turto Bankas and Viešųjų Investicijų Plėtros Agentūra, where she was elected as the Chair of the Management Board.

Education
Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration.

Other current place of employment, position
Ministry of Finance of the Republic of Lithuania, Director of Asset Management Department, Valstybės Investicijų Valdymo Agentūra, Member of the Supervisory Board (since 21/10/2020).

Number of shares in parent company
None.

Ingrida Muckutė

Member since 26/10/2021
Majority shareholder's representative
Competence: public policy and governance
Committees: A
Term of office expires: 25/10/2025

Experience
Ingrida is a highly experienced accounting and reporting, financial audit regulation professional with a career of 17 years working at the Ministry of Finance. She started her career in the Ministry of Finance as a Director of Accounting Methodology Department in 2004, where she initiated and led the public sector accounting reform. In 2013, during Lithuania's presidency in the European Council, she was chairing Working Party on Company Law meetings on Audit Directive and Regulation. From then on, her responsibilities cover chairing the Committee of National Accounting Standards for private and public sectors. She also actively contributes to modernising the national systems of accounting, companies' insolvency and property and business valuation through proposals of legal initiatives.

Before her career in the Ministry of Finance, she worked as a financial controller at Konica Minolta Baltija and as a senior auditor in Arthur Andersen, and later in Ernst & Young Baltic.

Education
Vilnius University, Master's degree in Economics, Accounting, Finance and Banking; Uppsala University (Sweden), Financial Management Programme.

Other current place of employment, position
Director of the Reporting, Audit, Property Valuation and Insolvency Policy Department at the Ministry of Finance of the Republic of Lithuania.

Number of shares in parent company
None.

71%
Independence, including the Chair

57%
Share of women in the Supervisory Board

A Audit Committee N Nomination and Remuneration Committee R Risk Management and Business Ethics Supervision Committee

Nomination and Remuneration Committee overview

The Nomination and Remuneration Committee is responsible for submitting conclusions or proposals to the Supervisory Board on the matters of appointment, removal or promotion of the Management Board members and members of the supervisory and management bodies of the parent company's subsidiaries, as well as assessing the structure, size, composition and activities of the Management Board and supervisory and management boards of the parent company's subsidiaries and their respective members and issuing the respective opinions. The functions of the committee also cover forming a common remuneration policy for the Group, establishing the amount and composition of remuneration and the principles of promotion.

The main functions of the Nomination and Remuneration Committee are the following:

- to provide suggestions in relation to the long-term remuneration policy of the parent company and the Group companies (fixed pay, performance-based pay, pension insurance, other guarantees and remuneration forms, compensations, severance pay, other items of the remuneration package), and the principles of compensation for expenses related to the person's activities;
- to monitor compliance of the remuneration and bonuses policies of the parent company and the Group companies with the international practice and good governance practice guidelines, and provide suggestions for their improvement;
- to assess the terms and conditions of the agreements between the parent company and the Group companies or the members of the management and supervisory bodies;
- to assess the procedures for recruitment and hiring of candidates to the positions of management and supervisory bodies and of the parent company and Group companies, and establish qualification requirements for them; submit recommendations and insight to the Supervisory Board;
- to assess the structure, size, composition and activities of management and supervisory bodies of the parent company and the Group companies;
- to oversee and assess the implementation of measures ensuring business continuity of the management and supervisory bodies of the parent company and the Group companies;
- to perform other functions falling within the scope of competence of the Committee as decided by the Supervisory Board.

Changes in the composition of the committee

Following the end of term of the Supervisory Board on 29 August 2021, former Supervisory Board's members were not eligible to participate in the activities of the committees and thus, due to a no quorum, the Nomination and Remuneration Committee could no longer carry out its activities. After the election of a new Supervisory Board on 26 October 2021, a decision was adopted by the Supervisory Board on 3 November 2021 to elect three new members of the Nomination and Remuneration Committee from among the Supervisory Board's members for a term of four years. The end of term of the current Nomination and Remuneration Committee is 2 November 2025.

None of the former Nomination and Remuneration Committee members held shares of the Group. There were no significant changes in the information on education, experience and place of employment of the former Nomination and Remuneration Committee members during the reporting period. The relevant information is available in our Annual report 2020.

None of the new Nomination and Remuneration Committee members hold shares of the Group. Information on education, experience and place of employment of the new Nomination and Remuneration Committee members is available below.

Details of remuneration of the members of the Nomination and Remuneration Committee during the reporting period are provided below in section 'Remuneration report'.

Activities of the committee during the reporting period

Overall 21 meetings of the Nomination and Remuneration Committee were held during the reporting period.

Key activities in 2021 covered the following areas:

- evaluation of nominations for members of the parent company subsidiaries' management and supervisory bodies (i.e., Ignitis Polska, Vilnius CHP, Ignitis Suomi, Ignitis, Tuuleenergia, Ignitis Grupės Paslaugų Centras, Ignitis Renewables, Ignitis Gamyba, Ignitis Latvia, Gamybos Optimizavimas, Elektroninių Mokėjimų Agentūra);
- issues related to the development of remuneration policy;
- issues on succession planning of strategic positions in the parent company;
- proposals on the profile of competencies of the Supervisory Board of the parent company;
- proposals on the profile of competencies of the Management Board of the parent company;
- proposals on the long-term incentive of employees with share options programme;
- issues related to the implementation of the parent company's strategy and objectives in the area of people and culture;
- issues related to executive remuneration;
- committee's organisational issues.

Members of the Nomination and Remuneration Committee

Lorraine Wrafter

Chair, member since 03/11/2021
Independent
Term of office[1] expires: 02/11/2025

Member of the Supervisory Board
See pages 86–87

Aušra Vičkačkienė

Member since 03/11/2021
Majority shareholder's representative
Term of office[1] expires: 02/11/2025

Member of the Supervisory Board
See pages 86–87

Bent Christensen

Member since 03/11/2021
Independent
Term of office[1] expires: 02/11/2025

Member of the Supervisory Board
See pages 86–87

[1] Term of office of the Nomination and Remuneration Committee is until 02/11/2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore the term of office of the individual Supervisory Board members on the committee is aligned with the term of office of the Supervisory Board.

67%
Independence

67%
Share of women in the Nomination and Remuneration Committee

Risk Management and Business Ethics Supervision Committee overview

The Risk Management and Business Ethics Supervision Committee is responsible for submitting conclusions or proposals to the Supervisory Board on the management and control system in the Group and the main risk factors, and implementation of risk management or prevention measures.

The main functions of the committee:

- to monitor how risks relevant to the achievement of the parent company's and the Group companies' objectives are identified, assessed and managed;
- to assess the adequacy of internal control procedures, operational ethics and risk management measures for identified risks;
- to assess the state of implementation of risk management measures;
- to monitor the implementation of the risk management process;
- to assess the risks and the risk management plan of the parent company and the Group companies;
- to assess the periodic risk identification and assessment cycle;
- to monitor whether risk registers are compiled, analyse their data, submit proposals;
- to monitor the preparation of internal documents related to risk management;
- to assess the sufficiency and adequacy of a company's internal documents governing the fight against bribery and corruption and periodically monitor their implementation/compliance;
- to periodically monitor information related to operational ethics management actions, events and unresolved incidents (ensuring transparency, prevention of bribery, corruption risk management/prevention, etc.);
- to perform other functions assigned to the competence of the Committee by the decision of the Supervisory Board;
- to prepare and submit a report on its activities to the Supervisory Board at least every 6 months.

Changes in the composition of the committee

Following the end of term of the Supervisory Board on 29 August 2021, former Supervisory Board's members were not eligible to participate in the activities of the committees and thus, due to a no quorum, the Risk Management and Business Ethics Supervision Committee could no longer carry out its activities. After the election of the new Supervisory Board on 26 October 2021, a decision was adopted on 3 November 2021 to elect two new committee members from amongst the Supervisory Board members until the end of term of the currently effective committee (19 April 2022).

None of the former Risk Management and Business Ethics Supervision Committee members held shares of the Group. There were no significant changes in the information on education, experience and place of employment of the former Risk Management and Business Ethics Supervision Committee members during the reporting period. The relevant information is available in our Annual report 2020.

None of the new Risk Management and Business Ethics Supervision Committee members holds shares of the Group. The term of office of the current Risk Management and Business Ethics Supervision Committee expires on 19 April 2022. Information on education, experience and place of employment of the new Risk Management and Business Ethics Supervision Committee members is provided below.

Details of remuneration of the members of the Risk Management and Business Ethics Supervision Committee during the reporting period are provided in section 'Remuneration report' below.

Activities of the committee during the reporting period

Overall, 5 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Key activities in 2021 covered the following areas:

- Risk Management Policy and risk management model of the consolidated risk register and risk management plan of the Group;
- periodical risk management monitoring reports of the Group;
- anticorruption management system of the Group;
- other relevant topics for companies of the Group;
- cooperation with the Audit Committee;
- cooperation with the following functions of the Group: digital security, corporate security, enterprise risk management, occupational safety, personal data protection and compliance.

Members of the Risk Management and Business Ethics Supervision Committee

Tim Brooks

Chair, member since 03/11/2021
Independent
Term of office expires: 19/04/2022

Member of the Supervisory Board
See pages 86–87

Alfonso Faubel

Member since 03/11/2021
Independent
Term of office expires: 19/04/2022

Member of the Supervisory Board
See pages 86–87

Šarūnas Rameikis

Member since 20/04/2021
Independent
Term of office expires: 19/04/2022

Experience
Šarūnas has more than 20 years of experience in the legal field. He has worked at the Financial Crime Investigation Service for almost 15 years and was a deputy director for 5 years. Since 2017 Šarūnas has been working as an attorney at law at a private practice.

Education
Mykolas Romeris University, Master's degree in Law.

Other current place of employment, position
Law firm Litten, managing partner, attorney at law.

Number of shares in parent company
None.

100%

Independence including the Chair

0%

Share of women in the Risk Management and Business Ethics Supervision Committee

Information about activities of the former Supervisory Board and its committees

Overview of the former Supervisory Board and its committees

	Supervisory Board	Nomination and Remuneration Committee	Risk Management and Business Ethics Supervision Committee
Term of office	30 August 2017 – 29 August 2021	13 September 2017 – 12 September 2021[1]	20 April 2018 – 19 April 2022[1]
Independence, including the Chair	71%	50%	100%
Meeting attendance	96%	98%	92%
Share holdings of the parent company or its subsidiaries	None	None	None

Overview of the meeting attendance of the former Supervisory Board and its committees' members[2]

Member	Supervisory Board	Nomination and Remuneration Committee	Risk Management and Business Ethics Supervision Committee[3]
Darius Daubaras	23/23	-	4/4
Andrius Pranckevičius	20/23	-	3/4
Aušra Vičkačkienė	22/23	14/15	-
Daiva Kamarauskienė	22/23	15/15	-
Daiva Lubinskaitė - Trainauskienė	23/23	15/15	-
Judith Buss	23/23	-	-
Bent Christensen	22/23	-	-
Irena Petruškevičienė	-	-	-
Danielius Merkinas	-	-	-
Šarūnas Radavičius	-	-	-
Ingrida Muckutė	-	-	-
Lėda Turai - Petrauskienė	-	15/15	-
Šarūnas Rameikis	-	-	4/4

[1] Following the end of term of the Supervisory Board on 29 August 2021, former Supervisory Board's members were not eligible to participate in the activities of the committees and thus, due to a no quorum, the Nomination and Remuneration Committee and the Risk Management and Business Ethics Supervision Committee could no longer carry out their activities.
[2] The numbers indicate how many meetings in 2021 the members have attended out of total meetings during the reporting period.
[3] The numbers indicate how many meetings the members have attended until the new composition of the Risk Management and Business Ethics Supervision Committee was approved by the Supervisory Board on 3 November 2021.

Information about activities of the new Supervisory Board and its committees

Overview of the new Supervisory Board and its committees

	Supervisory Board	Nomination and Remuneration Committee	Risk Management and Business Ethics Supervision Committee
Term of office	26 October 2021 – 25 October 2025	3 November 2021 – 2 November 2025	20 April 2018 – 19 April 2022
Independence, including the Chair	71%	67%	100%
Meeting attendance	98%	98%	92%
Share holdings of the parent company or its subsidiaries	None	None	None

Overview of the meeting attendance of the new Supervisory Board and its committees' members

Member	Supervisory Board[1]	Nomination and Remuneration Committee[2]	Risk Management and Business Ethics Supervision Committee[2]
Alfonso Faubel	7/7	-	1/1
Lorraine Wrafter	7/7	6/6	-
Tim Brooks	6/7	-	1/1
Judith Buss	7/7	-	-
Bent Christensen	7/7	6/6	-
Aušra Vičkačkienė	7/7	6/6	-
Ingrida Muckutė	7/7	-	-
Šarūnas Rameikis	-	-	1/1

[1] The numbers indicate how many meetings the members have attended out of total meetings during this period from the election of the new Supervisory Board on 26 October 2021 until 31 December 2021.
[2] The numbers indicate how many meetings the members have attended out of total meetings during this period from the formation of the new committee on 3 November 2021 until 31 December 2021.

4.4 Audit Committee report

In 2021, in implementing the functions laid down in the Regulations of the Audit Committee of the parent company, the Audit Committee held 23 meetings. During the reporting period, the General Meeting of Shareholders of the parent company adopted a new version of the Articles of Association changing the procedure of forming the Audit Committee – as a result the Audit Committee members are being elected by and are accountable to the General Meeting of Shareholders (instead of the Supervisory Board). In light of these changes, the General Meeting of Shareholders also adopted a new version of the Regulations of the Audit Committee (link).

In 2021, the activities of the Audit Committee covered the following key areas:

Financial reporting

– Supervised the preparation process of financial statements of the Group companies.
– Ensured that financial statements are prepared in the European Single Electronic Format (ESEF).
– Discussed IT issues related to the preparation of financial statements.
– Discussed non-financial disclosures.

External audit

– Organised the appointment of the new Audit Firm.
– Ensured the independence and objectivity of the Audit Firm.
– Reviewed the external audit strategy, scope and materiality as well as key audit issues.
– Periodically assessed updates from the Audit Firm on the external audit process.
– Discussed the Audit Firm's reports on the Group public interest companies.
– Considered requests by the Audit Firm to participate and submit proposals for the performance of non-audit services.

Internal audit

– Reviewed and approved the Internal Audit plan for 2021.
– Discussed reports on the internal audit tasks performed by the Group Internal Audit.
– Followed implementation of actions resulting from the Internal Audit reports.
– Discussed with the parent company's management whether the Group Internal Audit is provided with sufficient financial resources for the implementation of its functions.

Internal control, risk management and governance

– Reviewed periodic reports on the Group's financial results.
– Reviewed the performance reports of the parent company's investments into the venture capital fund KŪB "Smart Energy Fund powered by Ignitis Group".
– Discussed the updated Group's strategy with the parent company's CEO.
– Provided opinions to the Group companies on conclusion of related party transactions in compliance to the Article 372 of the Law on Companies of the Republic of Lithuania.
– Discussed legal disputes in which the Group companies were involved.
– Submitted semi-annual Audit Committee Reports of its activities to supervisory boards of the Group public interest companies for 2020/2021.
– Contributed to the revision of the Regulations of the Audit Committee, which were approved by the General Meeting of Shareholders.
– Discussed with Group Business Resilience about organising cybersecurity within the Group.

The Audit Committee declares that in 2021 there were no factors restricting the activity of the Audit Committee and the Audit Committee received from the Group all information necessary for the exercise of its functions.

The Audit Committee in 2022 will also:

– follow the implementation of recommendations resulting from internal and external audits;
– follow the updates on the Accounting Policy's manual;
– follow further developments of non-financial reporting;
– develop communication and work procedures with the Supervisory Board and shareholders, taking into account the new status of the Audit Committee.

Irena Petruškevičienė
Chair of the Audit Committee
Ignitis Group

Audit Committee overview

Overall, the Audit Committee is responsible for monitoring the process of preparation of financial statements of the Group, with a focus on the relevance and consistency of accounting methods used. In addition, it is responsible for monitoring the effectiveness of the Group companies' internal control and risk management systems affecting the audited Group's financial statements, as well as the effectiveness of internal audit. Also, the committee is responsible for oversight if the audit of the annual financial statements of Group companies which are public interest entities and the consolidated financial statements of the Group.

Audit Committee and internal audit function

The Group has a centralised internal audit function since 5 January 2015. This helps ensure independence and objectivity of the internal audit, consistency in application of uniform methodology and reporting principles, and a more rational allocation of the available audit resources and competencies. In ensuring the effectiveness of the internal audit function, the Audit Committee monitors and periodically evaluates the work of the internal audit function, discusses the results of its inspections, ways of elimination of the identified deficiencies and implementation of the internal audit plans.

The main functions of the Audit Committee are the following:

Financial reporting

- To monitor the process of preparation of parent company's and Group companies' financial statements, paying particular attention to assessment of suitability and consistency of applied accounting methods.

External audit

- To monitor independence and objectivity of statutory auditor and to submit recommendations regarding selection of the audit company.
- To monitor that the rotation requirements of audit companies and key audit partners are not violated.

Internal audit

- To monitor effectiveness of internal audit function, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of the Head of the Group Internal Audit, to coordinate and evaluate periodically the work of the Group Internal Audit, to discuss verification results, removal of identified deficiencies and implementation of internal audit plans.
- To approve operational rules of the Group Internal Audit and Internal Audit Plan.

Internal control and risk management

- To monitor the effectiveness of the Group companies' internal control and risk management systems affecting the audited company's financial statements.
- To submit opinion to the Group companies regarding transactions with related parties, as provided in Paragraph 5 of Article 37[2] of the Law on Companies of the Republic of Lithuania.

Governance

- To assess and analyse other issues assigned to the competence of the committee.
- To perform other functions related to the committee's functions and provided in the legal acts of the Republic of Lithuania and the Corporate Governance Code for the Companies listed on Nasdaq Vilnius.

Changes in the composition of the committee

On 2 July 2021, the Majority Shareholder has issued an order on the amendment of the Corporate Governance Guidelines. Based on the latest amendments, the procedure for forming the parent company's Audit Committee has been changed – members of the Audit Committee are no longer elected by the parent company's Supervisory Board, but instead by the decision of the General Meeting of Shareholders. Additionally, the Audit Committee comprises of five members, out of which the majority must be independent. Additionally, two members shall be nominated by the Supervisory Board. The Chair of the Audit Committee is elected by the members of the Audit Committee from among their independent members. These changes were also reflected in the Articles of Association of the parent company.

The term of office of the former Audit Committee ended in 12 October 2021. In view of this, the selection of independent members of the Audit Committee was announced on 5 July 2021 and was carried out by the parent company and an agency conducting manager and managing personnel recruitment – UAB "J. Friisberg & Partners". On 27 September 2021, the General Meeting elected three independent members of the parent company's Audit Committee. The other two members of the Audit Committee were nominated by the Supervisory Board on 3 November 2021 and elected by the General Meeting on 15 December 2021. Irena Petruškevičienė was elected as the Chair of the Audit Committee. The term of office of the current Audit Committee ends on 26 September 2025.

None of the former Audit Committee members held shares of the Group companies. Audit Committee member Saulius Bakas holds 1,800 shares of the parent company. The remaining Audit Committee members do not hold any shares of the parent company.

There were no significant changes in the information on education, experience and place of employment of the former Audit Committee members during the reporting period. The relevant information is available in our Annual report 2020.

Information on education, experience and place of employment of the new Audit Committee members is available below.

Details of remuneration of the members of the Audit Committee during the reporting period are provided below in section 'Remuneration report'.

Activities of the former Audit Committee during the reporting period

Overview of the former Audit Committee

Term of office	13 October 2017 – 12 October 2021
Independence, including the Chair	60%
Meeting attendance	88%
Share holdings of the parent company or its subsidiaries	None

Overview of the meeting attendance of the former Audit Committee members

Member	Attendance[1]
Aušra Vičkačkienė	10/18
Irena Petruškevičienė	18/18
Danielius Merkinas	16/18
Šarūnas Radavičius	18/18
Ingrida Muckutė	17/18

Activities of the new Audit Committee during the reporting period

Overview of the former Audit Committee

Term of office	27 September 2021 – 26 September 2025[2]
Independence, including the Chair	80%
Meeting attendance	100%
Share holdings of the parent company or its subsidiaries	1,800

Overview of the meeting attendance of the new Audit Committee members

Member	Attendance[3]
Irena Petruškevičienė	5/5
Saulius Bakas	5/5
Marius Pulkauninkas	5/5
Judith Buss	1/1[3]
Ingrida Muckutė	1/1[3]

[1] The numbers indicate how many meetings in 2021 the members have attended out of total meetings until the election of the new Audit Committee on 27 September 2021.
[2] On 27 September 2021 the General Meeting of Shareholders of the parent company elected three new independent members of the Audit Committee for a new four-year term. The other two members were delegated by the Supervisory Board and elected on 15 December 2021. The new members of the Audit Committee started their activities after the General Meeting of Shareholders that elected them.
[3] The numbers indicate how many meetings after the election of a new Audit Committee on 27 September 2021 the members have attended out of total meetings. Ingrida Muckutė and Judith Buss were elected to the Audit Committee on 15 December 2021.

Members of the Audit Committee

Irena Petruškevičienė

Chair, member since 13/10/2017 (re-elected on 27/09/2021)
Independent
Term of office expires: 26/09/2025

Experience
Irena has more than 25 years of experience in the field of auditing acquired in Lithuania and at international organisations. She worked for 10 years at an audit and consulting company PricewaterhouseCoopers, was a Head of Financial Strategy & Management Programme at ISM University of Management and Economics. Irena also worked for many years at international institutions, including the European Court of Auditors, the European Commission and the UN World Food Programme. She is a member of the Lithuanian Association of Certified Auditors and the Association of Chartered Certified Accountants (ACCA). She was elected a member of the parent company's Audit Committee for the first time in November 2014.

Education
Vilnius University, Diploma in Economics.

Other current place of employment, position
Maxima Grupė, Chair of the Audit Committee; European Stability Mechanism, Member of the Board, Vice Chair of Auditors.

Number of shares in parent company
None.

[1] Term of office of the Audit Committee is until 26/09/2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore the term of office of the individual Supervisory Board members on the committee is aligned with the term of office of the Supervisory Board.

Saulius Bakas

Member since 27/09/2021
Independent
Term of office expires: 26/09/2025

Experience
Saulius is an experienced professional with over 25 years of accounting & reporting, audit and assurance, internal controls, risk management experience in Lithuanian, USA and Ukrainian markets. He worked as an auditor at an audit and consulting company PricewaterhouseCoopers. Saulius was also a country managing partner at Deloitte Lithuania from 2012 to 2020. He is a member of the Lithuanian Association of Certified Auditors and a fellow member of the Association of Chartered Certified Accountants (ACCA).

Education
Vilnius University, Master's degree in Economics; Vilnius University, Bachelor's degree in Business Administration, CIA – Certified Internal Auditor.

Other current place of employment, position
Self-employed consultant at Sauba.

Number of shares in parent company
1,800.

Marius Pulkauninkas

Member since 27/09/2021
Independent
Term of office expires: 26/09/2025

Experience
Marius is a highly experienced finance and audit professional with a career of 14 years at an audit and assurance services company Ernst & Young, coupled with business experience as a CFO of Klaipėdos Nafta, a company operating oil and liquefied natural gas terminals in Lithuania. His business expertise was further developed at Valstybinių miškų urėdija, where he held a position of General Manager.

Education
Vilnius University, Master's degree in Business Administration and Management; Baltic Institute of Corporate Governance, Professional Board Member Education Programme.

Other current place of employment, position
General Manager and shareholder at Kalnų grupė.

Number of shares in parent company
None.

80%
Independence including the Chair

60%
Share of women in the Audit Committee

Judith Buss

Member since 12/15/2021
Independent
Term of office[1] expires: 26/09/2025

Member of the Supervisory Board
See pages 86–87

Ingrida Muckutė

Member since 23/03/2018 (re-elected on 12/15/2021)
Majority Shareholder's representative
Term of office[1] expires: 26/09/2025

Member of the Supervisory Board
See pages 86–87

4.5 Management Board

Management Board overview

Management Board is a collegial management body set out in the Articles of Association of the parent company. The activities of the Management Board are regulated by the Law on Companies (link in Lithuanian), its implementing legislation, the Corporate Governance Guidelines, the Articles of Association of the parent company and the Rules of Procedure of the Management Board. During the reporting period, the rules governing the election of the members of the Management Board of the parent company were not amended. The Management Board consists of five members and elects the Chair, who is also the CEO of the parent company, from among its members.

The main functions and responsibilities of the Management Board

The main functions and responsibilities of the Management Board are:

- implementing the strategy of the parent company (Group of companies);
- adopting decisions for the parent company to become an incorporator or a member of other legal entities and making decisions relating to (i) the approval of subsidiaries' Articles of Association, (ii) opening branches and representative offices and (iii) regulations of branches and representative offices;
- adopting decisions relating to the approval of candidates to the supervisory and management bodies of subsidiaries, branches and representative offices and decisions on participation and voting in the subsidiaries' general meetings of shareholders;
- adopting decisions regarding transactions over EUR 3,000,000;
- approving activity guidelines and rules, Group policies, annual financial plans, annual capital return rate, maximum borrowing amounts as well as determining other parameters of activities of Group companies;
- adopting other decisions assigned to the Management Board by the Law on Companies, the Articles of Association or the decisions of the General Meeting of Shareholders.

The Management Board members have to ensure the appropriate performance of parent company's activities/ mentoring of the respective areas at the Group level in the field of its competences. Each member of the Management Board is responsible for the analysis of the issues assigned to their competence, i.e. the field under his/her supervision directly related to the work at the Management Board on which the respective decision must be made, and presentation of all relevant information to other members of the Management Board so that the necessary decisions of the Management Board would be made in a timely manner. At the date of publication of the report, the applicable rules of procedure of the parent company's Management Board specify the following areas of responsibility of the Management Board members:

- strategy and management;
- organisational development;
- finance and treasury;
- infrastructure and development;
- commerce and services.

The members of the Management Board, acting within their competence, must ensure the proper performance of the parent company's activities and supervise their respective areas at the Group level. Specific areas of competence may be changed upon the proposal of the Chair of the Management Board with the approval of the Supervisory Board of the parent company.

Information on the selection criteria of the Management Board members

The members of the Management Board are employees of the parent company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. Each member of the Management Board is elected for a term of four years. The Management Board of the parent company shall be formed in view of the provision that the competences of the members of the Management Board must be diverse. A member of the Supervisory Board, a person who is not legally entitled to hold this post, cannot be the member of the Management Board, neither can a member of a supervisory body, management body or administrative body of a legal entity engaged in electricity or gas distribution activities, an auditor or an employee of an audit company who participates and/or participated in the audit of financial statements if a period of more than 2 years has not elapsed; and a person who is not legally entitled to this post. The Members of the Management Board of the parent company must meet the general and specific criteria laid down by law. The need for competences shall be determined by the Supervisory Board during the formation of the Management Board.

Information on remuneration of the members during the reporting period

Remuneration for the activities of the Management Board, provided below in section 'Remuneration report' and on our website, is paid in accordance with the Group's Remuneration Policy. The policy's latest version was approved by the General Meeting of Shareholders on 27 September 2021.

Changes in the composition of the Management Board

During the reporting period, on 25 June 2021 Dominykas Tučkus resigned from the position of a member of the parent company's Management Board. Given that the term of office of the parent company's Management Board expires on 31 January 2022 as well as the fact that the selection of a new member of the Management Board would take several months, the Supervisory Board decided not to announce the selection for the position of a new member of the Management Board and to delegate responsibilities of Dominykas Tučkus to the remaining members of the Management Board.

The term of office of the former Management Board was from 1 February 2018 to 31 January 2022. In view of this, on 26 November 2021, the Supervisory Board adopted a decision to initiate a public selection of a new Management Board. The Supervisory Board also adopted the decision to extend the term of the effective Management Board until a new Management Board is elected, but not later than until 28 February 2022. An external partner – executive search agency J.Friisberg & Partners helped to carry out the selection of candidates to the Management Board.

The new Management Board was elected after the reporting period on 18 February 2022 by the decision of the Supervisory Board. Newly elected Management Board members will have to empower their competences to ensure proper operations of the Group and will have to supervise five different areas at the Group level:

- Strategy and Management;
- Commercial Activities;
- Finance;
- Organisational Development (Shared Services Centre functions);
- Finance, and Regulated Activities.

Information on education, experience and place of employment of the former Management Board members is available below. All former Management Board members held shares of the Group companies (please refer to the table below). The Group publishes relevant transactions through stock exchanges according to Article 19 of the Market abuse regulation (EU) No. 596/2014 and other relevant disclosure requirements.

Information on education, experience, place of employment and shareholdings in Group companies of the newly elected Management Board members is available on our website.

Activities of the parent company's Management Board during the reporting period

Overall 71 meetings of the Management Board were held in 2021. Key activities in 2021 covered the following areas:

- evaluation of the most significant transactions planned by the parent company, approval of their conclusion and approval of essential terms of those transactions;
- evaluation of the organisation of the parent company's and the Group companies' activities and taking decisions related thereto;
- evaluation and approval of the parent company's operational planning documents, taking into account the opinion of the parent company's Supervisory Board;
- making decisions on approval of Group's internal policies;
- making decisions on participation and voting in general meetings of shareholders of the companies in which the parent company is a shareholder;
- approval of the parent company's Annual Report and its submission to the Supervisory Board and the General Meeting of Shareholders;
- approval of the interim report of the Group and its submission to the General Meeting of Shareholders;
- evaluation of the parent company's annual financial statements and draft allocation of profit (loss) and feedback to the Supervisory Board and the General Meeting of Shareholders.

Meeting attendance and number of owned shares of the parent company

Member	Position	Attendance[1]	Number of shares
Darius Maikštėnas	Chair, CEO	71/71	3,000
Darius Kašauskas	Member, Chief Financial Officer	71/71	250
Dr. Živilė Skibarkienė	Member, Chief Organisational Development Officer	71/71	300
Vidmantas Salietis	Member, Chief Commercial Officer	71/71	200
Dominykas Tučkus[2,3]	Member, Chief Infrastructure and Development Officer	31/71	300

[1] The numbers indicate how many meetings in 2021 the members have attended out of total meetings during the reporting period.
[2] On 25 June 2021 Dominykas Tučkus resigned from the position of a member of the parent company's Management Board (until 25 June 2021, attended 31 meetings of the Management Board).
[3] The number indicates shares owned at the end of Dominykas Tučkus' resignation.

Members of the Management Board

Darius Maikštėnas

Chair, CEO since 01/02/2018[1]
Area of supervision: Strategy and Management
Term of office expired: 18/02/2022

Experience
Darius, who has 8 years of executive experience, joined the Group in 2018. He gained executive experience while working in telecommunications and energy sectors. He led an international company based in Silicon Valley that offers innovative telecommunications solutions and operates in the United States and the UK under the WiderFi brand. Previously, Darius worked as an advisor for the venture capital fund Nextury Ventures, he served as Vice President at Omnitel, was an independent member of the Management Board and Chair of the Management Board at LESTO.

Education
Harvard Business School, General Management Program; Baltic Management Institute, Executive MBA degree; Kaunas University of Technology, Bachelor's degree in Business Administration.

Other current place of employment, position[3]
Energijos Skirstymo Operatorius, Chair and Member of the Supervisory Board; Eurelectric (The Union of the Electricity Industry; Union; no legal entity code; Boulevard de l'Impératrice, 66, bte 2, 1000 Brussels, Belgium), Member of the Management Board.

Owned shares of the parent company[4]
3,000.

Darius Kašauskas

Member since 01/02/2018
Area of supervision: Finance and Treasury
Term of office expired: 18/02/2022

Experience
Darius, who has 12 years of executive experience, joined the Group in 2008. Darius gained his executive experience while working in the energy sector. Darius served as a member of the Supervisory Board and the Chair of the Management Board at the Elektroninių Mokėjimų Agentūra. At NT Valdos he was member of the Management Board and the Chair of the Management Board and at Lietuvos Dujos he was the Chair of the Supervisory Board.

Education
ISM University of Management and Economics, Doctoral studies of Social Sciences in the field of Economics; ISM University of management and Economics, BI Norwegian Business School, Master's degree in Management; Vilnius University, Master's degree in Economics.

Other current place of employment, position[3]
Energijos Skirstymo Operatorius, Member of the Supervisory Board; Ignitis Grupės Paslaugų Centras, Member of the Management Board; 288th DNSB Vingis (association of owners of multi-apartment buildings; legal entity code: 124773750; K. Donelaičio st. 14-15, LT-03102 Vilnius, Lithuania) Member of the Revision Commission.

Owned shares of the parent company[4]
250.

Vidmantas Salietis

Member since 01/02/2018
Area of supervision: Commerce and Services, Infrastructure and Development[2]
Term of office expired: 18/02/2022

Experience
Vidmantas, who has 7 years executive experience, joined the Group in 2011. Vidmantas gained his executive experience in the energy sector. He held the position of General Manager at Energijos Tiekimas. Previously, he was the Director of the Electricity Wholesale Division at Ignitis Gamyba. He was also the Chair and Member of the Management Board at Elektroninių mokėjimų agentūra and Member of the Management Board at Gamybos Optimizavimas.

Education
Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business.

Other current place of employment, position[3]
Ignitis, Chair and member of the Supervisory Board; Ignitis Gamyba, Chair and member of the Supervisory Board; Ignitis Renewables, Member of the Management Board.

Owned shares of the parent company[4]
200.

[1] *Elected as the CEO from 12 February 2018.*
[2] *Responsible for Infrastructure and Development since the resignation of Dominykas Tučkus on 25 June 2021*
[3] *Statutory information about the Group companies is provided in the section '4.8 Information about the Group'.*
[4] *The number indicates shares owned at the end of the reporting period.*

Dr. Živilė Skibarkienė

Member since 01/02/2018
Area of supervision: Organisational Development
Term of office expired: 18/02/2022

Experience
Živilė, who has 5 years of executive experience, joined the Group in 2018. Živilė gained executive experience while working in the financial sector. Previously, she was the Head of Šiaulių Bankas Legal and Administrative Department. In Finasta Bank she was Member of the Management Board and deputy CEO. She worked as Head of Compliance at DNB Bankas (now Luminor) and Head of Legal Department at SEB bankas.

Education
Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; Vilnius University, Faculty of Law, Master's degree in Law; Saïd Business School, University of Oxford, Executive Leadership Programme.

Other current place of employment, position[1]
Ignitis Grupės Paslaugų Centras, Chair and Member of the Management Board; Elektroninių Mokėjimų Agentūra, Member of the Management Board; Ignitis Gamyba, Member of the Supervisory Board.

Owned shares of the parent company[2]
300.

Dominykas Tučkus

Member since 01/02/2018
Area of supervision: Infrastructure and Development
Term of office expired: 25/06/2021[3]

Experience
Dominykas, who has 7 years of executive experience, joined the Group in 2012. Dominykas gained his executive experience while working in the energy sector. He held position of General Manager at LITGAS. Also, he was a Management Board member at Tuulueenergia.

Education
L. Bocconi University, Master's degree in Finance; L. Bocconi University, Bachelor's degree in Business Management and Administration; ESADE Business & Law School, Executive MBA degree.

Former place of employment, position within the Group[1, 4]
Ignitis Gamyba, Chair and Member of the Supervisory Board; Ignitis, Member of the Supervisory Board; Vilniaus Kogeneracinė Jėgainė, Chair and Member of the Management Board; Ignitis Renewables, Member of the Management Board; Smart Energy Fund KŪB, powered by Ignitis Group, Member of the Advisory Committee.

Owned shares of the parent company[5]
300.

Conflicts of interest

In accordance to the Articles of Association of the parent company, each candidate for the Management Board must provide the Supervisory Board with a written consent to stand as a candidate of the members of the Management Board and the declaration of interests of the candidate, by stating therein all circumstances which may give rise to a conflict of interest between the candidate and the parent company. In the event of new circumstances that could result in a conflict of interest between the member of the Management Board and the parent company, the member of the Management Board must immediately notify the Management Board and the Supervisory Board in writing of such new circumstances. Also, members of the Management Board cannot do other work or hold other positions which are incompatible with their activities on the Management Board, including executive positions in other legal entities (except for positions within the parent company and the Group companies), work in civil service, statutory service. The members of the Management Board may hold another office or do other work, except for positions within the parent company and other legal entities of which the parent company is a member, and may carry out pedagogical, creative, or authorship activities only with the prior consent of the Supervisory Board. This rule also applies to the management of all Group companies.

[1] Statutory information about the Group companies is provided in the section '4.8 Information about the Group'.
[2] The number indicates shares owned at the end of the reporting period.
[3] On 25 June 2021 Dominykas Tučkus resigned from the position of a member of the parent company's Management Board.
[4] Former place of employment positions within the Group indicated before resigning from the position of a member of the parent company's Management Board.
[5] The number indicates shares owned at the end of Dominykas Tučkus' resignation

CEO overview

At the executive employees' level, the parent company is managed by the CEO and the Management Board. CEO is a single-person management body of the parent company, who organizes, directs, acts on behalf of the parent company and concludes transactions unilaterally, as provided by the Law on Companies (link in Lithuanian), its implemented legislation and the Articles of Association of the parent company. CEO is entitled to solely represent the parent company and execute documents on the parent company's behalf.

The competence of a CEO, the procedure of appointment and removal and the terms of office are established according to the Law on Companies (link in Lithuanian), its implemented legislation, the Corporate Governance Guidelines and the Articles of Association of the parent company. In accordance with the Corporate Governance Guidelines, the Chair of the Management Board is elected by the Management Board and appointed as CEO of the parent company. It should be noted that CEO of the parent company, as a SOE, is also subject to the special recruitment features set out in the Law on Companies (link in Lithuanian), according to which the term of a CEO is limited to five years. It stipulates that the same person can only be appointed for two consecutive five-year terms.

During the reporting period, on 22 June 2021, the Management Board updated the parent company's organisational structure and the list of positions. In order to flatten hierarchy, the words 'service', 'department', 'division' have been omitted from the names of structural units, reflecting only the activities at the Group level, while the title of CEO was changed in Lithuanian wording from a 'General Manager' to 'Manager', which was also reflected in the Articles of Association.

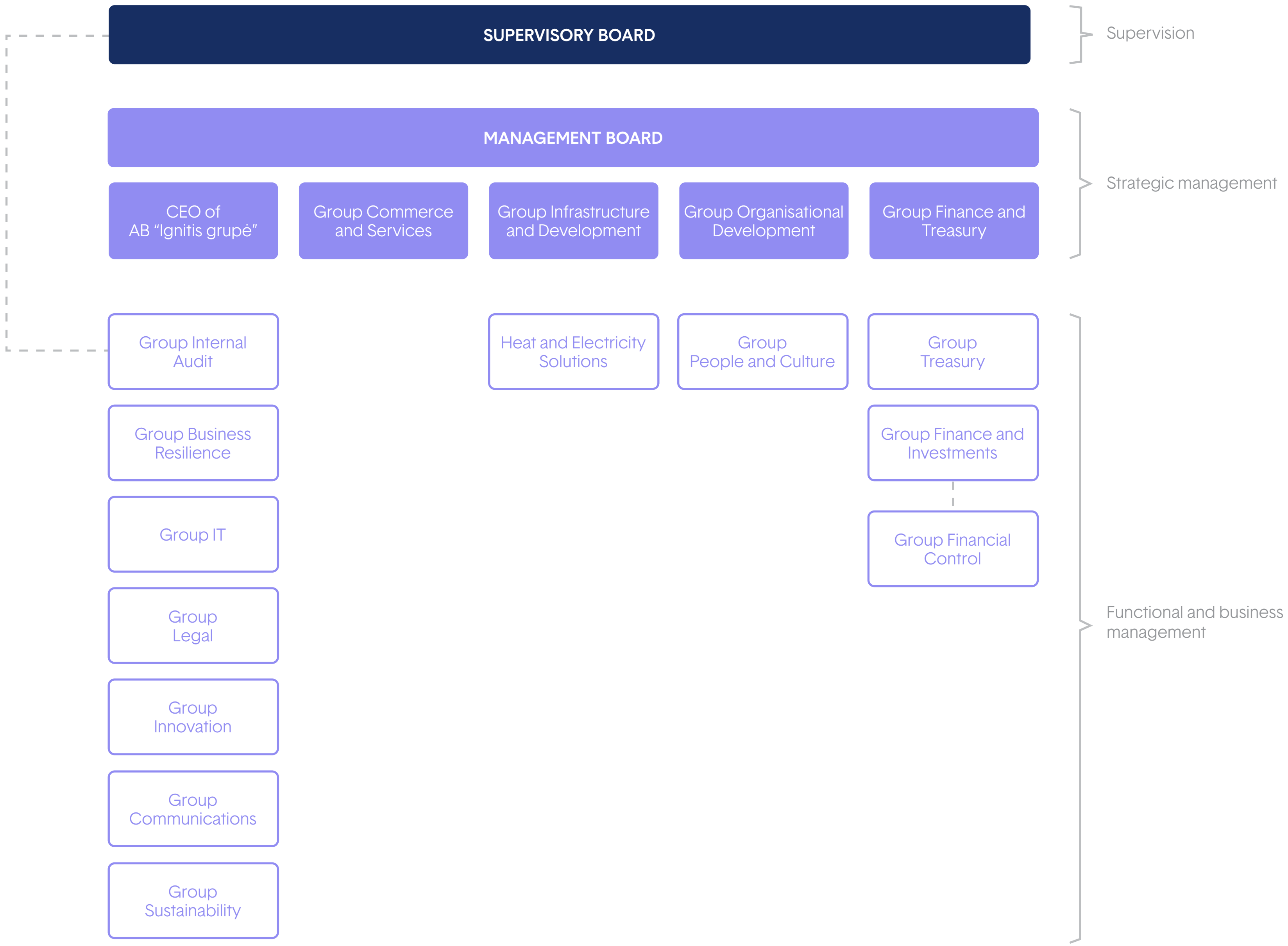
The main functions and responsibilities of the CEO are:
- ensuring implementation of the parent company's strategy and implementation of decisions of the Management Board;
- employment and dismissal of employees, promotions and imposing disciplinary measures;
- ensuring the security of the parent company's assets, appropriate working conditions, security of parent company's commercial secrets and confidential information;
- submitting proposals to the Management Board on budget of the parent company, drawing up of a set of annual financial statements and drafting of the annual report (including consolidated set of annual financial statements and the consolidated annual report) of the parent company;
- drafting of a decision on the allocation of dividends for a period shorter than the financial year and drawing up of a set of interim financial statements and an interim report for adoption of the decision on the allocation of dividends for a period shorter than the financial year;
- performance of other duties set out in the Law on Companies and other laws and legal acts as well as in the Articles of Association and the job description of the CEO, as well as resolving other issues which are not attributed to the competence of other bodies of the parent company under the laws or the Articles of Association.

At the end of the reporting period, the parent company's CEO Darius Maikštėnas held 3,000 shares of the parent company.

Details of remuneration of the CEO during the reporting period as well as key contractual terms of his employment agreement with the parent company are provided below in section 'Remuneration report'.

After the reporting period, on 18 Februrary 2022 the Supervisoy Board elected the new members of the Management Board and submitted an opinion regarding the CEO of the parent company. During the first meeting of the new Management Board held the same day, Darius Maikštėnas was elected as the new CEO of the parent company.

The parent company's organizational structure (at the end of the reporting period)



4.6 Remuneration report

Remuneration within the group

Overview

The Group is rapidly moving towards sustainability, including the management of human resources. The ongoing transition requires new skills and competences as well as continuous development of our Group culture. In 2021 we continued to develop the Remuneration Policy in order to maintain the principles of transparency and clarity. The amended policy is also relevant for business development, especially for the Green Generation business segment.

Key activities in 2021

1. Amended Remuneration Policy (effective date 27 September 2021) introducing the following improvements:
   - more flexibility to foreign subsidiaries while setting fixed base salary (FBS) (e.g., above the salary market median) and adjusting the proportion of short-term incentives (STI), which are both essential for business development and expansion;
   - established expatriate's financial package that can be used for expatriation, relocation, and repatriation in order attract international talents.
2. Introduced coefficient-based monthly remuneration system for the members of the Supervisory Board, its committees and the Audit Committee.
3. Guidelines for Management Remuneration has been revoked and the provisions regarding Management remuneration have been transferred to the Remuneration Policy.

More information regarding HR policy and practices, is available in Annual report 2021 section 'Sustainability (corporate social responsibility) report'.

Remuneration-related decision-making process

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

Remuneration Policy approval process is based on the Lithuanian Labour Code, The Corporate Governance Code for the Companies Listed on Nasdaq and Law on Companies. The parent company is required to submit any proposed amendments of the Remuneration Policy for the approval of the General Meeting of Shareholders. Before that, the parent company's Nomination and Remuneration Committee and the Supervisory Board provide their comments and proposals to the amendments of the Remuneration Policy. Procedures for informing and consulting the representatives of employees of the parent company and the Group companies as well as other stakeholders are also implemented. The latest version of the Remuneration Policy is available on our website.

Remuneration Guidelines are approved by the decision of the parent company's Management Board.

Remuneration Policy-related decision-making process

1. The parent company's Management Board submits suggested Remuneration Policy amendments to the Nomination and Remuneration Committee
2. The Nomination and Remuneration Committee reviews, discusses and provides its opinion on the suggested amendments
3. A review and discussion about the Remuneration Policy's amendments is conducted with the employee representatives of the parent company and the Group companies and / or other stakeholders
4. The Supervisory Board reviews, discusses and provides opinion on the suggested amendments
5. The parent company's Management Board submits suggested Remuneration Policy amendments to the General Meeting of Shareholders for approval
6. The Remuneration Policy comes into force once it is approved by the General Meeting of Shareholders
7. The Remuneration Policy is implemented through internal legal acts (e.g. Remuneration Guidelines which are approved by the parent company's Management Board, etc.)

Regulated by the Lithuanian Labour Code, The Corporate Governance Code for the Companies Listed on Nasdaq and Law on Companies.

Remuneration Policy and structure

The key objective of our Remuneration Policy is to support the Group's pathway towards achievement of performance and strategic targets through 5 key Remuneration Policy principles defined in the following table.

The Remuneration Policy defines the remuneration structure, FBS review and determination, payment of STI, remuneration of members of collegial bodies, guidelines and principals, etc. In order to be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys.

Overall, our Remuneration Policy is designed to attract, retain and motivate employees to ensure the achievement of the Group's targets. Thus, we aim to bring remuneration closer to the median of the market in which the Group companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower) than the median remuneration market may be set. In order to ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually, taking into account the data of an independent national salary survey and the remuneration market trends. Salary ranges are determined for each job level based on the median of the Salary Market.

Key principles of Group Remuneration Policy	
Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
Competitive externally	Employees are entitled to receive a competitive salary based on their function, market conditions and geography.
Remuneration clarity	We aim that all employees are informed about how their performance, competences and qualification impact their remuneration package as well as on what basis it is set.
Transparency	We believe in transparency and share our objective remuneration criteria with our employees.
Flexibility	We are flexible to provide individual solutions for retaining strategic employees or critical positions, if they are in line with the principles listed above.

Remuneration structure[1]

Element	Purpose	Description and performance measures	Description and performance measures
Fixed base salary (FBS)	Remuneration for job responsibilities, also reflects the skills, knowledge, and experience of the individual.	All Group employees.	Remuneration is determined by the employment contract, considering the level of the position and the level of competence of the employee required for the position. Base salary is paid on a monthly basis. Fixed base salary revision is performed during the annual remuneration review.
Short-term incentives (STI)	Remuneration for achieving the Group's annual financial, strategic and sustainability targets.	All Group employees.	This remuneration element is related to performance, i.e., for meeting objectives or indicators set for an individual position. STI proportion is determined as a percentage of FBS, up to 20% STI (of the annual FBS) is applied for the executives and positions with strategic responsibilities, other employees up to 10%. In order to achieve the flexibility of the remuneration system for specific job groups Specialized remunerations system can be set.
Additional benefits	Benefits for aligning with market practises and retaining current management.	All Group employees (excluding a company car).	All Group employees are covered by the health insurance schemes, unless they choose the contributions to the private pension funds and other benefits applied according to the internal legal acts. Benefits package for the Members of the parent company's and Group companies' Management Boards additionally includes the company's car.
Remuneration of a member of the parent company's or Group companies' collegial body (RCB)	Remuneration for the Management Board members' activities.	Members of the parent company's or Group companies' Management Boards.	RCB is fixed and paid on a monthly basis. RCB usually is reviewed before a 4-year tenure contract is signed.

[1] Currently, the legal proceeding on the compliance with national legal acts of long-term incentive share option plan for the key executives of the Group as well as employee stock ownership plan is undergoing. For this reason, the programmes were suspended. For further details please refer to the subsection 'Long-term incentives' below.

Remuneration structure applicable to the Management Board is consistent with the structure for the remaining Group employees (except a company vehicle). It includes FBS, STI and other benefits described in the following table. Additionally, STI is detailed on the following pages.

Full Remuneration Policy and further information on human resources management are available on our website.

Short-term incentives

STI is tied to the annual performance results, i.e., a percentage of the annual FBS is provided for a particular position or an employee for meeting their targets. The maximum STI level set for the parent company's Management Board as well as CEOs, members of management boards and top executives of the Group companies is 20% (starting in 2020,) of the annual FBS. For the remaining employees, except employees with strategic responsibilities, the maximum STI level is capped at 10%.

Composition of targets on which STI is based, depending on the employee's position withing the Group, is provided in the following table.

Detailed description of STI targets of members of the parent company's Management Board, including the CEO, and its performance outcomes are provided in the section 'Remuneration of the parent company's Management Board' of this report.

Structure of STI targets depending on the employee position within the Group

Position category	Maximum STI level of the annual FBS	Weights for objective types		
		Objectives of the parent company	Objectives of the Group company / Function	Team / individual objectives
Members of the Management Board of the parent company	20%	100%	-	-
CEOs (executives) / members of management boards at the Group companies	20%	30%	70%	-
Heads of functions	10% / 20%[1]	50%	50%	-
Heads of functional areas	10%	30%	-	70%
Mid-level managers of the Group	10% / 20%[1]	-	30%	70%
Other employees of the Group	10%	-	-	100%

[1] *Maximum STI level is set 20% of the annual FBS for employees with strategic responsibilities.*

Long-term incentives

While implementing the parent company's IPO in 2020, a long-term incentive share option plan for key executives of the Group as well as an employee stock ownership plan were introduced. However, because the Group is one of the first SOEs introducing such incentive schemes, it was challenged by the public prosecutor, questioning the programmes' compliance with national legal acts, and suspended by applying the interim measures on 3 May 2021. Currently, the legal proceeding is ongoing. The Group will announce about relevant material changes through the stock exchanges.

Detailed information on the former long-term incentive share option and employee stock ownership plans is available in our Annual report 2020.

Remuneration of the parent company's management board

Overview

After the reporting period, on 18 February 2022 the term of the former parent company's Management Board has ended. Accordingly, we provide the development of awarded remuneration to its members during its four-year term. More in-depth information about the former members of the Management Board is available on Annual report 2021, section 'Governance report', and about the newly elected members – on our website.

During the term of office, the remuneration awarded to the former parent company's Management Board was in line with the Group's Remuneration Policy and there were no one-off bonuses granted. However, during the reporting periods there have been a few changes both in our Remuneration Policy and taxation of employment-related income in Lithuania, reflecting the lack of comparability between different periods:

- starting in 2019, Lithuanian government introduced a reform to the individual tax system, shifting the largest part of social security contributions from employer to employee. As a result of this change, gross salaries were recalculated increasing it by 28.9% in 2019 compared to 2018;
- in 2020, the Group introduced Remuneration Policy changes to align STI structure within the Group companies. Thus, part of the parent company's Management Board's STI were transferred to the FBS, resulting in its increase (STI before transfer was 40%, after 20%).

Despite a turbulent year marked with uncertainty, the Group's overall results were strong, which resulted in exceeded guidance and, thus, achievement of STI targets. Additionally, FBS review for 2021 was temporarily suspended due to uncertainty related to COVID-19 impact to the Group.

The parent company's Management Board's remuneration during 2018–2021, EUR (gross)

		2021	2020[2]	2019[3]	2018[4]
FBS[1]	Darius Maikštėnas	128,578	121,311	94,135	62,888
	Darius Kašauskas	108,049	101,617	78,573	56,853
	Dr. Živilė Skibarkienė	107,998	98,374	74,261	43,574
	Vidmantas Salietis	107,770	101,477	77,540	42,297
	Dominykas Tučkus[5]	59,528	101,742	79,534	56,887
STI[2]	Darius Maikštėnas	22,005	34,829	30,090	-
	Darius Kašauskas	18,315	29,008	32,330	16,361
	Dr. Živilė Skibarkienė	18,315	29,008	21,979	-
	Vidmantas Salietis	18,315	29,008	21,780	18,273
	Dominykas Tučkus[5]	26,184[6]	29,008	32,104	15,660
RCB	Darius Maikštėnas	30,600	30,600	30,600	22,297
	Darius Kašauskas	21,780	21,780	21,780	12,168
	Dr. Živilė Skibarkienė	21,780	21,780	21,780	10,140
	Vidmantas Salietis	21,780	21,780	21,780	9,126
	Dominykas Tučkus[5]	10,631	21,780	21,780	12,168
TOTAL	**Darius Maikštėnas**	**181,183**	**186,740**	**154,825**	**85,185**
	Darius Kašauskas	**148,144**	**152,405**	**132,683**	**85,382**
	Dr. Živilė Skibarkienė	**148,093**	**149,162**	**118,020**	**53,714**
	Vidmantas Salietis	**147,865**	**152,265**	**124,480**	**69,696**
	Dominykas Tučkus[5]	**96,343**	**152,530**	**133,418**	**84,715**

[1] FBS is the same for all former members (except CEO / Chair of the management board) of the parent company's Management Board. The differences appear due to sick leaves.
[2] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.
[3] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing it by 28.9% in 2019.
[4] The remuneration of Management Board members is different, because of different term-of-office start dates. Terms of office of Darius Maikštėnas, Dr. Živilė Skibarkienė and Vidmantas Salietis started on February 2018, so no STI for Management Board member duties was paid for the previous period. Additionally, STI for Vidmantas Salietis was paid for performance in the previous position.
[5] On 25 June 2021 Dominykas Tučkus resigned from the position of a Member of the parent company's Management Board.
[6] Dominykas Tučkus STI pay-out in 2021 includes STI for 2021 results (the job agreement terminated on 25 June 2021), whereas for other members of the Management Board includes STI for 2020 targets achieved.

Short-term incentives

2021 STI targets and achievement overview

Annual objectives of the CEO and the members of the parent company's Management Board are based on the Group's strategic plan and are aligned with the annual objectives of the parent company. The targets are approved and their achievement, which is related to the STI size, is assessed by the Group's Supervisory Board. The maximum STI size for the achievement of objectives is capped to 20% of annual FBS.

The criteria applicable to the STI of the members of the former parent company's Management Board, including the CEO, for 2021 and target achievements are available in the following table. The information on the STI targets and their achievement in the previous periods is available on our website.

The parent company Management Board's STI targets and achievement in 2021

Performance criteria	Weight	Targets	Access threshold (70%)	Threshold I (80%)	Threshold I (90%)	Target and maximum (100%)	Achieved performance	Target and maximum payout	Achieved payout
Financial targets	30%	Group Adjusted EBITDA[1]	292 EURm	297 EURm	302 EURm	307 EURm	332.7 EURm	100%	**30%**
Strategic projects and key milestones	50%	Vilnius CHP biomass unit project restart: according to the approved schedule and scope (10%)	Up to 3 months later	Up to 2 months later	Up to 1 month later	On time[2]	Up to 3 months later	70%	**7%**
		M&A: Green Generation development projects secured with planned CoD in 2021–2023, according to the approved scope (10%)	≥120 MW	≥150 MW	≥180 MW	≥220 MW	130 MW	70%	**7%**
		Own development: Green Generation early development phase with planned CoD in 2024–2025, according to the approved scope (10%)	≥100 MW	≥130 MW	≥170 MW	≥200 MW	166 MW	80%	**8%**
		Smart metering programme: according to the approved programme schedule and scope (10%)	Up to 3 months later	Up to 2 months later	Up to 1 month later	On time[3]	Up to 3 months later	70%	**7%**
		Networks regulation: to secure sustainable and long-term regulatory model for the new regulation period (10%)	Some negative impact	-	-	No material negative impact	Regulated asset base decline partly offset by additional tariff component. The impairment of Networks electricity non-current assets is EUR 53 million[4]	85%	**8.5%**
Sustainability targets	20%	Security at workplace: TRIR and 0 work-related fatal accidents of own employees (5%)	2.59 and 0 fatal accidents	2.49 and 0 fatal accidents	2.39 and 0 fatal accidents	2.29 and 0 fatal accidents	TRIR=2.01 and 0 fatal accidents	100%	**5%**
		Group sustainability programme: according to the approved programme schedule and scope (5%)	Up to 3 months later	Up to 2 months later	Up to 1 month later	On Time[5]	On Time	100%	**5%**
		Group employee NPS (10%)	eNPS >=70% vs. 2020 average	eNPS >=80% vs. 2020 average	eNPS >=90% vs. 2020 average	eNPS >=95% vs. 2020 average	eNPS = 103% vs. 2020 average[6]	100%	**10%**
		STI, %	-	-	-	-	-	-	**88%**
		STI, % of FBS (maximum STI level equal to 20% of annual FBS)	-	-	-	-	-	-	**17.6%**

[1] Target is measured according to the achievement scale with linear interpolation between the thresholds. In the event of below-minimum achievement. no payment will accure for this target. [2] Team formed, procurement procedures initiated and planned activities carried out according to the approved project plan. [3] Contract signed with the main contractor of SMI and rollout started. [4] EUR 44.4 million - electricity related and EUR 8.9 million - gas related. [5] According to the approved programme schedule and scope for 2021: CO2 emissions measurements done, management targets set and validated by SBTi; Materiality assessment and Group sustainability targets defined. [6] Group employee NPS for 2020 – 56.0%, for 2021 – 57.4%.

2022 STI targets overview

In the table below we illustrate the STI targets for 2022. Due to the market-sensitive information, detailed information on their performance and assessment will be provided in the Group's Annual report 2022.

The parent company Management Board's STI targets for 2022

Performance criteria	Weight	Targets
Financial targets	35%	Group Adjusted EBITDA
Strategic projects and key milestones	45%	M&A and Co-development projects / Green Generation (10%)
		Greenfield development projects / Green Generation (10%)
		Vilnius biomass power plant construction project (10%)
		Offshore wind development (10%)
		Asset rotation (5%)
Sustainability targets	20%	Net-zero target alignment with science-based targets (5%)
		Resilient Network: Electricity SAIDI (5%)
		Group employee NPS (Employee Net Promoter Score) (5%)
		Security at workplace: TRIR and 0 work-related fatal accidents of own employees (5%)

Remuneration Policy is designed to attract, retain and motivate employees to ensure the achievement of the Group's targets.

Further information on contractual terms of the members of the parent company's Management Board

Severance payments

Members of the parent company's Management Board (who are also employees of the parent company) are entitled to the severance payments in accordance with the Labour Code acts upon termination of their contractual relationship. According to the Remuneration Policy, higher severance payments higher than provided for in the Labour Code could only be awarded to the Management Board members by the decision of the parent company's Supervisory Board.

Non-compete agreements

Non-compete agreements with members of the Management Board may be concluded in accordance with the Labour Code. Group's Non-Compete Standard specifies in further detail the non-compete compensation limits applicable to the Group's employees:

- monthly compensation limits are 50%, 70% or 100% of the average monthly salary depending on the non-competition period which could be 6, 9 or 12 months respectively;
- non-compete compensation terms may be negotiated and concluded on a case-by-case basis but not exceed the above mentioned limits.

In 2021, the parent company did not enter into any non-compete agreements with members of the parent company's Management Board. The parent company's Management Board members may own stock of the parent company. Further details on the trading guidelines for the parent company's managers and persons closely associated with them is available in Annual report 2021 section 'Risk and Risk Management' (under 'Compliance programme').

Overview of the CEO's contractual terms

In accordance with the Law on Companies, an employment agreement is concluded with the CEO of the parent company. The CEO may resign by a written notice addressed to the Management Board that elected him. The Management Board that elected the CEO shall make a decision to remove the CEO within 15 days from the date of receipt of the notice of resignation. Also, according to the Law on Companies, the CEO may be removed from office by the competent body without notice. A separate written non-compete agreement may be concluded with the CEO in accordance with the provisions of the Labour Code. As of the end of 2021, the parent company had had not entered into a non-compete agreement with the CEO. Clawback provisions are not allowed under the Lithuanian Labour Code and thus are not applicable to the parent company's CEO. Under the Labour Code and other legal acts of the Republic of Lithuania, severance payments may be applicable to the parent company's CEO depending on the grounds of termination of the employment agreement (up to two average monthly salaries).

Remuneration of collegial bodies of the parent company

Overview

Remuneration principles for members of collegial bodies are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Following the recommendations of the Governance Coordination Centre and best market practices, the principle of remuneration for members of collegial bodies of the parent company and the Group companies was changed from hourly to monthly in 2021. This principle came into force with the General Meeting of Shareholders' approval of the new Remuneration Policy on 27 September 2021. We expect this change to improve both, the remuneration transparency and clarity.

Key principles of remuneration of collegial bodies

- According to the Guidelines for Corporate Governance of State-Owned Energy Group, the maximum monthly remuneration paid for the activities in the Supervisory Board, its committees for those who are subject to remuneration shall not exceed one-quarter of the amount of the average monthly salary paid to the CEO of the parent company. The maximum monthly remuneration paid to the Chair of the Supervisory Board for the work in the Supervisory Board or its committees shall not exceed one-third of the monthly salary paid to the CEO of the parent company.
- The monthly remuneration of the independent Supervisory Board member of the parent company shall be determined by the General Meeting of Shareholders of the parent company, and this amount shall be used to calculate the monthly remuneration of other members of collegial bodies of the parent company and the Group companies.
- Remuneration for activities in collegial bodies shall be fixed and shall not depend on the results of the performance of the parent company or the Group companies.
- The remuneration of the members of the parent company's Supervisory Board for participating in the activities of the committees (including the Audit Committee) shall be included in their remuneration for their activities in the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees.
- Members of the Supervisory Board and Audit Committee members are not entitled to severance payments upon termination of their contractual relationship.

Remuneration for activities in the parent company's collegial bodies shall be paid to:
- independent members of Supervisory Board;
- independent members of the Supervisory Board committees and the Audit Committee;
- members of the Management Board.

More information about remuneration of collegial bodies of Group companies is available in our Remuneration Policy.

Remuneration structure

The remuneration principles for members of the parent company's collegial bodies for their activities, established on 27 September 2021, are provided in the following table. The collegial bodies in Group companies will gradually move to the renewed remuneration system starting from their new term of offices.

Remuneration for members of the parent company's collegial bodies for their activities

Position in a collegial body	Remuneration ratio for activity[1]	Monthly remuneration, EUR
Independent Supervisory Board member of the parent company	1.00	2,000
Chair of the parent company's Supervisory Board	1.30	2,600
Chair of the parent company's Supervisory Board committees and the Audit Committee	1.00	2,000
Independent members of the parent company's Supervisory Board committees and the Audit Committee	0.90	1,800
Chair of the Management Board of the parent company	1.30	2,600
Members of the Management Board of the parent company	0.90	1,800

[1] Level of monthly remuneration of Supervisory Board of EUR 2,000 was set on 27 September 2021 during the parent company's General Meeting of Shareholders. The remuneration for other collegial bodies are calculated on the basis of Independent Supervisory Board member remuneration, multiplied by Remuneration ratio.

Remuneration of the members of the Supervisory Board, its committees and the Audit Committee

During the reporting period, the term of the former Supervisory Board has ended. As a result, on 26 October 2021, new members of the Supervisory Board were elected by the General Meeting of Shareholders for a four-year term. Further on, new Supervisory Board committees were formed, and the candidates to the Audit Committee were elected by the General Meeting of Shareholders. As a result, we provide separately the development of awarded remuneration for former members of the Supervisory Board, its committees and the Audit Committee and the new members of the collegial bodies.

Further in-depth description about the election process of collegial bodies is available in Annual report 2021 section 'Governance report'.

Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee, EUR (gross)

Name (position)	2021		2020		2019		2018		2017	
	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]
Darius Daubaras (Chair of the Supervisory Board, member of the Risk Management and Business Ethics Supervision Committee)	14,850	-	22,950	-	16,650	-	13,877	-	3,600	-
Andrius Pranckevičius (Member of the Supervisory Board, chair of the Risk Management and Business Ethics Supervision Committee)	23,881	-	-[4]	-	5,288	-	7,618	-	-[4]	-
Daiva Lubinskaitė – Trainauskienė (Member of the Supervisory Board, chair of the Nomination and Remuneration Committee)	6,750	-	6,263	-	5,070	-	3,929	-	537	-
Judith Buss[2] (Member of the Supervisory Board)	10,125	-	3,038	-	-	-	-	-	-	-
Bent Christensen[2] (Member of the Supervisory Board)	10,725	-	2,625	-	-	-	-	-	-	-
Aušra Vičkačkienė[3] (Member of the Supervisory Board, member of the Audit Committee)	-	-	-	-	-	-	-	-	-	-
Daiva Kamarauskienė[3] (Member of the Supervisory Board, member of the Nomination and Remuneration Committee)	-	-	-	-	-	-	-	-	-	-
Irena Petruškevičienė (Chair of the Audit Committee)	-	14,700	-	15,488	-	11,738	-	9,720	-	3,410
Danielius Merkinas (Member of the Audit committee)	-	10,763	-	11,888	-	10,590	-	6,780	-	2,029
Šarūnas Radavičius (Member of the Audit Committee)	-	9,787	-	9,750	-	8,258	-	3,180	-	-[5]
Ingrida Muckutė[3] (Member of the Audit Committee)	-	-	-	-	-	-	-	-	-	-
Lėda Turai – Petrauskienė (Member of the Nomination and Remuneration Committee)	-	7,650	-	4,125[4]	-	-[4]	-	1,800	-	-[5]
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	4,950	-	-	-	3,375	-	2,580	-	-[6]
Total remuneration	**66,331**	**47,850**	**34,876**	**41,251**	**27,008**	**33,961**	**25,424**	**24,060**	**4,137**	**5,439**

[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees shall be included in their remuneration for the activities of the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees.
[2] Elected as members of the Supervisory Board since 12 November 2020.
[3] Members of the Supervisory Board, its committees or the Audit committee who are delegated by the Majority Shareholder do not receive any remuneration from the parent company for their activities in the Supervisory Board.
[4] Due to the late submission of hours worked, remuneration was paid out in the next periods thus appearing 0 in respective years.
[5] Lėda Turai – Petrauskienė and Šarūnas Radavičius respectively were elected as members of the Nomination and Remuneration Committee and the Audit Committee on 23 March 2018.
[6] Šarūnas Rameikis was elected as a member of the Risk Management and Business Ethics Supervision Committee on 20 April 2018.

As described in the overview of the remuneration of collegial bodies of the parent company, on 27 September 2021, the remuneration principle was changed from hourly to monthly. New remuneration approach was applied starting new terms of the collegial bodies, thus it was not applicable for the former members of the Supervisory Board, its committees and the Audit Committee detailed in the table above.

Remuneration development for activities in the parent company's new Supervisory Board, its committees and the Audit Committee, EUR (gross)

Name (position)	2021	
	Supervisory Board	Committees[1]
Alfonso Faubel (Chair of the Supervisory Board, member of the Risk Management and Business Ethics Supervision Committee)	5,645	-
Lorraine Wrafter (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	4,387	-
Tim Brooks (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics Supervision Committee)	4,387	-
Judith Buss (Member of the Supervisory Board, member of the Audit Committee)	4,387	-
Bent Christensen (Member of the Supervisory Board, member of the Nomination and Remuneration Committee)	4,387	-
Aušra Vičkačkienė[2] (Member of the Supervisory Board, member of the Nomination and Remuneration Committee)	-	-
Ingrida Muckutė[2] (Member of the Supervisory Board, Member of the Audit Committee)	-	-
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	-[3]
Irena Petruškevičienė (Chair of the Audit Committee)	-	6,000
Saulius Bakas (Member of the Audit Committee)	-	5,400
Marius Pulkauninkas (Member of the Audit Committee)	-	5,400
Total remuneration	**23,193**	**16,800**

[1] *The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees shall be included in their remuneration for the activities of the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees.*
[2] *Members of the Supervisory Board, its committees or the Audit committee who are delegated by the Majority Shareholder do not receive any remuneration from the parent company for their activities in the Supervisory Board.*
[3] *Šarūnas Rameikis was elected as a member of the Risk Management and Business Ethics Supervision Committee on 20 April 2018 and his term of office is until 19 April 2022, due to the fact that the monthly remuneration approach delineated in the new version of the Remuneration Policy is applicable only to collegial body members who were elected for a new term, Šarūnas Rameikis remuneration is based on hourly terms and remuneration warded to him is reflected in the table above 'Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee'*

Additional information on remuneration of the group employees

The parent company's salary fund in 2021 amounted to EUR 4.9 million compared to EUR 5.4 million in 2020. Total Group salary fund in 2021 was EUR 97.3 million (in 2020 it was EUR 92.8 million). Average monthly salaries (FBS and STI) for the period of 2017–2021 are provided in the following tables. The formula for calculating the salary fund has changed, adding holiday, pension reserve and the capitalization of salaries in 2021, so 2020 data was recalculated.

Average monthly remuneration and number of the parent company's employees, EUR (gross)

Position category	2021		2020		2019		2018		2017	
	Number of employees[1]	Average salary	Number of employees	Average salary[2,3]	Number of employees	Average salary[4]	Number of employees	Average salary	Number of employees	Average salary
CEO	1	12,549	1	13,011	1	9,725	1	6,234	1	7,508
Top level managers	9	9,431	10	9,783	11	7,342	9	5,358	8	5,381
Middle managers	16	6,044	23	6,413	21	6,320	20	3,774	14	3,671
Experts / Specialists	47	3,750	50	3,778	68	3,833	85	2,192	67	2,023
Workers	-	-	-	-	-	-	-	-	-	-
Total	**73**	**5,102**	**84**	**4,281**	**101**	**4,281**	**115**	**2,784**	**90**	**2,659**

[1] Due to the Management Board decision in the parent company to keep only the strategic positions, other positions are moved to other Group companies thus constantly reducing number of employees.
[2] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.
[3] Average salary was recalculated including STI, thus data differs compared to reported in Annual report 2020.
[4] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing it by 28.9% in 2019.

Average monthly remuneration and number of the Group's employees[1, 2], EUR (gross)

Position category	2021		2020		2019[4]		2018		2017	
	Number of employees	Average salary	Number of employees	Average salary[3]	Number of employees	Average salary[5]	Number of employees	Average salary	Number of employees	Average salary
CEO	17	8,300	17	8,990	17	7,262	14	5,348	15	5,023
Top level managers	33	8,030	34	8,274	35	6,713	38	4,589	42	4,292
Middle managers	373	4,020	375	4,038	340	3,323	327	2,333	321	2,193
Experts / Specialists	2,728	2,247	2,670	2,102	2,560	1,906	2,548	1,309	2,857	1,179
Workers	733	1,758	736	1,670	767	1,475	767	979	1,094	862
Total	**3,884**	**2,401**	**3,832**	**2,059**	**3,719**	**2,015**	**3,694**	**1,374**	**4,329**	**1,214**

[1] Excluding trainees: 7 in 2021,4 in 2020.
[2] The average salary of the employees of the Group companies operating in Poland is calculated using the official EUR / PLN exchange rate on the last day of each month during which the salary was paid.
[3] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.
[4] Excluding 23 employees from Group companies UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., "Pomerania Invall Sp. z o. o.", OÜ Tuuleenergia", UAB "VVP Investment", Ignitis Eesti OÜ.
[5] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing it by 28.9% in 2019.

4.7 Risk and risk management

Risk management framework

Overview

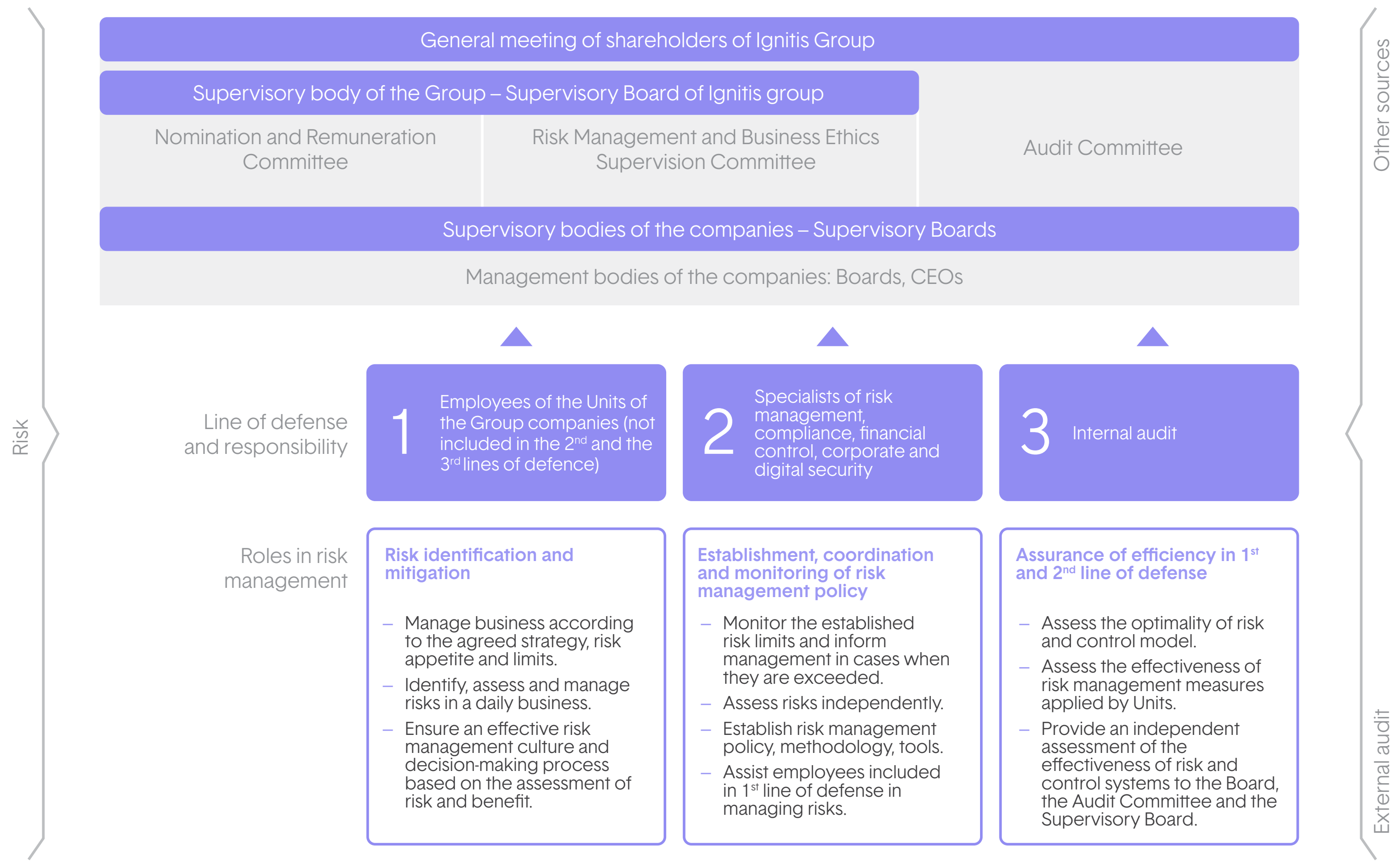
In order to effectively manage and control risks arising from its activities, the Group applies the "three lines of defence" principle by establishing a clear distribution of responsibilities for risk management and control between the management and supervisory bodies, structural units or functions of the Group or its subsidiaries (see figure on the right).

The Group is following the best risk management practices and using a risk management framework prepared in accordance with the main principles of Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines).

The effectiveness of the risk management plans is assessed by the parent company's Management Board, Risk Management and Business Ethics Supervision Committee elected by the Supervisory Board and Supervisory Board.

The risk management principles provided in the Group Risk Management Policy and other internal documents are applied uniformly across the entire Group. The uniform risk management principles ensure that the management of the Group companies receive risk management information covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement information on their activities with detailed risk assessment, monitoring, and management principles.

"Three lines of defence" risk management framework



The main risk management objectives are the following:

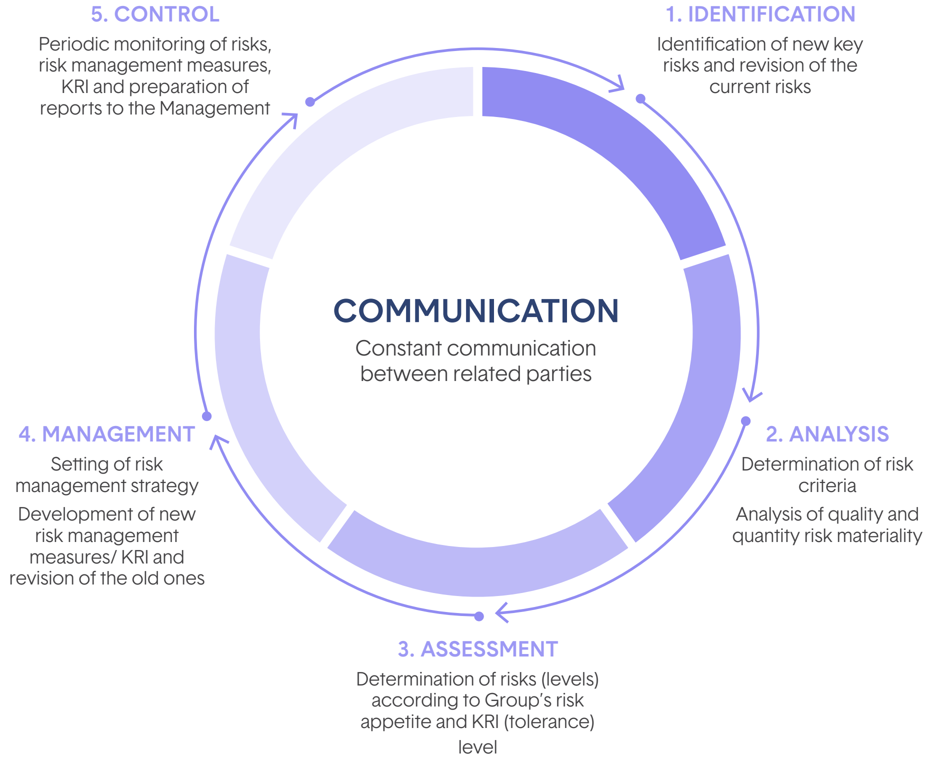
- to achieve the Group's performance objectives with controllable, yet, in principle, acceptable deviations from these objectives;
- to ensure uninterrupted performance of core activities of the Group in short- and long-term perspectives;
- to ensure a timely provision of information of the highest possible accuracy to decision-makers, shareholders and other stakeholders;
- to protect the Group's reputation and ensure reliability;
- to protect the Group's reputation and ensure resilience;
- to protect the interests of shareholders, employees, customers, stakeholders and the public;
- to ensure the stability (including financial) and sustainability of the Group's activities.

Risk management process and key principles

In order to ensure that risk management information and decisions are relevant to and reflect the changes in the Group, each year the Group initiates a risk management process (see on the right side) related to Group risks and Group strategic objectives, which includes all Group companies and functions. Throughout the risk management process, a constant communication between the related parties is ensured.

- **Identification stage** – identification of new key risks and revision of the current risks allows to form a comprehensive picture about the Group's risk.
- **Analysis stage** – risk criteria are determined according to the method established in the Group and quality and quantity risk materiality analysis is then performed.
- **Assessment stage** – here risk levels are determined. The risk level is determined by assessing the current control measures, probability of occurrence and potential impact of the risk (in the context of financial, reputational, compliance, corruption, human health and safety and business continuity aspects) and then multiplying them. Risk level can be low, medium, high, or very high (see risk assessment matrix). The Group's risk appetite and KRI (tolerance) thresholds are established and reviewed as needed by the parent company's Management Board . Risk appetite means the level and type of risk that the Group is ready to accept in order to implement strategic objectives. KRI threshold means the specific value of the occurrence of a particular risk factor, without threatening or creating the preconditions for a financial, reputational or other type of crisis to occur, expressed in qualitative or quantitative units. KRI is used to determine risks of all levels by distinguishing deviation thresholds (low, average, high), which would allow to identify risk tendency and, should there be deviations from the plan within the tolerance threshold, to initiate a more intensive monitoring by escalating the issue and planning additional steps to control it.
- **Management stage** – all risks are assigned a risk management strategy, such as 'accept', 'mitigate', 'avoid', or 'dispose'. Also every year new risk management measures, key risk indicators are developed, and the old ones are revised.
- **Control stage** – periodic monitoring of risks, risk management measures, key risk indicators and preparation of reports to the management (of separate companies, functions, at the Group level). Only those risks whose potential financial impact, assessed at the Group level, exceed the Group's risk appetite as well as systemic risks (i.e. risks that were identified in two or more companies) that exceed the Group's risk appetite are included into the consolidated risk register of the Group, which is approved by the parent company's Management Board and Supervisory Board.

