First three months 2023

Interim report

Our purpose is to create a 100% green and secure energy ecosystem for current and future generations

Renewables-Focused Integrated Utility

GREEN	FLEXIBLE	INTEGRATED	SUSTAINABLE
Growing green capacities: 4–5 GW green and flexible capacity by 2030	**Creating a flexible system that is able to operate on 100% green energy in short, medium, and long term**	**Utilising the integrated business model to enable green and flexible generation build-out**	**Maximising sustainable value:** Net zero by 2040–2050

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1.1 CEO's statement

Highlights

Performance

Our YoY Adjusted EBITDA increased by 34.6% and amounted to EUR 149.9 million in 3M 2023. The increase was mainly driven by a better result of the Reserve Capacities segment as well as the Customers & Solutions segment breaking even.

The Green Generation segment remained the largest contributor with a 46.7% share of our total Adjusted EBITDA.

Our YoY Investments almost doubled and reached EUR 120.8 million due to the investments made in Green Generation and Networks.

We reiterate our 2023 Adjusted EBITDA guidance of EUR 430–480 million.

Business development

Since the beginning of 2023, our Green Generation Portfolio increased to 5.3 GW (from 5.1 GW), and our Secured capacity grew to 1.7 GW (from 1.6 GW).

A number of projects in our Portfolio reached significant milestones:

- Kruonis PSHP expansion project (110 MW), for which an FID in April 2023 was made, reached a construction phase;
- hot tests have begun in Vilnius CHP biomass unit (73 MWe, 169 MWth);
- Mažeikiai WF (63 MW) supplied the first power to the grid;
- Tauragė solar project (22 MW) reached a construction phase;
- Jonava solar project (252 MW) in Lithuania reached an advanced development stage;
- Moray West offshore wind project (882 MW) has reached a financial close.

On the Lithuanian offshore wind development front, we are participating in the spring's tender, which started on 30 March 2023, for the first 700 MW project with our partner Ocean Winds.

The implementation of Portfolio projects is progressing as planned with no significant changes since Q4 2022.

Sustainability

In April 2023, Sustainalytics improved the Group's ESG Risk Rating to 'low' from 'medium' ESG risk level (the score improved from 20.4 to 19.9). It places the Group in the top 12% among utility peers.

Darius Maikštėnas
Chair of the Management Board and CEO
Ignitis Group

Strong results despite lower power prices

Performance

In line with our expectations and despite the lower power prices, we delivered a strong performance, which is reflected by the growth of the key financial metrics – Adjusted EBITDA, Investments as well as improving leverage in 3M 2023.

Our Adjusted EBITDA amounted to EUR 149.9 million and was 34.6%, or EUR 38.5 million, higher than in 3M 2022. Adjusted EBITDA growth was mainly driven by the Reserve Capacities segment, where we utilised an option to earn additional return in the market on top of the regulated return by fixing positive forward clean spark spread. Customers & Solutions segment result, which turned positive due to better B2B performance, also contributed to the overall result. However, electricity B2C activities continued to be loss-making (EUR -16.4 million). Green Generation segment remained the largest contributor to Adjusted EBITDA (46.7% of the Group's Adjusted EBITDA) with flat YoY Adjusted EBITDA despite lower power prices.

The Group's Investments in 3M 2023 almost doubled to EUR 120.8 million compared to the same period last year. It was primarily driven by Investments in new Green Generation segment's projects and higher Investments in the Networks segment. As a result of the Investments made in new onshore and offshore wind farms, Investments in the Green Generation segment increased by 87.8% and reached EUR 46.2 million. Additionally Investments in the Networks segment increased by 115.7% and reached EUR 71.6 million as a result of more new connection points and renovated objects in the electricity distribution grid as well as due to higher contractor fees.

Also, compared to the end of 2022, our leverage metrics improved, following by a decrease in Net Debt. Net Debt decreased by 22.7% (from EUR 986.9 million to EUR 762.9 million), mainly due to positive FCF, which was influenced by higher EBITDA and a decrease in NWC (EUR 314.8 million as of 31 March 2023 compared to EUR 443.3 million as of 31 December 2022). In turn, it led to a significant improvement of FFO/Net Debt ratio to 76.1% (from 49.1% for 2022).

Turning to returns to shareholders, at the Annual General Meeting of Shareholders held on 30 March 2023 a dividend of EUR 0.624 per share was confirmed for the second half of 2022 and was paid out in April 2023. In line with the Dividend Policy, for 2022 we distributed a dividend of EUR 1.248 per share, corresponding to EUR 90.3 million and in line with the commitment of annual dividend increase of at least 3%.

In the outlook provided in our Annual report 2022, we projected our Adjusted EBITDA for 2023 to be in the range of EUR 430–480 million. Following the strong 3M 2023 performance, which was in line with our expectations, we reiterate our full-year guidance.

Business development

Since the beginning of 2023, our Green Generation Portfolio increased to 5.3 GW (from 5.1 GW) as a result of greenfield capacity additions of around 0.2 GW. Our Secured capacity also grew to 1.7 GW (from 1.6 GW) as a result of an FID made in our Kruonis PSHP expansion project (110 MW) and Tauragė solar project (22 MW) in Lithuania reaching the construction phase.

In addition to our Portfolio growth, since the end of 2022 we have reached significant milestones in a number of projects we develop.

So, two of the projects we are developing in Lithuania have reached the construction phase. Kruonis PSHP expansion project (110 MW) and Tauragė solar project (22.1 MW) with expected CODs in 2026 and 2024 respectively. Regarding Kruonis PSHP expansion (110 MW), on 18 April 2023 we also made an FID and signed contracts with the key contractors (a consortium of companies, which includes Voith Hydro GmbH and Co. KG (St. Pölten, Austria) and Voith Hydro GmbH and Co. KG (Heidenheim, Germany), as well as Fichtner GmbH & Co. KG). After the installation of the 5th unit, the capacity of Kruonis PSHP will increase to 1,010 MW (from 900 MW).

Additionally, hot tests have begun in our Vilnius CHP biomass unit (73 MWe, 169 MWth) and are going to continue until the end of the project. Also, the first power was supplied to the grid by our Mažeikiai WF (63 MW) in Lithuania. The onshore wind farm is expected to be launched in Q2 2023.

Finally, after securing a grid connection, Jonava solar project (252 MW) in Lithuania reached an advanced development stage (it previously fell under a greenfield pipeline in 'Early development Pipeline' category). However, as a result of regulatory changes causing later-than-expected obtainment of a permit for the development of electricity generation capacity, the project's expected COD is postponed to 2026 (from 2025).

Regarding the offshore wind development, Moray West offshore wind project (882 MW), which we own together with Ocean Winds (a joint venture between ENGIE and EDP Renewables), has reached the financial close. The project financing of GBP 2 billion will be utilised to secure the remaining elements of supply chain activity in preparation for offshore installation works later in 2023. The project is expected to reach COD by the end of 2025.

On the Lithuanian offshore wind development front, on 30 March 2023 the tender has started for the first 700 MW Lithuanian offshore wind project (the spring tender) and the next tender for an additional capacity of 700 MW is to take place on 1 September 2023 (the autumn tender). We are participating in the spring tender with our partner Ocean Winds. We will decide on the participation in the autumn tender depending on the outcome of the spring tender. If we are not successful in the first tender, we will participate in the second one. However, if we are successful in the spring tender, despite already meeting our target, we will decide on the participation in the autumn tender depending on our financial capacity.

The implementation of other Portfolio projects is progressing as planned with no significant changes since Q4 2022.

Turning to the Networks segment, we successfully continued network maintenance and expansion works, including the smart meter roll-out. In 3M 2023, the total number of installed smart meters reached around 340 thousand. Our target of finalizing the mass roll-out process by the end of 2025 remains unchanged despite the disruption in the production of smart meters and, thus, affecting the project by having the smart meters delivered in smaller quantities than planned and/or within a longer timeframe.

Sustainability

During 3M 2023, we continued to build a resilient and robust organization by adhering to the highest ESG principles and committing to the principles of the UN Global Compact.

To show our progress as well as commitments, in early 2023 we presented our GRI-aligned comprehensive Sustainability Report 2022, prepared in accordance with TCFD recommendations. The Sustainability Report 2022 also includes disclosures under the EU Taxonomy Regulation. We continue to refine our disclosures to provide a wide set of stakeholders a clear view of our performance and progress.

One of our top priorities this year is education and prevention of occupational health and safety (OHS) issues of both our employees and contractors. Considering the incidents that have occurred in 2022, and assessing their nature and causes, we have taken steps to strengthen the OHS culture within the Group. For that purpose, we launched a dedicated OHS programme 'Is it safe?' that emphasises the importance of strengthening the safety culture, increasing awareness and cooperation both among the Group employees and contractors to ensure that all work is performed safely and that employees get home safe and healthy.

We also continued to take care of the Group employees' mental wellbeing. For that purpose we have approved the Group Abuse and Harassment Prevention Policy, which provides effective prevention measures, protecting the employees from abuse and harassment and helping them clearly understand potential manifestations of it at work, recognise its signs, and be aware of legal defence methods.

The aforementioned initiatives are only a minor part of initiatives carried out within the Group. Having ambitious goals and continuously applying the best market practices requires further strengthening of our competences, in particular, the oversight of both OHS as well as sustainability topics. For that, in April 2023 the competences as well as composition of the Risk Management and Sustainability Committee was expanded. The committee was joined by 2 new independent members, Ana Riva and Wolf Willems, who are now responsible for the oversight of risk management and occupational health and safety as well as sustainability.

Finally, we are pleased to share, that our efforts were once again reflected in the improvement of our ESG risk ratings. After the reporting period, Sustainalytics improved our ESG Risk Rating to 'low' ESG risk level with a score of 19.9 (on a scale of 100–0, from highest to lowest risk; previously it was 'medium' with a score of 20.4), placing the Group in the top 12% among utility peers in managing the most significant ESG risks.

Strategy update and Strategic plan 2023–2026

In May 2023, we also updated our Strategy and introduced Strategic plan 2023–2026. With this, we set a target to create a 100% green and secure energy ecosystem for current and future generations. For that purpose, we also brought forward our net zero emissions goal by 2040–2050 (previously it was 2050).

> **Our YoY Adjusted EBITDA increased by 34.6% and amounted to EUR 149.9 million in 3M 2023. Following strong result, despite lower power prices, we reiterate our 2023 Adjusted EBITDA guidance of EUR 430–480 million.**

Further on, while exploiting our integrated business model, we target to deliver 4–5 GW of green and flexible capacities by the end of 2030. In mid-term, we aim to expand our Green Generation portfolio to 2.2–2.4 GW by the end of 2026. For our renewables expansion as well as Networks grid maintenance and expansion (on a ~55% vs ~40% proportional basis respectively), we plan to invest EUR 2.2–2.8 billion, out of which >85–90% is expected to be aligned with the EU Taxonomy.

These investments should translate into Adjusted EBITDA within the range of EUR 470–550 million (out of which ≥75% to be the sustainable share as defined by EU Taxonomy) by the end of 2026 and an average Adjusted ROCE at the level of 6.5–7.5% over 2023–2026 period.

Finally, considering the shareholder return, we will continue to pay dividends with at least 3% annual growth, representing the dividend yield within the range of 6.3–6.9% over 2023–2026.

To see further details on our strategic KPIs, please see the Group's Strategy update and Strategic plan 2023–2026.

Looking ahead

In 2023, we will continue working towards delivering our strategy as well as increasing value to our shareholders and the society overall. The position of being the largest energy group in the Baltics, our clear purpose to create a 100% green and secure energy ecosystem as well the people believing and working towards these goals place us in a perfect position to bring the change and enable the energy transition.

Darius Maikštėnas
Chair of the Management Board and CEO
Ignitis Group

1.2 Business highlights

January

Green Generation:
- The first power was supplied to the grid by our Mažeikiai WF (63 MW) in Lithuania.

Reserve Capacities:
- We won Polish capacity mechanism auction for ensuring a 250 MW capacity availability in 2027 for approximately EUR 16 million.

Governance:
- For the second year in a row, the international Top Employer 2023 Lithuania Certificate was awarded to the Group.

February

Green Generation:
- Ignitis Renewables Management Board members have been re-elected for a new term. The company's Management Board comprises three members, all of them were re-elected for the second term.

March

Green Generation:
- Hot tests were started in Vilnius CHP biomass unit (73 MWe, 169 MWth).

Customers & Solutions:
- The Group announced its plans to expand its EV charging network in Latvia and Estonia.

Finance:
- The Group concluded financing agreements for a total of EUR 300 million. Out of EUR 220 million loan granted by Swedbank, EUR 85 million will be allocated to finalise the construction works of Vilnius CHP biomass unit (Green Generation), and the remaining EUR 135 million will be used to refinance Vilnius CHP's loan granted by European Investment Bank, which the Group is taking over to finance renewables capacity expansion. Additionally, a credit line agreement of up to EUR 80 million was concluded with Swedbank to ensure working capital needs.

Governance:
- AGM was held on 30 March, where decisions, including the allocation of profit for 2022 (EUR 1.248 DPS or EUR 90.3 million in total) and allocation of aid to Ukraine (EUR 12 million) were made.

After the reporting period

April

Green Generation:
- The Group made a final investment decision regarding a 110 MW expansion project (5th unit) in Kruonis PSHP. The planned investments into all project-related activities are in the range of EUR 150 million and the project's COD is expected to take place by the end of 2026. In addition, contracts with a consortium of contractors that won the tender as well as FIDIC for engineering and maintenance services were concluded.
- Moray West offshore WF project (882 MW), with expected COD by the end of 2025, reached financial close. The project is owned by Ocean Winds (a joint venture between ENGIE and EDP Renewables) and the Group (a minority shareholder with a stake of 5%). The project financing of GBP 2 billion will be utilised to secure the remaining elements of supply chain activity in preparation for offshore installation works later in 2023.

Sustainability:
- Sustainalytics improved the Group's ESG Risk Rating to 'low' from 'medium' ESG risk level (the score improved from 20.4 to 19.9). It places the Group in the top 12% among utility peers.

Finance:
- The Group secured a credit facility with Citibank N.A. London Branch for EUR 100 million to manage working capital needs.

Governance:
- Two new independent members, Ana Riva and Wolf Wilems, who will be responsible for supervision of risk management and occupational health and safety accordingly, were selected for the Risk Management and Sustainability Committee.

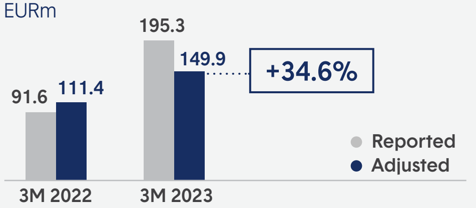
May

Finance:
- The Group secured two credit facilities with MUFG Bank (Europe) N.V. and MUFG Bank (Europe) N.V. Germany Branch for EUR 150 million and EUR 75 million to manage working capital needs.

1.3 Performance highlights

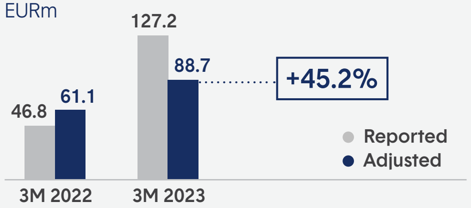
Financial

EBITDA APM
EURm



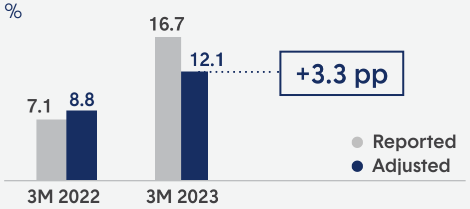
Adjusted EBITDA growth was influenced by Reserve Capacities segment, where we utilised an option to earn additional return in the market on top of the regulated return by fixing positive forward clean spark spread, and by Customers & Solutions segment, which result turned positive due to better B2B natural gas results. The Green Generation segment remained the largest contributor to Adjusted EBITDA (46.7% of the Group's total) remaining flat YoY despite lower electricity market prices.

Net profit APM
EURm



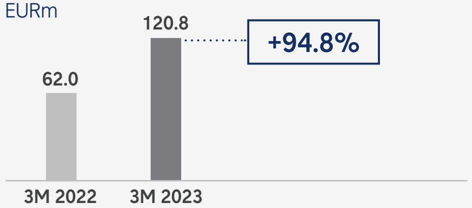
Adjusted Net Profit increase was driven by the Adjusted EBITDA growth, which was partly offset by higher depreciation and amortisation as well as higher income tax.

ROCE LTM APM
%



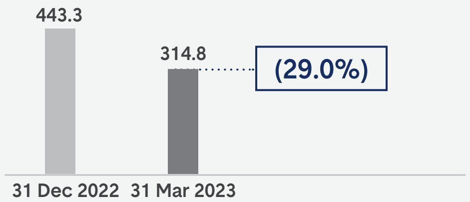
Adjusted ROCE LTM increased to 12.1% and was mostly impacted by higher Adjusted EBITDA but partly offset by higher capital employed. Average capital employed in 3M 2023 was EUR 2,915 million compared to EUR 2,698 million in 2022 3M.