Risk management process



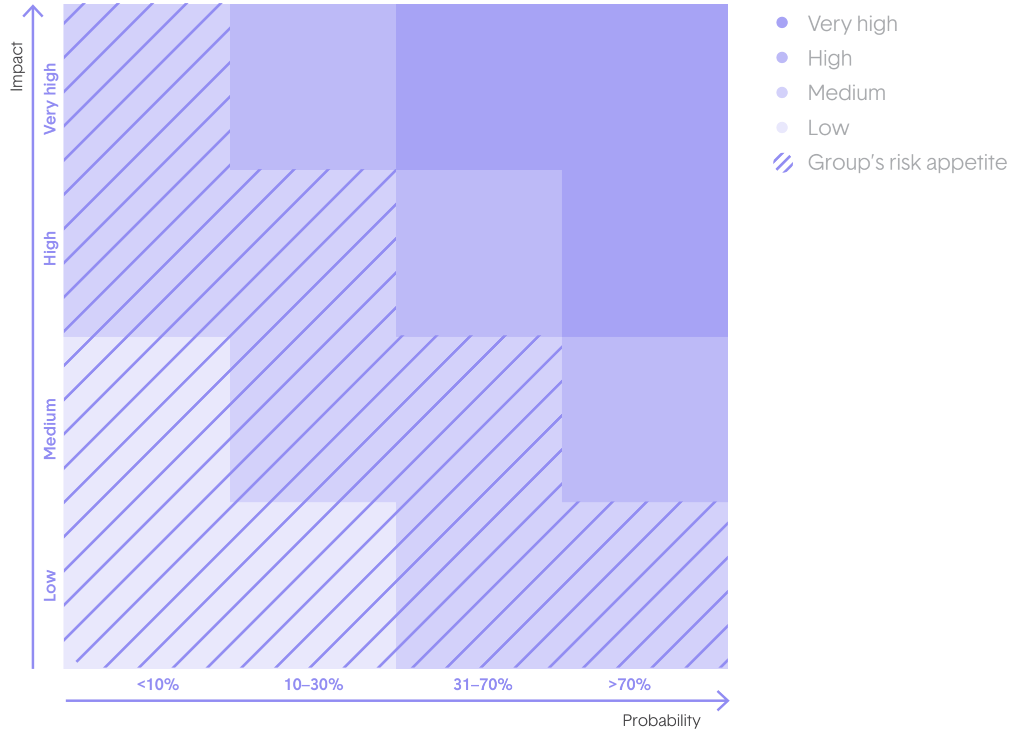
Risk categories

The Group's risks are categorized into strategic, operational (activity), financial and external risks. Their descriptions are provided below.

Risk categories

Risk category	Strategic	Operational (activity)	Financial	External
Description	Risks that may impact the mission, strategic objectives of the Group/ subsidiaries/functions. They can manifest due to unfavourable or erroneous business decisions, inadequate implementation of decisions or due to unfavourable reaction related to political, legislative changes.	Risks that manifest due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, poor business practices or development, employee errors and/or illegal activities, improper/insufficient management of IT operations, etc.	Risks that manifest from financial assets and/or obligations of the Group/its subsidiaries. This category includes the following risks: credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks manifesting due to changes in market conditions, regulatory and judicial changes (both planned and unplanned), natural resources, natural disasters, etc.

Risk assessment matrix



Key risks and their control

Starting 2022

In Q4 2021, a periodic risk management process was initiated based on the updated risk assessment methodology. During the process, after evaluating all relevant risks in the context of the Group business segments and functions, and considering the strategic directions, a new consolidated risk register of the Group was compiled, where the most important risks for upcoming period for the Group were established. Risks 1–8 were included from the Group companies, and risk 9 – from a function. Compared to 2021, four new priority risks (1, 2, 3, 7) were identified for 2022, which are mostly related to the activities of the Green Generation segment. Five previous risks (4, 5, 6, 8, 9) remain relevant in the upcoming period. These key risks of the Group and their management plan have our greatest focus and attention. More information about these risks and their management plan is available below.

2021

Annual report 2020 contains an extensive list of the most important risk factors and management directions for 2021. Such risks as changes in the market and legislation, unsuccessful new projects/business activities and failure to ensure information security remained at high or very high risk level throughout the reporting period. Meanwhile, the following risks were successfully managed within the Group's risk appetite: risk of failure to achieve key commitments (including business continuity); risk of health and safety of employees, residents and contractors; risk of compliance; and risk of core services disruptions due to IT/OT incidents.

The main risk changes:

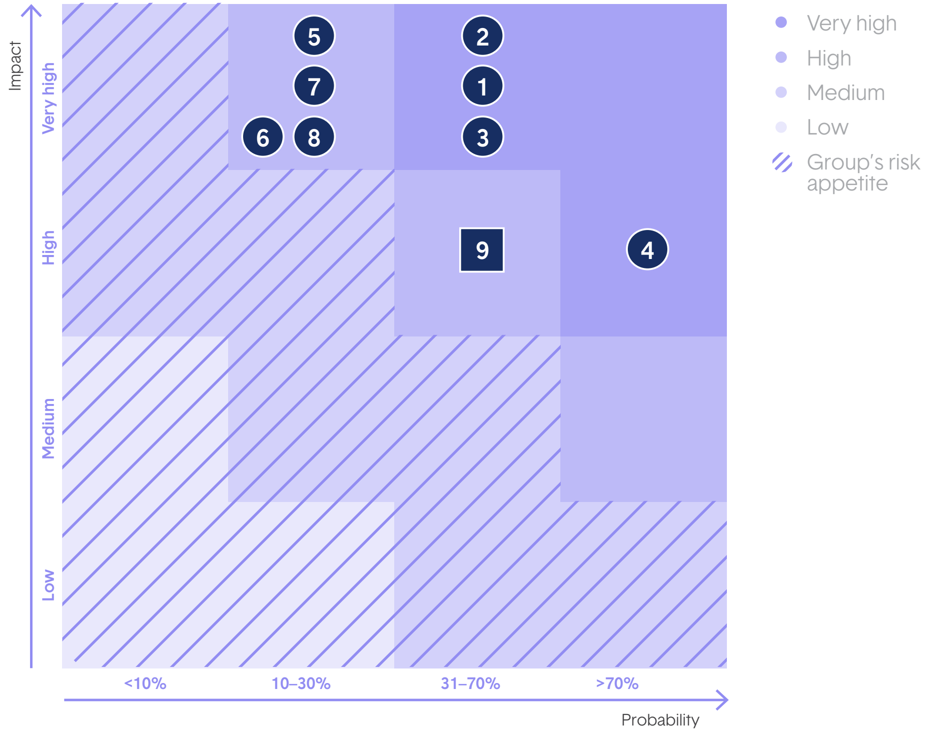
Customers & Solutions: In Q3 2021, the Group has successfully concluded negotiations with Equinor ASA – an amendment of the designated supply of liquefied natural gas (LNG) contract was signed, which ensured a more favorable LNG cargo supply structure. Additionally, the Government of the Republic of Lithuania approved the mandatory supply volume for the LNG terminal – 4 cargoes per year for the period of 2022–2024, which aligns with the mandatory supply volume set out in the contract with Equinor ASA. Considering this, the uncertainty related to the designated supply activities was reduced, so the level of the risk "Market and legislative changes" was reduced from very high to high (the probability was decreased from very high to high);

Networks:

- when assessing implementation of the smart meter roll-out project, a global chip shortage ('chip crisis') presented as another source of risk, potentially resulting in slower delivery of smart meters;
- risk of market and legislative changes had partially materialised because the National Energy Regulatory Council (NERC) approved (link in Lithuanian) the new wording of the Methodology for determining the price caps for electricity distribution by, in essence, making it similar to historical cost model (previously was Long-Run Average Incremental Cost (LRAIC) model). Fortunately, sustainable regulatory framework was ensured through the additional tariff component, which offsets the change in RAB calculation method (more information is available in section 'Results by business segment'). Respectively, the Adjusted EBITDA guidance for 2021, dividend policy and investment plans detailed in the Group strategic plan remained unchanged.

Risk changes in Q4 2021 are not separated because, starting from Q4 2021, an updated risk assessment methodology is being applied (with greater focus on specific risk factors rather than risk areas), based on which the risk factor and management plan, which is provided below, was updated.

Key risks of the Group



1. Employee attraction, development and retention risk (Green Generation)
2. Risk of not achieving Green Generation installed capacity on time (Green Generation)
3. Risk of not winning the Lithuanian offshore wind tender (Green Generation)
4. Risk of hedging deficit in the Lithuanian and Latvian electricity markets (Customers & Solutions)
5. Risk of failure to complete the Vilnius CHP biomass unit project properly and on time (Green Generation)
6. Risk of failing to notify the European Commission about the aid from the Government (Flexible Generation)
7. Risk of market changes (Flexible Generation)
8. Risk of unplanned and adverse regulatory changes (Networks)
9. Risk of cyberattacks using publicly known system vulnerabilities (the Group)

Risk management plan 2022

Strategic risks

1 Employee attraction, development and retention risk ESG

Main source of risk:
- Lack of experienced project managers in the green generation area
- High employee flow during the process of expansion of the company
- Employee replacement issues

Key risk indicators | Employee turnover

Period | Until 2030

Impacted strategic area
People and culture

Potential impact
Financial

Risk level
Very high

Main risk management principles
Creating a talent strategy for the company:
- ensuring employees in strategic positions;
- ensuring employees in supporting positions;
- preparing a human resources planning framework;
- preparing an employee rotation program in Lithuania and abroad (as necessary).

2 Risk of not achieving Green Generation installed capacity on time ESG

Main source of risk:
- Growing competition due to easier entry to the market
- Limited supply of land plots for project development which meet legal requirements

Key risk indicators | Installed capacity

Period | Until 2030

Impacted strategic area
Green Generation

Potential impact
Financial

Risk level
Very high

Main risk management principles:
- Take competitive advantage in large, more capital intensive projects
- Participate in consultations and working groups for formation of legislation
- Attract professionals with rich experience in green generation project development
- Utilize the existing electricity supply portfolio to structure off-take agreements

3 Risk of not winning the Lithuanian offshore wind tender

Main source of risk:
- Highly competitive environment
- Limited experience in offshore wind tenders
- Uncertainly due to normative legal acts to be approved

Period | Starting from 2023

Impacted strategic area
Green Generation

Potential impact
Financial

Risk level
Very high

Main risk management principles:
- Utilize the existing electricity supply portfolio to structure off-take agreements
- Partnership with Ocean Winds to strengthen the know-how in preparation for tender
- Enhance competencies by secondment to Moray West
- Attract professionals with rich experience in offshore wind projects
- Participate in consultations and working groups for formation of legislation.

ESG ESG-related risk

Financial risks[1]

4 Risk of hedging deficit in the Lithuanian and Latvian electricity markets

Main source of risk:
- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states
- Reduction in the company's competitiveness in the retail sector

Key risk indicators | Share of hedged portfolio

Period | Constant

Impacted strategic area
Finance

Potential impact
Financial

Risk level
Very high

Main risk management principles:
- Daily monitoring of the hedging portfolio
- Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolio

5 Risk of failure to complete the Vilnius CHP biomass unit project properly and on time

Main source of risk:
- Legal measures limiting the construction capacity of contractors, subcontractors, the trustee in bankruptcy
- Violation of public procurement principles

Key risk indicators | Delay of critical guidelines

Period | Until 2024

Impacted strategic area
Green Generation

Potential impact:
- Financial
- Reputation

Risk level
High

Main risk management principles:
- Project work and schedule control as well as deviation adjustments
- Proper assurance of public procurement processes
- Constant collaboration with authorities

[1] *Other inherent financial risks of the Group (market, currency, interest rate, credit, liquidity), which do not exceed the Group's risk appetite and KRI tolerance thresholds, in accordance with the IFRS requirements are described in section 'Financial statements' of this report (Financial risk management part).*

External risks

6 Risk of failing to notify the European Commission about the aid from the Government

Main source of risk:
The EC is yet to be notified about the aid granted by the Government to Ignitis Gamyba.

Key risk indicators
Periodic reporting of risk signals to the management.

Period | Constant

Impacted strategic area
Finance

Potential impact:
- Financial
- Reputation

Risk level
High

Main risk management principles:
- Continuous collaboration and provision of information to the authorities (the EC and the Ministry of Energy of the Republic of Lithuania)
- Centralized coordination of regulatory issues within the Group

7 Risk of market changes

Main source of risk:
- Regulatory changes in demand and ordering of reserve services (secondary and tertiary power reserve)
- Regulatory changes in demand and ordering of system services (isolated regime services)

Key risk indicators
Periodic reporting of risk signals to the management.

Period | From 2026

Impacted strategic area
Flexible Generation

Potential impact
- Financial

Risk level
High

Main risk management principles:
- Preparation for synchronization with electricity grid of the Continental Europe
- Consistent decommissioning of unused generation capacities
- Focused reduction of costs of regulated activities
- Revision and optimization of processes
- Active cooperation with the regulator
- Centralized coordination of regulatory issues within the Group

8 Risk of unplanned and adverse regulatory changes

Main source of risk:
Uncertainty of the regulatory environment.

Key risk indicators
Significant methodology changes/inspections carried out by regulatory authorities.

Period | Constant

Impacted strategic area
FInance

Potential impact
- Financial
- Reputation

Risk level
High

Main risk management principles:
- Active cooperation with regulatory authorities
- Participation in consultations and working groups
- Centralised coordination of regulatory issues within the Group

Operational (activity) risks

9 Risk of cyberattacks using publicly known system vulnerabilities

Main source of risk:
- Cyberattacks
- Cases of social engineering, data theft
- Late or improperly patched publicly known exploitations

Key risk indicators:
- Critical vulnerabilities
- Solution duration

Period | Constant

Impacted strategic area
Organisation

Potential impact:
- Compliance
- Reputation

Risk level
High

Main risk management principles:
- Verification of publicly known vulnerabilities, critical system restriction/isolation in the internal network
- Preparation of periodic IT vulnerabilities reports and their submission to persons responsible for solving them
- Internal audit
- Cooperation with external institutions

Other risks

The risks listed below (assessed at medium/low risk level and which fall within the Group's risk appetite and KRI tolerance thresholds) are also being actively monitored because of their natural relevance to the Group's operations.

Strategic, external, operational risks | Physical climate risk

ESG

Main source of risk:
- Natural climate-related weather events (rains, droughts, snowfalls, storms, etc.) can damage infrastructure and halt operations (potential impact on distribution networks, hydropower, wind farms)
- Climate-related weather events can disrupt supply chains or unpredictably adjust commodity prices

Key risk indicators:
- SAIDI/SAIFI
- Availability of generation units

Period | Constant

Impacted strategic area
Sustainable Development

Potential impact:
- Financial
- Reputation

Risk level
Low

Main risk management principles:
- Investment in network and other asset resilience
- Updating plans for managing unforeseen operational interruptions, conducting field exercises

Strategic, external, operational risks | Climate transition risk

ESG

Main source of risk:

- Tightening regulation and increasing requirements related to the European Green Deal
- Increasing prices and expanding potential scope of application related to the EU ETS; rising prices of other commodities
- Growing consumer, investor, public interest in climate change and other ESG issues
- Uncertainty regarding the EU Taxonomy criteria and the regulation's impact on the market
- Changing consumer and investor needs and expectations regarding fossil fuel phase-out

Key risk indicators

GHG emissions.

Period | Constant

Impacted strategic area

Sustainable Development

Potential impact:

- Financial
- Reputation

Risk level

Medium

Main risk management principles

GHG emission reduction that is pursued in the following ways:

- increasing RES capacity;
- increasing energy efficiency;
- optimising resource consumption;
- utilising new technologies and innovative solutions.

For more information see section 'Sustainability (corporate social responsibility) report'.

Operational risk | Health and safety

ESG

Main source of risk

A natural risk may manifest due to:

- insufficient assessment of risks in a workplace, lack of practical skills, knowledge;
- failure to adhere to safety requirements;
- processes, tools that are not unified across the Group;
- failure to manage resources.

Key risk indicators

- Accidents
- Violations
- TRIR

Period | Constant

Impacted strategic area

Sustainable Development

Potential impact

People's health and safety

Risk level

Medium

Main risk management principles:

- Internal employee and contractor inspections
- Education, training of employees and contractors
- Improving processes

For more information see section 'Sustainability (corporate social responsibility) report'.

ESG ESG-related risk

Operational risk | Corruption

ESG

Main source of risk

A natural risk may manifest due to:
- abuse of office powers;
- failure to declare conflicts of interest.

Key risk indicators:
- Conflicts of interest
- Corruption violations
- Declaration of interests
- Reports of corruption violations
- Declaration of gifts

Period | Constant

Impacted strategic area

Organisation

Potential impact:
- Compliance
- Reputation
- Financial

Risk level

Medium

Main risk management principles:
- Anti-corruption management system (ACMS) LST/ ISO 37001:2017.
- Standardised corruption risk assessment and management processes in the Group.
- Improving and automation of current control mechanisms.
- Trust line.
- Group's Code of Ethics.
- Periodic training courses.

For more information see section 'Sustainability (corporate social responsibility) report'..

Operational, external risk | Compliance

Main source of risk

We must comply with:
- GDPR;
- MAR;
- REMIT, EMIR;
- Third energy package
- AML;
- And other requirements applicable to the activities of the Group.

Key risk indicators:
- Sanctions
- Incidents
- Claims

Period | Constant

Impacted strategic area
- Organisation
- Sustainable Development
- Customers & Solutions

Potential impact:
- Compliance
- Reputation
- Financial
-

Risk level

Medium

Main risk management principles:
- Centralised coordination of compliance issues within the Group.
- Mandatory employee education programmes.
- Total separation of supply and distribution activities.
- Improving processes and applying control mechanisms.

For more information see the end of this section and section 'Sustainability (corporate social responsibility) report'.

ESG ESG-related risk

Operational risk | Business continuity

Main source of risk:
- The Covid-19 pandemic and restrictions related to its management.
- Business uncertainty.
- Lack of resources.
- The launch of Astravets Nuclear Power Plant.

Key risk indicators:
- Significant disruptions of core activities.
- Post incident reviews.

Period | Constant

Impacted strategic area
Organisation

Potential impact:
- Compliance
- Reputation
- Financial

Risk level
Medium

Main risk management principles:
- Business continuity plans.
- Application of personal protection equipment.
- Hybrid working model.
- Contact restrictions (both to external customers and in the critical teams).
- Centre of internal IT competencies.

For more information see the end of this section and section 'Sustainability (corporate social responsibility) report'.

Compliance Programme

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of the issuer's material information. Effective prevention of market abuse is one of our main priorities. The Group is listed both in London and Nasdaq Vilnius stock exchanges – it complies with all relevant EU, Lithuanian and UK laws and regulations.

The Group's own internal insider and transparency rules are regularly updated and made available to the public. The Group arranges periodic training on market abuse and insider rules. The coordination of market abuse prevention is one of the responsibilities of the Group's Business Resilience unit. Key market abuse prevention projects of 2021 include:

- approved trading guidelines for the parent company's managers and persons closely associated with them. The purpose of the guidelines is to detail the requirements set out in the Market Abuse Prevention Policy of the Group (link) for persons discharging managerial responsibilities (PDMR) and persons closely associated with them as well as to define the processes necessary for risk management related to the trading, reporting to and informing the supervisory authorities. Moreover, a specialized compliance training course in this area has been developed for the PDMR. Transactions of the PDMR and the persons closely associated with them must adhere to a specialized internal Closed Period calendar, which is prepared in accordance with the requirements of the Market abuse regulation (EU) No 596/2014. Notification threshold – EUR 5,000 within a calendar year;
- specialized inside information management training course, which was created to ensure that the persons who are on the insider list are able to identify, manage and disclose inside information and are familiar with the established prohibitions. In parallel, an Insider Management Committee (comprising 5 experts from finance, law, compliance, investor relations and communication areas), successfully continues its operations by dealing with complex insider management issues effectively while ensuring maximum transparency;
- Market Abuse Prevention Guidelines, which have been prepared in order to explain requirements and prohibitions that are related to unlawful market abuse activities: i) market manipulation or an attempt to engage in market manipulation; ii) insider dealing or an attempt to engage in insider dealing; iii) unlawful disclosure of inside information. Moreover, specialized market abuse prevention training has been successfully implemented this year.

In 2021, same as the previous year, the Group ensured the compliance with all MAR (Market Abuse Regulations) requirements successfully.

Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania when conducting related party transactions. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and adopts decisions regarding the related party transactions of the parent company and the Group companies, if they are conducted in unusual market conditions and/or are not attributable to the usual economic activities, and/or have a significant impact to the parent company, its finances, assets and obligations, i.e., the value of such transaction is over 1/50 if the parent company's equity (excluding transactions that are necessary to ensure core activities of the Group companies and transactions which must be concluded under the requirement of the law).

We disclose information about the concluded related party transactions on our website and in accordance with the IFRS requirements in the section 'Financial statements' of this report.

4.8 Information about the Group

Corporate structure

As of the end of the reporting period, the Group consisted of the parent company and 26 fully consolidated subsidiaries. The parent company of the Group is AB "Ignitis grupė" is responsible for the co-ordination of activities and transparent management of the Group. Further information, including financials about the parent company and its subsidiaries is available in the section below and on our website.

The companies presented in the figure on the next page are directly or indirectly controlled by the parent company. The Group applies the following governance system:

1	**The Supervisory Board** is formed out of 7 non-executive members (2 shareholder's representatives, 5 independent). **The Management Board** is formed out of 5 executive members. **Chief Executive Officer** is also the Chair of the Management Board.
2	**The Supervisory Board** is formed out of 5 non-executive members[1] or 3 non-executive members (2 shareholder's representatives and 1 independent member). **The Management Board** is formed out of 5 or 3 executive members. **Chief Executive Officer** is also the Chair of the Management Board.
3	**The Management Board** is formed out of 3 non-executive members (2 shareholder's representatives and 1 independent member). **The Management Board** structure might be different in some companies and it is not formed until the company starts its operations[2]. **Chief Executive Officer** is not a member of the Management Board.
4	**Chief Executive Officer** is a sole management body. **The Management Board** is not formed.

Changes in the Group's structure during the reporting period:

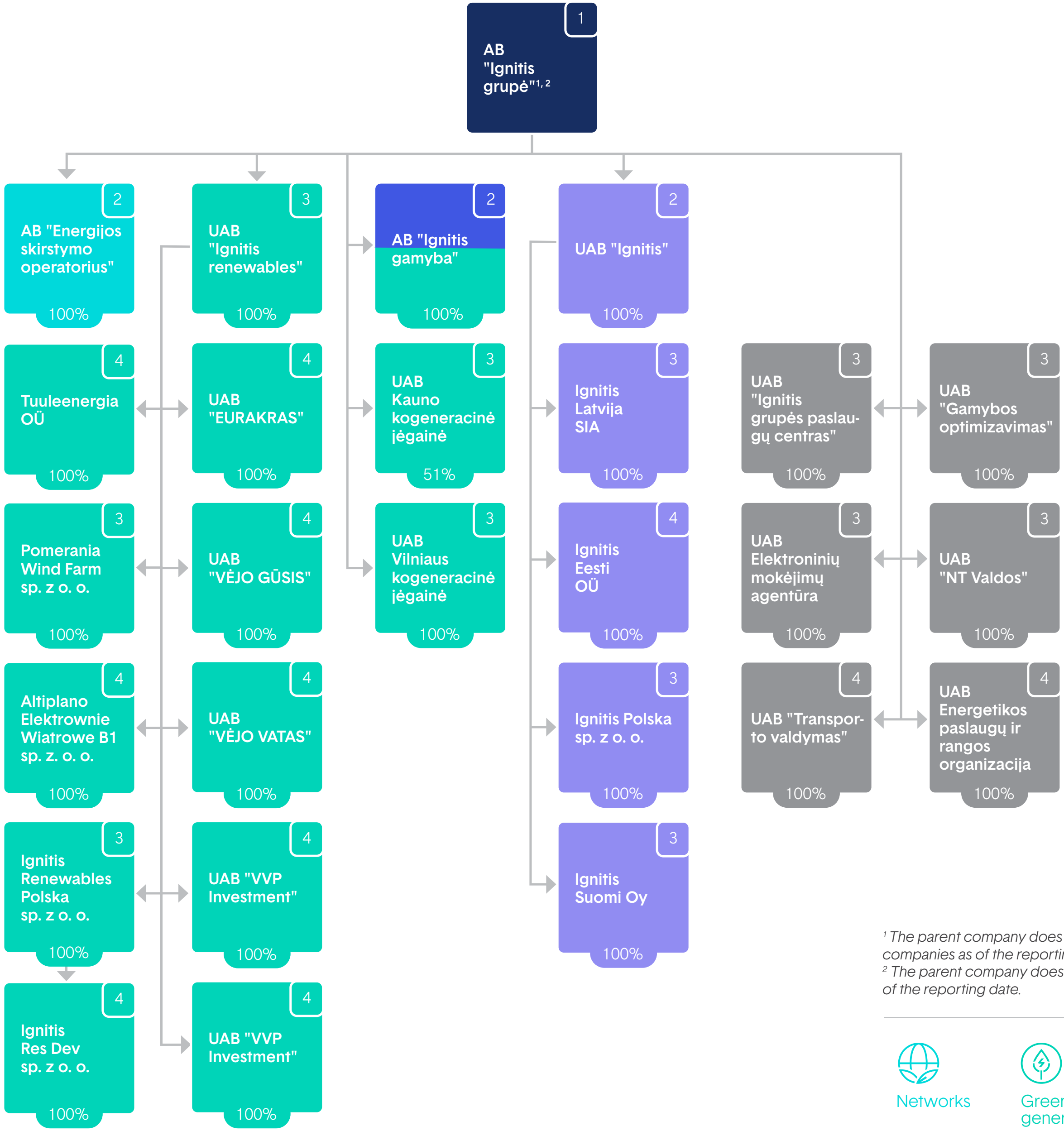
- UAB "Ignitis" established Ignitis Suomi Oy in Finland to enable more effective operations in Finnish supply markets;
- UAB "Ignitis renewables" acquired a company registered in Poland, which, prior to this, did not conduct any activities – Dolcetto Sp. z. o. o. Additionally, Dolcetto sp. z o. o. acquired Charbono Sp. z o.o., a company registered in Poland;
- name of Dolcetto Sp. z o.o. was changed to Ignitis Renewables Polska Sp. z o.o;
- name of Charbono Sp. z o. o. was changed to Ignitis Res Dev sp. z o.o;
- UAB "Ignitis renewables" established UAB "Ignitis renewables projektai" in Lithuania to develop wind and solar parks;
- UAB "Ignitis renewables" acquired Altiplano Elektrownie Wiatrowe B1 Sp. z o.o., a company developing a wind farm in Poland.

Changes in the Group's structure after the reporting period:

- an intention to establish a subsidiary of UAB "Ignitis renewables" in Latvia was announced.

[1] At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.
[2] The Management Boards of Ignitis Latvija and Ignitis Polska are formed out of 1 member – CEO, the Supervisory Board of Ignitis Latvija is formed using the Majority shareholder's representatives, whilst the Supervisory Board of Ignitis Polska is formed from 2 Majority shareholder's representatives and 1 independent member. The Management Board of Ignitis Suomi Oy is formed out of 1 ordinary member and 1 deputy member. The Management Board of Ignitis Renewables Polska Sp. z o.o. is formed out of 2 non-executive members (Majority shareholder's representatives).

The Group's corporate structure (at the end of the reporting period)



[1] The parent company does not have any branches and representative companies as of the reporting date.
[2] The parent company does not carry out research and development activities as of the reporting date.

The parent company, its subsidiaries and their performance during the reporting period (2021)[1]

AB "Ignitis Grupė"

Parent company – management and coordination of activities of the Group companies

Company code: 301844044

Legal form: Public Limited Liability Company

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: NA

Share capital: EUR 1,658,756,293.81

Website: www.ignitisgrupe.lt

Email: grupe@ignitis.lt

Establishment date and register: 28 August 2008, Lithuanian Register of Legal Entities

Performance: (EUR million):

Revenue	228.8
Expenses	9.2
Adjusted EBITDA	(3.2)
Net profit	231.6
Investments	4.3
Assets	2,856.4
Equity	1,933.2
Liabilities	923.2

Number of employees: 73

AB "Energijos Skirstymo Operatorius"

Distribution of electricity and natural gas, supply of last resort service

Company code: 304151376

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 259,442,796.57

Website: www.eso.lt

Performance: (EUR million):

Revenue	535.3
Expenses	363.9
Adjusted EBITDA	148.1
Net profit	50.0
Investments	185.6
Assets	1,819.5
Equity	627.7
Liabilities	1,191.8

Number of employees: 2,427

[1] *Unaudited results, except of AB "Ignitis grupė", AB "Energijos Skirstymo Operatorius", and UAB Elektroninių mokėjimų agentūra.*

Contents »

UAB "Ignitis Renewables"[1]

Coordination of operation, supervision and development of renewable energy projects

Company code: 304988904

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 21,910

Website: NA

Performance (EUR million):	Consolidated[1]	Stand alone
Revenue	14.4	5.6
Expenses	6.3	3.0
Adjusted EBITDA	12.0	(2.7)
Net profit	0.6	(0.4)
Investments	9.6	2.1
Assets	331.5	177.2
Equity	46.2	53.8
Liabilities	285.3	123.4
Number of employees:	45	17

UAB "Ignitis renewables projektai"

Development of renewable energy projects

Company code: 305916135

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 3,000

Website: NA

Performance (EUR million):	
Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	2.6
Equity	1.0
Liabilities	1.6

Number of employees: 1

Ignitis Renewables Polska Sp. z o. o.

Development of renewable energy projects

Company code: 0000871214

Registered address: Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 5,000

Website: NA

Performance (EUR million):	
Revenue	-
Expenses	0.14
Adjusted EBITDA	(0.14)
Net profit	(0.15)
Investments	-
Assets	4.47
Equity	4.31
Liabilities	0.16

Number of employees: 11

Ignitis Res Dev Sp. z o. o.

Development of renewable energy projects

Company code: 0000873356

Registered address: Puławska 2 Building B, Varšuva 02-566, Poland

Effective ownership interest: 100%

Share capital: PLN 5,000

Website: NA

Performance (EUR million):	
Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	0.02
Equity	0.00
Liabilities	0.02

Number of employees: 0[1]

Pomerania Wind Farm Sp. z o. o.

Generation of renewable electricity

Company code: 0000450928

Registered address: 82/368 Grunwaldzka St., 80-244 Gdańsk, Poland

Effective ownership interest: 100%

Share capital: PLN 44,500

Website: NA

Performance (EUR million):	
Revenue	2.0
Expenses	(0.9)
Adjusted EBITDA	5.1
Net profit	0.3
Investments	2.4
Assets	136.5
Equity	31.2
Liabilities	105.3

Number of employees: 11

Tuuleenergia OÜ

Generation of renewable electricity

Company code: 10470014

Registered address: Keskus, Helmküla küla, Lääneranna vald, Pärnu maakond, 88208

Effective ownership interest: 100%

Share capital: EUR 499,488

Website: NA

Performance (EUR million):	
Revenue	6.4
Expenses	0.7
Adjusted EBITDA	5.7
Net profit	3.9
Investments	-
Assets	29.6
Equity	5.1
Liabilities	24.5

Number of employees: 1

[1] *Ignitis Renewables Consolidated numbers includes UAB "Ignitis Renewables", UAB "Ignitis renewables projektai", Ignitis Renewables Polska Sp. z o. o., Ignitis Res Dev Sp. z o. o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "Eurakras", UAB "Vėjo gūsis", UAB "Vėjo vatas", UAB "VVP Investment" and Altiplano Elektrownie Wiatrowe B1 Sp. z o.o.*

UAB "Eurakras"

Generation of renewable electricity

Company code: 300576942

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 4,620,539.04

Website: NA

Performance (EUR million):

Revenue	5.5
Expenses	0.9
Adjusted EBITDA	4.6
Net profit	2.6
Investments	-
Assets	25.2
Equity	8.2
Liabilities	17.0

Number of employees: 1

UAB "Vėjo gūsis"

Generation of renewable electricity

Company code: 300149876

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 7,442,720

Website: NA

Performance (EUR million):

Revenue	4.0
Expenses	0.9
Adjusted EBITDA	3.1
Net profit	1.9
Investments	-
Assets	17.4
Equity	9.8
Liabilities	7.6

Number of employees: 1

UAB "Vėjo vatas"

Generation of renewable electricity

Company code: 110860444

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,896,000

Website: NA

Performance (EUR million):

Revenue	2.9
Expenses	0.7
Adjusted EBITDA	2.2
Net profit	1.1
Investments	-
Assets	14.6
Equity	4.3
Liabilities	10.3

Number of employees: 1

UAB "VVP Investment"

Development and operation of a renewable energy (wind) project

Company code: 302661590

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 250,214.40

Website: NA

Performance (EUR million):

Revenue	-
Expenses	0.2
Adjusted EBITDA	(0.2)
Net profit	(0.2)
Investments	3.5
Assets	18.4
Equity	0.1
Liabilities	18.3

Number of employees: 1

Altiplano Elektrownie Wiatrowe B1 Sp. z o.o.

Development and operation of a renewable energy (wind) project

Company code: 0000531275

Registered address: Abrahama g. 1A, Gdansk 80-307, Poland

Effective ownership interest: 100%

Share capital: PLN 47,977,500

Website: NA

Performance (EUR million):

Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	13.3
Equity	1.0
Liabilities	12.3

Number of employees: 0[1]

UAB Kauno Kogeneracinė Jėgainė

Electricity and heat production from waste

Company code: 303792888

Registered address: Jėgainės St. 6, Biruliškės, Karmėlava mun., Kaunas district

Effective ownership interest: 51%

Share capital: EUR 40,000,000

Website: www.kkj.lt

Performance (EUR million):

Revenue	29.1
Expenses	12.7
Adjusted EBITDA	13.1
Net profit	7.2
Investments	1.5
Assets	166.4
Equity	44.2
Liabilities	122.2

Number of employees: 39

Vilniaus Kogeneracinė Jėgainė

Development and operation of cogeneration power plant project

Company code: 303782367

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 52,300,000.12

Website: www.vkj.lt

Performance (EUR million):	
Revenue	16.6
Expenses	7.8
Adjusted EBITDA	9.9
Net profit	9.5
Investments	20.5
Assets	313.5
Equity	56.5
Liabilities	257.0

Number of employees: 88

AB "Ignitis gamyba"

Generation and trading of electricity

Company code: 302648707

Registered address: Elektrinės St. 21, Elektrėnai

Effective ownership share: 100%

Share capital: EUR 187,920,762.41

Website: www.ignitisgamyba.lt

Performance (EUR million):	
Revenue	295.8
Expenses	179.8
Adjusted EBITDA	103.9
Net profit	74.8
Investments	0.9
Assets	707.2
Equity	342.2
Liabilities	365.0

Number of employees: 359

UAB "Ignitis"[1]

Electricity and natural gas supply, trading, energy efficiency projects

Company code: 303383884

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 40,140,000

Website: www.ignitis.lt

Performance (EUR million):	**Consolidated[1]**	**Stand alone**
Revenue	997.2	883.3
Expenses	981.0	862.0
Adjusted EBITDA	29.1	34.1
Net profit	6.6	11.4
Investments	2.0	1.7
Assets	825.4	813.3
Equity	77.6	76.5
Liabilities	747.8	736.8
Number of employees:	**335**	**304**

Ignitis Polska Sp. z o. o.

Supply and trading of electricity

Company code: 0000681577

Registered address: Puławska 2-B, PL-02-566, Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 10,000,000

Website: www.ignitis.pl

Performance (EUR million):	
Revenue	16.2
Expenses	19.3
Adjusted EBITDA	(3.1)
Net profit	(2.9)
Investments	(0.8)
Assets	18.8
Equity	(1.5)
Liabilities	20.3

Number of employees: 16

Ignitis Latvija SIA

Supply of electricity and natural gas

Company code: 40103642991

Registered address: Cēsu St. 31 k-2, , LV-1012, Riga, Latvia

Effective ownership interest: 100%

Share capital: EUR 11,500,000

Website: www.ignitis.lv

Performance (EUR million):	
Revenue	106.2
Expenses	104.6
Adjusted EBITDA	1.6
Net profit	1.4
Investments	0.3
Assets	50.9
Equity	8.8
Liabilities	42.1

Number of employees: 13

Ignitis Eesti OÜ

Supply of electricity

Company code: 12433862

Registered address: Narva St. 5, 10117 Tallinn, Estonia

Effective ownership interest: 100%

Share capital: EUR 35,000

Website: NA

Performance (EUR million):	
Revenue	0.7
Expenses	0.8
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	-
Assets	0.2
Equity	0.0
Liabilities	0.2

Number of employees: 0[2]

[1] *Ignitis Consolidated numbers includes UAB "Ignitis", Ignitis Polska Sp. z o. o., Ignitis Latvija SIA, Ignitis Eesti OÜ and Ignitis Suomi Oy.*

Ignitis Suomi Oy

Supply of natural gas

Company code: 3202810-4

Registered address: Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland

Effective ownership interest: 100%

Share capital: EUR 200,000

Website: www.ignitis.fi

Performance (EUR million):

Revenue	-
Expenses	(0.12)
Adjusted EBITDA	(0.12)
Net profit	(0.14)
Investments	-
Assets	0.14
Equity	0.07
Liabilities	0.07

Number of employees: 2

UAB "Ignitis grupės paslaugų Centras"

Shared business support services

Company code: 303200016

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 12,269,006.25

Website: NA

Performance (EUR million):

Revenue	31.5
Expenses	25.3
Adjusted EBITDA	6.1
Net profit	0.9
Investments	10.0
Assets	26.6
Equity	14.0
Liabilities	12.6

Number of employees: 498

UAB "Gamybos optimizavimas"

Planning, optimization, forecasting, trading, brokering and other electricity related services

Company code: 304972024

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 350,000

Website: NA

Performance (EUR million):

Revenue	0.66
Expenses	0.55
Adjusted EBITDA	0.10
Net profit	0.07
Investments	-
Assets	0.62
Equity	0.46
Liabilities	0.16

Number of employees: 7

UAB Elektroninių mokėjimų agentūra

Payment aggregation

Company code: 136031358

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 958,000

Website: NA

Performance (EUR million):

Revenue	0.9
Expenses	0.5
Adjusted EBITDA	0.4
Net profit	0.2
Investments	0.1
Assets	1.4
Equity	1.3
Liabilities	0.1

Number of employees: 5

UAB "Transporto valdymas"

Vehicle rental, leasing, repair, maintenance, renewal and service

Company code: 304766704

Registered address: Kirtimų St. 47, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,359,371.20

Website: www.tpvaldymas.eu

Performance (EUR million):

Revenue	4.6
Expenses	2.2
Adjusted EBITDA	2.4
Net profit	1.3
Investments	0.1
Assets	20.0
Equity	7.2
Liabilities	12.8

Number of employees: 21

UAB "NT Valdos"[3]

Management and other related services of real estate

Company code: 300634954

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2519.52

Website: NA

Performance (EUR million):

Revenue	-
Expenses	0.1
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	0.0
Assets	0.4
Equity	0.4
Liabilities	-

Number of employees: 0[2]

UAB Energetikos Paslaugų ir Rangos Organizacija[4]

Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures

Company code:
304132956

Registered address:
Motorų St. 2, Vilnius

Effective ownership interest: 100%

Share capital:
EUR 350,895.07

Website:
http://www.enepro.lt/

Performance (EUR million):

Revenue	-
Expenses	0.16
Adjusted EBITDA	(0.16)
Net profit	(0.18)
Investments	-
Assets	0.17
Equity	0.17
Liabilities	-

Number of employees:
0[4]

Lietuvos Energijos Paramos Fondas

Provision of support to projects, initiatives and activities, relevant to the society (no longer pursues any of its activities)

On 19 March 2018, the parent company, and on 13 March 2018, the Majority Shareholder, made a decision that from 2018, the Group would not grant support and/or charity (except for support to neighbourhood communities where the Group's Green Generation projects are located), in relation to changes in the Law on Charity and Support of the Republic of Lithuania. As a result, Lietuvos Energijos Paramos Fondas was dissolved on 30 August 2021.

[1] There was no employment contract. A company is represented by elected board member.
[2] There was no employment contract. A decision by the Majority shareholder to appoint a manager has been adopted.
[3] On 7 December 2021, the Majority shareholder's decision was adopted to liquidate NT Valdos, UAB. The company does not have any employees. The Majority shareholder's decision was adopted to appoint a liquidator (employee of the parent company).
[4] On 10 May 2021 the Majority shareholder's decision was adopted to liquidate Energetikos Paslaugų ir Rangos Organizacija. The company does not have any employees. The Majority shareholder's decision was adopted to appoint a liquidator (employee of the parent company).

Sustainability (Corporate Social Responsibility) report

5.1 About the sustainability (Corporate Social Responsibility) report

This Ignitis Group Sustainability (Corporate Social Responsibility) Report for 2021 (hereinafter referred to as the Sustainability Report) is prepared in accordance with the Core option of the Global Reporting Initiative (GRI) standards. The disclosures are made on a materiality basis and reflect the Group's progress in implementing the United Nations Global Compact (UNGC) and the Group's contribution to the United Nations Sustainable Development Goals (SDGs). This report complies with the requirements for social responsibility reports, as provided for in Lithuanian legislation. The report follows Nasdaq's ESG reporting guidelines and other recommendations.

The information set out below covers the period from 1 January to 31 December 2021 and is part of the consolidated annual report of Ignitis Group for 2021. In some cases, additional data from previous years are included in order to ensure greater comparability of sustainability results. The scope of the disclosure has been expanded to reflect the expectations of stakeholders, and in some cases previous disclosures have been updated due to changes in calculation methodology or provision of new information. Such changes and their reasons are indicated in the relevant sections.

The information provided in the Sustainability Report includes information on both the parent company and all subsidiaries. Therefore, unless otherwise stated, the key topics of the Sustainability Report cover all Group companies and detailed sustainability information for each Group company is not prepared. The Sustainability Report should be read in conjunction with the consolidated annual report of the Group and the annual reports of other Group companies. The Group's subsidiaries include a reference to the Ignitis Group's Sustainability Report in their annual reports.

The ESG Indicators Report, prepared in accordance with the Nasdaq ESG Reporting Guidelines and should be read in conjunction with the information contained in this report, can be found in the Sustainability section of our website.

The content of the report includes the latest information available at the time of publication, but it has not been formally audited.

The previous Group Sustainability Report, published on 26 February 2021, together with the consolidated Annual Report, and other information on the Group's sustainability management and activities are available on the Group's website. If you have any questions concerning the content of the Sustainability Report or the Group's sustainability activities, please contact sustainability@ignitis.lt.

The report represents our progress regarding the implementation of UN Global Compact principles and SDGs

5.2 Sustainability (Corporate Social Responsibility) report overview

About us

People first

- **3,884** employees at the Group.
- **28.9%** of the Group's employees are women.
- The average age of employees is **44.2 years**.
- **47.6%** of the Group's employees have been with the Group for 10 years or more.
- **23.5** training hours per employee.

Impact on our planet

- **736 thousand t CO_2-eq**[1] – direct (Scope 1) GHG emissions.
- **5,041 thousand t CO_2-eq**[1] – total GHG emissions.
- **107.3 thousand t** of waste (hazardous and non-hazardous) generated.
- **3,935 GWh** of total energy consumed.
- We used **9,432 m³** of water in our activities.
- **2.8 m³/kWh** water use intensity in Group's production.

Governing for sustainability

- Electricity and gas distribution network servicing **>99.3%** of the Lithuanian market.
- The length of power lines is 126.8 thousand km, out of which underground lines – **42 thousand km**.
- The average duration of a new connection to the electricity grid is **37 calendar days**.
- Electricity **SAIDI – 201.95 minutes, SAIFI – 1.45 times. Gas: 0.47 minutes and 0.01 times** respectively.
- **1.6 million** business and residential customers in electricity and gas supply activities.
- **Around 70%** of our goods and services are purchased in local markets.
- In total, we paid **214m EUR** in taxes in 2021 (in all countries where the Group operates).

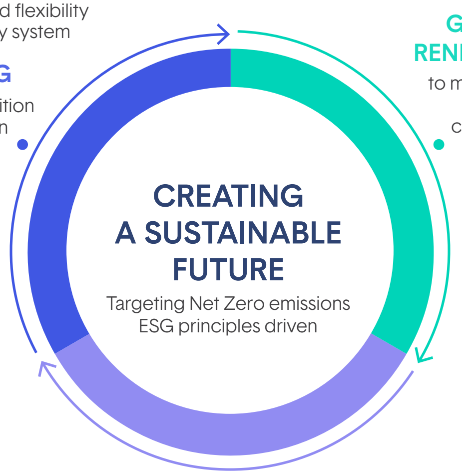
[1] *Numbers for 2021 are based on preliminary data. At the time of writing, Bureau Veritas was in the process of verifying the GHG data.*
[2] *(superscript) At the end of the reporting period.*

In our vision, we transform for a more sustainable world

ENSURING
resilience and flexibility of the energy system

ENABLING
energy transition and evolution

GROWING RENEWABLES
to meet regional energy commitments



CREATING A SUSTAINABLE FUTURE
Targeting Net Zero emissions
ESG principles driven

CAPTURING GROWTH OPPORTUNITIES
and developing innovative solutions to make life easier for the energy smart

#EnergySmart

4 business segments

5 countries

27 companies[2]

Our activities contribute to the Sustainable Development Goals:

The most important achievements in 2021

Future-fit employees and communities

- The employee experience rate (eNPS) has improved by 1.4 pp to **57.4%** (compared to 2020).
- The share of women in engineering and IT positions has reached **19% and 27%** in management positions.
- Ensuring occupational safety: **no fatal accidents** at work, **TRIR of 2.01**.
- We contributed towards creating **benefits for society**: created an opportunity for communities to receive financial support; launched a **volunteering model** for our employees.
- Received highest acknowledgement for mainstreaming **equal opportunities** in the workplace.

Climate action and protection of natural resources

- Installed capacity of Green Generation increased by **113 MW** to 1,214 MW.
- We installed 762 solar power plants (**9.7 MW** in total) for business and private customers.
- By contributing to public energy education, we helped customers save almost **134 GWh** of energy.
- We set science-based targets for reducing GHG emissions. We plan to reduce total emissions by **47%** by 2030.
- The Group's climate disclosures were **rated 'B'** by environmental disclosure organisation CDP.

Robust organisation

- We invited suppliers to comply with the **Supplier Code of Ethics**; we have developed and are consistently applying green and social responsibility criteria in procurement.
- The share of goods and services procured through green procurement was **24%**.
- Kruonis PSHP and CCGT successfully participated in the historic test between Lithuanian and Polish TSOs, during which part of the Lithuanian electricity system **operated synchronously** with the Polish system and with the synchronous area of continental Europe for the first time.
- **97.3%** of the Group's employees said they do not tolerate corruption. The Group was recognised for its transparency and anticorruption principles.
- The EU Taxonomy eligible revenue reached **602.9m EUR**.
- The Ignitis Innovation Fund invested **4.1m EUR** during the year.
- We maintained the highest possible **'A+' rating** in the Governance Coordination Centre's Governance Index.

Our sustainability framework

Sustainability is at the core of the Group's strategy and strategic plan. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance and accountability. Our sustainability management plan and a list of policies we follow are disclosed publicly. We publish ESG indicator data and sustainability highlight in interim and half-year reports while comprehensive ESG information is published in our Annual reports. Below is a high-level overview of our approach to ESG performance improvement.

Main topics

We are committed to reduce net GHG emissions to zero by 2050. We seek to contribute directly to the implementation of the UN Global Compact, Sustainable Development Goals, and the Paris Agreement.

Governance and processes

We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community.

Accountability

We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs.

Measuring progress

We aim to benchmark our continuous improvement using ESG ratings provided by leading ESG ratings agencies and seek to improve our ESG ratings.[1]

Our current **MSCI ESG rating of 'AA', increased from the baseline of 'A' in July 2021**, places us among the industry leaders and significantly above the utility group average of 'BBB'[2]. In December 2021, our Sustainalytics ESG Risk Rating score increased from 26.5 to 20.4, which ranks us among the top 12% performers in the utility group.

MSCI ESG index

Status 2021: 'AA'

CCC B BBB A **AA** AAA

2021 → 2024

Sustainalytics ESG risk index

Status 2021: Medium, 20.4

Severe High Med **Low** Negligible

2021 → 2024

[1] *See MSCI disclaimer and Sustainalytics ESG Risk Rating Summary Report on our website.*
[2] *MSCI ACWI index.*

Materiality assessment

We set 2022–2025 sustainability targets after taking into account the opinion of our stakeholders. Nearly 3,000 respondents shared their expectations regarding our sustainability.

5.3 Sustainability at the Group

The main principles and commitments

Sustainability is a prerequisite for the Group's mission to create an energy smart world. The world needs energy to exist, and we aim to generate, distribute, supply and consume it sustainably. Our long-term strategy focuses on building a sustainable future. We aim to further increase the capacity of energy generation from renewable sources, ensure the reliability and flexibility of the energy system, promote changes and development of the energy system, and explore development opportunities.

The Group's updated Sustainability Policy, effective from 2020, reflects the key sustainability principles that we follow in our day-to-day operations:

- We take into account economic, environmental and social aspects of our operations and strive to create value in a sustainable way by strengthening the synergies between financial and non-financial goals;
- We seek to contribute directly to the United Nations Sustainable Development Goals, in particular, in the areas of sustainable energy development, climate action, promotion of innovation, sustainable growth and decent work;
- Our commitment to net zero greenhouse gas emissions by 2050 contributes to the implementation of the European Green Deal and the Paris Agreement;
- We promote rational and sustainable management and use of resources;
- We promote responsible and efficient energy consumption, initiate and participate in the initiatives of other organisations which aim to increase energy efficiency and help achieve Lithuania's national energy savings targets;
- We recognise the importance of full stakeholder engagement in shaping sustainable development actions and promote ethical, transparent and fair cooperation with customers, employees, shareholders, suppliers, communities, the media and other stakeholders based on principles of sustainability.

Sustainability Policy also emphasises our commitment to the ten principles of the Global Compact (UNGC), which we joined in 2016. This agreement – the generally accepted guidelines for responsible business conduct – is a clear guide for the development of responsible business. The control over the implementation of these principles and the management of the related risks are an integral part of the overall control and risk management of the Group companies.

Principle of the Global Compact	Our commitment	How we implement it
1	We support and respect internationally recognised human rights	Pages 173–174 of the Annual Report
2	We are committed not to be complicit in human rights abuses	Pages 173–174; 189–190 of the Annual Report
3	We guarantee freedom of association, including trade union membership, and recognise the right of workers to collective bargaining	Pages 169–170 of the Annual Report
4	We do not use forced or compulsory labour and seek to contribute to its elimination in an environment where we have influence	Pages 169–170; 189–190 of the Annual Report
5	We do not use child labour and contribute to its elimination in an environment where we have influence	Pages 169; 189–190 of the Annual Report
6	We do not tolerate any form of discrimination and contribute to its elimination in the work and professional environment where we have influence	Pages173–174; 179 of the Annual Report
7	We apply preventive measures in order to ensure the protection of the environment	Pages 146–152; 155–160 of the Annual Report
8	We undertake initiatives to increase environmental responsibility where we have influence	Pages 146–152; 158–160146–152; 158–160 of the Annual Report
9	We encourage the development and wide application of environmentally friendly technologies	Pages 151; 191 of the Annual Report
10	We create an environment which has zero tolerance for corruption and we fight all forms of corruption, including bribery, graft and trading in influence	Pages 182–183 of the Annual Report

Sustainability directions and programmes in 2022–2025

Based on the results of the strategic materiality assessment, we refined the Group's sustainability objectives, thus strengthening our commitment to sustainability and ensuring that our priorities are in line with business objectives and stakeholder expectations.

Sustainability pillar		Sustainability programme	2025 strategic milestones and goals	2020	2021	UN Sustainable Development Goal
Environmental	Climate action	Expanding Green Generation	Reach **2.0–2.2 GW** installed green generation capacity	1.1 GW	1.2 GW	7 Affordable and clean energy; 13 Climate action
		Decarbonising operations & living	**23%** GHG emissions reduction (vs. 2020)[1]	5.37m t CO_2-eq	5.04m t CO_2-eq[8]	
	Preserving natural resources	Adopting circularity	**Each business segment** to implement at least one circularity transformation[2]	n/a	n/a	12 Responsible consumption and production; 15 Life on land
		Preserving ecosystems & biodiversity	**Net gain** in biodiversity[3]	n/a	n/a	
Social	Future-fit employees and communities	Increasing safety at work	**0** employee and contractor fatalities and employee TRIR[4] **<1.90**	0; 0.45	0; 2.01	8 Decent work and economic growth; 5 Gender equality
		Cultivating a collaborative & nurturing workplace	**≥50%** net share of employees promoting the Group as an employer (eNPS)	56.0%	57.4%	
		Growing a diverse and inclusive organisation	**≥34%** share of women in top management[5]	28%	27%	
Governance	Robust organisation	Running transparent and ethical operations	**≥95%** corruption intolerance among employees[6]	96%	97%	9 Industry, innovation and infrastructure; 7 Affordable and clean energy
		Ensuring operational resilience and sustainable value creation	**≥70%** sustainable adjusted EBITDA share[7]	70% (171 EURm)	64% (212 EURm)	

[1]Including scope 1,2,3 and biogenic emissions. 2020 value is the baseline for the validated science-based 2030 targets. [2]Four business segments, for each: at least one significant initiative involving significant resource use reduction, reuse or recycling. [3]Involving first, an assessment of total biodiversity impact, and second, coordination with environmental experts to create a positive impact on biodiversity (restore, compensate natural habitat and species loss). [4]Total recordable injury rate: Total recordable injuries x 1 million hours worked divided by all hours worked during the reporting period. After implementing contractor TRIR monitoring we plan to set targets that also cover contractors. [5]Includes boards, general managers and 1st management level below them. Excludes double-counting (when same person holds more than one top management position in the same company). [6]Based on an annual employee survey question about how likely employees are to report potential corruption if they see it. Lithuania's public sector average 19% (2020). [7]Sustainable activity as defined by the EU Taxonomy draft version 2021.12.31. [8]Based on preliminary data. At the time of writing, Bureau Veritas was in the process of verifying the GHG data.

Stakeholder relations

Stakeholder engagement is critical to ensuring that the Group responds proactively to new trends, issues and opportunities.

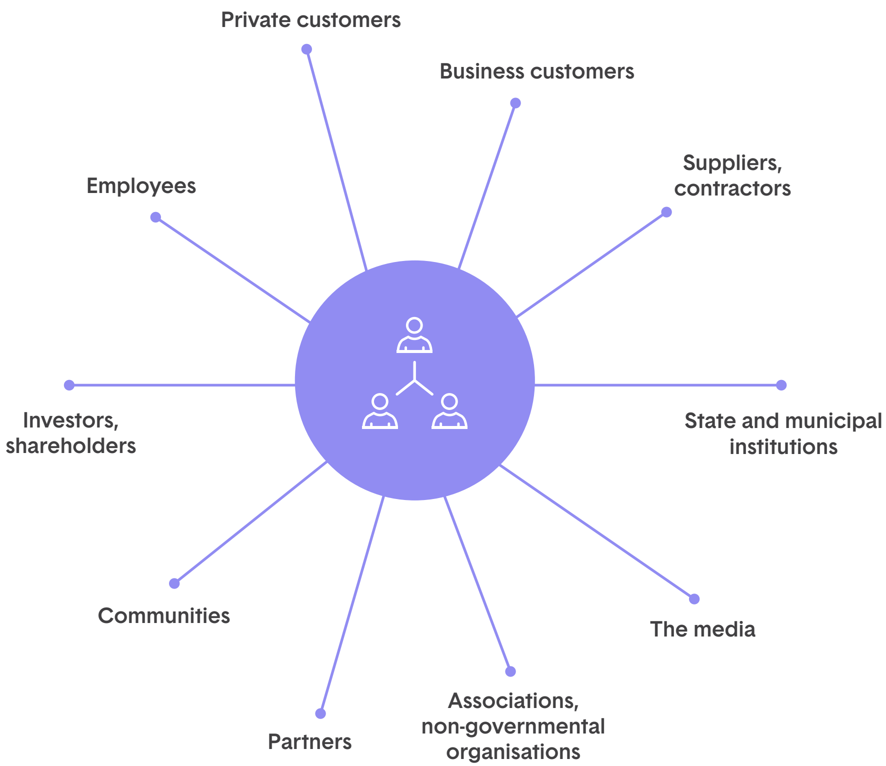
The geographical and operational scope of the Group is expanding, therefore, when applying ESG principles in our relations with stakeholders, which are set out in our Sustainability Policy,, we aim to manage their expectations effectively, take their interests into account as well as look for opportunities, where our cooperation could increase the positive impact on sustainable development.

Sustainability is coordinated centrally at the Group level and is integrated into our day-to-day operations. Representatives are appointed within the Group to assume the proper management of the expectations of the relevant stakeholders and to present them to the Management Board.

The content of the report is based on an analysis of the views, opinions and expectations of key stakeholders and after taking into account the current business objectives set out in the Group's strategy and strategic plan. The report provides key information that is relevant to stakeholders in assessing the Group's operations or making decisions related to the Group.

Detailed information on stakeholder engagement can be found in the Sustainability section of our website.

Key stakeholders of the Group



Main environmental, social and economic (governance) impacts

In 2021, the Group and its major subsidiaries performed a strategic materiality assessment, during which we conducted in-depth surveys, held discussions with focus groups, and conducted interviews with key stakeholders of the Group identified by company executives and other experts.

The materiality assessment clarified the Group's key ESG impacts based on the views of stakeholders, i.e., what is important to stakeholders in respect of the Group. In response to the main impacts of the Group's operations on its external environment, further strategic sustainability priorities of the Group have been refined. More information on the process and results can be found on the Group's website.

Key materiality assessment facts:

- Almost 3,000 stakeholders of the Group were interviewed;
- We have identified 19 thematic ESG aspects that are of most relevance to the Group and its stakeholders;
- Stakeholders shared their views on which ESG aspects should be important to the Group companies;
- During internal strategic sessions, the managers of each company explored and refined the links between the expressed expectations of the stakeholders and business strategy.

The result of the materiality assessment – the materiality matrix – is presented below. Its vertical axis reflects the views of stakeholders on the significance of different ESG aspects to the Group. The horizontal axis presents ESG aspects in terms of their relative impact and importance to the Group's key strategic objectives. The full matrix summarises the most relevant aspects of sustainability for the company and provides a roadmap to help create the greatest positive impact for both the company and its stakeholders. Compared to the 2020 materiality matrix, the key ESG aspects refined in 2021 with the help of stakeholders have not changed, but their relevance to each stakeholder and the Group's strategy has been fine-tuned.

Detailed information on stakeholder engagement can be found in the Sustainability section of our website.

Materiality matrix

Sustainability governance at the Group

The Group has a two-tier governance structure consisting of a Supervisory Board and the Management Board. Sustainability is coordinated centrally at the Group level through a separate Sustainability Function, which reports directly to the CEO of the parent company. The Group Management Board makes decisions on the formulation, approval and updating of the organisation's strategic guidelines, policies and activities. The Supervisory Board supervises the activities of the Management Board and the CEO of the Group. The Management Board's effectiveness in managing ESG topics is measured based on the achievement of long-term strategic and annual objectives. The remuneration of top-level executives is directly linked to the achievement of pre-set sustainability targets (as part of the variable remuneration component) (for more details, see section 'Remuneration Report').

The following diagram provides a concise overview of sustainability governance within the Group. For more information on the functions of collegial bodies, see the 'Governance report' section.

Supervisory Board

Considers and approves the business strategy, annual budget and investment policy of the parent company and the Group, analyses and evaluates information on the implementation of the business strategy.

ADVISORY FUNCTION

Nomination and Remuneration Committee

- Provides conclusions or proposals concerning the appointment, removal or promotion of members of management and supervisory bodies of the Group companies.
- Evaluates the structure, size, composition and activities of company management and supervisory bodies.
- Forms a general remuneration policy.

Risk Management and Business Ethics Supervision Committee

- Monitors the risks associated with the objectives pursued, their identification, assessment and management.
- Evaluates internal anti-bribery and anti-corruption documents and monitors compliance with them.
- Monitors information related to ethical conduct of business, monitors compliance with the provisions of the Environmental Policy and the Code of Ethics.

Management Board of the parent company

- Responsible for the execution of the integrated business strategy, approves the strategic plan.
- Approves the annual Sustainability Report.
- Approves sustainability and related policies as well as their updates.
- Approves annual sustainability goals for companies.
- Approves GHG reduction targets and oversees the GHG management plan.
- Evaluates and monitors the Group's key ESG risks, including climate-related.
- Appoints members of the Sustainable Development Committee.

Sustainable Development Committee

- Proposes a common vision for the Group's sustainability.
- Provides recommendations on green bond financing and project status reports.
- Provides an annual report to the Management Board on the implementation of the Sustainability Policy.

Sustainability function

- Ensures the implementation of the Sustainability Policy, advises the Group companies and functions on sustainability issues.
- Coordinates the sustainability activities of the Group companies.
- Consolidates the sustainability data of the Group companies.

Companies

- Incorporate sustainability goals into their own and their subsidiaries' long-term and annual plans.
- Propose candidates for the Sustainable Development Committee (approved by the parent company's Management Board).

All Group policies apply equally to all Group companies. The sustainability policies and standards mentioned in this report are made public and can be found on the Group's website.

Documents	Purpose
Policies	
Sustainability Policy	Establishes shared sustainability principles of the Group and their implementation measures at the Group, which shape the culture and practice of responsible and sustainable business development.
Environmental Policy	Defines general environmental provisions and principles of the Group.
Code of Ethics	Defines the principles and standards of business ethics the Group adheres to and the behaviour it expects from its employees and partners in their daily work.
Supplier Code of Ethics	Reflects the Group's commitment to strengthening sustainable collaboration with suppliers by promoting legal, professional and fair business practices that incorporate environmental, social responsibility and business ethics objectives.
Anti-Corruption Policy	The Group strives to ensure that its operations and conduct meet the highest widely accepted standards of reliability, integrity, transparency and business ethics. The purpose of the Anti-Corruption Policy and the anti-corruption management system implemented at the Group is to enable timely identification of corruption risks arising in business processes and, after assessing them, to select proportionate and effective control measures to reduce identified and unacceptable corruption risks.
Zero Tolerance for Accidents at Work Policy	Forms the main safety and health principles applied at the Group and the areas of their implementation in order to ensure that the culture of occupational safety and health is a part of the work of all employees of the Group.
Equal Opportunity and Diversity Policy	Regulates the principles of promotion, implementation and enforcement of equal opportunity and diversity and the main measures for the implementation of these principles at the Group.
Standards	
Environmental management system ISO 14001:2015	Group companies ESO and Ignitis Gamyba maintain the environmental standard ISO 14001:2015. The globally recognised certificate states that companies comply with the essential requirements for the identification, monitoring, management and improvement of environmental aspects. In 2021 Ignitis implemented this standard for activities related to the provision of services to business (B2B) customers. ISO 14001 certified activities account for 62% of Group revenue.
Occupational health and safety management system ISO 45001:2018	The Group strives to fully ensure the safety and health of its employees, with a special focus on working conditions and the quality of the working environment. The ISO 45001:2018 standard has been implement-ed in the following Group companies: ESO, Ignitis Gamyba, Ignitis Grupės Paslaugų Centras, and Ignitis (for activities related to the provision of services to business (B2B) customers). 87% of the Group's employees work in operations certified to recognised occupational safety and health standards.
Information security management system ISO 27001:2017	To ensure compliance of the activities and processes of the Group companies with the General Data Protection Regulation, Ignitis Grupės Paslaugų Centras, which provides information security services to the entire Group, is ISO 27001:2017 standard certified. This ensures high-quality and secure information management, enables the implementation of security measures in line with global best practices and the management of information security risks.
Anti-corruption management system ISO 37001:2016	The standard of the anti-corruption management system allows to systematically reduce the risk of corruption at the company and helps implement various anti-corruption measures as well as detect possible mani-festations of corruption.
Quality management system ISO 9001:2015	The Group company Ignitis has received a quality management certificate for activities related to the provision of services to business (B2B) customers.

5.4 Climate action

Main indicators

Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
GHG emissions						
Direct (Scope 1) emissions	Thousand t CO_2-eq	736	767	233	(4.0%)	[1]In order to ensure complete disclosure of emissions, we present biogenic emissions from renewable energy sources separately (CO_2 emissions from combustion of biofuels and the biodegradable fraction of waste). Numbers for 2021 are based on preliminary data. At the time of writing, Bureau Veritas was in the process of verifying the GHG data. The data for 2020 has been recalculated following a revision of the grid loss emissions calculation methodology (using a market-based approach instead of location-based).
Indirect (Scope 2) emissions	Thousand t CO_2-eq	529	579	510	(8.6%)	
Other indirect (Scope 3) emissions	Thousand t CO_2-eq	3,546	3,899	3,083	(9.1%)	
Total	Thousand t CO_2-eq	4,811	5,245	3,659	(8.3%)	
Emissions outside the specified scopes (biogenic origin)[1]	Thousand t CO_2-eq	230	122	59	88.5%	
GHG emissions intensity						
Emissions (all scopes) per full-time equivalent (FTE)	t CO_2-eq/FTE	1,244	1,375	1,035	(9.5%)	
Emissions (all scopes) per unit of revenue	t CO_2-eq/EURm	2,545	4,289	3,507	(40.7%)	
Emissions from electricity and heat production per kWh produced	g CO_2-eq/kWh	158	185	17	(14.6%)	
Amount of energy produced and sold						
Electricity	GWh	2,299	2,452	1,056	(6.2%)	
From renewable energy sources	GWh	1,475	1,251	1,033	18.0%	
Heat	GWh	853	325	86	162.5%	

Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
Energy consumption in the organisation						
Direct fuel use, of which[1]	GWh	2,894	3,139	296	(7.8%)	[1] Adjusted and updated numbers for 2020 and 2019.
Natural gas	GWh	1,711	2,547	114	(32.8%)	[2]Energy produced and consumed in Kaunas HPP.
Gasoline	GWh	2	2	3	0%	[3]Some of the waste is of biogenic origin. Adjusted and updated numbers for 2020.
Diesel	GWh	20	19	21	5.3%	[4]The target established in the Group Strategic Plan is 2.0–2.2 GW.
Biomass	GWh	147	138	154	6.5%	
Water[2]	GWh	4	3	4	33.3%	
Waste (renewable)[3]	GWh	426	185	n/d	130.3%	
Waste (non-renewable)[1]	GWh	584	245	n/d	138.4%	
Energy consumed indirectly, of which	GWh	1,041	1,114	864	6.6%	
Electricity	GWh	1,032	1,108	859	6.9%	
Heat	GWh	9	6	5	50.0%	
Renewable energy consumed directly	%	20	10	53	10 pp	
Energy consumed to produce 1 MWh of energy	GJ/MWh	4.1	4.3	2.7	(4.7%)	
Green Generation installed capacity[4]	GW	1.2	1.1	1.1	9.1%	
Other indicators						
Accumulated energy savings for final consumers	GWh	0.108 GWh (savings effect for 2030 – 1.937 GWh)	Achievement in 2017–2020 - 1,589.54 GWh			[5]The target established in the Group Strategic Plan is 240.
Savings in energy supplied to customers, share of total energy supplied	%	1	1	1	0 pp	
Electric vehicle charging stations[5]	Unit	82	82	58	0%	

Why this is relevant to us

Climate change is one of the greatest challenges facing humanity in this century, and the actions of everyone – states, businesses and non-governmental organisations, society – are important. Although energy is the engine of the economy, its production accounts for a significant share of GHG emissions. Therefore, the transformation and decarbonisation of the energy sector are prerequisites for the implementation of the Paris Agreement and for limiting the average global temperature increase to 1.5 °C compared to the pre-industrial revolution. Energy is a key sector in the European Union's policy to achieve climate neutrality by 2050.

Being aware of the threats posed by climate change and taking a responsible approach to reducing GHG emissions, Ignitis Group joined the Business Ambition for 1.5 °C of the United Nations and other international organisations in December 2019, and thus committed itself to achieving net zero emissions by 2050 and to setting intermediate emission reduction targets. Reaching net zero means maintaining a balance between emissions emitted to and emissions removed from the atmosphere. We will reach this balance when the emissions emitted by us do not exceed the emissions removed.

We are one of the leaders in green energy: we do not operate coal-fired or nuclear power plants, we consistently increase the Green Generation capacity and the volume of generated green energy in both electricity and heat production. Our business strategy is based on the development of onshore and offshore wind, waste-to-energy, biofuel and solar energy technologies at all stages of the project. We also maintain significant hydropower capacity in Lithuania.

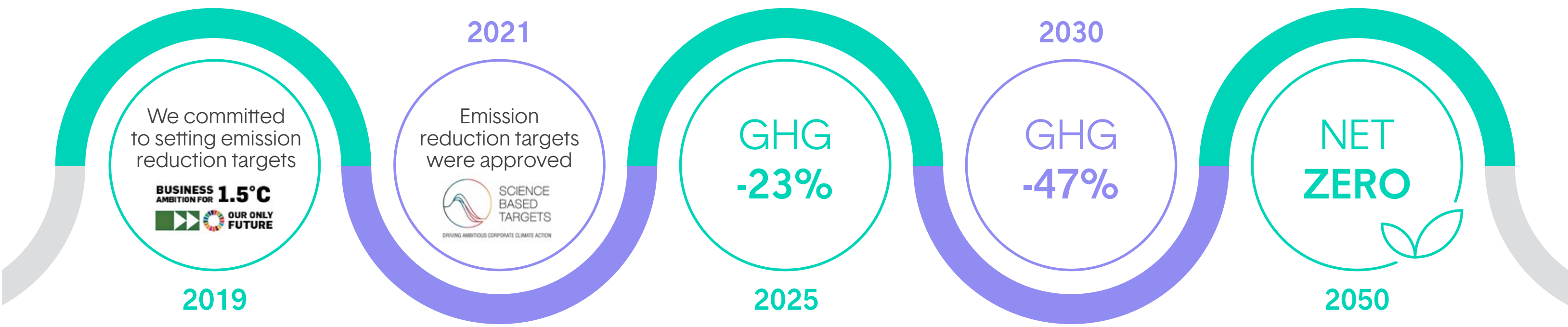
Read more about climate-related risks in section 'Risk Management.'

Climate-related targets 2030

47%	4 GW
reduction of GHG emissions compared to 2020	Green Generation installed capacity

Ignitis Group is committed to achieving net zero emissions by 2050.

Reduction of GHG emissions



Reduction of GHG emissions

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

In November 2021, the Science Based Targets Initiative (SBTi) approved ambitious Ignitis Group's GHG reduction targets. We are the first Lithuanian capital organisation and one of about a thousand organisations worldwide which have its GHG reduction targets approved by this initiative of the largest global organisations fighting climate change. After assessing targets of Ignitis Group, the SBTi confirmed that they are in line with the latest science-based recommendations on actions which should keep global warming below 1.5 °C compared to pre-industrial levels. According to scientists, this threshold should not be crossed in order to avoid catastrophic natural disasters, adversely affecting the health and wealth of the population.

Ignitis Group's GHG emissions in 2030 will have to be 47% lower than in 2020. Emission reduction targets cover both direct and indirect GHG emissions from our operations – we are committed to reducing emissions in all three GHG emissions scopes:

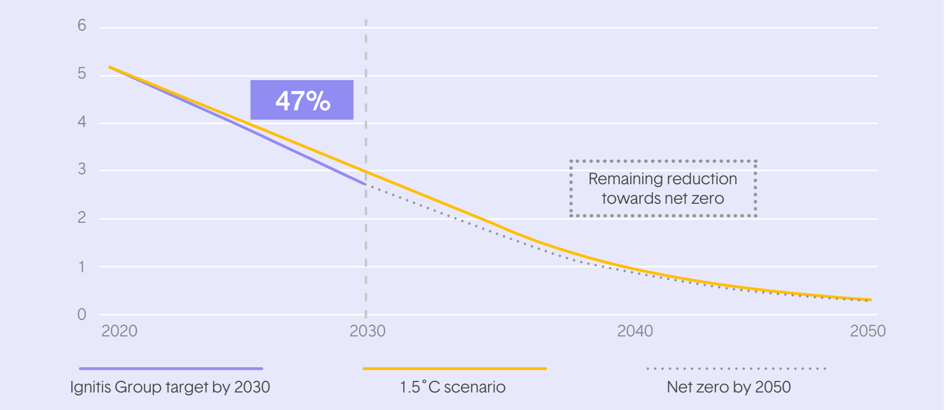
- we commit to reduce scope 1 GHG emissions from electricity and heat generation by 94% per MWh by 2030 from a 2020 baseline;[1]
- we commit to reduce scope 1 and 3 GHG emissions from all electricity and heat sold by 90% per MWh by 2030;
- we commit to reduce absolute scope 1 and 2 GHG emissions from all other sources by 42% and reduce absolute scope 3 GHG emissions from use of sold products by 25% within the same timeframe.

The target boundary is at least 94% of the Scope 1, Scope 2 and Scope 3. You can find more information about Ignitis Group's emissions and targets in the "Sustainability" section of the Group's website.

[1]The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

We will halve emissions by 2030 based on science-based targets

Target pathway



Target scope	2020	2021	2030 target (change vs. 2020)	Emissions scope
GHG emissions intensity from power generation	237 g CO_2 eq/kWh	233 g CO_2 eq/kWh	**15 g CO_2 eq/kWh** (-94%)	Scope 1 (stationary combustion) + biogenic emissions
GHG emissions intensity from power generation and sold electricity	255 g CO_2 eq/kWh	242 g CO_2 eq/kWh	**27 g CO_2 eq/kWh** (-90%)	Scope 1 (stationary combustion) + Scope 3 (sold electricity)
GHG emissions not related to power generation	0.59m t CO_2-eq	0.55m t CO_2-eq	**0.34m t CO_2-eq** (-42%)	Scope 1 + Scope 2
GHG emissions from use of sold products	2.08m t CO_2-eq	1.62m t CO_2-eq	**1.5m t CO_2-eq** (-25%)	Scope 3 (use of natural gas sold to end-users)

How will we reduce our impact on the climate?

It is expected that part of the Group's direct GHG emissions (Scope 1) will depend on energy generation volumes in the Elektrėnai complex (mainly CCGT) as well as operations of Kaunas and Vilnius CHPs, indirect emissions (Scope 2) will depend on electricity consumption (mainly by Kruonis PSHP), while other indirect emissions (Scope 3) – on gas and electricity sales volumes and prices.

In pursuit of its targets, Ignitis Group will reduce the emissions from its operations and will endeavour to engage its partners, suppliers and customers in the process. The foreseen emission reduction measures include growing green generation capacity, increasing the share of green electricity in internal operations and in customer sales, promoting the customer transition from natural gas to electricity, reducing natural gas distribution network losses, upgrading its vehicle fleet with electric vehicles, etc.

The main measures for achieving the emission reduction targets of Ignitis Group

- Increasing green electricity generation capacity
- Increasing share of green electricity sold to customers
- Increasing share of green electricity usage
- Optimising consumption of resources
- Natural gas grid loss reduction
- Customer transition from gas to electricity

Promoting energy efficiency

We aim to contribute to reducing the impact on climate change by enabling our customers to use energy more efficiently and by educating them about energy efficiency. Therefore, we endeavour to educate the public about energy efficiency while the Group companies are successfully implementing energy saving and consumer education and consulting agreements with the Ministry of Energy and contributing to the achievement of Lithuania's targets. In the period of 2014–2020, Lithuania's target was to save 11.7 TWh of energy, and in the period of 2021–2030 the target is to save 27.28 TWh. Information on the contribution of the Group companies is provided in the table below.

Through consumer education and counselling agreements, we present energy efficiency measures and success stories through a variety of channels and formats, engage communities and share practices, conduct research, and develop benchmarking solutions allowing to analyse consumer consumption patterns in self-service and billing.

More information on the agreements and their objectives is available on the Group's website: energy saving (link in Lithuanian), consumer education (link in Lithuanian).

Energy savings achievements of Group companies*

	Achievement in 2017–2020	Achievement in 2021	Target for 2022	Target for 2022–2025
Network energy savings (ESO)	1,589.54 GWh	0.108 GWh (savings effect for 2030 – 1.937 GWh)**	5.3 GWh**	473.4 GWh**
Energy savings through consumer education (ESO, Ignitis, Ignitis Gamyba)	122.96 GWh (2020)	133.987 GWh	At least 1% of the energy supplied to final customers by business customers.	

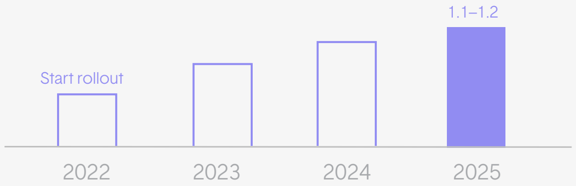
** Information on energy savings in the implementation of agreements is provided in accordance with Article 7 (Energy Saving) and Article 8 (Consumer Education and Consulting) of the Republic of Lithuania Law on Improving Energy Efficiency is provided. The table shows the amount of energy saved in 2021, which was calculated and submitted to the Lithuanian Energy Agency for validation by the Group companies. At the time of issuing this report, the validation findings have not yet been received.*
*** The figures include not only the effect of the measures implemented that year, but also the continuing effect these implemented measures will create by 2030.*

Key changes and achievements in the field of energy efficiency in 2021

Energy efficiency and sustainability solutions for customers

- ESO has signed a smart metering infrastructure procurement contract with a French company Sagemcom Energy and Telecom SAS. Under the contract, about 1.2 million new-generation smart electricity meters and system data management and communication solutions will be acquired and installed by 2025. Smart meters will enable end customers to monitor their electricity consumption and use energy more efficiently.

Smart meter roll-out, millions



- We implemented ESCO projects. One of them is a lighting modernisation project implemented by Ignitis in cooperation with the State Border Guard Service. Lighting modernised during the project: 1,739 old luminaires were replaced with LED luminaires. This will help reduce electricity consumption by almost 3 times, i.e., approximately 525 MWh per year.
- In order to encourage customers to use energy more efficiently, we have included energy saving advice, a comparative analysis of energy consumption in different municipalities and other relevant information in the electricity and gas invoices sent to consumers. Information is also available on the self-service platform.
- In cooperation with the Alliance of Lithuanian Consumer Organisations, we have included in the invoices the information on where people at risk of energy poverty can get help.
- We have signed an agreement with the Lithuanian Confederation of Industrialists on educating companies on energy efficiency. The main purpose of the agreement is to consult and educate companies on energy efficiency trends and opportunities, and to implement a pilot project to develop a training course for company managers in order to ensure that energy efficiency goals and measures are integrated into companies' strategies.
- We have prepared information with Ignitis tips that analyse how and why it is important to use electricity efficiently: we shared information on what an energy efficient company is, what measures would help to become an even more efficient one, why this topic is relevant and important for any company. In 2021, 131 consultations were provided on measures to increase energy efficiency (discussion on energy efficiency and information sharing). We also held meetings on the presentation and possible application of energy efficiency measures developed by Ignitis (presenting solutions for ESCO lighting, solar power plants and electric charging stations, motivating to choose electric vehicles as a less polluting vehicle). During the meetings, we provided companies with tailored proposals and calculations of how much a particular solution would save energy and costs: 192 meetings on solar solutions with 141 customers; 52 meetings on electric charging stations with 45 customers; 32 meetings on ESCO lighting with 24 customers.
- Ignitis has started offering personal consultations on GHG emissions issues to business customers: a questionnaire is provided and, after completing it, the customer receives a report that easily, quickly and comprehensibly helps the customer to see the company's energy emissions. Such advice helps customers understand the environmental impact of the resources they use and encourages businesses to make more sustainable decisions. Ignitis helps implement those decisions.
- We have enabled Ignitis customers to choose gas supply together with the CO_2 offset service and, thus, invest in the development of sustainable projects. CO_2 neutralisation or offsetting takes place using authorised CO_2 reduction credits. In September, Ignitis helped the first business customers offset 453 tonnes of CO_2-eq. More information is available on our website (link in Lithuanian).

More efficient use of energy in our activities

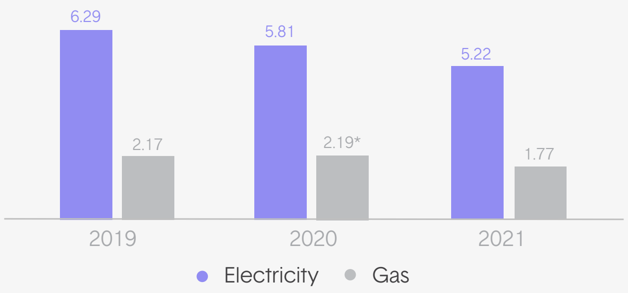
- ESO has implemented solutions that increase the efficiency of water (sensory mixers installed in 3 buildings) and electricity (modernisation of lighting systems in 5 buildings) consumption. Energy savings after installation – 82.656 MWh (in 7 months).
- We conducted internal energy audits of Ignitis Gamyba, Ignitis and ESO. The implementation of the audits' recommendations will contribute to a more efficient implementation of our own energy consumption and GHG emissions reduction targets.
- We gave up most of the energy-inefficient office space in Vilnius and moved to an 'A+' energy efficiency class building complex, which houses 1,050 employees of various Group companies. The building is equipped with automatic lighting and microclimate control systems that allow optimal use of energy resources.
- We organised efficient driving courses (theory) for employees: 492 ESO employees with an assigned vehicle to perform their function and about 300 employees of the Group participated in the training. According to the impact of the measure assessed in the energy audit report, efficient driving rates should lead to savings of up to 31,183.8 l of fuel (315,341.24 kWh) per year, i.e., up to 2,598.6 l of diesel (26,278.44 kWh) per month.

Reduction of energy distribution losses

One of the main factors influencing ESO's, the distribution system operator's, GHG emissions is distribution losses. Distribution losses occur both directly (in transformers, power lines, substations and other network elements) and indirectly (e.g., due to ice on power lines or incorrect declaration of electricity consumption by consumers). Investment plans and the organisation's long-term strategy, as well as annual budgets, set distribution loss reduction targets as key performance indicators. In order to achieve them, ESO:

- draws up long-term (up to 10 years) and short-term (1 year) distribution loss management plans;
- monitors actual losses on a monthly basis;
- implements plans for measures to reduce distribution losses and monitors quarterly implementation with reporting to managers;
- continuously modernises the network, including the development of software solutions and the installation of smart meters;
- encourages the use a Trust Line for citizens in order to report suspected energy theft;
- incorporates objectives into the operations of many business units, such as the allocation of human, financial, technological and other resources to reduce the rate of distribution losses.

Distribution loss trend, %



** Indicator updated compared to the 2020 report.*

Innovation projects

Ignitis Group's innovation projects and partnerships with educational institutions and research organisations to find and bring to market solutions for reducing emissions, improving energy efficiency and removing emissions from the atmosphere will play a key role in achieving emissions reduction. We are looking for solutions that help streamline our activities and services, reduce our energy consumption and our impact on the environment. Solutions under consideration / development include:

- following the successful development of the remote solar project, we are considering to promote prosumer participation in remote wind projects;
- we are considering the possibility of blending green hydrogen with gas and supplying it to consumers;
- Ignitis is developing a mobile application that will provide will provide consumers with information on energy consumption at home, promote more efficient energy use and, in turn, reduce GHG emissions;
- energy storage solutions for consumers who want to avoid network renovation costs after installing renewable energy power plants are under development;
- a solar energy potential calculator is under development, which will allow consumers to assess the possibility of installing their own solar power plant;
- the possibilities of creating conditions for the installation of solar power plants on the roofs of apartment buildings are being examined.

More information about Ignitis Group's research and development projects can be found on the Ignitis Innovation Hub website.

Development of energy generation from renewable sources

The strategic direction of Ignitis Group's Green Generation segment includes energy generation using wind, water, solar, biomass and waste – a consistent capacity development and implementation of new projects not only in Lithuania, but also in the surrounding countries.

By diversifying its energy generation sources, the Group increases energy independence, promotes the use of renewable resources and contributes to tackling climate change and achieving sustainable development goals. Increasing Green Generation capacity is crucial for achieving our goal of net zero emissions by 2050.

On average, only ~31% of electricity consumption in 2018–2020 was generated domestically (35% in the first half of 2021). The small amount of domestically generated electricity increases the need to develop renewable energy generation capacities in Lithuania. The Baltic States and Poland have adopted energy strategies that support the targeted growth of electricity production from renewable sources.

Several Group companies are implementing Green Generation projects in the Baltic States and Poland. The development of the Green Generation segment and the results for 2021 are described in more detail in the sections 'Business overview' and 'Business results' of the annual report. The key achievements in expanding green energy generation and consumption are also described below in this report.

During the period of the strategic plan for 2022–2025, we are planning to invest EUR 800–1,000 million in the Green Generation segment in order to complete the ongoing construction projects, start new ones and reach 2.0–2.2 GW of installed capacity by 2025. This represents as much as 50% of the Group's total investments for this period.

By 2030, the Group intends to increase its installed Green Generation capacity to 4 GW. This will be done through the development of onshore and offshore wind, solar and other green energy generation projects. You can read more about the Group's plans in this area in the Group's Strategic Plan.

Improving our climate disclosures

As per our Sustainability Management Plan, we aim to diligently improve our climate disclosures. Therefore, in 2021:

- we have joined the official list of organisations supporting the Task Force on Climate-Related Financial Disclosures (TCFD) and have taken the first step towards implementing the TCFD recommendations by initiating an expert analysis of our climate-related disclosures. We expect TCFD recommendations to implement climate change disclosures in 2022;
- For the first time, we completed the CDP climate change questionnaire, which assesses the impact of companies on the climate in terms of corporate governance, strategy, risks, opportunities and GHG reduction targets. Our final rating is 'B' (on a scale from 'D-' to 'A').

B

CDP score

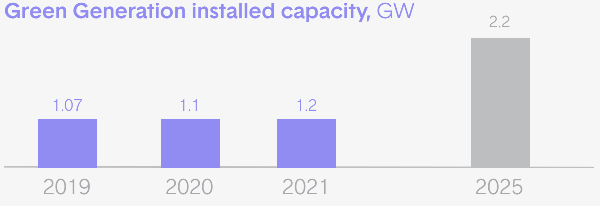
CDP

Key changes and achievements of 2021 in expanding the generation and consumption of green energy

Development of Green Generation

– We increased the installed capacity of the Green Generation segment by 113 MW when the Vilnius CHP waste-to-energy unit started commercial operations in March.

Green Generation installed capacity, GW



– We acquired three early-stage wind farm projects in Latvia with a total capacity of approximately 160 MW and two projects in Poland: a wind farm in Silesia (50 MW) and a solar portfolio II (up to 80 MW).

– We performed the installation of the infrastructure of the Mažeikiai wind farm (63 MW).

– In December, Ignitis Group company Pomerania Wind Farm Sp. z o.o. was issued a generation licence, allowing the Pomerania WF (94 MW) to start commercial operations and generate electricity.

– We have launched a consolidation project for the Group's renewable energy companies, which will ensure a more competitive, flexible and efficient implementation of Green Generation projects, strengthen Ignitis renewables' financial capacity and expand competencies in this area.

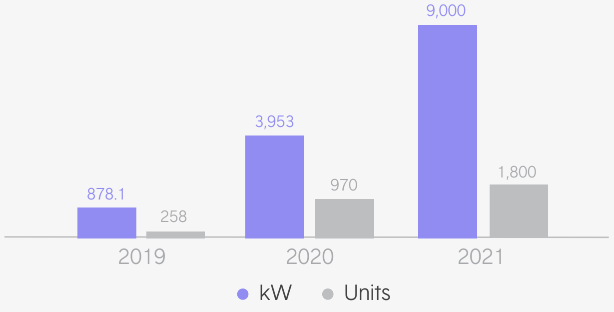
Clean energy solutions for customers

– We have increased the number of customers of remote solar parks (link in Lithuanian) by 85% compared to 2020. The sold capacity of solar parks grew by 128%. The fact that we have also started providing the service to legal entities that purchase solar power plants with an average capacity of 70 kW has also contributed to this. The largest producer of the platform is Ignitis Gamyba, which has a total capacity of 5.6 MW of solar power plants, followed by Saulės Grąža (3 MW) and Egrupė (1.6 MW).

– Ignitis maintained a large market share of prosumers, which by the end of 2021 was 12–13%. During 2021, Ignitis installed 762 solar power plants for its customers with a total capacity of almost 9.7 MW. Sales of solar power plants increased by 31% compared to 2020.

– We have installed one of the largest solar power plants of this type in the Baltic region on the roofs of the Bauwerk Group Lietuva factory buildings. It is estimated that the 2.1 MW power plant will meet about 6% of the company's annual electricity demand.

Remote solar parks development, 2019–2021



– At the end of 2021, 35% of independent electricity supply customers (residents) had opted for green energy. Of the total electricity supplied in 2021, in independent supply activities, green energy accounted for 47%. During the same period, 69.3% of Ignitis business customers chose green energy (in 2020, it was only slightly more than 60% of them).

– 1,831 GWh of green energy was supplied. Customers who choose green energy receive Ignitis certificates that prove this. In such a case, 100% of the electricity supplied to the customer is covered by a so-called guarantee of origin, a document proving that the electricity that was actually consumed was generated from renewable energy sources.

– We have strengthened our partnership with the leading European mobility platform Bolt. Its electric scooters will be operate in the Baltic States using certified Ignitis green energy. This partnership will reduce GHG emissions by almost 220 t/year compared to the case if green energy was not used.

5.5 Preserving natural resources

Main indicators

Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
Air emissions						
SO_2	t	9	53	4	(83.0%)	Emissions in 2020 were calculated according to the maximum pollution allowance in the Integrated Pollution Prevention and Control (IPPC) permits as no inventory of pollution sources was performed for the new facility. Emissions in 2021 were calculated using automatic measuring systems.
NO_x		570	624	93	(8.7%)	
Particulate matter		15	25	15	(40.0%)	
CO		139	191	114	(27.2%)	
Emission intensity:						
SO_2	g/kWh	0.004	0.030	0.027	(86.7%)	Only the amount of energy generated by those facilities that actually emit emissions was used to calculate the emission intensity indicator ((i.e., electricity from hydropower plants and wind farms is not included).
NO_x		0.275	0.348	0.610	(21.0%)	
Particulate matter		0.007	0.014	0.097	(50.0%)	
CO		0.067	0.106	0.749	(36.8%)	
Waste generated by the Group which are transferred to waste management facilities[1]						
Hazardous waste[2]	Thousand t	13.3	5.6	0.7	137.5%	[1]Waste generated at the end of the year might be transferred to the waste management facilities and accounted for only in the following year due to the established frequency of waste removal and management.
of which fly ash	%	93.4	88.7	0	4.7 pp	
Non-hazardous waste:	Thousand t	94	45.3	10.3	107.5%	
of which bottom ash and slag	%	91.9	85.9	0	6.0 pp	
of which iron and steel		2.7	7.1	69.0	(4.4 pp)	
of which mixed municipal waste		0.1	0.5	6.2	(0.4 pp)	[2]Updated and recalculated 2020 amounts after adding waste generated during 'hot testing' conducted at Vilnius CHP.

Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
Water						
Water withdrawal (total):	Thousand m³	9,431,857	8,245,674	8,242,385	14.4%	[1] Water withdrawn for hydropower generation is not consumed and is released back to the environment. [2] 2020 data – water discharged to own wastewater treatment facilities or centralised engineering networks. Updated and recalculated 2020 number. [3] Water consumption is calculated by subtracting the water discharged (except surface rainwater) from the water withdrawn (except hydropower and cooling water as it is withdrawn but reused). [4] Excludes hydropower water.
Groundwater		23.1	23.9	22.7	(3.4%)	
Municipal water supply or other public/private water utilities		192.9	42.7	154.4	351.8%	
Surface water (wetlands, rivers, lakes, etc.)		516.1	653.9	972.2	(21.1%)	
Of which water withdrawal and reuse:						
Surface water for hydropower plants (Kruonis PSHP and Kaunas HPP)[1]		9,344,127	8,114,332	8,229,691	15.2%	
Surface water for Elektrėnai Complex power plant cooling		86,998	130,622	11,545	(33.4%)	
Water discharge (total)		1,134.4	792.8	1,081.8	43.1%	
Municipal water treatment supply or other public/private water treatment utilities[2]		323.2	143.7	219.9	124.9%	
Surface rainwater and treated industrial waste discharge at the Elektrėnai Complex		811.2	673.6	861.9	20.4%	
Water consumption (total)[3]		499.9	576.8	929.4	(13.3%)	
Intensity of water use in generation using hydropower (Kruonis PSHP and Kaunas HPP)	m³/kWh	9.14	7.95	9.39	15.0%	
Freshwater intensity for generators[4]		0.03	0.04	0.01	(25.0%)	
Total water intensity in generation		2.8	2.7	6.5	3.7%	
Other indicators						
CO_2 emissions from business travel	Thousand t CO_2–eq.	5.5	5.1	5.8	7.8%	[1] The Group Strategic Plan target – 0 violations. 3 minor violation during 2021 (imposed a fines of <150 EUR). One inspection started at 2021 and not yet completed.
Violations of environmental protection requirements[1]	No.	3 minor violations	1 minor violation	n/d	200.0%	

Why this is relevant to us

The generation and distribution of energy and the development of renewable energy not only create the conditions necessary for our daily lives, but also have an impact on the natural environment we are a part of. Developing renewable energy generation reduces GHG emissions, thus mitigating the impact on climate. However, renewable energy projects such as wind farms, solar parks and hydropower, as well as ancillary infrastructure, pose threats and challenges to biodiversity. Therefore, we regularly examine the impact of our activities on ecosystems and biodiversity, manage the waste generated by our activities, and aim for a balance between business operations and the conservation of ecosystems and resources.

The organisation observes a precautionary approach:

- The activities of the Group comply with national environmental and waste management legislation, have environmental and safety permits, which are regularly updated, and compliance with their conditions is being monitored;
- The Group manages environmental issues in accordance with its Environmental Policy, which sets out general environmental provisions and principles of the Group;
- At the end of 2021, 62% of the Group's operations (by revenue) were ISO 14001 certified. The two largest companies of the Group (Ignitis Gamyba and ESO), which have a significant impact on the environment, comply with the Environmental Management Standard ISO 14001, which shows that the requirements for monitoring, managing and improving the performance of key environmental aspects are met. B2B-related activities of Ignitis are also ISO 14001 certified. After the end of the reporting period, Vilnius CHP also received the ISO 14001 standard certification.
- We are monitoring the impact of our activities on the environment. All environmental monitoring reports (including impact on groundwater) are published on the website of Ignitis Gamyba (link in Lithuanian). The Vilnius (link in Lithuanian) and Kaunas (link in Lithuanian) CHPs also publish the results of environmental monitoring on their websites.

We regularly examine the impact of our activities on ecosystems and biodiversity

Impact on biodiversity

Wind farms

Impact

Onshore wind farms:

- alter the landscape;
- may disturb the migratory routes of birds and bats and endanger their health or life.

Our actions

Biodiversity issues are addressed from the early stages of project preparation and site planning, for example, at the start of the development of a new wind farm, its noise level is modelled, and shading effects are assessed, the planned site is checked for rare plants, animals, and whether it falls within the Natura 2000 or other protected areas. To protect birds and bats, the Group implements various risk mitigation and management practices (for example, we have implemented automated solutions in the Pomerania WF in order to reduce the impact of the wind farm on bats, we perform bird monitoring (migration, hatching) surveys at the wind farms managed by the Group, and we submit their reports to the Environmental Protection Agency).

Hydroelectric power plants

Impact

The operation of a hydroelectric power plant or other facilities affecting water bodies alters the level of the water body as well as its chemical and physical properties, which may harm aquatic and terrestrial animals. For example, in the Kaunas Lagoon, there is an area of the Natura 2000 where silver gulls breed. When the water level rises, the nests closest to the water may be flooded, and when the water level falls – the nests on small islands may be reached by predators. Changes in water levels can also disrupt the spawning and migration habits of fish.

Our actions

In order to manage the potential harm, the guidelines for the use and maintenance of the Kaunas HPP dam set restrictions on water level fluctuations; the water level is constantly monitored and electricity generation is carried out by not exceeding the permissible water level change in the Kaunas Lagoon and maintaining the amount of water required for the environment downstream of the Nemunas river.

The water level upstream of the Elektrėnai Pond in 2021 ranged from 94.65 m to 97.77 m and complied with the permissible level fluctuation limits provided for in the Rules on the Use and Maintenance of the Elektrėnai Pond.

The Integrated Pollution Prevention and Control (IPPC) permit issued for the Elektrėnai Complex obligates it to ensure sufficient water flow in the Strėva River (which flows into the Kaunas Lagoon) by discharging a certain amount of water from the Elektrėnai Pond through the lock.

We collaborate and consult with the scientific community to identify impacts on aquatic ecosystems and the impact of water level fluctuations on fish populations.

Anthropogenic structures

Impact

Anthropogenic structures (overhead power lines, gas distribution networks) and their maintenance contribute to the loss or fragmentation of animal habitats.

Our actions

ESO is conducting its activities according to the principle of non-disturbance of protected areas and species as well as habitats of high ecological value, and strives to protect the landscape and biodiversity. Where adverse effects on the environment cannot be avoided for objective reasons, ESO implements all the necessary mitigation and compensation measures.

Aging power lines are being replaced by new underground cables, thus improving the aesthetic quality of the landscape and reducing the impact on wildlife. In its 2021–2030 investment plan, ESO undertakes to lay 11,900 km of new underground cables and achieve 72% share of 10 kV underground power lines in forested areas.

Power lines are being reconstructed according to coordinated projects – old equipment, supporting structures are being dismantled, thus reducing the area of engineering networks.

To ensure safe and reliable supply of electricity and to protect wildlife, ESO, in cooperation with the Environmental Protection Agency, in accordance with the Law on the Protected Fauna, Flora and Fungi Species and Communities, when performing unplanned emergency repair of overhead power lines, dismantles and restores or relocates (within 100 metres of the removed nest) stork nests that pose a threat to electrical networks and human safety.

An updated assessment memorandum for trees in the natural gas security zone has been approved: the number of trees removed from the protection zones is reduced, removing only those trees that interfere with network maintenance or have damaged the network resulting in the need for repairs. The maintenance of security zones, both gas and electricity, is a very important part of our work. It is important to optimise this process so as not to disturb the balance of the ecosystem and to ensure the security of the network from the effects of trees in case of occurrence of natural disasters.

Areas of high ecological value close to our sites and the status of protected species in them according to the International Union for Conservation of Nature (IUCN) Red List have been discussed in detail in the 'Impact on our planet' section of the Group's 2020 Sustainability Report. There were no significant changes in this area in 2021. Information on the Group's impact on protected areas and species is also available on our website.

Water-related risks

Water scarcity is one of the most serious threats to sustainable development. Extreme water scarcity – excessive water withdrawal from natural sources – can have catastrophic consequences for the environment and disrupt the economic and social development of society, for example, by forcing people to migrate to safer areas.

Despite large regional differences, the global water scarcity rate remains statistically safe at 18.4% (indicating the ratio of water use to accessibility). Lithuania is in a safe zone where the level of water scarcity is assessed to be between low and medium. Our water shortage rate is just 1.83%.

Nevertheless, we see threats from annual hydrological droughts. Both hydropower plants operated by the Group company Ignitis Gamyba, Kruonis PSHP and Kaunas HPP, which are located in the Nemunas basin, are directly dependent on the water level in the river. We observe two types of risks: direct and regulatory. Direct risks can arise when there is not enough water to generate electricity. The risk of regulation stems from political decisions in the face of hydrological drought. And while the energy generated by hydropower is one of the cleanest and contributes to the overall goals of mitigating climate change, it is the hydrological droughts caused by climate change that can challenge our operations. The Group closely monitors the surface water levels and publishes the data on the website of Ignitis Gamyba (link in Lithuanian).

Impact on water, air and soil quality

Proper management of impacts on soil, water and air quality is one of the Group's priorities. Our goal is to use the best available technology in our operations and to go beyond the minimum requirements. The Group strives to use natural resources efficiently, reduce the impact of energy generation facilities on people and the environment, and implement innovative, efficient and safe technologies.

Most energy-related activities inevitably lead to direct or indirect emissions. The majority of the Group's emissions are generated indirectly - by selling electricity and natural gas. Carbon monoxide (CO), carbon dioxide (CO_2) and nitrogen oxides (NO_x) are emitted into the atmosphere from thermal power plants. Industrial wastewater from thermal power plants contains traces of harmful organic substances and other compounds. Some facilities have their own wastewater treatment plants, while others treat their wastewater using the services of municipal wastewater treatment networks. The effluents are monitored on a monthly basis – the chemical laboratory examines the samples taken and provides test reports.

Key actions in 2021 to protect ecosystems and biodiversity

- All Group companies certified to ISO 14001 standard perform internal environmental audits at their facilities.
- In order to evaluate the efficiency of the system, we periodically present the environmental achievements, challenges and waste management news to the managers of each ISO 14001 certified company.
- We monitor the impact of water level fluctuation on fish during spawning and birds during hatching seasons at the Kaunas HPP: the fluctuation of water level during the spawning season in 2021 was slightly lower than in 2020, which resulted in a lower impact on spawning grounds.
- We monitor migratory bird casualties during the autumn (September–October) and spring (March–May) migration at Vėjo Vatas WF (Lauksargiai eldership, Tauragė district); we also monitor hatching and migrating birds. Both spring and autumn migrations were prolonged, there were no observations of large bird flows. Birds flying through the area fly well above the wind farms, therefore, the farms do not pose a threat to them. No larger bird populations have been identified in the vicinity of the wind farm, therefore, we conclude that the operation of wind farm does not have a significant impact on the mortality of migratory birds. It has also been observed that the wind farm does not have a significant impact on the process of bird hatching. Data from all studies are provided to the Environmental Protection Agency.
- In the Pomerania WF (Poland), we have implemented automated solution to reduce the impact on bats. The solution reduces the likelihood of human error and ensures compliance with environmental requirements.
- We have completed the 2nd stage of fuel storage structure improvement, during which we eliminated the unused fuel oil infrastructure in the Elektrėnai Complex managed by Ignitis Gamyba. For example, obsolete fuel oil infrastructure and other related infrastructure was cleaned and dismantled. The fuel management project has significantly reduced the risk of fuel oil spills as well as soil and groundwater contamination. The final 3rd stage is currently being planned, during which the remaining untreated fuel oil in the large fuel oil tanks will be disposed of.
- We have renewed (drilled) two groundwater quality monitoring wells in the territory of Vilnius CHP3, which will contribute to more precise groundwater monitoring.
- The ISO 14001 management system was implemented in Vilnius CHP. The certificate was received after the reporting period (February 2022).

Implementation of the principles of the circular economy

As the European Union takes the course of the Green Deal, there is an increasing emphasis on the responsible approach and involvement of consumers, communities, public, private, and non-governmental sectors in reducing waste. Resource efficiency and circular economy are becoming increasingly important at local, national, European and global levels as a way to achieve sustainable consumption and production goals. The Group addresses this complex issue in two ways:

- By promoting rational and sustainable use of resources and materials and improving its waste management practices;
- By generating energy using the waste remaining after recycling in two modern cogeneration power plants in Vilnius and Kaunas.

Waste management in each Group company is carried out in accordance with the Environmental Protection and Zero Tolerance for Accidents at Work Policy policies. Our service contracts include requirements to ensure the safety of our employees, the environment as well as other legal requirements. Requirements for contractors on waste handling are further set out in bilateral acts limiting liability for the safety and health of employees.

In 2021, the largest share of the Group's waste was generated in Vilnius and Kaunas cogeneration power plants - mainly slag and ash. Fly ash generated in cogeneration power plants in Vilnius and Kaunas is used to restore the landscape of the Norwegian island of Langioja. Using modern technology, fly ash is mixed with water and acid from industrial waste. This forms a gypsum-like material that will fill the craters formed by limestone mining and bring the rebuilt part of the island back to the society. Contractors are systematically introduced to efficient waste management procedures at Ignitis Gamyba, informed about waste storage sites, waste removal routes, etc. Contractors must provide information on the final waste management locations. Violations of contract terms and conditions or other legislation may result in fines or other sanctions against contractors. Dismantling obsolete equipment generates a significant amount of metal, steel and construction waste. In order to efficiently manage the generated waste streams, Ignitis Gamyba additionally follows internal waste management instructions.

ESO also generates a significant amount of Group's waste. Here, the impact is managed through internal standards and processes, training, other communication and internal inspections. The majority of ESO's waste is generated during the maintenance and repair of electricity distribution equipment, consisting mainly of metal waste (about 60%) and dismantled distribution equipment (about 25%). When renovating the network, ESO reuses part of the old network's materials, and the rest is disposed of in accordance with environmental standards and the contracts with contractors.

About a quarter of the municipal waste generated in Lithuania which is not fit for recycling is converted into energy at the Group's cogeneration plants. According to the EU Waste Policy, the basic principle of waste management is based on the waste hierarchy: waste prevention is given priority, followed by re-use, recycling, other re-use (energy recovery) methods, while landfilling is the least desirable option. The development of the Group's cogeneration plants, which are an alternative to landfills, plays an important role in the implementation of the principles of circular economy. According to the latest Eurostat data, the average European generated 505 kg of municipal waste in 2020, while the Lithuanian population generated an average of 483 kg (22% more than in 2005)[1], of which only about half is recycled.

The other part goes directly to landfills, where biodegradable waste, when decomposing, emits methane (CH_4), other gases and fly organic compounds that accelerate climate change. The World Bank predicts that by 2050, waste generation will increase by 60%; therefore, reducing the issue of landfill emissions remains crucial. In view of this, the role of the Group's cogeneration plants in reducing the amount of waste in landfills is extremely significant.

Key changes and achievements of 2021 in implementing the principles of circular economy

- To reduce the amount of waste generated in its operations, ESO has started to use cardboard waste as packaging material to fill the air gaps to replace previously used plastic products. 15–20 kg of cardboard is cut and used for packaging per day, and bubble wrap and 'air bags' have been completely abandoned. In this way, we purchase less new packaging material and save about 170 kg of plastic per year.
- ESO has developed and launched a mandatory environmental training that must be passed by every employee.
- To cooperate and exchange information on environmental issues, ESO organised a 'Report on Unattended Waste' initiative in the spring, which encouraged reporting on waste discarded in remote areas using ESO's mobile application 'Unsafe? Report!'. Six notifications were received, and the information was passed on to the authorities responsible for site management. Unfortunately, the removal of the reported waste has been slow, so as we continue the initiative, we will focus more on working with the various authorities to promote proper waste management processes.
- The Group began monitoring risks related to the management of waste at the end of the guaranteed lifecycle of wind farms and solar parks (15–20 years). The legal developments are also being monitored.
- When we moved to the new office, we agreed on certain principles that we invite more than a thousand Group employees working in the office to follow:
  - We aim to eliminate the use of paper in the office;
  - We have given up plastic disposable containers, we apply environmentally friendly, ecological solutions;
  - We use drinking water from taps installed for this purpose, i.e., we do not use packaging for water;
  - We sort waste and teach employees by various means how to do it correctly;
- We do not have rubbish bins at the individual desks, therefore, employees can only throw rubbish in the sorting bins in the common office areas – this is another way to encourage colleagues to sort, rather than throwing everything in a single rubbish bin.
- We performed most of the demolition works of the 250 m and 150 m high chimneys of the Elektrėnai Complex, which is managed by Ignitis Gamyba. Hazardous and non-hazardous waste generated during the demolition was transferred to waste management companies, uncontaminated concrete suitable for re-use was crushed, and the chippings made from it were sold for use in construction works.
- We prepared a tour program and, after the restrictions of COVID-19 are lifted, we will invite the public to participate in excursions in Kaunas CHP and Vilnius CHP, during which visitors will be introduced to the principles of circular economy, waste sorting benefits and other topics.

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[1] Eurostat: Municipal waste statistics

Our vehicle fleet

The Group has a fleet of almost 1,000 vehicles. These vehicles are leased by the Group in accordance with the 3–5-year vehicle rental agreements, at the end of which the size of the fleet purchased is responsibly assessed, as well as the number of clean vehicles is increased. A unified fleet of shared cars is created in the Group's central office, so separate fleets of shared cars are not created in subsidiary companies. In preparation for the new purchase of vehicles, the aim is to ensure that by 2024, all Group managers who will be allocated vehicles in accordance with the principles of allocation of vehicles will be environmentally friendly (electric). The greatest share of vehicles are used for work on electricity and gas networks.

Group employees have an opportunity to take eco-driving and safe driving courses. About 500 colleagues have attended these courses so far. We estimate that greener driving could reduce CO_2 emissions by 5%.

To reduce our environmental impact related to vehicle emissions, we are also focusing on our employees. We conducted a survey of employees (engagement exceeded 30%) about their mobility habits in order to find out the current situation and to offer alternatives to sustainable mobility in the future. It turned out that as many as 78% of the surveyed colleagues go to work by car (65% of all colleagues who travel by car do so with a diesel car). 8% of colleagues choose to go to work by bicycle, scooter or on foot, and their average distance to work is often about 3 km. In 2022, we plan to evaluate the results of the survey and develop a programme to promote sustainable mobility at the Group.

5.6 Future-fit employees and communities

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS

Main indicators

Indicator			Unit	2021		2020		2019		Change (2020/2021)		Comment
NUMBER OF EMPLOYEES												
Headcount				Women	Men	Women	Men	Women	Men	Women	Men	
All employees			Units	3,884		3,836		3,742		1.3%		Data on the distribution of employees in 2019 includes only employees working in Lithuania (3,719 employees).
By gender			Units	1,121	2,763	1,101	2,735	1,048	2,694	1.8%	1.0%	
			%	28.9	71.1	28.7	71.3	28.0	72.0	0.2 pp	0.2 pp	
By age	<24 years	All employees	%	1.9		2.0		2.9		(0.1 pp)		
		By gender		2.1	1.9	2.4	1.8	2.6	2.9	(0.3 pp)	0.1 pp	
	25–36 years	All employees		30.4		32.0		31.2		(1.6 pp)		
		By gender		38.8	27.0	40.9	28.4	39.8	27.9	(2.1 pp)	(1.4 pp)	
	37–56 years	All employees		48.9		47.9		47.8		1.0 pp		
		By gender		45.5	50.3	43.4	49.7	44.5	49.1	2.1 pp	0.6 pp	
	>57 years	All employees		18.7		18.1		18.2		0.6 pp		
		By gender		13.6	20.7	13.4	20.1	13.1	20.1	0.2 pp	0.6 pp	
Average age		All employees	Year	44.2		44.0		43.9		0.5%		
		By gender		41.6	45.3	41.2	45.1	41.2	44.9	1.0%	0.4%	
Headcount share by position												
Trainees			%	0.0		0.1		0.0		(0.1 pp)		
Workers				18.9		19.2		20.6		(0.3 pp)		
Experts, specialists				70.2		69.6		68.8		0.6 pp		
Mid-level executives				9.6		9.8		9.1		(0.2 pp)		
Top-level executives				0.8		0.9		0.9		(0.1 pp)		
Heads of companies				0.4		0.4		0.5		0.0 pp		

Indicator	Unit	2021		2020		2019		Change (2020/2021)		Comments
Headcount share by employment contract type		Women	Men	Women	Men	Women	Men	Women	Men	
Total share of employees under a temporary employment contract	%	3.2		2.5		2.2		0.7 pp		
Of whom – share by gender	%	62.1	37.9	60.4	39.6	64.2	35.8	1.7 pp	(1.7 pp)	
Total share of part-time employees	%	0.6		0.9		1.2		(0.3 pp)		
Of whom – share by gender	%	32.0	68.0	35.3	64.7	43.2	56.8	(3.3 pp)	3.3 pp	
Headcount share by country										
Lithuania	%	98.9		99.2		99.4		(0.3 pp)		
Latvia	%	0.3		0.3		0.2		0.0 pp		
Estonia	%	0.03		0.03		0.1		0.0 pp		
Poland	%	0.7		0.5		0.3		0.2 pp		
Headcount share by business segment										
Networks	%	62.5		63.2		n/d		(0.7 pp)		
Green Generation	%	7.2		6.9		n/d		0.3 pp		
Flexible Generation	%	6.2		6.3		n/d		(0.1 pp)		
Customers & Solutions	%	8.6		8.1		n/d		0.5 pp		
Business development and support services	%	15.6		15.6		n/d		0.0 pp		
Headcount by employment contract type		Units	%	Units	%	Units	%	%	pp	
Energijos Skirstymo Operatorius		2,427	62.5	2,424	63.2	2,374	63.4	0.1%	(0.7 pp)	In 2020 Verslo Aptarnavimo Centras was merged with Ignitis Grupės Paslaugų Centras.
Ignitis Grupės Paslaugų Centras		498	12.8	472	12.3	178	4.8	5.5%	0.5 pp	
Ignitis Gamyba		359	9.2	359	9.4	352	9.4	0.0%	(0.2 pp)	
Ignitis		304	7.8	285	7.4	103	2.8	6.7%	0.4 pp	
Vilnius CHP		88	2.3	86	2.2	44	1.2	2.3%	0.1 pp	
Ignitis Group		73	1.9	84	2.2	101	2.7	(13.1%)	(0.3 pp)	
Kaunas CHP		39	1.0	38	1.0	36	1.0	2.6%	0.0 pp	
Transporto Valdymas		21	0.5	23	0.6	27	0.7	(8.7%)	(0.1 pp)	
Ignitis Renewables		17	0.4	13	0.3	8	0.2	30.8%	0.1 pp	
Ignitis Polska		16	0.4	14	0.4	8	0.2	14.3%	0.0 pp	
Ignitis Latvia		13	0.3	11	0.3	9	0.2	18.2%	0.0 pp	
Ignitis Renewables Polska		11	0.3	0	0.0	n/a	n/a	100.0 %	0.3 pp	
Gamybos Optimizavimas		7	0.2	7	0.2	7	0.2	0.0 %	0.0 pp	
Elektroninių Mokėjimų Agentūra		5	0.1	5	0.1	4	0.1	0.0 %	0.0 pp	
Eurakras		1	0.03	1	0.03	1	0.03	0.0 %	0.0 pp	
Vėjo Gūsis		1	0.03	1	0.03	1	0.03	0.0 %	0.0 pp	

Indicator		Unit	2021		2020		2019		Change (2020/2021)		Comments
Tuuleenergia			1	0.03	1	0.03	1	0.03	0.0 %	0.0 pp	
Vėjo Vatas			1	0.03	1	0.03	1	0.03	0.0 %	0.0 pp	
Ignitis Renewables Projektai			1	0.03	n/a	n/a	n/a	n/a	n/a	n/a	
VVP Investment			1	0.03	1	0.03	1	0.03	0.0%	0.0 pp	
Ignitis Eesti			0	0.0	0	0.0	1	0.03	n/a	n/a	
Ignitis Suomi			0	0.0	n/a	n/a	n/a	n/a	n/a	n/a	
Pomerania Wind Farm			0	0.0	4	0.1	2	0.1	(100%)	(0.1 pp)	
Ignitis Res Dev			0	0.0	n/a	n/a	n/a	n/a	n/a	n/a	
NT Valdos			0	0.0	1	0.03	10	0.3	(100%)	0.0 pp	
Energetikos Paslaugų Ir Rangos Organizacija			0	0.0	5	0.1	21	0.6	(100%)	(0.1 pp)	
EMPLOYEE TENURE, TURNOVER AND HIRING											
Employee share by tenure at the Group											
<1 year		%	10.9		10.2		13.4		0.7 pp		Data on the share of employees in 2019 are presented including only the number of employees working in Lithuania (3,719 employees).
1–5 years		%	33.0		31.5		27.1		1.5 pp		
6–9 years		%	8.4		9.2		8.8		(0.8 pp)		
10–14 years		%	10.0		10.7		12.5		(0.7 pp)		
15–19 years		%	9.5		8.6		7.9		0.9 pp		
20–24 years		%	7.3		8.0		9.9		(0.7 pp)		
25–29 years		%	9.0		9.3		8.7		(0.3 pp)		
>30 years		%	11.8		12.5		11.9		(0.7 pp)		
Employee turnover rate			**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	
All employees		%	11.7		9.0		11.5		2.7 pp		
By gender		%	18.3	9.0	10.6	8.3	16.8	9.4	7.7 pp	0.7 pp	
By age	<24 years	%	40.0		26.3		30.2		13.7 pp		
	25–36 years	%	18.5		11.8		18.6		6.7 pp		
	37–56 years	%	7.2		5.4		7.6		1.8 pp		
	>57 years	%	9.4		11.4		6.8		(2.0 pp)		
New employees			**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	
Total		Units	534		463		611		15.3%		
By gender		%	46.0	54.0	41.0	59.0	37.6	62.4	5.0 pp	(5.0 pp)	
By age	<24 years	%	20.4		15.3		17.0		5.1 pp		
	25–36 years	%	48.7		56.2		54.3		(7.5 pp)		
	37–56 years	%	30.1		27.0		26.5		3.1 pp		
	>57 years	%	0.7		1.5		2.1		(0.8 pp)		

Indicator	Unit	2021		2020		2019		Change (2020/2021)		Comments
Parental leave		Women	Men	Women	Men	Women	Men	Women	Men	
Employees entitled to parental leave	Units	31	49	51	80	55	80	(39.2%)	(38.8%)	Only employees registered in Lithuania were included in the indicator calculations. Due to the changed calculation methodology, the indicators for 2020 have been revised.
Employees that took parental leave (of those entitled to do so)	%	100.0	6.1	100.0	6.3	58.2	5.0	0.0 pp	0.2 pp	
Employees that returned to work after parental leave	Units	32	5	31	6	21	1	3.2%	(16.7%)	
Employee retention after parental leave		Women	Men	Women	Men	Women	Men	Women	Men	
Employees that returned to work after parental leave in the year before the beginning of the reporting period	Units	31	6	22	1	n/d	n/d	40.9%	500.0%	
Of whom – employees who were still working the year after returning from their leave	Units	24	5	18	1	n/d	n/d	33.3%	400.0%	
Retention rate	%	77.4	83.3	82.0	100.0	n/d	n/d	(4.6 pp)	(16.7 pp)	

EMPLOYEE EDUCATION AND TRAINING

Indicator	Unit	2021		2020		2019		Change (2020/2021)		Comments
Employee share by educational level										
Higher (university and college)	%	76.6		76.0		75.8		0.6 pp		
Secondary and vocational	%	19.7		20.5		21.7		(0.8 pp)		
Primary and lower secondary	%	0.4		0.4		0.5		0.0 pp		
No data	%	3.3		3.1		2.0		0.2 pp		
Employee participation in trainings		Women	Men	Women	Men	Women	Men	Women	Men	
Total participants	Units	2,891		2,448		n/d		18.1%		
Share of employees who participated	%	74.4		63.8		n/d		10.6 pp		
Training participants by gender	%	41.8	58.2	38.2	61.8	n/d	n/d	3.6 pp	(3.6 pp)	
Training participation by position										
Trainees	%	0.2		0.1		n/d		0.1 pp		
Workers	%	9.3		11.1		n/d		(1.8 pp)		
Experts, specialists	%	74.7		70.8		n/d		3.9 pp		
Mid-level executives	%	14.4		15.9		n/d		(1.5 pp)		
Top-level executives	%	1.0		1.6		n/d		(0.6 pp)		
Heads of companies	%	0.4		0.4		n/d		0.0 pp		
Training hours		Women	Men	Women	Men	Women	Men	Women	Men	
Training hours, total	Hours	91,165		69,768		n/d		30.7%		
Training hours by gender of participants	%	40.9	59.1	38.3	61.7	n/d	n/d	2.6 pp	(2.6 pp)	

Indicator	Unit	2021		2020		2019		Change (2020/2021)		Comments
Share of training hours by participant position										
Trainees	%	0.1		0.0		n/d		0.1 pp		
Workers	%	4.7		5.6		n/d		(0.9 pp)		
Experts, specialists	%	65.1		53.1		n/d		12.0 pp		
Mid-level executives	%	27.1		37.5		n/d		(10.4 pp)		
Top-level executives	%	2.4		3.0		n/d		(0.6 pp)		
Heads of companies	%	0.6		0.9		n/d		(0.3 pp)		
Training hours per employee on average		**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	
Training hours per employee on average	Hours	23.5		18.2		n/d		29.1%		
Training hours on average by gender of participants	Hours	33.3	19.5	24.2	15.7	n/d	n/d	37.2%	23.8%	
Training hours per employee on average by position										
Trainees	Hours	12.0		6.8		n/d		77.8%		The actual end-of-year headcount was used for the calculation of this indicator, excluding trainees because there were no trainees at the end of the reporting period.
Workers	Hours	5.8		5.3		n/d		10.1%		
Experts, specialists	Hours	21.8		13.9		n/d		57.0%		
Mid-level executives	Hours	66.3		69.7		n/d		(4.9%)		
Top-level executives	Hours	66.7		61.2		n/d		8.9%		
Heads of companies	Hours	33.4		36.3		n/d		(8.7%)		
HUMAN RIGHTS, DIVERSITY, EQUAL OPPORTUNITIES										
Reports on discrimination[1]	Units	0		1		n/d		(100%)		[1] Reports received via Trust Line and other known reports. In 2020 one allegation was made regarding potential discrimination of a colleague due to familial status. During the investigation no cases of discrimination were established.
Human rights violations[2]	Units	0		0		n/d		n/a		[2] The target set out in the Group Strategic Plan – 0.

Indicator		Unit	2021		2020		2019		Change (2020/2021)		Comments
Share of women in top management[3]		%	27.0		28.0		n/d		(1 pp)		[3] The target set out in the Group Strategic Plan – 34%. The calculations include members of management bodies, heads of companies and managers directly subordinate to them in all Group companies. If the same person assumes more than one position at the same company, only one position is taken into account.
Share of women in engineering and IT roles[4]		%	19.0		17.0		n/d		(2 pp)		[4] The target set out in the Group Strategic Plan – 23%.
Composition of collegial bodies of the parent company by gender and age			**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	
Supervisory Board	By gender	%	57.1	42.9	57.1	42.9	60.0	40.0	0.0 pp	0.0 pp	[1] At the end of 2020 four out of seven Supervisory Board members were older than 50 years old, and at the end of 2021 – five.
Supervisory Board	By age (50 years old and above)[1]	%	71.4		57.1		40.0		14.3 pp		
Management Board	By gender	%	25.0	75.0	20.0	80.0	20.0	80.0	5 pp	(5 pp)	[2] Both at the end of 2020 and 2021 one of the Management Board members was older than 50 years old, however, throughout the end of 2021 there were four and not five members.
Management Board	By age (50 years old and above)[2]	%	25.0		20.0		0.0		5 pp		
REMUNERATION AND BENEFITS											
Average monthly salary before taxes by position											
All employees		EUR	2,400		2,293		n/d		4.7%		Actual remuneration and other payments made to employees were included in calculations. Trainees were not included when calculating figures for 2020 and 2021. 23 employees from Group companies UAB "EU-RAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Invall Sp. z o. o., Tuuleenergia OÜ, UAB "VVP Investment", Ignitis Eesti OÜ were not included in the 2019 figures.
Trainees		EUR	n/d		n/d		n/d		n/d		
Workers		EUR	1,758		1,670		1,475		5.3%		
Experts, specialists		EUR	2,247		2,102		1,906		6.9%		
Mid-level executives		EUR	4,020		4,038		3,323		(0.4%)		
Top-level executives		EUR	8,030		8,274		6,713		(2.9%)		
Heads of companies		EUR	8,300		8,990		7,262		(7.7%)		

Indicator		Unit	2021	2020	2019	Change (2020/2021)	Comments
Remuneration ratio, women to men							
All employees		Ratio	0.97:1	0.97:1	0.97:1	-	[1] Entry level positions are defined as those attributable to the worker category. Median monthly salary recalculated into a full-time equivalent (FTE). [2] In 2021 the formula for calculating the salary fund changed, adding holiday, pension reserve and the capitalisation of salaries, so 2020 value was recalculated and differs from the one provided in the 2020 Annual Report.
Trainees		Ratio	1.21:1	0.92:1	n/a	-	
Workers		Ratio	0.76:1	0.75:1	0.76:1	-	
Experts, specialists		Ratio	0.90:1	0.88:1	0.88:1	-	
Mid-level executives		Ratio	1.10:1	1.08:1	1.08:1	-	
Top-level executives		Ratio	1.03:1	0.95:1	0.99:1	-	
Heads of companies		Ratio	1.20:1	1.08:1	1.27:1	-	
Remuneration of a standard entry level position compared to minimum salary in Lithuania[1]	All employees	Ratio	2.0:1	2.0:1	1.9:1	-	
	By gender	Ratio	1.8:1 2.0:1	1.8:1 2.0:1	1.7:1 1.9:1	- -	
Ratio of the annual remuneration of the organisation's highest-paid individual to the median annual remuneration of all employees		Ratio	6.80:1	7.58:1	6.70:1	-	
Ratio of the percentage increase of the annual remuneration of the organisation's highest-paid individual to the median increased of the annual remuneration of all employees		Ratio	(0.48):1	2.29:1	n/d	-	
Total annual salary fund[2]		EURm	97.3	92.8	n/d	4.8%	
Employees' use of benefits (at employer's expense)							
Share of employees engaged in supplementary voluntary pension accumulation (3rd pillar pension funds)		%	10.9	Around 13	n/d	n/d	
Share of employees who opted for additional health insurance		%	77.0	n/d	n/d	n/d	
OCCUPATIONAL HEALTH AND SAFETY							
Employees with reduced working capacity							
Employees with reduced working capacity	0–25% capacity	Units	1	n/d	n/d	n/d	[1] LTIR – lost time injury rate per million hours worked. TRIR – total recordable injury rate per million hours worked.
	30–55% capacity	Units	28	n/d	n/d	n/d	
LTIR (lost time injury rate per million hours worked)[1]		Indicator	1.58	0.30	2.14	1.28	
TRIR (total recordable injury rate per million hours worked)[1]		Indicator	2.01	0.45	2.29	1.56	

Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
Employee fatalities related to work	Units	0	0	0	0.0%	[1] In 2020, due to the COVID-19 pandemic, ESO's scheduled work was halted and only troubleshooting was carried out. As the volume of ESO works is the largest (up to 65%), the number of suspended trips to the sites resulted in a lower number of LTIR and TRIR events.
Contractor fatalities related to work	Units	0	1	0	(100%)	
Number of contractor OHS inspections performed by ESO	Units	3,048	4,079	n/d	(25.3%)	
Times the contractor work was suspended by ESO due to OHS violations	Units	47	47	n/d	0.0%	
Fines paid by contractors to ESO for non-compliance with contractual OHS requirements	EUR thousand	81	57	n/d	42.1%	
OTHER EMPLOYEE-RELATED INDICATORS						
Employee net promoter score (eNPS)[1]	%	57.4	56.0	24.5	1.4 pp	[1] eNPS survey was started in Q4 2019.
Employees who had performance review[2]	%	100	100	n/d	0.0 pp	[2] Performance reviews, which include setting, reviewing and evaluating achieved goals, are performed in our organisation once or twice in a year. Employee goals are directly related to their short-term incentives, which depend on achieved results and is paid to all Group employees.
Share of employees working in companies that have collective agreements	%	72	73	73	(1 pp)	
Share of employees who participated in volunteering initiatives at least once[3]	%	<1	n/a	n/a	n/a	[3] Employee volunteering initiative started in 8 October 2021. The target set out in the Group Strategic Plan – 20% of employees participating in initiatives.
COMMUNITY-RELATED INDICATORS						
Implementation of community engagement measures		Started implementing measures	n/a	n/a	n/a	According to the Group Community Engagement and Relations Management Guidelines
Economic value generated by wind farms to local communities						
Land use payments to land owners	EUR thousand	381.6	34.7	n/d	999.7%	
Real estate tax paid to municipalities	EUR thousand	804.5	302.4	n/d	166.0%	

Why this is relevant to us

Employee welfare

The Group is one of the largest employers in Lithuania, therefore, it forms and seeks to maintain an organisational culture that fosters long-term employer-employee partnerships based on the Group's values and Code of Ethics, mutual understanding and the opportunity to create an energy smart future. We carry out our activities and pursue our goals while protecting not only the environment but also the wellbeing of our employees: for us, this is a precondition for sustainable operations. Therefore, the Group is constantly developing, searching for and testing different tools that could contribute to the wellbeing of its employees.

The Group strives to be the best place to work. The Group has been conducting a quarterly employee experience survey since 2019 to monitor employee engagement and satisfaction, which provides a comprehensive picture of how an employee feels at various stages of our company. Employees are asked if they would recommend the company to their acquaintances, and the result of answering this question determines the eNPS (Employee Net Promoter) score of the Group. eNPS is included in the Group's strategic indicators and is one of the key indicators of employee experience. In addition to the key eNPS question, we ask other questions related to education, motivation, daily activities and performance evaluation. The answers to these questions form a generalised assessment of employee experience in these four different processes.

Each Group company is assigned a People and Culture Partner – the main contact for managers and employees on all matters related to the workplace processes.

It is customary for the teams to hold morning meetings and regular individual meetings between employees and managers, where employees can talk to their managers about development opportunities and raise personal issues.

In March 2020, the Group introduced the number all employees of the Group and their families can call for emotional assistance. This assistance is provided over the telephone by three external professional psychologists who ensure the anonymity of the callers. In 2021, the line's psychologists received 15 calls and counselled on a variety of topics, ranging from relationships at work to challenges in personal life.

Process of informing employees and their representation

All of the Group's core businesses and most of its suppliers are located in the EU, therefore, we rely on EU legislation, which provide provision on freedom of association, prohibitions on child labour and forced labour. We are members of the United Nations Global Compact (UNGC) and uphold the fundamental principles and rights at work set out in the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work.

We communicate key changes and initiatives that affect employees in a clear and transparent manner. Internal communication is coordinated by a dedicated team. A common intranet is used for communication throughout the Group, while other means of communication are also used: letters, newsletters, meetings, etc.

Meetings are held periodically in the Group's companies (providing the opportunity to connect remotely) to discuss ongoing strategic projects and other relevant issues. All employees of the Group companies are invited to participate. If the issue is not relevant to everyone, meetings are held with employees in individual units. Two meetings were held in 2021, where the Group's management presented the Group's issues in Lithuanian and English, answered questions from employees, and about 2,000 to 2,500 employees of the Group participated in real time. Those who could not join the meetings on time were able to view the meeting material and recordings at a time convenient to them.

Regular quarterly meetings are held with trade union representatives on current employment-related, they are consulted in regards to changes in the organisational structure, salaries, working time arrangements, measures to manage the pandemic situation, safety and health at work and other issues. Collective agreements are signed with trade union representatives.

Employees who experience anxiety, stress, difficulties at work, in the family or other issues are offered free help from professional psychologists.

Employee representation in Group companies

Labour councils

- Ignitis Group
- Ignitis
- Ignitis Grupės Paslaugų Centras
- Vilnius CHP
- Kaunas CHP
- Transporto Valdymas

Trade unions

- ESO (seven trade unions currently operating)
- Ignitis Gamyba (four trade unions currently operating)

Occupational Safety and Health Committees

- ESO
- Ignitis Grupės Paslaugų Centras
- Ignitis
- Ignitis Gamyba

Collective agreements

- ESO
- Ignitis Gamyba

Informing employees about changes in activities	
Lithuania	In accordance with national legislation, Group companies with more than 20 employees: – provide information and consult with labour councils (trade unions) once a calendar year on the company's current and future activities, economic situation and employment relations; – if there are changes in internal policies or other rules related to the employment relationship and the socio-economic situation of employees, notices are submitted to labour councils (trade unions) and consultations are initiated witihn 10 business days before the planned changes; – before deciding to terminate an employee's employment contract, the employer must inform labour councils (trade unions) within 7 business days and consult with them for at least 10 business days, unless otherwise agreed upon; – before taking a decision on the reorganisation of the company and other decisions that may significantly affect the organisation of work in the company and the legal status of employees, the company must inform the labour councils (trade unions) within 5 business days before the consultations, the duration of which is 5 business days, unless otherwise agreed upon. The collective agreements with the employees of ESO and Ignitis Gamyba provide for additional notice periods and consultation provisions related to changes in the remuneration system and conditions, planned structural changes, dismissals and other issues that may have a significant impact on employees.mažinimu ir kitais klausimais, galinčiais turėti reikšmingos įtakos darbuotojams. When planning the relocation of a business or part of a business, companies shall inform the employees who may be affected no later than within 10 business days before the relocation of the business or part thereof. Employees may withdraw the proposed changes within 5 business days. The employer then terminates the employment contract in accordance with the Labour Code of the Republic of Lithuania (including the notice period, severance pay).
Latvia	Under Latvian labour law, the minimum notice period is 1 month. If the changes affect the employment contract, the employee has the right to reject the proposed changes and terminate the employment contract. Ignitis Latvija SIA has no collective agreements.
Poland	The Polish Labour Code covers different notice periods, depending on the different organisational changes depending on their nature, such as: (i) a notice period of at least two weeks should be observed when adopting general rules of procedure; (ii) changes in working conditions should be notified immediately, but no later than within one month after such changes take effect; (iii) if the proposed organisational changes necessitate a change in the employment contracts concluded, the notice periods specified in the employment contracts must be complied with. In addition to the specific provisions set out in the Labour Code, the usual number of weeks of notice applicable in different situations is 2 to 4 weeks.

Remuneration Policy and fringe benefits

In order to meet the expectations of stakeholders on sustainable development, to build a modern, international, competitive energy Group, we need to ensure that our team is made up of competent, fast-learning, technologically advanced, globally-minded and creative employees. We aim to keep employees motivated and apply the Group's Remuneration Policy in a way that ensures internal fairness and avoids any discrimination.

The Group remuneration system consists of a fixed base salary and short-term incentives (applicable to all employees and paid according to individual or team performance) as well as fringe benefits. One of the Group's values is openness, so that each employee has access to all remuneration procedures, the structure of the Group's positions, the remuneration scales applied to them and other information related to remuneration. When initiating recruitment, the Group companies always indicate the remuneration range for the position in the job advertisements.

We participate in annual remuneration surveys in order to benchmark the situation at the Group with other organisations operating in the market. Remuneration reviews are planned annually based on research findings. See the Remuneration Report for more information on employee remuneration.

The Group has a system of fringe benefits for employees. The aim thereof is to increase employee involvement, help reconcile work and leisure, and improve the employees' experience at the Group.

Fringe benefits applicable to Group employees

Company events and celebrations	A day off for volunteering
Pension accumulation	Additional paid leave
Health insurance	Flexible start and end of work
Remote work	Learning and professional development
Social benefits for employees	Cultural and sporting activities
Financial incentives for referring candidates	100% payment for the first two days of illness, a day off for vaccination

Key changes and achievements in 2021 in ensuring the wellbeing and collaboration with employees

- We paid special attention to the emotional health of employees:
  - The Welfare Mentor Communitywas assembled and trained – a team of 30 people comprised of employees of the Group companies, who are ready to provide emotional support to colleagues from the Group on a voluntary basis. A mentor may be invited for a friendly, confidential conversation on any troubling topic. Mentors are like an intermediate link between collegial conversation and professional help, and their activities reduce the stigma of emotional health in the Group;
  - All interested employees were able to participate in training on how to recognise and deal with burnouts, manage stress, strengthen emotional intelligence, and all employees were offered the opportunity to participate in weekly mindfulness exercises for 5 months. More than 500 employees participated in trainings and workshops on these and similar topics;
  - *'Challenge Laboratories'* (in Lithuanian – *"Iššūkių laboratorijos"*) on emotional health topics took place – employee meetings in groups of 5 people, where participants share their questions on emotional health topics and receive opinions from other participants on an issue of concern to them;
  - Health Month was held for all employees, focusing on physical and emotional health, all employees were invited to participate in sports training, were able to listen to lectures on a healthy lifestyle, stress management and other topics;
  - We regularly and voluntarily communicate about the importance of good emotional health, work and leisure balance. For example, we published *Video Bites* (in Lithuanian *"Video kąsniai"*) on the Group's intranet – a series of 10 short video clips with tips, from emotional health professionals on emotional intelligence, quality rest and mindfulness.
- The implemented technological and legal measures enabled a large part of the Group's employees to work remotely. In response to the pandemic, in 2021 remote work for employees, in agreement with their direct supervisors and taking into account the nature of the work, was unrestricted.

Employee satisfaction (eNPS) increased by 1.4 pp compared to 2020 and reached 57.4% in 2021.

- In response to market trends and the improvement of employees' working conditions, a decision was made to continue to support the hybrid work model after the end of the pandemic, allowing employees to continue to work remotely.
- We a playroom for the children of the employees in the new office in Vilnius – we hope that this will help to better balance family and work responsibilities for those parents who do not always have a place to could leave their offspring during work.
- We developed an employee volunteering model: employees can take one paid day (8 hours) a year to volunteer in a variety of non-profit initiatives and organisations. When implementing volunteer activities, we cooperate with the volunteer platform SAVA – all employees of the Group can register and choose volunteer activities. During the first three months of the program, 26 employees took the opportunity to volunteer.
- We also implemented an internal sustainability campaign. Through videos, articles, presentations, trivia, and workshops, we sought to introduce employees to a variety of sustainability areas and engage them in workgroups that would collaborate to address sustainability challenges. The internal sustainability campaign received more than 7,000 views. The topics we have already introduced to employees cover all aspects of sustainability, from climate change and energy efficiency to diversity and equal opportunities. The podcasts recorded during the campaign are hosted by external experts and our employees, and episodes are available to everyone on the Ignitis Group YouTube account and the #EnergySmart account on the Spotify platform.

Image of the internal sustainability campaign intro: "Sustainable Thursdays start on April 22nd. A more sustainable way for living and creating an energy smart world."

Competent employees

We strive to learn everywhere and always. The Group's People and Culture Policy sets out the basic principles for employee education and learning. More detailed recommendations are set out in the policy implementation measures. Specific initiatives to improve learning and development are agreed upon for a three-year strategic cycle.

The focus on specific learning needs is determined by the goals and skills required in the energy sector. We have created and are constantly improving the educational offerings portfolio, which includes curricula in various fields. At the Group, we follow the principle of the 70/20/10 education model, according to which 70% of growth takes place in the workplace, 20% – through peer-to-peer learning and feedback, and 10% of time is spent on formal education. Each employee and manager prepares their annual growth plan, identifying the growth goal, duration, measures, and target outcome.

Talent management

The Group's talent management system helps identify employees who demonstrate excellent performance and high growth potential. We aim to promote talents, foster of their retention in the Group and their further career, provide talents with opportunities for self-realisation, and promote internal careers.

In order to retain talent, we conduct regular performance reviews with our employees. We expect feedback from employees during the annual conversations with each employee about the achievement of their goals. The Group hosts 1:1 meetings, formal annual reviews on the achievement of each employee's and team's goals. Employee feedback is also welcome on a daily basis without the need to wait for formal meetings. We collect formal assessments through quarterly eNPS surveys.

Leadership

The leadership model at the Group is defined by the leadership compass. It is a value-based leadership model. The four compass directions represent the main emphases an organisation makes when it comes to behavioural expectations for managers, with each direction having four detailed behaviours. Leadership compass directions:

- foster growth in my team;
- I inspire a partnership based on each other's strengths;
- I build trust by promoting openness;
- I enable others to take ownership.

The leadership development experience in the organisation is broad and segmented according to the role of the leader in the organisation and his/her accumulated experience: from the integration of new executives to international programmes for top executives. The Group leadership map includes five core programmes:

1. 'The Growing Leaders League' (in Lithuanian – "Augančių lyderių lyga") is intended for high-potential professionals who wish to grow into a leadership role. The programme helps ensure managerial succession, reduce and distribute the managerial workload;
2. 'The League of Strong Leaders' is a three-module programme for new managers, which aims to unify the management knowledge in the Group;
3. 'The Manager's Journey' (in Lithuanian – "Vadovo kelionė") is a core programme for all Group executives whose content is directly related to the leadership compass and performance management cycles in the organisation;
4. 'The Expedition' is an international training package for top managers and board members;
5. 'The Challenge Laboratory' is a discussion forum for managers, operating on the same principles as the Challenge Laboratory's emotional health topics described above, but more focused on leadership-related topics and the challenges that the managers face.

Strategic competencies

Strategic competencies are a set of standards of employee behaviour, skills and general work standards that are relevant to the entire Group, which form the exclusive basis of our organisation's activities and help to give meaning to the organisation's mission, facilitate working towards the vision and strategic goals. Strategic competencies are our common strengths that contribute to building an organisation's competitive advantage in the marketplace. Because of their significance, they are necessary for all employees, regardless of position (at varying levels). Strategic competencies include our knowledge, skills and experience that contribute to the implementation of the Group's strategy.

The Group has four common strategic competencies:

- adaptability;
- energy expertise;
- entrepreneurship;
- sustainnovation.

On 1 December 2021, the Group launched its in-house university – #EnergySmart UNI. It is an educational platform where everyone can develop strategic competencies and, thus, contribute to own personal growth and the achievement of the Group's strategic goals.

We have started the journey of developing strategic competencies with basic (first) level e-learning. Employees have already been offered first-level interactive e-learning modules for strategic competencies. Training modules for the remaining two strategic competencies will be developed by July 2022. Our goal is that by 2023, at least 80% of the Group's employees would have acquired first-level knowledge.

Focus areas and measures for strengthening the competencies of employees

- Compulsory training is designed to maintain and enhance professional competencies;
- Four strategic competence programmes;
- Strategic successor training programme and mentoring;
- Grow Academy training;
- English language training;
- Strengthening of digital skills (Agile, IT, data analytics);
- External trainings, seminars and conferences to deepen and expand other competencies.

Measures to strengthen leadership competencies

- Growing Leaders League;
- League of Strong Leaders;
- Manager's Journey;
- Expedition;
- Challenge Laboratory.

Grow academy

Since 2019, the Group has been running the Grow Academy, an educational initiative where in-house lecturers train colleagues on various topics and develop their competencies. The aim of the initiative is to collectively create a culture of a learning organisation. There are two seasons at Grow Academy each year, during which employees are invited to register for training.

From 2022, the employees will be greeted by the renewed Grow Academy. Currently, employees are offered about 30 different training topics in the Grow Academy, which fall within the categories of personal development, digital skills development, and work-related topics. The content is available in three formats: live training (7 topics), remote learning (18 topics) and training videos (5 topics). Through this, we aim to adapt to the hybrid nature of work, ensure different ways of learning in the organisation, have greater access to training at a time convenient for employees, and make more efficient use of administrative resources.

Adaptation of new employees

We take care of the integration of new employees in the organisation, which consists of three main parts:

1. 'Newcomers' Start' is a video available to new employees at any time, which introduces the organisation, its values, relevant information and platforms to the new employee;
2. 'Newcomers' Week' is a virtual quarterly initiative. Over the course of several events during the week, we introduce new employees to business, the part of people and culture, and the current issues of the organisation;
3. 'Naujoklis' and 'Žaliamiestis' are interactive virtual experiences for new employees of the Group during their three-month adaptation period. 'Naujoklis' is a virtual vine that a new employee must grow by completing tasks during this period. 'Žaliamiestis' is a virtual manager adaptation module – a virtual city with as many as four energy facilities: a cogeneration plant, a wind farm, a hydroelectric plant, and a solar power plant. To light up 'Žaliamiestis', the manager has to complete interactive tasks for three months, which help him/her to get to know the organisation from the manager's perspective.

Employee diversity and equal rights

We value the diversity of our employees and strive to ensure equal opportunities for all of our employees to fully participate in the organisation. It means equal opportunities to gain employment, work smoothly, receive a fair salary, feel good, grow, pursue a career, combine work and private life, and strengthen personal skills and talents. Therefore, as enshrined in the Group's Equal Opportunity and Diversity Policy, the Group companies do not tolerate discrimination, promote a work environment that reflects the diversity of society, and implement the principles of respect for diversity in their activities. The benefits of employee diversity for teams and the organisation as a whole are also important to the Group. When the Group consists of diverse people who feel engaged, valued, and have equal opportunities, this diversity brings better solutions, innovation, creativity, risk resilience, productivity, and employee loyalty.

The Group regularly collects and publishes data on the diversity of employees: their distribution by sex, age, education, profession, country of employment. Diversity data is a way to get to know the people at the Group and, given the fact that we are different, to create a work culture that is favourable and inclusive.

In 2022, we plan to take action to analyse the status of diversity and inclusion at the Group, to integrate diversity and inclusion themes into employee training curricula and to continue communicating the benefits and importance of diversity and inclusion.

Key changes and achievements of 2021 in developing employee competencies

- During 2021, a total of 91,165 hours were devoted to education in the Group.
- The average number of training hours per employee in 2021 was 23.5 hours.
- The Group has identified and refined strategic competencies and determined their levels for each employee. With the launch of the first competence development module, e-entrepreneurship training, in December, 1,800 employees gained first-level entrepreneurial knowledge.
- 3,958 employees participated in the internal trainings of Grow Academy. In order to adapt to the specifics of hybrid work, we have transformed Grow Academy into a hybrid format: training takes place live, remotely and by watching training videos.
- A leadership model based on values, the Leadership Compass, has been developed and validated. According to it and the activity management cycles, a hybrid format for the main management education programme – Manager's Journey – for 2022 has been created.
- An international training programme for senior executives has been developed.
- Two groups of 'The Growing Leaders League' programme took part in the pilot sessions, and a programme of specialists with high potential was formed to strengthen leadership and management competencies.
- We have automated the system for assigning mandatory training in order to ensure a smooth employee and manager experience. 2,379 employees participated in mandatory training.
- The centralised training package for the employee works in cycles. Areas offered: Leadership, English, Agile, IT, Digitisation, Personal and Professional Priorities, Grow Academy Training, Fail Talks, Mentoring, Team Building, Performance Management Training. The external training platform Udemy for Business and Audible are also used for this purpose.
- Five major training programmes for employees and managers were substantially updated and transferred to an electronic training platform. The certification of energy sector employees has also been transferred to the electronic space.
- The strategic position succession programme is underway: 98 key strategic positions have been identified that are critical to the implementation of the organisation's strategy, 117 employees have been identified who could take over the functions of key strategic positions if needed, and a training plan has been developed to strengthen the readiness for replacements.

Key changes and achievements of 2021 in ensuring diversity, equality and human rights at the Group

- In order to consistently integrate diversity and inclusion issues into the development of the organisation and, thus, ensure favourable working conditions, organisational culture and microclimate for all employee groups, we have started to develop the Group's diversity, inclusion and wellbeing strategy, which will set out the priority areas to address. In order to ensure consistent and professional management of this area, we have established the position of the Group Head of Diversity, Inclusion and Wellbeing.
- Employees themselves have contributed to increasing diversity and inclusion through the Diversity and Inclusion Group, which brings together people working in different fields at the Group's companies. This group organises and participates in guest lectures, expands its knowledge and competencies on diversity and inclusion topics, and plans to consistently develop its expert and educational focus.
- We have strengthened the principles of equal opportunities and non-discrimination in the selection process. From 2021, all job advertisements include the provision that the Group is an equal opportunity workplace, where all candidates are welcome, without discrimination based on race, religion, sex, sexual orientation or identity, age, disability or other characteristics not directly related to the job. We also make this statement available on the Group's website.
- We have started to develop a platform for monitoring diversity and inclusion indicators, integrating the cross-section on the gender demographic into the employee experience survey (eNPS).
- We have partnered with the Women Go Tech mentoring programme (hereinafter referred to as WGT). This six-month programme helps women start or accelerate their careers in the fields of IT and engineering. 28 employees of the Group participated in the programme: 2 experts, 16 mentors and 10 participants selected from 26 candidates. We also contributed to the 'Discover Technology' programme organised by WGT in the summer, where women could learn more about different areas of technology. In 2022, we will continue our cooperation.
- In cooperation with the Šiauliai STEAM Centre, we contributed to a series of lectures for school-age girls about women's leadership in the energy sector. In order to further the interest of women in career opportunities in IT and engineering, we are planning a communication campaign on careers in STEM and energy, reducing stereotypes about traditionally "female" and "male" professions.
- We received the highest rating for our contribution to the implementation of the principles of equal opportunities within the organisation. We were awarded three Equal Opportunity Wings, the largest possible number of wings provided by the Office of the Equal Opportunities Ombudsman and the Human Rights Monitoring Institute in Lithuania.

Safety and health of employees and contractors

The Policy also includes OSH management, which is aimed at creating a safety culture based on personal responsibility and collaboration. Top-level executives are responsible for a safe and healthy work environment, and a safety culture is perceived as a part of the organisation's culture. The Group maintains an active dialogue with its employees on health care, monitoring, maintaining a safe and clean work environment, and improving health and safety conditions at work.

In order to ensure the safety and health of employees, we implement various measures at the Group and its companies, including:

- Appointing the persons responsible for the implementation of OSH requirements in individual companies and the coordination of the OSH area at the Group level;
- Assessing the safety and health risks associated with the workplace;
- Planning and implementing preventive actions based on risk assessments;
- Preparing instructions for safe work and organising mandatory instruction of employees;
- Providing employees with personal protective equipment;
- Installing safe workplaces;
- Ensuring periodic health examinations;
- Organising periodic mandatory training of employees on the issues of occupational safety and health as well as implementing in-service training and retraining programmes;
- Managing a comprehensive employee training monitoring database;
- Performing workplace inspections and internal audits of our employees and subcontractors;
- Recording and monitoring close-call incidents, injuries and other accidents;
- Analysing violations and accidents and identifying rectifying actions;
- Developing smart workplace inspection solutions;
- Having a zero-tolerance policy towards intoxication at work.

To make OSH management efficient and effective, we are developing and maintaining electronic tools, such as:

- ESO has a workplace inspection app. It is a key workplace assessment tool that can capture safety incidents, take photos and report them to the division's management or the contractor in real time. The application is available to all ESO employees;
- ESHOPIS is an electronic tool designed to provide employees with personal protective equipment. ESO employees and managers may order the required equipment, check its expiration dates, and the order information is automatically transmitted to the equipment delivery coordinator. The system also determines the status of all medical examinations applicable to employees;
- ESO's database, which allows to track the expiration dates of required certificates and permits and plan the required certificate renewal training courses more efficiently.

The OSH principles also apply to the Group's contractors. The team selects only reliable partners who meet the established safety and health requirements. Regular inspections are carried out at the contractors' workplaces. Violations are recorded, detected and rectified. In cases where this is not the case, work may be suspended. Group companies also organise training and safety days for contractors and implement other measures to strengthen safety.

A large part of all the Group's contractors perform work initiated by ESO. This company has established a contractor rating procedure that is used to assess the quality of contractors' performance. It is not only the compliance with the contractual terms that is taken into account, but also whether the work has been carried out in accordance with the employee safety requirements as well as the number of recorded employee safety violations. The contracts contain special OSH provisions and provide for sanctions for violations.

The Group intends to initiate activities in 2022 to increase the engagement of its contractors and to encourage them to develop and adhere to a safe workplace culture. We are planning to provide relevant information to contractors, share good practices, invite them to events. The Group also plans to start calculating the TRIR indicator for contractors, which reflects the number of injuries in the contractors' companies for a certain number of hours worked for the benefit of the Group companies. After evaluating the initial data, we intend to set a goal to improve this indicator.

The need for working with contractors on OSH issues is one of the priorities of the Group, which is, unfortunately, illustrated by real examples. In 2021 there were no fatal accidents, but after the reporting period, in January 2022, a tragedy occurred – a contractor employee was fatally injured while clearing trees and shrubs under a high-voltage power line.

Key changes and achievements in 2021 in ensuring employee safety and health

- 86% of the Group employees work in corporate divisions certified to recognised occupational safety and health standards. We have consistently continued the supervision processes of the management system of ISO 45001 certified companies – ESO, Ignitis Gamyba, Ignitis and Ignitis Grupės Paslaugų Centras have successfully passed the supervision audits of external certifying companies.
- Taking into account the requirements of the legal acts of the Republic of Lithuania and seeking to involve employees more in the formation of a safe workplace culture, we formed the Occupational Safety and Health Committees at Ignitis Grupės Paslaugų Centras and Ignitis, and updated the regulations of the committees. Occupational Safety and Health Committees also operate at Ignitis Gamyba and ESO.
- The occupational safety and health professionals of the Group companies meet monthly to discuss common issues related to changes in legislation, improvement of internal processes, sharing good practices and inviting representatives to join meetings and other functions in order to raise awareness of the importance of occupational safety and health.
- In compliance with legal requirements and taking into account changes in workplaces, upgrades of functions or equipment, the Group companies have continued or updated the assessment of occupational risks in the workplace. Among the most important works are the risk assessment of Vilnius CHP workplaces, the risk assessment of the most dangerous tasks at ESO, and the preparation of action plans to reduce and eliminate such risks.
- We are carrying out an occupational risk assessment of the psychosocial and ergonomic factors of remote work in the Group's companies, the results of which will help reduce the potential risks of remote work.
- All employees of the Group had the opportunity to attend a physiotherapy workshop, during which employees were introduced to physical exercises recommended for those working in sedentary positions to avoid health problems due to improper body positions or uneven muscle tension.
- Taking into account the nature of the work, vaccination against tick-borne encephalitis of Group employees working in the field was continued. Hepatitis A and B, tetanus, and pertussis vaccinations were also made available for cogeneration power plant employees. All interested employees of the Group were given the opportunity to be vaccinated against influenza at the employer's expense, and employees holding certain positions were given the opportunity to be vaccinated against pneumococcal infection.
- The Group companies that are required to prepare emergency management plans updated them and organised table and functional exercises at Ignitis Gamyba, Ignitis, Kaunas CHP, and the parent company of Ignitis Group, while ESO participated and helped the Ministry of Energy of the Republic of Lithuania to prepare civil protection table exercises. In preparation for work in emergency situations, ESO has initiated and implemented amendments to the gas safety rules and electrical safety rules, which allow work to be carried out without instructions in emergency situations.
- Compulsory training and certifications were continued in all Group companies in order to ensure the safety of employees. As the company with the largest number of employees, ESO has developed a safety education map and developed a new training programme for existing and new managers.
- Colleagues in the new Vilnius office underwent live first aid training, including the training on the use of a defibrillator.
- We were developing a process and methodology for monitoring the contractor safety indicator – Total Recordable Injury Rate (TRIR), so that we could start training contractors and collecting this data from 2022 onwards.

Work during the COVID-19 pandemic

The Group must guarantee uninterrupted performance of functions vital to the state, provision of energy services as well as ensure safe and healthy working conditions for employees. The COVID-19 pandemic posed challenges, but the Group has managed to coordinate these responsibilities and maintain operational stability. In 2021, compared to 2020, the impact of the COVID-19 pandemic on the Group's operations decreased, and the health and safety of employees remained among the Group's priorities.

Following the onset of the COVID-19 pandemic, a crisis management team was established within the Group to monitor the situation on an ongoing basis and to assess the latest information and changes in external factors and their impact on the Group's operations. In 2021, this team of employees of different Group companies, in cooperation with all Group companies and functions, continued the work, which was started in 2020, and further improved pandemic management practices. In order to ensure business continuity and favourable working conditions for physical and emotional health, the Group:

- analysed data related to the pandemic and performed analysis of possible scenarios;
- has made decisions on preventive actions;
- has developed special rules for the organisation of safe work during a pandemic;
- has introduced a hybrid work model;
- has initiated an occupational risk assessment in companies related to remote work and implemented a plan for occupational risk prevention measures in 2021–2022;
- offered employees the opportunity to receive free psychological assistance by telephone;
- has performed an analysis of the organisation's impact on business, reviewed and updated business continuity plans for those activities that were considered the most important for business continuity;
- has structured the process of purchasing personal protective equipment to ensure that all employees are provided with such equipment in a timely manner;
- provided the opportunity to take a paid day off in case of a side effect of the vaccine.

The Group's management pays special attention to the management of the risk of infection of employees whose functions are related to electricity generation, reliability of the electricity system, electricity and gas distribution and supply as well as those working on construction sites. These employees are provided with additional personal safety and hygiene measures while actions are developed and implemented to ensure their substitution. Equipment control points are isolated (they can only be accessed by employees with the necessary authorisations), customer service centres control the flow of customers, employees work in shifts.

At the end of January 2022, 90–99% of the employees working at the Group companies had received two doses of the vaccine. This significantly reduced both the incidence of serious illness and COVID-19 in the Group as a whole. Employees of generation companies and the new common office who do not have the national inoculation certificate are tested every 7–10 days.

Due to all measures taken and maintained by the Group as well as the responsible and systemic approach, the COVID-19 pandemic did not have a material impact on the Group's core businesses.

Customer service during the COVID-19 pandemic

During the pandemic, all customers are encouraged to use electronic services, which have not been subject to a service charge for some time.

During quarantine, ESO employees performed only the most necessary network work in order to minimise inconvenience to residents, most of whom worked from home.

In 2021 during the period of the quarantine, the clients facing financial difficulties had the opportunity to distribute debt payments over the period of up to six months.

At the end of quarantine, we serve our customers securely in customer service centres where:

- customers must have a valid national inoculation certificate (at the time of application of this measure) or other documents approved by the Government of the Republic of Lithuania;
- we ask our customers to wear face protection and keep a safe distance;
- in order to protect yourself and those around you, we recommend signing up for a consultation in advance by calling the customer service.

As of February 2022, the overall COVID-19 immunisation rate of the Group's employees was more than 93%.

Community relations

Close relations with the communities where we operate and with non-governmental organisations are one of the key principles of our cohesive and responsible operations set out in the Code of Ethics and the Sustainability Policy. We operate in a consistent and transparent manner, taking responsibility for our activities and cooperating with various organisations.

The Group's facilities and infrastructure (power plants, wind and solar parks, electricity and gas distribution networks) are geographically spread across different regions of Lithuania and neighbouring countries, therefore, the Group's activities may have an economic, social and environmental impact on the population in the vicinity of the Group's facilities. We understand that local people strive to live in a safe and good quality environment. Good relations with communities are important in the context of the Group as a whole, both in terms of new projects of Ignitis Renewables, activities of Vilnius CHP and Kaunas CHP, and long-term activities of Ignitis Gamyba as well as ESO.

As with all Group activities, we expect employees and partners to adhere to our Code of Ethics when dealing with communities. One of the mechanisms that helps us stay true to our commitments is a confidential Trust Line that can be used by all internal and external stakeholders in order to report potential or actual violations of our sustainability principles. For each wind farm project under development, we assign a responsible person who may be directly contacted by community representatives.

Maintaining relationships with communities

- We voluntarily measure the level of air pollution around Vilnius and Kaunas cogeneration power plants. We consult with local communities in order to select appropriate measurement locations. The results are published on the websites of these companies.
- We meet regularly with communities, landowners, municipal representatives and other stakeholders. We invite them to inspect our facilities.
- We run educational campaigns, such as a large-scale ESO public education campaign on energy efficiency as well as safety when performing field work and working outside during storms, etc.
- We provide an opportunity for communities located near the projects of Ignitis Renewables to apply for financial support for projects relevant to them.

Key changes and achievements in 2021 regarding the engagement of communities

- We conducted a qualitative survey of members of local communities and focus group interviews (in Lithuania and Poland) in order to understand the issues and needs of the communities better and to improve cooperation.
- We have approved key documents that guide us in strengthening our relationships with our communities:
  - Group Community Engagement and Relations Management Guidelines, which will help build our mutually beneficial, values- and strategy-based partnerships with communities;
  - Group Financial Support Policy for communities located near the areas of operation of the Green Generation projects (Ignitis Renewables). Financial support may be provided for social, educational, artistic, cultural, scientific and sporting activities (excluding extreme and high-risk sports). No financial support was disbursed in 2021.
  - We visited Lithuanian regions in support of the film festival 'Film Caravan'. This project brings films to smaller cities and shows them for free – this provides a possibility for those who typically face more issues related to getting access to such films to watch them. The main themes of this year's festival were sustainability and ecology. From July to the end of August, 40 locations were visited by this project. 12,800 spectators attended the screenings of the 'Film Caravan,' and a large part of them got acquainted with the activities of the Group, development of renewable resources, and received answers to relevant questions.
- We set up an exhibition at the Energy and Technology Museum, which educates the public about circular economy, the importance of reducing waste, and raises awareness about mindful consumption. From April 2021 to the end of the year, the exhibition was visited by almost 35,000 visitors. In Vilnius and Kaunas cogeneration power plants, we installed smaller versions of the exhibition so that their visitors could get acquainted with this information during the excursions.
- Ignitis, together with the Energy and Technology Museum, organises free lessons for students in 6–11th grades called 'Ignitis Classroom,' which stimulates kids' interest in energy, introduces them to pollution prevention and climate change mitigation measures, and promotes energy efficiency. In 2021, nearly 1,000 participants attended the remote learning programme. In 2022, we are planning to extend the lessons so that even more children can get acquainted with the field of energy.
- Kaunas CHP signed a cooperation agreement with the Kaunas District Municipality. The company plans to contribute to infrastructure improvement projects, events and other initiatives relevant to communities and the municipality.

5.7 Robust organisation

Main indicators

Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
Ethical business, anti-corruption and transparency						
Share of employees surveyed	%	38.1	38.0	n/d	0.1 pp	
Share of employees who state that they do not tolerate corruption	%	97.3	96.0	n/d	1.3 pp	
Communication and training on anti-corruption policies and procedures						
Share of members of management bodies who are acquainted with the organisation's anti-corruption policies and procedures	%	100	100	n/d	0 pp	[1]The test on the Code of Ethics is an integrated part of the Anti-Corruption Knowledge Test. The target set out in the Group's strategic plan is to reach 100%. [2]The test on the Code of Ethics is an integrated part of the Anti-Corruption Knowledge Test. The target set out in the Group's strategic plan is to reach 80%.
Share of employees who are acquainted with the organisation's anti-corruption policies and procedures	%	100	100	n/d	0 pp	
Share of members of management bodies who participated in anti-corruption training	%	100	100	n/d	0 pp	
Share of employees who participated in anti-corruption and Code of Ethics training[1]	%	100	100	n/d	0 pp	
Share of employees who passed the anti-corruption test[2]	%	96.9	94.4	n/d	2.5 pp	
Ensuring access to energy						
Average grid connection time	Calendar days[1]	37	29	32	27.6%	[1]Actual connection (2020 indicator updated compared to the 2020 report). [2] Annual target. [3] Electricity quality indicators during 2021 were affected by extreme conditions caused by wet snow cover (end of January 2021), local storms (during May–June and November–December 2021), but had less impact to SAIDI indicator compared to the storm Laura in Q1 2020. Electricity SAIFI indicator, which reflects averagenumber of unplanned long interruptions per customer, increased when comparing with the previous year, while average duration of unplanned interruptions (which is shown under SAIDI indicator), improved to 201.95 minutes (compared to 207.67 minutes in 2020).
	Calendar days[2]	40	42	45	(4.8%)	
Share of new connections meeting the deadline	%	95	95	93	0 pp	
Total length of underground power lines	Km	42,028	40,380	39,225	4.1%	
	%	33.1	32.3	31.3	0.8 pp	
Share of underground power lines in forested areas	%	47	47	n/d	0 pp	
Reconstruction of steel pipelines using polyethylene pipes	Km per year	11	6	22	83.3%	
	%	54.4	53.6	52.5	0.8 pp	
Electricity SAIDI[3]	Min	201.95	207.67	91.8	(2.8%)	
Electricity SAIFI[3]	Times	1.45	1.34	1.31	8.2%	
Gas SAIDI	Min	0.47	1.61	1.25	(70.8%)	
Gas SAIFI	Times	0.01	0.01	0.01	0%	

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Indicator	Unit	2021	2020	2019	Change (2020/2021)	Comments
NPS (Net Promoter Score):						
ESO customers	%	60	60	79	0 pp	
Ignitis B2C service and customer relations	%	55 and 60	56 and 72	n/a	(1 pp) and (12 pp)	
Ignitis B2B service and customer relations	%	43 and 17	67 and 35	58 and n/a	(24 pp) and (18 pp)	
Suppliers						
Share of green procurement by value	%	24.1	n/a	n/a	n/a	[1] The requirement to comply with the Supplier Code of Ethics is included in standard contract forms since the end of July 2021. Standard contract forms with Supplier Code of Ethics included are used in more than 90% of initiated public procurements.
Share of suppliers complying with the Supplier Code of Ethics[1]	%	>90	n/a	n/a	n/a	
Share of procured value for which supplier screenings were conducted as part of procurement procedures[1]	%	94.2	> 90	n/a	n/a	
Share of published procurements that received only one bid[2]	%	15.3	13.1	n/a	2.2 pp	[2] The target set out in the Group's strategic plan is ≤15.
Other indicators						
Share of employees who participated in data protection training[1]	%	52	94	n/a	(42 pp)	[1] In 2020, all employees of the Group had to participate in the training, and in 2021 – only the newcomers and those for whom this is directly relevant in respect of their job functions.
Transparency rating according to the GCC's Good Corporate Governance Index[2]	Rating	A+	A+	A+	-	[2] The target set out in the Group's strategic plan is 'A+'.
Sustainalytics ESG risk rating[3]	Rating	20.4	26.8	n/a	(23.9%)	[3] Overall ESG risk level is medium, approaching the low risk category.
MSCI ESG rating	Rating	AA	A	n/a	-	
Attempts to bribe employees	Times	0	2	n/a	(100%)	
State tax paid						
Lithuania	EURm	277.5	239.4	145.0	(15.9%)	
Latvia	EURm	15.1	8.6	9.2	75.6%	
Estonia	EURm	0.9	0.8	1.0	12.5%	
Poland	EURm	1.6	0.4	1.1	300%	
Finland	EURm	0.01	n/a	n/a	-	
Sustainable adjusted EBITDA share[4]	%	64	70	n/a	(6 pp)	[4] Sustainable adjusted EBITDA is defined according to the current EU Taxonomy Regulation.
Trust Line reports[5]						[5] The examination of the information received revealed that 80 reports of possible theft of electricity, improper work by employees or contractors were confirmed. We also received 2 reports on possible corruption, however, this information was not found to be true after verification.
Total received	Units	812	510	n/a	59.2%	
of which, confirmed	Units	80	88	n/a	(9.1%)	

Why this is relevant to us

Transparency, anti-corruption and the fulfilment of one's responsibilities form the basis of a responsible and successful organisation.