Investments[1] APM
EURm



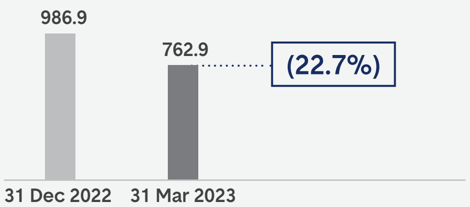
Investments in 3M 2023 increased by 94.8% driven by new Green Generation segment projects and higher Networks Investments. Green generation segment Investments increased by 87.8%. The majority of Green Generation Investments were made in onshore and offshore wind farms. Networks Investments increased by 115.7% as a result of more new connection points and renovated objects in electricity distribution grid, as well as due to increased contractor fees.

Net working capital APM
EURm



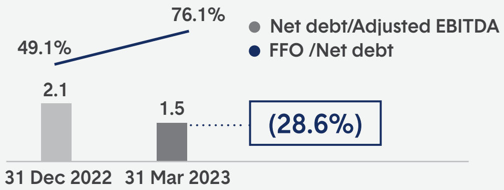
Net Working Capital decreased by 29.0%. The main drivers of the change were lower inventory and trade receivable amounts, which were partly offset by decreased trade payables.

Net debt APM
EURm



Net Debt decreased by 22.7%, mainly due to positive FCF, which was influenced by higher EBITDA and a decrease in NWC.

Net debt/Adjusted EBITDA LTM, FFO LTM/Net debt APM
Times, %



FFO LTM/Net Debt ratio increased from 49.1% to 76.1% due to higher FFO and lower net debt.

Outlook for 2023

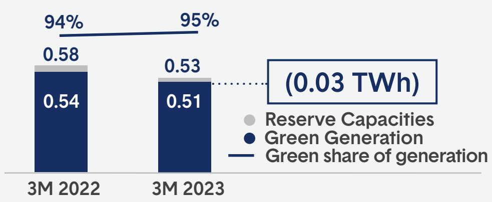
Adjusted EBITDA APM
EURm

In the outlook projected in our Annual report 2022, we expected our Adjusted EBITDA for 2023 to be in the range of EUR 430–480 million. As the overall outcome for 3M 2023 is in line with our expectations, we reiterate our full-year guidance.

[1] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation more accurately depicts the amount of Investments made during the year as the amount of advance payments grew significantly with the increase of renewable energy projects pipeline. For the updated formula, see the definition of 'Alternative performance measures' used by the Group.

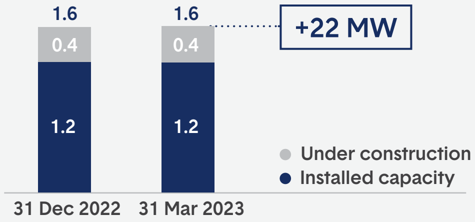
ESG

Electricity generated (net), Green share of generation
TWh, %



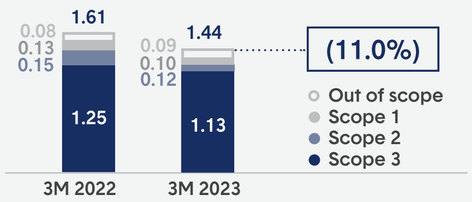
A 0.03 TWh, or 5.7%, decrease in electricity generated (net) is mainly driven by lower generation in Kruonis PSHP (-0.03 TWh, or -19.8%) due to fewer days of favourable conditions for generation. The green share of electricity generation increased slightly, to 95.3%, due to proportionally lower electricity generation in CCGT (Reserve Capacities).

Secured capacity
GW



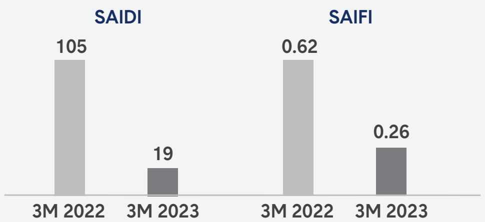
Green Generation secured capacity increased by 22 MW as Tauragė solar project in Lithuania reached the construction phase.

Climate action
GHG emissions[1], million t CO_2-eq



Scope 1 (-27.5%) and Scope 2 (-18.8%) emissions were lower YoY, mainly due to lower generation in Elektrėnai Complex (Scope 1) and Kruonis PSHP (Scope 2). Scope 3 emissions have decreased (-9.4% YoY), mainly due to lower retail natural gas sales (-20.1% YoY). This resulted in a decrease across all three scopes. Emissions from electricity sales were higher due to decreased green electricity share (from 32.1% to 18.2%, or -43.2%, YoY) as a result of higher green electricity pricing level.

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

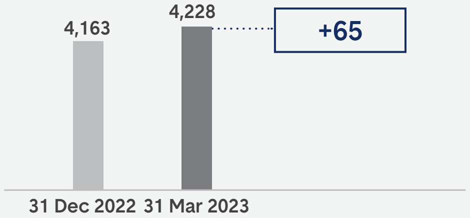


Electricity quality indicators improved significantly compared to 3M 2022 due higher number of installed automatic solutions, management of staff levels based on weather forecast and favourable weather conditions over 3M 2023.

Safety
TRIR

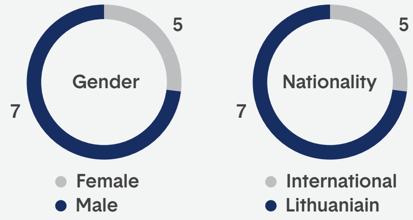
The YoY total recordable injury rate for employees improved to 1.52 as the number of safety incidents decreased from 4 to 3. One out of three incidents was life-threatening. 1 contractor TRIR incident occurred during 3M 2023.

Number of Employees
Headcount



The Group's headcount increased by +65, or +1.6%. The employee growth was driven by the Green Generation segment in order to facilitate growing renewables Portfolio as well as increase in number of IT specialists in the Group's Service Centre.

Supervisory and Management Boards
Nationality and gender diversity



As of 31 March 2023, the main governing bodies of the Group were represented by 42% female and 42% international members.

[1]GHG emissions for 3M 2023 are preliminary.
[2]The comparative information for 3M 2022 is not available as we started measuring contractors' TRIR in June 2022.

1.4 Outlook

Adjusted EBITDA guidance

In the outlook provided in our Annual report 2022, we projected our Adjusted EBITDA for 2023 to be in the range of EUR 430–480 million. As the overall outcome for 3M 2023 is in line with our expectations, we reiterate our full-year guidance.

Additionally, we are changing the directional Adjusted EBITDA guidance for Reserve Capacities from 'Stable' to 'Higher' as a result of solid business segment's performance during 3M 2023, which was mainly related to an utilised option to earn additional market premium by capturing positive forward clean spark spread.

We assume the result of our largest segment, Green Generation, will be lower. We anticipate the negative effect of lower average price of sold electricity compared to 2022 to be the main driver, which will be partially offset by COD of Mažeikiai WF and Vilnius CHP's biomass unit as well as the implementation of the asset rotation programme. Additionally, we expect growth in our second largest segment, Networks, due to higher RAB as a result of the ongoing investment programme in the distribution grid.

Forward-looking statements

The Interim report contains forward-looking statements, for further information see section '10 Legal notice'.

Adjusted EBITDA outlook for 2023[1]
EURm

	Realised 2022	Guidance 28 February 2023	Guidance 23 May 2023
Adjusted EBITDA APM	**469.3**	**430–480**	**430–480**
Green Generation	252.4	Lower	Lower
Networks	164.5	Higher	Higher
Customers & Solutions	15.6	Higher	Higher
Reserve Capacities	34.6	Stable	Higher
Other	2.2	-	-

[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 performance in 2023 relative to the actual results in 2022.

1.5 Investor information

Overview

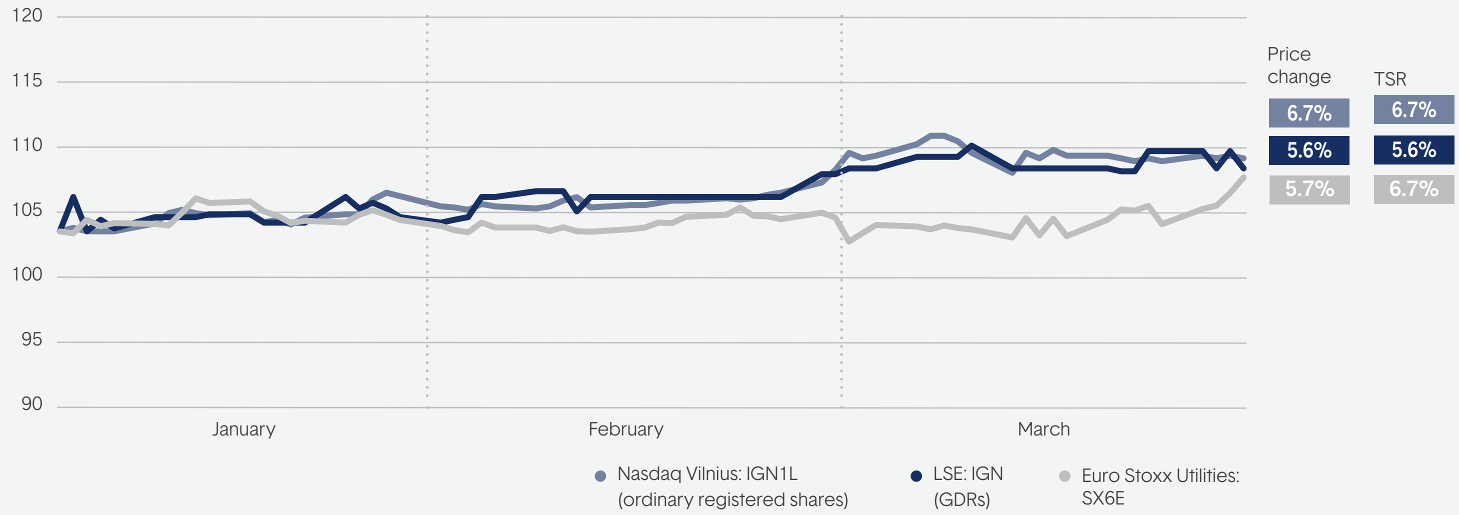
In 3M 2023, the Group's securities performed in line with its benchmark Euro Stoxx Utilities (SX6E). The Group's shares and GDRs have appreciated by 6.7% and 5.6% respectively, while our benchmark index appreciated by 5.7%.

In 3M 2023, the total (shares and GDRs) turnover was equal to EUR 18.67 million (EUR 15.29 million on Nasdaq Vilnius exchange and EUR 3.37 million on LSE), whereas the average daily turnover totalled to EUR 0.33 million (EUR 0.24 million on Nasdaq Vilnius exchange and EUR 0.09 million on LSE).

At the end of the reporting period, the Group's market capitalisation was EUR 1.5 billion.

Currently, the Group is covered by 7 equity research analysts. Their recommendations and price targets are available on our website.

Price development in 2023[1], EUR

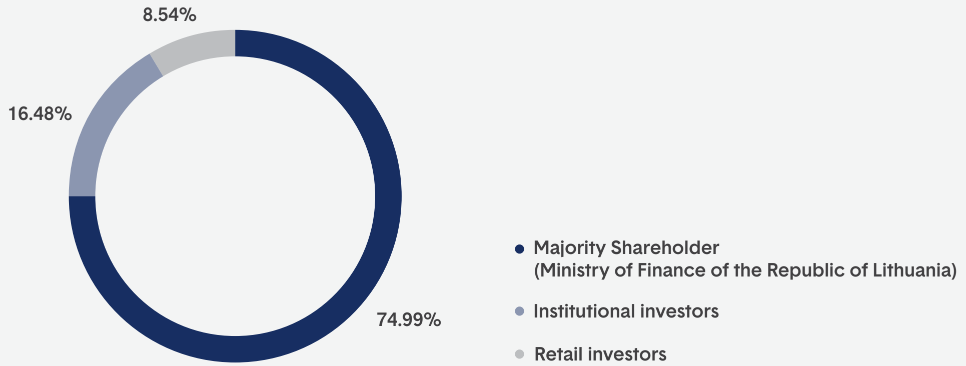


Price performance information in 3M 2023

	Nasdaq Vilnius	LSE	*Combined*
Period opening[2], EUR	19.02	18.90	-
Period high[2] (date), EUR	20.70 (7 Mar)	20.40 (10 Mar)	*20.70*
Period low[2] (date), EUR	19.02 (2 Jan)	18.90 (2 Jan)	*18.90*
Period VWAP[3], EUR	19.76	19.78	*19.77*
Period end[2], EUR	20.30	19.95	-
Period turnover (average daily), EURm	15.29 (0.24)	3.37 (0.09)	*18.67 (0.33)*
Market capitalisation, period-end[2], EURbn	-	-	*1.5*

[1] *Indexed at 100.*
[2] *As of closing trading market price.*
[3] *Weighted average volume price.*

Shareholders composition (at the end of the reporting period)[1]



Parameters of the securities issued

	Nasdaq Vilnius	LSE	Combined
Type	Ordinary registered shares	Global Depositary Receipt (GDR)	-
ISIN-code	LT0000115768	Reg S: US66981G2075; Rule 144A:US66981G1085	-
Ticker	IGN1L	IGN	-
Nominal value, EUR	-	-	22.33 per share
Number of shares (share class)[2]	-	-	72,338,960 (one share class)
Number of treasury shares (%)	-	-	-
Free float, shares (%)	-	-	18,105,203 (25.01%)
Ordinary registered shares vs GDRs split	67.3%	32.7%	100%

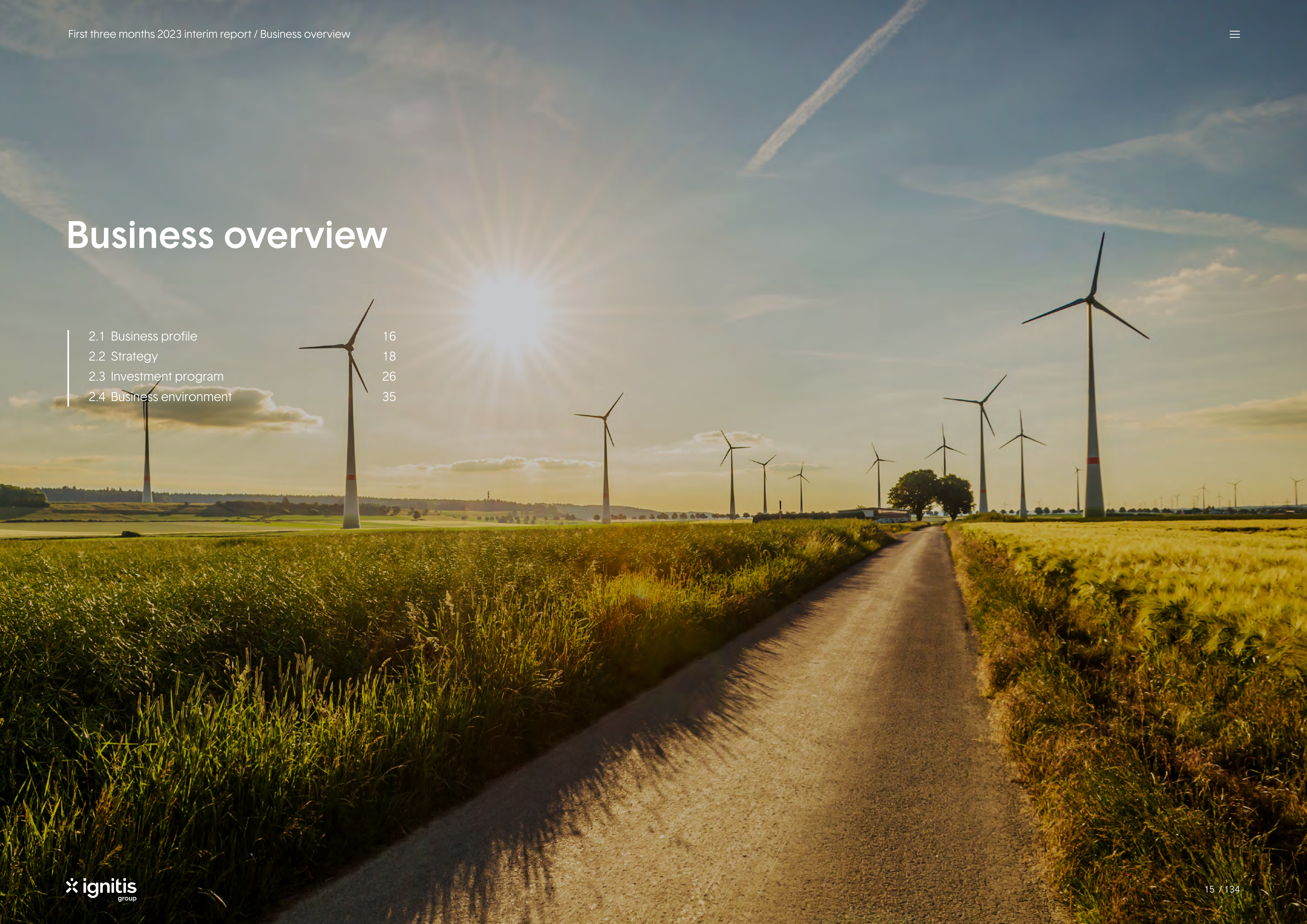
[1] No other parties besides the Majority Shareholder (Ministry of Finance of the Republic of Lithuania) holds more than 5% of the parent company's share capital.
[2] They are all the same class of shares, each entitled to equal voting and dividend rights, specifically – one vote at the General Meetings of Shareholders, and to equal dividend.