We constantly strengthen the development of the principles of responsible business, do not tolerate any form of corruption, and adhere to high standards of ethics, accountability and transparency. The EU documents regulating market abuse as well as documents and guidelines of the Bank of Lithuania, Nasdaq Vilnius, London Stock Exchange, and European securities and market institutions are integrated into our day-to-day activities.

Implementation and maintenance of good corporate governance principles

Ethics and anti-corruption

We ensure ethical governance of the Group with zero tolerance for corruption through the following measures:

- Risk analysis and management;
- Internal policies and standards (e.g., related to anti-corruption, anti-bribery, market abuse, conflicts of interest, gifts, etc.);
- Code of Ethics;
- Procedures and control mechanisms (such as procurement rules, screening of partners, due diligence of candidates, declaration of private interests of employees, rules on the management of insider information, gift register database, resolution of potential cases of corruption or ethical irregularities);
- Annual plans and targets in this area;
- Monitoring and raising employee awareness of corruption. All new employees of the Group must be officially familiarised with the Anti-Corruption Policy and participate in mandatory anti-corruption awareness and business ethics training;
- Monitoring of non-compliance (including the use of the Trust Line for anonymous whistleblowing);
- We apply a clearly defined procedure for appropriate and inappropriate gifts, other benefits. The Group does not give any gifts to business partners, unless required by standard international protocol. We encourage our business partners not to give any gifts to our employees. To thank our employees, we invite everyone to do so not with gifts of material value, but with attention and kind words. All gifts received or provided are registered in the Group's gift register.

The Group's Business Resilience coordinates sound management of these aspects while cooperating with colleagues from the Group companies directly responsible for the implementation of standards and policies. The Risk Management and Business Ethics Supervision Committee under the Group's Supervisory Board is responsible for submitting conclusions or proposals on these aspects to the Supervisory Board.

Key changes and achievements in 2021 in applying transparency and anti-corruption principles at the Group

- It has been attested that the unified Anti-Corruption Management System (ACMS) in place at the companies of Ignitis Group complies with the requirements of the international certificate ISO 37001. The parent company is the first listed company in Lithuania to receive such a certificate. By ensuring compliance with the requirements of the certificate, we reduce the risk of corruption at the company and implement various anti-corruption measures.
- As every year, we conducted a survey on corruption awareness in the Group companies, which shows that the corruption awareness in the Group has remained very high for several years.
- In order to contribute to a more transparent future, we organised a hackathon with the Special Investigation Service on creating an anti-corruption environment with more than 100 participants. Read more about the hackathon online (link only in Lithuanian).
- The Lithuanian branch of Transparency International (hereinafter referred to as LBTI) rated the Group companies with the highest transparency score. More information is available on the LBTI website (link in Lithuanian).
- The Transparency Academy, coordinated by the Special Investigation Service, awarded Ignitis Group for the greatest involvement in anti-corruption initiatives in the nomination for "The greatest contribution to changes". More information is available on the Group's website (link in Lithuanian).
- In 2021, there were three legal proceedings related to possible anti-competitive behaviour, abuse of a dominant position, or the implementation of good governance in the area of long-term incentives and motivation of employees and managers.

Data protection

The Group pays great attention to the protection of personal data to ensure the security, confidentiality and compliance of data processing activities of the Group's employees, customers and partners with the requirements of the EU General Data Protection Regulation (hereinafter referred to as the GDPR).

The Group's Personal Data Protection Policy and the Data Protection Guidelines form the basis of a unified data protection management strategy and objectives. The Group implements technical and organisational measures to protect personal data against accidental or unlawful disclosure, alteration, destruction or other unlawful processing of data. During the implementation of the GDPR, the Group periodically updates the records of data processing activities, performs assessments of the impact of data protection and the protection of legitimate interests and risks in the area of personal data protection. Personal data protection training for employees is held annually, with the aim of involving as many employees of the Group as possible. In 2020, we made the personal data processing requirements available to all employees of the Group during training (performance >80%). In 2021 training was available only for newcomers and those for whom this is directly relevant in respect of their job functions (performance >50%), as for the latter Group more complex subjects need to be covered than are relevant to all employees.

Examination of reports

The Group encourages all stakeholders to report about possible violations of internal or external legal acts performed by the Group's employees or business partners anonymously and confidentially. The Trust Line, as a means of reporting potential violations, is set out in the Group's Code of Ethics, Anti-Corruption Policy, Sustainability Policy, Environmental Policy and Policy of Equal Opportunity and Diversity.

The Group ensures the possibility to report anonymously and protects the confidentiality of whistleblowers. Reports are processed in accordance with the procedure established by the Group's internal legal acts and are investigated in accordance with the rules of the Internal Investigation Commission approved by the Group.

In 2021, the Trust Line received 812 reports. Most of them were related to the quality of services provided and were passed on to customer service divisions. Extensive verification of the information received revealed that 80 reports of possible theft of electricity, improper work by employees or contractors were confirmed. 2 reports of possible cases of corruption were also received, but this information was not found to be true after verification.

In cases when the received report or the information provided in it meets the provisions of the Law on the Protection of Whistleblowers of the Republic of Lithuania, no later than within 2 business days from the receipt of the report, such report must be forwarded to the Vilnius Regional Prosecutor's Office. There were no such reports in 2021.

Trust Line

Are you concerned about the activities conducted by us or our partners?
Report any violations related to ethics, corruption, environmental protection, equal opportunities and other possible violations of legal acts performed by the Group's employees or business partners anonymously and confidentially.

Online form

pasitikejimolinija@ignitis.lt

+370 640 88889

Key changes and achievements in 2021 in ensuring the security of personal data

- We developed new mandatory virtual training courses on personal data protection, which emphasise data protection impact assessment, legitimate interest assessment, data processing contracting processes and their significance.
- We organised a specialised data protection training for the Group's lawyers, communication, customer service staff, partners (service providers).
- We updated the Group's Personal Data Protection Policy, personal data protection guidelines and data breach management process, and confirmed the rules for the assessment of legitimate interest.
- To ensure that data processing agreements are signed with partners (service providers) who are processing personal data of employees/customers, we have established a process of data processing agreements and digitised the management of certain personal data protection processes. For example, when a data processing agreement expires, the document management system automatically sends notifications to data processors requesting the deletion and/or return of personal data as well as sending the company a confirmation of the action taken. These changes help to ensure that the list of data processors is always up-to-date.
- We paid a lot of attention to the assessment of the compliance of the systems used in the Group's activities for the processing of personal data with the requirements of personal data protection. Following the recommendations of the State Data Protection Inspectorate (hereinafter referred to as the SDPI), we have identified and applied the necessary changes to the information systems in order to ensure compliance with the requirements of the GDPR and to implement best practices.
- We actively cooperated and consulted with the SDPI regarding the communication with consumers in the context of the process of the liberalisation of the electricity market. We provided information in accordance with the provisions of Law on Electricity of the Republic of Lithuania governing the processing of personal data.
- In 2021, the Group companies submitted five reports on data security breaches to the SDPI. SDPI confirmed that in all these cases the Group or the Group company had taken all the necessary steps to eliminate/control the breach, therefore no warnings and/or fines were imposed.

Reliable energy system

Assurance of access to energy

Reliable technical conditions, physical connectivity, communication with customers, risk management – all of this is included in the process of ensuring access to energy. All Group companies responsible for energy generation, distribution, supply and all ancillary functions are involved in ensuring adequate energy access.

Anyone who wishes to connect to the distribution operator's network and use electricity has the right to do so. The costs related to this right (connection fees) are reviewed and determined by the National Energy Regulatory Council (NERC) at the end of each year. ESO increases the flexibility of services so that consumers can change their electricity consumption or generation profile in response to external signals (e.g., market price, ESO's or Lithuanian transmission system operator (TSO) Litgrid's signals related to changes in consumption or generation). In this way, customers can obtain financial benefits and ESO and Litgrid may make more efficient use of the infrastructure.

ESO constantly monitors the process of connecting new customers to the network and strives to shorten this period. This is achieved by improving the efficiency of internal processes and setting specific requirements for contractors who perform the required work.

Electricity supply can be cut off for several reasons: outdated equipment, damage caused by natural disasters, and other causes. Overhead lines are more vulnerable to natural disasters: falling trees, snow and ice can cut wires and falling branches can cause short circuits. Although underground power lines are more weather-resistant, their malfunctions take longer to detect and they can be vulnerable to excavation works, especially in highly urbanised areas.

One of the key measures in ESO's investment plan is the replacement of overhead lines with underground cables (prioritising the replacement of unreliable lines in the areas where power is frequently disrupted) and voltage quality improvement solutions, including the replacement and reconstruction of unreliable steel natural gas pipelines and other unreliable elements of the electricity and natural gas networks. During natural disasters, more than two-thirds of all power outages are caused by trees. The newly amended regulations on the maintenance and management of trees growing in electricity network security zones provide for the management of hazardous trees in the security zones of ESO electricity networks that are higher than the distance from the tree to the overhead power line networks. This will ensure a safer and more reliable distribution of electricity to Lithuania's residents.

Improvement of network reliability through network reconstruction

	Situation in 2021	Goal of 2030
Total length of underground power lines	42,028 km	**52,345 km**
Share of underground power lines in forested areas	47%	**72%**
Reconstruction of steel pipes using polyethylene pipes	11 km	**155 km**

Access to gas is ensured through the search for alternative solutions for the purpose of securing the supply of natural gas. One of them is looping the gas network. This is a measure to ensure the reliability of the network when several or more branch pipelines are interconnected into a single loop, which will allow for an alternative gas supply route to customers in the event of a breakdown or pipeline repair.

Actual and planned investments into upgrading electricity and gas distribution networks and improving resilience to the natural environment

2020	2021	2029
58.65 EURm	**100.84 EURm**	**1 EURbn**

45% About 45% of the Group's total investment portfolio in 2022–2025 is planned to be allocated to the Networks segment.

Reducing the impact of energy price changes on consumers

As the price of electricity and natural gas in the market rose, prices also increased for consumers. This has created or may in the future create financial difficulties for some consumers. In response and to amortise electricity and gas prices to consumers in such a way as to avoid shocks caused by sudden price increases, the relevant legislation has been amended which, depending on the financial capacity of the supplier, allows price increases to be amortised. Such a mechanism shall not allow the price of supplied public electricity or natural gas to increase for final customers by more than 40%.

To properly implement these decisions and to cover the difference between the prices of electricity or natural gas (raw materials) purchased and sold, Ignitis adopted a resolution in November 2021 and borrowed more than EURm 300.

Customers who have opted for an independent electricity supplier during Phase II have been given the opportunity to choose the option that is financially best for them: if the established independent supply price is lower than the public supply tariff, the independent supply contract will take effect from 1 January 2022, if the public supply tariff is nevertheless more favourable, we recommend using it until July 2022.

Transformation towards green energy:

- In 2021, over 5,000 prosumers (mostly solar power plants) were connected to the grid. In total, over 14,000 prosumers (excluding remote prosumers) are already connected to the distribution network. Given the increase in the number of prosumers, a lot of attention is paid to the development and stability of the common and local network.
- We initiated legislative changes related to the definition of permissible volume of power generation. This will enable a more efficient use of the distribution network and will increase the number of prosumers.
- As the number of prosumers grows, the need for network reconstructions may increase accordingly, therefore, ESO is conducting a pilot battery project in search of the optimal solution. Its purpose for the customer is to save the excess energy generated by the customer and to enable its use according to the prosumers' scheme, and for ESO to connect more renewable energy sources without changing its network structure. This avoids additional investments in the distribution network and maintains the quality of the network vis-à-vis its neighbours.
- More and more people are installing solar power plants, so it is important for them to be able to find out about the possible failures of such a power plant as soon as possible. Using artificial intelligence, ESO has developed and implemented an innovative and unique idea that informs solar power plant owners about equipment failures.
- To provide clear and high-quality information on the installation of solar power plants and other related issues, ESO has set up a helpline for renewable electricity prosumers. By calling the short ESO number 1852, you can select consultations on solar power plants.

Security and stability of the energy system

Lithuania is largely dependent on energy imports, so local energy generation capacities are very important for the country's energy security. The Group's subsidiary Ignitis Gamyba manages the facilities of the Flexible Generation segment. The system services provided by these facilities ensure the stability and reliability of the energy system, help prevent and respond to accidents in the system and maintain the necessary power reserve in accordance with the established requirements for the quality and reliability of electricity supply.

The Group also contributes to the goals of the National Energy Independence Strategy adopted by the Lithuanian Parliament in 2018. For example, the Flexible Generation segment also seeks to contribute to the successful synchronisation of the Baltic countries with the Continental European grid, which would increase Lithuania's ability to manage its electricity system independently. Connection to the Continental European networks and synchronous operation with Poland, Germany and other continental European countries will be ensured by 2025.

We are also the main designated supplier of the liquefied natural gas (LNG) terminal. This means that we are responsible for ensuring the minimum supply of liquefied natural gas to the LNG terminal in Klaipėda (through the Customers & Solutions business segment). The LNG terminal is the only alternative to Gazprom until the gas pipeline connection with Poland (GIPL) becomes operational in 2022.

Key changes and achievements in 2021 in ensuring the stability and reliability of the network

- At the end of the year, Kruonis PSHP and the combined cycle gas turbine (CCGT) operating at the Elektrėnai Complex successfully participated in the historic test of Lithuanian and Polish electricity transmission system operators Litgrid and PSE, during which a part of the Lithuanian electricity system worked synchronously with the Polish system for the first time and, at the same time, with the synchronous zone of Continental Europe. During the test of emergency assistance via a synchronous connection, a situation was simulated when, after the shutdown of the large Lithuanian power plants, which have the capacity to initiate a black start, the electricity is supplied to them from Poland. The 12-hour test went smoothly – the electricity supply was uninterrupted, and electricity consumers did not even feel the effects of the test.
- Over 2021–2023, we will reconstruct 1,300 km of power lines in forested areas, which will benefit about 344,000 customers. Lines that disconnect more frequently will be prioritised (10 kV overhead lines included in the upcoming reconstruction plans disconnect 2.4 times a year on average). We prioritise the power lines where, with the same investment, the reliability of energy supply will be improved for as many customers as possible.
- We have developed and approved a long-term network automation investment programme, which should increase the resilience of the electricity distribution system to the effects of natural phenomena in the most economically and technologically efficient way, i.e., to disconnect as few customers as possible during a power failure. In search of optimal solutions, ESO plans to carry out experimental pilot projects, during which it will evaluate the possibilities of applying them on a larger scale.
- Over the last few years, we have made significant investments for the purpose of making the network smarter and assessed the benefits of these investments during 2021: at the time of a natural disaster, 32% of all disconnected customers had their electricity supply restored with the help of automated and remote network management solutions; when one power line was interrupted, electricity was supplied from the other lines.
- This covers 20,000 more customers compared to March 2020, where only 28% of affected customers were re-supplied with electricity using this method. Ten years ago, this figure stood at only 4%.
- ESO, together with the Group Innovation Hub, is testing new voltage regulation technologies that would allow flexible voltage management in electricity distribution networks. The system, which automatically regulates the voltage in each phase of the electricity network using reactive power modulators, is currently being tested. If necessary, the voltage value in the network can be increased or decreased, thus ensuring the smooth operation of consumer equipment. During the pilot project, ESO is looking for the most innovative solutions for application in Lithuania.
- We have digitised the administration process of network damages by third parties and initiated legislative amendments to increase fines and sanctions for such actions. We have put in place a self-service third-party project coordination process, which will allow us to ensure a reduction in the number of network breaches and to manage related security issues. We run communication campaigns and regularly provide information on the principles of safe work in proximity of the networks.
- ESO acquired and successfully tested the first mobile transformer in Lithuania, which can be stationed anywhere in the country. The modern transformer is designed to serve as a replacement for an existing transformer in the event of a complete failure of internal power distribution equipment. This will ensure greater resilience of the energy distribution network in the event of an accident or maintenance, and faster restoration of electricity supply to customers.
- To accurately and efficiently assess the vegetation that poses the greatest threat to network stability, ESO is using innovative methods to inspect the overhead power lines using LiDAR (Light Detection and Ranging) technology. The scan collects the information from above, then processes it, classifies the detected objects, identifies the vegetation and the overhead power lines themselves. Thanks to the smart inspection, it is possible to accurately identify the most dangerous trees and even their heights, thus more objectively identifying the trees that represent the greatest hazards. About 8,000 km, or one-fifth of all medium-voltage overhead lines, which is about 40,000 km in total, will be inspected over 2021–2022.
- Along with LiDAR technology, photographic equipment is used, which allows the workers to capture a real image and assess the current state of the infrastructure, find discrepancies in the systems, etc., more easily and accurately.
- For the inspection of overhead power lines, we also use drones that not only help to inspect the lines faster and find network failures, but also to detect cases of power theft.
- After the natural disasters that occurred at the beginning of the year, we signed an agreement with the State Border Guard Service (hereinafter referred to as SBGS) on the use of helicopters by the Border Guard Aviation Team in case of natural disasters. In the future, SBGS specialists will help to quickly determine the location and extent of overhead power line failures from the air.
- We made two major changes in the process of connecting new customers: we started charging for the submission of applications, which expedited the process of applying for a connection to customers and made it possible to place an order and monitor the service stages in the ESO self-service portal.
- Only a small number of new grid connection projects were not completed on time. Six years ago, the process took almost 70 days, but we managed to almost halve the connection time due to the increased efficiency of internal services and IT solutions, the reduced role of unnecessary process elements, improved the procedures of public procurements and made changes in legislation.

Preparation for unforeseen outages

The Group companies, as owners of strategically important flexible generation and distribution infrastructure, have developed detailed contingency plans and procedures. Power generation and other facilities, including distribution infrastructure and information systems operating these facilities, may be affected by system failures, power outages, capacity constraints and physical damage caused by natural disasters as well as various other emergency situations that may interrupt the generation and distribution of energy and other business processes of the Group.

In 2021, the Group Business Continuity Standard was updated, which regulates the main elements and responsibilities of business continuity. The Description of the Group Business Continuity Management Process has also been revised, which is used to assess the key activities and/or key business processes, and prepare for the smooth continuation of activities in the event of various threats and situations.

The plans for the Continuity of Operations, Crisis Management as well as the Emergency and Disaster Recovery Plans are developed by individual Group companies. Training exercises and testing of plans are also held regularly by the Group companies.

In 2021, despite the pandemic, the Group ensured the stable operation of the energy generation units and the distribution network, as well as the health and safety of employees.

Cybersecurity

The Group's operations depend on the proper functioning of the Group's key information technologies (IT) and operational technologies (OT). The Group's operations may be disrupted by IT and OT failures, by data breaches or other cyberattacks. Therefore, cyber security is an essential component of the overall security and protection of the Group's activities.

The Information Security Policy sets out the direction and principles that ensure the security of information and the proper management of the related risks in the Group. The Group ensures information security by operating in accordance with international information security standards (ISO 27001, IEC62443) and global best information security practices. The information security management system of Ignitis Grupės Paslaugų Centras is certified according to the ISO27001:2017 standard, which forms the basis of a unified data protection management strategy and objectives. This company is the Group's primary IT service provider, ensuring that other Group companies have access to secure IT services.

We manage cyber security risks by periodically assessing the information security risks of vital processes, IT and OT systems. In order to ensure information security, we train employees and systematically respond to information security incidents and vulnerabilities. Process owners of information assets, IT/OT systems, OT devices, and other vital business processes have been appointed in each company. Information security obligations are included in agreements with third parties, which must ensure the same level of information security as the Group.

We pay a lot of attention to the safe remote work of employees and to increasing their awareness, not only by organising periodic mandatory information security training, but also by conducting periodic mock of attacks directed at employees.

We are especially focused on infrastructure and services, the disruption of which would be important not only for the Group, but also for the Republic of Lithuania. We regularly cooperate with the National Cyber Security Centre and other authorised institutions in order to ensure the cybersecurity of relevant infrastructure and services. Modern technologies that meet the security practices and use the most advanced encryption algorithms have been selected for the implementation of smart electricity metering solutions.

Despite the pandemic, the Group ensured stable operations.

Customer service

The Group companies which have the largest share of direct contact with customers (Ignitis and ESO) follow set customer service standards, regularly monitor the results of these activities and carry out various customer service improvement projects.

ESO serves about 1.8 million customers throughout Lithuania. At the end of 2021, Ignitis provided all major energy-related services to more than 1.53 million private and approximately 21,000 business customers.

Ignitis customer service centres in major Lithuanian cities are adapted for people with reduced mobility with:

- Unobstructed entrances, allowing customers with reduced mobility to enter the centres;
- Enough space in the customer service halls and no obstacles restricting the movement.

We intend to further adapt customer service centres for people with disabilities, for example, by improving the conditions for leaving cars at customer service centres for people with reduced mobility, and adapting navigation markings for customers with visual impairments.

Customer satisfaction with ESO and Ignitis is measured using the Net Promoter Score (NPS). The transactional NPS is collected immediately upon contact with the customer and reflects customer satisfaction upon request, and the relational NPS is measured twice a year using a statistically significant sample that reflects the overall customer perception of the company. In 2021, the NPS of ESO customers remained similar to the 2020 level, while the NPS of Ignitis customers decreased slightly in both private and business customer groups.

Communication with customers	
Ignitis	Self-service portal www.ignitis.lt/savitarna – about 300,000 users per month
	Mobile self-service application – about 25,000 users.
	Call centre – up to 7,000 calls a day
	6 customer service centres in major Lithuanian cities
	Newsletters
	Managers for business customers
ESO	Self-service portal mano.eso.lt – about 200,000 users per month
	ESO portal – about 300,000 users per month
	Call centre – an average of 3,500 calls per day
	About 7,000 customer inquiries per week through various channels
	Information on the planned power outage is sent to the customers by an SMS message not later than 5 calendar days in advance and indicating the planned time and duration of the outage
	Real-time information on the operation of the electricity distribution network and planned and unplanned disruptions can be found on the interactive map: www.eso.lt/zemelapis

Procurement and supplier engagement

By responsibly purchasing the services, products and works required to perform the Group's activities, we promote transparent, responsible and sustainable solutions in the market. The main elements of the Group's procurement management are:

- Public procurement processes that are regulated by the laws of the Republic of Lithuania and internal legal acts: Public Procurement Policy, guidelines, standards and other documents;
- A centralised public procurement at the Group, allowing for a unified procurement process with a more flexible allocation of the necessary resources;
- Annual procurement planning;
- Constantly monitored system of quantitative and qualitative indicators of public procurement, which helps to effectively detect deviations from the set goals and to take urgent action.

All types of procurement are subject to the standard of recusal and recusal procedures of the Group's employees, which ensures proper management of conflicts of interest, measures to prevent them, enforces decisions in accordance with the principles of impartiality, transparency and openness, thus fostering an environment free of corruption.

In all public procurements (except low value and simplified), suppliers must confirm that there are no grounds for excluding them from participating in the procedures. The basis for exclusion may be criminal activity, fraud, corruption, acts of terrorism, money laundering, child labour or other forms of human trafficking, tax evasion, illegal agreements, professional misconduct, etc.

The Group applies the same standard for the award, performance and enforcement of contracts as well as other internal legal acts. Contracts stipulate that suppliers undertake to comply with the Anti-Corruption Policy and the Code of Ethics when performing contracts. We have also introduced a Supplier Code of Ethics, which is included in all new Group contracts concluded with suppliers. All contracts include contract enforcement mechanisms (fines, interest on arrears, bank guarantees, etc.) and provisions on compliance with environmental, safety standards and occupational safety requirements.

The Group has consistently sought to integrate sustainability criteria into supply chain management. We have focused on developing a green procurement model, and from 2022, the

High-level requirements in the Group's public procurement

- Additional measures may be taken during the procurement procedure in order to verify that suppliers are able to comply with applicable national environmental, social, safety and/or labour standards and the requirements set by the Group.
- In carrying out green public procurement, the Group applies the environmental criteria set out in the Order of the Minister of Environment of the Republic of Lithuania.
- In some cases, additional energy efficiency requirements and other environmental requirements (such as compliance with environmental management systems or standards) may apply.
- If the procurement is related to national security and pre-established criteria are applied to it, before it is concluded, we, together with the Ministry of National Defence of the Republic of Lithuania, assess the technological risks related to the critical infrastructure. Before concluding contracts related to national security, we make sure that the suppliers' compliance with the interests of national security has been assessed by the Commission for Coordination of Protection of Objects of Importance to Ensuring National Security.
- Contracts with the winners of commercial and regulated procurement are awarded only after due diligence of the supplier in accordance with the Anti-Corruption Control Standard.

Group will launch socially responsible procurements aimed at having a positive impact on society by including new criteria for assessing social aspects, promoting employment opportunities, upskilling and retraining, decent work, social inclusion, equal opportunity, diversity, good corporate governance practice, transparency, ethical trade, etc. For a procurement to be considered socially responsible, it must meet at least one of the following requirements:

1. The procurement documents set out the requirements for social criteria for suppliers, purchased goods, provided services or performed works;
2. The procurement requires that the supplier has not committed any violations in the field of social law and/or labour law, i.e., does not meet the grounds for exclusion of the supplier;
3. Goods, services or works are procured from social organisations.

In order to create an energy-smart world and a more sustainable future, we apply high legal, ethical, environmental and social standards not only in our operations but also in our supply chain.

Information on the Group's public procurement

	2021	2020
Share of purchases made via public procurements, %	88.3	96.9
Share of purchases with only one bid received, %	~17	2
Share of costs for local suppliers, %	~70	80
Value of green public procurement out of total value of all successfully completed procurements, %	24	<1*

** The principles of green procurements have been applied in the Group's procurements since July 2021*

Key changes and achievements in 2021 in encouraging suppliers to apply the principles of sustainability

- We approved the Group Supplier Code of Ethics, the provisions of which are included in all standard contract forms. While we plan to conduct audits of key suppliers in order to assess compliance with the Code, our goal is to create opportunities to work together in a sustainable manner, therefore, we will also focus on educating suppliers about various aspects of sustainability. The Supplier Code of Ethics is based on the best global practices and reflects the Group's commitment to strengthening sustainable cooperation with suppliers by promoting legal, professional and fair business practices that incorporate environmental, social responsibility and business ethics objectives. The Code sets out standards of business conduct that all Group suppliers are expected to comply with and, where possible, exceed.
- We have developed a model for the application of the principles of sustainable development in procurements, which includes not only green, but also socially responsible and innovative procurements. Read more about this on our website.
- We aim to make all public procurements green from 2023 onwards. During the transition period – from 1 July 2021 to the end of the year – the share of green public procurements more than doubled, and in 2022 we aim to make it at least 50% of the total value of public procurements. Depending on the object of the procurement, the green procurement procedure includes one or more conditions: minimum environmental criteria, requirements for the Type I eco-label, requirements for an environmental management system and/or individual requirements for the procurement that comply with environmental principles. A monitoring system for green public procurement indicators has also been set up to monitor progress.

Sustainable financial instruments

Green bonds

Due to its size and unique position in the Lithuanian capital market and the wider Baltic region, we promote the development of a sustainable financial market. For the Group, green financing is one of the strategic transformation tools to secure investments in sustainable energy solutions in the future.

The Group has completed a total of three bond issues of EUR 300 million each. The first two – in 2017 and 2018 – were green bond issues. The Independent Norwegian Centre for International Climate and Environmental Research (CICERO) and the Swedish Environmental Institute have awarded the Group's green bond programme the highest green category.

The funds received from the green bonds have been allocated for the implementation of various projects that will contribute to the development of the Green Generation segment, as well as increase the resilience and reliability of the network. The implementation of these projects will contribute to the reduction of carbon dioxide emissions. The projects meet the eligibility criteria set out in the Green Bond Framework (link in Lithuanian).

In the Green Bond Investors Letter, the Group announced the use of funds for eligible projects and their perceived positive impact on the environment. More information can be found on the Group's website (link in Lithuanian).

EU taxonomy

The Group is planning further investments in the development of Green Generation, increasing the efficiency of the distribution network, and electric vehicle charging development projects. Information on the compliance of the Group's investments and other financial indicators with the currently available version of the EU Taxonomy Regulation and the planned actions related to it are discussed in the 'Overview' section of the Group's Annual report 2021.

Financing smart energy solutions

The Ignitis Innovation Fund, established in 2017, provides funding for early-stage start-ups in the energy sector. In addition to funding start-ups and promoting the development of energy solutions, the Ignitis Innovation Fund helps to attract talent and ideas from the outside, the potential of which can be used to increase the quality and efficiency of services. The activities of the venture capital fund also contribute to increasing Lithuania's competitiveness in the field of energy technologies.

In 2021, the fund managed by Contrarian Ventures directed 13 investments to nine start-ups in Lithuania, Israel, Sweden, France, Switzerland and the United Kingdom – the total amount of investments in start-ups made through the Ignitis Innovation Fund amounted to EUR 4.1 million. By the end of the year, the fund had invested a total of EUR 9.3 million.

More information about the Ignitis Innovation Fund can be found in the Business Overview section of the Group's Annual Report and on the website of the Ignitis Innovation Hub.

The total amount of investments in start-ups made through the Ignitis Innovation Fund amounted to EUR 9.3 million. The total asset value reached EUR 25.3 million.

Main start-ups invested in by Ignitis Innovation Fund in 2021

H2PRO	PVcase	Inbalance	zoomo
Green hydrogen generation technology that does not emit carbon dioxide	Solar power plant design and engineering	Electric vehicle charging solutions	Sustainable mobility solutions

5.8 Memberships and partnerships

We carry out sustainable activities together with our partners. By participating in the activities of various organisations, we share our experience and learn from others.

In 2016, the Group expressed its support for the United Nations Global Compact and committed itself to implementing its activities in accordance with the 10 principles of the pact. As a member of the Baltic Institute of Corporate Governance (BICG), the Group contributes to improving the transparency, competitiveness and governance of companies in the Baltic region. The Group also participates in the activities of the National Lithuanian Energy Association (NLEA), the Lithuanian Responsible Business Association (LAVA) and the Diversity Charter Lithuania.

In 2018, Vilnius and Kaunas CHPs joined the Confederation of European Waste-to-Energy Plants (CEWEP).

In 2019, the Group joined Wind Europe, which unites members of wind industry in Europe and the world. Group companies developing renewable resources projects participate in the activities of the Lithuanian Wind Power Association (LVEA) and other organisations operating in this field.

In 2020, Ignitis, one of the Group companies, joined the Lithuanian Solar Energy Association. Together with the association, we seek to raise awareness among the public about the advantages of solar energy.

In 2020, we joined the Women Go Tech initiative, thus, promoting diversity in the tech field.

The Group cooperates with the largest Lithuanian universities and other scientific institutions, contributes to the development of studies and practical programmes, promotes girl involvement in the energy field and participates in events and other activities.

Ensuring the highest standards of transparency is a very important part of the Group's activities, therefore, we cooperate with the Special Investigation Service of the Republic of Lithuania in ensuring the prevention of corruption. We are also working with the Police Department to ensure the highest standards of cyber security and crime prevention.

We aim to contribute to the development of the energy sector by participating in the Intelligent Energy Lab and the Clean Technology Cluster projects together with partners.

Our partners

Contrarian Ventures
Lietuvos Respublikos Energetikos ministerija
Energy Tech Network
Vilnius Tech
Vilniaus kolegija | University of Applied Sciences
Vilniaus universitetas
ktu kauno technologijos universitetas
Saulėtekio slėnio mokslo ir technologijų parkas
RTVMC
Finansinių nusikaltimų tyrimo tarnyba prie VRM
intelligent energy lab
Lietuvos švariųjų technologijų klasteris
Women Go Tech
MPM Mažeikių politechnikos mokykla
Lietuvos pramonininkų konfederacija
Global Lithuanian Leaders
Smart Energy DIH

Group companies are members of:

UN Global Compact
NLEA
LAVA Lietuvos atsakingo verslo asociacija
Baltic Institute of Corporate Governance
E.DSO
Lvea Lietuvos vėjo elektrinių asociacija
Lietuvos įvairovės chartija
Wind Europe
Fintech Hub LT
Litbioma
PSEW
CEWEP

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306-3	Waste generated	153

GRI Standard	Name	Page(s) of Annual Report
GRI 307: ENVIRONMENTAL COMPLIANCE 2016		
103-1/2/3	Management Approach	155
307-1	Non-compliance with environmental laws and regulations	154
GRI 401: EMPLOYMENT 2016		
103-1/2/3	Management Approach	105; 169; 172
401-1	New employee hires and employee turnover	163
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	170
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GRI 402: LABOUR MANAGEMENT RELATIONS 2016		
103-1/2/3	Management Approach	169
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GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018		
103-1/2/3	Management Approach	175
403-1	Occupational health and safety management system	175
403-2	Hazard identification, risk assessment, and incident investigation	175
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403-4	Worker participation, consultation, and communication on occupational health and safety	176
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403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	175
403-8	Workers covered by an occupational health and safety management system	176
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GRI 404: TRAINING AND EDUCATION 2016		
103-1/2/3	Management Approach	172
404-1	Average hours of training per year per employee	165
404-2	Programs for upgrading employee skills and transition assistance programs	172
404-3	Percentage of employees receiving regular performance and career development reviews	168

GRI Standard	Name	Page(s) of Annual Report
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016		
103-1/2/3	Management Approach	173
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103-1/2/3	Management Approach	178
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GRI 419: SOCIOECONOMIC COMPLIANCE 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	182

Financial statements

6.1 Consolidated financial statements

Prepared for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union

The Group's consolidated financial statements were prepared and signed by AB "Ignitis grupė" management on 24 February 2022:

Darius Maikštėnas
Chief Executive Officer

Darius Kašauskas
Chief Financial Officer

Giedruolė Guobienė
UAB "Ignitis grupės paslaugų centras",
Head of Accounting acting under
Order No IS-11-22
(signed 14 February 2022)

Consolidated Statement of Financial Position

As at 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	31 December 2021	31 December 2020 (restated)[1]	1 January 2020 (restated)[1]
ASSETS				
Non-current assets				
Intangible assets	6	114,035	94,837	90,932
Property, plant and equipment	7	2,609,576	2,559,554	2,347,817
Right-of-use assets	8	57,543	63,879	61,044
Prepayments for non-current assets		15,768	40	27,809
Investment property	9	4,546	5,183	5,530
Non-current receivables	11	96,139	161,515	165,031
Other financial assets	13	30,094	7,269	3,735
Other non-current assets	14	3,712	1	5,087
Deferred tax assets	41	15,547	6,431	11,770
Total non-current assets		**2,946,960**	**2,898,709**	**2,718,755**
Current assets				
Inventories	15	185,606	65,988	72,496
Prepayments and deferred expenses	16	68,476	14,602	31,675
Trade receivables	17	274,897	128,423	117,867
Other receivables	18	292,529	83,569	50,653
Other current assets	14	33,218	70,152	5,796
Prepaid income tax		134	223	2,434
Cash and cash equivalents	19	449,073	658,795	131,837
		1,303,933	**1,021,752**	**412,758**
Assets held for sale	20	360	473	40,643
Total current assets		**1,304,293**	**1,022,225**	**453,401**
TOTAL ASSETS		**4,251,253**	**3,920,934**	**3,172,156**
EQUITY AND LIABILITIES				
Equity				
Issued capital	21	1,658,756	1,658,756	1,212,156
Treasury shares	21	(23,000)	-	-
Reserves	22	248,861	232,932	240,364
Retained earnings		(35,636)	(79,864)	(166,763)
Equity attributable to equity holders of the parent		**1,848,981**	**1,811,824**	**1,285,757**
Non-controlling interests		-	1,469	48,544
Total equity		**1,848,981**	**1,813,293**	**1,334,301**
Liabilities				
Non-current liabilities				
Non-current loans and bonds	25	1,118,077	1,246,128	821,929
Non-current lease liabilities	27	46,275	29,128	33,818
Grants and subsidies	28	279,134	277,109	260,332
Deferred tax liabilities	41	47,187	45,735	34,892
Provisions	30	30,058	40,695	35,564
Deferred income	29	183,608	164,413	151,910
Other non-current amounts payable and liabilities		420	471	883
Total non-current liabilities		**1,704,759**	**1,803,679**	**1,339,328**
Current liabilities				
Loans	25	237,274	15,476	234,191
Lease liabilities	27	4,688	13,401	8,400
Trade payables	31	100,183	51,693	78,567
Advances received	29	57,508	39,052	41,908
Income tax payable		11,567	6,497	6,171
Provisions	30	41,561	23,516	19,340
Deferred income	29	18,046	12,171	19,586
Other current amounts payable and liabilities	32	226,686	142,156	85,042
		697,513	**303,962**	**493,205**
Liabilities directly associated with the assets held for sale		-	-	5,322
Total current liabilities		**697,513**	**303,962**	**498,527**
Total liabilities		**2,402,272**	**2,107,641**	**1,837,855**
TOTAL EQUITY AND LIABILITIES		**4,251,253**	**3,920,934**	**3,172,156**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change and reclassifications. See more information disclosed in Note 5.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	2021	2020 (restated)[1]
Revenue from contracts with customers	34	1,868,917	1,215,355
Other income	35	21,482	7,735
Total revenue and other income		**1,890,399**	**1,223,090**
Purchases of electricity, natural gas and other services	36	(1,379,955)	(705,729)
Salaries and related expenses		(97,219)	(92,793)
Repair and maintenance expenses		(31,744)	(34,072)
Other expenses	37	(45,992)	(56,192)
Total		**(1,554,910)**	**(888,786)**
EBITDA[2]		**335,489**	**334,304**
Depreciation and amortisation	6, 7, 8, 28	(122,468)	(113,374)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	6, 7, 9, 28	(28,467)	(5,930)
Operating profit (loss) (EBIT)[2]		**184,554**	**215,000**
Finance income	38	17,567	2,414
Finance expenses	39	(33,664)	(22,659)
Finance activity, net		**(16,097)**	**(20,245)**
Profit (loss) before tax		**168,457**	**194,755**
Current income tax (expenses)/benefit	40	(19,396)	(10,151)
Deferred tax (expenses)/benefit	41	4,843	(14,016)
Net profit for the year		**153,904**	**170,588**
Attributable to:			
Equity holders of the parent		153,904	170,807
Non-controlling interest		-	(219)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Revaluation of property, plant and equipment	7, 28	(23,629)	90
Change in actuarial assumptions		(303)	208
Items that will not be reclassified to profit or loss in subsequent periods, total		**(23,932)**	**298**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Cash flow hedges – effective portion of change in fair value		57,072	-
Cash flow hedges – reclassified to profit or loss		(38,433)	-
Exchange differences on translation of foreign operations into the Group's presentation currency		(517)	(2,240)
Items that may be reclassified to profit or loss in subsequent periods, total		**18,122**	**(2,240)**
Total other comprehensive income (loss) for the year		**(5,810)**	**(1,942)**
Total comprehensive income (loss) for the year		**148,094**	**168,646**
Attributable to:			
Equity holders of the parent		148,094	168,865
Non-controlling interests		-	(219)
Basic earnings per share (in EUR)	42	**2.07**	**2.89**
Diluted earnings per share (in EUR)	42	**2.07**	**2.89**
Weighted average number of shares	42	**74,232,665**	**59,037,855**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change. See more information disclosed in Note 5.

[2] EBITDA – earnings before finance activity, taxes, depreciation, and amortization, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets. For more information on EBITDA as an alternative performance measure – see Note 46.
EBIT – earnings before finance activity, taxes. For more information on EBIT as an alternative performance measure – see Note 46.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Equity, attributed to equity holders of the parent										Non-controlling interest	Total
		Issued capital	Share premium	Treasury shares	Legal reserve	Revaluation reserve	Hedging reserve	Treasury shares reserve	Other reserves	Retained earnings	Subtotal		
Balance as at 1 January 2020		**1,212,156**	**-**	**-**	**112,647**	**146,993**	**-**	**-**	**11**	**(172,188)**	**1,299,619**	**49,001**	**1,348,620**
Change of accounting policy	5	-	-	-	-	(19,287)	-	-	-	5,425	**(13,862)**	(457)	**(14,319)**
Recalculated balance as at 1 January 2020 after restatement[1]		**1,212,156**	**-**	**-**	**112,647**	**127,706**	**-**	**-**	**11**	**(166,763)**	**1,285,757**	**48,544**	**1,334,301**
Net profit for the year[1]		-	-	-	-	-	-	-	-	170,807	**170,807**	(219)	**170,588**
Other comprehensive income (loss) for the year[1]	24	-	-	-	-	90	-	-	(2,240)	208	**(1,942)**	-	**(1,942)**
Total comprehensive income (loss) for the year (restated)[1]		**-**	**-**	**-**	**-**	**90**	**-**	**-**	**(2,240)**	**171,015**	**168,865**	**(219)**	**168,646**
Issue of share capital	21.1	446,600	3,400	-	-	-	-	-	-	-	**450,000**	-	**450,000**
Transaction costs	21.1	-	(3,400)	-	-	-	-	-	-	(7,633)	**(11,033)**	-	**(11,033)**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	-	(15,747)	-	-	-	15,747	**-**	-	**-**
Transfers to legal reserve		-	-	-	2,523	-	-	-	-	(2,523)	**-**	-	**-**
Dividends	43	-	-	-	-	-	-	-	-	(70,000)	**(70,000)**	(2,793)	**(72,793)**
Equity acquisition from non-controlling interest[1]	10	-	-	-	1,207	7,083	-	-	-	(20,055)	**(11,765)**	(42,922)	**(54,687)**
Sale of disposal group	20	-	-	-	(348)	-	-	-	-	348	**-**	(1,141)	**(1,141)**
Balance as at 31 December 2020 (restated)[1]		**1,658,756**	**-**		**116,029**	**119,132**	**-**	**-**	**(2,229)**	**(79,864)**	**1,811,824**	**1,469**	**1,813,293**
Balance as at 1 January 2021		**1,658,756**	**-**	**-**	**116,029**	**119,132**	**-**	**-**	**(2,229)**	**(79,864)**	**1,811,824**	**1,469**	**1,813,293**
Net profit for the year		-	-	-	-	-	-	-	-	153,904	**153,904**	-	**153,904**
Other comprehensive income (loss) for the year	24	-	-	-	-	(23,629)	18,639	-	(517)	(303)	**(5,810)**	-	**(5,810)**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**(23,629)**	**18,639**	**-**	**(517)**	**153,601**	**148,094**	**-**	**148,094**
Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax)		-	-	-	-	(11,355)	-	-	-	11,355	**-**	-	**-**
Transfers to legal reserve		-	-	-	9,791	-	-	-	-	(9,791)	**-**	-	**-**
Transfer to reserves to acquire treasury shares	22.4	-	-	-	-	-	-	23,000	-	(23,000)	**-**	-	**-**
Treasury shares acquired	21.2	-	-	(23,000)	-	-	-	-	-	(3,674)	**(26,674)**	-	**(26,674)**
Dividends	43	-	-	-	-	-	-	-	-	(86,763)	**(86,763)**	-	**(86,763)**
Dividends paid to non-controlling interest	43	-	-	-	-	-	-	-	-	(1,152)	**(1,152)**	-	**(1,152)**
Other movement	21.3	-	-	-	-	-	-	-	-	3,439	**3,439**	(1,469)	**1,970**
Share-based payments	23	-	-	-	-	-	-	-	-	213	**213**	-	**213**
Balance as at 31 December 2021		**1,658,756**	**-**	**(23,000)**	**125,820**	**84,148**	**18,639**	**23,000**	**(2,746)**	**(35,636)**	**1,848,981**	**-**	**1,848,981**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change. See more information disclosed in Note 5.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	2021	2020 (restated)[1]
Cash flows from operating activities			
Net profit for the year		153,904	170,588
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses	6, 7, 8	133,248	122,535
Impairment of property, plant and equipment, including held for sale	7, 20	8,842	1,644
Revaluation of property, plant and equipment	7, 28	15,907	30
Revaluation of investment property	9	(1,204)	112
Fair value changes of derivatives		9,247	1,632
Fair value change of financial instruments		(9,524)	-
Impairment/(reversal of impairment) of financial assets	11, 13, 17, 18	94	1,813
Income tax expenses/(benefit)	40	14,553	24,167
Depreciation and amortisation of grants	28	(10,780)	(9,161)
Increase/(decrease) in provisions	30	7,039	8,903
Inventory write-off to net realizable value/(reversal)		575	315
Expenses/(income) of revaluation of emission allowances	30	-	134
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		4,616	2,494
Share-based payments expenses	23	213	-
Other expenses of investing activities		627	-
Interest income	38	(808)	(1,152)
Interest expenses	39	23,638	20,228
Other expenses of financing activities		2,791	1,169
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable		(294,587)	(54,700)
(Increase)/decrease in inventories, prepayments and other current and non-current assets		(129,631)	(18,235)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities		186,572	17,618
Income tax (paid)/received		(18,284)	(9,591)
Net cash flows from operating activities		**97,048**	**280,543**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(237,813)	(301,446)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		2,374	14,404
Acquisition of a subsidiary, net of cash acquired	48	(9,545)	-
Grants received	28	17,185	25,757
Interest received		577	547
Finance lease payments received		1,996	2,359
Other increases/(decreases) in cash flows from investing activities		(3,504)	-
Net cash flows from investing activities		**(228,730)**	**(258,379)**
Cash flows from financing activities			
Increase of share capital		-	450,000
Transaction cost		-	(11,033)
Loans received	26	104,000	182,950
Issue of bonds	26	-	295,457
Repayments of loans	26	(10,915)	(86,798)
Lease payments	26	(13,630)	(10,351)
Interest paid	26	(25,998)	(15,885)
Dividends paid	43	(87,769)	(72,528)
Dividends returned	21.3	1,970	-
Equity acquisition from non-controlling interest	10	(19,024)	(35,727)
Treasury shares acquisition	21.2	(26,674)	-
Net cash flows from financing activities		**(78,040)**	**696,085**
Increase/(decrease) in cash and cash equivalents (including overdraft)		**(209,722)**	**718,249**
Cash and cash equivalents (including overdraft) at the beginning of the year	19	658,795	(59,454)
Cash and cash equivalents (including overdraft) at the end of the year	19	**449,073**	**658,795**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change and reclassifications. See more information disclosed in Note 5.

Explanatory Notes

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

1 General information

Ignitis grupė AB (hereinafter – "the Company" or "parent company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. On 5 October 2020 the Company increased its share capital and on 7 October 2020 the Company has executed initial public offering (hereinafter "IPO") distributing the increased share capital between private and institutional investors. Acquisition of own shares was performed by Ignitis grupė AB during December 2021.

The Company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The Company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044. The Company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange . The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2021.

The Company and its subsidiaries are hereinafter collectively referred to as "the Group". The Group engages in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the electricity sector, management and coordination of activities. Information on the Group's structure is provided in Note 10.

The Group's principal shareholder is the State of the Republic of Lithuania (73.08%).

Shareholder of the Group	31 December 2021		31 December 2020	
	Share capital, in EUR '000	%	Share capital, in EUR '000	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212,156	73.08	1,212,156	73.08
Other shareholders	418,838	25.25	446,600	26.92
Own shares	27,762	1.67	-	-
Total	**1,658,756**		**1,658,756**	

These consolidated financial statements were prepared and signed for issue by Group's management on 24 February 2022.

The Group's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements. These are consolidated financial statements of the Group. The Company also prepares separate financial statements in accordance with local requirements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Group's consolidated financial statements (hereinafter – financial statements) for the year ended 31 December 2021 are summarized below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter - IFRS).

The Group's financial statements as at and for the year ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment (see Note 2.6), investment property, and certain financial instruments measured at fair value.

These consolidated financial statements are presented in euros, which is the Group's functional currency and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated. The Group's financial statements provide comparative information in respect of the previous period.

As at 31 December 2021 the Group made reclassifications related to figures of statement of financial position for the year ended 31 December 2020 – see Note 5 for detailed explanation.

For change in accounting policy – see Note 2.2.1 and Note 5.

2.2 New standards, amendments and interpretations

2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those which were adopted during the preparation of the Group financial statements for previous financial year except for the following:

2.2.1.1 Emission allowances

During 2021 it was concluded that the current accounting policy for emission allowances does not present the profit or loss and other comprehensive income (hereinafter – SPLOCI) and the statement of financial position in the best interest of the users of the financial statements. Therefore, it was determined that there is a need for a voluntary change in accounting policy, which had impact on SPLOCI, statement of financial position, statement of cash flows and statement of changes in equity prepared for the year ended 31 December 2020.

For detailed information on impact – see Note 5.

All amounts are in EUR thousand unless otherwise stated

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the year ended as at 31 December 2021. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

Standards or amendments that came into force during 2021
COVID-19-Related Rent Concessions (Amendment to IFRS 16)
Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

2.2.2 Standards issued but not yet effective and not early adopted

The Group did not adopt new IFRS, International Accounting Standards (hereinafter – IAS), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2021 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead, an entity recognises those sales proceeds in profit or loss. The amendments are be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments. Amendments apply for annual reporting periods beginning on or after 1 January 2022. Amendments are endorsed for application in European Union.

The Group's management has assessed the impact of amendments on the acquisition cost of property, plant and equipment items, which were made available for use in 2021 year, and determined that the acquisition cost of these items should be increased by EUR 10,179 thousand.

The final impact will be determined in year 2022 and will be recognized in financial statements for the year ended 31 December 2022.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. Amendments are endorsed for application in European Union.

The Group does not have significant onerous contracts therefore the Group's management determined that these amendments have no significant impact on the Group's financial statement.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in European Union (hereinafter – EU).

The management of the Group is currently assessing the impact of these amendments on the financial statements.

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	Endorsed
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	Not yet endorsed
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Not yet endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Not yet endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Not yet endorsed

2.3 Consolidation

2.3.1 Consolidation

The financial statements of the Group comprise the financial statements of the parent company and its directly and indirectly controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances and unrealized gains and/or losses on transactions among the Group companies are eliminated.

Non-controlling interest represents a part of net profit and net assets which is not controlled by the Group. Non-controlling interest is reported separately in the consolidated SPLOCI. The share of

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equity attributable to the non-controlling interest and to the owners of the parent is shown separately in the consolidated statement of financial position.

2.3.2 Business combinations

2.3.2.1 Business combination applying IFRS 3 (subsidiaries that are not under common control)

Acquisition of subsidiaries that are not under common control is accounted for using the acquisition method. When the acquisition method is applied the consideration transferred in a business combination is measured as fair value of net assets transferred to the former owners of the acquiree. Acquisition-related costs are recognised in profit or loss of SPLOCI as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period , or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.3.2.2 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable net assets assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss of SPLOCI as a bargain purchase gain.

2.3.2.3 Contingent consideration

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss of SPLOCI.

2.3.2.4 Business combination is achieved in stages

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss of SPLOCI. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss of SPLOCI, where such treatment would be appropriate if that interest were disposed of.

2.3.2.5 Business combination of entities under common control

For a business combination of entities under common control the following methods are applied:
(a) the acquisition method set out in IFRS 3 or;
(b) the pooling of interests' method.

In selecting which method to apply to the accounting for business combinations of entities under common control, the Group assesses whether there is a "commercial substance" for which the following criteria are considered:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a 'reporting entity' that did not exist before.

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Acquisition of subsidiaries that are not under common control", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:

- the assets and liabilities of the entities in business combinations are measured at their carrying amounts equal to those reported in the financial statements of the ultimate parent company;
- no newly arising goodwill is recognised on a business combination, however acquiree can recognise intangible assets that meet the recognition criteria in IAS 38;
- any difference between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings.

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2.3.4 Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter 'the functional currency').

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in SPLOCI.

2.4.3 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their SPLOCI are translated at average exchange rates observed during reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss of SPLOCI.

2.5 Intangible assets

2.5.1 Patents, licences and trademarks

Patents, licenses and trademarks are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives.

Amortisation is calculated using a straight-line basis over the estimated useful life of 3 to 5 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis.

2.5.2 Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 4 years).

2.5.3 Servitudes

The Group's intangible assets includes 'Servitudes' which comprise the Group's rights to use the land plots owned by third persons on the basis of servitudes. Servitudes comprise statutory and contractual servitudes:

- Statutory servitudes comprise the Group's rights to use the land plots owned by third persons in which electric networks were established up to 10 July 2004 on the basis of statutory servitudes.
- Contractual servitudes comprise the Group's rights to use the land plots owned by third persons in which electric networks were established since 2018 on the basis of contractual servitudes.

The useful life of an intangible asset (right to use the land which has a servitude) is indefinite, therefore, these assets are not subject to amortisation. Useful life of intangible assets are indefinite since the right to use the land is granted for an indefinite period of time according to the conditions of agreements for compensation for servitudes as well as Civil code of Republic of Lithuania. Accordingly, right to use the land (to which servitude is applied) is retained by the Group regardless of the condition, repairs or renewals of Group's assets constructed on the mentioned land. Since these right-to-use land contracts concluded as perpetual arrangements thus contractual and statutory servitudes are out of scope of IFRS 16 Leases. This is because a lease conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. Perpetual is not a specified period of time when identifying a lease. Therefore a perpetual arrangement lacks an essential characteristic of a lease – i.e. it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time. A perpetual arrangement is effectively a form of ownership interest in an asset that lasts forever.

However, the Group has accounted for provision to compensate land owners for servitudes in accordance with requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see Note 2.18, Provisions). Remeasurement of provision due to changes in underlying assumptions is accompanied with respective adjustment of carrying amount of intangible assets.

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

2.5.4 Special conditions on land use (protection zones)

The Group's intangible assets include the Group's obligations to register and the right to use a third-party land on the basis of special conditions on land use. The accounting policies applied are similar to those applied for intangible assets 'Servitudes'.

2.5.5 Other intangible assets

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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The Group's intangible asset amortization expenses are accounted for within depreciation and amortization item in SPLOCI. For the licenses acquired in a business combination (licenses to produce electricity with incentive tariff), useful life is determined to be 12 years.

2.6 Property, plant and equipment

Property, plant and equipment is measured by applying acquisition cost or revaluation model. The following categories of Property, plant and equipment are accounted for at cost less accumulated depreciation and impairment:

- gas distribution pipelines, gas technological equipment and installations
- assets of Hydro Power Plant, Pumped Storage Power Plant;
- combined Cycle Unit and Reserve Power Plant (Elektrėnai Complex and Vilnius Thermal Power Plant No 3);
- cogeneration plant and related installations;
- wind power plants and their installations;
- contruction-in-progress

All remaining property, plant and equipment are measured at revalued amounts, based on periodic valuations by external independent valuers or by the Group's management, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

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

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment. The assets' residual values and useful lives are reviewed at least once per year, and adjusted if appropriate. For accounting of borrowing costs - see Note 2.11.2.

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

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income of SPLOCI and accumulated to the revaluation reserve in equity. However, the increase is recognised in profit or loss of SPLOCI to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss section.

Decreases in the carrying amount of an asset arising on revaluation are generally recognised in profit or loss section; decreases that offset previous increases of the same asset are recognised in other comprehensive income section and charged against the revaluation reserve. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) is charged to profit or loss section and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred tax.

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

Category of property, plant and equipment	Useful lives (number of years)
Buildings	8–75
Electricity networks and their structures	
- electrical and communication devices	20–25
- electricity distribution equipment	15-45
- electrical equipment	15-35
- other equipment	5-50
Wind power plants and their installations	20-30
Cogeneration plants and their installations	30-45
Assets of Hydro Power Plant, Pumped Storage Power Plant, and Combined Cycle Unit and Reserve Power Plant	
Assets of Hydro Power Plant, Pumped Storage Power Plant:	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25-40
- other equipment	8-15
Structures and machinery of Reserve Power Plant:	
- structures and infrastructure	10-70
- thermal and electricity equipment	10-60
- measuring devices and equipment	5-30
- other equipment	8-15
Structures and machinery of Combined Cycle Unit:	
- structures and infrastructure	20-50
- electricity lines	20-40
- electricity generation equipment	20-50
Gas distribution pipelines, gas technological equipment and installations	18–55
Other property, plant and equipment	2-35

2.7 Right-of-use assets

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

2.7.1 Initial measurement of right-of-use assets

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Group recognises these costs as part of the cost of right-of-use asset when the Group incurs an obligation for these costs.

2.7.2 Subsequent measurement of right-of-use assets

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

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

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

2.8 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its property, plant and equipment, intangible assets and right-of-use assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit - hereinafter "CGU") is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in SPLOCI.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in SPLOCI.

2.9 Investment property

Investment property, which consists of the Group's buildings and structures, is held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and is subsequently measured at fair value, which is determined by independent property valuers. Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss of SPLOCI for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Certain immovable property may be occupied by the Group, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Group can be sold separately, the Group accounts for such property separately. The portion that is owner-occupied is accounted for under IAS 16 and the portion that is held to earn rentals is accounted for under IAS 40.

2.10 Assets held-for-sale

Non-current assets held-for-sale are stated at the lower of the carrying amount and fair value less costs of disposal if the carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.11 Financial instruments

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

2.11.1 Financial assets

The Group classifies its financial assets into the following three categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"); and
(iii) financial assets subsequently measured at fair value through profit or loss (hereinafter "FVPL").

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at

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FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in SPLOCI. Impairment losses are accounted for as other expenses (Note 37) in SPLOCI.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group. The intentions of the Group's management regarding separate instruments has no effect on the applied business model. The Group may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, is as follows:

2.11.1.1 Financial assets subsequently measured at FVOCI

The Group only has derivative financial instruments subsequently measured at FVOCI for detailed information see Note 2.11.3.

2.11.1.2 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (hereinafter "EIR") method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. The Group's financial assets at amortised cost includes loans granted by the Group, trade and other amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

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

2.11.1.3 Financial assets at FVPL

Debt instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are classified as financial assets to be measured at FVPL.

The Group classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss of SPLOCI in the period in which it arises. The Group classifies in this category amounts receivable from EPSO-G (note 4.7), investments to mutual funds units or equity instruments that do not meet the SPPI conditions.

2.11.1.4 Effective interest method

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

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

2.11.1.5 Impairment of financial assets – expected credit losses

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

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

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

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

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

For short-term trade receivables without a significant financing component the Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables (Note 4.12).

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The Group's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

For the purpose of determining the lifetime expected credit losses of amounts receivable, the Group on a collective basis applies the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years or of customer types. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics. The non-recoverability analysis is conducted for the last several years in order to determine the general default ratio. As regards different groups of consumers, a different loss ratio matrix is used.
The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Group's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

Recognition stages of expected credit losses:
1. upon granting of a loan or concluding a finance lease agreement, the Group recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
2. upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Group accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
3. where the Group establishes that the recovery of the loan is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Group classifies this loan (finance lease receivables) as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Group recognises all lifetime expected credit losses of the loan granted or a finance lease agreement is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

2.11.1.6 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2.11.1.7 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

2.11.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

2.11.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade and other payables or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade ant other payables, net of directly attributable transaction costs.

All amounts are in EUR thousand unless otherwise stated

2.11.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- financial liabilities at FVPL;
- financial liabilities at amortised cost.

2.11.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in SPLOCI.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

2.11.2.4 Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, trade payables, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss of SPLOCI when the liabilities are derecognised as well as through the EIR amortisation process.

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

2.11.2.5 Classification and borrowing costs

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. All other borrowing costs are expensed as incurred. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

2.11.2.6 Effective interest rate method

The EIR method is used in the calculation of the amortised cost of a financial liabilities and in the allocation of the interest expenses in profit or loss of SPLOCI over the relevant period.

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability (for more information see Note 2.11.1.4).

2.11.2.7 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

2.11.2.8 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in SPLOCI.

2.11.3 Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments transactions related to purchase and sale prices of electricity and gas and emission allowances forwards.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- there is ‘an economic relationship’ between the hedged item and the hedging instrument;
- the effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

All amounts are in EUR thousand unless otherwise stated

2.11.3.1 Presentation

Fair value of derivative financial instruments is presented In the statement of financial position as “Other non-current assets” (Note 14.1), “Other current assets” (Note 14.2), “Other non-current amounts payable and liabilities” and “Other current amount payables and liabilities” (Note 32).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in SPLOCI either as “Other income” (Note 35), if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 37).

Changes in fair value and result of settled derivatives for hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

2.11.3.2 Fair value hedges

The change in the fair value of a hedging instrument is recognised in SPLOCI. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in SPLOCI.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss of SPLOCI. The group did not have such hedges as at 31 December 2021.

2.11.3.3 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income part of SPLOCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss part of SPLOCI in other income or expenses (accounting method is similar to derivative financial instruments that do not meet the hedge criteria – Note 2.11.3.1) . The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in SPLOCI as “Purchases of electricity, gas and other services”.

2.12 Put option arrangements

The Group has a written put option over the equity of subsidiary Kauno kogeneracinė jėgainė UAB which permit the holder to put their shares in the subsidiary back to the Group in a deadlock situation at the market price (one year after start-up) less 15%.

The Group uses anticipated-acquisition method for recognizing put option redemption liability (hereinafter – option).

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to non-controlling interest in equity. This is because the recognition of the financial liability implies that the interests subject to the option are deemed to have been acquired already.

Subsequently the value of liability is measured at FVPL for purpose to present the redemption liability that is payable at the date at which the option first becomes exercisable. The change in fair value is presented in “Financial expenses” of SPLOCI. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to non-controlling interest in equity.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, except for natural gas and liquefied natural gas, the cost of which is determined using the weighted average costing method (see below). The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The weighted average price is calculated as the weighted average of the stock at the beginning of the month and the purchases during the month.

All amounts are in EUR thousand unless otherwise stated

2.14 Emission allowances

Based on the European Union (hereinafter EU) Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis.

The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan (hereinafter "NPP") to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). NPP determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (part of the allowances is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

2.14.1 Inventory

EU emission allowances are inventories that are dedicated by the state or are acquired by the Group. EU emission allowances acquired by the Group are recognized at cost. EU emission allowances dedicated by the state are recognized in the accounts at nominal (zero) value. The Group accounts for purchased and for free received emission allowances separately, write-down to net realisable value is calculated if the market price becomes lower than the acquisition price.

2.14.2 Provision for emission allowances used

When the Group emits pollutants into the environment, it is obliged to pay for the pollution using the state permits, the nominal value of which would correspond to the amount of emitted pollutants. This liability is a provision that is measured at the value which correspond to amount of expenses that Group will incur to cover this obligation as at the date of the statement of financial position. If the Group has acquired emission allowances, the value of the provision is equal to their carrying amount. If the actual amount of pollutants exceed the number of emission allowances available, an obligation to purchase additional emission allowances equal to the market value is accounted for.

The obligation can only be covered with inventories if the amount of pollutants is approved by the responsible regulatory authority.

Changes in the value of a liability related to insufficient emission allowances are recognized in the profit or loss in the SPLOCI.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under liabilities within current borrowings in the statement of financial position.

2.16 Issued capital, share premium, treasury shares

2.16.1 Issued capital, share premium

Ordinary shares are classified as equity.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

2.16.2 Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (market value of share price).

During 2021 share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

2.16.3 Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

All amounts are in EUR thousand unless otherwise stated

2.17 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2.17.1 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.17.2 Group as a lessor in operating leases

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in SPLOCI due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.17.3 Group as a lessor in finance leases

Leases in which the Group does transfer substantially all the risks and rewards incidental to ownership of an asset or the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent, are classified as finance leases. At the commencement date, Group recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Lease payments are apportioned between finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Finance charges are recognised in Finance income in SPLOCI.

2.18 Grants and subsidies

2.18.1 Asset-related grants

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

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

2.18.2 Income-related grants

Government and the EU grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants related to income are presented as part of SPLOCI.

2.19 Provisions

Provisions are recognised when the Group have a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recorded in SPLOCI, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is applied, increase in the provisions reflecting the period of past time is accounted for as finance expense.

2.19.1 Provisions for servitudes

Costs related to provision for servitudes are recognised as intangible assets are measured at amounts to be compensated.

Payments of compensations to land owners are recorded as decreases of provision, while remeasurement of provision due to changes in underlying assumptions is recorded as a change in respective intangible asset (Note 2.6.4).

2.19.2 Provisions for registration of protection zones

Costs related to provision for registration of protection zones and compensations are recognised as intangible assets based on the amounts to be compensated.

Payments related to registration of protection zones are recorded as decreases of provision, while remeasurement of provision due to changes in underlying assumptions is recorded as change in respective intangible asset (Note 2.6.5).

All amounts are in EUR thousand unless otherwise stated

2.20 Employee benefits

2.20.1 Social security contributions

The Group pays social security contributions to the State Social Security Fund (hereinafter “the Fund”) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

2.20.2 Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2.20.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Group upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. If an employee belongs to trade union, he/she is also entitled to additional retirement benefit according in accordance with the collective agreement. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

2.21 Revenue from contracts with customers

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

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

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

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

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

All amounts are in EUR thousand unless otherwise stated

2.21.1 Electricity related revenue

The Group’s electricity related revenue includes:
- sale of electricity (Note 2.21.1.1),
- revenue from public electricity supply (Note 2.21.1.2),
- sale of produced electricity (Note 2.21.1.3),
- revenue from services ensuring the isolated operation of power system and capacity reserve (Note 2.21.1.4),
- revenue from electricity distribution and transmission (Note 2.21.1.5),
- revenue from public service obligations funds (hereinafter “PSO funds”) (Note 2.21.1.6).

Electricity related revenue is received from non-household and household customers. Electricity to household customers is supplied at electricity tariff applied for public supply (Note 2.21.1.2), electricity tariff applied for independence supply (Note 2.21.1.1) or electricity tariff applied for supply of last resort (Note 2.21.1.1). Electricity to non-household customers is supplied at electricity tariff applied for independence supply (Note 2.21.1.1) or electricity tariff applied for supply of last resort (Note 2.21.1.1).

Accounting policy for electricity related revenue may be presented in accordance with the components of the electricity tariff applied to the consumed electricity by household and non-household customers. The tariff comprises of the following components:

(a) price of electricity (Note 2.21.1.1, 2.21.1.2);
(b) fee for electricity supply services (Note 2.21.1.1, 2.21.1.2);
(c) price of electricity transfer services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 2.21.1.5);
(d) price of electricity system services (includes capacity reserve services) (Note 2.21.1.4);
(e) fee for PSO services (hereinafter “PSO fees”) (Note 2.21.1.6.1).

Regulation of tariffs and the Group’s profitability is presented in the Note 2.21.4.

2.21.1.1 Revenue from the sale of electricity

Revenue from sales of electricity (Note 34 line item “Revenue from the sale of electricity“) mainly consists of electricity sales to:
- non-household customers, and
- household customers by providing:
  - the independence supply services according to bilateral agreements or
  - supply of last resort services.

Revenue includes the price of electricity and the fee for electricity supply services. Revenue is recognized over time in each reporting period on the basis of VAT invoices issued, which includes the calculated amount of electricity consumed. Electricity consumption is calculated on the basis of the declared meter readings provided by consumers.

Revenue from the sale of electricity providing the supply of last resort services is regulated (Note 2.21.4.1).

2.21.1.2 Revenue from public electricity supply

Revenue from public electricity supply (Note 34 line item “Revenue from public electricity supply”) consists of the following components of public supply electricity tariff: (i) sale of consumed public electricity and (ii) public supply service fee. Revenue from public electricity supply to the customers is recognised over time referring to the supplied electricity quantity reading devices provided by them and verified by the distribution system operator. In case of difference between provided and verified quantities due to over declaration (Note 4.13) the Group estimates the amount of deferred income (Note 29) and accounts for as a contract liability.

Revenue from public electricity supply is regulated (Note 2.21.4).

2.21.1.3 Revenue from sale of produced electricity

The sales of electricity produced (Note 34 line item “Revenue from sale of produced electricity”) using own resources are conducted at the Power exchange by submitting electricity sale offers to the Power exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Power exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller’s performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller’s offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller payable at a flat rate. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Group at the Power exchange.

2.21.1.4 Revenue from services ensuring capacity reserve and isolated operation of the power system

The Group provides services ensuring capacity reserve and isolated operation of the power system (Note 34 line item “Revenue from the services ensuring the isolated operation of power system and capacity reserve”), for the provision of which is responsible transmission system operator. Transmission service operator purchases the services from the Group according to the bilateral agreement.

Capacity reserve services ensure the required power reserve and are understood as the potential of electricity generation which is used to maintain the set frequency, to ensure the balance of the electricity system and to generate electricity in the event of a decrease in production or an increase in consumption. Capacity reserve services are provided continuously 24 hours a day.

Revenue from capacity reserve services is recognised over time. The price which is paid by transmission system operator to the Group is set up by National Energy Regulatory Council

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(hereinafter "NERC" or "the Regulator") for one MW/h and the quantity is measured as MW for the whole year for 24 hours a day.

Revenue from services ensuring the isolated operation of the power system services is recognised over time. The price of these services which is paid by transmission system operator to the Group is set by NERC for one MW/h and the quantity is agreed in the contract as MW for the whole year. The measurement of the service is performed by the readings of electricity meters.

Revenue from capacity reserve services and services ensuring the isolated operation of power system are regulated by NERC (Note 2.21.4, 4.14.1).

2.21.1.5 Revenue from electricity transmission and distribution

Revenue from electricity transfer, which includes transmission and distribution (Note 34 line item "Revenue from electricity transmission and distribution"), to household customers is recognised in each reporting period on the basis of declared or actual, i.e. determined upon inspection or received via smart meters, readings. If declared or actual meter readings are not available, revenue from transmission and distribution of electricity is recognised based on the average usage estimation method.

Revenue from transmission and distribution of electricity to business customers and household customers is recognised over time based on the actual electricity supplied which is determined according to the readings of electricity meters.

Electricity transmission services in Lithuania are provided and acquired from transmission system operator which is not a part of the Group. The Group collects electricity transmission fees from business customers and households customers and transfer them to transmission system operator. The Group is a principal for transmission services fees and recognise the revenue of them (Note 4.9.1).

Because the Group has no control over electricity transmission and distribution service obligations provided in Latvia (Note 4.9.1), the Group treats itself as an agent in the provision of electricity transfer, which includes both transmission and distribution.

Revenue from transmission and distribution of electricity is regulated (Note 2.21.4).

2.21.1.6 Revenue from Public Service Obligations: PSO fees and PSO funds

The purpose of PSO services provision is to implement the strategic objectives of the energy, economic and environmental policy of the Republic of Lithuania, ensuring the implementation of the interests of all electricity consumers. Under the public service obligation scheme approved by Ministry of Energy PSO fees are collected by electricity suppliers from end users through the electricity tariff. PSO fees are transferred further to the state budget, from which the PSO funds are distributed (i.e. disbursed) to PSO service providers. The PSO budget is administered by the operator of energy exchange Baltpool UAB, which is engaged in the collection of PSO fees from electricity suppliers and disbursement of PSO funds to PSO service providers. The list of services supported by PSO is determined by the Government of the Republic of Lithuania.

2.21.1.6.1 The Group as an electricity supplier

PSO fee is an integral part of electricity tariff to the customer. The Group collects PSO fees from end-customers, connected to electricity distribution grid, and transfers them to the administrator of PSO funds Baltpool UAB. The Group is agent for PSO fees, collected from the end-customers, and doesn't recognise the revenue of them (Note 4.10).

2.21.1.6.2 The Group as a PSO service provider

The Group generates electricity using renewable energy sources which are considered as PSO services and are financed by PSO funds through the PSO budget. Revenue from PSO funds is recognised over time according to issued monthly invoices to Baltpool UAB. For measuring the progress of completion the Group using the practical expedient recognises revenue in the amount to which it has a right to invoice. Revenue of PSO funds for 1 MW of electricity supplied to the electricity grid during the month is recognised as the difference between the fixed tariff set by the NERC and the weighted average price of electricity sold in Power exchange in previous month. The quantity of electricity supplied is determined by the readings of metering devices.

Revenue from PSO funds (Note 34 line item "Revenue from PSO") is regulated (Note 2.21.4)

2.21.2 Gas related revenue

The Group's gas related revenue includes:

- revenue from gas sales (Note 2.21.2.1),
- revenue from gas distribution (Note 2.21.2.2),
- revenue of LNGT security component (2.21.2.3.2).

Gas related revenue is received from business customers and household customers by providing services of gas supply. Revenue of LNGT security component is received as a compensation for providing services of designated supplier. For the purpose of these financial statements terms "gas" and "natural gas" are used for referring to the same items.

Accounting policy for gas related revenue received from household customers may be presented in accordance with the components of the natural gas tariff applied to the consumed gas by household customers.

Final natural gas tariff to household customers comprise of the following components:

(a) price of gas (Note 2.21.2.1);
(b) price of natural gas transmission over high-pressure (Note 2.21.2.2);
(c) price of natural gas distribution over medium and low pressure grid services (Note 2.21.2.2);
(d) LNGT security component (Note 2.21.2.3.1).

The Group as a natural gas supplier collects payments for all components from customers. The component of transmission service price and LNGT security component are transferred to transmission grid operator. The Group is an agent in collection of transmission service component (Note 4.9.3) and LNGT security component fees (Note 4.10).

Regulation of tariffs and the Group's profitability is presented in the Note 2.21.4.

Accounting policy for revenue from business customers is presented in Notes 2.21.2.1, 2.21.2.2.

All amounts are in EUR thousand unless otherwise stated

2.21.2.1 Revenue from gas sales

Revenue from sales of gas (Note 34 line item “Revenue from gas sales“) consists of gas price and supply margin. Gas sales are performed by the Group as a natural gas supplier to household customers and as a designated LNG supplier to gas market.

Revenue from gas sales to end-customers is recognised on a monthly basis referring to the supplied gas quantity readings devices provided by them and verified by the distribution system operator (an accrual basis). In case of difference between provided and verified quantities due to over declaration (Note 4.13) the Group estimates the amount of deferred income (Note 29) and accounts for as a contract liability.

2.21.2.2 Revenue from gas distribution

The Group provides natural gas distribution services to household and non-household customers.

Revenue from non-household customers for the distribution of natural gas (Note 34 line item “Revenue from gas distribution”) is recognised over time based on to the readings of measuring devices provided by users or, if users did not provide the readings of measuring devices, referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, as agreed with NERC (an accrual basis).

Revenue from household customers is recognised over time based on the actual natural gas quantity supplied which is calculated according to the approved methodology for the calculation of quantities of natural gas, i.e. the calculation of revenue takes into account mismatches between quantities of gas declared by household customers and quantities of gas transferred to them (an accrual basis).

Revenue from gas distribution is regulated (Note 2.21.4).

In Latvia natural gas distribution services are provided and acquired from the operator of gas distribution grid which is not a part of the Group. The Group as a natural gas supplier collects payments for distribution service component and transfers to operator of distribution grid. The Group is an agent in the collection of distribution service component in Latvia (Note 4.9.2).

2.21.2.3 LNGT security component

The Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania provides that contribution so-called security component related to the following securities of natural gas supply shall be collected from end users and added to the natural gas transmission price:

- for the installation of LNGT, its infrastructure and connection and all fixed operating costs that are not included in other state regulated prices, and
- to compensate for the reasonable costs of supplying the minimum quantity required to ensure the necessary operation of the LNGT.

Similarly to PSO fees, LNGT security component is collected by natural gas suppliers from end users through the natural gas tariff and transferred then to the state budget, from which the LNGT funds are distributed (i.e. disbursed) to LNGT service providers.

The Group (through the Group company Ignitis UAB) acts as a natural gas supplier that collects LNGT security component from end users and as designated liquefied natural gas supplier (hereinafter “designated supplier”) the function of which is to ensure the necessary operation of the LNGT by supplying the minimum quantity of natural gas.

2.21.2.3.1 The Group’s activity as natural gas supplier to end users

LNGT security component is an integral part of natural gas tariff to the customer. Payments for LNGT security component collected directly from customers or natural gas suppliers, if the customers don’t have a direct contract with the operator of transmission system. Collected amounts of LNGT security component are transferred to gas transmission system operator Amber Grid AB (doesn’t belong to the Group) which is appointed to perform the function of administering the LNGT security component. In accordance of IFRS 15 the Group in providing these services consider itself by acting as an Agent and recognises the revenue on a net basis (Note 4.10). Income and disbursements of LNGT security component (regardless whether the net of it is positive or negative) are recognised under the item “Purchases of electricity, gas and other services” in SPLOCI.

2.21.2.3.2 The Group’s activity as designated LNG supplier to gas market

The Group is providing dedicated LNG supply function.

In order to maintain the LNG Terminal infrastructure in minimum mode, a certain amount of natural gas, which is to be supplied through the LNG Terminal, is required for filling, regasification or transhipment and supply to the Lithuanian natural gas system or the international LNG market.

The Law on the LNG Terminal and the Description of the Natural Gas Supply Diversification Procedure determines that the required quantity shall be supplied by the designated supplier (nominated by the Ministry of Energy for 10 years, designation ends on 31 December 2024) by concluding a contract with the LNG supplier.

To ensure the operation of LNG terminal the designated supplier shall sell the required quantity on a competitive market and therefore its costs which due to the nature of its activities are exclusively borne (whereas other suppliers don’t incur) are compensated by operator of transmission system paying LNGT funds that are paid from the budget of LNGT security component collected by natural gas suppliers from end customers. Accordingly, the Group receives revenue from LNGT funds.

The revenue of LNGT funds is recognised over time by issuing VAT invoices to the operator of transmission system according to the statements which are received from it and include information of degassed and (or) reload quantity of LNG and the quantity of LNG used for the Group’s technological needs at LNG Terminal. Revenue of LNGT funds is recognised under the “Revenue from contracts with customers” item in SPLOCI. Revenue of LNGT security component is presented in Note 34 line item “Revenue of LNGT security component”.

Revenue of LNGT security component is regulated (Note 2.21.4).

All amounts are in EUR thousand unless otherwise stated

2.21.3 Other significant revenue from contracts with customers

2.21.3.1 New customers connection fees

The Group obtains revenue from services of new customers connection to the electricity and natural gas distribution networks (Note 34 line item “Revenue from new customers’ connection fees”). Connection fees obtained by the Group are non-refundable upfront fees paid by the customers for the connection to electricity and gas distribution network. The Group signs separate agreements with customers for connection services. The Group also signs agreement with private customers and business customers for electricity and gas distribution. Connection fees do not represent a separate performance obligation from the sale of ongoing distribution of electricity or gas services as they are highly interrelated. Therefore, revenue from connection fees is deferred and recognised as revenue over the estimated average useful life of assets providing the connection service, being 27 years for electricity grid and 46-55 years on for gas grid. Connection fees received from customers which are deferred are accounted for as deferred revenue as a contract liability (Note 29).

According to connection contracts client is obliged to pay an advance before connection works are started. Advances received from clients are accounted for as prepayments received as a contract liability (Note 29).

2.21.4 Regulation of tariffs and profitability

Profitability of some individual Group companies and their individual activities is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

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

The Group usually does not recognise assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level, provided the difference will be recovered/refunded only through the provision of services in the future, except those presented in Note 4.14.

2.21.4.1 Regulation of electricity related activities

The NERC regulates the prices of electricity transmission, distribution, public supply services and the price of public electricity by setting price caps. The Group as a public electricity supplier supplies electricity at the public electricity price to all household costumers, who have not chosen an independent electricity supplier.

The public electricity price is regulated by NERC by setting price caps for purchase price of electricity, transmission, distribution services and public supply service fee, by setting specific prices for PSO services and electricity system services and by adding the difference between actual purchase price of electricity and the forecasted electricity price for the previous period.

The NERC regulates the prices of services ensuring capacity reserve and isolated operation of the power system by setting price or revenue caps.

Customers who are guaranteed by supply of last resort are subject to the price of supply of last resort, which is regulated by NERC and is calculated by applying the coefficient 1.25 to the average electricity exchange price of the previous reporting month formed in the Lithuanian price zone.

2.21.4.2 Regulation of gas related activities

The NERC regulates the prices of transmission, distribution by setting price caps and price for LNGT security component by setting a specific price.

Liquefied natural gas is sold to regulated (supervised) energy producers at the market price set and approved by NERC. Non-regulated sales of natural gas are conducted at the prices agreed between the parties.

2.22 Other income

2.22.1 Operating lease income

Operating lease income is recognised on a straight-line basis over the lease period.

2.23 Expense recognition

Expenses are recognised in SPLOCI as incurred applying accrual basis of accounting.

2.24 Current and deferred tax

2.24.1 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. Calculation of income tax is based on requirements of the countries where the Group operates and the Group company generates taxable income on applicable legislation.

Standard corporate income tax rate of 15% was applicable to the companies in Lithuania, in Poland – 19%.

All amounts are in EUR thousand unless otherwise stated

Standard corporate income tax rate in Latvia and Estonia is 20%(14% in certain cases) on the gross amount of the distribution.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group changes its activities due to which these losses incurred except when the Group does not continue its activities due to reasons which do not depend on Group itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature In terms of utilizing tax losses carried-forward the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

The prepaid income tax and recognised income tax liabilities are offset in the statement of financial position of the Group when they relate to the same taxation authority.

2.24.2 Deferred tax

Deferred tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. These assets and liabilities are not recognised when temporary differences arise from goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets could be utilised in full or in part. Deferred tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred tax liability is settled.

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

2.24.3 Current and deferred tax for the reporting period

Current and deferred tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

2.25 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

2.26 Diluted earnings per share

Diluted earnings per share (hereinafter – EPS) is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.27 Dividend distribution

Dividend distribution to the parent company shareholders is recognised as a liability in the Group financial statements in the period in which the dividends are approved by the parent company shareholders.

2.28 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.29 Related parties

Related parties are defined as follow:

- parent company's controlling shareholders or those who have significant influence
- associated companies
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies)
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies)
- key management personnel and close members of that personnel's family and their controlled enterprises and companies

2.30 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

All amounts are in EUR thousand unless otherwise stated

2.31 Fair value

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability

or

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.32 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in Note 50.

All amounts are in EUR thousand unless otherwise stated

3 Financial risk management

3.1 Financial risk factors

The Group is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the Group companies seek to mitigate the impact of factors which could adversely affect the Group financial performance results.

3.1.1 Market risk

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

3.1.1.1 Foreign currency exchange risk

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

The sale/purchase contracts of the Group is mainly denominated in the euro. Foreign exchange risk is mainly characteristic to contracts concluded by the Group for the purchase of natural gas from third parties. Aiming to reduce foreign exchange risk the agreement on natural gas purchase and supply is concluded in the same currency.

3.1.1.2 Interest rate risk

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

The Group's income and cash flows are affected by fluctuations in market interest rates because the Group's loans and borrowings had fixed and variable interest rates as at 31 December 2021, therefore, it is exposed to interest rate risk.

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount (in the context of the Group), interest rate derivatives would be used for the purpose of interest management (the Group did not use such derivatives during 2021 and 2020). The aim is that non-current borrowings with fixed interest rates comprised no less than 50% of the Group's consolidated non-current borrowings portfolio. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Variable-rate financial instruments include loans in amount EUR 230,992 thousand as at 31 December 2021 (EUR 136,262 thousand as at 31 December 2020).

Interest rate risk is assessed in relation to sensitivity of the Group's profit to potential shift in interest rates. This assessment is given in the table below.

Group	Increase/decrease, pp	(Decrease)/increase in profit
2021	0.3/(0.3)	(42)/42
2020	0.3/(0.3)	(48)/48

3.1.1.3 Commodity risk

Commodity risk is the risk that changes in market prices (i.e. commodity prices) will affect the Group's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
The Group uses derivatives to manage the commodity risk. All such transactions are carried out according to Group's risk management policy. Generally, the Group seeks to apply hedge accounting to manage volatily in profit or loss of SPLOCI

In the ordinary course of its operations, the Group is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with cash flows from sales of natural gas and electricity or cost cash flows incurred to procure fixed price electricity/natural gas power for sales contracts. Majority of this type of exposure is based on changes of respective commodity price in the market that the Group operates.
Commodity risk arises primarily from the following activities:

- Fixed price commodity sales contracts (electricity and natural gas) for household and business customers.
- Fixed price natural gas purchases contracts.

In order to manage commodity price risk the Group enters into financial derivatives contracts (cash flow hedges). This is performed in order to secure a fixed acquisition price of the above mentioned commodities, so that optimum profit margins could be obtained from contracted or expected fixed price sales.

For electricity related hedges, the Group uses component based hedges in the derivatives market (NASDAQ commodities) or equivalent over-the-counter contracts (OTC), and for natural gas related hedges – OTC contracts with price indexes matching hedged contracts. Assessment of economic relationship and hedge effectiveness is performed by:

- Dollar offset method for electricity hedges
- Descriptive method for natural gas hedges

The two separate components that are being used as a hedged item for electricity related hedges are SYS price and price component equivalent or similar to difference between Lithuania price area and SYS price. Their economic relationship is determined separately for each component.

- SYS price (average price of Nordpool power market , of which Lithuania is a member of)
- Price component equivalent or similar to difference between Lithuania price area and SYS price (commonly referred as EPAD in NASDAQ commodities market).

All amounts are in EUR thousand unless otherwise stated

Source of hedge ineffectiveness are mainly related to limited supply of financial derivatives for Lithuanian electricity price area in the market. Therefore, commodity risk is partly hedged in similar price area's (Latvian, Estonian and other), which results in partial ineffectiveness. The designated risk component of SYS historically covered 100% of the changes in hedged item, while designated price component equivalent or similar to difference between Lithuania price and SYS price historically covered variety of percentages (depending on hedge timing and hedged price area). However, at least 57% coverage is expected in order for derivative to be classified as effective for hedge accounting purposes. Since the beginning of hedge accounting application on 1 July 2021, on average 87%of all electricity hedge contracts in terms of value has been effective.

Overview of Group's derivatives positions:

	31 December 2021		31 December 2020	
	Contractual nominal value	Market Value	Contractual nominal value	Market Value
Market derivatives - Electricity („Nasdaq commodities")	187,458	94,323	133,618	18,875
Over the counter (OTC) derivatives - Electricity	10,297	6,097	124	3,072
Over the counter (OTC) derivatives – Natural gas	225,753	(65,122)	77,484	(1,963)
Total nominal value	**423,508**	**35,298**	**211,226**	**19,984**

Nominal amounts (quantities in MW) hedged:

	31 December 2021			
	2022	2023	2024	2025
Electricity hedges	3,050,998	1483,820	143,808	17,520
Natural gas hedges	(475,804)	296,221	302,584	-
Total	**2,575,194**	**1780,041**	**446,392**	**17,520**

Negative amount indicates that there are more "sell" positions than "buy" positions.

3.1.1.4 Credit risk

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

The Group's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (cash and cash equivalents.)

The Group is not exposed to significant credit risk concentration related to trade receivables and other amounts receivable, except as noted below. As at 31 December 2021, other receivables of the Group principally consisted of the EPSO-G UAB outstanding receivables for the sale of LitGrid AB shares in year 2012 (Note 18.1).

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

The maximum exposure to credit risk as at 31 December 2021 is equal to the carrying amount of financial assets.

	Note	31 December 2021	31 December 2020 (restated)[1]
Financial assets measured at amortised cost:			
Non-current receivables	11	88,539	16,443
Trade receivables	17	274,897	128,423
Other receivables	18	205,884	66,454
Cash and cash equivalents	19	449,073	658,795
Amounts receivable under finance lease agreements			
Non-current portion	11	7,600	8,860
Current portion	18	2,517	2,634
Financial assets measured at FVPL in SPLOCI or in other comprehensive income of SPLOCI			
Amount receivable on sale of LitGrid AB	18	84,128	150,693
Derivative financial instruments	33.2	13,483	3,311
In total		**1,126,121**	**1,035,613**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.*

3.1.2 Liquidity risk

The liquidity risk is managed by planning future cash flows of each Group company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support Group's ordinary activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2021, the Group's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.84 and 1.58 respectively (31 December 2020 (restated)[1]: 3.19 and 3.18 respectively). As at 31 December 2021, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 115,291 thousand (31 December 2020: EUR 344,504 thousand).

The table below summarises the Group's financial liabilities by category:

	Note	31 December 2021	31 December 2020 (restated)[2]
Amounts payable measured at amortised cost			
Borrowings	25	1,355,351	1,261,604
Lease liabilities	27	50,963	42,529
Non-current trade payables		362	452
Trade payables	31	100,183	51,693
Other current amounts payable and liabilities	32	36,532	53,818
Financial liabilities measured at FVPL or FVOCI			
Derivative financial instruments	33	71,452	2,202
Put option redemption liability	32	20,919	16,660
In total		**1,635,762**	**1,428,958**

[2] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.*

All amounts are in EUR thousand unless otherwise stated

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

	2021				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Borrowings and lease liabilities	10,494	254,102	171,392	1,149,210	**1,585,198**
Trade payables and non-current amounts payable to suppliers	25,046	75,137	362	-	**100,545**
Other payables	14,363	43,089	-	-	**57,452**
Derivative financial instruments	17,858	53,573	21	-	**71,452**
As at 31 December 2021	**67,761**	**425,901**	**171,775**	**1,149,210**	**1,814,647**

	2020 (restated)[1]				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Borrowings and lease liabilities	10,130	40,963	279,223	1,171,891	**1,502,207**
Trade payables and non-current amounts payable to suppliers	12,923	38,770	452	-	**52,145**
Other payables	17,620	52,859	-	-	**70,479**
Derivative financial instruments	2,202	-	-	-	**2,202**
As at 31 December 2020	**42,875**	**132,592**	**279,675**	**1,171,891**	**1,627,033**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand, the issued capital of a private limited liability company must be not less than EUR 2.5 thousand, and the shareholders' equity must be not lower than 50% of the company's issued capital. Foreign subsidiaries are subject for compliance with capital requirement according to regulation adopted in those foreign countries. As at 31 December 2021, the Company and all the companies of the Group met requirements of capital regulation.

When managing the capital risk in a long run, the Group seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure according to internal factors relating to operating activities, also - the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

The Board of the Company has an approved dividend policy, which sets principles for the payment of dividends for all the Group companies. The dividend policy is one of capital risk management tools.

On 3 September 2020 the Board of the Company approved a new dividend policy of the Company. Under the new dividend policy, the Company will pay EUR 85 million in dividends for the financial year 2020. For each subsequent financial year, will allocate at least 3% more than the amount paid for the previous financial year.

On 15 December 2020 the Board of the Company approved the updated dividend policy of companies owned by Ignitis Group. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries. According to the updated Dividend Policy of Owned Companies, a subsidiary owned by the Company shall allocate dividends for the financial year or a period shorter than the financial year using at least 80% of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exemptions for paying dividends by subsidiaries may apply if certain conditions are met.

All amounts are in EUR thousand unless otherwise stated

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on financial statements of the Group in the future.

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

4.1 COVID 19 pandemic

The Group's management has assessed the impact of COVID-19 pandemic uncertainty to the following key areas:

1. Going concern
2. Fair value, impairment, residual value and useful life of property, plant and equipment
3. Assessment of expected credit losses
4. Impairment of goodwill
5. Net realisable value of inventory
6. Classification of financial instruments as current and non-current
7. Lease contracts

The Group's management has not identified any significant threats in assessing the potential impact of key COVID-19 factors on the Group's results.

4.2 Revaluation of property, plant and equipment, used in electricity distribution

Major part of such assets presented in "Electricity networks and their structures" are used in electricity distribution activities performed by subsidiary Energijos skirstymo operatorius AB and attributable to electricity distribution CGU in the Group.

The Group has determined that the fair value of the electricity distribution CGU as at 31 December 2021 would decrease significantly (more than 5%) due to changes in regulated activity in electricity distribution for the new regulation period 2022- 2026:

a) additional tariff component which will increase electricity distribution income by EUR 28 million yearly;
b) recalculated the base of electricity distribution assets which decreased from EUR 1,414 to 1,097 million;
c) the difference of depreciation and investments return for the period 2018-2021, which comprise EUR 160 million, from which the part of 96% would be returned to the customers during 2032-2036 via distribution tariff after the Group management estimations.

The Group identified and recognised the negative revaluation result of EUR 48,570 thousand as a result of valuation of property, plant and equipment used in electricity distribution activities as at 31 December 2021. For more detailed information – see Note 7.

4.3 Impairment of property, plant and equipment, used in natural gas distribution

The group of property, plant and equipment *"Gas distribution pipelines, gas technological equipment and installations"* is managed by the Group's company Energijos skirstymo operatorius AB and attributable to gas distribution CGU in the Group. This property, plant and equipment is accounted applying cost model and is stated at acquisition cost less accumulated depreciation and impairment.

As at 31 December 2021, it was assessed whether there is any indication that the carrying amount of this CGU could be impaired. The management determined that planned investments to the gas business segment and its financing presumptions were changed in updated 10-year investment plan of the Group. Accordingly, regulated asset base from which asset return is calculated has decreased and it was determined that there are impairment indications.

The Group identified and recognised the impairment loss of EUR 9,392 thousand as a result of impairment test of property, plant and equipment used in gas distribution activities as at 31 December 2021. For more detailed information – see Note 7.

4.4 Impairment of goodwill

The Group performed an impairment test of EUR 1,461 thousand goodwill recognised on acquisition of subsidiary Eurakras UAB, an impairment test of EUR 2,150 thousand goodwill recognised on acquisition of subsidiary VVP Investment UAB and impairment test of EUR 1,316 thousand goodwill recognised on acquisition of subsidiary Pomerania Invall Sp. z o. o. and determined no impairment of goodwill as at 31 December 2021 (Note 6.2).

4.5 Judgements and accounting estimates pertaining to control over Kauno kogeneracinė jėgainė UAB

As at 31 December 2021, the Group held 51% shareholding in Kauno kogeneracinė jėgainė UAB (hereinafter "KKJ"), and the remaining 49% of shares was held by Gren Lietuva UAB .

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Group has an option to buy (call option) all the shares of KKJ held by Gren Lietuva UAB and thus, whereas Gren Lietuva UAB has an option to sell (put option) to the Group its shareholding in KKJ, for the price, the calculation of which is defined in the Shareholders' Agreement. As a result the Management believe the Group exercise control over KKJ, as this can be exercised when decisions need to be made.

In the Group's management view, the call option's exercise price that the Group will have to pay to Gren Lietuva UAB for buyout of KKJ shares owned by Gren Lietuva UAB , in case the Group accepts option executed by Gren Lietuva UAB, approximates the fair value of the shares less 15% within the limits of the materiality (materiality threshold is based on the best estimate practice, such as +/- 15% of the market value).

At 31 December 2021, the Group accounted for EUR 20,919 thousand (31 December 2020: EUR 16,660 thousand) put option exercise liability (Note 32) measured as net present value of the single future cash outflow, which would be paid to Gren Lietuva UAB for KKJ shares in a deadlock situation in case the put option is exercised.

All amounts are in EUR thousand unless otherwise stated

4.6 Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB

On 26 July 2017 the parent company of the Group signed the establishment agreement of the limited partnership "Smart Energy Fund powered by Ignitis Group" (hereinafter "the Partnership") with UAB Contrarian Ventures. Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (hereinafter "SEF") invests in start-ups that are developing new technologies in the energy technology field and other fields. According to the Partnership there is one full member - UAB Contrarian Ventures, which acts on behalf of the SEF, has the right to manage SEF, makes decisions on the management of SEF affairs, concludes transactions on behalf of the SEF. All other SEF members (including the parent company of the Group) acts under the Partnership Participant Agreement. Investment decisions are made and approved by the Investment Committee, which is made up solely of Key-men that are shareholders of Contrarian Ventures UAB.

By the management's judgment the Group does not have control over the Partnership because, under the terms of the Partnership, the Group does not have the power to manage the activities of the SEF as the Group is not a partner of SEF, investment decisions are made in accordance with SEF investment strategy or approved by the Investment Committee, where the Group has only observer.

Total amount of the investment to Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB increased for an amount EUR 20,182 thousand during the year 2021.

The fair value gain of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB recognised for an amount EUR 15,868 thousand and is presented as "Finance income" in SPLOCI during 2021. The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 50).

Remaining change is related to new investments made during 2021 for an amount EUR 3,504 thousand and reclassification from non-current receivables EUR 810 thousand.

Fair value corresponds to Level 3 in the fair value hierarchy. Fair value of this financial asset will change depending on future investment rounds or other significant events

4.7 Provision for statutory servitudes and special conditions on land use (protection zones)

4.7.1 Provisions for rights to servitudes

On 1 November 2017 Amendments to the Law on Electricity of the Republic of Lithuania entered into force, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator. This law stipulates that when constructing transmission, distribution networks or installing other electrical equipment, one-time compensation for losses will be paid for the establishment of statutory servitudes (which entered into force before 10 July 2004). The servitudes payment methodology came into force in 31 July 2018. Based on this methodology, in 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it.

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of the Republic of Lithuania (due to the applied 0.1 coefficient and the principle of determining a value of the land plot, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine requests and apply the methodology where the methodology applied was deemed to be in conflict with Constitution, until the new methodology is set and approved. The ruling is only valid for the future and there is no need to recalculate previously paid compensation. The Group has assessed the following changes as adjusting events and, as appropriate, the Group has recalculated the provision for servitude benefits using new coefficient assumptions:

a) the area of land on which electrical installations were installed before 10 March 1990, a coefficient of 0.1 as specified in the methodology shall apply. Such installations account for 88.93% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.1 is applied to 89%of the area when calculating the total value of the payment. Assumption was made, that land with electricity distribution equipment installed before 10 March 1990, the land was acquired with an already installed network, so the ownership of the land was acquired with already established restrictions to the usage of the land, therefore the value and availability of this land has not changed and the servitudes payment coefficient of 0.1 should be used;
b) the area of land on which electrical installations have been installed after 11 March 1990 and until 10 July 2004 , a coefficient of 0.5 shall apply (the amount shall apply to the servitudes determined by contract). Such installations account for 11.07% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.5 is applied to calculate the total value of the payment for 11%of the area.

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

- the discount rate for calculating the provision was selected based on a borrowing rate of 0.160% for similar liabilities (31 December 2020: 0.219%);
- the expected number of applicants was estimated on the basis of available actual historical two-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits - 65% (65% used as at 31 December 2020), which is based on management's assessment and the number of customers actually applying during 2018-2019, where, on average, only about 3% apply per year (Historical data of year 2021 and 2020 is not included in methodology calculations due to break of methodology, as described above, which would distort the total average);
- the period during which customers will apply for compensation has been set at 10 years starting in 2022, as the application of the methodology has been temporarily suspended (the updated methodology is expected to be approved in the year 2022). An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

After assessing the changed circumstances, the Group decided to adjust a provision decreasing the amount of the provision from EUR 14,679 thousand to EUR 14,376 thousand (Note 30). In the part of intangible assets, this provision decreased from EUR 14,590 thousand down to EUR 14,345 thousand (Note 6.5).

It should be noted that the value of the provision may vary depending on the number of applicants. The sensitivity analysis is as follows:

31 December 2021	Number of applicants, %							
	20%	35%	45%	55%	65%	75%	85%	95%
Change in provision for compensations of servitudes, thousand EUR	-4,447	-	+1,718	+6,026	+10,125	+14,224	+18,323	+23,781

All amounts are in EUR thousand unless otherwise stated

4.7.2 Provision for servitudes of real estate

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of The Republic of Lithuania not only for the land plots, but also for real estate (due to the applied 0.1 coefficient, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine the requests and apply the methodology in the part in which the conflict of the methodology with the Constitution is recognised until the new provisions are approved according to the Governments of the Republic of Lithuania resolution taken on 25 July 2018 No.725 "On the Approval of the Methodology for Determining the Maximum Amount of One-Time Compensation to be Paid for the Use of a Land Easement Established by Law or a Contract for the Benefit of Network Operators" (hereinafter “the Methodology”) provisions.

As the application of the Methodology is suspended and it is not clear how it will be applied in the future and what coefficient will be applied, as no servitude benefit has been paid prior to the Constitutional Court decision, it is not possible to reliably estimate the amount of provision due to:

(1) as no compensations have been paid before the decision of Constitutional Court, it is not possible to estimate how many persons would apply for an servitude payment of real estate.

(2) it is not clear what coefficient should be applied to statutory servitudes in real estate until the Methodology is updated.

Accordingly, with the requirements of IAS 37, the said obligation does not qualify for provision recognition and is therefore not recognised in the financial statements as at 31 December 2021. Also, the Group does not have sufficient information to estimate financial effect or possibility of any reimbursement of this obligation.

4.7.3 Provision for special conditions on land use (protection zones)

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

The amendment to the Real Estate Cadastre Regulations necessary for the implementation of the Law on Special Land Use Conditions of the Republic of Lithuania entered into force on 12 February 2020, which details the procedure for changing tags and cadastral provisions for development and for existing networks. This amendment provides for an alternative process for registering protection zones (avoiding the change of cadastral data and the hiring of land surveyors). According to the Law on Special Land Use Conditions of the Republic of Lithuania, the Government has an order to adopt an amendment to this legal act, although after the updating of the real estate register, which will enter into force in 2022. January 1, no provisions were made for how protection zones should be registered from 1 January 2023.

With the start of tag registration in 2021, the process was reviewed and the cost of communication and contact centre was reduced to take into account the reduction in the need for communication and the actual requests from landowners. Also, after estimating the projected registration volumes of markings in 2021, the need for the provision of projected markings (in territories and plots) for the following years has been updated accordingly.

After assessing the changed circumstances, the Group decided to adjust a provision for asset’s security registration expenses for 2021-2024, decreasing the amount of the provision from EUR 15,069 thousand (for 2022 2024 year) to EUR 10,687 thousand (Note 6.5, Note 30). Intangible assets related to this provision decreased from EUR 15,069 thousand to EUR 10,687 thousand (Note 6.5).

4.7.4 Provision for compensations for the Special Land Use Conditions (Protected Areas)

In addition to the above, the Ministry of Environment has prepared a methodology for the calculation and payment of Compensation for the application of special land use conditions in the territories specified in the Law on Special Land Use Conditions of the Republic of Lithuania, established in the public interest, which entered into force in 8 April 2020. In the light of the letter of the Ministry of Energy of the Republic of Lithuania issued on 18 June 2020 , which explains that the provisions of the Methodology apply to both the existing network and the newly built network. According to the provisions of the Methodology, compensation for protection zones would be paid upon registration of protection zones, i.e. under the simplified procedure, this would happen after 2023, and the amount of compensation is of an evaluative nature, taking into account the main purpose of the plot, the scope of restrictions, the specific losses incurred and / or incurred by the plot owners based on supporting documents. In view of these Methodological requirements and the data available to the Group, the Group cannot reliably estimate future compensation for registered Special Land Use Conditions (Protected Areas), therefore, in accordance with IAS 37 this liability does not qualify for recognition and is therefore not recognised in the financial statements. In addition, management is not able to provide a quantitative assessment of a possible contingency without having all the necessary information.

4.8 Determining whether statutory and contractual servitudes are a lease

Management of the Group analysed whether perpetual statutory and contractual servitudes are in scope of IFRS 16 Leases and concluded that statutory and contractual servitudes are not in scope since both statutory and contractual servitudes are not limited in time and can be used by the Group for an indefinite period of time. Perpetual arrangement lacks an essential characteristic of a lease – i.e. it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time.
For servitudes with a clear term or when term is renewable on a period-by-period basis IFRS 16 is applied when all other criteria are met listed in IFRS16.

All amounts are in EUR thousand unless otherwise stated

4.9 Determining whether the Group acts as a Principal or an Agent in relation to electricity transfer, which includes both transmission and distribution, gas distribution services and gas transmission services

4.9.1 Electricity transmission and distribution services

In providing electricity transfer service, which includes transmission and distribution services, to end-users, the Group in Lithuania and Latvia acquires electricity transmission services from transmission grid operator (not a part of the Group), and in Latvia acquires electricity distribution services from distribution grid operator which is not a part of the Group. Management of the Group analysed related contracts with electricity transmission and distribution grid operators and contracts with customers, also evaluated applicable regulatory environment for the conclusion whether the Group is acting as a Principal or as an Agent in relation of electricity transmission services in Lithuania and electricity transfer (includes both transmission and distribution) services in Latvia , management has concluded that the Group acts:

- as an Agent in relation to electricity transmission and distribution services acquired from the Latvian operator of electricity transfer system;
- as a Principal in relation to electricity transmission services acquired from the Lithuanian operator of transmission system.

4.9.2 Gas distribution services

In providing gas distribution services to customers in Lithuania the Group uses its own distribution network, in Latvia – the Group acquires these services from the company which is not a part of the Group. Management of the Group analysed related contracts with the Latvian gas distribution grid operator and contracts with customers, also evaluated applicable regulatory environment and for the conclusion whether the Group is acting as a Principal or as an Agent in relation to gas distribution services in Latvia have considered arguments provided further:

- for gas distribution services the Group is not ultimately responsible, since according to the laws and regulations and agreements with customers the owner of the distribution grid takes full responsibility;
- the Group also does not bear inventory risk since price of distribution services is determined based on meter readings – i.e. distribution fee is charged to the Group only to the amount of gas consumed by the end-customer;
- the price of distribution component is determined by the grid operator, which is not a part of the Group, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgement and concluded that the Group acts as an Agent in relation to gas distribution services acquired from the Latvian operator of gas distribution system.

4.9.3 Gas transmission services

The Group provides gas supply services to customers and collects payments from them for gas transmission services that are provided by transmission grid operator (does not belong to the Group). Management has applied a significant judgment and concluded that the Group acts as an Agent in relation to collection of transmission service component from customers due to the following argumentation:

- for gas transmission services the Group is not ultimately responsible, since according to the laws and regulations the owner of the transmission grid takes full responsibility;
- the Group also does not bear inventory risk since price of transmission services is determined based on meter readings – i.e. transmission fee is charged to the Group only to the amount of natural gas consumed by the end-customer;
- the price of transmission component is determined by the transmission grid operator, which is not a part of the Group, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgement and concluded that the Group acts as an Agent in relation to gas transmission services for which the Group collects payments from end-customers.

4.10 Determining whether the Group acts as a Principal or an Agent in relation to PSO fees and LNGT security component

Management has applied a significant judgment and concluded that the Group acts as an Agent in relation to collection of PSO fees and LNGT security component from customers due to the following argumentation:

1) the Group is not responsible for PSO and LNGT projects/initiatives, accordingly it is not responsible that collected PSO fees and LNGT security component are used for their intended purpose;
2) the Group is not exposed to any inventory risk,
3) the Group has no legal power to establish pricing of these components.

4.11 Leases – determining the lease term and estimating the incremental borrowing rate

4.11.1 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of shorter non-cancellable period (i.e., one to three, three to five, five to seven years, etc.). The Group usually exercises its option to renew for these leases. Lease of the state-owned land is not subject to an extension clause, after which the lessee has a pre-emptive right to extend the lease. The periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

All amounts are in EUR thousand unless otherwise stated

4.11.2 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter "IBR") to measure lease liabilities (Note 27). The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Average incremental borrowing rate set for new significant agreements made in 2021 was 1.4%.

4.12 Expected credit losses of trade receivables

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

4.12.1 Collective assessment of ECL applying provision matrix

The Group companies use provision matrixes to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type).

The provision matrixes are initially based on the Group companies' historical observed default rates. The Group companies calibrate the matrixes to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., changes in gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group trade receivables is disclosed in Note 17.

4.12.2 Individual assessment of ECL

Decision to asses amounts receivable on an individual basis depends on the possibility to obtaining information on the credit history of a particular client / borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular client, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular client / borrower. These accounting estimates require significant judgement. Judgement is based on information about substantial financial difficulties experienced by the debtor, probability that the debtor will enter bankruptcy or any other reorganisation, default of delinquency in payments.
In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

4.13 Estimation of over declaration of electricity and natural gas usage by private customers and accounting for deferred income

In the circumstances when the tariff in subsequent period is higher than in current period according to the historical evidence of the Group it has been identified that private customers tend to over declare the consumption of electricity and natural gas in the last months of the year. Since Group electricity and gas distribution revenue depends on declarations of electricity and natural gas consumed by the customers, over declaration increases Group revenue and therefore the Group needs to estimate the amount of the overdeclared consumption to evaluate the amount of deferred income. Estimation is based on historical consumption by the customers as well as Group assessment of technological losses in the electricity and gas grid. All assumptions are reviewed at each reporting date.

4.14 Regulated activity: Accrual of income and regulatory provisions from regulated activities

Profitability of the Group is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

Actual costs incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, the actual earnings of the Group may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

4.14.1 Services ensuring isolated operation of the power system and capacity reserve

On 14 November 2019, NERC adopted a resolution No O3E–715 'On approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system'. This resolution stipulates that Companies that discontinue capacity reserve ensuring services or services ensuring isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator if the costs actually incurred by the Group were less than the revenues received from the transmission system operator. If the actual costs incurred by the Group were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Group.

With regard to the resolution above, the Group recognises assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

As at 31 December 2021 the management of the Group accounted for EUR 7,107 thousand (31 December 2020: EUR 16,390 thousand) to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the caption "Provisions" in the statement of financial position (Note 30). The current portion of provision for tertiary capacity reserve, isolated power system operation, secondary active capacity reserve services and accident prevention services for amount EUR 15,161 thousand (31 December 2020: EUR 871 thousand) was accounted in the current liabilities under the caption "Provisions" (Note 30).

All amounts are in EUR thousand unless otherwise stated

4.14.2 Public electricity supply

On 25 September 2020, NERC adopted a resolution No O3E-879 “On approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap”. The resolution includes the methodology of determination of the additional component for distribution services to household consumers to compensate the difference between the actual and forecasted reasonable costs of a public supplier. The additional component is paid by household customers through the electricity distribution service price which is included as one of the components of public electricity tariff applied to the consumed electricity by household customers. This component is collected by distribution system operator (Group company) from all electricity suppliers that sell electricity to household customers. The calculation of the difference includes the difference resulting from the discrepancy between the forecast electricity purchase price and the actual electricity purchase price, as well as the amount of costs resulting from the difference between the public supplier's public electricity price cap and the actual electricity distribution service price caps. If the difference is negative a loss is compensated through the increased price of additional component applied in the next year and accordingly, if the difference is positive a gain is reduced through the decreased price additional component.

This resolution also stipulates that if the Group discontinues public supply services, the Group must refund raised discrepancies between the forecasted and actual costs of providing these services if the costs actually incurred by the Group were less than the income received. The amount must be refunded to the Group if the costs actually incurred by the Group were higher than the income of the transmission system operator. The difference shall be reimbursed till the 31 December 2025.

With regard what is said above, the Group recognises contract assets and/or contract liabilities of the difference to eliminate mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

As at 31 December 2021 the current part of a receivable EUR 39,024 thousand (as at 31 December 2020: EUR 3,114 thousand) to be refunded within the one year to the Group for a public supply services was accounted for in the Other receivables (Note 18) and non-current part of receivable EUR 86,520 thousand (as at 31 December 2020: EUR 12,324 thousand) was accounted for in the Non-current receivables (Note 11) .

4.14.3 Natural gas supply to household customers

On 4 November 2021 amendments were established to Laws on Natural Gas and Electricity, which provide for price amortization mechanisms in the face of high gas and electricity market prices. The price amortization mechanism means that the gas or electricity supplier agrees to set a lower price for the product and to spread the return of the accumulated losses within 5 year period. If the Group will take an opportunity to set lower prices the losses (loss of revenue) caused by the lower gas price in the tariff will be returned to the Group through the additional component which is included in distribution service tariff. Losses will be reimbursed regardless of whether the Group continues to provide supply services in the future or not.

The Groupdid not take an opportunity to set lower prices applicable for period from 4 November 2021 till 31 December 2021 for household customers. Therefore with regard to these Law amendments the Group did not recognize any assets or liabilities of the difference to eliminate mismatches between the current year earnings and the regulated level.

4.15 Collection of cash on suspense account

The Group (the Group’s company Elektroninių mokėjimų agentūra UAB) made a significant decision regarding cash amounts collected from customers. These cash amounts are held in Group’s deposit account for one business day before transferring them to customer’s service providers. These cash amounts are held in separate bank deposit account, their purpose is clearly defined in agreements with the banks. Moreover, Group is not allowed to invest these cash amounts and thus does not receive any interest or similar income. The principle of such cash holding and handling is disclosed to Group’s customers and Group is able to identify the owners of these cash amounts any time. For reasons abovementioned, Group assesses, that the risk related to cases of banks bankruptcy and to this fact related possible intentions when customers could sue Group for these cash amounts, is low. Therefore, it is considered that Group does not have credit risk. Therefore the Group does not recognise clients cash amounts in the statement of financial position. Clients funds held in deposit account amounted to EUR 5,342 thousand as at 31 December 2021 (EUR 3,510 thousand as at 31 December 2020).

All amounts are in EUR thousand unless otherwise stated

5 Restatement of comparative figures due to change of accounting policy and reclassifications

Restatement of comparative figures due to change of accounting policy

The Group participates in the greenhouse gas emissions (hereinafter – European Union emission allowances or EUEA) trading system. In 2021 the management has concluded that the current accounting policy for emission allowances does not present the SPLOCI and the statement of financial position in the best interest of the users of the financial statements. Therefore, the management has determined that there is a need for a voluntary change in accounting policy. The new accounting policy is described in Note 2.14.

The main arguments for changing the accounting policy are:
1. Revaluation of provision for EUEA will no longer have impact to the SPLOCI of the future periods.
2. More fairly presentation of SPLOCI and better relationship with cash flows.
3. More fairly presentation of the statement of financial position as EUEAs are used in the Group's operations rather than for sale.

As IAS 8 requires that the users of financial statements need to be able to compare the financial statements of an entity over time to identify trends, the management presents the information regarding the accounting policy change, that are performed retrospectively (see restatement 1).

Restatement of comparative figures due to reclassifications

In 2021 the Group made several reclassifications in order to give more reliable information for the users of the financial statements. Reclassifications had no significant impact on the SPLOCI, statement of changes in equity. Accordingly, comparative amounts were reclassified:

- In 2021 the Group reclassified the guarantee from Prepayments and deferred expenses to Other receivables in order to better present the statement of financial position. Guarantee agreement is usually concluded for 12 month period, and later can be extended. The statements of financial position for as 31 December 2020 (EUR 2,900 thousand) and 1 January 2020 (EUR 2,900 thousand) were restated accordingly (see restatement 2).

- In 2021 the Group reclassified the deposits for derivative instruments from Prepayments and deferred expenses to Other receivables in order to better present the statement of financial position. Deposits are not a part of the initial net investment in a derivative, but are in a form of collateral for Commodities exchange or Commodity traders. Because of cash collateral moves on a daily basis the deposits are classified as current. The statements of financial position for as 31 December 2020 (EUR 33,201 thousand) and 1 January 2020 (EUR 15,973 thousand) were restated accordingly (see restatement 2).

- In 2021 the Group reclassified the liability representing the overdeclared quantity of electricity and natural gas from Advances received to Deferred income in order to better present the statement of financial position. Reclassification is based on the fact that invoices for over declared quantity are issued and payments are received and therefore should be recognized as deferred income. The statements of financial position for as 31 December 2020 (EUR 3,592 thousand) and 1 January 2020 (EUR 9,837 thousand) were restated accordingly (see restatement 2). Reclassifications had no significant impact on the statement of cash flows.

- In 2021 the Group reclassified the received guarantee from Other non-current assets to Other current assets and liabilities for the received guarantees from Other non-current amounts payable and liabilities to Other current amounts payable and liabilities in order to better present the statement of financial position. Guarantee agreement is usually concluded for 12 month period, and later can be extended. The statement of financial position for as 31 December 2020 (EUR 2,787 thousand) was restated accordingly (see restatement 2). Reclassifications had no significant impact on the statement of cash flows.

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of financial position as at 1 January 2020:

	1 January 2020 before restatement	Restatement 1	Restatement 2	1 January 2020 after restatement
ASSETS				
Non-current assets				
Intangible assets	142,737	(51,805)	-	90,932
Property, plant and equipment	2,347,817	-	-	2,347,817
Right-of-use assets	61,044	-	-	61,044
Prepayments for non-current assets	27,809	-	-	27,809
Investment property	5,530	-	-	5,530
Non-current receivables	165,031	-	-	165,031
Other financial assets	3,735	-	-	3,735
Other non-current assets	5,087	-	-	5,087
Deferred tax assets	11,770	-	-	11,770
Total non-current assets	**2,770,560**	**(51,805)**	**-**	**2,718,755**
Current assets				
Inventories	46,621	25,875	-	72,496
Prepayments and deferred expenses	50,548	-	(18,873)	31,675
Trade receivables	117,867	-	-	117,867
Other receivables	31,780	-	18,873	50,653
Other current assets	5,796	-	-	5,796
Prepaid income tax	2,434	-	-	2,434
Cash and cash equivalents	131,837	-	-	131,837
	386,883	**25,875**	**-**	**412,758**
Assets held for sale	40,643	-	-	40,643
Total current assets	**427,526**	**25,875**	**-**	**453,401**
TOTAL ASSETS	**3,198,086**	**(25,930)**	**-**	**3,172,156**
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,212,156	-	-	1,212,156
Reserves	259,651	(19,287)	-	240,364
Retained earnings	(172,188)	5,425	-	(166,763)
Equity attributable to equity holders of the parent	**1,299,619**	**(13,862)**	**-**	**1,285,757**
Non-controlling interests	49,001	(457)	-	48,544
Total equity	**1,348,620**	**(14,319)**	**-**	**1,334,301**
Liabilities				
Non-current liabilities				
Non-current loans and bonds	821,929	-	-	821,929
Non-current lease liabilities	33,818	-	-	33,818
Grants and subsidies	267,949	(7,617)	-	260,332
Deferred tax liabilities	38,408	(3,516)	-	34,892
Provisions	35,564	-	-	35,564
Deferred income	151,910	-	-	151,910
Other non-current amounts payable and liabilities	883	-	-	883
Total non-current liabilities	**1,350,461**	**(11,133)**	**-**	**1,339,328**
Current liabilities				
Loans	234,191	-	-	234,191
Lease liabilities	8,400	-	-	8,400
Trade payables	78,567	-	-	78,567
Advances received	51,745	-	(9,837)	41,908
Income tax payable	6,171	-	-	6,171
Provisions	19,818	(478)	-	19,340
Deferred income	9,749	-	9,837	19,586
Other current amounts payable and liabilities	85,042	-	-	85,042
	493,683	**(478)**	**-**	**493,205**
Liabilities directly associated with the assets held for sale	5,322	-	-	5,322
Total current liabilities	**499,005**	**(478)**	**-**	**498,527**
Total liabilities	**1,849,466**	**(11,611)**	**-**	**1,837,855**
TOTAL EQUITY AND LIABILITIES	**3,198,086**	**(25,930)**	**-**	**3,172,156**

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of financial position as at 31 December 2020:

	31 December 2020 before restatement	Restatement 1	Restatement 2	31 December 2020 after restatement
ASSETS				
Non-current assets				
Intangible assets	176,077	(81,240)	-	94,837
Property, plant and equipment	2,559,554	-	-	2,559,554
Right-of-use assets	63,879	-	-	63,879
Prepayments for non-current assets	40	-	-	40
Investment property	5,183	-	-	5,183
Non-current receivables	161,515	-	-	161,515
Other financial assets	7,269	-	-	7,269
Other non-current assets	2,788	-	(2,787)	1
Deferred tax assets	6,431	-	-	6,431
Total non-current assets	**2,982,736**	**(81,240)**	**(2,787)**	**2,898,709**
Current assets				
Inventories	33,110	32,878	-	65,988
Prepayments and deferred expenses	50,703	-	(36,101)	14,602
Trade receivables	128,423	-	-	128,423
Other receivables	47,468	-	36,101	83,569
Other current assets	67,365	-	2,787	70,152
Prepaid income tax	223	-	-	223
Cash and cash equivalents	658,795	-	-	658,795
	986,087	**32,878**	**2,787**	**1,021,752**
Assets held for sale	473	-	-	473
Total current assets	**986,560**	**32,878**	**2,787**	**1,022,225**
TOTAL ASSETS	**3,969,296**	**(48,362)**	**-**	**3,920,934**
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,658,756	-	-	1,658,756
Reserves	269,769	(36,837)	-	232,932
Retained earnings	(86,164)	6,300	-	(79,864)
Equity attributable to equity holders of the parent	**1,842,361**	**(30,537)**	**-**	**1,811,824**
Non-controlling interests	1,470	(1)	-	1,469
Total equity	**1,843,831**	**(30,538)**	**-**	**1,813,293**
Liabilities				
Non-current liabilities				
Non-current loans and bonds	1,246,128	-	-	1,246,128
Non-current lease liabilities	29,128	-	-	29,128
Grants and subsidies	280,370	(3,261)	-	277,109
Deferred tax liabilities	52,174	(6,439)	-	45,735
Provisions	40,695	-	-	40,695
Deferred income	164,413	-	-	164,413
Other non-current amounts payable and liabilities	3,258	-	(2,787)	471
Total non-current liabilities	**1,816,166**	**(9,700)**	**(2,787)**	**1,803,679**
Current liabilities				
Loans	15,476	-	-	15,476
Lease liabilities	13,401	-	-	13,401
Trade payables	51,693	-	-	51,693
Advances received	42,644	-	(3,592)	39,052
Income tax payable	7,738	(1,241)	-	6,497
Provisions	30,399	(6,883)	-	23,516
Deferred income	8,579	-	3,592	12,171
Other current amounts payable and liabilities	139,369	-	2,787	142,156
Total current liabilities	**309,299**	**(8,124)**	**2,787**	**303,962**
Total liabilities	**2,125,465**	**(17,824)**	**-**	**2,107,641**
TOTAL EQUITY AND LIABILITIES	**3,969,296**	**(48,362)**	**-**	**3,920,934**

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated SPLOCI for the year ended 31 December 2020:

	2020 before restatement	Restatement 1	2020 after restatement
Revenue from contracts with customers	1,215,355	-	1,215,355
Other income	7,735	-	7,735
Total revenue and other income	**1,223,090**	**-**	**1,223,090**
Purchases of electricity, natural gas and other services	(702,591)	(3,138)	(705,729)
Salaries and related expenses	(92,793)	-	(92,793)
Repair and maintenance expenses	(34,072)	-	(34,072)
Other expenses	(56,192)	-	(56,192)
Total	**(885,648)**	**(3,138)**	**(888,786)**
EBITDA	**337,442**	**(3,138)**	**334,304**
Depreciation and amortisation	(113,374)	-	(113,374)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(5,930)	-	(5,930)
Revaluation of emission allowances	(3,223)	3,223	-
Operating profit (loss) (EBIT)	**214,915**	**85**	**215,000**
Finance income	2,414	-	2,414
Finance expenses	(22,659)	-	(22,659)
Finance activity, net	**(20,245)**	**-**	**(20,245)**
Profit (loss) before tax	**194,670**	**85**	**194,755**
Current income tax (expenses)/benefit	(11,392)	1,241	(10,151)
Deferred tax (expenses)/benefit	(14,016)	-	(14,016)
Net profit for the year	**169,262**	**1,326**	**170,588**
Attributable to:			
Equity holders of the parent	169,816	991	170,807
Non-controlling interest	(554)	335	(219)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Revaluation of property, plant and equipment	90	-	90
Revaluation of emission allowances through other comprehensive income	17,550	(17,550)	-
Change in actuarial assumptions	208	-	208
Items that will not be reclassified to profit or loss in subsequent periods, total	**17,848**	**(17,550)**	**298**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations into the Group's presentation currency	(2,240)	-	(2,240)
Items that may be reclassified to profit or loss in subsequent periods, total	**(2,240)**	**-**	**(2,240)**
Total other comprehensive income (loss) for the year	**15,608**	**(17,550)**	**(1,942)**
Total comprehensive income (loss) for the year	**184,870**	**(16,224)**	**168,646**
Attributable to:			
Equity holders of the parent	185,084	(16,219)	168,865
Non-controlling interests	(214)	(5)	(219)
Basic earnings per share (in EUR)	**2.88**	**0.01**	**2.89**
Diluted earnings per share (in EUR)	**2.88**	**0.01**	**2.89**
Weighted average number of shares	**59,037,855**	**-**	**59,037,855**

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of cash flows the year ended 31 December 2020:

	2020 before restatement	Restatement 1	Restatement 2	2020 after restatement
Cash flows from operating activities				
Net profit for the year	169,262	1,326	-	170,588
Adjustments to reconcile net profit to net cash flows:				
Depreciation and amortisation expenses	122,535	-	-	122,535
Impairment of property, plant and equipment, including held for sale	1,644	-	-	1,644
Revaluation of property, plant and equipment	30	-	-	30
Revaluation of investment property	112	-	-	112
Fair value changes of derivatives	1,632	-	-	1,632
Impairment/(reversal of impairment) of financial assets	1,813	-	-	1,813
Income tax expenses/(benefit)	25,408	(1,241)	-	24,167
Amortisation of grants	(9,161)	-	-	(9,161)
Increase/(decrease) in provisions	12,359	(3,456)	-	8,903
Inventory write-off to net realizable value/(reversal)	315	-	-	315
Expenses/(income) of revaluation of emission allowances	3,223	(3,089)	-	134
Emission allowances utilised	(5,962)	5,962	-	-
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment	2,494	-	-	2,494
Interest income	(1,152)	-	-	(1,152)
Interest expenses	20,228	-	-	20,228
Other expenses of financing activities	1,169	-	-	1,169
Changes in working capital:				
(Increase)/decrease in trade receivables and other amounts receivable	(18,599)	-	(36,101)	(54,700)
(Increase)/decrease in inventories, prepayments and other current and non-current assets	(52,903)	(1,433)	36,101	(18,235)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities	17,618	-	-	17,618
Income tax (paid)/received	(9,591)	-	-	(9,591)
Net cash flows from operating activities	**282,474**	**(1,931)**	**-**	**280,543**
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(303,377)	1,931	-	(301,446)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets	14,404	-	-	14,404
Grants received	25,757	-	-	25,757
Interest received	547	-	-	547
Finance lease payments received	2,359	-	-	2,359
Net cash flows from investing activities	**(260,310)**	**1,931**	**-**	**(258,379)**
Cash flows from financing activities				
Increase of share capital	450,000	-	-	450,000
Transaction cost	(11,033)	-	-	(11,033)
Loans received	182,950	-	-	182,950
Issue of bonds	295,457	-	-	295,457
Repayments of loans	(86,798)	-	-	(86,798)
Lease payments	(10,351)	-	-	(10,351)
Interest paid	(15,885)	-	-	(15,885)
Dividends paid	(72,528)	-	-	(72,528)
Equity acquisition from non-controlling interest	(35,727)	-	-	(35,727)
Net cash flows from financing activities	**696,085**	**-**	**-**	**696,085**
Increase/(decrease) in cash and cash equivalents (including overdraft)	**718,249**	**-**	**-**	**718,249**
Cash and cash equivalents (including overdraft) at the beginning of the year	(59,454)	-	-	(59,454)
Cash and cash equivalents (including overdraft) at the end of the year	**658,795**	**-**	**-**	**658,795**

All amounts are in EUR thousand unless otherwise stated

6 Intangible assets

Movement on the Group's account of intangible assets is presented below:

	Patents and licences	Computer software	Other intangible assets	Goodwill	Servitudes and security zones	In total
As at 1 January 2020 (restated)[1]						
Acquisition cost	4,665	25,958	50,861	3,611	38,303	**123,398**
Accumulated amortisation	(2,435)	(20,207)	(9,824)	-	-	**(32,466)**
Carrying amount (restated)[1]	**2,230**	**5,751**	**41,037**	**3,611**	**38,303**	**90,932**
Carrying amount at 1 January 2020 (restated)[1]	**2,230**	**5,751**	**41,037**	**3,611**	**38,303**	**90,932**
Additions	-	114	9,917	-	1,169	**11,200**
Reclassified (to) from property plant and equipment	-	37	2,219	1,316	-	**3,572**
Reclassified (to) from assets held for sale	-	-	11	-	-	**11**
Reclassifications between categories	(2,144)	8,126	(5,982)	-	-	**-**
Re-measurement of provision related to Rights to servitudes and security zones	-	-	-	-	(4,838)	**(4,838)**
Amortisation	(23)	(3,442)	(2,575)	-	-	**(6,040)**
Carrying amount at 31 December 2020 (restated)[1]	**63**	**10,586**	**44,627**	**4,927**	**34,634**	**94,837**
As at 31 December 2020 (restated) [1]						
Acquisition cost	312	30,182	56,679	4,927	34,634	**126,734**
Accumulated amortisation	(249)	(19,596)	(12,052)	-	-	**(31,897)**
Carrying amount (restated)[1]	**63**	**10,586**	**44,627**	**4,927**	**34,634**	**94,837**
Carrying amount at 1 January 2021	**63**	**10,586**	**44,627**	**4,927**	**34,634**	**94,837**
Additions	4	228	14,786	-	3,560	**18,578**
Reclassified (to) from property plant and equipment	-	3,483	138	-	-	**3,621**
Reclassifications (to)/from inventories	-	-	(981)	-	-	**(981)**
Write-offs	-	-	(2)	-	-	**(2)**
Reclassifications between categories	-	7,963	(7,963)	-	-	**-**
Re-measurement of provision related to Rights to servitudes and security zones	-	-	-	-	(4,627)	**(4,627)**
Disposals	-	(4)	-	-	-	**(4)**
Acquisition through business combination (Note 48)	-	-	10,030	-	-	**10,030**
Amortisation	(24)	(4,800)	(2,593)	-	-	**(7,417)**
Carrying amount at 31 December 2021	**43**	**17,456**	**58,042**	**4,927**	**33,567**	**114,035**
As at 31 December 2021						
Acquisition cost	310	40,702	72,588	4,927	33,567	**152,094**
Accumulated amortisation	(267)	(23,246)	(14,546)	-	-	**(38,059)**
Carrying amount	**43**	**17,456**	**58,042**	**4,927**	**33,567**	**114,035**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020and 31 December 2019due to accounting policy change. See more information disclosed in Note 5.*

All amounts are in EUR thousand unless otherwise stated

6.1 Other intangible assets

As at 31 December 2021 and 2020 the Group's other intangible assets comprise following significant items:

- the subsidiary's Eurakras UAB right to produce electricity with an incentive rate with carrying amount EUR 7,552 thousand (EUR 8,794 thousand as at 31 December 2020);
- the subsidiary's Vėjo Gūsis UAB right to produce electricity with an incentive rate with carrying amount EUR 206 thousand (EUR 681 thousand as at 31 December 2020);
- the subsidiary's Vėjo Vatas UAB right to produce electricity with an incentive rate with carrying amount EUR 679 thousand (EUR 1,094 thousand as at 31 December 2020);
- the subsidiary's Pomerania Wind Farm Sp. z o. o. right to produce electricity with an incentive rate with carrying amount EUR 24,294 thousand (EUR 24,430 thousand as at 31 December 2020).
- the subsidiary's Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. right to produce electricity with an incentive rate with carrying amount EUR 10,030 thousand.

6.2 Goodwill

As at 31 December 2021 goodwill comprises from acquisition of subsidiaries in previous periods:

- VVP Investment UAB – EUR 2,150 thousand;
- Eurakras UAB – EUR 1,461 thousand;
- Pomerania Wind Farm sp. z o. o. – EUR 1,316 thousand.

As at 31 December 2021 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2021. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. the cash flow forecast covered the period until 2045-2052, with reference to the typical operational period of 30 years.
2. the production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. the price of electricity is set at the agreed tariff and a third-party electricity price forecast after the tariff expiration (Eurakras UAB, Pomerania Wind Farm sp. z. o. o.). For VVP Investment UAB the price of electricity is set at a third-party electricity price forecast.
4. discount rate of 4.1-4.4% after tax (4.8-5.4% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

6.3 Fully amortised intangible assets

As at 31 December 2021 and 2020, the cost of acquisition of fully amortized intangible assets used by the Group were as follows:

	31 December 2021	31 December 2020
Patents and licences	1	218
Computer software	4,569	6,093
Other intangible assets	90	362
Cost of fully amortised assets, total	**4,660**	**6,673**

6.4 Acquisition commitments

The Group has significant acquisition commitments of intangible assets which will have to be fulfilled during the later years. Group's acquisition commitments amounted to EUR 2,310 thousand as at 31 December 2021 (EUR 6,469 thousand as at 31 December 2020).

6.5 Servitudes and security zones

The movement of intangible assets "Servitudes and security zones" during 2021 year is presented below:

Servitudes and security zones	31 December 2020	Change	31 December 2021
Statutory servitudes – provision (Note 4.7.1)	14,590	(245)	14,345
Security zones – provision (Note 4.7.3)	15,069	(4,382)	10,687
Statutory and contractual servitudes - acquisition cost	4,717	842	5,559
Security zones – acquisition cost	258	2,718	2,976
Servitudes and security zones, total	**34,634**	**(1,067)**	**33,567**

All amounts are in EUR thousand unless otherwise stated

7 Property, plant, and equipment

7.1 The Group's property, plant and equipment

Part of group names do not agree in comparison with the financial statements issued for the year ended 31 December 2020. The following changes were made by the management during 2021:

1. Structures and machinery – name changes to Electricity networks and their structures;
2. Structures and machinery of Thermal Power Plant – name changed to Combined Cycle Unit and Reserve Power Plant;
3. Groups Vehicles and IT and telecommunication equipment added to the group Other property, plant and equipment.

	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Wind power plants and their installations	Combined Cycle Unit and Reserve Power Plant	Cogeneration plants	Other property, plant and equipment	Construction-in-progress	In total
As at 1 January 2020											
Cost or revalued amount	3,371	30,981	1,390,318	290,446	210,729	65,234	776,583	-	39,019	374,248	**3,180,929**
Accumulated depreciation	-	(4,561)	(209,365)	(48,158)	(107,520)	(15,319)	(370,974)	-	(14,615)	-	**(770,512)**
Accumulated impairment	-	-	-	-	-	-	(62,265)	-	-	(335)	**(62,600)**
Carrying amount	**3,371**	**26,420**	**1,180,953**	**242,288**	**103,209**	**49,915**	**343,344**	**-**	**24,404**	**373,913**	**2,347,817**
Carrying amount at 1 January 2020	**3,371**	**26,420**	**1,180,953**	**242,288**	**103,209**	**49,915**	**343,344**	**-**	**24,404**	**373,913**	**2,347,817**
Additions	-	6	463	(24)	28	-	123	-	4,202	309,499	**314,297**
Sales	-	(92)	(86)	(6)	-	-	-	-	(374)	-	**(558)**
Write-offs	-	(3)	(3,743)	(219)	(19)	-	(29)	-	(47)	(84)	**(4,144)**
Revaluation	-	-	-	-	-	-	-	-	76	-	**76**
Impairment losses	-	-	-	-	-	-	-	-	(61)	(696)	**(757)**
Reverse of impairment	-	-	-	-	-	-	-	-	-	56	**56**
Reclassifications between categories	-	1,841	87,491	25,087	453	599	113	137,956	10,500	(264,040)	**-**
Reclassified from (to) intangible assets	-	-	-	-	-	-	-	-	(37)	(3,535)	**(3,572)**
Reclassified from (to) finance lease	-	-	-	-	-	-	-	-	(378)	-	**(378)**
Reclassified from (to) assets held for sale	-	62	(42)	-	-	-	-	-	16,026	3	**16,049**
Reclassified from (to) investment property	-	(62)	(17)	-	-	-	314	-	-	-	**235**
Reclassified from (to) inventories	-	-	-	-	116	-	19	-	(5)	(910)	**(780)**
Reclassified from (to) right-of-use assets	-	-	-	-	-	-	356	-	-	-	**356**
Reclassified from (to) other current assets	-	-	-	-	-	-	-	-	(119)	-	**(119)**
Depreciation	-	(4,647)	(58,625)	(4,818)	(5,745)	(3,384)	(19,805)	(2,270)	(9,730)	-	**(109,024)**
Carrying amount at 31 December 2020	**3,371**	**23,525**	**1,206,394**	**262,308**	**98,042**	**47,130**	**324,435**	**135,686**	**44,457**	**414,206**	**2,559,554**
As at 31 December 2020											
Cost or revalued amount	3,371	32,682	1,473,664	314,756	211,264	65,833	776,152	137,956	70,144	414,206	**3,500,028**
Accumulated depreciation	-	(9,157)	(267,270)	(52,448)	(113,222)	(18,703)	(410,309)	(2,270)	(25,687)	-	**(899,066)**
Accumulated impairment	-	-	-	-	-	-	(41,408)	-	-	-	**(41,408)**
Carrying amount	**3,371**	**23,525**	**1,206,394**	**262,308**	**98,042**	**47,130**	**324,435**	**135,686**	**44,457**	**414,206**	**2,559,554**

(Cont'd on the next page)

All amounts are in EUR thousand unless otherwise stated

(continued)

	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Wind power plants and their installations	Combined Cycle Unit and Reserve Power Plant	Cogeneration plants	Other property, plant and equipment	Construction-in-progress	In total
As at 31 December 2020											
Cost or revalued amount	3,371	32,682	1,473,664	314,756	211,264	65,833	776,152	137,956	70,144	414,206	**3,500,028**
Accumulated depreciation	-	(9,157)	(267,270)	(52,448)	(113,222)	(18,703)	(410,309)	(2,270)	(25,687)	-	**(899,066)**
Accumulated impairment	-	-	-	-	-	-	(41,408)	-	-	-	**(41,408)**
Carrying amount	**3,371**	**23,525**	**1,206,394**	**262,308**	**98,042**	**47,130**	**324,435**	**135,686**	**44,457**	**414,206**	**2,559,554**
Carrying amount at 1 January 2021	**3,371**	**23,525**	**1,206,394**	**262,308**	**98,042**	**47,130**	**324,435**	**135,686**	**44,457**	**414,206**	**2,559,554**
Additions	-	2	517	-	24	-	103	108	5,770	202,697	**209,221**
Sales	-	(1)	(38)	(36)	-	-	-	-	(440)	-	**(515)**
Write-offs	-	(2)	(3,626)	(174)	-	-	(1,063)	(2)	(44)	(44)	**(4,955)**
Revaluation	-	22,167	(69,406)	-	-	-	-	-	(812)	-	**(48,051)**
Impairment losses	-	-	-	(9,392)	-	-	-	-	-	-	**(9,392)**
Reverse of impairment	-	-	-	-	-	-	-	-	-	550	**550**
Reclassifications between categories	-	1,752	92,516	17,592	772	101,369	(282)	120,765	31,334	(365,818)	**-**
Reclassified from (to) intangible assets	-	-	-	-	-	-	-	-	(91)	(3,530)	**(3,621)**
Reclassified from (to) finance lease	-	-	-	-	-	-	-	-	747	-	**747**
Reclassified from (to) assets held for sale	-	-	-	-	-	-	-	-	(1,382)	-	**(1,382)**
Reclassified from (to) investment property	-	-	-	-	-	-	1,836	-	-	-	**1,836**
Reclassified from (to) inventories	-	-	-	-	56	-	6	-	(122)	653	**593**
Reclassified from (to) right-of-use asset's	-	-	-	-	-	23,002	-	-	-	-	**23,002**
Depreciation	-	(5,204)	(59,941)	(7,160)	(5,400)	(3,591)	(19,619)	(8,551)	(10,897)	-	**(120,363)**
Acquisition though business combination (Note 48)	-	-	-	-	-	-	-	-	-	2,785	**2,785**
Foreign currency exchange difference	-	-	-	-	-	-	-	-	-	(433)	**(433)**
Carrying amount at 31 December 2021	**3,371**	**42,239**	**1,166,416**	**263,138**	**93,494**	**167,910**	**305,416**	**248,006**	**68,520**	**251,066**	**2,609,576**
As at 31 December 2021											
Cost or revalued amount	3,371	42,629	1,166,416	285,812	212,108	194,973	772,490	258,827	96,650	251,289	**3,284,565**
Accumulated depreciation	-	(390)	-	(13,282)	(118,614)	(27,063)	(441,451)	(10,821)	(28,130)	-	**(639,751)**
Accumulated impairment	-	-	-	(9,392)	-	-	(25,623)	-	-	(223)	**(35,238)**
Carrying amount	**3,371**	**42,239**	**1,166,416**	**263,138**	**93,494**	**167,910**	**305,416**	**248,006**	**68,520**	**251,066**	**2,609,576**

7.2 Impairment and revaluation of property, plant and equipment

7.2.1 Impairment of property, plant and equipment used in gas distribution activities

The Group reviewed the carrying amount of its property, plant and equipment which are recognised at acquisition cost less depreciation and impairment to determine whether there are any indications that those assets have suffered an impairment loss. Assets attributable to gas distribution CGU showed some indications (see Note 4.3) and impairment test was performed. The Group calculated recoverable amount of gas distribution CGU as its value in use (VIU).

The following key assumptions were used by the Group in making impairment test:

1. discount rate - 3.81% (4.48% - before taxes) (31 December 2020 - 4.33% (5.09% - before taxes))
2. WACC (rate of return set by the regulator) for 2022-2023 - 3.98%, 4.48% from 2024 (equal to pre-tax discount rate). (31 December 2020 respectively: 2021-2023 – 3.90% (Regulator set for 2021), 5.09% from 2024 (equal to pre-tax discount rate));
3. applied long-term investment forecast and financing of gas CGU according to updated Group's 10-year investment plan;
4. the determination of the recoverable amount was performed applying income model by forecasting cash flows until 2036 (impairment test for 2020 was performed with cash flow planning until 2075)

The Group identified that the recoverable amount of property, plant and equipment (construction-in-progress included) used in gas CGU is less than carrying amount and an additional impairment for EUR 9,392 thousand was recognised as at 31 December 2021. The table below shows the carrying amount of gas CGU (EUR million) including recognized impairment:

	31 December 2021	31 December 2020
Net book value of CGU (with attributable construction-in-progress)	282.2	277.6
Deferred income from new customers	(18.6)	(8.2)
Government grant	(4.8)	(3.8)
Carrying amount of CGU	**258.8**	**265.6**

All amounts are in EUR thousand unless otherwise stated

Sensitivity analysis

The possible changes of recognized impairment losses during 2021 due to variation of investment return rate (WACC) (starting from the regulation period 2024) and discount rate disclosed in table below (EUR million):

			WACC[1] (pre-tax)						
			3.14%	3.58%	3.98%[1]	4.48%	4.97%	5.38%	5.82%
		Δ	(30)%	(20)%	(11)%	0%	11%	10%	30%
Discount rate (pre-tax)	3.58%	(20)%	(8)	5	16	29	43	54	66
	4.04%	(10)%	(22)	(10)	1	14	27	38	50
	4.48%	0%	(35)	(23)	(13)	-	13	23	35
	4.93%	10%	(47)	(36)	(26)	(13)	(1)	9	20
	5.38%	20%	(59)	(48)	(38)	(26)	(14)	(4)	6

[1]*WACC confirmed by Regulator for Group's gas distribution activity for 2022*

7.2.2 Revaluation of property, plant and equipment used in electricity distribution

Under the circumstances described in Note 4.2, the Group's management decided asses the fair value of property, plant and equipment used in electricity distribution. The assessment was performed by independent valuator Ernst & Young Baltic UAB by applying income and cost methods. The Group identified that the fair value of property, plant and equipment (construction-in-progress included) amounts to EUR 1,257 million. The valuated fair value of property, plant and equipment is less than carrying amount (before revaluation) as at 31 December 2021 for EUR 48.6 million.

The Group used the following key assumptions for income model:

1. discount rate - 3.78% (4.45% - before taxes) (31 December 2020 - 4.33% (5.09% - before taxes));
2. WACC (rate of return set by the regulator) 2021 – 5.34%, 2022-2026 - 4.16%, 4.45% from 2027 (equal to pre-tax discount rate. (31 December 2020 respectively: 2021 – 5.34 (Regulator set), 2022-2029 – 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09% from 2027);
3. additional tariff component which would increase electricity distribution income by EUR 28 million yearly. The management forecasts that additional tariff component will endure through the whole forecast period of 2022-2036, however, it was not included due to conserve estimations ;
4. an updated forecast of long-term investments in electricity CGU and their financing was used in accordance with the Group's updated 10-year investment plan;
5. the calculated return adjustment for 2018-2020 for an amount of EUR 116 million and forecasted adjustment for an amount of EUR 44 million will reduce income of the subsidiary by an amount of EUR 6.5 million for the period of 2022-2026 and 154 million for the period of 2032-2036 with additional interest for the pending portion;
6. cash flows were planned until 2036.

Sensitivity analysis

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

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

			WACC[2] (pre-tax)						
			3.56%	4.01%	4.16%[1]	4.45%	4.76%	4.90%	5.34%
		Δ	(20)%	(10)%	(7)%	0%	7%	10%	20%
Discount rate (pre-tax)	3.56%	(20)%	55	116	136	175	217	236	296
	4.01%	(10)%	(32)	27	46	84	124	142	200
	4.45%	0%	(112)	(55)	(36)	-	39	56	112
	4.90%	10%	(190)	(135)	(117)	(82)	(45)	(28)	25
	5.34%	20%	(261)	(209)	(191)	(158)	(121)	(105)	(54)

[2]*WACC confirmed by Regulator for Group's electricity distribution activity for 2022*

2. if Regulator took the decision not to allocate EUR 28 million of additional component annually for the investment financing:
   a. after the end of the regulation period 2022-2026. Group revenue would reduce by EUR 280 million for the period 2027-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 195 million;
   b. after the end of the regulation periods 2022-2026 and 2027-2031. Group revenue would reduce by EUR 140 million for the period 2032-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 90 million.

All amounts are in EUR thousand unless otherwise stated

7.3 Revalued property, plant and equipment

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

	Land	Buildings	Electricity networks and their structures	Other property, plant and equipment:	In total
As at 31 December 2020	3,255	25,975	1,296,637	44,436	**1,370,303**
As at 31 December 2021	3,255	22,985	1,320,052	69,206	**1,415,498**

The table below includes information on the results of revaluation of property, plant and equipment conducted in 2021:

	Recognised in OCI and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	(27,799)	(20,252)	(48,051)
In total	**(27,799)**	**(20,252)**	**(48,051)**

Results of revaluation of property, plant and equipment conducted in 2020:

	Recognised in OCI and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	106	(30)	76
In total	**106**	**(30)**	**76**

7.4 Acquisitions and disposals of property, plant and equipment

Acquisitions of property, plant and equipment during 2021 include the following major acquisitions to the construction in progress:

- acquisitions for the construction of new high-efficiency waste-fired cogeneration power plants, the final exploitation and start of commercial activities of which started in 2021 (except biofuel unit);
- acquisitions related to the development of the electricity distribution network;
- acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 175,462 thousand as at 31 December 2021 (31 December 2020: EUR 112,075 thousand).

During 2021, the Group disposed the property, plant and equipment with a carrying amount of EUR 515 thousand for consideration of EUR 561 thousand (in 2020 EUR 558 thousand and EUR 1,147 thousand respectively). The net result was recognised in item 'Other income' of SPLOCI.

During 2021, the Group companies capitalised EUR 3,624 thousand of interest expenses on borrowings intended to finance development of non-current assets (2020: EUR 2,790 thousand). The average capitalised interest rate was 1.44% in year 2021 and 1.40% in 2020.

7.5 Fully depreciated property, plant and equipment

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

	31 December 2021	31 December 2020
Buildings	4	-
Electricity networks and their structures	35	5,419
Gas distribution pipelines, gas technological equipment and installations	20,270	18,910
Assets of Hydro Power Plant, Pumped Storage Power Plant	30,184	29,184
Combined Cycle Unit and Reserve Power Plant	116,186	110,035
Other property, plant and equipment:	9,177	8,167
In total	**175,856**	**171,715**

All amounts are in EUR thousand unless otherwise stated

7.6 Fair value hierarchy of property, plant and equipment

In the opinion of the Group's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2021 did not differ significantly from their fair value. The table below presents allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was stated at revalued amount as at 31 December 2021 (refer to Note 2.31 for the description of the fair value hierarchy levels). The last full revaluation was performed in 2021.

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Land	-	-	3,371	**3,371**
Buildings	-	-	42,239	**42,239**
Electricity networks and their structures	-	-	1,166,416	**1,166,416**
Other property, plant and equipment	-	124	68,396	**68,520**
In total	**-**	**124**	**1,280,422**	**1,280,546**

In the opinion of the Group's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2020 did not differ significantly from their fair value. The table below presents allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was stated at revalued amount as at 31 December 2020 (refer to Note 2.31 for the description of the fair value hierarchy levels).

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Land	-	-	3,371	**3,371**
Buildings	-	-	23,525	**23,525**
Electricity networks and their structures	-	3	1,206,391	**1,206,394**
Other property, plant and equipment	-	2,704	26,197	**28,901**
In total	**-**	**2,707**	**1,259,484**	**1,262,191**

Assets were attributed to level 2 in fair value hierarchy if the value was determined using either the comparative value or cost method approach and using inputs that are observable either directly or indirectly.

Assets were attributed to level 3 in fair value hierarchy if the value was determined using either the income method, comparative value, cost method, depreciated replacement method or mixed of these approach.

7.7 Pledged property, plant and equipment

As at 31 December 2021, the Group had pledged to the banks its property, plant and equipment in amount of EUR 19,235 thousand (31 December 2020: EUR 20,121 thousand).

All amounts are in EUR thousand unless otherwise stated

8 Right-of-use assets

8.1 The Group's right-of-use assets

Movement on Group's account of right-of-use asset is presented below:

	Land	Buildings	Structures and machinery	Wind power plants and their installations	Vehicles	Other property, plant and equipment	In total
As at 1 January 2020							
Acquisition cost	16,143	13,874	8,232	27,290	823	317	**66,679**
Accumulated depreciation	(123)	(2,114)	(726)	(2,246)	(345)	(81)	**(5,635)**
Carrying amount	**16,020**	**11,760**	**7,506**	**25,044**	**478**	**236**	**61,044**
Carrying amount as at 1 January 2020	**16,020**	**11,760**	**7,506**	**25,044**	**478**	**236**	**61,044**
Additions	7,055	4,561	5	-	19	259	**11,899**
Write-offs	(157)	(1,087)	-	-	-	(233)	**(1,477)**
Reclassifications between categories	-	15	(15)	-	-	-	**-**
Reclassified from / (to) property, plant & equipment	-	-	-	-	(356)	-	**(356)**
Reclassified from / (to) assets held for sale	-	144	96	-	-	-	**240**
Depreciation	(675)	(3,589)	(774)	(2,246)	(52)	(135)	**(7,471)**
Carrying amount as at 31 December 2020	**22,243**	**11,804**	**6,818**	**22,798**	**89**	**127**	**63,879**
31 December 2020							
Acquisition cost	22,947	16,398	8,329	27,290	124	343	**75,431**
Accumulated depreciation	(704)	(4,594)	(1,511)	(4,492)	(35)	(216)	**(11,552)**
Carrying amount	**22,243**	**11,804**	**6,818**	**22,798**	**89**	**127**	**63,879**
Carrying amount at 1 January 2021	**22,243**	**11,804**	**6,818**	**22,798**	**89**	**127**	**63,879**
Additions	1,999	18,495	-	-	257	160	**20,911**
Write-offs	(27)	(2,081)	(18)	-	(8)	(43)	**(2,177)**
Reclassifications between categories	-	58	(5,927)	5,927	(5)	(53)	**-**
Reclassified from / (to) property, plant & equipment	-	-	(847)	(22,155)	-	-	**(23,002)**
Acquisition through business combination (Note 48)	3,216	-	-	-	-	-	**3,216**
Foreign currency exchange difference	185	-	-	-	-	-	**185**
Depreciation	(706)	(4,091)	(15)	(469)	(122)	(66)	**(5,469)**
Carrying amount	**26,910**	**24,185**	**11**	**6,101**	**211**	**125**	**57,543**
31 December 2021							
Acquisition cost	28,319	31,321	78	7,753	354	170	**67,995**
Accumulated depreciation	(1,409)	(7,136)	(67)	(1,652)	(143)	(45)	**(10,452)**
Carrying amount	**26,910**	**24,185**	**11**	**6,101**	**211**	**125**	**57,543**

All amounts are in EUR thousand unless otherwise stated

The Group has lease contracts for various items:

Land. The Group has lease agreements of land whereas major one of them is concluded until the year 2095 with carrying amount as at 31 December 2021 of EUR 5,242 thousand (as at 31 December 2020 – EUR 5,317 thousand). Other significant land lease contracts entered into by the Group is valid until 2049-2051 with carrying amount as at 31 December 2021 of EUR 11,996 thousand (as at 31 December 2020 EUR 12,034 thousand). Maturity date of other land lease agreements varies from the year of 2030 till 2110.

Buildings. The Group has lease contracts for office and warehouse premises with the term of 2 to 5 years. During the year 2021 the Group concluded a new lease agreement for office premises and car parking spaces with the lease term 10 years and carrying amount of EUR 17,536 thousand as at 31 December 2021.

Wind power plants and their installations. The Group's companies engaged in the production of electricity from renewable sources have lease agreements for wind power plants with towers, infrastructure and other installation components. During 2021 part of lease agreements were finalized by paying in full remaining liability. Therefore, right of use assets attributable to this group were transferred to the property, plant and equipment with its carrying value of EUR 23,002 thousand. The remaining lease agreements for wind farms are until 24 February 2022 with carrying amount as at 31 December 2021 of EUR 6,101 thousand.

During 2021 the Group capitalised lease interest expenses EUR 331 thousand in property plant and equipment construction in progress.

8.2 Expenses related to lease agreements recognised in SPLOCI

The Group’s lease expenses recognised in SPLOCI were as follows:

	2021	2020
Depreciation	5,469	7,471
Interest expenses	531	960
Expenses related to short-term leases (other expenses)	118	380
Expenses related to leases of low value assets (other expenses)	17	3
Lease expenses, total	**6,135**	**8,814**

8.3 Future expenses related to lease agreements

The Group’s future lease expenses:

	31 December 2021	31 December 2020
Future expenses related to short-term and low value leases	447	-
Future variable lease payments	870	-
Leases not yet commenced to which the lessee is committed	3,110	17,986
Future lease expenses, total	**4,427**	**17,986**

9 Investment property

	2021	2020
Carrying amount at 1 January	**5,183**	**5,530**
Disposals	(5)	-
Fair value change	1,204	(112)
Reclassification to property, plant and equipment	(1,836)	(235)
Carrying amount at 31 December	**4,546**	**5,183**

The Group‘s investment property consists of buildings and structures and machineries. The fair value of real estate and structures and machineries was determined by independent property valuers on using a comparative method and a cost method respectively based on actual rent prices or market rent prices, if actual rent prices are not available. Investment property is measured at FVPL.

Investment property is categorised as at 31 December 2021 as follow:

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Buildings	-	1,851	2,644	**4,495**
Structures and machinery	-	-	51	**51**
Total	**-**	**1,851**	**2,695**	**4,546**

Investment property is categorised as at 31 December 2020 as follow:

	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	In total
Buildings	-	-	5,126	5,126
Structures and machinery	-	-	57	57
Total	**-**	**-**	**5,183**	**5,183**

The Group has leases on all investment property consisting of buildings, structures and machineries. The terms of the leases are from 1 to 10 years. In year 2021, the Group’s income from lease of investment property amounted to EUR 1,710 thousand (2020 – EUR 2,297 thousand).

All amounts are in EUR thousand unless otherwise stated

10 Structure of the group

The Group's structure as at 31 December 2021:

Company name	Country of business	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Ignitis grupė AB	Lithuania	-	-	Parent company - management and coordination of activities of the Group companies
Subsidiaries of the Group:				
Energijos skirstymo operatorius AB	Lithuania	100.00	-	Distribution of electricity and gas, supply of last resort service
Ignitis gamyba AB	Lithuania	100.00	-	Generation and trading of electricity
NT Valdos UAB	Lithuania	100.00	-	Management and other related services of real estate
Energetikos paslaugų ir rangos organizacija UAB	Lithuania	100.00	-	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures
Elektroninių mokėjimų agentūra UAB	Lithuania	100.00	-	Payment aggregation
Ignitis UAB	Lithuania	100.00	-	Electricity and gas supply, trading, energy efficiency projects
Ignitis Eesti, OÜ	Estonia	100.00	-	Supply of electricity
Ignitis Latvija SIA	Latvia	100.00	-	Supply of electricity and gas
Ignitis Polska Sp. z o. o.	Poland	100.00	-	Supply and trading of electricity and gas
Ignitis Suomi OY	Finland	100.00	-	Supply of gas
Ignitis grupės paslaugų centras UAB	Lithuania	100.00	-	Shared business support services
Vilniaus Kogeneracinė Jėgainė UAB	Lithuania	100.00	-	Development and operation of cogeneration power plant project
Kauno Kogeneracinė Jėgainė UAB	Lithuania	51.00	49.00	Electricity and heat production from waste
Tuuleenergia OÜ	Lithuania	100.00	-	Generation of renewable electricity
Transporto valdymas UAB	Lithuania	100.00	-	Vehicle rental, leasing, repair, maintenance, renewal and service
Gamybos optimizavimas UAB	Lithuania	100.00	-	Planning, optimization, forecasting, trading, brokering and other electricity related services
Ignitis renewables UAB	Lithuania	100.00	-	Coordination of operation, supervision and development of renewable energy projects
Eurakras UAB	Lithuania	100.00	-	Generation of renewable electricity
Vėjo Vatas UAB	Lithuania	100.00	-	Generation of renewable electricity
Vėjo Gūsis UAB	Lithuania	100.00	-	Generation of renewable electricity
VVP Investment UAB	Lithuania	100.00	-	Development of a renewable energy (wind) power plant project
Pomerania Wind Farm Sp. z o. o.	Poland	100.00	-	Generation of renewable electricity
Ignitis Renewables Polska Sp. z o. o.	Poland	100.00	-	Sub-holding controlling wind/solar assets
Ignitis RES DEV Sp. z o. o.	Poland	100.00	-	Development of wind/solar projects
Ignitis renewables projektai, UAB	Lithuania	100.00	-	Development of wind/solar projects
Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.	Poland	100.00	-	Development of wind/solar projects

10.1 Acquisition of shares from non-controlling interest

In 2021 the Group has acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (13,118,175 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (11,688,245 shares for the price of 0.64 EUR per share). Acquisition lead to increased ownership by 1.47 in Energijos skirstymo operatorius AB and 1.80 percentage point in Ignitis gamyba AB. After this acquisition the Group owns 100% of Energijos skirstymo operatorius AB and Ignitis gamyba AB shares as at 31 December 2021.

Contractual obligation to buy out the abovementioned shares was recognised in 2020 and related non-controlling interest was derecognised respectively.

Total consideration paid for the acquired Energijos skirstymo operatorius AB and Ignitis gamyba AB shares equal to EUR 19,024 thousand.

10.2 Acquisition of shares in business combinations

On 21 December 2021 Group Management Board approved the conclusion of the shares purchase agreement whereby its subsidiary Ignitis renewables UAB acquired 100% of the shares of the Polish company developing a wind farm in Poland – Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. Total consideration paid for the acquired subsidiary equal to EUR 9,545 thousand (Note 48).

10.3 Acquisitions/establishment of new subsidiaries

During the year 2021 there was acquired/established Ignitis renewables projektai UAB, Ignitis Renewables Polska Sp. z o. o., Ignitis RES DEV Sp. z o. o., Ignitis Suomi OY and Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. The significant acquisition was for Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. – see Note 48.

All amounts are in EUR thousand unless otherwise stated

The Group's structure as at 31 December 2020:

Company name	Country of business	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Ignitis grupė AB	Lithuania	-	-	Parent company - management and coordination of activities of the Group companies
Subsidiaries of the Group:				
Energijos skirstymo operatorius AB	Lithuania	98.53	1.47	Distribution of electricity and gas, supply of last resort service
Ignitis gamyba AB	Lithuania	98.20	1.80	Generation and trading of electricity
NT Valdos UAB	Lithuania	100.00	-	Management and other related services of real estate
Energetikos paslaugų ir rangos organizacija UAB	Lithuania	100.00	-	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures
Elektroninių mokėjimų agentūra UAB	Lithuania	100.00	-	Payment aggregation
Ignitis Eesti, OÜ	Estonia	100.00	-	Supply of electricity
Ignitis Latvija SIA	Latvia	100.00	-	Supply of electricity and gas
Ignitis Polska Sp. z o.o.	Poland	100.00	-	Supply and trading of electricity and gas
Ignitis grupės paslaugų centras UAB	Lithuania	99.23	0.77	Shared business support services
Ignitis UAB	Lithuania	100.00	-	Electricity and gas supply, trading, energy efficiency projects
Lietuvos Energijos Paramos Fondas	Lithuania	100.00	-	Provision of support to projects, initiatives and activities, relevant to the society (no longer pursues any of its activities)
Vilniaus Kogeneracinė Jėgainė UAB	Lithuania	100.00	-	Development and operation of cogeneration power plant project
Kauno Kogeneracinė Jėgainė UAB	Lithuania	51.00	49.00	Electricity and heat production from waste
Tuuleenergia OÜ	Lithuania	100.00	-	Generation of renewable electricity
Eurakras UAB	Lithuania	100.00	-	Generation of renewable electricity
Transporto valdymas UAB	Lithuania	100.00	-	Vehicle rental, leasing, repair, maintenance, renewal and service
Vėjo Vatas UAB	Lithuania	100.00	-	Generation of renewable electricity
Vėjo Gūsis UAB	Lithuania	100.00	-	Generation of renewable electricity
Gamybos optimizavimas UAB	Lithuania	100.00	-	Planning, optimization, forecasting, trading, brokering and other electricity related services
VVP Investment UAB	Lithuania	100.00	-	Development of a renewable energy (wind) power plant project
Ignitis renewables UAB	Lithuania	100.00	-	Coordination of operation, supervision and development of renewable energy projects
Pomerania Wind Farm Sp. z o. o.	Poland	100.00	-	Development and operation of a renewable energy (wind) power plant project

All amounts are in EUR thousand unless otherwise stated

Summarised statement of financial position of the Group companies with non-controlling interest:

Company name / Year	Current assets and liabilities			Non-current assets and liabilities			Net assets	Non-controlling interest
	Assets	Liabilities	Total net current assets	Assets	Liabilities	Total net non-current assets		
Energijos skirstymo operatorius AB								
As at 31 December 2020[1]	90,120	(150,014)	(59,894)	1,620,973	(892,832)	728,141	668,247	9,824
Ignitis gamyba AB								
As at 31 December 2020[1]	203,775	(43,245)	160,530	438,471	(212,026)	226,445	386,975	6,981
Ignitis grupės paslaugų centras UAB								
As at 31 December 2020	9,471	(6,741)	2,730	12,157	(1,291)	10,866	13,596	105
Kauno kogeneracinė jėgainė UAB								
As at 31 December 2021	26,969	(122,136)	(95,167)	139,423	(34)	139,389	44,222	-
As at 31 December 2020[1]	17,497	(7,690)	9,807	141,940	(114,749)	27,191	36,998	1,469

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change and reclassifications. See more information disclosed in Note 5.