Selected investor-related events and financial calendar

5 July 2022	S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating
30 March 2023	Annual General Meeting was held on this day, resolutions, including the allocation of profit for 2022 (EUR 1.248 DPS in total) were passed
29 June 2023	Extraordinary General Meeting of Shareholders
22 August 2023	Interim report for the first six months of 2023
21 September 2023	Extraordinary General Meeting of Shareholders (regarding the potential allocation of dividends for the six-month period ended on 30 June 2023)
4 October 2023	Expected Ex-Dividend Date (for ordinary registered shares)
5 October 2023	Expected Record Date for dividend payment (for ordinary registered shares)
21 November 2023	Interim report for the first nine months of 2023

Selected relevant information

- Investor relations webpage
- Dividend Policy
- General Meetings of Shareholders
- Credit rating
- Financial calendar

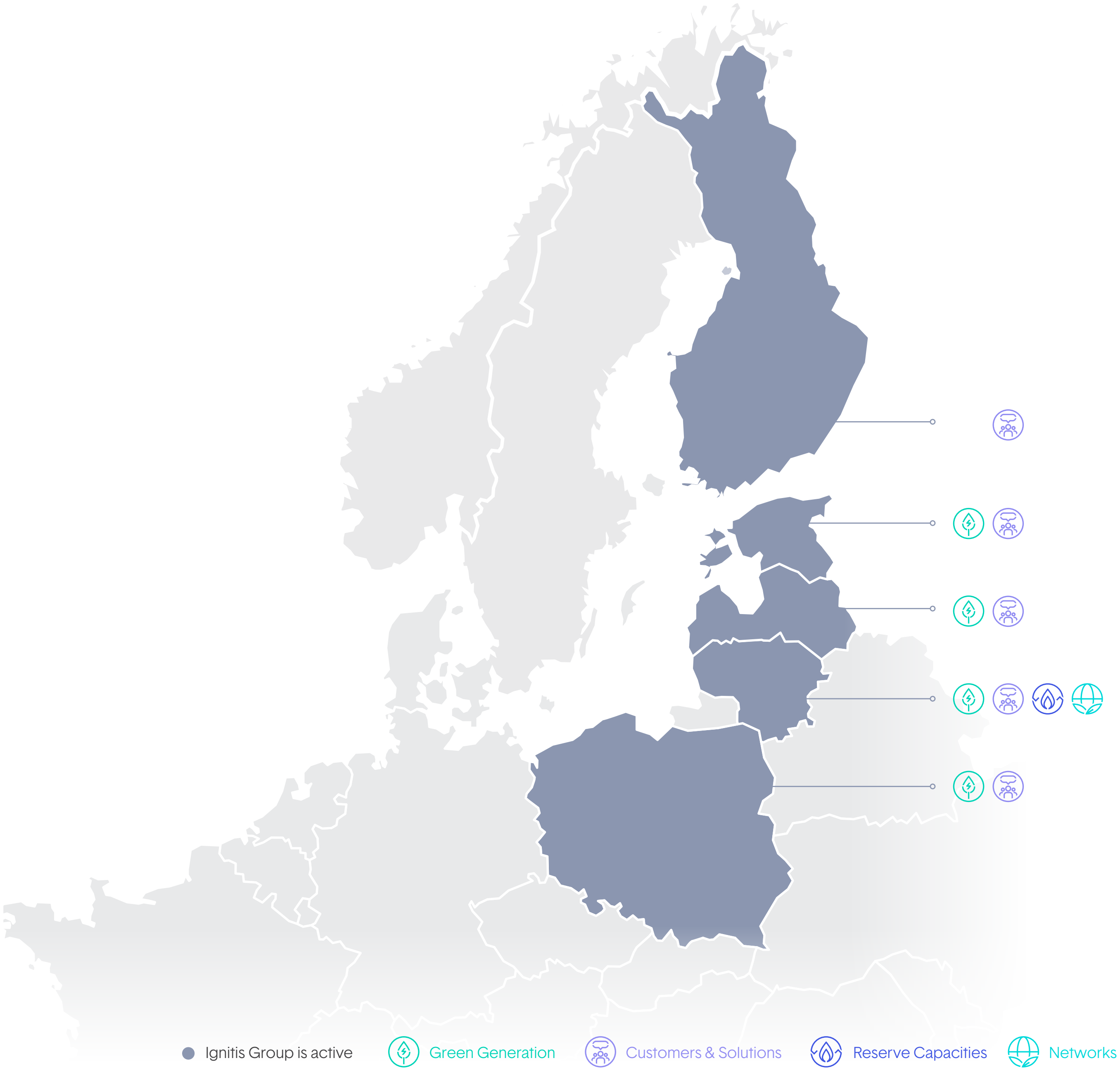


Business overview

2.1 Business profile

Ignitis Group

- **Renewables-focused integrated utility** and the largest energy group in the Baltics
- **4–5 GW** of installed Green Generation capacity by 2030
- **Net zero** emissions by 2040–2050
- Focus on green and flexible technologies such as **offshore wind, onshore hybrid, P2X & storage**
- **Integrated business model** benefiting from the largest customer portfolio, energy storage facility, network and energy hub in the Baltics
- Active in the **Baltic states, Poland and Finland**



Integrated business model

Green Generation

#1 in Lithuania[1]
#2 in the Baltics[1]

Installed capacity: 1.2 GW
Pipeline: 4.1 GW
Total portfolio: 5.3 GW

Strategic focus
Delivering **4–5 GW** of installed green and flexible capacities by 2030

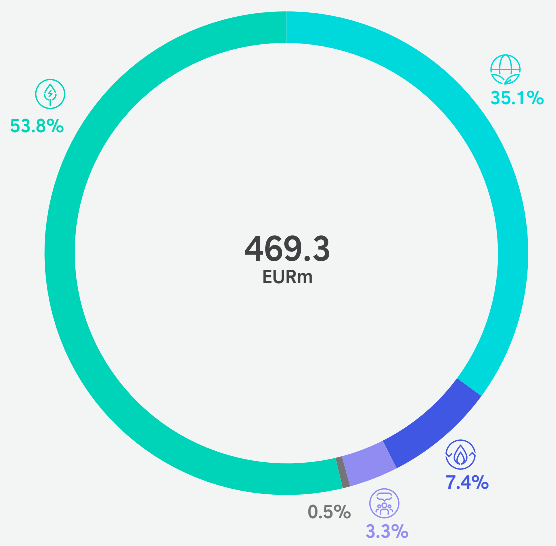
Customers & Solutions

#1 in the Baltics[2]

The largest customer portfolio in the Baltics:
1.4 million customers

Strategic focus
Utilising and further expanding customer portfolio to enable Green Generation build-out

Adjusted EBITDA 2022



Reserve Capacities

#1 in Lithuania[1]
#2 in the Baltics[1]

Highly regulated gas-fired powerplants mainly operating as system reserve

Largest energy hub in the Baltics[3]

Strategic focus
Contributing to the security of the energy system

Networks

#1 in the Baltics[4]

Fully regulated country-wide natural monopoly

Regulated asset base (RAB): **EUR 1.3bn**

Strategic focus
Expanding a resilient and efficient network that enables electrification

[1] Based on installed capacity.
[2] Based on the number of customers.
[3] By connection capacity.
[4] Based on the network size and the number of customers.

2.2 Strategy

In 2023, we updated our Strategy to strengthen our contribution to the decarbonisation and energy security in our region by accelerating the green energy transition in the Baltics and creating a purely green energy system.

Our purpose is to create a 100% green and secure energy ecosystem for current and future generations

We fulfil our purpose by leading the regional transition into a climate-neutral, secure and independent energy ecosystem and contributing to Europe's decarbonisation by facilitating renewable energy flows from Northern to Central Europe (incl. Germany).

By leading the regional transition in Lithuania and the Baltics, we strive to become one of the first 100% green energy systems in Europe.

By energy ecosystem we mean the combination of the multiple interdependent parties involved in the generation, consumption, transformation and transportation of clean energy (including industry, transport and heating).

Purpose-driven priorities

Green
1

Growing green capacities

Flexible
2

Creating a flexible system that can operate on 100% green energy in the short, medium, and long term

Integrated
3

Utilising the integrated business model to enable green and flexible generation build-out

Sustainable
4

Maximising sustainable value

- **Pumped-storage hydro:** 1.0 GW in 2026
- **Batteries:** commercial-scale by 2026
- **Power to X:** successful P2X pilot project, paving the way for commercial scale

Leveraging strong position in the Baltics:

- The largest customer portfolio
- The largest energy storage facility
- The largest network
- The largest energy hub

Net zero by 2040–2050

ESG leadership

Taxonomy-aligned investments

≥3% annual dividend growth

Strategic priorities by business segments

Ignitis Group

Renewables-Focused Integrated Utility

Green Generation

Strategic priorities
Delivering 4–5 GW of installed green and flexible capacities by 2030 with a focus on:

1. Offshore wind
2. Onshore hybrid
3. P2X & storage

Reserve Capacities

Strategic priorities

1. Contributing to the security of the energy system

Customers & Solutions

Strategic priorities

1. Utilising and further expanding customer portfolio to enable Green Generation build-out
2. Building a leading EV public charging network in the Baltics
3. Speeding up the transition from gas to electricity

Networks

Strategic priorities

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

Our focus is on our home market – **the Baltic states, Poland and Finland.**
We are also exploring opportunities in other EU markets undergoing energy transition.

Sustainability

We deliver our strategy by focusing on decarbonisation based on the science-based targets, safety at work, employees experience, diversity, and creating sustainable value.

People

We are a **diverse team of energy smart people** united by a common purpose to create a 100% green and secure energy ecosystem for current and future generations.

We pursue our strategic priorities and contribute to Ignitis Group's purpose and strategy by attracting and retaining diverse top talents, building critical skills and competencies to execute the strategy, and having a human-centric approach (implementing a holistic employee well-being approach, growing a diverse and inclusive organisation and maintaining a positive employee experience).

Our values

RESPONSIBILITY
Care. Do. For Earth.
Starting with myself

PARTNERSHIP
Diverse. Strong.
Together

OPENNESS
See. Understand. Share.
Open to the world

GROWTH
Curious. Bold.
Everyday

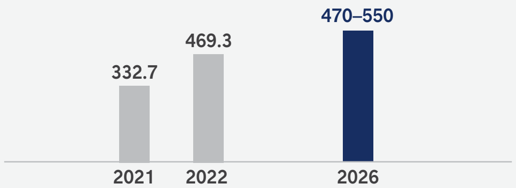
Our strategic targets and KPIs for 2023–2026

With this report we present our strategic plan for 2023–2026 and targets for the next 4-year period to deliver on our goal and strategic priorities. Our short-term (annual) and long-term targets (for a strategic 4-year period) as well as the overview of their achievement are provided in more detail on our website and Annual report 2022, respectively.

Financial

Adjusted EBITDA APM

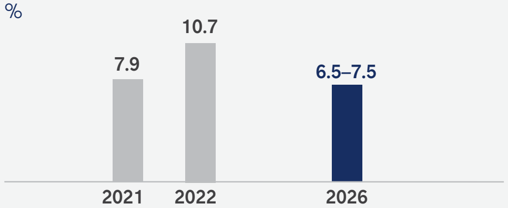
EURm



Adjusted EBITDA is expected to reach EUR 470–550 million in 2026, or grow up to 17% compared to 2022. The growth will be driven by the Green Generation segment.

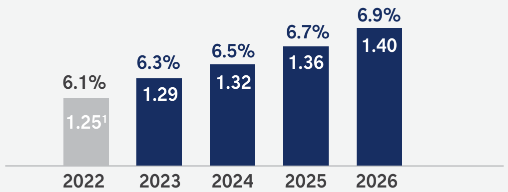
Adjusted ROCE APM

%



Average Adjusted ROCE during 2023-2026 is expected to be around 6.5–7.5%. Better than usual results in 2022 are the key drivers for the lower 2023–2026 targeted level.

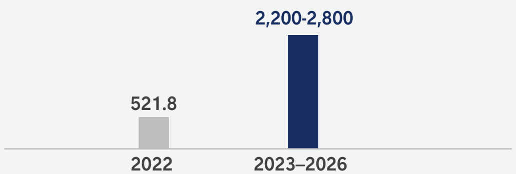
Minimum DPS and dividend yield[1]



We aim to grow the dividends paid to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million with EUR 88 million declared for 2021 and EUR 90.3 million for 2022. Implied dividend yield for 2023–2026: 6.3–6.9%.

Investments APM

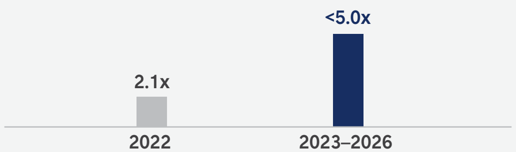
EURm



We aim to invest EUR 2.2–2.8 billion over 2023–2026 period, and >85–90% of it will be sustainable investments. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, automation, digitalisation and expansion of our electricity distribution network.

Net debt / Adjusted EBITDA APM

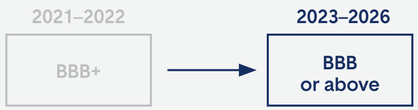
Times



Net Debt/Adjusted EBITDA is expected to be below 5x over the 2023–2026 period.

Credit rating

S&P

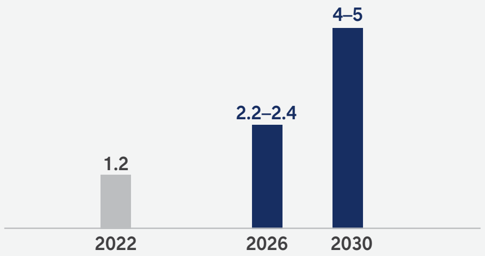


We are committed to a solid investment-grade rating. We expect to maintain 'BBB' or a better rating over the 2023–2026 period.

[1] *Calculated based on the No. of shares (72,388,960 ordinary shares) for the 2023-2026 period. Implied dividend yield is calculated based on the Group's share price: 20.5 EUR/share.*

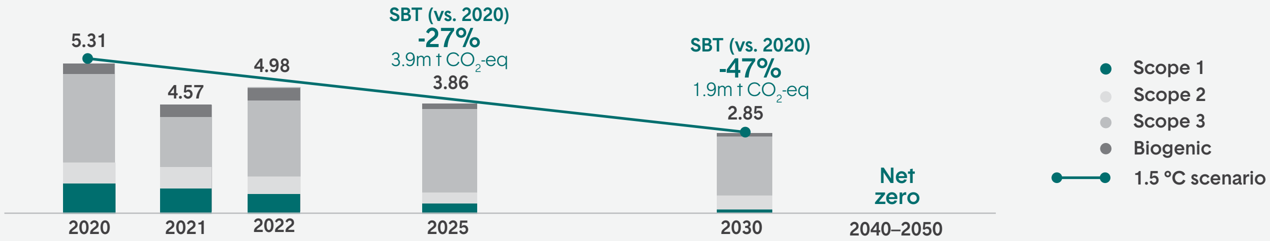
ESG

Green Generation installed capacity
GW



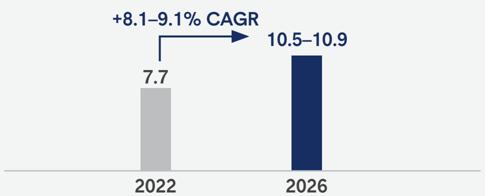
We expect to reach 2.2–2.4 GW of installed Green Generation capacity by 2026 and 4–5 GW by 2030 (green and flexible capacities).

GHG emissions and science-based targets[1]
million t CO_2-eq



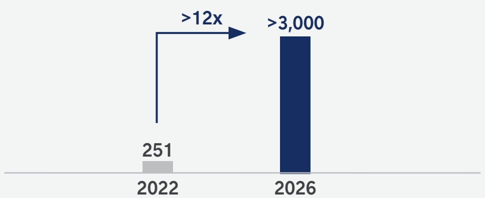
By 2030, we plan to reduce GHG emissions by half in accordance with the GHG emission management plan validated by SBTi in 2021.