Summarised SPLOCI of the Group companies with non-controlling interests:

Company name / Year	Revenue	Profit (loss) before tax	Income tax (expense)/benefit	Net profit (loss) from continuing operations	Other comprehensive income (loss)	Total comprehensive income (loss) for the year	Profit (loss) attributable to non-controlling interest	Dividends paid to non-controlling interest
Energijos skirstymo operatorius AB								
2021	-	-	-	-	-	-	-	813
2020	482,206	86,198	(9,819)	76,379	208	76,587	1,123	1,593
Ignitis gamyba AB								
2021	-	-	-	-	-	-	-	339
2020[2]	175,410	49,775	(7,341)	42,434	-	42,434	765	1,196
Ignitis grupės paslaugų centras UAB	-	-	-	-	-	-	-	-
2020	27,255	776	(45)	731	-	731	6	4
Kauno kogeneracinė jėgainė UAB								
2021	29,106	5,156	2,070	7,226	(2)	7,224	-[3]	-
2020[2]	7,174	(523)	-	(523)	-	(523)	(256)	-

[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change and reclassifications. See more information disclosed in Note 5.
[3] The Group uses anticipated-acquisition method for recognizing put option redemption liability (Note 4.5). Accordingly profits (loss) attributable to the holder of the non-controlling interest subject to the put are presented as attributable to the owners of the parent and not as attributable to those non-controlling shareholders.

Summarised Statement of Cash Flows of the Group companies with non-controlling interest:

Company name / Year	Cash flows from operating activities	Income tax (paid) recovered	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Net increase (decrease) in cash and cash equivalents	Cash and cash equivalents at beginning of the year	Cash and cash equivalents at the end of the year
Energijos skirstymo operatorius AB								
2020	189,231	-	189,231	(132,850)	(52,191)	4,190	4,775	8,965
Ignitis gamyba AB								
2020	105,703	(8,381)	97,322	38,524	(56,227)	79,619	58,501	138,120
Ignitis grupės paslaugų centras UAB								
2020	3,929	(153)	3,776	(3,304)	49	521	421	942
Kauno kogeneracinė jėgainė UAB								
2020[4]	2,543	-	2,543	(48,875)	51,882	5,550	7,778	13,328

[4] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change and reclassifications. See more information disclosed in Note 5.

The tables above have been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

All amounts are in EUR thousand unless otherwise stated

11 Non-current receivables

Amounts receivable after one year comprised as follows:

	31 December 2021	31 December 2020
Non-current receivables		
Accrued revenue related to regulatory activity of the public electricity supply (Note 4.14.2)	86,520	12,324
Finance lease (Note 12)	7,600	8,860
Loans granted	87	1,908
Amount receivable on sale of LitGrid AB	-	136,212
Other non-current amounts receivable	1,932	2,211
Total:	**96,139**	**161,515**
Less: allowance	-	-
Carrying amount	**96,139**	**161,515**

Amount receivable on sale of LitGrid AB is presented in other receivables (Note 18) as the period during which EPSO-G UAB must repay for the sold shares of AB LitGrid is 30 September 2022.

Total amount of the accrued revenue related to regulatory activity of the public electricity supply has increased comparing to 31 December 2020. Increase related to discrepancies between the Group's forecasted and actual costs incurred in providing public electricity supply services during the reporting period. For more information – see Note 18.

12 Finance lease receivables

The Group's finance lease receivables were reported in the following line items in the statement of financial position:

	31 December 2021	31 December 2020
Non-current receivables	7,600	8,860
Other receivables	2,517	2,634
Carrying amount	**10,117**	**11,494**

Finance lease receivables for the lease of motor vehicles and amounts receivable under the energy saving services agreements are included in the line items 'Amounts receivable after one year' and 'Other amounts receivable'.

The Group's finance lease receivables comprised as follows:

	31 December 2021	31 December 2020
Minimum payments		
Within the first year	3,015	3,183
From two to five years	7,522	8,012
More than five years	968	1,571
In total	**11,505**	**12,766**
Unearned finance income		
Within the first year	(498)	(549)
From two to five years	(852)	(632)
More than five years	(38)	(91)
In total	**(1,388)**	**(1,272)**
Carrying amount	**10,117**	**11,494**

During the year 2015–2018, the Group signed repurchase agreements for motor vehicles. These agreements stipulated particular repurchase amounts for motor vehicles used in long-term lease. The repurchase amount of motor vehicles stipulated in all repurchase agreements totalled EUR 6,436 thousand as at 31 December 2021 (31 December 2020: EUR 7,357 thousand). The repurchase term ranges from 1 to 5 years.

The Group does not earn contingent finance income related to finance lease arrangements.

As at 31 December 2021 and 2020, the Group assessed whether credit risk of finance lease clients has increased significantly and did not establish a significant increase in credit risk.

All amounts are in EUR thousand unless otherwise stated

13 Other financial assets

The Group's other non-current financial assets comprised as follows:

	31 December 2021	31 December 2020
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 4.6)	25,094	4,912
Moray West Holdings Limited deferred consideration	5,000	-
Sun Investment Group	-	2,357
Platform for Financing Energy Efficiency	-	379
In total	**30,094**	**7,648**
Less: impairment	-	(379)
Carrying amount	**30,094**	**7,269**

13.1 Moray West Holdings Limited deferred consideration

On 14 September 2020 the Group's subsidiary Ignitis renewables UAB concluded share purchase agreement with Delphis Holdings Limited and acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Other conditions in the share purchase agreement were: to refinance shareholder's loans (Note 18) and EUR 5,000 thousand deferred consideration which is payable if two conditions specified in the shares purchase agreement are met. The deferred consideration recognized in accordance with IAS 37 as there is a present obligation from a past event, the probability of outflow became more likely than not and reliable estimate can be made – the amount specified in the agreement (Note 30).

13.2 Sun Investment Group

On 16 September 2020 the Group's subsidiary Ignitis renewables UAB signed preliminary share purchase agreement with UAB "SIG Poland 3" having the intention to purchase all the shares in all project companies – "Sun Investment Group" (hereinafter "SIG") once the photovoltaic installations become operational. Carrying amount of investment into SIG as of 31 December 2020 represented payments to SIG for development of the photovoltaic projects as per the preliminary share purchase agreement.

Due to the fact that there were no operational projects started in 2020 and 2021, share purchase agreement was not signed. Management is of an opinion, that the development will not continue and whole investment should be returned as to the agreement. Accordingly, total carrying amount was reclassified to "Other receivables" (Note 18) as it will be recovered through collecting cash flows.

14 Other assets

14.1 Other non-current assets

Other non-current assets comprised as follows:

	31 December 2021	31 December 2020 (restated)[1]
Derivative financial instruments (Note 33.2)	3,624	-
Other non-current assets	88	1
Carrying amount	**3,712**	**1**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

14.2 Other current assets

Other current assets comprised as follows:

	31 December 2021	31 December 2020 (restated)[2]
Deposit into an escrow account (Note 14.3)	16,237	45,000
Derivative financial instruments (Note 33.2)	9,859	3,311
Deposit related to buyout of shares in subsidiaries (Note 14.4)	3,777	19,050
Deposits related to guarantee independent electricity suppliers activity	3,345	2,787
Other current assets	-	4
Carrying amount	**33,218**	**70,152**

[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

14.3 Deposit in escrow account

On 7 October 2020 the Company has executed IPO distributing the increased share capital between private and institutional investors. Together with IPO process the Group deposited in an escrow account EUR 45,000 thousand till July 2021 in accordance with stabilisation activities performed by Swedbank AB.

On 7 July 2021 the Group signed the agreement with Swedbank AB to extend the Long Stop Date to 1 July 2022. On December 2021 the Group acquired treasury shares (Note 21.2) and Stabilisation Manager Swedbank AB disposed the Stabilized Securities. Related to this, deposit into an escrow account decreased and the carrying amount is EUR 16,237 thousand as at 31 December 2021. This deposit is not available to finance the Group's day-to-day operations until the specified term.

14.4 Deposit related to buyout of shares in subsidiaries

The Group had a contractual obligation to buy out all the shares of the subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB. In accordance with buy out procedures, the Group deposited in a bank account amount of EUR 19,050 thousand to cover the price of shares as at 31 December 2020.

During 2021 the Group has acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB (Note 10.1). Consequently, deposit related to buyout of shares in subsidiaries decreased and the carrying amount is EUR 3,777 thousand as at 31 December 2021.

All amounts are in EUR thousand unless otherwise stated

15 Inventories

The Group's inventories comprised as follows:

	31 December 2021	31 December 2020 (restated)[1]
Natural gas	149,112	25,063
Emission allowances	30,172	32,878
Consumables, raw materials and spare parts	5,307	6,361
Other	4,181	4,687
In total	**188,772**	**68,989**
Less: write down to net realisable value	(3,166)	(3,001)
Carrying amount	**185,606**	**65,988**

[1] Part of the amounts do not agree with the annual financial statements as at 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

The Group's inventories expensed were as follows:

	2021	2020
Natural gas	379,749	211,924
Biofuel	1,145	912
Other inventories	2,102	1,599
In total	**382,996**	**214,435**

Movements on the account of inventory write-down to net realisable value were as follows:

	2021	2020
Carrying amount at 1 January	**3,001**	**2,666**
Additional write-down to net realisable value	655	394
Additional write-down to net realisable value reclassified from property, plant and equipment	-	527
Reversal of write-down to net realisable value	(490)	(586)
Carrying amount at 31 December	**3,166**	**3,001**

Movements on the account of inventory write-down to net realisable value were recognised in SPLOCI within the line item 'Other expenses'.

16 Prepayments and deferred expenses

The Group's current prepayments and deferred expenses were as follows:

	31 December 2021	31 December 2020 (restated)[2]
Prepayments for natural gas	61,930	7,710
Deferred expenses	3,785	1,499
Prepayments for other goods and services	1,168	949
Prepayments for emission allowance related derivatives	877	-
Deposits related to Power exchange	65	1,330
Other prepayments	651	3,114
Carrying amount	**68,476**	**14,602**

[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

17 Trade receivables

The Group trade receivables comprised as follows:

	31 December 2021	31 December 2020
Amounts receivable under contracts with customers		
Receivables from electricity related sales	170,167	96,523
Receivables from gas related - non-household	102,182	30,311
Receivables from gas related - household	4,309	2,881
Other receivables	8,109	8,575
Amounts receivable under other contracts		
Receivables for lease of assets	50	7
In total	**284,817**	**138,297**
Less: impairment of trade receivables	(9,920)	(9,874)
Carrying amount	**274,897**	**128,423**

As at 31 December 2021 and 2020, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlement between related parties see Note 45.

17.1 Impairment of amounts receivable (lifetime expected credit losses)

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2021 that are assessed on a collective basis using the loss ratio matrix:

	Loss ratio	Trade receivables	Impairment
Not past due	0.68	235,264	1,590
Up to 30 days	2.32	8,008	186
30–60 days	6.85	1,474	101
60-90 days	9.98	471	47
90-120 days	16.23	308	50
More than 120 days	72.75	9,247	6,727
As at 31 December 2021	**3.42**	**254,772**	**8,701**

All amounts are in EUR thousand unless otherwise stated

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2020 that are assessed on a collective basis using the loss ratio matrix:

	Loss ratio	Trade receivables[1]	Impairment[1]
Not past due	1.00	104,901	1,051
Up to 30 days	4.10	4,343	178
30–60 days	6.52	1,012	66
60-90 days	10.41	557	58
90-120 days	12.72	464	59
More than 120 days	76.37	9,465	7,228
As at 31 December 2020	**7.16**	**120,742**	**8,640**

[1]Part of the amounts do not agree with the annual financial statements as at 31 December 2020 in order to better reflect method for calculating lifetime expected credit losses.

The table below presents information on the Group's trade receivables under contracts with customers that are assessed on an individual basis:

	31 December 2021		31 December 2020	
	Trade receivables	Impairment	Trade receivables[2]	Impairment[2]
Not past due	28,300	-	16,188	-
Up to 30 days	417	-	122	-
30–60 days	67	3	-	-
60-90 days	19	2	83	83
90-120 days	7	2	78	78
More than 120 days	1,235	1,212	1,084	1,073
Carrying amount	**30,045**	**1,219**	**17,555**	**1,234**

[2]Part of the amounts do not agree with the annual financial statements as at 31 December 2020 in order to better reflect method for calculating lifetime expected credit losses.

Movements in the account of impairment of trade receivables during the year 2021 and 2020 were as follows:

	2021	2020
Carrying amount as at 1 January	**9,874**	**8,777**
Impairment of the year	875	2,267
Write-down of doubtful receivables	(34)	(77)
Reversal of impairment	(795)	(1,093)
Carrying amount at 31 December	**9,920**	**9,874**

Impairment of receivables was recognised in line item "Other expenses" of SPLOCI.

The fair values of trade receivables as at 31 December 2021 and 2020 approximated their carrying amounts.

18 Other receivables

The Group's other receivables comprised as follows:

	31 December 2021	31 December 2020 (restated)[3]
Receivable on sale of LitGrid AB (Notes 3.1.2, 18.1)	84,128	14,481
Deposits for electricity related derivatives in electricity market	60,210	33,201
Deposits for gas related derivatives to commodity traders	39,210	-
Accrued revenue related to regulatory activity of the public electricity supply (Note 4.14.2)	39,024	3,114
Accrued revenue from electricity sales	26,254	6,787
Value added tax	14,612	16,654
Receivable payments made to SIG (Note 13.2)	3,782	-
Cash reserved for guarantees	3,648	2,900
Granted current loans	3,578	-
Current portion of finance lease (Note 12)	2,517	2,634
Accrued revenue from natural gas sales	1,416	400
Other receivables	15,027	4,129
In total	**293,406**	**84,300**
Less: impairment of other receivables	(877)	(731)
Carrying amount	**292,529**	**83,569**

[3]Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

Line items "Accrued revenue from electricity sales (including related VAT)", "Accrued revenue from natural gas sales" and "Accrued revenue related to regulatory activity of the public electricity supply" represent contract assets (Note 34.2).

The fair values of other receivables as at 31 December 2021 and 2020 approximated their carrying amounts.

18.1 Receivable on sale of LitGrid AB

In 2012, the shares of LitGrid AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. The purchase-sale agreement of shares of LitGrid AB provides for a premium to the final price, the amount of which depends on the return on regulated assets of the electricity transmission activity in year 2014–2018. At the initial assessment of the price premium the Group concluded that according to the purchase-sale agreement of shares of LitGrid AB, the price premium is negative and amounts to EUR 4,679 thousand. According to EPSO-G UAB calculations the price premium at 31 December 2021 is negative and amounts to EUR 27,075 thousand. For the purposes of the statement of financial position, the Group's management has assessed and recognised the negative premium price for amount EUR 15,877 thousand on the basis of a scenario, that the possible agreement between the parties would be the average value of the Group's and EPSO-G UAB calculations.
On December 2021 The Group and EPSO-G UAB came to an agreement that the negative premium price is for amount EUR 17,961 thousand. Accordingly, the Group recognized EUR 2,084 thousand change of fair value in its profit and loss of SPLOCI (see Note 39).
Net receivable on sale of the shares of LitGrid AB is accounted in the item "Other receivables" (Note 18) of the statement of financial position.
During the year 2021 EPSO-G UAB has repaid a debt by EUR 64,481 thousand (during 2020: EUR 7,965 thousand).

All amounts are in EUR thousand unless otherwise stated

18.2 Accrued revenue related to regulatory activity of the public electricity supply

Line item “Accrued revenue related to regulatory activity of the public electricity supply“ has increased because as mentioned in Note 4.14.2, discrepancies between the Group's forecasted and actual costs incurred in providing public electricity supply services during the reporting period are recognized as assets or liabilities of regulated activities.

During 2021 electricity prices in the market increased significantly, especially in second half-year of 2021. As at 31 December 2021 amount of regulatory difference is almost EUR 125 million (for non-current part see Note 11), EUR 113 million is related to services provided during the year 2021 (to equalize the current year's profit to the regulated level, regardless of whether the services will be provided in the future). Full amount will have to be returned to the Group through the electricity distribution system operator (Group company) in future periods (not later than 31 December 2027).

As to decision of the National Energy Regulatory Council during the year 2022 EUR 39 million have to be returned to the Group through the electricity distribution system and therefore are recognised as current portion of accrued revenue related to regulatory activity of the public electricity supply as at 31 December 2021.

18.3 Deposits related to derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading of derivatives linked to electricity and gas market prices. Deposits are in a form of cash collateral and the value moves on a daily basis, i.e. depends on market prices. The Group estimates that the whole amount of cash collateral will be recovered as the amounts payable are related to the realization of the future hedge and the sales contracts will be realized together with the hedge, thus invoices for derivative instruments will be covered with sales income and after this payment cash collateral will be returned.

19 Cash and cash equivalents

The Group ‘s cash and cash equivalents comprised as follows:

	31 December 2021	31 December 2020
Cash balances in bank accounts	448,497	657,314
Restricted cash	576	1,481
	449,073	**658,795**

The fair values of cash and cash equivalents as at 31 December 2021 and 2020 approximated their carrying amounts.

Restricted cash is held with banks in accordance with certain agreements requirements, for example deposits related to guarantee of performance of the contract. These deposits are not available to finance the Group’s day-to-day operations.

Under the loan agreements signed with the banks, the Group has pledged current and future cash inflows. As at 31 December 2021, the balance of cash pledged amounted to EUR 13,383 thousand (31 December 2020: EUR 25,350 thousand).

20 Assets held-for-sale

Non-current assets held-for-sale comprised as follows:

	31 December 2021	31 December 2020
Property, plant and equipment and investment property	360	473
Disposal group	-	-
Carrying amount as at 31 December	**360**	**473**

Movements of non-current assets held-for-sale were as follows:

	2021	2020
Carrying amount as at 1 January	**473**	**40,643**
Disposals	(1,545)	(13,337)
Increase (decrease) in property, plant and equipment and investment property	-	(943)
Reclassified (to) from:		
Intangible assets	*-*	*(11)*
Property, plant, and equipment	*1,382*	*(16,049)*
Right-of-use assets	*-*	*(240)*
Finance lease receivables	*-*	*(8,564)*
Non-current assets	*50*	*(1,026)*
Carrying amount as at 31 December	**360**	**473**

During 2021 the Group sold property classified as held for sale of EUR 1,545 thousand carrying value for EUR 1,801 thousand consideration.

All amounts are in EUR thousand unless otherwise stated

21 Equity

21.1 Issued capital

Issued capital of the Group consisted of:

	31 December 2021	31 December 2020
Authorised shares		
Ordinary shares, EUR	1,658,756,294	1,658,756,294
Ordinary shares issued and fully paid, EUR	**1,658,756,294**	**1,658,756,294**

As at 31 December 2021 and as at 31 December 2020 the Group's issued capital comprised EUR 1,658,756,294 and was divided in to 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share, emission price EUR 22.50 value for a share.

As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Group. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Group is changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Group was divided into 54,283,757 ordinary registered shares.

On 7 October 2020 the Group's whole newly issued capital consisting of 20,000,000 ordinary registered shares has been admitted to the Main Trading List of Nasdaq Vilnius, as well the global depositary receipts (hereinafter "GDR") representing the shares have been admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority (FCA) and to trading on the Main Market of the London Stock Exchange. The IPO solely was comprised of 20,000,000 shares newly issued on 5 October 2020. The IPO consists of two tranches: 1) securities in the form of shares and GDR offered to institutional investors, and 2) securities in the form of shares offered to retail investors who are residents of Lithuania, Latvia and Estonia. During the IPO, institutional investors subscribed for 18,130,699 shares in the form of shares and GDRs. Retail investors subscribed for 1,869,301 shares during the IPO.

On 7 October 2020 the Group's share premium comprised EUR 3,400 thousand.
The attributable costs of the issuance of the shares of EUR 11,033 thousand have been charged directly to equity as a reduction in share premium EUR 3,400 thousand and EUR 7,633 thousand as a reduction in retained earnings. Transaction costs directly attributable to issuing new shares of EUR 11,033 thousand comprised mainly of fees to syndicate banks of the IPO.

At the ordinary general meeting of shareholders held on 25 March 2021 it was decided to form a reserve of EUR 23,000 thousand for the acquisition of treasury shares and the Group conducted this acquisition during 2021 (Note 21.2).

21.2 Treasury shares

Treasury shares of the Group consisted of:

	31 December 2021	31 December 2020
Acquired treasury shares	23,000	-
Carrying amount	**23,000**	**-**

On 2 December 2021 the Management Board of the Group, according to the resolution of the General Meeting of Shareholders of 29 July 2021, adopted a decision to execute the acquisition of ordinary registered shares of the Group.

The Group on 6–14 December 2021 has conducted an acquisition of the Group's ordinary registered shares – treasury shares through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with AB SEB bankas acting as an intermediary. Treasury shares acquired by the Group on 16 December 2021, when the right of ownership transferred to the Group. Shares purchase price EUR 18.50 per share, number of shares acquired 1,243,243 and total value of treasury shares acquired EUR 23,000 thousand.

Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 3,674 thousand which was recognised in retained earnings. A settlement was made as detailed in Company's IPO prospectus (Part 17, starting paragraph 10, page 330): as the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the Group has paid the difference to the Stabilization Manager.

21.3 Other movements in equity

Put option redemption liability

The Group uses anticipated-acquisition method for recognizing put option redemption liability. Because under the anticipated-acquisition method the interests of the non-controlling shareholders are derecognised when the financial liability is recognised, therefore, the underlying interests are presented as already owned by the equity holders of the parent, both in the statement of financial position and in the SPLOCI, even though legally they are still non-controlling interest

Accordingly the Group made adjustment in 2021 and derecognized non-controlling interest which was recognized before 1 January 2021 for an amount of EUR 1,469 thousand and recognized it directly to retained earnings.

Dividends return

Dividends received by IPO Stabilisation Manager (Swedbank AB) in connection with acquired Stabilisation Shares according True up agreement, were returned back to the Group for an amount EUR 1,970 thousand after withholding tax deduction and recognized directly in retained earnings.

All amounts are in EUR thousand unless otherwise stated

22 Reserves

22.1 Legal reserve

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

The Group's legal reserve as at 31 December 2021 and 2020 was not fully formed.

22.2 Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to increase in value. The revaluation cannot be used to cover losses.

22.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

22.4 Treasury shares reserve

At the ordinary general meeting of shareholders held on 25 March 2021 it was decided to form a reserve of EUR 23,000 thousand for the acquisition of treasury shares.

22.5 Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit. As at 31 December 2021, the Group accounted for the result of the translation of the Group's net investments in Ignitis Polska Sp. z o. o., Ignitis Renewables Polska Sp. z o. o. and Pomerania Wind Farm Sp. z o. o., a Poland-based companies indirectly controlled by the Group, in the amount of EUR 2,746 thousand into the Group's presentation currency within the item of other reserves (31 December 2020: EUR 2,229 thousand). No other reserves were formed by the Group as at 31 December 2021 and 2020.

23 Share based payments

On 18 December 2020 share option agreements of the long-term promotion of key executives of the Group companies programme have been concluded with key executives of the Group.

On 12 May 2021 the Supervisory Board of the Group approved the suggestions of key executives of the Group to terminate executives' option agreements.

During the year 2021 share based payments costs accounted in SPLOCI salaries and related expenses amounted to EUR 213 thousand and reflects the share-based payments agreements concluded with key executives. As share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

24 Other comprehensive income

Other comprehensive income (loss) for the year in reserves:

	Equity, attributed to equity holders of the parent				
	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Total
Revaluation of property, plant and equipment, net of tax	90	-	-	-	**90**
Result of change in actuarial assumptions	-	-	-	208	**208**
Exchange differences on translation of foreign operations into the Group's presentation currency	-	-	(2,240)	-	**(2,240)**
Balance as at 31 December 2020	**90**	**-**	**(2,240)**	**208**	**(1 ,942)**
Revaluation of property, plant and equipment, net of tax	(23,629)	-	-	-	**(23,629)**
Cash flow hedges – effective portion of change in fair value	-	57,072	-	-	**57,072**
Cash flow hedges – reclassified to profit or loss	-	(38,433)	-	-	**(38,433)**
Result of change in actuarial assumptions	-	-	-	(303)	**(303)**
Exchange differences on translation of foreign operations into the Group's presentation currency	-	-	(517)	-	**(517)**
Balance as at 31 December 2021	**(23,629)**	**18,639**	**(517)**	**(303)**	**(5,810)**

Hedging reserve movement comprises recognition of effective portion of EUR 57,072 thousand (gross before tax EUR 67,144 thousand) and reclassification to profit or loss of SPLOCI of EUR 38,433 thousand (gross before tax 45,215 thousand) recognised in Purchases of electricity, gas and other services (see Note 33.2).

All amounts are in EUR thousand unless otherwise stated

25 Loans and bonds

Borrowings of the Group consisted of:

	31 December 2021	31 December 2020
Non-current		
Bonds issued	888,524	886,945
Bank loans	229,553	359,183
Current		
Current portion of non-current loans	13,857	6,333
Bank loans	214,100	-
Accrued interest	9,317	9,143
In total	**1,355,351**	**1,261,604**

Non-current borrowings by maturity:

	31 December 2021	31 December 2020
From 1 to 2 years	18,880	128,720
From 2 to 5 years	73,793	44,396
After 5 years	1,025,404	1,073,012
In total	**1,118,077**	**1,246,128**

Borrowings of the Group are denominated in euros or polish zlotys.

25.1 Movement of borrowings

Movement of borrowings during the year 2021 mainly consisted of the following:

The repayment term of loan contract signed between Swedbank AB and the Group's subsidiary Kauno kogeneracinė jėgainė UAB on 31 May 2017 is 31 May 2022, therefore the loan was reclassified from non-current to current loans due to short maturity term. The balance of loan as at 31 December 2021 is EUR 110,000 thousand (31 December 2020: EUR 114,709 thousand).

On 13 October 2021 the Group's subsidiary Ignitis UAB signed a short-term loan contract with SEB Bankas AB for maximum amount EUR 104 thousand. The loan is used to finance the increased working capital needs of Ignitis UAB and its subsidiaries. The need for working capital was due to high natural gas and electricity market prices, financial trading and the difference between the actual price of raw materials on the stock exchange and the electricity and natural gas tariffs for household consumers approved for 2021. The balance of loan as at 31 December 2021 is EUR 104,000 thousand.

For the year of 2021 expenses related to interest on the issued bonds totalled EUR 19,205 thousand (2020: EUR 16,689 thousand). The accrued amount of coupon payable as at 31 December 2021 amounted to EUR 9,143 thousand (31 December 2020: EUR 9,143 thousand).

For the year of 2021 expenses related to interest on the loans and overdrafts totalled EUR 2,861 thousand (2020: EUR 2,578 thousand).

25.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2021 and 2020.

As at 31 December 2021, the Group unwithdrawn balance of loans and bank overdrafts amounted to EUR 115,291 thousand (31 December 2020: EUR 344,504 thousand).

All amounts are in EUR thousand unless otherwise stated

26 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. Management is monitoring net debt metric as a part of risk-management strategy. For the purpose of net debt calculation, borrowings comprise only debts to financial institutions, issued bonds and related interest payables. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

	31 December 2021	31 December 2020
Cash and cash equivalents	(449,073)	(658,795)
Deposit in escrow account (Note 14.3)	-	(45,000)
Non-current borrowings payable after one year	1,118,077	1,246,128
Current borrowings payable within one financial year (including overdraft and accrued interest)	237,274	15,476
Lease liabilities	50,963	42,529
Net debt	**957,241**	**600,338**

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

	Assets		Lease liabilities		Borrowings		Total
	Cash and cash equivalents	Deposit in escrow account	Non-current	Current	Non-current	Current	
Net debt at 1 January 2020	**(131,837)**	**-**	**33,818**	**8,400**	**821,929**	**234,191**	**966,501**
Cash changes							
(Increase) decrease in cash and cash equivalents	(526,958)	-	-	-	-	-	**(526,958)**
Issued bonds	-	-	-	-	295,457	-	**295,457**
Proceeds from borrowings	-	-	-	-	182,950	-	**182,950**
Repayments of borrowings	-	-	-	-	(43,553)	(43,245)	**(86,798)**
Lease payments	-	-	(2,120)	(8,231)	-	-	**(10,351)**
Interest paid	-	-	-	(960)	(1,095)	(13,830)	**(15,885)**
Repayments of overdraft	-	-	-	-	-	(191,291)	**(191,291)**
Deposit into an escrow account (Note 14.3)	-	(45,000)	-	-	-	-	**(45,000)**
Non-cash changes							
Lease contracts concluded	-	-	9,915	506	-	-	**10,421**
Accrual of interest payable	-	-	10	950	8,684	13,374	**23,018**
Reclassification of interest payable from (to) trade and other payables	-	-	-	-	103	(177)	**(74)**
Reclassifications to liabilities attributable to assets held for sale	-	-	126	115	-	-	**241**
Reclassifications between items	-	-	(12,621)	12,621	(18,347)	18,347	**-**
VAT on interest payable	-	-	-	-	-	(1,893)	**(1,893)**
Net debt at 31 December 2020	**(658,795)**	**(45,000)**	**29,128**	**13,401**	**1,246,128**	**15,476**	**600,338**
Net debt at 1 January 2021	**(658,795)**	**(45,000)**	**29,128**	**13,401**	**1,246,128**	**15,476**	**600,338**
Cash changes							
(Increase) decrease in cash and cash equivalents	209,722	-	-	-	-	-	**209,722**
Proceeds from borrowings	-	-	-	-	-	104,000	**104,000**
Repayments of borrowings	-	-	-	-	-	(10,915)	**(10,915)**
Lease payments	-	-	(2)	(13,628)	-	-	**(13,630)**
Interest paid	-	-	-	(845)	-	(25,153)	**(25,998)**
Deposit in escrow account utilised (Note 14.3)	-	28,763	-	-	-	-	**28,763**
Non-cash changes							
Lease contracts concluded	-	-	19,125	1,786	-	-	**20,911**
Accrual of interest payable	-	-	-	862	1,579	25,152	**27,593**
Reclassification of interest payable from (to) trade and other payables	-	-	-	-	-	11	**11**
Lease liabilities written-off	-	-	(634)	(1,467)	-	-	**(2,101)**
Reclassifications between items	-	-	(4,251)	4,251	(128,880)	128,880	**-**
Assumed through business combination (Note 48)	-	-	2,697	71	-	-	**2,768**
Change in foreign currency	-	-	212	257	(750)	(177)	**(458)**
Other non-cash changes[1]	-	16,237	-	-	-	-	**16,237**
Net debt at 31 December 2021	**(449,073)**	**-**	**46,275**	**4,688**	**1,118,077**	**237,274**	**957,241**

[1] As at 31 December 2020 deposit in escrow account was treated as part of net debt as it was unclear whether it will be used to acquire treasury shares or will be recovered as cash. As during 2021 decisions were made to acquire treasury shares, the deposit is no longer treated as part of net debt.

All amounts are in EUR thousand unless otherwise stated

27 Lease liabilities

The Group minimum payments under leases are as follows:

	31 December 2021	31 December 2020
Minimum payments		
Within the first year	5,821	14,022
From two to five years	17,162	11,835
More than five years	52,541	38,484
In total	**75,524**	**64,341**
Future finance costs		
Within the first year	(1,133)	(621)
From two to five years	(3,947)	(2,416)
More than five years	(19,481)	(18,775)
In total	**(24,561)**	**(21,812)**
Carrying amount	**50,963**	**42,529**

Major Group's lease liabilities are related to buildings and land.

The Group's lease liabilities related to buildings amounted to EUR 23,615 thousand as at 31 December 2021 (31 December 2020: EUR 10,897 thousand). As at 31 December 2021, the validity terms of the effective lease contracts for buildings expire in the period from the year 2022 to 2031.

The Group's lease liabilities related to the land amounted to EUR 24,476 thousand as at 31 December 2021 (31 December 2020: EUR 19,569 thousand). As at 31 December 2021, the validity terms of the effective lease contracts for the land expire in the period from the year 2030 to 2110.

28 Grants and subsidies

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

	Asset-related grants - projects for renovation, improvement of environmental and safety standards	Asset-related grants - other projects of the Group	In total
Carrying amount as at 1 January 2020 (restated)[1]	**132,863**	**127,469**	**260,332**
Depreciation and amortisation	(7,937)	(1,224)	**(9,161)**
Grants received	-	25,757	**25,757**
Grants reversed due to recognised impairment of property, plant and equipment and other reasons	-	(5)	**(5)**
Grants transferred (to)/from short term liabilities	186	-	**186**
Reclassifications between categories	(16)	16	**-**
Carrying amount as at 31 December 2020 (restated)[1]	**152,013**	**125,096**	**277,109**
Carrying amount as at 1 January 2021 (restated)[1]	**152,013**	**125,096**	**277,109**
Depreciation and amortisation	(2,874)	(7,906)	**(10,780)**
Grants received	17,185	-	**17,185**
Grants attributable to write-off of property, plant and equipment	(35)	-	**(35)**
Grants reversed and written off due to revaluation of property, plant and equipment	(4,345)	-	**(4,345)**
Carrying amount as at 31 December 2021	**161,944**	**117,190**	**279,134**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change. See more information disclosed in Note 5.

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

All amounts are in EUR thousand unless otherwise stated

29 Deferred income and advances received

29.1 Deferred income

Deferred income of the Group consisted of:

	31 December 2021		31 December 2020 (restated)[1]	
	Current portion	Non-current portion	Current portion	Non-current portion
Deferred income under contracts with customers				
Deferred income related to new customers fees	9,347	183,608	8,579	164,413
Deferred income related to electricity over declaration	1,502	-	1,595	-
Deferred income related to gas over declaration	7,197	-	1,997	-
In total	**18,046**	**183,608**	**12,171**	**164,413**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

Movement in the Group's deferred income:

	2021		2020 (restated)[2]	
	Current portion	Non-current portion	Current portion	Non-current portion
Balance as at 1 January	**12,171**	**164,413**	**19,586**	**151,910**
Increase during the year	8,514	27,372	13,285	19,994
Recognised as revenue	(10,816)	-	(26,291)	-
Reclassified from (to) other current amounts payable	-	-	(1,900)	-
Reclassifications between items	8,177	(8,177)	7,491	(7,491)
Balance as at 31 December	**18,046**	**183,608**	**12,171**	**164,413**

[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

Revenue from new customers fees is recognised over the average useful life of related items of property, plant and equipment (Note 2.21.1.3).

29.2 Advances received

The Group's advances received were as follows:

	31 December 2021	31 December 2020 (restated)[3]
Current prepayments under contracts with customers (contract liabilities)	54,970	37,025
Current prepayments under other contracts	2,538	2,027
In total	**57,508**	**39,052**

[3] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

All amounts are in EUR thousand unless otherwise stated

30 Provisions

The Group's provisions were as follows:

	31 December 2021	31 December 2020 (restated)[1]
Non-current	30,058	40,695
Current	41,561	23,516
Total	**71,619**	**64,211**

Movement of the Group's provisions was as follows:

	Emission allowance provision	Provisions for employee benefits	Provisions for servitudes (Note 4.7)	Provisions for registration of protection zones (Note 4.7)	Provision for isolated power system operations' and system services (Note 4.14.1)	Other provisions	Total
Balance as at 1 January 2020 (restated)[1]	**-**	**3,540**	**26,952**	**8,328**	**12,718**	**3,365**	**54,903**
Increase during the year	10,216	161	-	-	7,592	504	**18,473**
Utilised during the year	(4)	(125)	(258)	-	(3,049)	(149)	**(3,585)**
Revaluation of emission allowances utilised	134	-	-	-	-	-	**134**
Result of change in assumptions	-	73	(12,015)	6,741	-	(513)	**(5,714)**
Balance as at 31 December 2020 (restated) [1]	**10,346**	**3,649**	**14,679**	**15,069**	**17,261**	**3,207**	**64,211**
Balance as at 1 January 2021 (restated) [1]	**10,346**	**3,649**	**14,679**	**15,069**	**17,261**	**3,207**	**64,211**
Increase during the year	12,304	1,756	-	-	5,878	6,667	**26,605**
Utilised during the year	(10,443)	(127)	-	-	(871)	(3,479)	**(14,920)**
Result of change in assumptions	-	369	(245)	(4,382)	-	-	**(4,258)**
Discount effect	-	-	(19)	-	-	-	**(19)**
Reclassifications between categories	-	(126)	(40)	-	-	166	**-**
Balance as at 31 December 2021	**12,207**	**5,521**	**14,375**	**10,687**	**22,268**	**6,561**	**71,619**
Non-current	-	4,902	13,396	4,511	7,107	142	**30,058**
Current	12,207	619	979	6,176	15,161	6,419	**41,561**
Balance as at 31 December 2021	**12,207**	**5,521**	**14,375**	**10,687**	**22,268**	**6,561**	**71,619**

[1] Part of the amounts do not agree with the annual financial statements as at 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees (Note 2.20.3). The period of non-current provision is calculated according to each employee using actuarial assumptions that include the age of employee, mortality probability, index of staff turnover, discount rate (0.043% as at 31 December 2021, 0.21% as at 31 December 2020), long term salary increase rate (4.6% as at 31 December 2021, 3% as at 31 December 2020).

The provision for servitudes relates to the compensation of easements to third parties when the distribution operator (the Group company) installs electricity networks on land belonging to them. A one-time compensation for the use of statutory easements is paid to compensate for losses when a third party applies the request for compensation. The Group's management estimated (Note 4.7.1) that the period during which third parties will apply for compensation is 10 years starting from 2022, as the application is temporarily suspended (the updated methodology is expected to be approved in the year 2022), plus 1 year for the payment of compensation from the date of submission.

The provision for registration of protection zones relates to the Group's obligation to register special protection conditions (protection zones) for land near the Group's infrastructure objects. According to the Group's management plans the registration of protection zones should last till the end of 2024 (Note 4.7.3).

The provision for isolated power system operation and system services relates to regulatory activities that give rise to regulatory differences which are reimbursed during the next years (Note 4.14.1). Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter the period of reimbursement is 2022-2023 year.

The item of "Other provisions" mainly consists of provision related to deferred consideration (EUR 5,000 thousand) defined in Moray West Holdings Limited share purchase agreement (Note 13.1). The period of provision depends on when certain conditions defined in contract are met. According to the Group's management estimation the conditions will be met in 2022 year.

All amounts are in EUR thousand unless otherwise stated

31 Trade payables

The Group's trade payables were as follows:

	31 December 2021	31 December 2020
Amounts payable for electricity	79,394	34,216
Amounts payable for contractual works, services	8,309	5,274
Amounts payable for gas	6,958	2,113
Other trade payables	5,522	10,090
Carrying amount	**100,183**	**51,693**

32 Other current amounts payable and liabilities

The Group's other current amounts payable and liabilities were as follows:

	31 December 2021	31 December 2020 (restated)[1]
Derivative financial instruments (Note 33)	71,431	2,202
Accrued expenses	48,046	37,937
Taxes (other than income tax)	30,600	15,271
Amounts payable for property, plant and equipment	23,263	26,583
Put option redemption liability (Note 4.5)	20,919	16,660
Payroll related liabilities	19,157	16,268
Irrevocable commitment to acquire a minority interest	3,751	19,025
Non-controlling interest dividends	3,358	3,212
Other amounts payable and liabilities	6,161	4,998
Carrying amount	**226,686**	**142,156**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

Financial liabilities comprise EUR 128,883 thousand from total Other current amounts payable and liabilities (EUR 72,680 thousand as at 31 December 2020). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

32.1 Put option redemption liability

At 31 December 2021, the Group accounted for EUR 20,919 thousand (31 December 2020: EUR 16,660 thousand) put option redemption liability measured as net present value of the single future cash outflow, which would be paid to Gren Lietuva UAB for Kauno kogeneracinė jėgainė UAB (hereinafter – KKJ) shares in a deadlock situation in case the put option is exercised. The fair value of put option redemption liability has increased by EUR 4,259 thousand during 2021 and presented as "Finance expenses" in SPLOCI. According to the shareholders agreement, the exercise price of the put option changed from amounts invested to market value since the lock-up period expired. Therefore, at 31 December 2021 this financial liability determined by the market value of Gren Lietuva UAB owned KKJ shares with 15% discount based on the shareholders agreement conditions. The valuation was performed using discounted cash flow method.

33 Derivative financial instruments

The Group's derivative financial instruments mainly comprises of:
Contracts related to electricity and natural gas commodities (hedge accounting)
- Contracts made directly with other parties – over-the-counter (OTC)
- Contracts made through "Nasdaq Commodities" market – Nasdaq

Other contracts (non-hedge accounting)
- Other contracts – derivative financial instruments

From 1 July 2021, the Group started application of the hedge accounting policy to OTC and Nasdaq contracts. Accordingly, effective portion of gain or loss of such contracts is recognized through OCI. Fair value change up to 30 June 2021 and ineffective portion of such contracts is recognized in Other income of SPLOCI.

Fair value of Nasdaq contracts are being set-off with cash on day-to-day basis. Accordingly no financial assets or liabilities are being recognized in statement of financial position. Gain or loss of such transactions is recognized same as all derivative financial instruments.

33.1 Derivative financial instruments included in the statement of financial position

Movement of assets and liabilities related to the Group's agreements on derivative financial instruments were as follows:

	Note	Movement during 2021
Derivative financial instruments		
Other current assets	14.2	3,311
Other current amounts payable and liabilities	32	(2,202)
Carrying amount as at 31 December 2020		**1,109**
Change in the value		
Fair value change of derivative financial instruments recognised in Other income		1,056
Fair value change of OTC recognised in Other income		(16,667)
Fair value change of OTC recognised in OCI		(43,467)
Total change during 2021		**(59,078)**
Derivative financial instruments		
Carrying amount as at 31 December 2021		**(57,969)**
Other non-current assets[2]	14.1	3,624
Other current assets	14.2	9,859
Other non-current amounts payable and liabilities		(21)
Other current amounts payable and liabilities	32	(71,431)

Liability from derivative financial instruments has increased significantly comparing to prior period mainly due to increased gas prices in the market, moreover more hedging transactions were executed.

All amounts are in EUR thousand unless otherwise stated

33.2 Derivative financial instruments included in SPLOCI

Derivative financial instruments included in SPLOCI:

	Note	2021	2020
Fair value change of derivative financial instruments	33.1	1,056	-
Fair value change of OTC	33.1	(16,667)	(2,322)
Fair value change of Nasdaq		10,665	19,875
Hedge ineffectiveness recognised - OTC		2,035	(3,140)
Hedge ineffectiveness recognised - Nasdaq		18,347	(28,519)
Total recognised in Other income/ (Other expenses)	35,37	**15,436**	**(14,106)**
Effective hedges reclassified from Hedging reserve to SPLOCI	24	**45,215**	**-**
In total		**60,651**	**(14,106)**

34 Revenue from contracts with customers

34.1 Disaggregated revenue information

The Group's revenue from contracts with customers were as follows:

	2021	2020
Electricity related revenue		
Revenue from electricity transmission and distribution	442,814	412,371
Revenue from the sale of electricity	403,339	177,324
Revenue from sale of produced electricity	278,175	121,188
Revenue from public electricity supply	214,087	165,134
Revenue from services ensuring the isolated operation of power system and capacity reserve	50,129	55,554
Revenue from PSO	4,158	10,189
Gas related revenue		
Revenue from gas sales	341,328	179,492
Revenue from gas distribution	45,460	36,344
Revenue of LNGT security component	35,956	27,636
Other revenue		
Revenue from sale of heat energy	14,063	3,997
Revenue from new customers' connection fees	8,177	7,429
Other revenue from contracts with customers	31,231	18,697
In total	**1,868,917**	**1,215,355**

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

	31 December 2021	31 December 2020
Performance obligation settled over time	1,854,368	1,205,701
Performance obligation settled at a specific point in time	14,549	9,654
In total	**1,868,917**	**1,215,355**

34.2 Contract balances

Balances arising from contracts with customers as at the end of the year are as follows:

	Notes	31 December 2021	31 December 2020 (restated)[2]
Trade receivables[1]	17	**274,847**	**128,416**
Contract assets		**66,694**	**10,301**
Accrued revenue from electricity related sales	18	65,278	9,901
Accrued revenue from gas sales	18	1,416	400
Contract liabilities		**256,624**	**213,609**
Advances received	29.2	54,970	37,025
Deferred income	29.1	201,654	176,584

[1] Trade receivables related to lease contracts are excluded.
[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

34.3 Contract assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts. Recognised expected credit losses (if any) are disclosed in the Notes 17-18.

All amounts are in EUR thousand unless otherwise stated

34.3.1 Contract liabilities

	Notes	31 December 2021	31 December 2020
Current	29	73,016	49,196
Non-current	29	183,608	164,413
In total		**256,624**	**213,609**

34.4 Rights to returned goods assets and refund liabilities

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

34.5 Performance obligations

The remaining performance obligations expected to be recognised after the end of the financial year relate to new customers' connection fees:

	31 December 2021	31 December 2020 (restated)[1]
More than one year	183,608	164,413
Within one year	18,046	12,171
Total liability under connection contracts	**201,654**	**176,584**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.

35 Other income

The Group's other income during the year were as follows

	2021	2020
OTC and Nasdaq contracts (Note 33.2)	15,436	-
Rent income	1,710	2,297
Interest on late payments equivalent to interest	1,495	570
Gain/(loss) on disposal of non-current assets	389	3,725
Other	2,452	1,143
In total	**21,482**	**7,735**

36 Purchases of electricity, gas and other services

The Group's purchases of electricity, gas and other services were as follows:

	2021	2020 (restated)[2]
Purchases of electricity and related services for trade	888,449	453,223
Purchases of gas and related services for trade	333,326	194,747
Purchases of gas and related services for generation	82,062	34,609
Purchases of electricity and related services for generation	64,098	19,865
Purchases of sub-contractual services	12,020	3,285
In total	**1,379,955**	**705,729**

[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change. See more information disclosed in Note 5.

37 Other expenses

The Group's other expenses were as follows:

	2021	2020
Customer service	9,427	5,970
Telecommunications and IT services	8,402	7,228
Taxes	6,652	5,234
Utilities	3,640	2,862
Consultation services	3,102	3,273
Transport	2,889	3,200
Expenses of low-value inventory items	1,750	1,895
Personnel development	1,094	677
Write-offs of non-current and current amounts receivable (bad debts)	1,035	3,005
OTC and Nasdaq contracts (Note 33.2)	-	14,106
Other	8,001	8,742
In total	**45,992**	**56,192**

38 Finance income

The Group's finance income was as follows:

	2021	2020
Fair value change of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 4.6)	15,868	-
Interest income at the effective interest rate	808	1,152
Other income from financing activities	891	1,262
In total	**17,567**	**2,414**

38.1 The Group's interest income

In 2021, the Group received in cash the amount of EUR 577 thousand (in 2020: EUR 547 thousand) interest income, which is presented in the cash flow statement under 'Interest received'.

All amounts are in EUR thousand unless otherwise stated

39 Finance expenses

The Group's finance expenses were as follows:

	2021	2020
Interest expenses	23,107	19,269
Fair value change of KKJ put option redemption liability (Note 32.1)	4,259	-
Fair value change of consideration from EPSO-G (Note 18.1)	2,085	-
Interest and discount expense on lease liabilities	531	959
Negative effect of changes in exchange rates	387	1,806
Other expenses of financing activities	3,295	625
In total	**33,664**	**22,659**

39.1 The Group's interest expense

The Group incurs interest expense on long-term and short-term loans payable and bonds issued (Note 25). In 2021, the Group paid interest in cash in the amount of EUR 25,998 thousand (in 2020: EUR 15,844 thousand), which are presented in the cash flow statement under 'Interest paid'.

40 Income taxes

40.1 Amounts recognised in profit or loss

The Group's income taxes recognised in profit or loss were as follows:

	2021	2020 (restated)[1]
Income tax expenses (benefit) for the year	19,396	10,151
Deferred tax expenses (benefit)	(4,843)	14,016
In total	**14,553**	**24,167**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.*

40.2 Amounts recognised in other comprehensive income

The Group's income taxes recognised in other comprehensive income were as follows:

	2021			2020		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss in subsequent periods						
Revaluation of property, plant and equipment	(27,799)	4,170	(23,629)	106	(16)	90
Change in actuarial assumptions	(370)	67	(303)	208	-	208
Items that may be reclassified to profit or loss in subsequent periods						
Cash flow hedges – effective portion of change in fair value	67,144	(10,072)	57,072	-	-	-
Cash flow hedges – reclassified to profit or loss	(45,215)	6,782	(38,433)	-	-	-
Exchange differences on translation of foreign operations into the Group's presentation currency	(517)	-	(517)	(2,240)	-	(2,240)
In total	**(6,757)**	**947**	**(5,810)**	**(1,926)**	**(16)**	**(1,942)**

Income taxes during 2021 recognised in other comprehensive income comprises from EUR 3,951 thousand income tax expenses (Note 40.3) and EUR 4,898 thousand deferred tax income (Note 41).

40.3 Reconciliation of effective tax rate

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

	2021	2021	2020 (restated)[2]	2020 (restated)[2]
Profit (loss) before tax		168,458		194,755
Income tax expenses (benefit) at tax rate of 15%	15.00%	25,269	15.00%	29,213
Expenses not deductible for tax purposes	5.58%	9,393	5.02%	9,780
Income not subject to tax	(2.32)%	(3,908)	(3.32)%	(6,463)
Income tax relief for the investment project	(6.43)%	(10,824)	(1.64)%	(3,201)
Adjustments in respect of prior years	0.08%	127	(0.04)%	(82)
Tax losses utilised	(0.32)%	(545)	(2.37)%	(4,617)
Realisation of unrecognised tax losses	-	-	(0.55)%	(1,073)
Unrecognised deferred tax on tax losses	0.09%	155	0.11%	206
Income tax recognised in other comprehensive income	(2.35)%	(3,951)	-	-
Other	(0.69)%	(1,163)	0.21%	404
Income tax expenses (benefit)	**8.64%**	**14,553**	**12.41%**	**24,167**

[2] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. See more information disclosed in Note 5.*

Income tax recognised in other comprehensive income related to derivative financial instruments held by the Group. They are treated as deductible expenses (or taxable income) for tax purposes. Income tax relief for the investment project included the income tax relief for the investment projects in 2021 and also income tax relief from previous periods for which deferred tax assets was not recognised.

All amounts are in EUR thousand unless otherwise stated

41 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. Movement of deferred tax assets and liabilities during the reporting period were as follows:

	As at 31 December 2019 [1,2]	Recognised in profit or loss	Recognised in other comprehensive income	Impact from utilised tax losses	Reclassifications to liabilities attributable to assets held-for-sale	As at 31 December 2020[1]	Recognised in profit or loss	Recognised in other comprehensive income	Impact from utilised tax losses	Deferred taxes recognised in business combinations	As at 31 December 2021
Deferred tax assets											
Difference on recognition of income from new customer connection services	14,970	(1,479)	-	-	-	13,491	(720)	-	-	-	**12,771**
Revaluation of property, plant and equipment (PPE)	4,185	6,258	(16)	-	(962)	9,465	5,636	4,170	-	-	**19,271**
Tax relief on acquisition of PPE	11,965	(5,255)	-	-	-	6,710	1,972	-	-	-	**8,682**
Accrued expenses	1,949	567	-	-	-	2,516	858	-	-	-	**3,374**
Impairment of PPE	4,408	(121)	-	-	(28)	4,259	(3,366)	-	-	-	**893**
Tax losses carry forward	1,078	1,113	-	383	-	2,574	119	-	(1,030)	-	**1,663**
Impairment of trade receivables	1,321	13	-	-	-	1,334	61	-	-	-	**1,395**
Other	7,208	(4,228)	-	(631)	-	2,349	3,182	66	-	-	**5,597**
Deferred tax asset	**47,084**	**(3,132)**	**(16)**	**(248)**	**(990)**	**42,698**	**7,742**	**4,236**	**(1,030)**	**-**	**53,646**
Deferred tax liabilities			-	-	-					-	
Differences in depreciation rates	65,489	8,623	-	-	-	74,112	88	-	-	-	**74,200**
Difference of financial and tax value of assets identified on business combination	(404)	1,410	-	-	-	1,006	116	-	-	1,906	**3,028**
Write-off grants	2,631	(85)	-	-	-	2,546	610	-	-	-	**3,156**
Derivative financial instruments	2,132	768	-	-	-	2,900	(1,208)	(662)	-	-	**1,030**
Other	358	168	-	912	-	1,438	3,293	-	(868)	9	**3,872**
Deferred tax liability	**70,206**	**10,884**	**-**	**912**	**-**	**82,002**	**2,899**	**(662)**	**(868)**	**1,915**	**85,286**
Deferred tax, net	**(23,122)**	**(14,016)**	**(16)**	**(1,160)**	**(990)**	**(39,304)**	**4,843**	**4,898**	**(162)**	**(1,915)**	**(31,640)**

[1] Part of the amounts do not agree with the annual financial statements as at 31 December 2019 and as at 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.
[2] Reclassification between line items was performed in order to give more reliable information for the users of the financial statements.

The Group's statement of financial position as at 31 December 2021 presents separately deferred tax assets (EUR 15,547 thousand) and deferred tax liabilities (EUR 47,187 thousand) related to different subsidiaries. The net balance of deferred tax is liability of EUR 31,640 thousand. Deferred tax assets and liabilities arising from the same entity are presented on net basis in the statement of financial position.

As at 31 December 2021, the Group did not recognise deferred tax assets on accumulated tax loss of EUR 14,026 thousand (31 December 20: EUR 19,540 thousand) as it is not clear whether future taxable profits will be available against which they can be used. These accumulated tax losses can be carried forward for an indefinite period of time.

All amounts are in EUR thousand unless otherwise stated

42 Earnings per share

The Group's earnings per share and diluted earnings per share were as follows:

	2021	2020
Net profit (loss)	**153,904**	**170,588**
Attributable to:		
Equity holders of the parent	153,904	170,807
Non-controlling interests	-	(219)
Weighted average number of nominal shares	74,232,665	59,037,855
Basic earnings/(loss) per share attributable to shareholders of the Parent Company	2.07	2.89
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company	2.07	2.89

Basic and diluted earnings per share indicators have been calculated based on 74,232,665, a weighted average number of ordinary shares for 2021 as Ignitis grupė AB reacquired its own ordinary shares (treasury shares) as at 16 December 2021 (Note 21.2). Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by Ignitis grupė AB.

Basic and diluted earnings per share indicators have been calculated based on 59,037,855, a weighted average number of ordinary shares for 2020 as Ignitis grupė AB authorised capital has been increased by twenty million ordinary nominal shares on 5 October 2020 in relation with the IPO.

43 Dividends

Dividends declared by the Company during the year:

	2021	2020
Ignitis grupė AB	86,763	70,000

During 2020, the Group applied an accounting policy of derecognising the non-controlling interest (subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB). Only in the III qtr. of 2021 the Group have acquired all 100% of Ignitis gamyba AB shares and only in the II qtr. of 2021 the Group have acquired all 100% Energijos skirstymo operatorius AB shares, thus dividends were declared for non-controlling interest.

During the year 2021 dividends declared for the former non-controlling interest were EUR 1,152 thousand (during 2020 – Eur 2,793 thousand) until the acquisition of shares from non-controlling interest (see Note 10.1).

EUR 43.010 million dividends for the second half of 2020 was approved at the Annual General Meeting on 25 March 2021. EUR 43.753 million dividends for the first half of 2021 was approved at the Annual General Meeting on 27 September 2021.

Dividends declared per share:

Declared on	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
March 2021	2020 II half-year	0.579	43 010
September 2021	2021 I half-year	0.589	43 753
Total declared during 2021 year			**86,763**
May 2020	2019 year	6.699	28,000
September 2020	2020 I half-year	10.048	42,000
Total declared during 2020 year			**70,000**

All amounts are in EUR thousand unless otherwise stated

44 Contingent liabilities and commitments

44.1 Litigations

Below there are described most significant litigations as at 31 December 2021:

44.1.1 Litigation with Šiaulių energija AB

Šiaulių energija AB filed a claim against the Group's subsidiary Energijos skirstymo operatorius AB (hereinafter "ESO") for indemnification of losses incurred due to a failure in LITGRID AB networks on 25 March 2019, which caused a short circuit and overvoltage in ESO networks and the electrical equipment of the Šiaulių energija AB power plant connected to them. This claim seeks joint and several damages from ESO and LITGRID AB in the amount of EUR 1,272 thousand.

Due to this incident, an investigation was carried out by the NERC, during which ESO's liability for failure of the plaintiff's electrical equipment was not established. The Group's management does not agree with the claim, as ESO did not violate the contract or other legal acts and is of the opinion that Šiaulių energija AB is responsible for the losses incurred during the accident.

On 6 April 2021 the Vilnius Regional Court has ruled to dismiss the claim of AB Šiaulių energija against ESO. On 11 May 2021 Šiaulių energija AB and LITGRID AB filed appeals against the decision. On 30 May 2021, ESO filed its replies to the appeals. A hearing of the Lithuanian Court of Appeal is scheduled on 22 February 2022.

The Group believes that it will defend its interests in these proceedings successfully and has not made provisions for these proceedings.

44.1.2 Litigation with Vilniaus energija UAB

The plaintiff Vilniaus energija UAB has filed a claim with Vilnius Regional Court regarding the award of EUR 9,284 thousand from ESO. The plaintiff claims to have incurred EUR 9,284 thousand losses due to the fact that ESO during the year 2014 purchased only the electricity produced by the Plaintiff's cogeneration plants in the technical minimum regime. On 17 March 2017, the Plaintiff updated the subject-matter of the claim and requested the court to award damages in the amount of EUR 10,712 thousand.

By judgment of 28 January 2020, the Vilnius Regional Court partially upheld the claim of Vilniaus energija UAB and
1) acknowledged that Vilniaus energija UAB was discriminated against in relation to other cogeneration plants;
2) awarded Vilniaus energija UAB from ESO EUR 1,725 thousand in damages incurred in year 2014 and EUR 535 thousand in damages incurred in year 2015 (in total EUR 2,260 thousand);
3) order the payment of procedural interest at the rate of 6% per annum on the amount of damages ordered from the date on which the case was brought before the court on 24 May 2014 until the date on which the judgment is fully complied with.
The part of the claim, in which Vilniaus energija UAB sought a declaration that the balancing energy supplier the Group's subsidiary Ignitis gamyba AB had discriminated against it and an order ESO to pay EUR 4,615 thousand for the damage suffered in year 2014 and EUR 3,837 thousand for the damage suffered in year 2015 was dismissed.

27 February 2020 ESO filed an appeal against the part of the decision of Vilnius Regional Court of 28 January 2020, which satisfied the claim of Vilniaus energija UAB: ESO did not agree with the conclusion of the Vilnius Regional Court that it discriminated against Vilniaus energija UAB in purchasing eligible electricity. In the absence of a violation of competition law in ESO's actions, ESO is not obliged to compensate Vilniaus energija UAB for the losses it allegedly incurred.

By a ruling of 11 June 2020, the Lithuanian Court of Appeal reversed the decision of the Vilnius Regional Court of 28 January 2020 and completely rejected the claim of Vilniaus energija UAB.

By its ruling of 22 September 2020, the Supreme Court of Lithuania accepted the cassation appeal of Vilniaus energija UAB. ESO's response to the cassation appeal of Vilniaus energija UAB was filed on 21 October 2020.

By its ruling of 25 May 2021, the Supreme Court of Lithuania annulled the part of the ruling of the Lithuanian Court of Appeal of 11 June 2020, which rejected the claim of Vilniaus energija UAB to declare that Vilniaus energija UAB had been discriminated against in relation to other cogeneration plants, and remitted the part of the case concerning the damages of EUR 1 724,6 thousand incurred in 2014 and EUR 535 incurred in 2015, back to the Lithuanian Court of Appeal for a new hearing. The other part of the claim brought by Vilnius energija UAB against ESO was finally rejected.

On 28 September 2021 the Lithuanian Court of Appeal appointed an expert examination, and the case was suspended.

The Group's management expects the claims of Vilniaus energija UAB will be rejected as unfounded.

44.1.3 Litigation concerning the designated supplier state aid scheme and LNG price component

Following the General Court on the European Union (the General Court) on 8 September 2021 judgement in case T-193/19, AB Achema initiated the reopening of the previously suspended proceedings in the administrative courts of the Republic of Lithuania in respect of the complaints it has lodged against the National Energy Regulatory Council (the Council) regarding the Council's decisions of the setting of the LNG price supplement. The Group's subsidiary Ignitis UAB in these cases is intervened as a third party.

The General Court on 8 September 2021 in case T-193/19 decided to partially annul on procedural grounds the European Commission decision in case SA.44678 (2018/N) (hereinafter "Decision"). The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme which have been valid for a period from 2016 to 2018 and annulled Decision on that part, however maintained the validity of the remainder of the Decision i.e. the designated supplier state aid scheme valid from 2019.

Till this day, neither AB Achema, nor the European Commission has not lodged an appeal to the Court of Justice of the European Union. The Group is aware of the fact, the European Commission informed the Ministry of Energy of Republic of Lithuania that the European Commission will implement the Court's conclusion through the opening of a formal investigation procedure, limited to the points of doubt raised by the General Court. The investigation procedure should lead to the adoption of a final and complete decision of the European Commission which is expected to be adopted in 2022.

The Group considers that there is too much uncertainty in assessing the actual financial impact for the Group at this stage.

All amounts are in EUR thousand unless otherwise stated

44.1.4 Litigation with Rafako S.A.

On 10 July 2020 Rafako S.A. filed a claim in Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter “Arbitration Court”) concerning the construction contract. On 22 January 2021, Rafako S.A. filed full Statement of Claim and mandates its requests after assessing the termination of the contract on 6 October 2020.

In accordance with the schedule approved by the Arbitral Court in 2021 the parties have submitted to the Arbitral Court their procedural documents. The hearings of the Arbitration Court shall be held, and other proceedings of the parties shall be conducted in accordance with the schedule approved by the Arbitral Court.

The Group considers the claimant's claim to be unfounded. According to the Group management, this dispute will not have significant financial consequences for the implementation of the project.

44.1.5 Litigations with subcontractors regarding the Vilniaus kogeneracinė jėgainė UAB construction works

On 31 December 2021 the Group’s company Vilniaus kogeneracinė jėgainė UAB, as a defendant or a third party, has been involved in litigations with subcontractors regarding potential liabilities, although it has paid the main contractor in full for the contract and its work.

The outcome of litigation should not create additional obligations for the Group in relation to subcontractors (Note 50).

44.1.6 Litigation with Kauno termofikacijos elektrinė UAB

On 17 December 2018, the Group’s company Ignitis UAB appealed to the Vilnius Court of Commercial Arbitration for compensation of EUR 1,677 thousand for losses incurred due to Kauno termofikacijos elektrinė UAB failure to acquire the entire required amount of liquefied natural gas assigned for 2015, and for the award of EUR 123 thousand of interest on late payment. Kauno termofikacijos elektrinė UAB filed a counterclaim in the case, requesting the annulment of one of the terms of the LNG Sales and Purchase Agreement and the Additional Agreement. The proceedings are suspended until the courts of general jurisdiction have ruled on the non-arbitrable part of the parties' dispute.

According to the Group management, the outcome of litigation should not create additional obligations for the Group

44.1.7 Investigation by European Commission

Based on a press release of the European Commission, the Group informs that on 3 June 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Group in the context of a strategic reserve measure.

The Group’s management is not aware of any circumstances that could result in potential significant liabilities for the Group in this respect, so therefore no provisions are recognized.

44.1.8 On received court claim of the prosecutor of the Vilnius Regional Prosecutor's Office and adopted interim measures

On 4 May 2021 the Group received information that the prosecutor of the Vilnius Regional Prosecutor's Office applied to Vilnius District Court with a claim related to the decisions of the Group General Meeting of Shareholders and Management Board in respect of employee and executive incentive with share options plans implemented by the Group and invalidation of option agreements as well as request for application of interim measures.

Interim measures were applied by the Court order on 3 May 2021.

On 19 May 2021 the Group submitted a response to the Vilnius City District Court regarding the claim, in which disagreed with the claim.

On 9 June 2021 Vilnius District Court confirmed part of the claim refusal provided by the Vilnius District Prosecutor’s Office in relation to invalidation of the Group nine key executives option agreements.

Next court hearing is set for 19 April 2022.

The outcome of litigation should not create additional obligations for the Group.

44.2 Regulatory assets and liabilities

44.2.1 Natural gas distribution to household customers

Natural gas supply to household customers activity is regulated by NERC. The NERC regulates natural gas tariff paid by customers. Regulatory differences defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price are not recognized in the financial statements as Company has no guarantee for this difference will be returned in future according to the legislation base and returning depends on the future performance of the activity. The uncollected amount of EUR 64 million as of 31 December, 2021 will be included in the future tariffs (overcollected amount of EUR 7 million as of 31 December 2020).

44.2.2 Designated supply of natural gas

Designated supply activity is also regulated by NERC. When the actual costs differ from those estimated Company recognize them as regulatory differences but does not account a regulated asset or liability in the financial statements as the difference will be refunded by providing the services in the future. The overcollected amount of EUR 53 million as of 31 December, 2021 will be included in the LNGT security component in the future (uncollected amount of EUR 9 million as of 31 December 2020).

All amounts are in EUR thousand unless otherwise stated

44.2.3 Electricity distribution

By the resolution No. O3E-1309 taken on 15 October 2021 NERC established the price caps for the electricity distribution service for the year 2022 on the basis of certificate No.O5E-1226 issued on 15 October 2020.

When setting the limits of electricity distribution prices for 2022, the return on investment for 2018 - 2020 year was assessed and the amount of return on investment was exceeding the set allowable amount for EUR 167,500 thousand, of which:
- EUR 116,058 thousand the difference between the level of depreciation and return on investment of the optimized and non-optimized key network elements of the limited adjustments to the long-run average incremental cost (hereinafter LRAIC) model and the actual level of depreciation and return on investment;
- EUR 51,442 thousand the difference between the forecasts for operating expenses, technological losses and other costs compared to the costs actually incurred.

The evaluation of the return on investment for 2021 will be performed in 2022, when setting the price limits for electricity distribution in 2023.

44.2.4 Natural gas distribution

By the resolution No.O3E-1390 taken on 29 October 2021 NERC set the upper limit of the natural gas distribution price for the 2022 on the basis of certificate No.O5E-1280 issued on 26 October 2021 and stated that the 2022 year level of income from natural gas distribution activities is reduced by EUR 9,961 thousand, of which:
- EUR 7,622 thousand the size of the deviation of the return on investment formed in 2014-2018 year;
- EUR 2,339 thousand the size of the deviation of the return on investment formed in 2019-2020 year.

The level of natural gas distribution income in 2022 is additionally reduced by the amount of accrued interest (taking into account the effect of the price of money over time) for EUR 447 thousand.

The remaining EUR 6,641 thousand was calculated in 2014-2020 and compensated in 2022 return on investment exceeding the set allowable amount:
- EUR 5,081 thousand (formed in 2014-2018);
- EUR 1,560 thousand (formed in 2019-2020), will be assessed when determining the price of the natural gas distribution service for subsequent periods.

The evaluation of the return on investment for 2021 will be performed in 2023, when setting the gas distribution price limits in 2024.

45 Related-party transactions

The Group transactions with related parties and year-end balances arising on these transactions are presented below:

Related parties	Accounts Receivable 31 December 2021	Accounts Payable 31 December 2021	Sales 2021	Purchases 2021	Finance income (expenses) 2021
EPSO-G UAB	84,131	78	28	-	335
LitGrid AB	19,520	38,727	87,314	194,363	-
Amber Grid AB	8,146	5,009	43,166	47,448	-
Baltpool UAB	788	33,587	15,523	104,593	-
GET Baltic	7,304	-	30,677	69,374	-
Associates and other related parties of the Group	701	2,760	671	4,241	2
Total	**120,590**	**80,161**	**177,379**	**420,019**	**337**

Related parties	Accounts Receivable 31 December 2020	Accounts Payable 31 December 2020	Sales 2020	Purchases 2020	Finance income (expenses) 2020
EPSO-G UAB	150,842	-	28	-	747
LitGrid AB	9,407	18,900	84,638	165,659	-
Amber Grid AB	4,217	5,227	30,380	45,443	-
Baltpool UAB	10,334	11,353	122,297	85,517	-
TETAS UAB	51	1,276	440	8,143	-
GET Baltic	2,903	1	24,928	28,507	-
Associates and other related parties of the Group	30	280	182	524	-
Total	**177,784**	**37,037**	**262,893**	**333,793**	**747**

The major sale and purchase transactions with related parties in 2021 and 2020 comprised transactions with the companies controlled by the Lithuanian Ministry of Energy: Litgrid AB and Baltpool UAB. The Group's purchases from these entities mainly included purchases of electricity, capacity, transmission, PSO services and gas. Sales transactions included sales of electricity, capacity and PSO services

Transactions with other state-owned entities included regular business transactions and therefore they were not disclosed.

All amounts are in EUR thousand unless otherwise stated

45.1 Terms of transactions with related parties

The payment terms set range from 15 to 90 days, except for the EPSO-G receivable (Notes 11, 18). Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivable.

45.2 Compensation to key management personnel

	2021	2020
Wages and salaries and other short-term benefits to key management personnel	957	780
Whereof:	-	-
Short-term employee benefits	792	780
Termination benefits	8	-
Share-based payment expenses	157	-
Number of key management personnel	11	12

In 2021 only members of Board, Supervisory board and Chief Executive Officer are assigned to the Company's key management personnel. Consequently, disclosure for comparative period was adjusted.

For share-based payments related to key management personnel – see Note 23.

46 Operating segments

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

Management follows performance by operating segments that are consistent with the lines of business specified in the Group's strategy:

- Networks segment includes the activities carried out by Energijos skirstymo operatorius AB;
- Green generation segment includes activities carried out by Ignitis gamyba AB (Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler), Vilniaus kogeneracinė jėgainė UAB, Kauno kogeneracinė jėgainė UAB, Eurakras UAB, Tuuleenergia OU, Vėjo gūsis UAB, Vėjo vatas UAB, VVP Investment UAB, Ignitis renewables UAB, Pomerania Wind Farm sp. z o. o., Altiplano Elektrownie Wiatrowe B1 Sp. z o. o., Ignitis Renewables Polska Sp. z o. o., Ignitis RES DEV Sp. z o. o., Ignitis renewables projektai, UAB;
- Flexible generation segment includes activities carried out by Ignitis gamyba AB (except Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler).
- Customers and solutions segment includes activities carried out by Ignitis UAB, Ignitis Eesti OÜ, Ignitis Latvija SIA, Ignitis Polska Sp. z o. o., Ignitis Suomi OY.

Other activities and eliminations include:

- support service company (Ignitis grupės paslaugų centras UAB);
- non-core activities companies (Energetikos paslaugų ir rangos organizacija UAB, Duomenų logistikos centras (until 7July 2020) UAB, NT Valdos UAB, Transporto valdymas UAB);
- additional service entities (Elektroninių mokėjimų agentūra UAB, Gamybos optimizavimas UAB);
- parent company Ignitis grupė AB;
- consolidation corrections and eliminations of intercompany transactions.

The Group has a single geographical segment – the Republic of Lithuania. Electricity sales in Latvia, Estonia and Poland are not significant for the Group. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements, i.e. information on profit or loss, including the reported amounts of revenue and expenses. The primary performance measure is adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (adjusted EBITDA – a non-IFRS alternative performance measure). Another performance measure is adjusted Earnings Before Interest and Taxes (adjusted EBIT – a non-IFRS alternative performance measure). Both measures are calculated starting from the data presented in the financial statements as adjusted by management for selected items which are not defined by IFRS. Additionally to adjusted EBITDA and adjusted EBIT management also analyses Investments and Net debt of each individual segment.

All amounts are in EUR thousand unless otherwise stated

The Group management calculates EBITDA as follows:

Total revenue and other income -
Purchases of electricity, gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses

EBITDA

The Group management calculates adjusted EBITDA as follows:

EBITDA +
Management adjustments

Adjusted EBITDA

The Group management calculates EBIT as follows:

Total revenue and other income -
Purchases of electricity, gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses -
Depreciation and amortisation -
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets -
Revaluation of emission allowances

EBIT

The Group management calculates adjusted EBIT as follows:

EBIT +
Management adjustments -
Significant one-off revaluation and impairment losses of property, plant and equipment and intangible assets

Adjusted EBIT

The Group management calculates adjusted EBITDA margin as follows:

Adjusted EBITDA ÷
(Total revenue and other income +
Management adjustments)

Adjusted EBITDA margin

The Group management calculates Investments as follows:

Additions of property, plant and equipment +
Additions of intangible assets +
Assets acquired through the acquisition of subsidiaries +
Additions of other financial assets +
Additions of investment property

Investments

The Group management calculates Net debt as indicated in Note 26.

46.1 Management's adjustments, adjusted EBITDA and adjusted EBIT

Management's adjustments include:

- temporary regulatory differences;
- result from generation before COD;
- significant one-off gains or losses (revenue related to GDRs in 2020, revaluation and impairment losses of property, plant and equipment in 2021)

In 2021, to simplify the reporting the management have decided to cease the use of management's adjustments for:

- cash effect of new connection points and upgrades;
- temporary fluctuations in fair value of derivatives;
- result of disposal of non-current assets;
- impairment and write-offs of current and non-current amounts receivables, loans, goods and others.

In management's view, the reduction of adjustments will help simplify interpretation of the results for intended users of financial statements as well as align main KPI's closer to reporting according to IFRS. For more detailed information on reduction of management's adjustments see Annual report section *'Results'*.

Adjusted EBITDA is EBITDA further adjusted by adding management's adjustments. Management's adjustments all may have both positive and negative impact on the reporting period results. Adjusted EBIT is EBIT further adjusted by adding management's adjustments and eliminating the result of significant one-off revaluation and impairment losses of property, plant and equipment and intangible assets related to electricity and gas assets of Networks segment in 2021.

Management's adjustments used in calculating adjusted EBITDA and adjusted EBIT:

Segment / Management's adjustments	2021	2020 (restated)[1]
Networks		
Temporary regulatory differences of Energijos skirstymo operatorius AB	(23,191)	(43,438)
Green generation		
Temporary regulatory differences of Ignitis gamyba AB	346	566
Property, plant & equipment capitalised positive testing result	7,589	-
Flexible generation		
Temporary regulatory differences of Ignitis gamyba AB	(1,724)	(409)
Customers and Solutions		
Temporary regulatory differences of Ignitis UAB	14,162	(43,306)
Other segments and consolidation adjustment		
Revenue related to GDRs	-	(1,782)
Total Management's adjustments for Adjusted EBITDA	**(2,818)**	**(88,369)**
Networks		
Revaluation and impairment losses of property, plant and equipment	24,843	-
Total Management's adjustments for Adjusted EBIT	**22,025**	**(88,369)**

[1]Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to accounting policy change and reclassifications as disclosed in Note 5 and Alternative performance measurement (hereinafter – APM) calculation changes as disclosed in Annual report section 'Results'.

All amounts are in EUR thousand unless otherwise stated

Adjusted EBIT is presented, for each period, as adjusted EBITDA less depreciation and amortisation expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets and impairment and write-offs of current and non-current amounts receivables, loans, goods and others except significant one-off items (if any).

In managements view, adjusted EBITDA and adjusted EBIT more accurately present results of operations and enable to better compare results between the periods as it indicate the amount that was actually earned by the Group in the reporting year by:
- eliminating differences between the permitted return set by the NERC and the actual return for the period;
- adjusting for effects not related to the main activities of the Group or related to other periods.

46.2 Networks segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management that comprise the impact of temporary regulatory differences resulting from the NERC resolutions and by deducting the current year difference arising between the return on investments permitted by the NERC and estimated by management. For 2021 the adjustment amounted to EUR (23,191) thousand (EUR (43,438) thousand for 2020). This adjustment includes:
- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 27,560 thousand for 2021 (EUR 60,876 thousand during 2020). These amounts are based on resolutions published by the NERC;
- new amounts of temporary regulatory differences formed during the reporting period – EUR (50,751) thousand (EUR (104,314) thousand during 2020). The amounts for current year are based on management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by management using actual financial and operating data for the current period. These temporary regulatory differences also include additional amount calculated after update of regulatory Methodology for determining price caps for electricity transmission, distributionand public supply services by the NERC in October 2021.

Adjusted EBIT result for 2021 is reported after the adjustment that comprise significant one-off effect of revaluation and impairment losses of property, plant and equipment recognized in SPLOCI:
- revaluation effect of electricity related property, plant and equipment of EUR 15,906 thousand;
- impairment effect of gas related property, plant and equipment of EUR 9,077 thousand.

46.3 Green generation segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, adjusted EBITDA and adjusted EBIT) from Kruonis pumped storage power plant regulated services provided by Ignitis gamyba AB, if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR 346 thousand for 2021 (EUR 566 thousand for 2020).

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management that comprise the result from generation before COD (and possible formal completion procedures after COD) of Vilnius CHP's WtE unit (EUR 3,616 thousand) and Pomerania WF (EUR 3,973 thousand). It reflects the result which was capitalised in the Statement of Financial Position according to applicable IAS 16 requirements for the reporting period of 2021. However, amendments to IAS 16 Property, Plant and Equipment to be implemented from 2022 will prohibit a company from deducting from the cost of PPE amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in the SPLOCI. In order to better compare the main financial KPIs in the future (after implementation of IAS 16 amendments) the Management have decided to add an additional adjustment for 2021 figures.

46.4 Flexible generation segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, adjusted EBITDA and EBIT) from Elektrėnai Complex regulated services provided by Ignitis gamyba AB, if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR (1,724) thousand for 2021 (EUR (409) thousand for 2020.

46.5 Customers and Solutions segment

Adjusted EBITDA and adjusted EBIT are reported after the adjustments made by the management eliminating deviations arising in the regulated activities of gas and electricity supply due to the variance between actual and projected prices for the acquisition prices and other components established in the calculation methodology used by the NERC. During 2021 the effect in electricity public supply activities according to management estimate amounted to EUR (3,446) thousand (EUR (43,811) thousand for 2020). During 2021 the effect in gas supply activities according to management estimate amounted to EUR 17,608 thousand (EUR 505 thousand for 2020).

46.6 Other activities and eliminations segment

Adjusted EBITDA and adjusted EBIT for 2020 are adjusted for the amount of revenue related to GDRs (EUR 1,782 thousand) which was collected from GDR holders during IPO process as this was a one-off transaction not related to continued operations of the Group.

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group information on segments for the year 2021:

	Networks	Green generation	Flexible generation	Customers and Solutions	Other activities and eliminations	Total Group
IFRS[1]						
Sales revenue from external customers	535,917	208,787	153,205	990,008	2,482	**1,890,399**
Inter-segment revenue (less dividend)	(3,246)	281	267	19,386	(16,688)	**-**
Total revenue and other income	**532,671**	**209,068**	**153,472**	**1,009,394**	**(14,206)**	**1,890,399**
Purchases of electricity, gas and other services	(255,680)	(82,266)	(86,005)	(955,012)	(992)	**(1,379,955)**
Salaries and related expenses	(53,085)	(8,313)	(7,722)	(10,678)	(17,421)	**(97,219)**
Repair and maintenance expenses	(22,102)	(3,661)	(5,966)	(5)	(10)	**(31,744)**
Other expenses	(33,197)	(15,306)	(14,815)	(17,293)	34,619	**(45,992)**
EBITDA	**168,607**	**99,522**	**38,964**	**26,406**	**1,990**	**335,489**
Depreciation and amortization	(83,177)	(21,047)	(11,357)	(1,746)	(5,141)	**(122,468)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(28,598)	(36)	(82)	-	249	**(28,467)**
Operating profit (loss) (EBIT)	**56,832**	**78,439**	**27,525**	**24,660**	**(2,902)**	**184,554**
Adjusted[2]						
EBITDA	**168,607**	**99,522**	**38,964**	**26,406**	**1,990**	**335,489**
Management adjustments	(23,191)	7,935	(1,724)	14,162	-	**(2,818)**
Adjusted EBITDA	**145,416**	**107,457**	**37,240**	**40,568**	**1,990**	**332,671**
Adjusted EBITDA margin	*28.5%*	*49.5%*	*24.5%*	*4.0%*	*(23.9)%*	***17.6%***
Depreciation and amortisation	(83,177)	(21,047)	(11,357)	(1,746)	(5,141)	**(122,468)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(28,598)	(36)	(82)	-	249	**(28,467)**
Management adjustments	24,843	-	-	-	-	**24,843**
Adjusted operating profit (loss) (adjusted EBIT)	**58,484**	**86,374**	**25,801**	**38,822**	**(2,902)**	**206,579**
Property, plant and equipment, intangible and right-of-use assets	1,654,637	773,091	307,380	6,475	39,571	**2,781,154**
Investments	191,218	32,251	219	2,940	8,267	**234,895**
Net debt	709,951	390,094	(37,520)	474,368	(579,652)	**957,241**

[1] Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements
[2] The indicators of Adjusted EBITDA and adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group information on segments for the year 2020[1]:

	Networks	Green generation	Flexible generation	Customers and Solutions	Other activities and eliminations	Total Group
IFRS[1]						
Sales revenue from external customers	481,300	89,552	109,171	533,245	9,822	**1,223,090**
Inter-segment revenue (less dividend)	906	321	1,706	15,287	(18,220)	**-**
Total revenue and other income	**482,206**	**89,873**	**110,877**	**548,532**	**(8,398)**	**1,223,090**
Purchases of electricity, gas and other services	(194,475)	(22,641)	(64,241)	(437,356)	12,984	**(705,729)**
Salaries and related expenses	(51,368)	(6,310)	(7,129)	(9,876)	(18,110)	**(92,793)**
Repair and maintenance expenses	(24,842)	(2,845)	(6,269)	(5)	(111)	**(34,072)**
Other expenses	(30,422)	(8,200)	(3,489)	(31,278)	17,197	**(56,192)**
EBITDA	**181,099**	**49,877**	**29,749**	**70,017**	**3,562**	**334,304**
Depreciation and amortization	(78,283)	(17,453)	(11,550)	(1,551)	(4,537)	**(113,374)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(4,699)	(19)	(157)	(49)	(1,006)	**(5,930)**
Operating profit (loss) (EBIT)	**98,117**	**32,405**	**18,042**	**68,417**	**(1,981)**	**215,000**
Adjusted[2]						
EBITDA	**181,099**	**49,877**	**29,749**	**70,017**	**3,562**	**334,304**
Management adjustments	(43,438)	566	(409)	(43,306)	(1,782)	**(88,369)**
Adjusted EBITDA	**137,661**	**50,443**	**29,340**	**26,711**	**1,780**	**245,935**
Adjusted EBITDA margin	*31.4%*	*55.8%*	*26.6%*	*5.3%*	*(67.7)%*	***21.7%***
Depreciation and amortisation	(78,283)	(17,453)	(11,550)	(1,551)	(4,537)	**(113,374)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(4,699)	(19)	(157)	(49)	(1,006)	**(5,930)**
Adjusted operating profit (loss) (adjusted EBIT)	**54,679**	**32,971**	**17,633**	**25,111**	**(3,763)**	**126,631**
Property, plant and equipment, intangible and right-of-use assets	1,616,944	748,811	326,318	6,633	19,564	**2,718,270**
Investments	141,107	197,045	1,521	3,151	3,969	**346,793**
Net debt	680,701	349,948	(37,732)	29,365	(421,944)	**600,338**

[1] Certain amounts presented above do not correspond to the consolidated financial statements prepared for the period of 2020 due to change of accounting policy as disclosed in the Note 5 and APM calculation changes as disclosed in Annual report section 'Results'.