Customer portfolio
Electricity supply, TWh



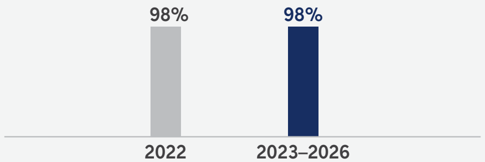
We are utilising and further expanding our customer portfolio to enable Green Generation build-out through internal power purchase agreements (PPAs). We aim to increase electricity sales volumes to around 10.5–10.9 TWh in 2026 (implying a 8.1–9.1% CAGR for 2023–2026) and speeding up transition from gas to power.

Public EV charging network
Charging points, #



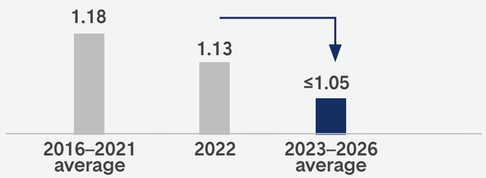
We are building a leading EV public charging network in the Baltics and targeting to reach ~50% market share of public EV charging infrastructure by 2026 (>3,000 charging points by 2026) as well as become fast charging leaders in the Baltics. Our EV network will become a significant offtaker of green electricity in the future.

Reserve Capacities
Availability, %



We are targeting to retain high availability of Reserve Capacities (Elektrėnai Complex), or ~98% over the 2023–2026 period, to ensure reliability and security of the power system. Availability assets of Elektrėnai Complex include the CCGT and Units 7&8.

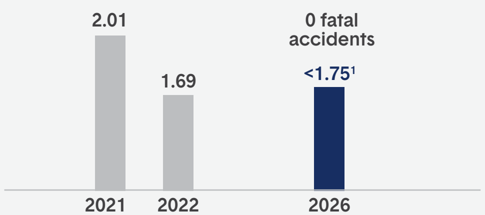
Electricity SAIFI[2]
Interruptions per customer



We invest into electricity network expansion and ensure its resilience. We are targeting to decrease the SAIFI indicator to an average of ≤1.05 interruptions per customer over the 2023–2026 period. We are improving network automation to have 63% of consumers connected to automated control lines by 2026. Average technological losses in the electricity network should remain ≤5.0% over the 2023–2026 period. We are expecting to complete the smart meters rollout (1.2 million units) by 2026.

[1] GHG emissions from Vilnius CHP are not included since this power plant only began its waste-to-energy unit tests at the end of 2020, and only a very small amount of Vilnius CHP's emissions (0.02m t CO_2-eq) is included in 2020 base. As a result, the targets were set without including Vilnius CHP. After Vilnius CHP has operated with fully operational waste-to-energy and biomass units for at least a year, the comprehensive effects will be evaluated, and the Group's targets will be revalidated. This also applies to other excluded categories (for more information see the Group's GHG inventory reports). [2] 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.

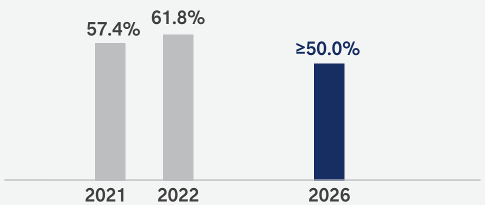
Safety
# of fatal accidents & TRIR



Our key focus is on safety at work. We aim to ensure 0 fatal accidents (contractors and own employees) over the 2023–2026 period. Also, we are targeting for TRIR of own employees to be below 1.75 and contractors below 3.5 in 2026.

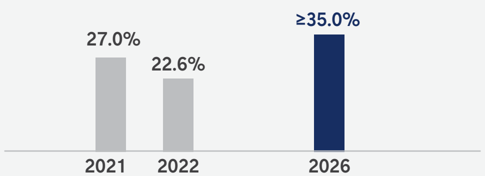
Engaged employees
Employee NPS, %

We aim to retain eNPS level of **≥50%**



Having a human-centric approach, we are implementing a holistic employee well-being approach, growing a diverse and inclusive organisation and ensuring a positive employee experience. Our target is to retain the current level and to have the eNPS level ≥50% over the 2023–2026 period.

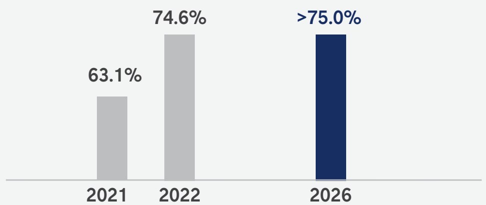
Diversity
% of women in top management



We aim to reach 35% share of women in top management by 2026.

Sustainable value
Share of sustainable Adjusted EBITDA[2], %

Share of sustainable investments[2]:
>85–90% over 2023–2026

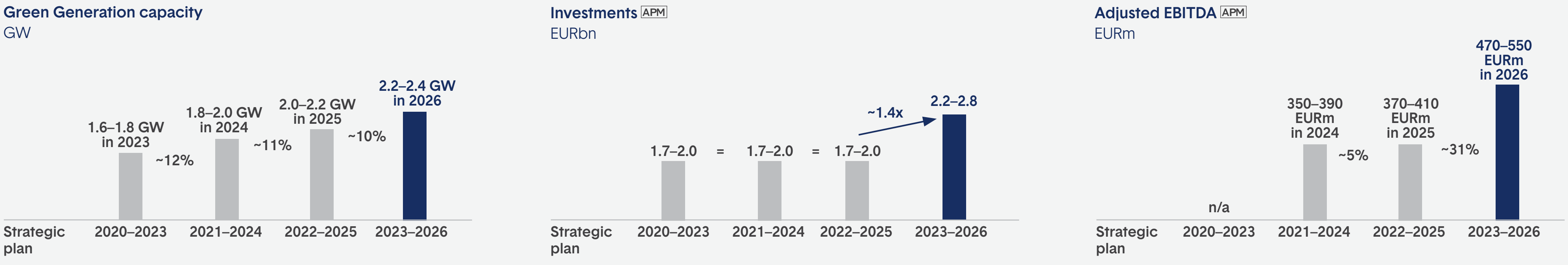


We plan to grow a sustainable EBITDA share to 75% or more by 2026 (driven by a sustainable investment share of >85–90% over 2023–2026; in 2022 it was 89.5%).

[1] *TRIR of own employees. TRIR of contractors targeted to be below 3.5 in 2026.*
[2] *Taxonomy-aligned*

Evolution of our strategic targets

We introduced our 4-year strategic plan to the market in 2020. Since then, we updated it on an annual basis. To reflect the evolution of our key targets, we provide a comparison below.



2.3 Investment program

Overview

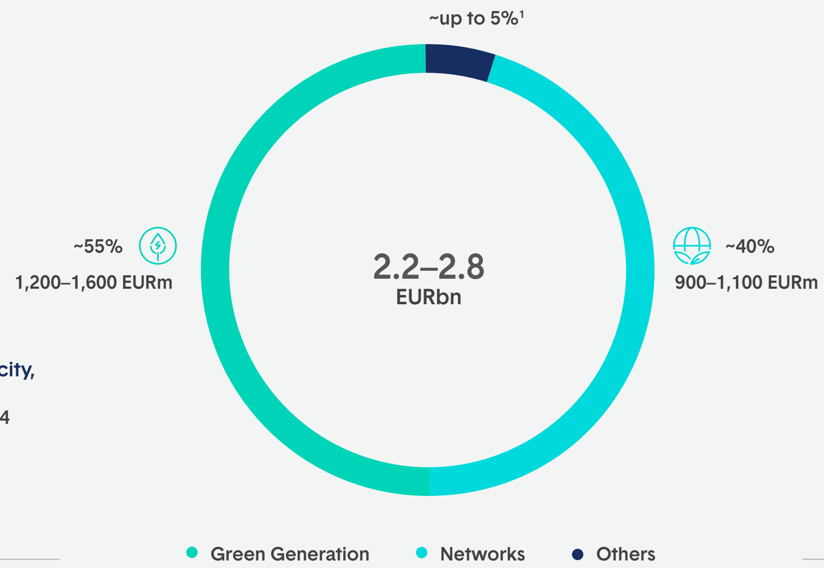
The Group makes investment decisions based on a four-year investment plan that is primarily directed toward sustainable growth in its two core segments, Green Generation and Networks. In total, EUR 2.2–2.8 billion is expected to be invested between 2023 and 2026, with around 55% of investments aimed towards Green Generation capacity expansion, and around 40% of investments focused towards the Networks segment, its maintenance and expansion.

To support our investments plan, we have established a policy for ensuring disciplined investments. In addition, we disclose key investments in the Green Generation and Networks segments with our interim and annual reports. The latest information on the ongoing investment projects, together with the investment policies for the Green Generation and Networks segments, are presented below.

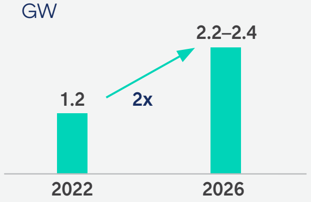
Aligned with EU Taxonomy

>85–90%
of investments are aligned with EU taxonomy

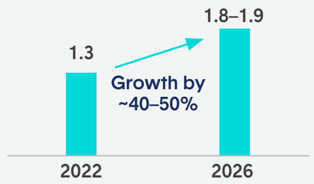
Investments over 2023–2026,
EUR 2.2–2.8 billion



Green Generation capacity,
GW



Regulated Asset Base,
EURbn



[1] *Includes Reserve Capacities segment, Customers & Solutions, IT and other investments.*

Green Generation

Investment policy

The Group applies a prudent investment framework with hurdle rates for returns on Green Generation projects to ensure value-creating growth. Our disciplined investment policy targets 100 to 350 basis points spread over WACC on unlevered, high single-digit to low double-digit return on levered basis, both depending on the risk profile on a project-by-project basis.

According to our asset rotation program, we plan to sell up to 49% of equity stakes in our operational Green Generation projects to capture premium and recycle capital for future growth.

Target markets
Primarily the Baltics and Poland

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

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

Financing
60–75% leverage at the project level

Asset rotation
Up to 49% of equity stakes in implemented projects to be sold under the programme

Target returns
- 100-350 bps over WACC on unlevered
- high single-digit to low double-digit on levered basis, depending on the risk profile of a project

Investment status

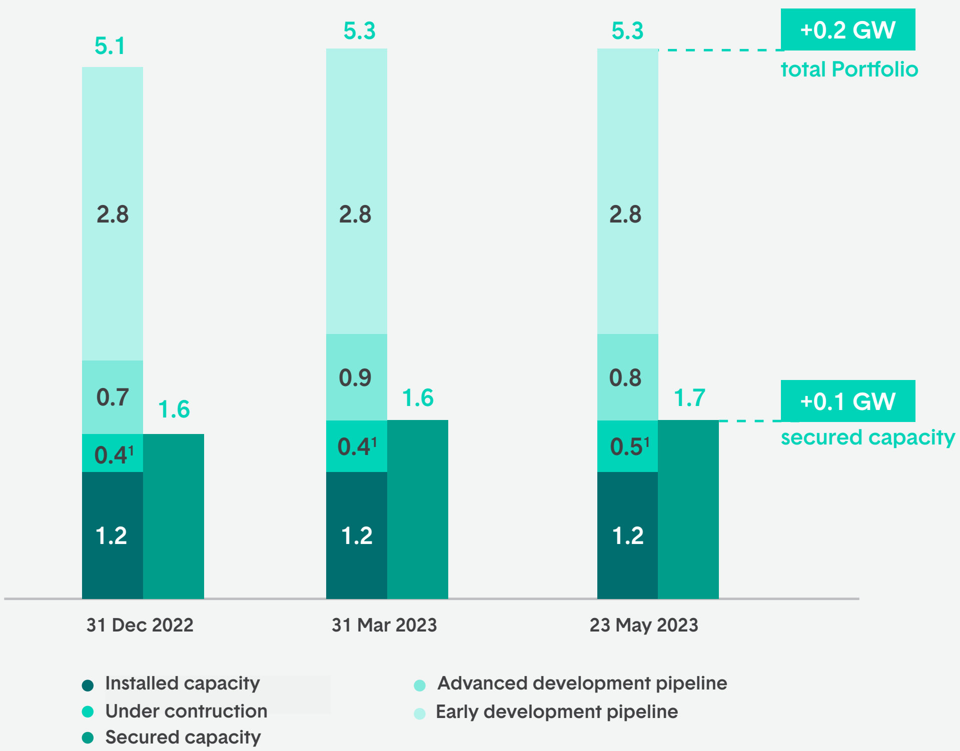
During 3M 2023, our Green Generation Portfolio increased to 5.3 GW (from 5.1 GW) as a result of greenfield capacity additions of around 0.2 GW. Our Secured capacity increased by 22 MW and remained at the level of 1.6 GW, as Tauragė solar project in Lithuania reached the construction phase. After the reporting period, it further increased by 0.1 MW to 1.7 GW, as a result of FID made in our Kruonis PSHP expansion (110 MW) project.

A number of our Portfolio projects reached significant milestones since the end of Q4 2022. As previously mentioned, two projects we develop in Lithuania reached the construction phase – Kruonis PSHP expansion (110 MW) and Tauragė solar project (22.1 MW) (previously both fell under advanced development Pipeline category) with expected CODs in 2026 and 2024, respectively. Regarding Kruonis PSHP expansion (110 MW), on 18 April 2023 we also made a FID and signed contracts with the key contractors (a consortium of companies, which includes Voith Hydro GmbH and Co. KG (St. Pölten, Austria) and Voith Hydro GmbH and Co. KG (Heidenheim, Germany), as well as Fichtner GmbH & Co. KG). After the installation of the 5th unit, the capacity of Kruonis PSHP will increase to 1,010 MW (from 900 MW).

Additionally, hot tests have begun in our Vilnius CHP biomass unit (73 MWe, 169 MWth) and are going to continue the end of the project.. Also, the first power was supplied to the grid by our Mažeikiai WF (63 MW) in Lithuania. The onshore wind farm is expected to be launched in Q2 2023.

[1] *Out of which around ~10 MW is still under development.*

Green Generation Portfolio, GW

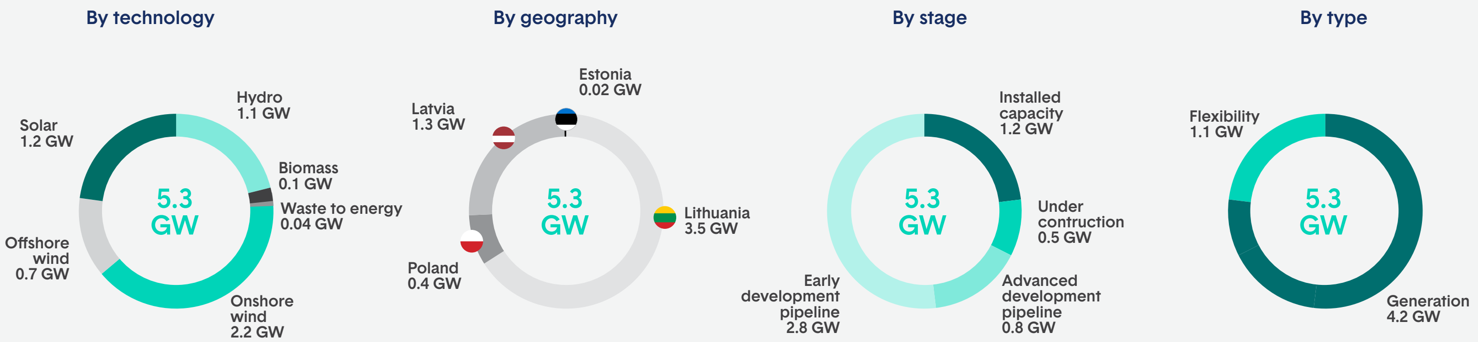


Regarding the offshore wind development, Moray West offshore wind project (882 MW), which we own together with Ocean Winds (a joint venture between ENGIE and EDP Renewables), has reached the financial close. The project financing of GBP 2 billion will be utilised to secure the remaining elements of supply chain activity in preparation for offshore installation works later in 2023. The project is expected to reach COD by the end of 2025.

On the Lithuanian offshore wind development front, on 30 March 2023 the tender has started for the first 700 MW Lithuanian offshore wind project (the spring tender) and the next tender for an additional capacity of 700 MW is to take place on 1 September 2023 (the autumn tender). We are participating in the spring tender with our partner Ocean Winds. We will decide on the participation in the autumn project's tender depending on the outcome of the spring's tender. If we are not successful in the first tender, we will participate in the second one. However, if we are successful in the spring's auction, despite already meeting our target, we will decide on the participation in the autumn's tender depending on our financial capacity.

Finally, after securing a grid connection, Jonava solar project (252 MW) in Lithuania reached an advanced development stage (it previously fell under a greenfield pipeline in 'Early development Pipeline' category). However, as a result of regulatory changes causing later-than-expected obtainment of a permit for the development of electricity generation capacity, the project's expected COD is postponed to 2026 (from 2025).

Green Generation Portfolio split



The implementation of other Portfolio projects is progressing as planned with no significant changes since Q4 2022.

Status on key investment projects / UNDER CONSTRUCTION

Project name	Mažeikiai WF	Vilnius CHP (biomass unit)	Silesia WF I	Polish solar portfolio II	Silesia WF II	Tauragė solar project	Moray West offshore wind project[6]	Kruonis PSHP expansion	TOTAL
Country	Lithuania	Lithuania	Poland	Poland	Poland	Lithuania	The United Kingdom	Lithuania	
Technology	Onshore wind	Biomass	Onshore wind	Solar	Onshore wind	Solar	Offshore wind	Hydro pumped storage	
Capacity	63 MW	73 MWe, 169 MWth	50 MW	~ 40 MW	< 137 MW	22.1 MW	882 MW	110 MW	**~ 495.1 MWe / 169 MWth**
Turbine / module / other type of unit manufacturer	14 x 4.5 MW Nordex	1 x 73 MWe Siemens; 2 x 84.5 MWth Rafako	14 x 3.6 MW Nordex	17 MW[4] Jinko Solar	38 x 3.6 MW Nordex	22.1 MW Trina Solar	60 x 14.7 MW Siemens Gamesa	1 x 110 MW Voith Hydro	
Investment	~ EUR 80–85 million	~ EUR 270 million[1]	~ EUR 75 million[3]	~ EUR 30 million	EUR ~ 240 million[3]	~ EUR 16 million	Not disclosed	~ EUR 150 million	**~ EUR 866 million[7]**
Revenue model	Internal PPA	Merchant	CfD	CfD / Internal PPA	CfD / External PPA	Internal PPA	CfD / External PPA	Merchant	
Proportion of secured revenue	65%	0%	100%	100%	35%	0%	85%	0%	
Ownership	100%	100%[2]	100%	100%[5]	100%	100%	5%[6]	100%	
Partnership	n/a	n/a	n/a	n/a	n/a	n/a	Ocean Winds	n/a	
Progress									
FID made	+	+	+	+	+	+	+	+	
WTGs erected (units) / Solar modules & inverters installed (MW) / Other type of turbines or units installed (units)	14 / 14	3 / 3	0 / 14	8 / 40	0 / 38	0 / 22	0 / 60	0 / 1	
First power to the grid supplied	+	–	–	–	–	–	–	–	
Expected COD	Q2 2023	Q3 2023	Q1 2024	2023–Q1 2024	H2 2024	2024	2025	2026	
Status	On track	On track	On track	On track	On track	On track	On track	On track	

[1] Includes EU CAPEX grant for Vilnius CHP (i.e., waste-to-energy (operational since Q1 2021) and biomass units) which in total amounts to ~EUR 140 million. [2] 49% to be divested post COD according to EU CAPEX grant rules. [3] Including project acquisition and construction works. [4] For the remaining capacity, the contract for the supply of modules has not yet been concluded with any manufacturer. [5] After full completion of construction works. [6] As the Group owns a minority stake of 5%, the project's capacity is not consolidated and is not reflected in the data of Green Generation Portfolio. [7] Excluding not disclosed investments.

Status on key investment projects / ADVANCED DEVELOPMENT PIPELINE

Project name	Latvian solar portfolio I	Latvian onshore WF portfolio I: Project 1	Jonava solar project	Latvian hybrid portfolio I	TOTAL
Country	Latvia	Latvia	Lithuania	Latvia	
Technology	Solar	Onshore wind	Solar	Onshore wind & solar	
Capacity	< 300 MW	~ 70 MW	252 MW	~ 200 MW	**~ 822 MW**
Investment	~EUR 213 million[1]	~EUR 90 million[1]	~ EUR 200 million	~EUR 270 million[1]	**~ EUR 773 million**
Ownership	100%	100%	100%	100%	
Partnership	n/a	n/a	n/a	n/a	
Progress					
Land secured	+	+	+	+	
EIA completed	n/a	–	n/a	–	
Grid connection secured	+	+	+	+	
Building permits in place	–	–	–	–	
Expected COD	2025	2025	2026	2025–2027	
Status	On track	On track	Time delay	On track	

[1] *Including project acquisition and construction works.*

Status on key investment projects / EARLY DEVELOPMENT PIPELINE

Project name	Latvian onshore WF portfolio I: Project 2 & 3	Plungė WF project	Lithuanian offshore WF (spring)	Greenfield portfolio	TOTAL
Country	Latvia	Lithuania	Lithuania	Lithuania, Latvia, Poland	
Technology	Onshore wind	Onshore wind	Offshore wind	Onshore wind & solar	
Capacity	~ 90 MW	< 218 MW	700 MW	~ 1.8 GW[3]	**~ 2.8 GW**
Investment	~EUR 110 million[1]	~EUR 300 million[1]	Not disclosed	Not disclosed	**~ EUR 410 million[5]**
Ownership	100%[2]	100%[2]	51%	100%	
Partnership	n/a	n/a	Ocean Winds	n/a	
Progress					
Land secured	+	+	+	n/a	
Expected COD	2026–2027	2026–2030	2028–2030	2025–2030[4]	
Status	On track	On track	On track	On track	

[1] *Including project acquisition and construction works.*
[2] *After construction permits are granted or prior grid deposit is paid.*
[3] *Secured land lease agreements for the development of the indicated capacity.*
[4] *As the indicated capacity includes different projects, expected COD depends on the progress of individual projects. Additionally, Lithuanian projects should begin operations towards the end of the indicated time range.*
[5] *Excluding not disclosed investments.*

Networks

Investment policy

Investments into our Networks segment, as Lithuania's distribution system operator that is working in a fully regulated business environment, are clearly defined by the regulatory framework, coordinated and approved by the regulator (National Energy Regulatory Council, NERC).

Target markets
Lithuania

Technologies
Electricity and natural gas distribution networks

Type
Expansion (new customer connections and upgrades, including prosumers and EV network, smart-meter roll-out) and maintenance

Investment capacity
10-year investment plans are updated, coordinated, and approved by the regulator (National Energy Regulatory Council, NERC)

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

Investment status

Since the end of 2022, we have successfully continued working on grid maintenance and expansion, including smart meter roll-out. Smart meter installation for private and business customers whose energy consumption exceeds 1,000 kWh a year began in July 2022 and successfully continues today. New customers, electricity producers and remote producers are also receiving smart meters. In 3M 2023, around 130 thousand smart meters have been installed, reaching around 340 thousand installed smart meters in total (out of 1.1–1.2 million smart meters to be installed). In addition, we are continuing to utilise IT solutions (established in Q3 2022), which introduced new meter management features and transformed the way we operate, including remote features such as insolvent customer management via the connect/disconnect feature, contract management as well as market facilitation.

With that, our target of finalizing the mass roll-out process by the end of 2025 remains unchanged despite the disruption in the production of smart meters and, thus, affecting the project by having the smart meters delivered in smaller quantities than planned and/or within a longer timeframe.

Status on key investment projects

Project name	**Maintenance and other**	**Expansion** ***New customer connections and upgrades***	**Expansion** ***Smart meter roll-out***	**TOTAL**
Country	Lithuania	Lithuania	Lithuania	Lithuania
Investments 2021–2030 (10-year investment plan)	~ EUR 1 billion	~ EUR 750 million	~ EUR 150 million	**~ EUR 1.9 billion**
Investments 2023–2026 (Strategic plan)	~ EUR 350–450 million	~ EUR 470–600 million	~ EUR 80–120 million[1]	**~ EUR 0.9–1.1 billion**
Financing structure	Partially (11.0%, 3-year average) covered by EU funds (on a project-by-project basis)	Partially (30.7%, 3-year average) covered by customers' fees	Fully (100%, 3-year average) covered by the Group	**n/a**
Ownership	100%	100%	100%	**100%**
Progress	– In 3M 2023, over 228 km of power lines were reconstructed. Over 95% of the lines are underground cables.	– In 3M 2023, 12,115 new electricity customers were connected, and 7,081 capacity upgrades were carried out. It resulted in around 276 km of new power lines.	– By the end of 3M 2023, around 340 thousand smart meters were installed (out of which around 130 thousand meters were installed in 3M 2023).	
Status	On track	On track	On track	

[1] *Sagemcom Energy & Telecom SAS (France) is responsible for supplying the smart meters (approximately 1.2 million) and implementation of related IT services (data transfer technology – Narrowband Internet of Things).*

2.4 Business environment

The Group's performance is dependent on macroeconomic and industry dynamics, especially in the markets it operates. Thus, we monitor economic indicators and developments in the industry to assess the business environment, along with its opportunities and challenges, in the markets we are active and provide an overview, including key regulatory framework changes, below.

Macroeconomic environment

GDP

Russia's invasion of Ukraine, which resulted in an energy crisis across the EU, as well as tighter monetary conditions – all had an effect on slower GDP growth. In 3M 2023, the euro area's GDP growth was 1.3% compared to the same period the previous year, with YoY GDP growth predicted to be 1.1% in 2023 and 1.6% in 2024. In comparison to the 3M 2022, Lithuania's GDP tightened by 3.6%. However, in 2023 and 2024, it is projected to expand by 0.5% and 2.7%, respectively. According to the Eurostat Spring Forecast, prediction of GDP growth of the countries' we are active in for 2023 remains lower (except Latvia) than that of the EU and the euro area, while the opposite (except Finland) is anticipated for 2024.

Inflation

The harmonised CPI for the euro area fell from +9.2% in December 2022 to +6.9% in March 2023. Except for Finland, inflation rates in the countries' we are active were significantly higher than those of the EU and the euro area during the same period. Similarly, full-year 2023 inflation is projected to stay higher (except Finland) than that of the EU and the eurozone. However, harmonized CPI is predicted to approach similar levels in 2024, with the exception of Poland, where it is predicted to be twice the size at the level of 6.0%.

GDP change, %

	3M 2023 vs 3M 2022	2023F	2024F
Lithuania	(3.6)	+0.5	+2.7
Latvia	+0.3	+1.4	+2.8
Estonia	-[1]	(0.4)	+3.1
Finland	-[1]	+0.2	+1.4
Poland	-[1]	+0.7	+2.7
Euro area	**+1.3**	**+1.1**	**+1.6**
EU	**+1.3**	**+1.0**	**+1.7**

Source: Eurostat.
[1] No data is released yet.

Inflation rate change measured by harmonised CPI, %

	3M 2023	2023F	2024F
Lithuania	+15.2	+9.2	+2.2
Latvia	+17.2	+9.3	+1.7
Estonia	+15.6	+9.2	+2.8
Finland	+6.7	+4.8	+2.1
Poland	+15.2	+11.7	+6.0
Euro area	**+6.9**	**+5.8**	**+2.8**
EU	**+8.3**	**+6.7**	**+3.1**

Source: Eurostat.

Industry environment

Overview of energy industry trends

- Healthy storage levels, mild winter conditions, no severe competition for LNG from Asian countries, new LNG import capacities coming online in Europe, and resumed operations of Freeport LNG export terminal were the main factors contributing to the decrease in natural gas prices.
- Falling electricity prices throughout the Baltic region were mostly the result of lower natural gas prices and stabilised hydro balance in Scandinavia.
- Increased wind power generation capacities and levels, which were also affected by healthy load factors, heavily influenced the spike in Lithuania's electricity generation, whilst floods in Latvia led to higher hydro run-of-river generation. In contrast, Estonia's generation fell as a result of lower generation from shale oil.
- Mild winter in our home market, as well as B2B customers operating at a reduced capacity, were the key causes behind a significant drop in consumption of both electricity and natural gas. In addition, further decrease was also supported by B2B and B2C customers substituting natural gas usage with alternative fuels.

Electricity

Consumption, TWh

	3M 2023	3M 2022	Δ, %
Lithuania	3.1	3.4	*(8.8%)*
Latvia	1.7	1.9	*(10.5%)*
Estonia	2.3	2.3	*0.0%*
Finland	22.0	22.8	*(3.5%)*
Poland	44.2	45.3	*(2.4%)*
Total	**73.3**	**75.7**	***(3.2%)***

Generation, TWh

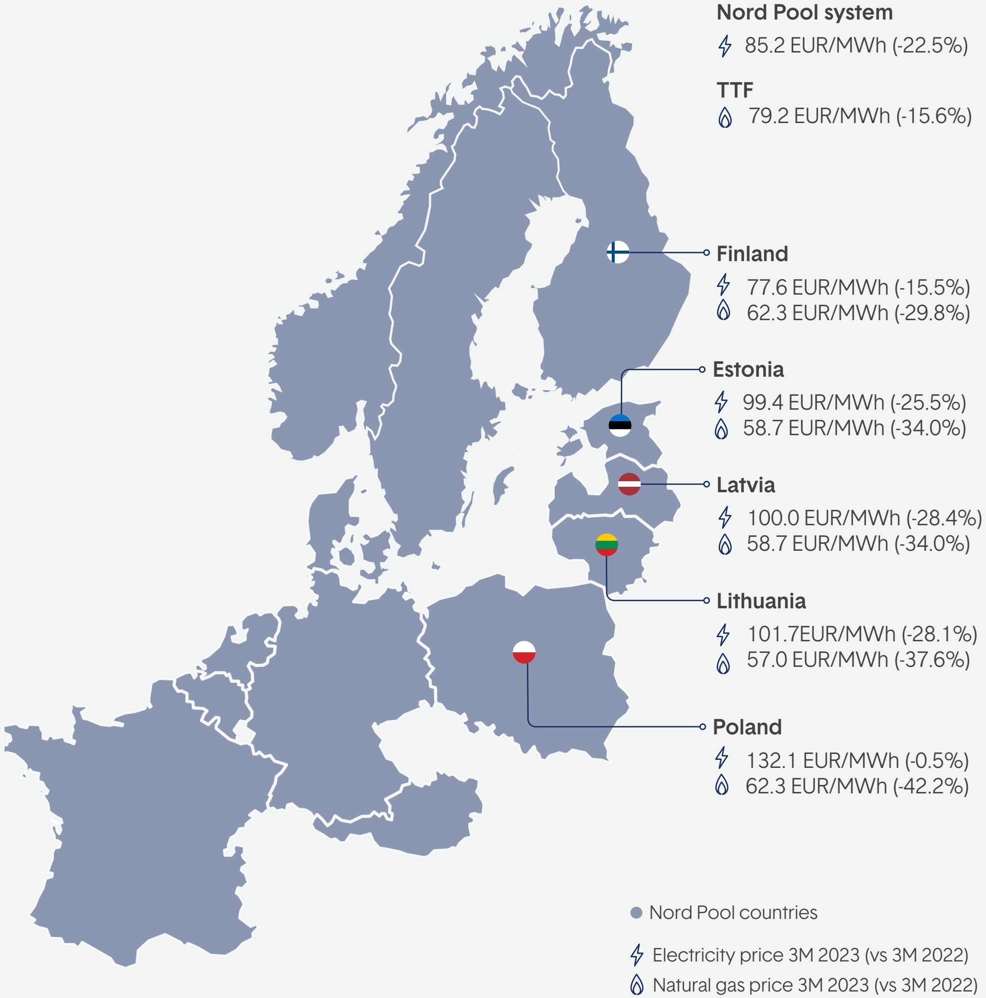
	3M 2023	3M 2022	Δ, %
Lithuania	1.5	1.2	*25.0%*
Latvia	2.4	1.4	*71.4%*
Estonia	1.4	1.8	*(22.2%)*
Finland	19.5	17.8	*9.6%*
Poland	44.1	46.6	*(5.4%)*
Total	**68.9**	**68.8**	***0.1%***

Natural gas

Consumption, TWh

	3M 2023	3M 2022	Δ, %
Lithuania	3.2	5.7	*(43.9%)*
Latvia	3.6	3.6	*(0.0%)*
Estonia	1.2	1.6	*(25.0%)*
Finland	3.6	4.8	*(25.0%)*
Poland	58.4	61.1	*(4.5%)*
Total	**70.0**	**76.8**	***(8.9%)***

Electricity and natural gas prices in Nord Pool countries



Regulatory environment

EU-wide

'Fit for 55' legislation adopted
On 25 April 2023, the European Council formally adopted five laws, as part of the 'Fit for 55' package, which aims to enable the EU to cut greenhouse gas emissions within the main sectors of the economy, while making sure that the most vulnerable citizens and micro-enterprises, as well as the sectors exposed to carbon leakage, are effectively supported in the climate transition. These include: (i) revised EU emissions trading system (EU ETS); (ii) new carbon border adjustment mechanism; (iii) new social climate fund.

Date of adoption:	25 April 2023
Relevance to the Group's business segments:	
Impact to the Group:	Overall, a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Icons represent to which business segments regulatory changes are relevant.