[2] Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements

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

All amounts are in EUR thousand unless otherwise stated

47 Fair values of financial instruments

47.1 Financial instruments, measured at fair value

The Group's derivative financial instruments (Level 2 of the fair value hierarchy), amounts receivable for sale of LitGrid AB shares (Level 3 of the fair value hierarchy), investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" (Level 3 of the fair value hierarchy), the Group's option right to acquire shares in subsidiary (Level 2 of the fair value hierarchy) are measured at fair value.

As at 31 December 2021 and 2020, the Group accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2020 – 0.298%).

As at 31 December 2021 and 2020, the Group accounted for the option to acquire all the shares of Kauno kogeneracinė jėgainė UAB held by Gren Lietuva UAB (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to Gren Lietuva UAB for the redeemable Gren Lietuva UAB owned Kauno kogeneracinė jėgainė UAB shares, if they choose to sell them, equals the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of market value). Fair value corresponds to level 2 in the fair value hierarchy.

As at 31 December 2021 and 2020, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 2.11.3. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange.

As at 31 December 2021 and 2020, the Group has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The Group accounts for financial asset at fair value and their accounting policies are set out in Note 13. Fair value corresponds to level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on investment rounds (Note 13). Fair value of this financial asset will change depending on future investment rounds or other significant events.

47.2 Financial instruments for which fair value is disclosed

The Group's fair value of loans granted is approximately equal to carrying amount. The measurement of financial assets related to the loans issued is attributed to Level 3 of the fair value hierarchy.

The Group's bond issue debt (Note 25) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.90% as at 31 December 2021 (31 December 2020 – 2.186%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that are similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities to commercial banks and state-owned investment banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76% as at 31 December 2021 (31 December 2020 – 2.56%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

47.3 Financial instruments' fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2021:

	Note	Carrying amount	Level 1	Level 2	Level 3	In total
			Quoted prices in active markets	Other directly or indirectly observable inputs	Unobservable inputs	
Financial instruments measured at fair value through profit (loss) or other comprehensive income						
Assets						
Receivable for the sale of LitGrid AB	18	**84,128**	-	-	84,128	**84,128**
Derivative financial instruments	33	**13,483**	-	13,483	-	**13,483**
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB	13	**25,094**	-	-	25,094	**25,094**
Liabilities						
Put option redemption liability	32	**20,919**	-	20,919	-	**20,919**
Derivative financial instruments	33	**71,452**	-	71,452	-	**71,452**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	11,18	**3,742**	-	-	3,742	**3,742**
Liabilities						
Bonds issued	25	**897,667**	-	856,215	-	**856,215**
Debt liabilities to commercial banks	25	**230,992**	-	230,049	-	**230,049**
Debt liabilities to state-owned investment banks	25	**226,692**	-	191,393	-	**191,393**

All amounts are in EUR thousand unless otherwise stated

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2020:

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at fair value through profit (loss)						
Assets						
Receivable for the sale of LitGrid AB	11,18	**150,693**	-	-	150,693	**150,693**
Derivative financial instruments	33	**3,311**	-	3,311	-	**3,311**
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB	13	**4,912**	-	-	4,912	**4,912**
Liabilities						
Put option redemption liability	32	**16,660**	-	16,660	-	**16,660**
Derivative financial instruments	33	**2,202**	-	2,202	-	**2,202**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	11,18	**1,908**	-	1,908	-	**1,908**
Liabilities						
Bonds issued	25	**896,088**	-	894,158	-	**894,158**
Debt liabilities to commercial banks	25	**136,262**	-	130,808	-	**130,808**
Debt liabilities to state-owned investment banks	25	**229,254**	-	196,045	-	**196,045**

48 Business combinations

One of the Group's development directions is investments in renewable energy sources, therefore company engaged in the development of wind parks was acquired in 2021.

On 21 December 2021, the Group acquired a 100% shareholding in Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. from the legal persons. As at 31 December 2021, ownership rights of shares were held by the Group. The total consideration paid for Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. amounted to EUR 9,545 thousand. As at 31 December 2021, the investment was fully paid and paid in cash.

The Group applied the acquisition accounting method to account for these business combinations according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the businesses and the fair value of the net assets acquired represents other intangible assets identified during business combination. As at 31 December 2021, the Group's management carried out the preliminary assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Note	
Assets acquired		
Property, plant and equipment	7	2,785
Right-of-use assets	8	3,216
Prepayments for non-current assets		653
Current receivables		1,068
Other intangible assets identified during business combination	6	10,030
Liabilities assumed		
Non-current lease liabilities	26	(2,697)
Current lease liabilities	26	(71)
Deferred tax liabilities	41	(1,915)
Trade payables		(3,524)
Total identifiable net assets acquired		**9,545**
Net cash flows from acquisition of subsidiary		
Cash paid to sellers of shares		(9,545)
Net cash flows		**(9,545)**

The Group incurred acquisition-related costs for an amount of EUR 383 thousand on transfer tax, legal fees and due diligence costs. These costs have been included in SPLOCI Other expenses.

Other intangible assets identified during business combination comprise the right to produce electricity with an incentive rate. Multi-period excess earnings method was used measuring fair value of other intangible assets: It considers the present value of net cash flows expected to be generated by the production of electricity with an incentive rate, by excluding any cash flows related to contributory assets.

The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of profit or loss and OCI for the reporting period are not significant.

The revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period do not significantly differ from the ones presented.

All amounts are in EUR thousand unless otherwise stated

49 Remuneration to auditors

Following Group's remuneration to the independent audit firms:

	2021	2020
Audit of the financial statements under the agreements (KPMG Baltics, UAB)	548	-
Audit of the financial statements under the agreements (Ernst & Young Baltic, UAB)	61	503
Assurance and other related services	-	2
Initial public offering related services	-	117
Bonds issue related services	-	87
Expenses of other services	93	-
In total	**702**	**709**

50 Events after the reporting period

50.1 Events related to litigation and claims

Litigations with subcontractors regarding the Vilniaus kogeneracinė jėgainė UAB construction works

In one of the claims, mentioned in note 44.1.5, between Vilniaus kogeneracinė jėgainė UAB its and subcontractors (Ulava UAB), on 1 February 2022 Vilnius Regional Court dismissed all subcontractor's claims as unfounded.

50.2 Other events

Intent to establish a subsidiary in Latvia

On 25 January 2022 the Management Board of the Group approved the decision to establish a new subsidiary of Ignitis renewables UAB (hereinafter – Ignitis Renewables) in Latvia. On 13 August 2021 the Group announced about the acquisition of three wind farm projects in Latvia. Ignitis Renewables would own 100% of shares of the company established in Latvia

Termination of agreement to acquire portfolio of solar PV projects under development in Poland

On 21 February 2022 Group's company Ignitis Renewables terminated the conditional SPA agreement to acquire up to 170 MW portfolio of solar PV projects under development in Poland (Note 13.2). Advance payments paid to the developer (around EUR 3,800 thousand) will be fully returned to Ignitis renewables. The Group and Ignitis renewables will suffer no loss in respect of this transaction.

There were no other significant events after the reporting period till the issue of these financial statements.

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6.2 Parent company's financial statements

Prepared for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union

The parent company's financial statements were prepared and signed by AB "Ignitis grupė" management on 24 February 2022:

Darius Maikštėnas
Chief Executive Officer

Darius Kašauskas
Chief Financial Officer

Giedruolė Guobienė
UAB "Ignitis grupės paslaugų centras",
Head of Accounting acting under
Order No IS-11-22
(signed 14 February 2022)

Statement of Financial Position

As at 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Intangible assets		1,839	1,874
Property, plant and equipment		64	55
Right-of-use assets	5	17,602	520
Investment property		77	77
Investments in subsidiaries	6	1,255,858	1,239,045
Non-current receivables	7	1,088,397	890,114
Other financial assets	10	25,094	4,912
Other non-current assets	11	-	19,050
Deferred tax assets	27	513	643
Total non-current assets		**2,389,444**	**2,156,290**
Current assets			
Prepayments and deferred expenses		80	51
Trade receivables		494	313
Other receivables	8	184,597	14,754
Other current assets	11	20,014	45,000
Current loans and interest receivable	9	136,452	73,956
Cash and cash equivalents	12	125,323	421,289
		466,960	**555,363**
Assets held for sale		-	-
Total current assets		**466,960**	**555,363**
TOTAL ASSETS		**2,856,404**	**2,711,653**
EQUITY AND LIABILITIES			
Equity			
Issued capital	14	1,658,756	1,658,756
Treasury shares	14	(23,000)	-
Reserves	15	88,059	82,330
Reserve for treasury shares	15	23,000	-
Retained earnings (deficit)		186,393	71,869
Total equity		**1,933,208**	**1,812,955**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	17	888,524	886,945
Non-current lease liabilities	19	15,994	267
Other non-current amounts payable and liabilities		9	-
Total non-current liabilities		**904,527**	**887,212**
Current liabilities			
Loans	17	9,143	9,143
Lease liabilities	19	1,755	253
Trade payables		976	461
Advances received		99	50
Other current amounts payable and liabilities	20	6,696	1,579
Total current liabilities		**18,669**	**11,486**
Total liabilities		**923,196**	**898,698**
TOTAL EQUITY AND LIABILITIES		**2,856,404**	**2,711,653**

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	2021	2020
Revenue from contracts with customers	21	3,201	4,886
Other income		2,798	1,464
Dividend income	22	222,760	120,163
Total revenue and other income		**228,759**	**126,513**
Salaries and related expenses		(4,918)	(5,437)
Depreciation and amortisation		(716)	(274)
(Impairment) / reversal of impairment of investments in subsidiaries	6	-	(4,083)
(Impairment) / reversal of impairment of amounts receivable and loans		-	806
Other expenses	23	(4,271)	(4,309)
Total expenses		**(9,905)**	**(13,297)**
Operating profit (loss)		**218,854**	**113,216**
Finance income	24	38,561	20,007
Finance expenses	25	(26,166)	(19,077)
Finance activity, net		**12,395**	**930**
Profit (loss) before tax		**231,249**	**114,146**
Current year income tax (expenses)/benefit	26	(51)	-
Deferred tax (expenses)/benefit	27	360	441
Net profit for the year		**231,558**	**114,587**
Total other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		**231,558**	**114,587**
Attributable to:			
Equity holders of the parent		231,558	114,587
Non-controlling interests		-	-
Basic earnings per share (in EUR)	14.3	**3.12**	**1.94**
Diluted earnings per share (in EUR)	14.3	**3.12**	**1.94**
Weighted average number of shares	14.3	**74,232,665**	**59,037,855**

Statement of Changes in Equity

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	Issued capital	Treasury shares	Share premium	Legal reserve	Treasury shares reserve	Retained earnings	Total
Balance as at 1 January 2020		**1,212,156**	**-**	**-**	**80,720**	**-**	**36,525**	**1,329,401**
Net profit for the year		-	-	-	-	-	114,587	**114,587**
Other comprehensive income		-	-	-	-	-	-	**-**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**-**	**114,587**	**114,587**
Issue of share capital	14	446,600	-	3,400	**-**	-	-	**450,000**
Transaction costs	14	-	-	(3,400)	**-**	-	(7,633)	**(11,033)**
Dividends	22	-	-	-	-	-	(70,000)	**(70,000)**
Transfers to legal reserve	15	-	-	-	1,610	-	(1,610)	**-**
Balance as at 31 December 2020		**1,658,756**	**-**	**-**	**82,330**	**-**	**71,869**	**1,812,955**
Balance as at 1 January 2021		**1,658,756**	**-**	**-**	**82,330**	**-**	**71,869**	**1,812,955**
Net profit for the year		-	-	-	-	**-**	**231,558**	**231,558**
Other comprehensive income		-	-	-	-	-	-	**-**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**-**	**231,558**	**231,558**
Transfer to reserves to acquire treasury shares	15	-	-	-	-	23,000	(23,000)	**-**
Treasury shares acquired	14	-	(23,000)	-	-	-	(3,674)	**(26,674)**
Transfers to legal reserve	15	-	-	-	5,729	-	(5,729)	**-**
Dividends	22	-	-	-	-	-	(86,763)	**(86,763)**
Share-based payments	16	-	-	-	-	-	162	**162**
Other movement	22	-	-	-	-	-	1,970	**1,970**
Balance as at 31 December 2021		**1,658,756**	**(23,000)**	**-**	**88,059**	**23,000**	**186,393**	**1,933,208**

Statement of Cash Flows

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

	Notes	2021	2020
Cash flows from operating activities			
Net profit for the year		231,558	114,587
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		716	274
Fair value changes of financial instruments		(13,784)	-
Impairment/(reversal of impairment) of financial assets		-	(806)
Impairment/(reversal of impairment) of investments in subsidiaries	6	-	4,083
Income tax expenses/(income)	26	(309)	(441)
Increase/(decrease) in provisions		-	-
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		(2,793)	(1,445)
Share-based payments expenses	16	157	-
Other expenses of investing activities		23	-
Interest income	24	(22,692)	(20,007)
Interest expenses	25	20,923	18,336
Dividends	22	(222,760)	(120,163)
Other expenses of financing activities		3,157	741
Changes in working capital:			
(Increase)/decrease in trade receivables and other receivables		59,009	5,182
(Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets		44,007	(63,925)
Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities		447	(1,713)
Income tax (paid)/received		490	561
Net cash flows from (to) operating activities		**98,149**	**(64,736)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(34)	-
Proceeds from sale of assets held for sale	13	-	6,167
Loans granted		(487,378)	(234,250)
Loan repayments received		92,060	245,279
Acquisition of a subsidiary	6	(19,031)	(47,588)
Interest received	24	20,770	18,556
Dividends received	22	122,320	120,163
Return of capital from subsidiaries	6	4,997	-
Other increases/(decreases) in cash flows from investing activities		3,504	-
Net cash flows from investing activities		**(262,792)**	**108,327**
Cash flows from financing activities			
Issue of share capital	14	-	450,000
Transaction costs	14	-	(11,033)
Issue of bonds	18	-	295,657
Repayments of loans	18	-	(82,246)
Lease payments	18	(512)	(261)
Interest paid	18	(19,344)	(13,272)
Dividends paid	22	(86,763)	(70,000)
Dividends returned	22	1,970	-
Repurchase of treasury shares	14	(26,674)	-
Net cash flows from financing activities		**(131,323)**	**568,845**
Increase/(decrease) in cash and cash equivalents (including overdraft)		**295,966**	**612,436**
Cash and cash equivalents (including overdraft) at the beginning of the year	12	421,289	(191,147)
Cash and cash equivalents (including overdraft) at the end of the year	12	**125,323**	**421,289**

All amounts are in EUR thousand unless otherwise stated

Explanatory Notes

For the year ended 31 December 2021
All amounts are in EUR thousand unless otherwise stated

1 General information

Ignitis grupė AB (hereinafter "the Company" or "parent company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. On 5 October 2020 the Company has increased its share capital and on 7 October 2020 the Company has executed initial public offering (hereinafter "IPO") distributing the increased share capital between private and institutional investors. Acquisition of own shares was performed by Ignitis grupė AB during December 2021.

The Company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The Company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044. The Company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange . The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2021.

The Company is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 6) engaged in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the electricity sector, management and coordination of activities.. The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

The Company analyses the activities of group companies, represents the whole group, implements its shareholders' rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc. The Company seeks to ensure effective operation of group companies, implementation of goals related to the Group's activities set forth in the National Energy Independence Strategy and other legal acts, ensuring that it builds a sustainable value in a socially responsible manner.

The Company's principal shareholder is the State of the Republic of Lithuania (73.08%):

Shareholder of the Company	31 December 2021		31 December 2020	
	Share capital, in EUR '000	%	Share capital, in EUR '000	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212,156	73.08	1,212,156	73.08
Other shareholders	418,838	25.25	446,600	26.92
Own shares	27,762	1.67	-	-
	1,658,756		**1,658,756**	

These financial statements were prepared and signed for issue by Group's management on 24 February 2021.

The Company's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Company's financial statements for the year ended 31 December 2021 are summarized below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter – IFRS). Reporting period of these financial statements is one year ended 31 December 2021.

The Company's financial statements as at and for the year ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical cost (hereinafter "acquisition costs"), except for certain financial instruments measured at fair value.

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

2.2 New standards, amendments and interpretations

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the year ended as at 31 December 2021. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

Standards or amendments that came into force during 2021
COVID-19-Related Rent Concessions (Amendment to IFRS 16)
Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

2.2.2 Standards issued but not yet effective and not early adopted

The Company did not adopt new IFRS, International Accounting Standards (hereinafter – IAS), their amendments and interpretations issued by International Accounting Standards Board (hereinafter – IASB), the effective date of which is later than 31 December 2021 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

All amounts are in EUR thousand unless otherwise stated

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. Amendments are endorsed for application in European Union.

The Company does not have significant onerous contracts therefore the Company's management determined that these amendments have no significant impact on the Company's financial statement.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in European Union (hereinafter – EU).

The management of the Company is currently assessing the impact of these amendments on the financial statements.

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	Endorsed
Property, Plant and Equipment: Proceeds before they are capable of operating in the manner intended by management (Amendments to IAS 16)	1 January 2022	Endorsed
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	Not yet endorsed
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Not yet endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Not yet endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Not yet endorsed

2.3 Foreign currency translation

2.3.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss of SPLOCI.

2.4 Intangible assets

The Company's intangible assets consist of patents and licenses which are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives which are of 3 to 5 years or a specific validity term. Useful life is reviewed on year-by-year basis.

The Company recognised the assets from future synergies that were identified on the acquisition of assets of TE-3 from Vilniaus Šilumos Tinklai AB on 12 October 2017. The benefit of synergies is realised by ensuring the connection of Vilnius co-generation power plant, which is constructed by the Company's subsidiary and other objects of the Company's subsidiaries to the heat distribution infrastructure of Vilnius city.

2.5 Right-of-use assets

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

2.5.1 Initial measurement of right-of-use assets

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises these costs as part of the cost of right-of-use asset when the Company incurs an obligation for these costs.

All amounts are in EUR thousand unless otherwise stated

2.5.2 Subsequent measurement of right-of-use assets

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

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

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

2.6 Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position at acquisition cost less impairment loss, when the investment's carrying amount exceeds its estimated recoverable amount. An adjustment to the value is made to write-down the difference as expense in SPLOCI. If the basis for the write-down can no longer be justified at the statement of financial position date, it is reversed. If there is a present obligation to cover a deficit in subsidiaries, a provision is recognised for this.

2.7 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amount of its intangible assets, property, plant and equipment and right-of-use assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit (loss).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit.

2.8 Financial instruments

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

2.8.1 Financial assets

The Company classifies their financial assets into the following three categories:
(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"); and
(iii) financial assets subsequently measured at fair value through profit or loss (hereinafter "FVPL").

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

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in SPLOCI. Impairment losses are accounted for as other expenses in SPLOCI.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's-management regarding separate instruments have no effect on the applied business model. The Company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI as the Company does not have this kind of assets, is as follows:

All amounts are in EUR thousand unless otherwise stated

2.8.1.1 Financial assets at amortised cost

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

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

2.8.1.2 Financial assets at FVPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVPL.

The Company classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss of SPLOCI in the period in which it arises. The Company classifies in this category amounts receivable from EPSO-G (Note 8.1), investments to mutual fund units or equity instruments that do not meet the SPPI conditions.

2.8.1.3 Effective interest method

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

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

2.8.1.4 Impairment of financial assets – expected credit losses (hereinafter "ECL")

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

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

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

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

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

The Company assesses impairment of amounts receivable individually or collectively, as appropriate.

The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime ECL in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

Recognition stages of ECL:
1. upon granting of a loan, the Company recognises ECL for the twelve-month period. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL;
2. upon establishing that the credit risk related to the borrower has significantly increased, the Company accounts for the lifetime expected credit losses of the loan agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL;
3. where the Company establishes that the recovery of the loan is doubtful, the Company classifies this loan as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan is calculated on the carrying amount of financial assets which is reduced by the amount of ECL.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.
The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

All amounts are in EUR thousand unless otherwise stated

2.8.1.5 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2.8.1.6 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

2.8.2 Financial liabilities and equity instruments issued

2.8.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.8.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVPL;
- financial liabilities at amortised cost (loans, borrowings and other payables not measured at FVPL).

2.8.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL.

2.8.2.4 Financial liabilities at amortised cost

All financial liabilities of the Company are attributed to this category. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss of SPLOCI when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interests. The effective interests amortisation is included as finance costs in SPLOCI.

This category generally applies to trade payables, interest-bearing loans and borrowings. The Company's financial liabilities include the following:

2.8.2.5 Classification

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

All amounts are in EUR thousand unless otherwise stated

2.8.2.6 Financial guarantee contracts

The Company provides financial guarantees to subsidiaries in relation to loans taken from banks or other liabilities and receives a consideration, which is recognised in SPLOCI on an accrual basis. The fair value of financial guarantee is determined based on present value which corresponds to the reduced payments that subsidiaries would pay to banks if the guarantee would not be received from the Company. If the consideration corresponds to a reduction of payments, the Company does not account for financial guarantees as their fair value approximate to 0, while subsidiaries recognise the liability at fair value including the value of the guarantee provided. If the consideration is at lower amount than the reduction of payments, the Company recognise the fair value of financial guarantee as 'Investment in subsidiary' and accordingly 'Financial guarantee obligation' in its separate financial statements, while subsidiaries recognise the liability without the guarantee and the difference recognized as a capital contribution. The methods to determine expected credit losses for financial guarantee contracts are used as for financial assets (see in Note 2.8.1.4 in heading 'Impairment of financial assets – expected credit losses'). Financial guarantee contracts are measured at the higher of expected credit loss and the amount, that is initially recognised less any cumulative amount of income/amortisation recognised. No expected credit losses were identified as at 31 December 2021.

2.8.2.7 Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

2.8.2.8 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

2.8.2.9 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in SPLOCI.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under liabilities within current borrowings in the statement of financial position.

2.10 Issued capital, share premium, treasury shares

2.10.1 Issued capital, share premium

Ordinary shares are classified as equity. The Company's issued capital consists only of ordinary shares.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

2.10.2 Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (market value of share price).

During 2021 share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

2.10.3 Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

All amounts are in EUR thousand unless otherwise stated

2.11 Lease liabilities

At the commencement date of the lease the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2.11.1 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.12 Current and deferred tax

2.12.1 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. Standard corporate income tax rate applicable in Lithuania is 15 percent.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature In terms of utilizing tax losses carried-forward the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

The prepaid income tax and recognised income tax liabilities are offset in the statement of financial position of the Company when they relate to the same taxation authority.

2.12.2 Deferred tax

Deferred tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. These assets and liabilities are not recognised when temporary differences arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets could be utilised in full or in part. Deferred tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred tax liability is settled.

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

2.12.3 Current and deferred tax for the reporting period

Current and deferred tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

2.13 Employee benefits

2.13.1 Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter "the Fund") on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

2.14 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.15 Revenue from contracts with customers

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

(i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and

(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

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

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

2.15.1 Management services

The Company provides management services to its subsidiaries. The control of management services is transferred over time and, therefore, the Company satisfies a performance obligation and revenue is recognised over time. The Company has concluded that it is the principal in its revenue arrangements.

For measuring a progress towards to complete satisfaction of a performance obligation the Company applies a practical expedient allowed by IFRS 15. As the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance completed to date, the Company recognises revenue in the amount to which it has a right to invoice. The Company bills a fixed amount for each hour of service provided.

Payment term is 30 days from the date of invoice issued for the services rendered in past month. The contract has no significant financing component as there is no significant length of time between the payment and the transfer of services.

After one calendar year of providing services the Company recalculates the price of the provided services, taking into account its actual costs incurred in providing these services to the customer and adjusts the amount payable by the customer accordingly.

2.15.2 Contract balances

2.15.2.1 Contract assets and contract liabilities

The timing of satisfaction of the Company's performance obligation and typical timing of payment is determined according to service report which is reviewed and approved by the customer. After approval the services are recognised as satisfactory rendered to the customer. During the reporting period the Company had no contract liability or contract assets.

2.15.2.2 Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.8.1

2.16 Dividend income

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows.

2.17 Expense recognition

Expenses are recognised in SPLOCI as incurred applying accrual basis.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in the notes to the financial statements.

2.20 Related parties

Related parties are defined as follow:

- Group companies
- parent company's controlling shareholders or those who have significant influence
- associated companies
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies)
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies)
- key management personnel and close members of that personnel's family and their controlled enterprises and companies

2.21 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

All amounts are in EUR thousand unless otherwise stated

2.22 Fair value

Fair value is defined by IFRS as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 Financial risk management

3.1 Financial risk factors

The Company is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the Company seeks to mitigate the impact of factors which could adversely affect the Company's financial performance results.

3.1.1 Market risk

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

3.1.1.1 Foreign currency exchange risk

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

The Company's sale/purchase transactions are denominated in euros, therefore does not bear the risk of foreign exchange rate fluctuations.

3.1.1.2 Interest rate risk

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

The Company's income and cash flows are affected by fluctuations in market interest rates because the loans granted had fixed and variable interest rates as at 31 December 2021, therefore, it is exposed to interest rate risk.

The Company has loans granted and borrowings bearing fixed interest rate. However, if the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount, interest rate derivatives would be used for the purpose of interest management (the Company did not use such derivatives during 2021 and 2020). In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Variable-rate financial instruments include loans granted in amount EUR 79,443 thousand as at 31 December 2021 (EUR 93,581 thousand as at 31 December 2020) (Note 7.2).

All amounts are in EUR thousand unless otherwise stated

Interest rate risk is assessed in relation to sensitivity of the Company's profit to potential shift in interest rates. This assessment is given in the table below.

	Increase/decrease, pp	(Decrease)/increase in profit
2021	0,3 / (0,3)	44 / (44)
2020	0,3 / (0,3)	50 /(50)

3.1.2 Credit risk

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

The Company's exposure to credit risk arises from operating activities (other amounts receivable) and from financing activities (cash and cash equivalents, loans granted).

The Company is not exposed to significant credit risk concentration related to other amounts receivable. As at 31 December 2021 and 2020, other receivables of the Company principally consisted of the EPSO-G outstanding receivables for the sale of LitGrid AB shares in year 2012 (Note 8). The Company is exposed to credit risk concentration related to loans granted (Note 7), although principally all loans granted are due from related parties (Note 29). The Company is evaluating cash flows and financial results of these related parties, no impairment is recognised for the investments into subsidiaries to related parties to which loans are granted. Due to that Company does not consider that risk related to concentration of loans granted is significant.

The priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

	Notes	31 December 2021	31 December 2020
Financial assets measured at amortised cost:			
Non-current receivables	7	1,088,397	753,902
Trade receivables		494	313
Other receivables	8	100,469	14,754
Current loans	9	136,452	73,956
Cash and cash equivalents	12	125,323	421,289
Financial assets at FVPL in SPLOCI			
Amount receivable on sale of LitGrid AB	7, 8	84,128	150,693
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB	10	25,094	4,912
		1,560,357	**1,419,819**
Off-balance sheet commitments:			
Open guarantees issued	28	356,761	316,227
In total		**1,917,118**	**1,736,046**

3.1.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the Company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support the Company's ordinary activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2021, the Company's current liquidity ratio (total current assets/total current liabilities) was 25.01 (31 December 2020 – 48.35). As at 31 December 2021, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 110,000 thousand (31 December 2020 – EUR 267,896 thousand).

To support the fulfilment of obligation of the Group companies to credit institutions and other creditors, the Company issued guarantees in the amount of EUR 351,971 thousand as at 31 December 2021 (31 December 2020 – EUR 371,227 thousand) (Note 28).

The table below summarises the Company's financial liabilities by category:

	Notes	31 December 2021	31 December 2020
Amounts payable measured at amortised cost			
Borrowings	17	897,667	896,088
Non-current amounts payable		9	-
Trade payables		976	461
Other current amounts payable and liabilities	20	5,312	124
In total		**903,964**	**896,673**

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

	2021				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Borrowings and lease liabilities	6,650	29,094	88,650	911,857	**1,036,251**
Trade payables and non-current amounts payable to suppliers	976	-	9	-	**985**
In total	**7,626**	**29,094**	**88,659**	**911,857**	**1,037,236**

	2020				
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	In total
Borrowings and lease liabilities	4,358	22,216	69,596	945,011	**1,041,181**
Trade payables and non-current amounts payable to suppliers	461	-	-	-	**461**
In total	**4,819**	**22,216**	**69,596**	**945,011**	**1,041,642**

All amounts are in EUR thousand unless otherwise stated

3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2021, the Company met requirements of capital regulation.

When managing the capital risk in a long run, the Company seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

The Board of the Company has an approved dividend policy, which sets principles for the payment of dividends for all the Group companies. The dividend policy is one of capital risk management tools.

On 3 September 2020 the Board of the Company approved a new dividend policy of the Company. Under the new dividend policy, the Company will pay EUR 85 million in dividends for the financial year 2020. For each subsequent financial year, it will allocate at least 3 percent more than the amount paid for the previous financial year.

On 15 December 2020 the Board of the Company approved the updated dividend policy of companies owned by Ignitis Group. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries. According to the updated Dividend Policy of Owned Companies, a subsidiary owned by the Company shall allocate dividends for the financial year or a period shorter than the financial year using at least 80 percent of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exceptions for paying dividends by subsidiaries may apply if certain conditions are met.

4 Critical accounting estimates and judgements used in the preparation of the financial statements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the Company's financial statements in the future.

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

4.1 Impairment of investments

On 31 December 2021, the Company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. The Company considered information from external and internal sources of information.

For the purpose to determine impairment indications it is assessed whether at least one of the following conditions exists (except for early stage companies):
1. actual adjusted EBITDA (Earnings Before Interests Taxes Depreciations and Amortizations) is less than budgeted adjusted EBITDA;
2. the actual adjusted net profit is less than the actual dividends paid;
3. carrying amount of investment is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications.

Additionally, the management assessed whether during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate.

The management did not find any impairment indications in all investments except investment to Energijos skirstymo operatorius AB and Ignitis UAB (see below).

Impairment indications - subsidiary Energijos skirstymo operatorius AB:

Electricity distribution activity
- a) additional tariff component which will increase electricity distribution income by EUR 28 million yearly;
- b) recalculated the base of electricity distribution assets which decreased from EUR 1,414 to 1,097 million;
- c) the difference of depreciation and investments return for the period 2018-2021, which comprise EUR 160 million, from which the part of 96% would be returned to the customers during 2032-2036 via distribution tariff after the Group management estimations.

All amounts are in EUR thousand unless otherwise stated

Gas distribution activity

a) management determined that planned investments to the gas business segment and its financing presumptions were changed in updated 10-year investment plan

Impairment indications - subsidiary Ignitis UAB:

a) Changes in regulatory environment.

Having identified impairment indications for investments in subsidiaries, the Company estimated the recoverable amount. The estimation showed that no additional impairment nor impairment reversal is needed for investments into subsidiaries as at 31 December 2021 (Note 6).

4.2 COVID-19 pandemic

The Company's management has assessed the impact of COVID-19 pandemic uncertainty to the following key areas:

1. Going concern
2. Impairment, residual value and useful life of property, plant and equipment
3. Assessment of expected credit losses
4. Classification of financial instruments as current and non-current
5. Lease contracts

The Company's management has not identified any significant threats in assessing the potential impact of key COVID-19 factors on the Company's results.

4.3 Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB

On 26 July 2017 the Company signed the establishment agreement of the limited partnership "Smart Energy Fund powered by Ignitis Group" (hereinafter – the Partnership) with UAB Contrarian Ventures. Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (hereinafter – "SEF") invests in start-ups that are developing new technologies in the energy technology field and other fields. According to the Partnership there is one full member - UAB Contrarian Ventures, which acts on behalf of the SEF, has the right to manage SEF, makes decisions on the management of SEF affairs, concludes transactions on behalf of the SEF. All other SEF members (including the Company) acts under the Partnership Participant Agreement. Investment decisions are made and approved by the Investment Committee, which is made up solely of Key-men that are shareholders of Contrarian Ventures UAB.

By the management's judgment the Company does not have control over the Partnership because, under the terms of the Partnership, the Company does not have the power to manage the activities of the SEF as the Company is not a partner of SEF, investment decisions are made in accordance with SEF investment strategy or approved by the Investment Committee, where the Company has only observer.

Total amount of the investment to Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB increased for an amount EUR 20,182 thousand during the year 2021.

The fair value gain of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB recognised for an amount EUR 15,868 thousand and is presented as "Finance income" in SPLOCI during 2021. The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 30).

Remaining change is related to new investments made during 2021 for an amount EUR 3,504 thousand and reclassification from non-current receivables EUR 810 thousand.

Fair value corresponds to Level 3 in the fair value hierarchy. Fair value of this financial asset will change depending on future investment rounds or other significant events

4.4 Option agreement over Kauno kogeneracinė jėgainė UAB shares

As at 31 December 2021, the Company held 51% shareholding in Kauno kogeneracinė jėgainė UAB (hereinafter "KKJ"), and the remaining 49% of shares was held by Gren Lietuva UAB..

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Company has an option to buy (call option) all the shares of KKJ held by Gren Lietuva UAB and thus, whereas Gren Lietuva UAB has an option to sell (put option) to the Company its shareholding in KKJ, for the price, the calculation of which is defined in the Shareholders' Agreement.

In the Company's management view, the call option is a derivative instrument. The option is exercisable at the amount which approximates fair value of the underlying shares at the date of exercise (both put and call option). In management view, the fair value of the derivative is not significant.

4.5 Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter "IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Average incremental borrowing rate set for new significant agreements made in 2021 was 1.4%.

All amounts are in EUR thousand unless otherwise stated

5 Right-of-use assets

Movement on Company's account of right-of-use asset is presented below:

	Buildings	Vehicles	In total
31 December 2019			
Acquisition cost	829	198	**1,027**
Accumulated depreciation	(144)	(45)	**(189)**
Carrying amount	**685**	**153**	**838**
Carrying amount as at 1 January 2020	**685**	**153**	**838**
Additions	(60)	2	**(58)**
Depreciation	(210)	(50)	**(260)**
Carrying amount as at 31 December 2020	**415**	**105**	**520**
31 December 2020			
Acquisition cost	432	168	**600**
Accumulated depreciation	(17)	(63)	**(80)**
Carrying amount	**415**	**105**	**520**
Carrying amount at 1 January 2021	**415**	**105**	**520**
Additions	17,986	14	**18,000**
Write-offs	(259)	-	**(259)**
Depreciation	(606)	(53)	**(659)**
Carrying amount	**17,536**	**66**	**17,602**
31 December 2021			
Acquisition cost	17,986	135	**18,121**
Accumulated depreciation	(450)	(69)	**(519)**
Carrying amount	**17,536**	**66**	**17,602**

During the year 2021 the Company concluded a new lease agreement for office premises and car parking spaces with the lease term 10 years and carrying amount of EUR 17,536 thousand as at 31 December 2021.

5.1 Expenses related to lease agreements recognised in SPLOCI

The Company's lease expenses recognised in SPLOCI were as follows:

	2021	2020
Depreciation	659	260
Interest charges	84	1
Expenses related to short-term leases (other expenses)	56	44
Lease expenses, total	**799**	**305**

5.2 Future expenses related to lease agreements

The Company's future lease expenses:

	31 December 2021	31 December 2020
Future expenses related to short-term leases	62	-
Leases not yet commenced to which the lessee is committed	-	17,986
Future lease expenses, total	**62**	**17,986**

All amounts are in EUR thousand unless otherwise stated

6 Investments in subsidiaries

Information on the Company's investments in subsidiaries as at 31 December 2021 provided below:

	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
Energijos skirstymo operatorius AB	750,422	-	750,422	100.00	100.00
Ignitis gamyba AB	321,202	-	321,202	100.00	100,00
Ignitis renewables UAB	54,156	-	54,156	100.00	100.00
Vilniaus kogeneracinė jėgainė UAB	52,300	-	52,300	100.00	100.00
Ignitis UAB	47,138	-	47,138	100.00	100.00
Kauno kogeneracinė jėgainė UAB	20,400	-	20,400	51.00	51.00
Ignitis grupės paslaugų centras UAB	5,975	-	5,975	50.47	100.00
Transporto valdymas UAB	2,359	-	2,359	100.00	100.00
Elektroninių mokėjimų agentūra UAB	1,428	-	1,428	100.00	100.00
Gamybos optimizavimas UAB	350	-	350	100.00	100.00
NT Valdos UAB	3,961	(3,833)	128	100.00	100.00
Energetikos paslaugų ir rangos organizacija UAB	22,961	(22,961)	-	100.00	100.00
	1,282,652	**(26,794)**	**1,255,858**		

Information on the Company's investments in subsidiaries as at 31 December 2020 provided below:

	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
Energijos skirstymo operatorius AB	738,877	-	738,877	98.53	98.53
Ignitis gamyba AB	313,720	-	313,720	98.20	98.20
Vilniaus kogeneracinė jėgainė UAB	52,300	-	52,300	100.00	100.00
Ignitis UAB	47,136	-	47,136	100.00	100.00
Ignitis renewables UAB	44,700	-	44,700	100.00	100.00
Kauno kogeneracinė jėgainė UAB	20,400	-	20,400	51.00	51.00
Tuuleenergia OÜ	6,659	-	6,659	100.00	100.00
Ignitis grupės paslaugų centras UAB	5,975	-	5,975	50.47	99.22
NT Valdos UAB	8,958	(3,833)	5,125	100.00	100.00
Transporto valdymas UAB	2,359	-	2,359	100.00	100.00
Elektroninių mokėjimų agentūra UAB	1,428	-	1,428	100.00	100.00
Gamybos optimizavimas UAB	350	-	350	100.00	100.00
Lietuvos energijos paramos fondas	16	-	16	100.00	100.00
Energetikos paslaugų ir rangos organizacija UAB	22,961	(22,961)	-	100.00	100.00
	1,265,839	**(26,794)**	**1,239,045**		

All amounts are in EUR thousand unless otherwise stated

Movement of the Company's investments during the year were as follows:

	2021	2020
Carrying amount at 1 January	**1,239,045**	**1,204,494**
Acquisition of shares from non-controlling interest (Note 6.1)	19,024	33,680
Share capital and share premium increase in subsidiaries (Note 6.3)	9,455	2,197
Coverage of losses	7	398
Increase in investments due to share based payments	6	-
Investments write-off	(23)	-
Share capital decrease in subsidiaries (Note 6.5)	(4,997)	-
Reclassification (to)/from assets held for sale (Note 6.2)	(6,659)	2,359
(Impairment) / reversal of impairment of investments in subsidiaries (Note 6.6)	-	(4,083)
Carrying amount at 31 December	**1,255,858**	**1,239,045**

During the year 2021 total cash payments for acquisition of investment to subsidiaries and coverage of losses amount to EUR 19,031 thousand.

The changes in the Company's investments in subsidiaries during the year 2021 were covered by the following events:

6.1 Acquisition of shares from non-controlling interest

The Company has acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (13,118,175 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (11,688,245 shares for the price of 0.64 EUR per share) during the year 2021. Acquisition lead to increased ownership by 1.47 in Energijos skirstymo operatorius AB and 1.80 percentage point in Ignitis gamyba AB. Total consideration paid for the acquired Energijos skirstymo operatorius AB and Ignitis gamyba AB shares equal to EUR 19,024 thousand.

As at 31 December 2020 the Company had a contractual obligation to buy out all the shares of the subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB. In accordance with buy out procedures, the Company made deposit in a bank account to cover the price of shares (which was presented in „Other non-current assets"). As mentioned above, during the year 2021 the Company acquired part of the shares which had main impact on cashflows caption „(Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets".

6.2 Reclassification to assets held for sale and the transfer of shares

During the year 2021 the Company's Management Board approved the initiation of the consolidation project of renewable energy companies of the Company's group of companies. The project proposed to consolidate the operating and under-development wind energy (onshore and offshore), solar energy, waste and biofuel projects and competences of Ignitis Group in a single entity while directing their further development and to choose Ignitis renewables UAB, 100% of shares whereof is owned by the Company, for such purpose. It is planned that after receiving all the necessary consents and performing the arrangements, the shares of Kauno kogeneracinė jėgainė, UAB, Vilniaus kogeneracinė jėgainė UAB and Tuuleenergia OÜ will be transferred to Ignitis renewables UAB.

On 16 December 2021 the Company accomplished the transfer of shares of Tuuleenergia OÜ to Ignitis renewables UAB. The Company increased share premium and share capital of Ignitis renewables UAB by amount equal to the fair value of Tuuleenergia OÜ shares by paying a non-monetary contribution, i.e. by transferring the shares of Tuuleenergia OÜ to Ignitis renewables UAB. The fair value was determined by independent valuators. Consequently EUR 6,659 thousand of non-current assets held for sale related to Tuuleenergia OÜ shares were written off and the remaining difference between the carrying amount and fair value EUR 2,796 thousand was recognized in SPLOCI under the line item "Other income".

Regarding the investments in subsidiaries Kauno kogeneracinė jėgainė UAB and Vilniaus kogeneracinė jėgainė UAB the Company's management did not reclassified them to assets held for sale as relevant decisions have not been made and, consequently, all criteria listed in IFRS 5 for classification a non-current asset as held for sale were not met as at 31 December 2021.

6.3 Change in issued capital

During the year 2021 the issued capital of the following subsidiaries of the Company was increased:

Subsidiary	Issue date	Number of newly issued shares[1]	Issue price per share, EUR	Total issue price	Amount paid up	Amount not paid up	Date of amendment to Articles of Association
Ignitis renewables UAB	24/11/2021	18,910	500	9,455	9,455	-	31/12/2021
Total:				**9,455**	**9,455**		

[1]The number of shares owned by the Company.

On 24 November 2021, the Management Board of the Company, as the sole shareholder of the Company has adopted the following decision: the Company's subsidiary Ignitis renewables UAB issues 18,910 ordinary registered uncertified shares, each with a nominal value of EUR 1.00. The issue price of the shares will consist of EUR 18,910 of the aggregate amount of the nominal values of shares and EUR 9,436,090 of share premium. Issue price of all newly issued shares is EUR 9,455 thousand. Ignitis renewables UAB authorised capital is increased by issuing additional shares, paid for by the Company by a non-monetary contribution: transfer of 100 percent shares of Company's subsidiary Tuuleenergia OÜ (Note 6.2). The shares of Tuuleenergia OÜ was valued at EUR 9,455 thousand by the independent asset evaluator.

6.4 Other changes

Share capital of the subsidiary NT Valdos UAB was decreased for an amount EUR 4,997 thousand during the year 2021. The decrease of subsidiaries share capital accounted by reducing the Company's acquisition cost of investment.

On 13 April 2018, the board of the Company made a decision to start minimizing activities of Energetikos paslaugų ir rangos organizacija UAB. On 10 May 2021 the shareholders of the Company made a decision to liquidate Energetikos paslaugų ir rangos organizacija UAB. On 21 May 2021 the legal status of this subsidiary changed to "currently in liquidation".

All amounts are in EUR thousand unless otherwise stated

6.5 Impairment test for investments into subsidiaries

Having identified impairment indications for investments in subsidiaries and receivables as at 31 December 2021, the Company performed impairment tests for the following subsidiaries: Energijos skirstymo operatorius AB and Ignitis UAB.

Energijos skirstymo operatorius AB

As at 31 December 2021, the Company performed an impairment test for investment into subsidiary Energijos skirstymo operatorius AB and determined no impairment for investment into Energijos skirstymo operatorius AB as at 31 December 2021.

The following key assumptions were used:

1. the cash flow forecast covered the period until 2036 for electricity and gas distribution activities;
2. applied long-term investment forecast and financing of electricity and gas distribution activities according to updated Group's 10-year investment plan;
3. discount rates used to calculate discounted cash flows:
   - 3.1 3.78% (post-tax) (4.45% pre-tax) for electricity distribution activities (31 December 2020 - 4.33% (5.09% - pre-tax));
   - 3.2 3.81% (post-tax) (4.48% pre-tax) for gas distribution activities (31 December 2020 - 4.33% (5.09% - pre-tax));
4. WACC (rate of return set by the regulator) used:
   - 4.1 for gas distribution activities for 2022-2023 - 3.98%, 4.48% from 2024 (equal to pre-tax discount rate). (31 December 2020 respectively: 2021-2023 – 3.90% (Regulator set for 2021), 5.09% from 2024 (equal to pre-tax discount rate));
   - 4.2 for electricity distribution activities for 2022-2026 - 4.16%, 4.45% from 2027 (equal to pre-tax discount rate. (31 December 2020 respectively: 2021 – 5.34 (Regulator set), 2022-2029 – 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09% from 2027);
5. for electricity distribution activities additional tariff component which would increase electricity distribution income by EUR 28 million yearly. The management forecasts that additional tariff component will endure through the whole forecast period of 2022-2036, however, it was not included due to conserve estimations;
6. for electricity distribution activities the calculated return adjustment for 2018-2020 for an amount of EUR 116 million and forecasted adjustment for an amount of EUR 44 million will reduce income of the subsidiary by an amount of EUR 6.5 million for the period of 2022-2026 and 154 million for the period of 2032-2036 with additional interest for the pending portion.

As to the Company's management significant assumptions and their sensitivity are as named below:

- if Regulator took the decision not to allocate EUR 28 million of additional component annually for the investment financing:
  - a. after the end of the regulation period 2022-2026. Group revenue would reduce by EUR 280 million for the period 2027-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 195 million;
  - b. after the end of the regulation periods 2022-2026 and 2027-2031. Group revenue would reduce by EUR 140 million for the period 2032-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 90 million.

Ignitis UAB

As at 31 December 2021, the Company performed an impairment test for investment into subsidiary Ignitis UAB and determined no impairment for investment into Ignitis UAB as at 31 December 2021.

The following key assumptions were used:

1. the cash flow forecast covered the period until 2031;
2. discount rate of 5.7% (post-tax) (6.7% pre-tax) was used to calculate discounted cash flows.

The Company's other investments in subsidiaries

Apart from the above and the impairment already recognised in previous years, as at 31 December 2021, there were no indications of impairment in respect of other investments in the subsidiaries of the Company.

6.6 Cash flows from investments in subsidiaries

Reconciliation of the factors that had impact on cash flows from the Company's investments into subsidiaries to data reported in the statement of cash flows:

	31 December 2021	31 December 2020
Return of capital from subsidiaries	4,997	-
Coverage of losses	(7)	(398)
Buyout of shares in subsidiaries	(19,024)	(33,680)
Increase in issued capital of subsidiaries	-	(2,197)
Other payments related to increase in issued capital of subsidiaries in earlier periods	-	(11,313)
Total	**(14,034)**	**(47,588)**

All amounts are in EUR thousand unless otherwise stated

7 Non-current receivables

Amounts receivable after one year comprised as follows:

	31 December 2021	31 December 2020
Non-current receivables		
Amount receivable on sale of LitGrid AB (Note 8.1)	-	136,212
Loans granted	1,088,254	753,092
Other non-current amounts receivable	143	810
Total	**1,088,397**	**890,114**
Less: impairment	-	-
Carrying amount	**1,088,397**	**890,114**

Amount receivable on sale of LitGrid AB is presented in other receivables (Note 8) as the period during which EPSO-G UAB must repay the shares of AB LitGrid is 30 September 2022.

7.1 Expected credit losses of loans granted and other non-current receivables

As at 31 December 2021, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 9).

Movements on the impairment account of non-current receivables:

	2021	2020
As at 1 January	**-**	**88**
Impairment losses	-	-
Write-off of impairment on disposal of asset	-	(88)
As at 31 December	**-**	**-**

7.2 Loans granted

The Company's loans granted as at 31 December 2021 comprised loans granted to the following subsidiaries:

	Interest rate type	Within one year	After one year	Total
Non-current loans				
Energijos skirstymo operatorius AB (green bonds)	Fixed interest	-	616,288	**616,288**
Energijos skirstymo operatorius AB (loans taken over)	Variable interest	7,901	33,542	**41,443**
Ignitis UAB	Fixed interest	-	250,000	**250,000**
Ignitis UAB	Variable interest	-	27,000	**27,000**
Ignitis UAB	Fixed interest	-	11,800	**11,800**
Ignitis renewables UAB	Fixed interest	-	95,000	**95,000**
Ignitis renewables UAB	Fixed interest	-	18,950	**18,950**
Tuuleenergia OÜ	Fixed interest	-	19,119	**19,119**
Eurakras UAB	Fixed interest	-	16,555	**16,555**
Current loans				
Transporto valdymas UAB	Variable interest	11,000	-	**11,000**
Ignitis grupės paslaugų centras UAB (cash-pool)	Fixed interest	1,925	-	**1,925**
Ignitis UAB (cash-pool)	Fixed interest	73,861	-	**73,861**
Energijos skirstymo operatorius AB (cash-pool)	Fixed interest	28,728	-	**28,728**
Ignitis renewables UAB (cash-pool)	Fixed interest	1,641	-	**1,641**
Total loans		**125,056**	**1,088,254**	**1,213,310**

On 1 February 2021 the Company issued a long term loan to subsidiary Ignitis renewables UAB with maximum withdrawal amount EUR 293 million and a fixed interest rate 1.9%. The loan is used as needed for the acquisition, development and refinancing of existing loans for renewable energy projects. The loan is provided using the Company's green bond funds and equity. As at 31 December 2021 the balance of this loan is EUR 95 million, final repayment date is 1 February 2031.

As well during the year 2021 the Company granted additional amount to long term loan to subsidiary Ignitis renewables UAB for amount of EUR 16,300 thousand with a fixed interest rate 2.28%, the maturity of this loan is 10 July 2028. The balance of this loan increased by EUR 16,300 thousand and as at 31 December 2021 is EUR 18,950 thousand (31 December 2020: EUR 2,650 thousand).

On 23 November 2021 the Company issued a long term loan to its subsidiary Ignitis UAB with maximum withdrawal amount EUR 300 million and fixed interest rate 2.61%. The purpose of this loan is to finance the differences that have occurred in period from January 2021 till the end of 2021 between the actual purchase prices of gas and electricity and the approved tariffs which are applied to household customers. The maturity term of this loan is 24 November 2027.

The long term loan granted on 1 January 2018 to subsidiary Transporto valdymas UAB was reclassified to current loans as the final repayment date is 11 August 2022.

Fair values of loans granted are presented in Note 30.

All amounts are in EUR thousand unless otherwise stated

The Company's loans granted as at 31 December 2020 comprised loans granted to the following subsidiaries:

	Interest rate type	Within one year	After one year	Total
Non-current loans				
Energijos skirstymo operatorius AB (green bonds)	Fixed interest	-	616,288	**616,288**
Energijos skirstymo operatorius AB (loans taken over)	Variable interest	7,901	41,444	**49,345**
Tuuleenergia OÜ	Fixed interest	-	19,119	**19,119**
Eurakras UAB	Fixed interest	-	17,555	**17,555**
Ignitis UAB	Variable interest	-	27,000	**27,000**
Ignitis UAB	Fixed interest	-	11,800	**11,800**
Transporto valdymas UAB	Variable interest	-	17,236	**17,236**
Ignitis renewables UAB	Fixed interest	-	2,650	**2,650**
Current loans				
Ignitis renewables UAB	Fixed interest	56,922	-	**56,922**
Ignitis UAB (Cashpool)	Fixed interest	77	-	**77**
Carrying amount		**64,900**	**753,092**	**817,992**

Non-current borrowings by maturity:

	31 December 2021	31 December 2020
From 1 to 2 years	6,708	6,907
From 2 to 5 years	47,125	64,958
After 5 years	1,034,421	681,227
Carrying amount	**1,088,254**	**753,092**

8 Other receivables

Other receivables consisted of:

	31 December 2021	31 December 2020
Dividends receivable	100 440	-
Amount receivable on sale of LitGrid AB	84 128	14 481
Other receivables	29	273
Total	**184 597**	**14 754**
Less: impairment	-	-
Carrying amount	**184 597**	**14 754**

8.1 Amount receivable on sale of shares of LitGrid AB

In 2012, the shares of LitGrid AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. The purchase-sale agreement of shares of LitGrid AB provides for a premium to the final price, the amount of which depends on the return on regulated assets of the electricity transmission activity in year 2014–2018.

At the initial assessment of the price premium the Company concluded that according to the purchase-sale agreement of shares of LitGrid AB, the price premium is negative and amounts to EUR 4,679 thousand. According to EPSO-G UAB calculations the price premium at 31 December 2020 is negative and amounts to EUR 27,075 thousand.
For the purposes of the statement of financial position, the Company's management has assessed and recognised the negative premium price for the amount of EUR 15,877 thousand on the basis of a scenario, that the possible agreement between the parties would be the average value of the Company's and EPSO-G UAB calculations.

On December 2021 the Company and EPSO-G UAB came to an agreement that the negative premium price is for amount EUR 17,961 thousand. Accordingly, the Company recognized EUR 2,084 thousand change of fair value as financial expenses in profit and loss of SPLOCI (see Note 25).

Net receivable on sale of the shares of LitGrid AB is accounted in the item "Other receivables" of the statement of financial position.

During the year 2021 EPSO-G UAB has repaid a debt by EUR 64,481 thousand (during 2020: EUR 7,965 thousand).

All amounts are in EUR thousand unless otherwise stated

9 Current loans and interests receivable

The Company's current loans comprised as follows:

	31 December 2021	31 December 2020
Cash-pool loans	106,155	77
Interest receivable on loans and issued guarantees	11,396	9,056
Current loans	11,000	56,922
Current portion of non-current loans	7,901	7,901
Total	**136,452**	**73,956**
Less: impairment	-	-
Carrying amount	**136,452**	**73,956**

During the year 2021 the Company increased loans issued to its subsidiaries through the Group's cash-pool platform from EUR 77 thousand to EUR 106,155 thousand.

10 Other financial assets

The Company's other non-current financial assets comprised as follows:

	31 December 2021	31 December 2020
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 4.3)	25,094	4,912
Carrying amount	**25,094**	**4,912**

11 Other assets

11.1 Other non-current assets

Other non-current assets comprised as follows:

	31 December 2021	31 December 2020
Deposit related to buyout of shares in subsidiaries	-	19,050
Carrying amount	**-**	**19,050**

11.2 Other current assets

Other current assets comprised as follows:

	31 December 2021	31 December 2020
Deposit into an escrow account	16,237	45,000
Deposit related to buyout of shares in subsidiaries	3,777	-
Carrying amount	**20,014**	**45,000**

Deposit into an escrow account

On 7 October 2020 the Company has executed IPO distributing the increased share capital between private and institutional investors. Together with IPO process the Company deposited in an escrow account EUR 45,000 thousand till July 2021 in accordance with stabilisation activities performed by Swedbank AB.

On 7 July 2021 the Company signed the agreement with Swedbank AB to extend the Long Stop Date to 1 July 2022.

On December 2021 the Company acquired treasury shares (Note 14.2) and Stabilisation Manager Swedbank AB disposed the Stabilized Securities. Related to this, deposit into an escrow account decreased and the carrying amount is EUR 16,237 thousand as at 31 December 2021. This deposit is not available to finance the Company's day-to-day operations until the specified term.

Deposit related to buyout of shares in subsidiaries

The Company had a contractual obligation to buy out all the shares of the subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB. In accordance with buy out procedures, the Company deposited in a bank account EUR 19,050 thousand to cover the price of shares as at 31 December 2020.

During 2021 the Company has acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB (Note 6.1). Consequently, deposit related to buyout of shares in subsidiaries decreased and the carrying amount is EUR 3,777 thousand as at 31 December 2021 (Note 11.2). This deposit is not available to finance the Company's day-to-day operations.

All amounts are in EUR thousand unless otherwise stated

12 Cash and cash equivalents

The Company's cash and cash equivalents comprised as follows:

	31 December 2021	31 December 2020
Cash balances in bank accounts	125,323	421,289
In total	**125,323**	**421,289**

As at 31 December 2021 and 2020, cash and cash equivalents comprised cash in bank.

The fair values of cash and cash equivalents as at 31 December 2021 and 2020 approximated their carrying amounts.

13 Assets held-for-sale

Non-current assets held-for-sale comprised as follows:

	31 December 2021	31 December 2020
Property, plant and equipment and investment property	-	-
Investments in subsidiaries	-	-
In total	**-**	**-**

Movement of non-current assets held-for-sale was as follows:

	2021	2020
Carrying amount as at 1 January	**-**	**7,141**
Disposals	(6,659)	(4,705)
Reclassified (to) from:		
Investments in subsidiaries	*6,659*	*(2,359)*
Investment property	*-*	*(77)*
Carrying amount as at 31 December	**-**	**-**

During the year 2020 the management changed its decision to sell a subsidiary Transporto valdymas UAB. A subsidiary Duomenų logistikos centras UAB was sold as at 7 July 2020. The Company sold property classified as held for sale of EUR 4,705 thousand carrying value for EUR 6,167 thousand consideration.

During 2021 the Company reclassified it's investment in subsidiary Tuuleenergia OÜ to the assets held for sale with carrying value of EUR 6,659 thousand. The transfer of the shares to Company's subsidiary Ignitis Renewables UAB was settled on 16 December 2021 (Note 6.2).

14 Equity

14.1 Issued capital

Issued capital of the Company consisted of:

	31 December 2021	31 December 2020
Authorised shares		
Ordinary shares, EUR	1,658,756,294	1,658,756,294
Ordinary shares issued and fully paid, EUR	**1,658,756,294**	**1,658,756,294**

As at 31 December 2021 and 31 December 2020 the Company's issued capital comprised EUR 1,658,756,294 and was divided in to 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share, emission price EUR 22.50 value for a share.

As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Company. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Company is changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Company was divided into 54,283,757 ordinary registered shares.

On 7 October 2020 the Company's whole newly issued capital consisting of 20,000,000 ordinary registered shares has been admitted to the Main Trading List of Nasdaq Vilnius, as well the global depositary receipts (hereinafter "GDR") representing the shares have been admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority (FCA) and to trading on the Main Market of the London Stock Exchange.
The IPO solely was comprised of 20,000,000 shares newly issued on 5 October 2020. The IPO consists of two tranches: 1) securities in the form of shares and GDR offered to institutional investors, and 2) securities in the form of shares offered to retail investors who are residents of Lithuania, Latvia and Estonia. During the IPO, institutional investors subscribed for 18,130,699 shares in the form of shares and GDRs. Retail investors subscribed for 1,869,301 shares during the IPO.

On 7 October 2020 the Company's share premium comprised EUR 3,400 thousand.
The attributable costs of the issuance of the shares of EUR 11,033 thousand have been charged directly to equity as a reduction in share premium EUR 3,400 thousand and EUR 7,633 thousand as a reduction in retained earnings. Transaction costs directly attributable to issuing new shares of EUR 11,033 thousand comprised mainly of fees to syndicate banks of the IPO.

At the ordinary general meeting of shareholders held on 25 March 2021 it was decided to form a reserve of EUR 23,000 thousand for the acquisition of treasury shares (Note 14).

All amounts are in EUR thousand unless otherwise stated

14.2 Treasury shares

Treasury shares of the Company consisted of:

	31 December 2021	31 December 2020
Acquired treasury shares	23,000	-
Carrying amount	**23,000**	**-**

On 2 December 2021 the Management Board of the Company, according to the resolution of the General Meeting of Shareholders of 29 July 2021, adopted a decision to execute the acquisition of ordinary registered shares of the Company.

The Company on 6–14 December 2021 has conducted an acquisition of the Company's ordinary registered shares – treasury shares through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with AB SEB bankas acting as an intermediary. Treasury shares acquired by the Company on 16 December 2021, when the right of ownership transferred to the Company. Shares purchase price 18.50 per treasury share, number of shares acquired 1,243,243 and total amount of treasury shares acquired EUR 23,000 thousand.

Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 3,674 thousand which was recognised in retained earnings. A settlement was made as detailed in Company's IPO prospectus (Part 17, starting paragraph 10, page 330): as the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the difference to the Stabilization Manager was paid.

14.3 Earnings per share

The Company's earnings per share and diluted earnings per share were as follows:

	2021	2020
Net profit (loss)	**231,558**	**114,587**
Attributable to:		
Equity holders of the parent	231,558	114,587
Non-controlling interests	-	-
Weighted average number of nominal shares	74,232,665	59,037,855
Basic earnings/(loss) per share attributable to shareholders of the Parent Company	3.12	1.94
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company	3.12	1.94

Basic and diluted earnings per share indicators have been calculated based on 74,232,665, a weighted average number of ordinary shares for 2021 as Ignitis grupė AB reacquired its own ordinary shares (treasury shares) as at 16 December 2021 (Note 21.2). Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by Ignitis grupė AB.

Basic and diluted earnings per share indicators have been calculated based on 59,037,855, a weighted average number of ordinary shares for 2020 as Ignitis grupė AB authorised capital has been increased by twenty million ordinary nominal shares on 5 October 2020 in relation with the IPO.

15 Reserves

15.1 Legal reserve

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

The Company's legal reserve as at 31 December 2021 and as at 31 December 2020 was not fully formed.

15.2 Treasury shares reserve

At the ordinary general meeting of shareholders held on 25 March 2021 it was decided to form a reserve of EUR 23,000 thousand for the acquisition of treasury shares.

All amounts are in EUR thousand unless otherwise stated

16 Share based payments

On 18 December 2020 share option agreements of the long-term promotion of key executives of the Company and its subsidiaries' programme have been concluded with key executives of the Company and subsidiaries.

On 12 May 2021 the Supervisory Board of the Company approved the suggestions of key executives of the Company and subsidiaries to terminate executives' option agreements.

During the year 2021 share based payments costs accounted in SPLOCI "Salaries and related expenses" for an amount of EUR 157 thousand and reflects the share-based payments agreements concluded with key executives. As share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus they have been accounted for as accelerated vesting of share based payments and therefore full expense and related increase in equity recognised immediately.

17 Loans and bonds

Loans and bonds of the Company consisted of:

	31 December 2021	31 December 2020
Non-current		
Bonds issued	888,524	886,945
Current		
Accrued interest	9,143	9,143
Total loans and bonds	**897,667**	**896,088**

For the year 2021 expenses related to interest on the issued bonds totalled EUR 19,205 thousand (2020: EUR 16,689 thousand). The accrued amount of coupon payable as at 31 December 2021 amounted to EUR 9,143 thousand (31 December 2020: EUR 9,143 thousand).

Bonds by maturity:

	31 December 2021	31 December 2020
From 1 to 2 years	-	-
From 2 to 5 years	-	-
After 5 years	888,524	886,945
In total	**888,524**	**886,945**

Loans and bonds are denominated in euros.

During the year 2021 the Company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current could be changed.

As at 31 December 2021, the Company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 110,000 thousand (31 December 2020: EUR 267,896 thousand).

All amounts are in EUR thousand unless otherwise stated

18 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Company.
For the purpose of net debt calculation, borrowings comprise only debts to financial institutions and other debts relating to financing.
This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

	31 December 2021	31 December 2020
Cash and cash equivalents	(125,323)	(421,289)
Deposit in escrow account (Note 11.2)	-	(45,000)
Non-current borrowings payable after one year	888,524	886,945
Current borrowings payable within one year (including overdraft and accrued interest)	9,143	9,143
Lease liabilities	17,749	520
Net debt	**790,093**	**430,319**

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

	Assets		Lease liabilities		Borrowings		Total
	Cash and cash equivalents	Deposit in escrow account	Non-current	Current	Non-current	Current	
Net debt at 1 January 2020	**(144)**	**-**	**563**	**277**	**639,465**	**229,638**	**869,799**
Cash changes							
Increase (decrease) in cash and cash equivalents (including overdraft)	(421,145)	-	-	-	-	-	**(421 145)**
Issue of bonds	-	-	-	-	295,657	-	**295 657**
Repayments of borrowings	-	-	-	-	(43,418)	(230,119)	**(273 537)**
Lease payments	-	-	-	(261)	-	-	**(261)**
Interest paid	-	-	-	-	-	(13,272)	**(13,272)**
Deposit into an escrow account (Note 11.2)	-	(45,000)	-	-	-	-	**(45,000)**
Non-cash changes							
Lease contracts concluded	-	-	(60)	2	-	-	**(58)**
Accrual of interest payable	-	-	(1)	-	7,375	10,962	**18,336**
Reclassifications between items	-	-	(235)	235	(11,934)	11,934	**-**
Cost of issue of bond correction	-	-	-	-	(200)	-	**(200)**
Net debt at 31 December 2020	**(421,289)**	**(45,000)**	**267**	**253**	**886,945**	**9,143**	**430,319**
Net debt at 1 January 2021	**(421,289)**	**(45,000)**	**267**	**253**	**886,945**	**9,143**	**430,319**
Cash changes							
(Increase) decrease in cash and cash equivalents	295,966	-	-	-	-	-	**295,966**
Lease payments	-	-	-	(512)	-	-	**(512)**
Interest paid	(1,511)	-	-	(84)	-	(17,749)	**(19,344)**
Deposit in escrow account utilised (Note 11.2)	-	28,763	-	-	-	-	**28,763**
Non-cash changes							
Lease contracts concluded	-	-	16,551	1,449	-	-	**18,000**
Lease liabilities write-off	-	-	(120)	(139)	-	-	**(259)**
Accrual of interest payable	1,511	-	-	84	1,579	17,749	**20,923**
Reclassifications between items	-	-	(704)	704	-	-	**-**
Other non-cash changes[1]		16,237	-	-	-	-	**16,237**
Net debt at 31 December 2021	**(125,323)**	**-**	**15,994**	**1,755**	**888,524**	**9,143**	**790,093**

[1] *As at 31 December 2020 deposit in escrow account was treated as part of net debt as it was unclear whether it will be used to acquire treasury shares or will be recovered as cash. As during 2021 decisions were made to acquire treasury shares, the deposit is no longer treated as part of net debt.*

All amounts are in EUR thousand unless otherwise stated

19 Lease liabilities

The Company minimum payments under leases are as follows:

	31 December 2021	31 December 2020
Minimum payments		
Within the first year	1,991	255
From two to five years	7,812	268
More than five years	9,186	-
In total	**18,989**	**523**
Future finance costs		
Within the first year	(236)	(2)
From two to five years	(702)	(1)
More than five years	(302)	-
In total	**(1,240)**	**(3)**
Carrying amount	**17,749**	**520**

The Company's lease liabilities related to buildings amounted to EUR 17,682 thousand as at 31 December 2021 (31 December 2020: EUR 415 thousand). As at 31 December 2021, the validity terms of the effective lease contracts for buildings expire in the 2031.

20 Other current amounts payable and liabilities

The Company's other current amounts payable and liabilities are as follows:

	31 December 2021	31 December 2020
Irrevocable commitment to acquire a minority interest	3,751	-
Personal income tax payable from bonds interest	1,371	-
Payroll related liabilities	937	1,087
Taxes (other than income tax)	447	368
Accrued expenses	144	124
Other amounts payable and liabilities	46	-
Carrying amount	**6,696**	**1,579**

Financial liabilities comprise EUR 5,191 thousand from total Other current amounts payable and liabilities (EUR 90 thousand as at 31 December 2020). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

21 Revenue from contracts with customers

The Company's revenue from contracts with customers are as follows:

	2021	2020
Management fee income	2,844	3,104
Other revenue from contracts with customers	357	1,782
Total	**3,201**	**4,886**

The Company's revenue from contracts with customers during 2021 and 2020 mainly comprised the revenue from advisory and management services provided to subsidiaries.

The Company did not present any segment information as there is only one segment.

The timing when the Company satisfies its performance obligations:

	2021	2020
Performance obligation settled over time	3,201	3,104
Performance obligation settled at point of time	-	1,782
In total	**3,201**	**4,886**

The Company's balances under the contracts with customers:

	31 December 2021	31 December 2020
Trade receivables	494	313

All amounts are in EUR thousand unless otherwise stated

22 Dividends

22.1 Dividends declared by the Company

The table below provides dividends declared by the Company during the year:

	2021	2020
Ignitis grupė AB	86,763	70,000

EUR 43.010 million dividends for the second half of 2020 was approved at the Annual General Meeting on 25 March 2021.

EUR 43.753 million dividends for the first half of 2021 was approved at the Annual General Meeting on 27 September 2021.

Dividends received by IPO Stabilisation Manager (Swedbank AB) in connection with acquired Stabilisation Shares according True up agreement, were returned back to the Company for an amount EUR 1,970 thousand after withholding tax deduction.

Dividends declared per share:

Declared on	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
March 2021	2020 II half-year	0.579	43 010
September 2021	2021 I half-year	0.589	43 753
Total declared during 2021 year			**86,763**
May 2020	2019 year	6.699	28,000
September 2020	2020 I half-year	10.048	42,000
Total declared during 2020 year			**70,000**

22.2 Dividends received by the Company

Dividends received by the Company from Group companies during the year 2021 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the Company	Non-controlling interest dividends
30/03/2021	Energijos skirstymo operatorius AB	2020	0.0620	55,467	54,654	813
25/03/2021	Ignitis UAB	2020	0.2869	39,715	39,715	-
30/03/2021	Ignitis grupės paslaugų centras UAB	2020	0.0176	745	376	-
31/03/2021	Ignitis gamyba AB	II half-year 2020	0.0290	18,792	18,453	339
21/12/2021	Ignitis gamyba AB	I-III qtr. 2021	0.1550	100,440	100,440	-
30/03/2021	Tuuleenergia OÜ	2020	928,000	928	928	-
30/03/2021	Transporto valdymas,UAB	2020	16.1532	1,316	1,316	-
04/05/2021	Ignitis renewables UAB	2019-2020	2,218	6,655	6,655	-
27/04/2021	Energetikos paslaugų ir rangos organizacija UAB	2020	0.1835	223	223	-
Total				**224,281**	**222,760**	**1,152**

Dividends received by the Company from Group companies during the year 2020 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the Company	Non-controlling interest dividends
30/04/2020	Energijos skirstymo operatorius AB	2019	0.0760	67,992	66,399	1,593
27/04/2020	NT valdos UAB	2019	21.7901	3,762	3,762	-
22/04/2020	Ignitis grupės paslaugų centras UAB	2019	0.0175	739	374	4
30/04/2020	Ignitis gamyba AB	2019	0.0560	36,288	35,361	927
28/09/2020	Ignitis gamyba AB	2020 I half-year	0.0230	14,904	14,635	269
26/10/2020	Tuuleenergia OÜ	2019	1,680,000	1,680	1,680	-
05/2020	Energijos skirstymo operatorius AB[1]		-	-	(1,819)	-
05/2020	Ignitis gamyba AB[1]		-	-	(229)	-
Total				**125,365**	**120,163**	**2,793**

[1]For the purpose of SPLOCI, 2020 dividend income was reduced by the amount of dividends paid as premium to the former shareholders of Energijos skirstymo operatorius AB and Ignitis gamyba AB

22.3 Additional bonus equal to the amount of dividends

The Tender Offer Circular approved by the Bank of Lithuania on 30 March 2020 indicates that if the Ordinary Meetings of Shareholders of Ignitis gamyba AB and Energijos skirstymo operatorius AB held on 30 April 2020 have adopted the resolution to pay dividends to the shareholders of these companies for the year 2019, to the persons who are not the shareholders of the Company on the rights accounting day as a result of selling their shares to the Company, the Company will pay an additional bonus equal to the amount of dividends that a shareholder would have received in proportion to the shares he/she held and sold to the offeror at the time of the official tender offer, if he had been a shareholder of the Company on the rights accounting day.

In line with the resolution of the General Meeting of Shareholders of Ignitis gamyba AB on 30 April 2020 to pay dividends (EUR 0.056 per share), the Company paid additional bonuses equal to the amount of dividends to the former shareholders of Ignitis gamyba AB in May 2020 in the amount of EUR 229 thousand.

In line with the resolution of the General Meeting of Shareholders of Energijos skirstymo operatorius AB on 30 April 2020 to pay dividends (EUR 0.076 per share), the Company paid additional bonuses equal to the amount of dividends to the former shareholders of Energijos skirstymo operatorius AB in May 2020 in the amount of EUR 1,819 thousand.

All amounts are in EUR thousand unless otherwise stated

23 Other expenses

The Company's other expenses are as follows:

	2021	2020
Business support services	1,930	1,315
Consultation services	923	1,141
Public relationship and marketing services	466	747
Telecommunications and IT services	459	370
Utilities	83	103
Other expenses	410	633
In total	**4,271**	**4,309**

24 Finance income

The Company's finance income are as follows:

	2021	2020
Interest income at the effective interest rate	22,692	20,007
The fair value of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 4.3)	15,869	-
In total	**38,561**	**20,007**

The Company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 7.2, 9). During the year 2021, the Company received EUR 20,770 thousand (2020: EUR 18,556 thousand) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

25 Finance expenses

The Company's finance expenses are as follows:

	2021	2020
Interest expenses	20,839	18,337
Fair value change of consideration from EPSO-G (Note 8.1)	2,084	-
Interest and discount expense on lease liabilities	84	(1)
Negative effect of changes in exchange rates	7	9
Other expenses of financing activities	3,152	732
In total	**26,166**	**19,077**

The Company incurs interest expense on long-term and short-term loans payable and bonds issued (Note 17). During the year 2021, the Company paid interest in cash in the amount of EUR 19,344 thousand (2020: EUR 13,272 thousand), which are presented in the cash flow statement under 'Interest paid'.

26 Income tax expenses

Income tax expenses for the period comprise current year income tax and deferred tax. Under the Republic of Lithuania Law on Corporate Income Tax, the income tax rate of 15% was assessed on profit in year 2021 and 2020. The Company's income tax expenses during the year 2021 and 2020 were as follows:

	2021	2020
Income tax expenses (benefit) for the reporting period	51	-
Deferred tax expenses (benefit)	(360)	(441)
Income tax expenses (benefit) recognised in profit or loss	**(309)**	**(441)**

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

	2021	2021	2020	2020
Profit (loss) before tax		231,249		114,146
Income tax expenses (benefit) at tax rate of 15%	15.00%	34,687	15.00%	17,122
Expenses not deductible for tax purposes	0.53%	1,341	0.19%	214
Income not subject to tax	(15.71)%	(36,337)	(16.11)%	(18,389)
Impairment/(reversal of impairment) of investments in subsidiaries	-	-	0.54%	612
Income tax expenses (benefit)	**(0.13)%**	**(309)**	**(0.19%)**	**(441)**

27 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. Movement of deferred tax assets and liabilities during the reporting period were as follows:

	31 December 2019	Recognised in profit or loss	Impact from utilised tax losses	31 December 2020	Recognised in profit or loss	Impact from utilised tax losses	31 December 2021
Deferred tax assets							
Accrued expenses	163	(66)	-	97	(24)	-	73
Tax losses carried forward	600	507	(561)	546	363	(490)	419
Other	-	-	-	-	22	-	22
Deferred tax asset, net	**763**	**441**	**(561)**	**643**	**361**	**(490)**	**514**
Deferred tax liabilities							
Differences in depreciation rates	-	-	-	-	1	-	1
Deferred tax liability, net	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Deferred tax, net	**763**	**441**	**(561)**	**643**	**360**	**(490)**	**513**

All amounts are in EUR thousand unless otherwise stated

28 Contingent liabilities and commitments

28.1 Guarantees issued and received by the Company

28.1.1 Issued guarantees related to loans

The Company's guarantees issued in respect of loans received by subsidiaries were as follows:

Name of the subsidiary	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2021	31 December 2020
Vilniaus kogeneracinė jėgainė UAB	European Investment Bank	05/12/2016	07/04/2037	190,000	139,649	139,984
Kauno kogeneracinė jėgainė UAB	Swedbank AB	31/05/2017	18/10/2022	59,000	56,100	58,502
Pomerania Wind Farm sp. z o. o.	European Investment Bank	09/03/2020	31/12/2035	67,350	55,311	56,560
Pomerania Wind Farm sp. z o. o.	Nordic Investment Bank	14/10/2020	31/12/2035	32,157	32,157	32,920
Group companies	Group companies	25/05/2021	24/05/2022	-	67,973	12,459
Vėjo gūsis UAB	Swedbank lizingas, UAB	29/01/2019	28/02/2022	9,258	258	4,327
Vėjo vatas UAB	Swedbank lizingas, UAB	29/01/2019	28/02/2021	9,687	-	5,125
				367,452	**351,448**	**309,877**

On 5 December 2016, the Company and the European Investment Bank (hereinafter "EIB") (Luxembourg) signed a guarantee and indemnity agreement under which the Company secured fulfilment of all current and future obligations of subsidiary Vilniaus kogeneracinė jėgainė UAB in the amount of EUR 190,000 thousand under the credit agreement signed on 5 December 2016 with the EIB for the term of 17 years. The guarantee cover the repayment of all types of payables related to the usage of the provided loan to the EIB. As at 31 December 2021, amounts withdrawn by Vilniaus kogeneracinė jėgainė UAB from the loan provided by the EIB totalled EUR 139,649 thousand (31 December 2020: EUR 139,984 thousand).

On 31 May 2017, the Company's subsidiary Kauno kogeneracinė jėgainė UAB and Swedbank AB signed the credit agreement for the amount of EUR 120,000 thousand. The loan is designated for the financing of construction works of the co-generation power plant complex in Kaunas and the financing of the following construction-related expenses of the project being implemented: financing of payments under the agreements on construction, supply of equipment, electrification, general construction works, general systems, installation of automation systems, insurance, management of the construction site, project management, as well as the financing of advance payments (credit funds cannot be used for the financing of interest and unforeseen expenditure), excl. VAT. As at 31 December 2021, amounts withdrawn from the loan provided totalled EUR 110,000 thousand (31 December 2020: EUR 114,709 thousand). Monetary liabilities of Kauno kogeneracinė jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Luxembourg Investment Company 414 S.A R.L. in proportion to the number of shares of Kauno kogeneracinė jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by Gren Lietuva UAB.

Pomerania Wind Farm sp. z o. o., part of the group of companies owned by the Company, has entered into an agreement with the EIB by which the loan of PLN 258 million (approx. EUR 56 million) was disbursed to the company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and EIB. The guarantee amounts to PLN 309 million (approx. EUR 67 million). The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm sp. z o. o. signed an agreement with EIB for pledging 100% of the shares of Pomerania Wind Farm sp. z o. o. in favour of the lender. The repayment date of the loan is 31 December 2035. In December 2021 Pomerania Wind Farm sp. z. o. o. began to repay the long-term loan, and the remaining amount of the loan to EIB was PLN 254 million (approx. EUR 55 million).

Pomerania Wind Farm sp. z o. o., part of the group of companies owned by the Company, has entered into an agreement with the Nordic Investment Bank (hereinafter "NIB") by which the loan of PLN 149 million (approx. EUR 32 million) was disbursed to the company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and NIB. The guarantee amounts to 100% of loan amount. The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm sp. z o. o. signed an agreement with NIB for secondary pledging 100% of the shares of Pomerania Wind Farm sp. z o. o. in favour of the lender. In December 2021 Pomerania Wind Farm sp. z o. o. began to repay the long-term loan, and the remaining amount of the loan to EIB was PLN 148 million (approx. EUR 32 million).

The Group companies can lend each other their funds by virtually transferring them to the Group's corporate account (cash-pool) opened at the bank Swedbank AB. The Company guarantees that funds borrowed by the subsidiaries at the cash-pool account are timely repaid to the subsidiaries that have lent funds. As at 31 December 2021, the amount lent and borrowed by the subsidiaries at the Group's cash-pool account totalled EUR 174,128 thousand (31 December 2020: EUR 12,536 thousand), including the amount of EUR 106,155 thousand (31 December 2020: EUR 77 thousand) lent by the Company.

28.1.2 Other issued guarantees

The Company has provided the following other guarantees for its subsidiaries:

Name of the subsidiary	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2021	31 December 2020
Ignitis UAB	NASDAQ Clearing AB	24/05/2021	termless	110,000	3,494	-
Pomerania Wind Farm sp. z o. o.	Nordex Polska sp. z o.o.	31/05/2019	termless	83,354	874	-
VVP Investments UAB	Nordex Polska sp.z o.o.	17/02/2021	termless	55,097	-	-
Gamybos optimizavimas UAB	Ignitis gamyba AB	01/01/2020	30/06/2023	5,000	-	5,000
Moray Offshore Windfarm (West) Limited	Engie UK Markets Limited	21/04/2021	termless	1,270	-	-
Moray Offshore Windfarm (West) Limited	Siemens Gamesa Renewables Energy Limited	08/09/2021	31/12/2025	2,079	-	-
VVP Investments UAB	Swedbank AB	11/10/2019	01/08/2023	945	945	945
Energetikos paslaugų ir rangos organizacija UAB	SEB bankas AB	04/07/2018	08/10/2023	-	-	405
				257,745	**5,313**	**6,350**

All amounts are in EUR thousand unless otherwise stated

The Company has issued guarantee for its subsidiary Ignitis UAB for the market risk exposure related to trading activities performed on NASDAQ platform. Subsidiary performs electricity-related trading of financial derivatives for hedge accounting purposes. Guarantee was issued due to increased trading activity on NASDAQ platform.