European Gas Demand Reduction Plan

On 5 August 2022, the EU Council adopted Regulation (EU) 2022/1369 on Coordinated Demand Reduction Measures for Gas. The purpose of the gas demand reduction measures is to make savings for the winter in order to prepare for possible disruptions of gas supplies from Russia. The Regulation provides for both voluntary and mandatory reduction in gas consumption. Member States are required to use their best efforts to reduce their national gas consumption between 1 August 2022 and 31 March 2023 by at least 15% compared to their average consumption during this period over the last five years. These measures are voluntary at first. However, the Regulation foresees the possibility for the EU Council, acting by a qualified majority, to trigger a 'Union alert' and impose mandatory reductions on all Member States. The Commission might submit such proposal in a few cases:

- if there is a substantial risk of a severe gas supply shortage or an exceptionally high demand of gas for which voluntary measures are not sufficient, but the market is still able to manage that disruption; or
- where five or more Member States have declared an alert at a national level. If a 'Union alert' is declared, the 15% reduction target of overall gas consumption becomes mandatory (in principle).

In any case, Member States are free to choose the appropriate measures to reduce demand and should prioritise measures affecting non-protected customers, considering their economic importance. On 30 March 2023, the Council amended Regulation (EU) 2022/1369 as regards prolonging the demand-reduction period for demand-reduction measures for gas and reinforcing the reporting and monitoring of their implementation till 31 March 2024.

Date of adoption:	5 August 2022, 30 March 2023
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, no significant financial impact is expected on the Group level.

Implementation of Regulation (EU) 2022/1854

On 6 October 2022, the EU Council adopted Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices. The regulation introduced common measures, including the mandatory cap of 180 EUR/MWh on market revenues, to reduce electricity demand and to collect the energy sector's surplus revenue as well as to redistribute it to households and small and medium-sized enterprises. As a result, the regulation was adopted in Lithuania and Poland with key matters highlighted below and more detailed information described in our Annual report 2022.

Lithuania

On 15 December 2022, the Parliament of the Republic of Lithuania introduced the Regulation (EU) 2022/1854 into national law by determining that:

- the revenue surplus shall be collected from producers who generate electricity from the sources referred to in Article 7(1) of Regulation (EU) 2022/1854, i.e., wind energy, solar energy (solar thermal and solar photovoltaic), geothermal energy, hydropower without reservoir, biomass fuel (solid or gaseous biomass fuels), excluding biomethane, waste, nuclear energy, lignite, crude petroleum products, peat;
- the cap on market revenues shall only apply to 90 % of the market revenues exceeding the cap of 180 EUR/MWh;
- main principles for determining and calculating revenue surplus as well as other principles are detailed;
- it stipulates a temporary legal regulation, which will apply only while

the Regulation (EU) 2022/1854 is in effect – until 30 June 2023 with an option to extend the regulation until 31 December 2023 (with exceptions); DSO provides the TSO with information regarding network users connected to the distribution networks.

Poland

On 8 November 2022, the Council of Ministers of Poland introduced the Regulation (EU) 2022/1854 into national law by determining that:

- for the electricity generated by generation facilities benefiting from the CfD scheme, with respect to the electricity sold 'outside' the CfD (not settled within the CfD scheme): the winning price offered by the producer at the auction, which is subject to annual indexation based on the average annual price index of consumer goods and services from the previous calendar year, published by the President of the Central Statistical Office (§ 2 (1) (a) of the regulation);
- for the electricity generated by generation facilities not benefiting from the CfD scheme: the reference price for the CfD scheme in force on the date of calculating the write-off to the Fund (§ 2 (1) (b) of the regulation).

The selected current reference prices for generation facilities with a total capacity of more than 1 MW (generation facilities with a total capacity of up to 1 MW are not subject to the write-off obligations) are as follows:

- for onshore wind: 295 PLN/MWh;
- for solar: 355 PLN/MWh.

Date of adoption:	6 October 2022; 8 November 2022; 15 December 2022
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, a negative impact is expected.

EU electricity market design

On 14 March 2023, the European Commission has proposed the EU's electricity market design. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation. It introduces measures that incentivise longer term contracts with non-fossil power production and bring more clean flexible solutions into the system to compete with gas, such as demand response and storage. Such measures will likely decrease the impact of fossil fuels on the consumer electricity bills, boost fair competition in European wholesale energy markets and ensure the price stability of energy generated using renewable and non-fossil energy technologies.

The proposal requires suppliers to manage their price risks at least to the extent of the volumes under fixed contracts and obliges Member States to establish suppliers of last resort so that no consumer ends up without electricity. Moreover, Member States will protect vulnerable consumers in arrears from being disconnected and will now be required to assess their needs, establish objectives to increase non-fossil flexibility, and will have the possibility to introduce new support schemes, especially for demand response and storage.

Date of adoption:	Undergoing
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, financial impact cannot be evaluated.

Lithuania

The development of onshore wind farms and solar parks in Lithuania

On 1 February 2023, the Government of the Republic of Lithuania adopted the following resolutions defining further development of onshore wind farms and solar parks:

- a resolution establishing that, once the 2 GW capacity for utility-scale commercial solar parks is reached, further development of such plants shall be subject to potential curtailment in a case there would be a need for the TSO to maintain grid stability;
- a resolution establishing the following grid capacity allocation proportions and the capacity proportions for onshore wind farms and solar parks:
  - 4.4 GW of solar capacity and 3.6 GW of onshore wind capacity will be made available for connecting to the grid by 2030;
  - 1.6 GW of solar capacity and 0.57 GW of onshore wind capacity will be allocated to non-commercial development of renewable energy plants at the proportions determined by the Government;
  - after reaching the permitted generation capacities, further development of solar parks and onshore wind farms shall be subject to potential curtailment, in case the TSO would need to maintain grid stability;
  - at least once a year, the electricity network operators ESO (Networks) and AB "Litgrid" shall carry out an assessment of the electricity network capacity granted to electricity generation facilities and the existing available capacity of the electricity network, and inform the Ministry of Energy of the Republic of Lithuania and the National Energy Regulatory Council (NERC). The Ministry of Energy shall evaluate the information provided and submit proposals for corrections, if needed.

Date of adoption:	1 February 2023
Relevance to the Group's business segments:	
Impact to the Group:	Neutral.

Icons represent to which business segments regulatory changes are relevant.

New rules and procedures for connecting to electricity transmission network and grid capacity reservation

On 6 March 2023, the Lithuanian National Energy Regulatory Council (NERC) adopted AB "Litgrid" description of the procedure for the use of electricity transmission networks. The established material amendments to the procedure for the use of electricity transmission networks are the following:

- main steps for connecting users and assets to the grid, upgrading power plants, connecting to another power plant or connecting a storage facility;
- a new priority-based grid capacity reservation procedure, prioritising storage facilities and power plants using both solar and wind generation (hybrid projects);
- it is provided that in one zone of the transmission grid could be connected up to 100% of wind capacity, up to 100% of solar PV capacity and up to 100% of storage capacity altogether, and that the permitted generation capacity of newly connected wind and solar power plants will be exposed to potential curtailment due to congestions on particular grid zones and/or the system's balance capabilities, i.e. national electricity generation exceeds absorption capabilities;
- procedures for calculating fines for exceeding the permitted generation capacity;

rules on further development of solar parks, after the 2 GW installed capacity limit is reached.

Rules and conditions of the offshore wind farm tenders, and requirements for participants and winners

In March 2023, the Government of the Republic of Lithuania and the Lithuanian National Energy Regulatory Council (NERC) adopted resolutions regarding rules and conditions of Lithuanian offshore wind farm tenders, and requirements for tender participants and winners, which include the following:

1. for the spring tender without incentive measures, which started on 30 March 2023:
   - setting the maximum permitted generation capacity of 700 MW and the minimum installed capacity of 580 MW, and establishing the parts of the territorial sea and/or the exclusive economic zone of the Republic of Lithuania in the Baltic Sea;
   - setting the requirements for participants and winners of the tender as well as setting the conditions of the tender.
2. for the autumn tender with potential incentive measures, which is expected to start on 1 September 2023:
   - amending the previous resolution and setting the maximum permitted generation capacity of 700 MW and the minimum installed capacity of 700 MW;
   - amending the requirements for participants and winners of the tender which will come into force 2 months after the European Commission's approval of the amendments of the Law on Energy from Renewable Sources in accordance with Article 108(3) of the Treaty on the Functioning of the European Union.
3. for both the spring and the autumn tenders:
   - describing procedures for announcing and organising tenders and the procedure of issuing permits for the development and operation of power plants that use renewable energy sources to tender winners.

Draft methodology for determining the maximum transaction price in the autumn offshore wind farm tender

On 1 February 2023, the Lithuanian National Energy Regulatory Council (NERC) announced a public consultation on the Draft Methodology for Determining the Maximum Transaction Price that can be applied in the offshore tender with potential incentive measures, which is expected to start on 1 September 2023. After considering the comments received, the National Energy Regulatory Council (NERC) launched a second public consultation on the methodology on 17 April 2023 and approved it on 10 May 2023. In accordance with the approved methodology, the National Energy Regulatory Council (NERC) will calculate and publish the maximum transaction price in the near future.

Date of adoption:	6 March 2023
Relevance to the Group's business segments:	
Impact to the Group:	Overall, a positive impact since legislation opens-up additional TSO network capacities. However, these capacities contain potential curtailments, which financial impact cannot be assesed as of report announcement date.

Date of adoption:	15 March 2023, 29 March 2023
Relevance to the Group's business segments:	
Impact to the Group:	Overall, a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

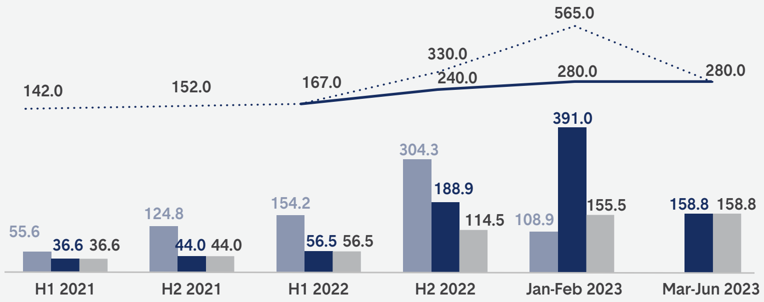
Date of adoption:	10 May 2023
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, financial impact cannot be evaluated.

Icons represent to which business segments regulatory changes are relevant.

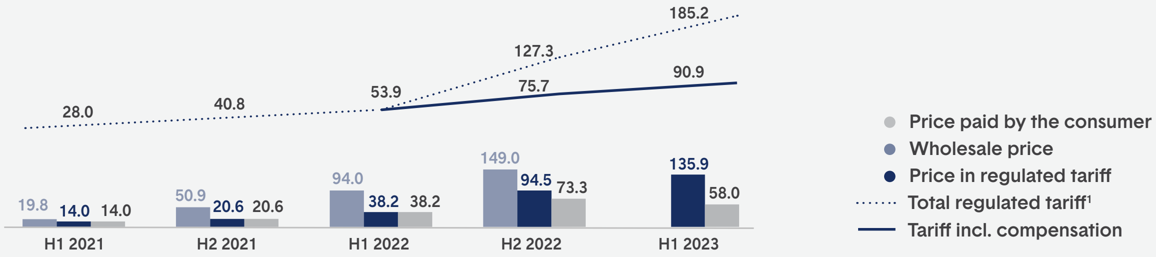
Overview of partial compensation of energy prices

Over the course of 2022 as well as 2023, increasing prices as well as regulatory differences have been partially compensated as per overview below. Further in-depth information about the measures applied in Lithuania while providing consumers with partial compensation due to increasing prices of energy recourses and their impact to the Group in 2022 and 2023 can be found in our Annual report 2022.

Electricity prices and regulated tariffs, EUR/MWh



Natural gas prices and regulated tariffs, EUR/MWh



[1] *Total regulated tariff of public supply includes all components, such as distribution price, public service obligations price (VIAP in Lithuanian), transmission price, and other components.*

Date of adoption:	Over the course of 2022
Relevance to the Group's business segments:	
Impact to the Group:	A positive impact on the Group's net working capital, net debt and in turn leverage metrics.

Icons represent to which business segments regulatory changes are relevant.

Latvia

Offshore wind development

Legislation related to the development of greenfield offshore wind projects, which was initially adopted in Latvia in 2014, is currently under review by the governmental institutions to set the tender pre-qualification criteria, the bidding process, and the obligations of the tender winner.

Date of adoption:	Undergoing
Relevance to the Group's business segments:	
Impact to the Group:	Neutral.

Estonia

Offshore wind development

On 15 February 2023, the Estonian Parliament (Riigikogu) passed amendments to the Electricity Market Act and other laws, paving the way for the organisation of competitive auctions to grant seabed exclusivity for offshore wind development. The announcement of specific areas designated for offshore wind development and their number is expected in the second quarter of 2023, while the bidding process is scheduled to take place in the fourth quarter of 2023.

Date of adoption:	15 February 2023
Relevance to the Group's business segments:	
Impact to the Group:	Neutral.

Latvia and Estonia offshore wind projects

A joint offshore wind project

The governments of Latvia and Estonia have selected the locations in their respective parts of the Baltic Sea where a joint offshore wind energy project – ELWIND – will be built. The ELWIND should comprise two offshore wind farms situated in the Latvian and Estonian parts of the Baltic Sea, with interconnections between them and connections to both countries. ELWIND, with a total capacity between 700 MW and 1,000 MW, has been listed on the first list of renewable energy cross-border projects under the EU Connecting Europe Facility. The tender for a project developer is set to take place in 2026, and the project is expected to be completed after 2030.

Date of adoption:	26 October 2022
Relevance to the Group's business segments:	
Impact to the Group:	Neutral.

Icons represent to which business segments regulatory changes are relevant.

Poland

Liberalisation of 10H rule

On 23 April 2023, the amendment to the Wind Power Plant Investment Act dated 20 May 2016 entered into force (the provisions related to virtual prosumers will become effective starting from 2 July 2024). The infamous 10H rule (the minimum distance of wind turbines from residential buildings = ten times the height of the wind turbine) will still apply, but local governments will be able to designate the location of wind farms as part of the procedure for amending the zoning plan or adopting a new plan and set a minimum distance of 700 m. Contrary to the initial proposal, the investors will not be allowed to finance the preparation or amendment of a local zoning plan, allowing for construction of a wind farm.

The distance between the wind turbine and the transmission grid must be at least three times the maximum rotor diameter including blades (3D), or at least twice the maximum total height of the wind turbine specified in the local plan (2H), whichever is greater. Moreover, developer will be obliged to offer at least 10% of the installed capacity of a wind farm to community residents for a period of 15 years in order for them to become virtual prosumers of renewable energy (this will apply only to projects with construction permits issued starting from 2 July 2024).

Date of adoption:	9 March 2023
Relevance to the Group's business segments:	
Impact to the Group:	Overall, a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Icons represent to which business segments regulatory changes are relevant.

Results

3.1 Results 3M

Key financial indicators

		3M 2023	3M 2022	Δ	Δ,%
Revenue	EURm	928.3	991.2	*(62.9)*	*(6.3%)*
EBITDA APM	EURm	195.3	91.6	*103.7*	*113.2%*
Adjusted EBITDA APM	EURm	149.9	111.4	*38.5*	*34.6%*
Green Generation	EURm	70.0	70.0	-	-%
Networks	EURm	48.7	45.1	*3.6*	*8.0%*
Reserve Capacities[1]	EURm	28.6	4.9	*23.7*	*483.7%*
Customers & Solutions	EURm	0.9	(9.7)	*10.6*	*n/a*
Other[2]	EURm	1.7	1.1	*0.6*	*54.5%*
Adjusted EBITDA margin APM	%	17.0%	11.0%	*6 pp*	*n/a*
EBIT APM	EURm	156.6	57.2	*99.4*	*173.8%*
Adjusted EBIT APM	EURm	111.3	76.9	*34.4*	*44.7%*
Net profit	EURm	127.2	46.8	*80.4*	*171.8%*
Adjusted net profit APM	EURm	88.7	61.1	*27.6*	*45.2%*
Investments[3] APM	EURm	120.8	62.0	*58.8*	*94.8%*
FFO APM	EURm	185.5	89.3	*96.2*	*107.7%*
FCF[3] APM	EURm	208.0	(157.2)	*365.2*	*n/a*
ROE LTM[4] APM	%	18.4%	8.6%	*9.8 pp*	*n/a*
Adjusted ROE LTM[4] APM	%	13.9%	10.0%	*3.9 pp*	*n/a*
ROCE LTM[4] APM	%	16.7%	7.1%	*9.6 pp*	*n/a*
Adjusted ROCE LTM[4] APM	%	12.1%	8.8%	*3.3 pp*	*n/a*
EPS (Basic) APM	EUR	1.76	0.64	*1.12*	*175.0%*
		31 Mar 2023	**31 Dec 2022**	**Δ**	**Δ,%**
Total assets	EURm	4,928.2	5,271.6	*(343.5)*	*(6.5%)*
Equity	EURm	2,060.3	2,125.6	*(65.3)*	*(3.1%)*
Net debt APM	EURm	762.9	986.9	*(224.0)*	*(22.7%)*
Net working capital APM	EURm	314.8	443.3	*(128.5)*	*(29.0%)*
Net debt/EBITDA LTM APM	times	1.19	1.83	*(0.64)*	*(35.0%)*
Net debt/Adjusted EBITDA LTM APM	times	1.50	2.10	*(0.60)*	*(28.6%)*
FFO LTM/Net debt APM	%	76.1%	49.1%	*27.0 pp*	*n/a*

[1] During 3M 2023, the Group has changed the name of the segment from Flexible Generation to Reserve Capacities to better represent the segment's activities and the Group's strategic objectives – the main activities of this segment include utilisation of reserve capacities to ensure reliability and security of the power system (option to generate electricity in the market during low renewables generation/ positive clean spark spread periods). [2] Other – other activities and eliminations (consolidation adjustments and related party transactions), including financial results of the parent company. More information is available in section '8 Parent company's financial statements'. [3] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline. This adjustment also had an impact on the reported FCF figure. For the updated formula, see definitions of 'Alternative performance measures' used by the Group. [4] Due to changes in IAS, a part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see '2022 Annual report'). Due to the adjustment, the LTM indicator for the year 2022 was recalculated retrospectively.

Overview

3M 2023 vs 3M 2022

Adjusted EBITDA amounted to EUR 149.9 million and was 34.6%, or EUR 38.5 million, higher than in 3M 2022:

- Adjusted EBITDA growth was mainly influenced by the Reserve Capacities segment, where we utilised an option to earn additional return in the market on top of the regulated return by fixing a positive forward clean spark spread;
- Customers & Solutions segment's result turned positive due to better B2B natural gas results, mainly from lower COGS of natural gas sold (as inventory was written down to net realizable value in H2 2022);
- Green Generation segment remained the largest contributor to Adjusted EBITDA (46.7% of the Group's total Adjusted EBITDA) with Adjusted EBITDA remaining flat YoY despite lower electricity market prices.

	Green Generation	Networks	Reserve Capacities	Customers & Solutions	Other[1]	Reportable segments	Adjustments	IFRS
3M 2023			Adjusted					Reported
Revenue	99.6	121.9	14.5	679.9	(32.9)	883.0	45.3	928.3
Purchase of electricity, natural gas and other services	(20.1)	(40.5)	18.4[2]	(668.7)	33.1	(677.8)	-	(677.8)
Wages and salaries and related expenses	(3.8)	(16.1)	(2.3)	(3.6)	(4.5)	(30.3)	-	(30.3)
Repair and maintenance expenses	(1.4)	(6.3)	(0.8)	-	-	(8.5)	-	(8.5)
Other expenses	(4.3)	(10.3)	(1.2)	(6.7)	6.2	(16.4)	-	(16.4)
EBITDA APM	**70.0**	**48.7**	**28.6**	**0.9**	**1.7**	**149.9**	**45.3**	**195.3**
Depreciation and amortisation	(7.1)	(25.1)	(3.0)	(0.8)	(1.5)	(37.5)	-	(37.5)
Write-offs, revaluation and impairment losses of PPE and intangible assets	-	(1.2)	-	-	-	(1.2)	-	(1.2)
EBIT APM	**62.9**	**22.5**	**25.6**	**0.1**	**0.2**	**111.3**	**45.3**	**156.6**
Finance activity, net						(8.7)	-	(8.7)
Income tax expenses						(13.9)	(6.8)	(20.7)
Net profit						**88.7**	**38.5**	**127.2**
3M 2022			Adjusted					Reported
Revenue	120.7	147.2	72.4	684.5	(13.9)	1,010.9	(19.7)	991.2
Purchase of electricity, natural gas and other services	(32.6)	(72.5)	(12.1)	(684.5)	0.2	(801.5)	-	(801.5)
Wages and salaries and related expenses	(2.5)	(16.0)	(2.1)	(3.1)	(4.6)	(28.3)	-	(28.3)
Repair and maintenance expenses	(0.9)	(4.6)	(0.7)	-	-	(6.2)	-	(6.2)
Other expenses	(14.7)	(9.0)	(52.6)	(6.6)	19.3	(63.6)	-	(63.6)
EBITDA APM	**70.0**	**45.1**	**4.9**	**(9.7)**	**1.1**	**111.4**	**(19.7)**	**91.6**
Depreciation and amortisation	(6.9)	(21.9)	(3.0)	(0.5)	(1.5)	(33.8)	-	(33.8)
Write-offs, revaluation and impairment losses of PPE and intangible assets	-	(0.6)	-	-	-	(0.6)	-	(0.6)
EBIT APM	**63.1**	**22.6**	**1.9**	**(10.2)**	**(0.4)**	**76.9**	**(19.7)**	**57.2**
Finance activity, net						(7.3)	2.4	(4.9)
Income tax expenses						(8.5)	3.0	(5.5)
Net profit						**61.1**	**(14.3)**	**46.8**

[1] Other – other activities and eliminations (consolidation adjustments and related party transactions).
[2] Positive amount of "Purchase of electricity, natural gas and other services" resulted from gain of realized cash flow hedge instrument. According to the Group accounting policy when cash flow hedges are realized, gain or losses are transferred from equity and recognized in statement of profit or loss as "Purchases of electricity, gas and other services" (for more information, please see note 3.15.3.3 of Annual consolidated financial statements for 2022).

Revenue

Revenue by segment

In 3M 2023, revenue decreased by EUR 62.9 million, or 6.3%, compared to 3M 2022 and totaled EUR 928.3 million. The main reasons for the decrease were lower revenue of the Reserve Capacities segment (EUR -57.9 million) due to additional regulatory revenue recognized in 3M 2022, covering the expenses related to the supplementary natural gas reserve acquired, as well as lower revenue of the Green Generation segment (EUR -21.1 million), mainly due to lower volumes generated. The decrease was partly offset by higher revenue of the Networks segment (EUR +31.0 million), mainly due to higher electricity revenue as the regulator approved higher tariff components due to higher expenses from technological losses.

Revenue by country

In 3M 2023, the Group earned 78.7% (74.2% in 3M 2022) of its revenue in Lithuania (EUR 730.5 million). The Group's revenue from other countries decreased to 21.3%, mostly in Latvia and Finland, and reached EUR 197.8 million (EUR 255.6 million in 3M 2022), mainly due to lower electricity and natural gas volumes sold in Latvia.

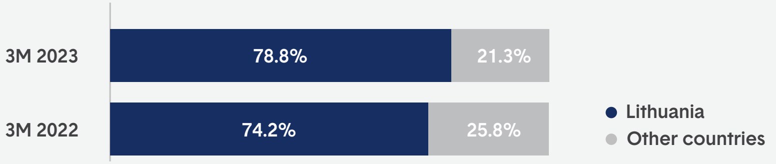
Revenue by type

In 3M 2023, electricity related revenue amounted to EUR 458.2 million and decreased by EUR 121.6 million compared to 3M 2022, mostly due to lower revenue from public supply of electricity (EUR -59.1 million), lower revenue from services ensuring capacity reserve and isolated operation of the electric power system (EUR -51.5 million) and lower sales of generated electricity (EUR -14.9 million). Natural gas related revenue amounted to EUR 438.5 million and increased by EUR 49.5 million compared to 3M 2022 due to higher revenue from natural gas sales (EUR +45.0 million). The increase in natural gas sales in 3M 2023 is rather exceptional and is related to the current market situation: significant price volatility and natural gas shortage in other markets. Additionally, Adjusted EBITDA share related to the natural gas activities is significantly lower than the natural gas share in revenue.

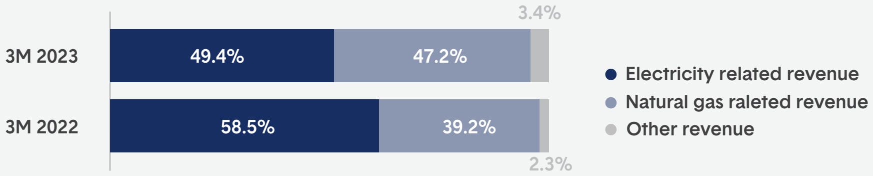
Revenue by segment, EURm

	3M 2023	3M 2022	*Δ*	*Δ, %*
Customers & Solutions	681.5	677.4	*4.1*	*0.6%*
Networks	165.6	134.6	*31.0*	*23.0%*
Green Generation	99.6	120.7	*(21.1)*	*(17.5%)*
Reserve Capacities	14.5	72.4	*(57.9)*	*(80.0%)*
Other[1]	(32.9)	(13.9)	*(19.0)*	*136.7%*
Revenue	**928.3**	**991.2**	***(62.9)***	***(6.3%)***

Revenue by country, EURm



Revenue by type[2], EURm



[1] Other – other activities and eliminations (consolidation adjustments and related party transactions).
[2] A more detailed description is presented in the section 7 Consolidated Financial Statements, Note 6 'Revenue from contracts with customers'.

Expenses

Purchase of electricity, natural gas, and other services

The Group's purchase of electricity and natural gas amounted to EUR 677.8 million in 3M 2023 and decreased by 15.4% compared to 3M 2022. The decrease was caused by lower electricity (EUR -151.5 million) purchase, mostly impacted by lower market prices and lower consumption. The decrease was partly offset by higher natural gas purchase (EUR +23.0 million), mostly impacted by cost of natural gas sold that was not used for production of electricity in 3M 2023.

OPEX

In 3M 2023, OPEX totaled EUR 55.0 million and increased by 18.0% (EUR +8.4 million). This change was driven by higher salaries and related expenses (EUR +2.0 million, or +7.1%), mainly due to the growth in the number of employees working at the Group and the increase of average salary. Repair and maintenance expenses increased by 37.1%, or EUR 2.3 million, mainly due to higher electricity network repair and maintenance costs. Other OPEX increased by EUR 4.1 million, mostly due to higher IT, tax and customer service expenses.

Other

Other expenses amounted to EUR 38.9 million in 3M 2023 and decreased by 54.7% compared to 3M 2022 due to lower energy hedging expenses (EUR -51.3 million). Energy hedging expenses from ineffective hedging in 3M 2022 were related to the acquired gas reserve in order to comply with the changes in the requirements for isolated regime services.

Changes in the fair value of effective hedges that meet the qualifying criteria for hedge accounting are recognised in the Statement of Financial Position in 'Equity' under 'Reserves'. The gain or loss of settled derivatives are recognised in the Statement of Profit or Loss as 'Purchase of electricity, natural gas, and other services'. Changes in the fair value and the result of settled hedges that do not meet the qualifying criteria for hedge accounting are recognised in the Statement of Profit or Loss, the negative result – in 'Other expenses', and the positive hedging result for the period is presented in 'Other income'.

Depreciation and amortisation increased due to higher expenses of the Networks segment (EUR +3.2 million), mostly due to Investments made.

Expenses, EURm

	3M 2023	3M 2022	Δ	Δ, %
Purchase of electricity, natural gas, and other services	**677.8**	**801.5**	***(123.7)***	***(15.4%)***
Purchase of electricity and related services	236.1	387.6	*(151.5)*	*(39.1%)*
Purchase of natural gas and related services	434.7	411.7	*23.0*	*5.6%*
Other purchases	7.0	2.2	*4.8*	*218.2%*
OPEX APM	**55.0**	**46.6**	***8.4***	***18.0%***
Salaries and related expenses	30.3	28.3	*2.0*	*7.1%*
Repair and maintenance expenses	8.5	6.2	*2.3*	*37.1%*
Other OPEX	16.2	12.1	*4.1*	*33.9%*
Other	**38.9**	**85.9**	***(47.0)***	***(54.7%)***
Depreciation and amortisation	37.5	33.8	*3.7*	*10.9%*
Energy hedging[1]	0.2	51.5	*(51.3)*	*(99.6%)*
Write-offs, revaluation and impairment losses of PPE and intangible assets	1.2	0.6	*0.6*	*100.0%*
Total	**771.7**	**934.0**	***(162.3)***	***(17.4%)***

[1] Energy hedging expenses are recognised in the Statement of Profit or Loss under 'Other expenses'.

EBITDA

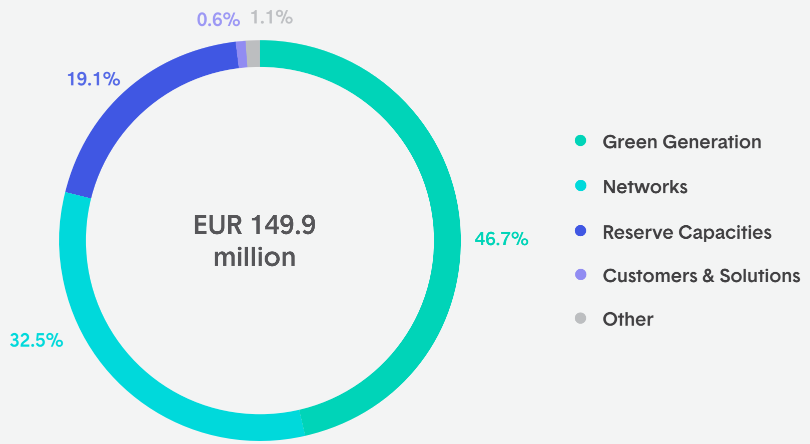
Adjusted EBITDA amounted to EUR 149.9 million in 3M 2023 and was 34.6%, or EUR 38.5 million, higher than in 3M 2022. Adjusted EBITDA growth was mainly influenced by the Reserve Capacities segment, which was driven by a utilized option to earn market premium by fixing a positive forward clean spark spread. The result of the Customers & Solutions segment turned positive due to better B2B natural gas results, mainly from lower COGS of natural gas sold (as inventory was written down to net realizable value in H2 2022). Higher result of the Networks segment was mainly related to higher RAB. Green Generation segment remained the largest contributor to Adjusted EBITDA (46.7% of the Group's total Adjusted EBITDA) with Adjusted EBITDA remaining flat YoY despite lower electricity market prices.

Adjusted EBITDA by segments, EURm

	3M 2023	3M 2022	Δ	Δ, %
Green Generation	70.0	70.0	-	-%
Networks	48.7	45.1	3.6	8.0%
Reserve Capacities	28.6	4.9	23.7	483.7%
Customers & Solutions	0.9	(9.7)	10.6	n/a
Other[1]	1.7	1.1	0.6	54.5%
Adjusted EBITDA APM	**149.9**	**111.4**	***38.5***	***34.6%***

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

Adjusted EBITDA, 3M 2023, EURm



EBITDA adjustments

(1) Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator. The 3M 2023 adjustments include:

- eliminating the higher profit earned from Networks segment regulated activities (EUR -43.7 million), including (1) higher current-year profit (EUR -55.7 million (EUR +2.9 million in 3M 2022)), which will be returned during the future periods and mainly resulted from lower actual electricity and natural gas purchase prices compared to the prices set by the regulator for distribution activities and which contributed to lower expenses from technological losses, and (2) higher previous-year profit (EUR +11.9 million (EUR +9.6 million in 3M 2022)), which is realized through the tariffs for the current period;
- eliminating the higher profit earned from Customers & Solutions segment regulated activities (EUR -1.6 million), including (1) higher profit earned from natural gas public supply activities (EUR -22.0 million) (EUR +5.5 million in 3M 2022); (2) adding back the losses from natural gas designated supply activities (EUR +18.1 million) (EUR -2.9 million in 3M 2022), mainly due to higher actual natural gas acquisition price compared to the price included in the tariff by the regulator; (3) adding back the losses due to over-declaration in electricity public supply activities (EUR +2.3 million) (EUR +4.5 million in 3M 2022);

EBITDA adjustments, EURm

	3M 2023	3M 2022	Δ	Δ, %
EBITDA APM	**195.3**	**91.6**	***103.7***	***113.2%***
Adjustments[1]				
Temporary regulatory differences (1)	(45.3)	19.7	*(65.0)*	*n/a*
Total EBITDA adjustments	**(45.3)**	**19.7**	***(65.0)***	***n/a***
Adjusted EBITDA APM	**149.9**	**111.4**	***38.5***	***34.6%***
Adjusted EBITDA margin APM	17.0%	11.0%	*6.0 pp*	*n/a*

[1] A more detailed description of the management adjustments is provided in the section 7 Consolidated Financial Statements, Note 5 'Operating segments'.