The Company has issued guarantee for its subsidiary Pomerania Wind Farm sp. z o. o. as Pomerania Wind Farm sp. z o. o. entered into supply and installation agreement with Nordex Polska sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The Company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

The Company has issued guarantee for its subsidiary VVP Investments UAB as VVP Investments UAB entered into supply and installation agreement with Nordex Polska sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The Company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

28.2 Litigations

There are no significant litigations as at 31 December 2021.

28.3 Comfort letter provided to Kauno kogeneracinė jėgainė UAB

As at 20 January 2021 the Group has provided comfort letter to Kauno kogeneracinė jėgainė, UAB (hereinafter – KKJ), where it is stated that the Group will undertake to continue to provide such financial and other support as necessary to KKJ at least for the next twelve months from the date of this letter, to enable KKJ to continue to trade and to meet its obligations (31 December 2021 KKJ short term liabilities exceeded short term assets by EUR 95,170 thousand). The Company does not expect that there will be need of material support to KKJ or that loss will be incurred by the Company due to activities of KKJ.

29 Related-party transactions

The Company's transactions with related parties during the year 2021 and year-end balances arising on these transactions as at 31 December 2021 are presented below:

Related parties	Accounts Receivable	Loans receivable	Accounts Payable	Sales	Purchases	Finance income / (cost)
Subsidiaries	100,947	1,224,689	699	3,203	1,874	22,339
EPSO-G UAB	84,128	-	78	-	-	335
Total	**185,075**	**1,224,689**	**777**	**3,203**	**1,874**	**22,674**

The Company transactions with related parties during the year 2020 and year-end balances arising on these transactions as at 31 December 2020 are presented below:

Related parties	Accounts Receivable	Loans receivable	Accounts Payable	Sales	Purchases	Finance income / (cost)
Subsidiaries	313	826,903	503	3,105	1,745	19,260
EPSO-G UAB	150,839	-	-	-	-	747
Total	**151,152**	**826,903**	**503**	**3,105**	**1,745**	**20,007**

The Company's dividend income received from subsidiaries during the year 2021 and 2020 is disclosed in Note 22.

As at 31 December 2021 the Company has issued guarantees for financial loans to its subsidiaries (Note 27.1.1)

29.1 Compensation to key management personnel

	2021	2020
Wages and salaries and other short-term benefits to key management personnel	957	780
Whereof:		
Short-term employee benefits	792	780
Termination benefits	8	-
Share-based payment expenses	157	-
Number of key management personnel	11	12

Only members of Board, Supervisory board and Chief Executive Officer are assigned to the Company's key management personnel.

For share-based payments related to key management personnel – see Note 16.

All amounts are in EUR thousand unless otherwise stated

30 Fair values of financial instruments

Financial instruments, measured at fair value

The Company's amounts receivable for saleof LitGrid AB shares (Level 3) and investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" (Level 3) are measured at fair value.

As at 31 December 2021 and 2020, the Company accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2020 – 0.298%).

As at 31 December 2021 and 2020, the Company has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The Company accounts for financial asset at fair value and their accounting policies are set out in Note 4.3. Fair value corresponds to Level 3 in the fair value hierarchy.

Financial instruments for which fair value is disclosed

The carrying amount of the Company's short-term financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts and loans granted. The measurement of financial instruments related to the loans and bonds issued is attributed to Level 2, of the fair value hierarchy.

As at 31 December 2021 and 31 December 2020, the fair value of the Company's amounts receivable related to loans receivable from the subsidiary Energijos skirstymo operatorius AB is estimated by discounting cash flows with market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The cash flows were discounted using an average discount rate of 2.90% (31 December 2020 – 2.186%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

The Company's fair value of loans granted is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76% as at 31 December 2021 (31 December 2020 – 2.56%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The Company's bond issue debt (Note 17) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.90% as at 31 December 2021 (31 December 2020 – 2.186%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2021:

	Note	Carrying amount	Level 1	Level 2	Level 3	In total
			Quoted prices in active markets	Other directly or indirectly observabl e inputs	Unobser-vable inputs	
Financial instruments measured at fair value through profit (loss)						
Assets						
Receivable for the sale of LitGrid AB	8	**84,128**	-	-	84,128	**84,128**
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB	10	**25,094**	-	-	25,094	**25,094**
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary Energijos skirstymo operatorius AB	7, 9	**624,644**	-	596,129	-	**596,129**
Loans granted	7, 9	**599,447**	-	587,893	-	**587,893**
Liabilities						
Bonds issued	17	**897,667**	-	856,215	-	**856,215**

The table below presents allocation between the fair value hierarchy levels of the company's financial instruments as at 31 December 2020:

	Note	Carrying amount	Level 1	Level 2	Level 3	In total
			Quoted prices in active markets	Other directly or indirectly observable inputs	Unobser-vable inputs	
Financial instruments measured at fair value through profit (loss)						
Assets						
Receivable for the sale of LitGrid AB	7, 8	**150,693**	-	-	150,693	**150,693**
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB	10	**4,912**	-	-	4,912	**4,912**
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary Energijos skirstymo operatorius AB	7, 9	**616,288**	-	614,862	-	**614,862**
Loans granted	7, 9	**210,760**	-	207,105	-	**207,105**
Liabilities						
Bonds issued	17	**896,088**	-	894,158	-	**894,158**

All amounts are in EUR thousand unless otherwise stated

31 Remuneration to auditors

Following Company’s remuneration to the independent audit firms:

	2021	2020
Audit of the financial statements under the agreements (KPMG Baltics, UAB)	84	-
Audit of the financial statements under the agreements (Ernst & Young Baltic, UAB)	24	75
Initial public offering related services	-	117
Bonds issue related services	-	87
Expenses of other services	81	-
Carrying amount	**189**	**279**

32 Events after the reporting period

There were no significant events after the reporting period till the issue of these financial statements.

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6.3 Independent auditor's report

The independent auditor's report is available below.

KPMG Baltics, UAB
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Independent Auditor's Report

To the Shareholders of AB "Ignitis grupė"

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB "Ignitis grupė" ("the Company") and the consolidated financial statements of AB "Ignitis grupė" and its subsidiaries ("the Group"). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statements of financial position as at 31 December 2021,
- the separate and the consolidated statements of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statements of changes in equity for the year then ended,
- the separate and the consolidated statements of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2021, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – comparative information

We draw attention to Note 5 to the consolidated financial statements which describes that the Group elected to change its accounting policy for emission allowances and made retrospective adjustments to the comparative information in the accompanying financial statements. Consequently, the comparative information in the accompanying financial statements has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

The consolidated financial statements of AB "Ignitis grupė" as at and for the year ended 31 December 2020, excluding the retrospective adjustments described in Note 5 to the consolidated financial statements, and the separate financial statements as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 February 2021.

As part of our audit of the consolidated financial statements as at and for the year ended 31 December 2021, we also audited the retrospective adjustments described in Note 5 to the consolidated financial statements that were applied to restate the comparative information.

We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the retrospective adjustments described in Note 5 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on comparative information.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Revaluation of Property, plant and equipment used in electricity distribution (consolidated financial statements)	
We refer to the financial statements: *The carrying amount of property, plant and equipment used in electricity distribution as at 31 December 2021: EUR 1,257,000 thousand; related impairment losses recognized in the consolidated statement of profit (loss) in 2021: EUR 20,252 thousand; decrease in carrying amount recognised in the consolidated statement of other comprehensive income and revaluation reserve in consolidated statement of equity in 2021: EUR 27,799 thousand* *Significant accounting policies – Note 2.6 "Property, plant and equipment", Note 4 "Critical accounting estimates and judgments used in the preparation of the financial statements"; financial disclosures - Note 7 "Property, plant and equipment"*	
The key audit matter	**How the matter was addressed in our audit**
Property, plant and equipment (thereafter "PPE") allocated to electricity distribution cash generating unit („CGU") is accounted for at revalued amounts less subsequent accumulated depreciation and impairment losses. The Group has determined, that the fair value of the electricity distribution CGU as at 31 December 2021 would be impacted by the changes in regulated activity in electricity distribution for the new regulation period 2022-2026. The fair value of PPE is determined based on an independent valuation report. The independent appraiser applied depreciated replacement cost method for items of PPE where comparable market data was not available. Valuation of electricity distribution network assets was carried out in the following stages: (i) replacement cost of new assets (RCN) was estimated; (ii) physical and functional obsolescence of assets was determined; (iii) economic obsolescence of assets was assessed (using the income method). In addition, management tested the reasonableness of the overall valuation of PPE as determined by the independent appraiser by comparing it to amounts determined with a discounted cash flow model for the entire CGU which includes PPE. We identified revaluation of PPE as a focus area in our audit because of the significance of	Our audit procedures performed included: • Assessing compliance with applicable accounting standards; • Assessing professional qualifications, competence and objectivity of the independent appraiser; • Involving our internal valuation specialists who assisted us at: - Assessing the appropriateness of the methodology applied by the independent appraiser by comparing it to methodologies commonly used in valuations of similar assets, - Assessing the appropriateness of the input data and assumptions used in applying depreciated replacement cost method by comparing it to external data on current purchase prices of similar assets or to external data on historical price changes relevant to machinery and equipment as published by the department of statistics; • Challenging the key assumptions used in the discounted cash flow model by comparing sales volumes and profit margins to historical results and regulation data as well as comparing the forecasted growth rates and the discount rate to the ones used in the industry and set by the regulator, • Considering sensitivity of the discounted cash flow model to changes in key assumptions to understand the

the amounts involved, the judgments required in selection of appropriate valuation methods and determination of fair values. Accordingly, we have identified this area as a key audit matter.	impact of such changes on levels of headroom; the key assumptions included sales volumes, profit margins, forecasted growth rate and discount rate; • Evaluating the budgeting process (upon which forecasts are based) by comparing the actual results for the year with original forecasts and taking these observations into consideration into the sensitivity analysis performed; • Checking mathematical accuracy of the discounted cash flow model; • Considering adequacy of disclosure in the Group's consolidated financial statements in respect to the revaluation PPE.

Impairment of Property, plant and equipment used in gas distribution (consolidated financial statements)

We refer to the financial statements:

The carrying amount of property, plant and equipment used in gas distribution as at 31 December 2021: EUR 263,138 thousand; related impairment losses recognized in the consolidated statement of profit (loss) in 2021: EUR 9,392 thousand.

Significant accounting policies – Note 2.6 "Property, plant and equipment", Note 4 "Critical accounting estimates and judgments used in the preparation of the financial statements"; financial disclosures - Note 7 "Property, plant and equipment"

The key audit matter	How the matter was addressed in our audit
As described in Note 4 of the consolidated financial statements, in the current year, the Group identified impairment indicators in respect of its property, plant and equipment attributed to the gas distribution cash-generating unit („CGU"), due to changed regulation, revised planned investments and its financing presumptions. As at 31 December 2021, the Group tested property, plant and equipment for impairment, as part of the impairment test performed for the gas distribution CGU. The Group determined the CGU's recoverable amounts based on its value in use estimated under the discounted cash flow method. Determining the CGU's recoverable amount is	Our procedures in the area included, among other things, the following: • Evaluating, against the requirements of the relevant financial reporting standards, the Group's accounting policy for identification of impairment indicators, and measurement and recognition of any impairment losses in respect of property, plant and equipment; • Assessing the appropriateness of the impairment methodology applied by the Group against methodologies commonly used for similar assets and the requirements of relevant financial reporting standards. As part of the

a process which requires significant judgment and estimation, especially in respect of the amounts of future cash flows, and associated discount rates and growth rates, based on management's projections of future performance. The projected operating cash flows from the Group's activities are influenced primarily by assumptions concerning quantity of gas distributed, changes in the calculation of regulated tariffs as well as level of main related costs. Accordingly, this matter was considered by us to be associated with significant judgement and estimation and required our increased attention in the audit. As such, we determined it to be a key audit matter.	above, we identified the relevant methods, assumptions and sources of data, and assessed, whether such methods, assumptions, data and application are appropriate in the context of the said requirements; • Evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes. • Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Group's operations and business units. • Challenging the reasonableness of the Group's key assumptions and judgment used in the estimation of the recoverable amount, including: - Assisted by our own valuation specialists, challenging reasonableness of the key macroeconomic assumptions used, such as those in respect of discount rates, by reference to publicly available external sources; - Tracing the key assumptions used in the discounted cash flows calculation, such as those in respect of the future demand, revenue growth and operating costs, by reference to the budgets approved by the Management Board, our understanding of the Group's operations and trends, and publicly available industry data; • Testing the internal consistency, underlying formulas and mathematical accuracy of the discounted cash flow model. • Assessing susceptibility of the impairment models and the resulting impairment conclusions to management bias, by challenging the Group's analysis of the model's sensitivity to changes in key underlying assumptions. • Testing the allocation of impairment losses to the property, plant and equipment of gas distribution CGU. • Considering the adequacy of impairment related disclosures in the Group's financial statements.

Allowances for impairment losses in trade receivables (consolidated financial statements)

We refer to the financial statements:

The carrying value of trade receivable in the consolidated statement of financial position as at 31 December 2021 amounts to EUR 274,897 thousand. The total impairment loss reversal recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 amounts to EUR 80 thousand.

Significant accounting policies – Note 2.11 "Financial assets", Note 4.12. "Expected credit losses of trade receivables", financial disclosures – Note 3 "Financial risk management", Note 17 "Trade receivables".

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent Management's best estimate of the expected credit losses within the trade receivables at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment over the amounts of any such impairment. Trade receivables are assessed by the Group for impairment at each reporting date on a collective and individual basis. For those trade receivables, measured on collective basis, the Management measures the loss allowance at an amount equal to expected credit losses (ECLs) being a probability weighted estimate of credit losses. Credit losses are measured as the present value of expected cash shortfalls (i.e. the difference between the cash flows due to the Group and the cash flows expected to be received). The estimate takes into account, among other things, repayment history and past credit loss experience and an assessment of both the current and forecast general economic conditions at the reporting date. Accordingly, the key areas of estimation uncertainty and judgement associated with recognition of impairment allowances for trade receivables are: • Assumptions used to assess credit risk for a given exposure and the expected future cash flows from the customer; • Timely identification of exposures with significant increase in credit risk or those credit impaired (defaulted).	Our audit procedures in the area included, among others: • Assessing the appropriateness of the Group's impairment methodology against the relevant financial reporting requirements; • Independently assessing the relevant forward-looking information and macroeconomic forecasts used in the ECL assessment by inspecting publicly available information, our knowledge of business and through discussions with Management; • Assessing the accuracy and completeness of the Company's ECL estimates at 31 December 2021 including: - Assessing the key impairment model parameters, by reference to the Group's own historical credit loss experience, our understanding of the business and current economic trends and expectations; - Performing a retrospective assessment of the historical accuracy of the Management Board's impairment assumptions and estimates, including estimated loss rates, against actual outcomes; • Evaluating whether the disclosures in the financial statements in respect of the expected credit losses for trade receivables satisfy the requirements of the relevant financial reporting standards.

Due to the magnitude of the amounts involved, together with the complexity of judgements and assumptions required in estimating expected credit losses, the area required our increased attention in the audit and was determined to be a key audit matter.	

Revenue recognition related to the estimation of overdeclaration /underdeclaration of electricity and natural gas usage (consolidated financial statements)

We refer to the financial statements:

The carrying value of deferred income related to in the consolidated statement of financial position as at 31 December 2021 amounts to EUR 201,654 thousand.

Revenue recognized in the consolidated statement of profit or loss and other comprehensive income in 2021 amounts to EUR 1,868,917 thousand.

Significant accounting policies – Note 2.21 "Revenue from contracts with customers", Note 4.13 "Estimation of over declaration of electricity and natural gas usage by private customers and accounting for deferred income", Note 34 "Revenue from contracts with customers".

The key audit matter	How the matter was addressed in our audit
The Group's electricity revenue and natural gas revenue depend on declarations of electricity consumed by private customers, which do not have automated meter readings. The Group has identified that private customers tend to overdeclare the consumption of electricity and natural gas in the last months of the year. At each reporting date, the Group estimates the amount of the overdeclared / underdeclared consumption in order to calculate the actually earned revenue to be recognized in the statement of profit or loss and other comprehensive income for the year. The estimate takes into account, among other things, historical consumption by private customers and the Group's assessment of technological losses in the electricity grid and gas network at the reporting date. Due to the materiality of the recognized revenue and judgements of the management involved in revenue recognition above, the area required our increased attention in the audit and as such was determined to be a key audit matter.	Our audit procedures in the area included, among others: • Obtaining understanding of and evaluating the Group's revenue recognition process; • Assessing whether the revenue recognition accounting policy applied to all revenue streams complies with the requirements of the relevant financial reporting framework; • For the estimation of revenue overdeclaration/underdeclaration of electricity and natural gas usage: - Evaluating the design and implementation of key controls over the revenues recognition processes; - Assessing the consistency of the model applied in the estimate by comparing with the main assumptions used in prior year model; - Testing the internal consistency, underlying formulas and mathematical accuracy of the model; - Challenging the reasonableness of the Group's key assumptions and judgment used in estimating the

	overdeclared/underdeclared usage of electricity and natural gas, by tracing main inputs to supporting evidence; - Assessing completeness and accuracy of estimated amount by performing independent analytical analysis of overdeclared consumption based on the key performance indicators, including historical revenue and technological grid losses information, changes in approved tariffs, and comparing result to actual amounts recognised; - Evaluating whether the disclosures in the consolidated financial statements in respect of the overdeclared/underdeclared usage of electricity and natural gas satisfy the requirements of the relevant financial reporting standards.

Impairment of subsidiaries (Parent company's financial statements)	
We refer to the financial statements: *The carrying amount of investments to subsidiaries as at 31 December 2021: EUR 1,255,858 thousand; related impairment losses recognized in the statement of profit (loss) in 2021: nil.* *Significant accounting policies – Note 2.6 "Investments in subsidiaries", Note 4 "Critical accounting estimates and judgments used in the preparation of the financial statements"; financial disclosures - Note 6 "Investments in subsidiaries".*	
The key audit matter	How the matter was addressed in our audit
As described in Note 4 of the Parent company's financial statements, in the current year, the Company identified impairment indicators in respect of its investments to AB Energijos skirstymo operatorius and UAB Ignitis due to change in the regulatory environment. As at 31 December 2021, the Company tested the mentioned investments for impairment. The Company determined the recoverable amounts of investments based on their value in use calculations or fair value of net assets of a subsidiary. Determining the recoverable amount is a process which requires significant judgment	Our audit procedures included, among others: • Evaluating, against the requirements of the relevant financial reporting standards, the Company's accounting policy for identification of impairment indicators, and measurement and recognition of any impairment losses in respect of investments to subsidiaries; • Assessing the appropriateness of the impairment methodology applied by the Company against methodologies commonly used for similar assets and the requirements of the relevant financial reporting standards. As part of the above,

and estimation, especially in respect of the amounts of future cash flows, and associated discount rates and growth rates, based on management's projections of future performance. The projected operating cash flows from the Company's activities are influenced primarily by assumptions concerning quantity of electricity and natural gas sold, prices of services provided as well as level of main related costs. These projections are exposed to significant variability due to changing market conditions and regulatory environment. We focused on this area as the estimate of the recoverable amount of the investment in subsidiaries requires the use of significant judgement and subjective assumptions from the Company as to the future cash flows and the discount rate. Accordingly, we have identified this area as a key audit matter.	we identified the relevant methods, assumptions and sources of data, and assessed, whether such methods, assumptions, data and application are appropriate in the context of the said requirements; • Evaluating the design and implementation of key controls over the impairment testing processes; • Involving our own valuation specialists who assisted us in: - assessing the appropriateness of the valuation methodology applied by the Company by comparing it to methodologies commonly used in valuations of similar assets and the requirements of the relevant accounting standards; - checking mathematical accuracy of the discounted cash flow models used in the valuation of investment in subsidiary. • Challenging the key assumptions used in the discounted cash flow model by comparing key inputs, such us increase in revenues, expenses and capital expenditures to budgets and our understanding of the subsidiary's current operations and trends, market development forecasts and relevant industry data, as well as comparing the forecasted growth rates and the discount rate to the ones used in the industry; • Evaluating the quality of the Company's forecasting by comparing historical projections with actual outcomes; • Considering the Company's disclosure in relation to the use of estimates and judgements regarding the recoverable amount of investment in subsidiaries for compliance with the applicable financial reporting standards.

Other Information

The other information comprises the information included in the 2021 Annual report, including Corporate Governance Report, Remuneration Report and the the Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

- The information given in the annual management report, including Corporate Governance Report and Remuneration Report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The consolidated annual management report, including Corporate Governance Report and Remuneration Report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the

Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 27 September 2021 for the first time to audit the Company's and the Group's separate and consolidated financial statements. Our appointment to audit the Company's and the Group's separate and consolidated financial statements in accordance with the shareholder's decision has been made for a two-year period. The audit of the financial statements for the year ended 31 December 2021 was our first annual audit of the Company and the Group.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Company and the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Company and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company and the Group in the course of audit and disclosed in the separate and consolidated financial statements, we have provided translation of the financial statements and due diligence services to the Company and the Group.

Report on the compliance of format of the separate and consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including 2021 annual report, for the year ended 31 December 2021 (the "Single Electronic Reporting Format of the separate and consolidated financial statements") contained in the file abignitisgrupe-2021-12-31-en.zip (ParsePort generated hashcode: 1M82MzQAAeU9koE=).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the separate and consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ,,ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;

- verification whether the XHTML format was applied properly;

- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;

- evaluating the appropriateness of the Group's' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and

- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

ROKAS KASPERAVIČIUS

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Date: 2022.02.28 08:07:06 +02'00'

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
28 February 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 312 to 326 of this document.

6.4 Information on the auditor

Independent auditor selection

There has been a change in the Group's independent auditor in 2021. Due to increased workload and needs of the Group, the agreement of financial audit services, which was concluded on 4 March 2019 with UAB Ernst & Young Baltic for 2019–2021 audit of the parent and the Group companies, has not been extended. After signing the annex to the initial agreement of 26 March 2019 with UAB "Ernst & Young Baltic" on 4 March 2021 to provide audit services for the period of the first six months of 2021, the parent company initiated a new tender for the provision of audit services. As a result, "KPMG Baltics", UAB has been appointed as the new auditor by the General Meeting of Shareholders of the parent company on 27 September 2021. Based on the concluded agreement, UAB "KPMG Baltics" will provide audit services of financial statements of the parent company and the consolidated financial statements of the Group for the full years of 2021 and 2022.

Before concluding an agreement with UAB "Ernst & Young Baltic" for the audit services for the financial period of 2019–H1 2021, the Group's financials have been audited by UAB "PricewaterhouseCoopers" for the financial period of 2008–2018.

Worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. The whole selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of the Shareholders of the parent company.

Independent auditors and financial period during which audit services have been provided

2021–2022	2019–H1 2021	2008–2018
UAB "KPMG Baltics" (KPMG) Lvovo St. 101 LT-08104, Vilnius The Republic of Lithuania	UAB "Ernst & Young Baltic" (EY) Aukštaičių St. 7 LT-11341, Vilnius The Republic of Lithuania	UAB "PricewaterhouseCoopers" J. Jasinskio St. 16B LT-03163, Vilnius The Republic of Lithuania

Independent auditor's services and fees

During the period of 2020–2021, the following services have been provided to the Group by the independent auditor and its international partners.

Independent auditor's services and expenses incurred for the indicated period, EUR

	2021 (KPMG)	2021 (EY)	2020 (EY)
Statutory audit	515	40	419
Interim financial statement audits	33	21	84
Tax advisory services	-	-	-
Assurance services	-	-	2
IPO related services	-	-	204[1]
Bond related services	-	-	-
Other	93	-	-
Total	**641**	**61**	**754**

[1] *Including fee for services provided by UAB „PricewaterhouseCoopers" suteiktas paslaugas.*

Further information

7.1 Further investor related information

In addition to the information provided in section 'Investor information', we provide further details about our ordinary shares, GDRs and bonds below.

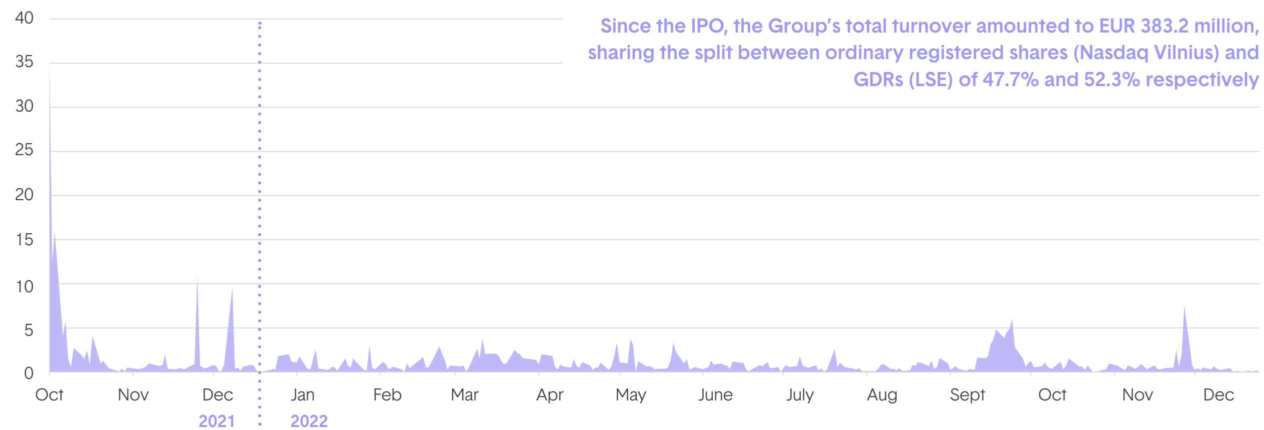
On this page the overview of ordinary registered shares and GDRs trading data is provided during the period sin the Group's IPO on 7 October 2020 till the end of the reporting period on 31 December 2021.

Price performance information since the admission on 7 October 2020

	Nasdaq	London Stock Exchange	Combined
Period opening, EUR	22.70	20.00	-
Period high[1] (date), EUR	25.35 (3 Sep 2021)	24.80 (3 Sep 2021)	25.35
Period low[1] (date), EUR	19.50 (13 Nov 2020, 16 Nov 2020)	18.50 (23 Oct 2020, 6 Nov 2020)	18.50
Period VWAP[2], EUR	21.16	20.50	20.87
Period end[1], EUR	21.00	20.50	-
Annual turnover (average daily), EURm	149.3 (0.6)	98.5 (0.4)	247.8 (1.0)

Price development in since the admission on 7 October 2020[3], EUR

Average daily turnover since the admission on 7 October 2020[4], mln. EUR



Since the IPO, the Group's total turnover amounted to EUR 383.2 million, sharing the split between ordinary registered shares (Nasdaq Vilnius) and GDRs (LSE) of 47.7% and 52.3% respectively

[1] *As of closing trading market price.*
[2] *Weighted average volume price.*
[3] *Index = 100.*
[4] *Combined data of ordinary registered shares and GDR.*

Bonds

As of 31 December 2021, the Group had three bond issues outstanding (two of them being green bonds) listed on the Nasdaq Vilnius and Luxembourg stock exchanges. Total nominal value of these bonds is EUR 900 million.

The bond specific information and the composition of their holders are provided in the figures below. As of issue date, there has been 121 bondholders of 2017 bond issue, 115 bondholders of 2018 issue and 91 bondholders of 2020 bond issue.

Further information on the debt instruments and its related information can be found on the Group's website.

Outstanding bond issues

2017 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	14 July 2027
ISIN-code	XS1646530565
Credit rating	BBB+

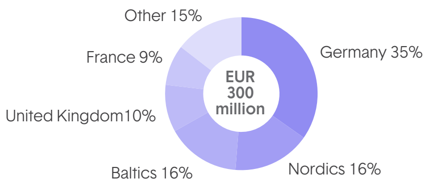
2018 issue

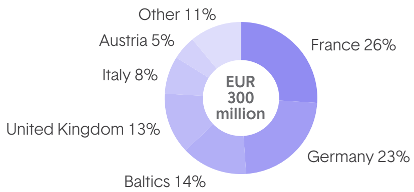
Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	1.875%
Maturity date	10 July 2028
ISIN-code	XS1853999313
Credit rating	BBB+

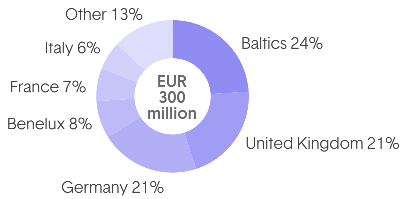
2020 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	21 May 2030
ISIN-code	XS2177349912
Credit rating	BBB+

Bondholder structure as of issue date







Information on the delisted subsidiaries

On 4 December 2019, the Extraordinary General Meetings of Ignitis Gamyba (ISIN-code LT0000128571) and ESO (ISIN-code: LT0000130023) took the decisions to delist the shares of these companies from trading on the Nasdaq Vilnius Stock Exchange and to approve the parent company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius decided to delist the shares of ESO and Ignitis Gamyba from trading on the Baltic Main List on 1 July 2020 (the last trading day on the Baltic Main list of shares was on 30 June 2020).

Following the mandatory buy-out procedures of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) shares, on 15 April 2021 the parent company became a 100% shareholder of ESO and on 9 September 2021 – of Ignitis Gamyba. The decisions have been enforced on 7 September 2021 (regarding ESO) and 27 September 2021 (regarding Ignitis Gamyba).

Information related to the delisted companies, including the guidance of payment for shares, is available on our website.

7.2 Material events of the parent company

During the reporting period (2021)

Date	Event
29 December	Notification on the transaction regarding AB "Ignitis grupė" financial instruments concluded by the person discharging managerial responsibilities
29 December	On the reserve services of Flexible Generation segment and contract concluded regarding isolated regime services for 2022
28 December	Correction: AB "Ignitis grupė" financial calendar 2021
27 December	Regarding AB „Ignitis grupė" intention to issue a guarantee and to conclude a guarantee service agreement
22 December	AB "Ignitis grupė" financial calendar 2022
21 December	On the acquiring a wind farm project in Poland
15 December	Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders
14 December	AB "Ignitis grupė" completed an acquisition of its own shares
14 December	Sustainalytics upgrades Ignitis Group's ESG risk rating; a score of 'B' received from CDP in its first-ever rating of the Group
8 December	Notification on the transaction regarding AB "Ignitis grupė" financial instruments concluded by the person discharging managerial responsibilities
7 December	Updated 10-year investment plan of the Networks segment
7 December	Pomerania wind farm started commercial operation
2 December	On the decision of AB "Ignitis grupė" Management Board regarding the acquisition of own shares
30 November	Preliminary financial data of Ignitis Group for 10 months of 2021
30 November	Interim report for the first nine months of 2021: Green Generation in the spotlight
29 November	The selection of the new Management Board of AB "Ignitis grupė" has been launched
26 November	The Science-Based Target initiative validated ambitious GHG reduction targets of Ignitis Group
24 November	Notice on convening the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė"
23 November	Ignitis Group to present 9M 2021 results on 30 November
22 November	Regarding the AB "Ignitis grupė" intention to loan up to EUR 300m to UAB "Ignitis"
17 November	On the determined mandatory supply volume for the LNG terminal for 2022–2024 relevant to Customers & Solutions segment
16 November	On the initiated selections of independent Supervisory Board members of AB "Energijos skirstymo operatorius" and AB "Ignitis gamyba", subsidiaries of AB "Ignitis grupė"
15 November	Regarding the conditional agreement to acquire a solar projects portfolio under development in Poland
10 November	On the conclusion of EUR 35 million credit agreement by UAB "Ignitis", a subsidiary of AB "Ignitis grupė"
8 November	The General Manager is leaving Ignitis Renewables, a subsidiary of Ignitis Group
4 November	On the legislation amendments relevant to the Customers & Solutions segment
3 November	On members elected to the Supervisory Board committees of AB "Ignitis grupė"
29 October	Elected a new Chair of the Supervisory Board of AB "Ignitis grupė"
28 October	Regarding Networks segment income level of natural gas distribution for 2022

Date	Event
28 October	Preliminary financial data of Ignitis Group for 9 months of 2021
26 October	Resolutions of Extraordinary General Meeting of AB “Ignitis grupė“ shareholders
20 October	Information on Networks Methodology update: sustainable regulation ensured
20 October	Notification on Ignitis Group conference call to be held on 20 October 2021
18 October	Regarding Networks segment income level of electricity distribution for 2022
12 October	Regarding the intention of AB “Ignitis grupė” subsidiary UAB “Ignitis” to loan up to EUR 104 million
1 October	NERC approved the updated methodology for determining the price caps for electricity services
30 September	Preliminary financial data of Ignitis Group for 8 months of 2021
28 September	Notice on convening the Extraordinary General Meeting of Shareholders
27 September	Resolutions of Extraordinary General Meeting of AB “Ignitis grupė“ shareholders
17 September	Regarding the public consultation on the methodology of the Networks segment for the new regulatory period
9 September	Ownership rights of all Ignitis Gamyba shares have been transferred to Ignitis Group
9 September	On the decision of General Court of the European Union to annul the decision of European Commission to coordinate the designated supplier scheme in Lithuania
31 August	Preliminary financial data of Ignitis Group for 7 months of 2021
31 August	Notice on convening the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė”
31 August	Interim report for the first half-year 2021: Green Generation driven growth
27 August	The court allowed to transfer the remaining shares of Ignitis Gamyba to Ignitis Group
27 August	On the rescheduling of smart meter roll-out programme in the Networks segment
27 August	On the statement of the majority shareholder of AB “Ignitis grupė” with a proposal to distribute dividends for the first half of 2021
27 August	On the designated supply contract of liquefied natural gas with Equinor ASA
26 August	Due to consolidation of green energy companies of Ignitis Group, a selection for the position of Chief Executive Officer of UAB “Ignitis renewables” has been announced
23 August	Ignitis Group to present H1 2021 results on 31 August
17 August	Regarding the letter from the majority shareholder received by AB “Ignitis grupė” concerning the selection of candidates for the positions of the members of the Supervisory Board
13 August	On the intention to acquire three wind farms developed in Latvia
3 August	On the established rate of return on investments for 2022
29 July	Resolutions of Extraordinary General Meeting of AB “Ignitis grupė” shareholders
29 July	Preliminary financial data of Ignitis Group for 6 months of 2021
12 July	AB “Ignitis grupė” receives ESG risk rating upgrade from MSCI
7 July	Notice convening the Extraordinary General Meeting of AB “Ignitis grupė” shareholders
7 July	Concerning the decision of the Management Board of AB Ignitis grupė to extend the Long Stop Date of Stabilized securities
2 July	On the amendment of the procedure for forming the Audit Committee of AB “Ignitis grupė”
29 June	Preliminary financial data of Ignitis Group for 5 months of 2021
23 June	Regarding the Investor’s Letter of AB Ignitis Grupė

Date	Event
23 June	Concerning the appointment of the General Manager and the Chairman of the Board of UAB Ignitis, a subsidiary of AB Ignitis grupė
18 June	On updated areas of activities supervised by Management Board members of AB "Ignitis grupė"
15 June	Initiated selection process for the positions of independent members of AB "Ignitis grupė" Supervisory Board
10 June	The Management Board of AB "Ignitis grupė" approved the consolidation project of renewable energy companies
4 June	On the resignation of Dominykas Tučkus, Management Board Member of AB "Ignitis grupė"
31 May	Notice on the contract concluded by the person discharging managerial responsibilities regarding AB "Ignitis grupė" financial instruments
27 May	Preliminary financial data of Ignitis Group for 4 months of 2021
27 May	Interim report for the first quarter of 2021: robust growth and full-year guidance reiteration supported by strategy delivery
26 May	AB "Ignitis grupė" has retained BBB+ credit rating after annual review
21 May	On the conclusion of the guarantee service agreement of AB "Ignitis grupė"
21 May	Ownership rights of part of Ignitis Gamyba's shares have been transferred to Ignitis Group
18 May	Correction: AB "Ignitis grupė" intends to sign a guarantee with NASDAQ Clearing AB
18 May	AB "Ignitis grupė" intends to sign a guarantee with NASDAQ Clearing AB
17 May	Ignitis Group to present Q1 2021 results on 27 May
14 May	Regarding the ownership rights of part of Ignitis Gamyba's shares and transfer of money for shareholders
13 May	On termination of concluded option agreements by Ignitis Group key executives and a standalone claim requesting to dismiss interim measures
10 May	On the liquidation of UAB "Energetikos paslaugų ir rangos organizacija", a subsidiary of AB "Ignitis grupė"
7 May	Regarding the stabilized securities
5 May	On the decision of General Court of the European Union to annul the decision of European Commission to coordinate aid scheme for renewable energy projects
4 May	Approved acquisition of a company by UAB "Ignitis renewables" to develop green energy projects in Poland
4 May	On received court claim and adopted interim measures
30 April	The Court allowed to transfer Ignitis Gamyba shares to Ignitis Grupė
29 April	Preliminary financial data of Ignitis Group for 3 months of 2021
27 April	On the information distributed via media sources regarding the incentive with stock ownership plan of key executives and employees of companies of AB "Ignitis grupė"
20 April	Enlight Research coverage on Ignitis Group
15 April	Ownership rights of all ESO shares have been transferred to Ignitis Group
14 April	After the successful proof of concept, the decision was made by ESO, a subsidiary company of AB "Ignitis grupė", to conclude the contract with the supplier for the procurement of smart metering
2 April	The Court allowed to transfer ESO shares to Ignitis Grupė
1 April	Regarding the establishment of a subsidiary company in Finland by UAB "Ignitis", managed by AB "Ignitis grupė"
30 March	Preliminary financial data of Ignitis Group for 2 months of 2021
25 March	Resolutions of Ordinary General Meeting of AB "Ignitis grupė" shareholders
22 March	AB "Ignitis grupė" approved the strategic objectives and their indicators of long-term incentive plan for the period of 2021-2024

Date	Event
12 March	Regarding the resolutions of AB "Ignitis grupė" Supervisory Board
8 March	A selection for the position of CEO and Member of the Management Board of UAB "Ignitis", a subsidiary of AB "Ignitis grupė", has been announced
5 March	Notice on the contract concluded by the person discharging managerial responsibilities regarding AB "Ignitis grupė" financial instruments
1 March	EBITDA outlook for Pomerania Wind Farm has been released
26 February	AB Ignitis grupė will announce a tender for the provision of financial statement audit services
26 February	Preliminary financial data of Ignitis Group for 1 month of 2021
26 February	2021–2024 Strategic Plan of AB "Ignitis grupė" group of companies has been approved
26 February	Notice convening the Ordinary General Meeting of AB "Ignitis grupė" shareholders
26 February	Ignitis Group grew in all segments in 2020 leading to 10% higher adjusted EBITDA than previously forecasted
26 February	12-month interim results of Ignitis Group for 2020
25 February	AB "Ignitis gamyba" approved Kruonis Pumped Storage Hydroelectric Powerplant expansion plan
23 February	Ignitis Group to present full-year 2020 results and 2021-2024 Strategic Plan on 2 March
18 February	AB "Ignitis grupė" initiated coordination process to update remuneration policy
17 February	Regarding AB "Ignitis grupė" issue of guarantee to fulfil obligations of its owned company UAB "VVP Investment"
17 February	AB "Ignitis grupė" received the Letter of Expectations revised by the Ministry of Finance
11 February	Regarding the intent of UAB "Ignitis", managed by AB "Ignitis grupė", to establish a subsidiary company in Finland
9 February	ESO, subsidiary of AB "Ignitis grupė", established a tender ranking of the procurement of smart metering infrastructure
1 February	Regarding the AB "Ignitis grupė" intention to loan up to 293m euros to UAB "Ignitis renewables"
28 January	Correction: Preliminary financial data of Ignitis Group for 12 months of 2020
28 January	Preliminary financial data of Ignitis Group for 12 months of 2020
13 January	Correction: Decision made regarding the long-term promotion of the managers of AB "Ignitis grupė" group of companies with share options programme
8 January	Information regarding the long-term promotion programme of AB "Ignitis grupė" executives

After the reporting period[1]

Date	Event
22 February	Chief Executive Officer of Ignitis Renewables has been appointed
21 February	Ignitis Group to present full-year 2021 results and 2022–2025 Strategic Plan on 28 February
21 February	Ignitis renewables terminated agreement to acquire portfolio of solar PV projects under development in Poland
18 February	The Management Board, its Chair and CEO of the Group have been elected
9 February	Correction: On the supplementary agreement to the isolated regime services contract of Flexible Generation segment
8 February	On the supplementary agreement to the isolated regime services contract of Flexible Generation segment
1 February	The Supervisory Board of AB "Ignitis grupė" approved the candidates for the new term of the Management Board and the CEO
25 January	On the intent to establish a subsidiary of UAB "Ignitis renewables" in Latvia
21 January	On the intention of AB "Ignitis grupė" to amend key conditions of the internal loan agreement with UAB "Ignitis renewables"

[1] *From 1 January 2022 to the certification statement signing date.*

7.3 Alternative performance measures

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted EBIT	Adjusted EBITDA - depreciation and amortisation expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items)	Adjusted EBITDA less depreciation and amortisation expenses.	Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT.
Adjusted EBIT margin	Adjusted EBIT / Total revenues and other income + management adjustments	Profitability ratio, which shows Adjusted EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Adjusted EBITDA	EBITDA + temporary regulatory differences + result of asset rotation + gain earned from testing of units under development - other significant gains or losses which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group	EBITDA after eliminating or adding back temporary regulatory differences, result of asset rotation, gain earned from testing of units under development, other significant gains or losses which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, to more accurately reflect main activities result of the current period.	Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA.
Adjusted EBITDA margin	Adjusted EBITDA / Total revenues and other income + management adjustments	Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue.	TThe higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency.
Adjusted net profit	Adjusted EBIT + financial income - financial expenses - significant one-off financial activity items - current year income tax expenses - deferred income tax expenses - adjustments' impact on income tax	Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, to more accurately reflect main activities result of the current period.	This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance.
Adjusted net profit margin	Adjusted net profit / Total revenues and other income + management adjustments	Profitability ratio, which shows Adjusted net profit as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency.
Adjusted return on equity (Adjusted ROE)	Adjusted net profit / Average equity at the beginning and end of the reporting period	Profitability ratio of Adjusted net profit in relation to equity.	Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits.
Asset turnover	Total revenues and other income / Average assets at the beginning and end of the reporting period	Efficiency ratio, which measures revenues relative to total assets.	The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Capital employed	Net debt + Equity	Value of all the assets used by the Group to generate earnings.	The indicator is used to determine the return on the Group's assets as well as how effective management is at employing capital.
Current ratio	Current assets at the end of the period / Current liabilities at the end of the period	Liquidity ratio, which shows how many times current assets cover current liabilities.	Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position.
Dividend pay-out	Total proposed dividend for the reporting period / Net profit for the period attributable to equity holders if the parent company	The ratio of the total amount of dividends to be paid out to shareholders relative to the net income of the parent company.	The indicator shows the percentage of earnings to be paid to shareholders via dividends.
Dividends per share (DPS)	Total proposed dividend for the reporting period / Number of ordinary nominal shares at the end of dividends pay-out period	Profitability ratio, which shows proposed dividends for the period attributable to one security at the end of dividends pay-out period.	The higher the indicator value, the higher the profitability attributable to one security for the period.
Dividend yield	DPS / Ordinary registered share *or* GDR price at the end of reporting period	Profitability ratio, which shows how much a company pays out in dividends each year relative to its security price.	The dividend yield is an estimate of the dividend-only return of a security investment.
Gross debt	Non-current loans and bonds + non-current lease liabilities + current portion of non-current loans + current loans + current lease liabilities	Total debt of the Group.	Indicator shows the level of debt of the Group.
Gross debt/Equity	Gross debt / Equity	Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity.	The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy.
Earnings per share (EPS)	Net profit for the period attributable to equity holders of the parent company / Weighted average number of nominal shares for the reporting period	Profitability ratio, which shows net profit for the period attributable to equity holders of the parent to one security at the end of reporting period.	The higher the indicator value, the higher the profitability attributable to one security for the period.
EBIT	Profit (loss) before tax - Financial income + Financial expenses	EBIT – earnings before interest and tax	Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortisation expenses.
EBIT margin	EBIT / Total revenues and other income	Profitability ratio, which shows EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
EBITDA	EBIT - depreciation and amortisation expenses - revaluation of emission allowances - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	EBITDA - earnings before interest, taxes, depreciation, and amortisation.	Profit measure used as a proxy for operating cash flow.
EBITDA margin	EBITDA / Total revenues and other income	Profitability ratio, which shows EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Leverage ratio, which shows the proportion of the total assets financed by equity.	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities.
Free Cash Flow (FCF)	FFO - Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + cash inflow of proceeds from sale of property, plant and equipment less gain or loss + change in net working capital.	Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures.	The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations.
Funds from operations (FFO)	EBITDA + interest received - interest paid - income tax paid	FFO is the proxy for Group's cashflow after taking into account EBITDA, net interest, and income tax paid.	FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group.
Investments	Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property	Capital spent on acquiring non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries.	Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels.
Net debt	Gross debt - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option (applicable for 2020)	Net debt is the total financial liabilities of the Group, net of cash and cash equivalents.	Net debt shows the level of indebtedness of the Group, if its cash and cash equivalents were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group.
Net debt/Adjusted EBITDA	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level.
Net debt/EBITDA	$\frac{\text{Net debt}}{\text{EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group.
OPEX	Salaries and related expenses + repair and maintenance expenses + other expenses - energy hedging - write-offs and impairments of short term and long-term receivables, inventories and other	Selling, general and administrative expense.	This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses.
Return on assets (ROA)	$\frac{\text{Net profit (loss)}}{\text{Average assets at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its total assets.	This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Return on Capital Employed (ROCE)	EBIT / Average net debt at the beginning and end of the reporting period + average equity at the beginning and end of the reporting period	Profitability ratio, which shows how well the Group employs its capital.	This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed.
Return on equity (ROE)	Net profit (loss) / Average equity at the beginning and end of the reporting period	Profitability ratio of net profit in relation to equity.	ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits.
Net working capital	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option (applicable for 2020) - other current financial assets - short term interest receivables - prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + prepayments for property, plant and equipment +non-current receivables (excluding Epso-G) - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + lease liabilities + payable income tax + deferred revenue + derivative financial instruments liabilities + current provision + dividends payable	Net working capital shows the amount of capital, other than that used for investing in non-current assets, tied in business operations.	Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds.
Net working capital/ Revenue	Net working capital / Total revenue and other income	Efficiency ratio, which shows Net working capital as proportion of revenue.	Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds.

For those indicators, which consist of a number from the Statement of financial position as a numerator and a number from the Statement of profit or loss and other comprehensive income or the statement of cash flows as a denominator (or vice versa), for interim period calculations LTM figures are used in order not to distort the comparability.

7.4 Compliance with the Guidelines for Ensuring the Transparency of State-Controlled Enterprises

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 April 2021)		Disclosure	Explanation
Section 2. Disclosure of information of a State-Owned company			
5. The following data and information must be published on the website of a State-owned company:			Information is published on www.ignitisgrupe.lt
5.1.	name;	Ongoing	
5.2.	code and register that collects and stores data on the enterprise;	Ongoing	
5.3.	registered office (address);	Ongoing	
5.4.	legal status if a State-owned company is being reformed, reorganized (the method of reorganization shall be specified), liquidated, is facing bankruptcy or is bankrupt;	Ongoing	
5.5.	name of the authority representing the State and a link to its website;	Ongoing	
5.6.	operational goals, vision and mission;	Ongoing	
5.7.	structure;	Ongoing	
5.8.	details of the Head;	Ongoing	
5.9.	details of the Chair and of the members of the Management Board, if, according to the Articles of Association, the Management Board is formed	Ongoing	
5.10.	details of the Chair and of the members of the Supervisory Board, if, according to the Articles of Association, the Supervisory Board is formed;	Ongoing	
5.11.	names of the committees, details of their chairmen and of the member, if committees are formed;	Ongoing	
5.12.	the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and share (percentage) in the authorized capital of a State-owned company;	Ongoing	
5.13.	special obligations being fulfilled, which are determined in accordance with the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations, the state budget appropriations allocated to their implementation in the current calendar year, and the legislation entrusting a State-owned company with the performance of a special obligation shall be indicated, the conditions for fulfilling a special obligation and/or regulated pricing shall be established;	Not relevant	
5.14.	information on social responsibility initiatives and measures, important ongoing or planned Investment projects.	Ongoing	
6. For publicity purposes in connection with the management and supervisory bodies set up in State-owned companies, as well as in connection with the professionalism of the members of the committees, the following data of the persons specified in sub-clauses 5.8–5.11 of the Description are published: forename, surname, date of commencement of the current position, other management posts held in other legal entities, educational background, qualification, professional experience. If the person specified in Sub-clauses 5.9–5.11 of the Description is elected or appointed as an independent member, this shall be additionally specified along with his/her details.		Ongoing	Information is published on www.ignitisgrupe.lt

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 April 2021)	Disclosure	Explanation
7. The following documents must be published on the website of a state-owned company:	Ongoing	Information is published on www.ignitisgrupe.lt
7.1. articles of Association;	Ongoing	
7.2. an official letter from an authority representing the State on the setting state goals and expectations in a State-owned company	Ongoing	
7.3. operations strategy or its summary in cases where the operations strategy contains confidential information or information that is considered a commercial (industrial) secret;	Ongoing	
7.4. document that establishes the remuneration policy covering determining the salary of the Head of a State-owned company and the remuneration of the members of collegial bodies and committees formed in a State-owned company.	Ongoing	
7.5. annual and interim reports of a state-owned company, annual and interim activity reports of a State Enterprise for a period of at least 5 years;	Ongoing	
7.6. sets of annual and interim financial statements for a period of at least 5 years and reports of an auditor of annual financial statements.	Ongoing	
8. If a state-owned company is the parent company, the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of the subsidiaries and subsequent subsidiaries, website addresses, portion (percentage) of shares held by the parent company in their authorized capital, as well as annual consolidated financial statements and consolidated annual reports must be published on its website.	Ongoing	Information is published on www.ignitisgrupe.lt
9. If a state-owned company is a participant of legal entities other than those specified in Point 8 of the Description, the data referred to in Sub-clauses 5.1–5.3 of the Description of those legal entities and the addresses of their websites must be published on its website.	Ongoing	Information is published on www.ignitisgrupe.lt
9[1]. If a company is a subsidiary or a second tier subsidiary of a state-owned company, the data referred to in Sub-clauses 5.1–5.3 of the Description of the parent company and the link to the parent company's website must be published on its website.	Yes	The specified information must be published on the websites of subsidiaries and second tier subsidiaries of the parent company
10. Data, information and documents referred to in Points 5 and 6, Sub-clauses 7.1 to 7.4, and in Points 8, 9 and 9[1] of the Description, that have changed or in cases where incorrect data of this kind has been published, must be changed immediately on the website too.	Ongoing	Information and documents that have changed are updated immediately
11. A set of annual financial statements of a state-owned company, annual report of a state-owned company, annual activity report of a State Enterprise, as well as report of an auditor of the annual financial statements of a state-owned company must be published on the website of a state-owned company within 10 working days from the approval of the set of annual financial statements of a state-owned company.	Ongoing	Documents are published on the website within the set deadline
12. The sets of interim financial statements of a State-owned company, the interim reports of a state-owned company and the interim activity reports of a State Enterprise must be published on the website of a State-owned company no later than 2 months after the end of the reporting period.	Ongoing	Documents are published on the website within the set deadline
13. The documents referred to in Point 7 of the Description shall be published in PDF format and technical possibilities for their printing shall be ensured.	Ongoing	Published PDF documents
Section 3. Preparation of sets of financial statements, reports and activity reports		
14. State-owned companies shall keep their accounts in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Ongoing	The parent company keeps its accounts in accordance with IFRS
15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, while a State Company - sets of interim financial statements for 3, 6 and 9 months.	Ongoing	The parent company prepares sets of interim financial statements for 3, 6 and 9 months

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 April 2021)	Disclosure	Explanation
16. A State-owned company, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest entity, in addition to the annual report, additionally prepares a 6-month interim report. A State Enterprise, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest enterprise, in addition to the annual activity report, additionally prepares a 6-month interim report.	Ongoing	The company prepares a 6-month interim report
17. In addition to the Contents requirements established in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or in the Law on State and Municipal Enterprises of the Republic of Lithuania, in the annual report of a State-owned company or in the annual activity report of a State Enterprise additionally must be provided:	Ongoing	The company provides information in the annual report
17.1. a brief description of the business model of a state-owned company;	Ongoing	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) and which were essential to the operation of a state-owned company;	Ongoing	
17.3. results of the implementation of the objectives provided for in the operational strategy of a state-owned company;	Ongoing	
17.4. profitability, liquidity, asset turnover, debt indicators;	Ongoing	
17.5. fulfilment of special obligations;	Not relevant	
17.6. implementation of Investment policy, ongoing and planned Investment projects and Investments during the reporting year;	Ongoing	
17.7. implementation of the risk management policy applied in a state-owned company;	Ongoing	
17.8. implementation of dividend policy in state-owned companies;	Ongoing	
17.9. implementation of remuneration policy;	Ongoing	
17.10. total annual payroll fund, average monthly salary by current position and/or units;	Ongoing	
17.11. information on compliance with the provisions of Sections 2 and 3 of the Description: shall be specified how they are implemented, which provisions are not complied with, and explanation as to why they are not complied with shall be provided.	Ongoing	
18. State-Owned companies and State Enterprises, that are not mandatory required to prepare social responsibility reports, are recommended to provide in the annual report or in the annual activity report, as appropriate, information related to environmental, social and personnel, human rights, fight against corruption and bribery matters.	Not relevant	The company prepares a social responsibility report (integrated in the annual report)
19. If information referred to in Point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned company, a state-owned company may not disclose such information. However, it must be specified in the annual report of a state-owned company or in the annual activity report of a State Enterprise, as appropriate, that this information is not being disclosed and the reason for the non-disclosure must be specified.	Not relevant	The company provides information in the annual report
20. Other information not specified in this Description may also be specified in the annual report of a State-owned company or in the annual activity report of a State Enterprise.	Ongoing	Other information is also provided in the annual report
21. A state-owned company, which is the parent company, shall present in the consolidated annual report and, if it is not required by law to draw up a consolidated annual report, then in its annual report the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of each subsidiary and second tier subsidiary, portion (percentage) of shares held in the authorized capital of a subsidiary, financial and non-financial performance for the financial year. If a State-owned company, which is the parent company, draws up a consolidated annual report, the requirements of Point 17 of the Description shall apply to it *mutatis mutandis*.	Ongoing	The company provides information in the annual report
22. The interim report of a state-owned company or the interim activity report of a State Enterprise presents a brief description of the business model of a State-owned company, analysis of financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their changes compared to the corresponding period of the previous year.	Ongoing	The company provides information in the interim report

7.5 Compliance with the Corporate Governance Code

AB "Ignitis grupė" (the parent company), acting in compliance with Article 12(3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with are indicated and the reasons for such non-compliance are specified.

Summary of the Corporate Governance Report

The corporate governance model of the Group was implemented following the governance guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013. The guidelines were updated several times and the current version was approved on 2 July 2021 (link).

Corporate governance activities are concentrated at the level of the parent company of the Group – the responsibilities of which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities. Use this link for the description of the corporate governance principles and of the governance and control system. More information on the management bodies ant its members, committees etc. is provided in annual report and in the table below, in which information on compliance with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius is disclosed.

The Corporate Governance Report was prepared in accordance with the current version of the Corporate Governance Code for the Companies listed on Nasdaq Vilnius, approved at the meeting of the Management Board of AB Nasdaq Vilnius on 15 January 2019 (Minutes No. 19-63), at the meeting of the Bank of Lithuania on 7 January 2019 (Decision No. 241-3).

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange Nasdaq Vilnius and on the website of the parent company. The place, date and time of the General Meeting of Shareholders convened by the parent company is determined in order to enable all shareholders to participate in the decision-making process where significant corporate matters are discussed.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The parent company's authorized share capital consists of EUR 22.33 nominal value ordinary shares, which provide their holders equal property and non-property rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights, provided by the shares are indicated in the parent company's Articles of Association, which is publicly available on the parent company's website.

Principles / recommendations	Yes / No / Not applicable	Commentary

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The Articles of Association of the parent company provides that the General Meeting of Shareholders shall approve these particularly important decisions regarding:
		– of the parent company becoming a founder, participant of other legal entities (except the decisions regarding becoming a founder, participant of associations);
		– the following of the companies of the Group of Companies of the parent company of strategic and significant importance to national security, which carry out manufacturing, distribution, supply activities in the energy sector, as well as of companies directly managed by the parent company which carry out activities in the electricity production sector:
		  – the transfer, pledge, other restriction or disposal of the shares or the rights attached thereto;
		  – increase, decrease of the authorized capital or other actions that may alter the structure of the authorized capital (e.g. issue of convertible bonds);
		  – reorganization, separation, restructuring, liquidation, reformation or other acts changing the status of these companies;
		  – the transfer of a business or a substantial part of it.

1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The parent company convenes General Meetings of Shareholders and implements other meeting-related procedures in accordance with the procedure established in the Law on Companies of the Republic of Lithuania and provides all shareholders with equal opportunities to participate in the meeting, get familiarised with the draft resolutions and materials necessary for adopting the decisions. The notice of General Meetings of Shareholders specifies that draft decisions could be submitted at any time before or during the General Meeting of Shareholders in accordance to Law on Companies of the Republic of Lithuania.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All documents and information related to the General Meeting of Shareholders including notices of the meetings, draft decisions, decisions of the meetings are publicly announced in Lithuanian and English via information system of Nasdaq Vilnius and London stock exchange and on the parent company's website.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	All shareholders may exercise their right to attend the General Meeting of Shareholders under the procedure laid down in the legal acts and this right is not restricted. The parent company provides information on how to implement this right in the notice of General Meeting of Shareholders.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	At the moment the parent company does not comply with this recommendation as there are no means to ensure proper identification of the voting persons using electronic means of communication. Nevertheless the parent company is actively looking for ways to address this issue.

Principles / recommendations	Yes / No / Not applicable	Commentary
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on candidates to a collegial body of a state-controlled company elected by the General Meeting of Shareholders is provided under the procedure established in the laws. The nominees are publicly announced as soon as the parent company receives nominations. The selection procedures and selection requirements are set by separate legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV) , their proposed remuneration and other documents specified in the legal acts are provided with the notice of General Meeting of Shareholders. The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a proposed draft decision for the General Meeting of Shareholders.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	Usually general meetings of shareholders of the parent company are attended by members of management bodies and other competent persons in order to provide information related to the agenda of the general meeting of shareholders to the shareholders. The General Meeting of Shareholders of the parent company held on 27 September 2021 was also attended by the candidates to the Audit Committee of the parent company, where they introduced themselves. The candidates to the Supervisory Board of the parent company had to participate in and introduce themselves at the General Meeting of Shareholders of the parent company held on 26 October 2021. The introduction of the candidates did not occur because not a single shareholder participated in the meeting in person (i.e., all shareholders who participated in the meeting had voted in advance).
Principle 2: Supervisory board		
2.1. Functions and liability of the supervisory board The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	All members of the Supervisory Board act in good will with respect to the parent company, with due regard to the parent company's interests and public welfare. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	Collegial bodies of the parent company follow the prescribed recommendations. Before taking decisions, members of the collegial bodies discuss their influence to the parent company's performance and the shareholders. The parent company's Articles of Association oblige the collegial bodies of the parent company and also each of their members to act on behalf of the parent company and its shareholders. Communication with the shareholders and obligations for them are established in accordance with requirements of legal acts.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The parent company's Supervisory Board is independent from the parent company's management bodies and takes decisions that are significant to the parent company's activities and strategy, acts independently in accordance with requirements of legal acts.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

Principles / recommendations	Yes / No / Not applicable	Commentary
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	Members of the Supervisory Board have the right to express their opinion concerning all questions included to the agenda that according to work regulations of the Supervisory Board must be properly reflected in the protocol of the meeting. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	In exercising its competence to supervise the activities of the parent company's management bodies, the Supervisory Council performs the duties specified in the recommendation, and submits its opinion on tax planning issues.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The parent company ensures that the Supervisory Board is supplied with all of the resources required for its activities (monitors technical aspects of the Supervisory Board meetings, provides all the required information and performs other functions specified in the Supervisory Board's Work Regulations). Agreement of activities of a member of the supervisory board defines that the parent company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. The Articles of Association set out that the supervisory board has the right to apply to the board and chief executive officer asking for documents and information pertaining to the parent company's operations, and the board of directors and chief executive officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board.
2.2. Formation of the supervisory board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	Pursuant to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and the qualification of its members is assessed at the general meeting of shareholders. Four out of seven members are women. The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Supervisory Board have experience in the field of corporate governance as well as experience in energy sector which is the sector in which the parent company and its subsidiaries operate.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

Principles / recommendations	Yes / No / Not applicable	Commentary
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	The members of the Supervisory Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Supervisory Board and the whole Supervisory Board in corpore, without waiting for their mandates' terms to end. The members of the Supervisory Board (separate or the body itself) may be dismissed by the General Shareholder Meeting. There are no restrictions provided in the Articles of Association of the parent company limiting the re-election of members of the Supervisory Board, however, there are restrictions established in the effective legal acts apply for the candidates to collegial bodies themselves.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The Chairman of the parent company's Supervisory Board and the CEO of the parent company is not the same person. The Chairman of the parent company's Supervisory Board is independent. The members of the Supervisory Board and the Chairman have not been members of the Board of the parent company or the CEO of the parent company.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	Members of the Supervisory Board are active participants of the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body. In 2021 the former Supervisory Board held, before the end of its term (29 August 2021), 23 (twenty three) meetings, 3 Supervisory Board members participated in all 23 meetings, 1 member participated in 20 meetings, 3 members – in 22 Supervisory Board's meetings. Since the election of the new Supervisory Board (26 October 2021), 7 Supervisory Board meetings were held, 6 meetings were attended by all Supervisory Board members, 1 meeting was missed by a single Supervisory Board member.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Information on the candidates to the parent company's Supervisory Board members (as well as information on the candidate's compliance with the independence requirements) is provided to the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania (see commentary on recommendation 1.9).
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The independent member of the Supervisory Board is remunerated for his/her activity in the Supervisory Board according to the procedure and terms established in the agreement signed with him on activity as an independent member of the Supervisory Board. The conditions of the agreement with the independent member of the Supervisory Board are approved by the General Meeting of Shareholders. According to the Corporate Governance Guidelines, the amount of remuneration to the independent member of the Supervisory Board has been limited to a maximum amount sum calculated in proportion to the remuneration of the CEO of the parent company (1/4 of the CEO's remuneration to an independent member of the Supervisory Board and 1/3 of the Independent Chairman of the Supervisory Board).

Principles / recommendations	Yes / No / Not applicable	Commentary
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	The Supervisory Board makes an assessment of its activity every year. The Supervisory Board assesses the organization of meetings, efficiency, the need for competences, mutual cooperation, and sufficiency of the information furnished by the management for decision-making. Information on the internal structure and working procedures of the Supervisory Board is published in the parent company's annual report. In 2021 external consultants Nestor Advisors were engaged to assess the activities of the Supervisory Board of the parent company and its committees. The consultants assessed the activities of the Supervisory Board and its committees and submitted recommendations for improvement in accordance with international good practices.
Principle 3: Management Board		
3.1. Functions and liability of the management board The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The parent company's Management Board carries out the duty of implementation of the parent company's strategy approved by the parent company's Supervisory Board.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	As there is the Supervisory Board formed in the parent company, the Management Board performs the functions of the parent company's collegial management body. The obligation to take into account the interests of the parent company, the shareholders, the employees and other stakeholders is established in the agreement on performance in the Management Board signed by each member of the Management Board.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board of the parent company adheres to the aforementioned recommendation, approves and ensures compliance with internal policies.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board of the parent company follows the aforementioned recommendation.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the CEO of the parent company the Management Board takes into account the balance of his/her qualifications, experience and competence as well as the opinion of the parent company's Supervisory Board.

[3] *Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance:* https://www.oecd.org/daf/anti-bribery/44884389.pdf

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The Management Board of the parent company ensures the balance of its members' qualifications. The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Management Board have experience in the field of corporate governance as well as experience in energy sector which is the sector in which the parent company and its subsidiaries operate.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information on candidates to the Management Board of a state-controlled company is provided under the procedure established in the laws. The selection procedures and selection requirements are set by separate legal acts. An opinion on the suitability of candidates is submitted by the Selection Commission formed in accordance with the procedure established by legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV), declaration of interests and other documents specified in the legal acts are provided at the meeting of the parent company's Supervisory Board, which elects the Management Board or its individual members. Information on offices held by members of the Management Board or their involvement in activities of any other companies is constantly collected, accumulated, and published in the annual report, as well as on the parent company's website.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	The members of the Management Board after their election are acquainted with the parent company's activities, organizational and management structure, strategy, activities and financial plans.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the Management Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. Limitations concerning re-election of the members of the Management Board are not provided in the parent company's Articles of Association, nevertheless, limitations provided by valid legal acts are applied to candidates to members of the Management Board. The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Management Board and the whole collegial body in corpore, without waiting for their mandates' terms to end. The members of the Management Board (separate or the body itself) may be dismissed by the Supervisory Board.
3.2.5. Chair of the management board should be a person who's current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Current or past positions of the Chairman of the Management Board of the parent company do not create preconditions for possible impartiality. The Chairman of the Management Board of the parent company is a member of the Management Board and CEO of the parent company, but in this case the impartiality of its activities is ensured, as there is the Supervisory Board formed in the parent company.

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	The members of the Management Board of the parent company actively participate in the meetings of the Management Board and devoted sufficient time to the performance of their duties as a member of the collegial body. In 2021, 71 (seventy one) meetings of the Management Board of the parent company were held. In 2021, all elected members of the Management Board participated in all meetings of the Management Board. It must be noted that 1 Management Board member participated in all meetings before his resignation (25 June 2021) (i.e., in 31 out of 31 meetings that occurred before 25 June 2021).
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	There is the Supervisory Board formed at the parent company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Not applicable	The parent company has a Supervisory Board that has the competence to elect and revoke the members of the Management Board, set the remuneration of the Management Board members. The remuneration of the Management Board members is determined in accordance with the Group Remuneration Policy, which is approved by the resolution of the General Meeting of Shareholders of the parent company.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	The members of the Management Board act in good faith towards the parent company and in accordance with the interests of the parent company and taking into account the welfare of the society.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Each year the members of the parent company's Management Board perform an assessment of their activities by completing the questionnaires, which include the evaluation of the work of the Management Board. Information on the internal structure and working procedures of the Management Board is published in the parent company's annual report.

[4] *For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.*

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	Legal acts, Articles of Association and rules of procedure governing activities of the parent company's supervisory and management bodies lay down the principles and procedure of cooperation between supervisory and management bodies of the parent company and ensure that management and supervisory bodies cooperate to attain the greatest possible benefit to the parent company and its shareholders.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of collegial bodies proceed according to the pre-approved schedule. An annual plan of meetings and their agendas are formed for the Supervisory Board which, with consideration to activities of the Group and processes going on in them, is supplemented in the course of the year. Meetings of the Supervisory Board are held at least once a month and of the Management Board – once a week. Members of the Supervisory Board suggest issues to be discussed during meetings. Members of the Supervisory Board are familiarized with activities pursued not only by the parent company, but also those of subsidiary companies of the Group.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Members of the collegial body are informed on the agenda of a meeting in advance. The agenda of the future meeting is discussed at the end of the current meeting, and issues are included into the agenda of the future meeting by consensus. In the course of the meeting, the agenda is not usually changed. All members of collegial bodies receive the material necessary for decision-making on issues on the agenda in advance and have a possibility to become familiar with them, also to ask questions before the meeting and during the meeting; they have the right to suggest that materials of the issue discussed should be supplemented, or ask to specify it. All members of the collegial bodies are informed about any received comments or specification.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	Meetings of the Supervisory Board are also usually attended by the Management Board of the parent company. Dates and agenda of the meetings are coordinated in such a way that they could be attended by all members of collegial bodies. The Supervisory Board and the Management Board cooperate in forming agendas of the meetings by including relevant issues on activities of the parent company or the Group's companies.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 5: Nomination, remuneration and audit committees		
5.1. Purpose and formation of committees The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Yes	The parent company forms the following Supervisory Board committees: Risk Management and Business Ethics Supervision Committee and Nomination and Remuneration Committee, also the Audit Committee, which is formed by the decision of the General Meeting of Shareholders. All aforementioned committees operate at the Group level.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Not applicable	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	See the comments for recommendation 5.1.1
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	Committees consist of at least 3 members by involving also independent members. Chairpersons of all committees are independent members.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	Nomination and Remuneration Committee and Risk Management and Business Ethics Supervision Committee are advisory bodies to the Supervisory Board. Their Regulations are approved and their members are elected by the Supervisory Board. Members of the Audit Committee are elected and its Regulations are approved by the General Meeting of Shareholders. The committees of the Supervisory Board submit the report on their activities at least once in 6 (six) months, which they present at the Supervisory Board meeting. The Audit Committee provides performance report to the General Meeting and the Supervisory Board when a set of financial statements is submitted for the approval of the General Meeting of the parent company. Information on composition of the committees, the number of meetings, attendance and main activities are disclosed in the parent company's annual report.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

Principles / recommendations	Yes / No / Not applicable	Commentary
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	All chairpersons of committees are independent members, there are members of the Supervisory Board in the composition of the committees. The members of the Supervisory Board have the right to attend meetings of committees. If necessary, at the invitation of committees, particular employees or experts attend the meetings.
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, not limited to, the functions laid down in this principle.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Yes	The Nomination and Remuneration Committee submits an opinion on candidatures to the management and supervision bodies of the Group companies (if necessary, it may submit an opinion also regarding other candidatures). An opinion on the suitability of the mentioned candidatures (including the CEO) is also submitted by the parent company's Supervisory Board. Decisions on the approval of such candidatures are adopted by the Management Board.
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and comply with, however, are not limited to, the functions listed in this principle.

Principles / recommendations	Yes / No / Not applicable	Commentary
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The main functions of the Audit Committee are described in the Corporate Governance Guidelines and conform with the functions laid down in the legal acts regulating the activities of the audit committee.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	All members of the committee are provided with detailed information on specific issues of the parent company's accounting system.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	Meetings of the Audit Committee are attended by, upon invitation of the committee, the Head of Internal Audit Group CFO, and, if necessary, by other employees when discussing specific issues. The Audit Committee also cooperates with other committees, and, if necessary, joint meetings are organised. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee receives the information referred to in this paragraph, approves the annual plan of internal audit. The Internal Audit Unit informs the Audit Committee on the implementation of internal audit plans and submits reports. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements. The Audit Committee submits reports on its activities to the Supervisory and Management Boards when annual and six-month reports must be approved.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	Audit committee performs these functions.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee submits its performance reports to the Supervisory and Management Boards at the time of approval of annual and six-month reports.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.		
6.1. Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The parent company does observe the recommendations. According to the parent company's Articles of Association, each candidate to a member of the collegial body is obliged to provide a declaration of interest to the body electing him/her stating all of circumstances which could lead to a conflict of interests between the candidate and the parent company. In the event a new circumstance emerge that may give rise to a conflict of interest between a member of the collegial body and the parent company, a member of the collegial body must immediately inform in writing the parent company and the collegial body of such new circumstances. Besides, according to the parent company's Articles of Association, members of the Management Board may not have any other job or hold any other office that would be incompatible with their activity on the Management Board, including the holding of management positions in other legal entities (except for the position and work in the Group companies), work in civil service, statutory service. Members may hold any other position or have other job, except for the position held in the parent company and other legal entities the participant whereof the parent company is, also engage in educational, creative, or authorship activity only on receipt of prior consent from the Supervisory Board.
Principle 7: Remuneration policy of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Remuneration Policy of the parent company governs the setting and payment of remuneration in the parent company. The parent company's remuneration policy is published on the parent company's website.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy defines remuneration components, their maximum amounts, the principles of allocation and payout, which are common for all companies of the Group. According to the provisions of the Remuneration Policy, the variable remuneration component is paid only in case the target achievement value is at least 70 percent. If criteria for the evaluation of performance results are not met, i.e. the goal achievement value is below 70 percent, the variable remuneration component is not paid.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The Group Remuneration Policy sets out that remuneration for activities in collegial bodies of the parent company or the Group companies does not depend on the performance results of the parent company or the Group companies.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The parent company follows this recommendation: The Group Remuneration Policy sets out the severance payment procedure.

Principles / recommendations	Yes / No / Not applicable	Commentary
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	NA	
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The parent company publishes information on the implementation of Remuneration Policy in the Annual Report.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The latest wording of the Group Remuneration Policy was approved by the resolution of the General Meeting of Shareholders on 27 September 2021.
Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The parent company's management system provides protection for the rights of the stakeholders that are protected by laws. The parent company pursues the maximum possible transparency in its relations with all stakeholders and the compliance with the highest ethical requirements and principles – in its activities, because honest and open business activities are one of the key elements of impeccable business reputation. The parent company takes into account the changing customer needs, constantly improving its operational processes, empowering employees, taking care of the safety and health of its employees, seeking to maintain a close relationship with investors and ensure information accessible to all, continuously updating the information and posting it in the "Investors" section of its website.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.		The parent company observes these recommendations when establishing the general rules applied to the Group of companies. Interest holders (e.g. trade unions of employees of subsidiary companies) may participate in the management of subsidiary companies to the extent provided for by the laws.

Principles / recommendations	Yes / No / Not applicable	Commentary
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The parent company does observe the recommendations. The stakeholders are given access to the necessary information.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The parent company has a trust line, information can also be provided anonymously by e-mail: pasitikejimolinija@ignitis.lt.
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The parent company's operating and financial results are published each month, also in the parent company's interim and annual reports.
9.1.2. objectives and non-financial information of the company;	Yes	The parent company's business objectives and non-financial information is published in the parent company's interim and annual reports, the parent company's strategy and activity plans.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.7. the company's transactions with related parties;	Yes	The information is published on the parent company's website.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.9. structure and strategy of corporate governance;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned Investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.

Principles / recommendations	Yes / No / Not applicable	Commentary
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The parent company discloses the Group's consolidated results.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in Item 4 of the recommendation is published in the parent company's annual report and on the parent company's website. The parent company makes public the salary to the parent company's CEO and other benefits associated with the functions as members of the management bodies.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The parent company discloses the information via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages simultaneously. The parent company observes the recommendation and announces its material events before or after a trading session on the Vilnius Stock Ex-change, except for the cases provided for by legal acts. The parent company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange.
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The parent company executes its annual financial statement audit. An independent audit firm also verifies the compliance of the parent company's annual report with its audited financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	Articles of association of the parent company states that Supervisory Board considers and submits proposals regarding the auditor or audit firm elected by the General Meeting and the terms of payment for the audit services.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	The parent company does observe the recommendations.

7.6 Other statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of AB "Ignitis grupė" (hereinafter – the parent company) about the parent company's and its controlled companies', which together are called group of companies (hereinafter – the "Group" or "Ignitis Group"), operations for the period of January–December 2021.

The Annual report has been prepared by the parent company's administration in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian) and the Law on Consolidated Financial Reporting of the Republic of Lithuania (link in Lithuanian).

The parent company's management is responsible for the information contained in the Annual report. The report and the documents, on the basis of which it was prepared, are available at the head office of the parent company (Laisvės av. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

All public announcements, which are required to be published by the parent company according to the effective legal acts of the Republic of Lithuania, are published on our website and the websites of Nasdaq Vilnius, London and Luxembourg stock exchanges.

Significant arrangements

The parent company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the parent company's control situation.

During the reporting period, the parent company did not conclude any harmful agreements (which do not correspond to the parent company's objectives, current market conditions, violate the interests of shareholders or other groups of persons, etc.) which had or potentially may have a negative impact on the parent company's performance and/or results of operation nor there were any agreements concluded in the event of a conflict of interests between the obligations of the parent company's managers, the controlling shareholders or other related parties to the parent company and their private interests and/or other duties.

There are no agreements concluded between the parent company and the members of the management bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.

Internal control and risk management systems involved in the preparation of the consolidated financial statements

The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company providing accounting services to the parent company ensure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Notice on the language

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

Glossary

Glossary

#	Number
%	Per cent
'000 / k	Thousand
AB	Joint stock company
APM	Alternative performance measure
B2B	Business to business
B2C	Business to consumer
BICG	Baltic Institute of Corporate Governance
bn	Billion
CCGT	Combined Cycle Gas Turbine Plant
CDP	Carbon Disclosure Project
CfD	Contract for difference
CHP	Combined heat and power
Clean spark spread	Indicative prices giving the difference between the combined cost of natural gas and emissions, and the equivalent price of electricity
CO_2	Carbon dioxide
COD (commercial operation date) / commissioned	The start of energy generation after the test on completion
CPI	Consumer Price Index
DPS	Dividends per share
E	Electricity
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Electricity generated (net)	Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex
Electricity sales	Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia
Enerpro	UAB Energetikos paslaugų ir rangos organizacija
eNPS	Employee Net Promoter Score
EPS	Earnings per share
ESG	Environmental, social and corporate governance
ESO	AB „ Energijos skirstymo operatorius "
etc.	et cetera
EURbn	billion EUR
EURm	million EUR
EU	European Union
Eurakras	UAB „EURAKRAS"
FBS	Fixed base salary
FCF	Free Cash Flow
FFO	Funds from operations
FiT	Feed-in Tariff
FTE	Full-time equivalent
Full completion	Taking over certificate obtained implying the transfer of operational responsibility of the power plant to the Group
GDP	Gross domestic product
GDR	Global depositary receipt
GHG	Greenhouse Gas
GPC	UAB „Ignitis grupės paslaugų centras"
Green electricity generated (net)	Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant)
Green Generation capacity installed	Wind farms, solar power plants, biofuel plants, CHP plants and hydropower plants (including Kruonis pumped storage power plant) that have completed and have passed a final test
Green share of generation,%	Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group
GRI	Global Reporting Initiative
Group or Ignitis Group	AB „Ignitis grupė" and its controlled companies
GW	Gigawatt
Heat generated (net)	Heat sold in CHP plants, biofuel plants
Hydro power	Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant
IFRS	International Financial Reporting Standards
Ignitis	UAB „Ignitis"
Ignitis Eesti	Ignitis Eesti OÜ
Ignitis Gamyba	AB „Ignitis gamyba"
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska sp. z o.o.
Ignitis Renewables	UAB „Ignitis renewables"
Installed capacity	Where all assets have been completed and have passed a final test
ISIN	International Securities Identification Number
YoY	Year over year
IPO	Initial Public Offering
ISO	International Organization for Standardization

Kaunas CHP	UAB Kauno kogeneracinė jėgainė
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant
Kruonis PSHP	Kruonis Pumped Storage Hydroelectric Plant
Lietuvos energija	„Lietuvos energija", UAB (current AB „Ignitis grupė")
Litgas	Litgas UAB
Litgrid	Litgrid AB
LNG	Liquefied natural gas
LNGT	Liquefied natural gas terminal
LRAIC	Long-run average incremental cost
LTIP	Long-Term Incentive Programme
LTM	Last twelve months
m	Million
Mažeikiai	UAB „VVP Investment"
min	Minimum
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NERC	The National Energy Regulatory Council
New connection points and upgrades	Number of new customers connected to the network and capacity upgrades of the existing connection points
NPS	Net promoter score
NT Valdos	NT Valdos, UAB
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating expenses
Parent company	AB „Ignitis grupė"

PBM	Payment of the activities of Board member
Pomerania	Pomerania Wind Farm sp. z o. o.
pp	Percentage point
PPE	Property, plant and equipment
PSO	Public service obligation
Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence
Q	Quarter
RAB	Regulated asset base
Regulated monopolistic activities	Electricity and natural gas distribution, electricity supply of last resort, public supply of electricity, natural gas supply to residents of Lithuania and designated LNG supplier service, secondary reserve (till the end of 2020).
RES	Renewable energy sources
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
SAIDI	Average duration of unplanned interruptions in electricity or natural gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
SOE	State-owned company

STI	Short-Term Incentives
Supply of last resort	Supply of electricity in order to meet electricity demand of customers who have not selected an independent supplier under the established procedure, or an independent supplier selected by them does not fulfil its obligations, terminates activities or the agreement on the purchase and sale of electricity
TCFD	Task Force on Climate-Related Financial Disclosures
TE-3	Vilnius Third Combined Heat and Power Plant
TRIR	Total Recordable Injury Rate
Tuuleenergia	„Tuuleenergia osaühing"
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UN	United Nations
UNGC	United Nations Global Compact
Units	Units
Vėjo Gūsis	UAB „VĖJO GŪSIS"
Vėjo Vatas	UAB „VĖJO VATAS"
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
vs.	Versus
WACC	Weighted average cost of capital
WF	Wind farm
WtE	Waste-to-energy

Certification statement

ignitis group

Certification statement

24 February 2022

Referring to the provisions of the Article 12 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB "Ignitis grupė", Darius Kašauskas, Chief Financial Officer at AB "Ignitis grupė", and Giedruolė Guobienė, Head of Accounting at UAB "Ignitis grupės paslaugų centras", acting under Order No. IS-11-22 of 14 February 2022, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" consolidated and the stand-alone financial statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and stand-alone assets, liabilities, financial position, profit or loss and cash flows for the period, the Annual Report 2021 includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

Darius Maikštėnas
Chief Executive Officer

Darius Kašauskas
Chief Financial Officer

Giedruolė Guobienė
UAB "Ignitis grupės paslaugų centras",
Head of Accounting,
acting under Order No IS-11-22
(signed 14 February 2022)

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