EBIT

In 3M 2023, Adjusted EBIT amounted to EUR 111.3 million, which is 44.7% (or EUR +34.4 million) higher than in 3M 2022. The main effect of the positive change was higher Adjusted EBITDA (EUR +38.5 million) (the reasons behind the increase are described in the 'EBITDA' section), which was partly offset by higher depreciation and amortisation expenses (EUR -3.7 million).

Adjusted EBIT by segments, EURm

	3M 2023	3M 2022	Δ	Δ, %
Green Generation	62.9	63.1	*(0.2)*	*(0.3%)*
Networks	22.5	22.6	*(0.1)*	*(0.4%)*
Reserve Capacities	25.6	1.9	*23.7*	*1,247.4%*
Customers & Solutions	0.1	(10.2)	*10.3*	*n/a*
Other[1]	0.2	(0.4)	*0.6*	*n/a*
Adjusted EBIT APM	**111.3**	**76.9**	***34.4***	***44.7%***
Adjusted EBIT margin APM	12.6%	7.6%	*5.0 pp*	*n/a*

EBIT adjustments, EURm

	3M 2023	3M 2022	Δ	Δ, %
EBIT APM	**156.5**	**57.2**	***99.3***	***173.6%***
Adjustments				
Total EBITDA adjustments (1)	(45.3)	19.7	*(65.0)*	*n/a*
Total EBIT adjustments	**(45.3)**	**19.7**	***(65.0)***	***n/a***
Adjusted EBIT APM	**111.3**	**76.9**	***34.4***	***44.7%***
Adjusted ROCE LTM APM	12.1%	8.8%	*3.3 pp*	*n/a*
ROCE LTM APM	16.7%	7.1%	*9.6 pp*	*n/a*

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

Net profit

Adjusted Net Profit amounted to EUR 88.7 million in 3M 2023 and was 45.2% higher than in 3M 2022. Adjusted EBIT's positive impact (EUR +34.4 million) was partly offset by higher income tax (EUR -5.8 million) and higher interest expenses (EUR -1.3 million).

Reported net profit in 3M 2023 has increased and reached EUR 127.2 million compared to EUR 46.8 million in 3M 2022. The increase in reported net profit was higher compared to the increase in Adjusted Net Profit, mainly due to the impact of temporary regulatory differences (EUR +65.0 million).

(2) One-off financial activity adjustments in 2022 3M include the elimination of the value increase in Smart Energy Fund's investments (EUR +2.4 million).

(3) An additional income tax adjustment of 15% (statutory income tax rate in Lithuania) is applied to all EBITDA adjustments as well as one-off financial activity adjustments related to the changes in Smart Energy Fund's fair value.

Net profit adjustments, EURm

	3M 2023	3M 2022	Δ	Δ, %
Net profit	**127.2**	**46.8**	***80.4***	***171.8%***
Adjustments				
Total EBITDA adjustments (1)	(45.3)	19.7	*(65.0)*	*n/a*
One-off PPE revaluation and impairment adjustments (2)	-	(2.4)	*2.4*	*(100.0%)*
One-off financial activity adjustments (3)	6.8	(3.0)	*9.8*	*n/a*
Total net profit adjustments	**(38.5)**	**14.3**	***(52.8)***	***n/a***
Adjusted net profit APM	**88.7**	**61.1**	***27.6***	***45.2%***
Adjusted ROE LTM APM	13.9%	10.0%	*3.9 pp*	*n/a*
ROE LTM APM	18.4%	8.6%	*9.8 pp*	*n/a*

Investments

In 3M 2023, Investments amounted to EUR 120.8 million and were EUR 58.8 million higher compared to 3M 2022. The largest share of Investments made was in the Networks segment (59.3% of total Investments) and the Green Generation segment (38.2% of total Investments).

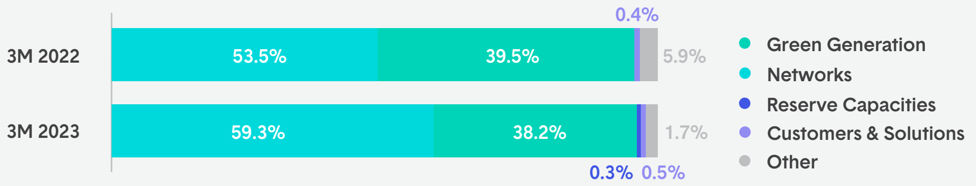
Investments in the Green Generation segment amounted to EUR 46.2 million in 3M 2023 and were EUR 21.6 million higher compared to 3M 2022. The Investments were mostly directed towards onshore wind farms in Lithuania and Poland (EUR 20.9 million), mainly to Silesia WF II (EUR 13.1 million) and Mažeikiai WF (EUR 2.3 million), as well as biomass/WtE technologies (EUR 14.0 million), mainly to Vilnius CHP's biomass unit.

Investments in the Networks segment amounted to EUR 71.6 million and were 115.7%, or EUR 38.4 million, higher compared to 3M 2022. The main reasons behind the increase were higher number of customers connected as well as higher contractors' prices as fees for new connections and upgrades increased on average by 63% per customer and contractor fees for maintenance increased on average by 49% per object. Investments in the expansion of the electricity distribution network increased by EUR 27.4 million, or +163.1%, and amounted to EUR 44.2 million. Additionally, higher Investments in the expansion are also related to the smart meter roll-out. Investments in smart meters amounted to EUR 8.9 million. Investments in the maintenance of the electricity distribution network increased by EUR +7.3 million, or +79.3%, and amounted to EUR 16.5 million. The increase was related to higher contractor's fees and larger volumes of works.

In 3M 2023, grants and Investments covered by customers amounted to EUR 16.9 million and accounted for 14.0% of total Investments. A part of Investments into Networks related to new customer connections, upgrades and infrastructure equipment transfers was covered by the customers (EUR 11.8 million). Also, the Group received EUR 5.1 million in grants for Investments during 3M 2023, which were related to the Vilnius CHP project (EUR 2.8 million) and the maintenance of electricity and natural gas distribution networks (EUR 2.3 million).

In 3M 2023, EUR 92.1 million of Investments were made in Lithuania. The amount represents 76.3% of total Investments. The second largest share of Investments (EUR 15.3 million) was made in Poland, mainly in wind farm development.

Investments by segment, 3M 2023, %



Investments by segment, EURm

	3M 2023	3M 2022[1]	Δ	Δ, %
Green Generation	46.2	24.6	*21.6*	*87.8%*
Onshore wind	20.9	23.3	*(9.0)*	*(10.3%)*
Biomass / WtE	14.0	1.3	*12.7*	*976.9%*
Offshore Wind	10.3	-	*10.3*	*100.0%*
Solar	0.4	-	*0.4*	*100.0%*
Other	0.6	-	*0.6*	*100.0%*
Networks	71.6	33.2	*38.4*	*115.7%*
Total electricity network investments :	69.6	26.9	*42.7*	*158.7%*
Expansion of the electricity distribution network	44.2	16.8	*27.4*	*163.1%*
Expansion of electricity distribution network (smart meters)	8.9	0.9	*8.0*	*888.9%*
Maintenance of the electricity distribution network	16.5	9.2	*7.3*	*79.3%*
Total gas network investments:	2.4	1.9	*0.5*	*26.3%*
Expansion of gas distribution network	1.6	0.7	*0.9*	*128.6%*
Maintenance of the gas distribution network	0.8	1.2	*(0.4)*	*(33.3%)*
Other	(0.4)	4.4	*(4.8)*	*n/a*
Customers & Solutions	0.6	0.3	*0.3*	*100.0%*
Reserve Capacities	0.3	-	*0.3*	*100.0%*
Other[2]	2.1	3.6	*(1.5)*	*(41.7%)*
Investments APM	**120.8**	**62.0**	***58.8***	***94.8%***
Total Grants and covered by customers:	(16.9)	(12.2)	*(4.7)*	*38.5%*
Grants	(5.1)	(5.1)	*-*	*0.0%*
Investments covered by customers[3]	(11.8)	(7.1)	*(4.7)*	*66.2%*
Investments (excl. grants and investments covered by customers)	**103.9**	**49.8**	***54.1***	***108.6%***

Investments by geographical region, EURm

	3M 2023[1]	3M 2022	Δ	Δ, %
Lithuania	92.1	61.5	*30.6*	*49.8%*
Poland	15.3	0.4	*14.9*	*n/a*
Other[4]	13.4	0.1	*13.3*	*n/a*
Total Investments:	**120.8**	**62.0**	***58.8***	***94.8%***

[1] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline. For updated formula, see definitions of 'Alternative performance measures' used by the Group. [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] Other geographical regions mainly represent Investments in the United Kingdom and Latvia.

Statement of financial position

Assets

As of 31 March 2023, total assets amounted to EUR 4,928.2 million (a 6.5% decrease from 31 December 2022).

Non-current assets increased by EUR 129.9 million, or 4.0%, compared to 31 December 2022. The growth was mainly influenced by an increase in property, plant and equipment (EUR +57.3 million) and in goodwill (EUR +21.2 million) due to Investments made during 3M 2023.

Current assets decreased by EUR 473.3 million, or 23.4%, compared to 31 December 2022, mainly due to a decrease in working capital items (for more information, see section 'Net working capital' below).

Equity

As of 31 March 2023, Equity amounted to EUR 2,060.3 million and decreased by EUR 65.3 million, or 3.1%, compared to 31 December 2022, mostly due to negative changes in the hedging reserve (EUR -146.8 million), due to deteriorated hedged and market price ratio which reflect the changes in the fair value of effective hedges that meet the qualifying criteria for hedge accounting, and due to dividends declared for H2 2022 (EUR -45.2 million). The decrease was partly offset by net profit earned in 3M 2023 (EUR +127.2 million).

Liabilities

Total liabilities decreased by 8.8%, or EUR 278.1 million, during 3M 2023. The decrease was related to repaid credit lines and overdrafts (EUR -328.6 million) and a decrease in working capital items (for more information, see section 'Net working capital' below). The decrease was partly offset by additional loans received in the amount of EUR 173.5 million for Vilnius CHP used for the completion of the biomass unit.

Net working capital

As of 31 March 2023, Net working capital amounted to EUR 314.8 million and decreased by EUR 128.5 million compared to 31 December 2022. The decrease was mainly driven by lower level of inventory and lower energy prices. The drivers behind the changes were the following:

- a decrease in total inventory by EUR -305.0 million, mainly in Customers & Solutions (EUR -294.5 million), due to the decrease in volume and value of stored natural gas;
- lower trade receivables (EUR -117.7 million), mainly in Customers & Solutions (EUR -95.3 million), due to lower energy prices and lower volumes sold;
- lower prepayments (EUR -78.0 million), mainly in Reserve Capacities, mostly due to significant prepayment made in Q4 2022 for natural gas in order to fix clean spark spread.

Partly offset by:

- lower trade payables (EUR +135.2 million) and VAT payables (EUR +72.8 million) due to lower energy prices and volumes;
- a decrease in mark-to-market (MtM) reserve related to the Nasdaq commodities market (cash part of all open derivatives positions[1]) (EUR +87.4 million);
- an increase in derivative trading deposits (EUR +69.2 million) due to changes in MtM value as hedge positions were closed (Customers & Solutions).

Balance sheet, EURm

	31 Mar 2023	31 Dec 2022	Δ	Δ, %
Non-current assets	3,379.4	3,249.5	*129.9*	*4.0%*
Current assets	1,548.8	2,022.1	*(473.3)*	*(23.4%)*
TOTAL ASSETS	**4,982.2**	**5,271.6**	***(343.4)***	***(6.5%)***
Equity	2,060.3	2,125.6	*(65.3)*	*(3.1%)*
Total liabilities	2,867.9	3,146.0	*(278.1)*	*(8.8%)*
Non-current liabilities	2,106.7	2,064.2	*42.5*	*2.1%*
Current liabilities	761.2	1,081.8	*(320.6)*	*(29.6%)*
TOTAL EQUITY AND LIABILITIES	**4,928.2**	**5,271.6**	***(343.4)***	***(6.5%)***
Capital employed APM	2,822.9	3,112.5	*(289.6)*	*(9.3%)*
Net working capital APM	314.8	443.3	*(128.5)*	*(29.0%)*
Net working capital/Revenue LTM APM	7.3%	10.1%	*(2.8 pp)*	*n/a*
Current ratio APM	2.03	1.87	*0.16*	*8.6%*
Asset turnover LTM APM	0.91	0.92	*(0.01)*	*(1.1%)*
ROA LTM APM	7.8%	6.2%	*1.6 pp*	*n/a*

[1] Mark-to-market (MtM) cash part is a sum of financial-derivatives-related cash flows, covering all payments that are settled in full each business day between counterparties. The daily cash settlement corresponds to the amount of fair value movement for futures products traded on the Nasdaq Commodities market.

Financing

Net debt

As of 31 March 2023, Net debt amounted to EUR 762.9 million, which is a decrease of 22.7%, or EUR -224.0 million, compared to 31 December 2022, mainly due to positive FCF. In 3M 2023 FCF was positive due to higher EBITDA and lower NWC. FFO/ Net Debt increased to 76.1%, mainly due to higher FFO, which was influenced by higher EBITDA.

Net debt, EURm

	31 Mar 2023	31 Mar 2022	Δ	Δ, %
Total non-current financial liabilities	**1,479.0**	**1,468.3**	***10.7***	***0.7%***
Non-current loans	542.5	383.1	*159.4*	*41.6%*
Credit lines	-	150.0	*(150.0)*	*(100.0%)*
Bonds	890.6	890.1	*0.5*	*0.1%*
Interests payable (including accrued)	-	-	-	*n/a*
Lease liabilities (IFRS 16)	45.9	45.1	*0.8*	*1.8%*
Total current financial liabilities	**52.1**	**212.7**	***(160.6)***	***(75.5%)***
Current portion of non-current loans	34.7	26.2	*8.5*	*32.4%*
Current loans	-	-	-	*n/a*
Banks overdrafts	-	172.9	*(172.9)*	*(100.0%)*
Interests payable (including accrued)	13.8	10.0	*3.8*	*38.0%*
Lease liabilities (IFRS 16)	3.6	3.6	-	*-%*
Gross debt APM	**1,531.1**	**1,681.0**	***(149.9)***	***(8.9%)***
Cash and cash equiv.	**768.2**	**694.1**	***74.1***	***10.7%***
Net debt APM	**762.9**	**986.9**	***(224.0)***	***(22.7%)***
Net debt / Adjusted EBITDA LTM APM	1.50	2.10	*(0.60)*	*(28.6%)*
Net debt / EBITDA LTM APM	1.19	1.83	*(0.64)*	*(35.0%)*
FFO LTM / Net debt APM	76.1%	49.1%	*27.0 pp*	*n/a*
Gross debt/Equity APM	0.74	0.79	*(0.05)*	*(6.3%)*
Equity ratio APM	0.42	0.40	*0.02*	*5.0%*

Debt summary, EURm

	Outstanding as of 31 Mar 2023	Effective interest rate (%)	Average time to maturity (years)	Fixed interest rate	Euro currency
Bonds (incl. interest)[1]	900.0	*1.96*	6.1	*100.0%*	*100.0%*
Non-current loans[2]	577.4	*2.62*	7.2	*68.0%*	*86.3%*
Lease liabilities	49.5	-	6.8	-	*100.0%*
Total	**1,526.9**	***2.2***	**6.5**	***84.6%***	***94.8%***

[1] The nominal value of issued bonds amounts to EUR 900 million. As of 31 March 2023, bonds accounted for EUR 890.6 million in the consolidated balance sheet as the nominal remaining capital will be capitalised until maturity according to IFRS.
[2] As of 31 March 2023, one loan with a floating interest rate (with a residual value of EUR 110 million) was classified as fixed interest rate loan because an interest rate swap was carried out for this loan.

Bond issues and loans

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

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 section '7.1 Further investor related information' of our Annual report 2022.

Interest rate and currency

As of 31 March 2023, financial liabilities amounting to EUR 1,292.4 million were subject to a fixed interest rate (84.6% of loans[2], credit lines, overdrafts, bonds, and interests payable), and the remaining amount of financial liabilities were subject to a floating interest rate. As of 31 March 2022, the effective interest rate was 2.2%. 94.8% of the total debt is in EUR, and 5.2% in PLN.

Liquidity reserve

The Group manages liquidity risks by entering in credit line and overdraft agreements with banks. As of 31 March 2023, there were five credit line facilities available in four separate banks with a total limit of EUR 499 million. There were no disbursed amounts during the reporting period. The credit line facilities are committed, i.e., funds must be paid by the bank upon request. Additionally, as of 31 March 2023 the Group had EUR 768.2 million cash and cash equivalents which increased by 10.7% or EUR 74.1 million since 31 December 2022. In total as of 31 March 2023 Group liquidity reserve amounted to EUR 1,267.2 million.

As of 31 March 2023, the outstanding amount of bank loans, credit lines and overdrafts was EUR 577.4 million, out of which 85.4% is related to the Green Generation segment's projects, and 12.6% – to the smart meter roll-out in the Networks segment.

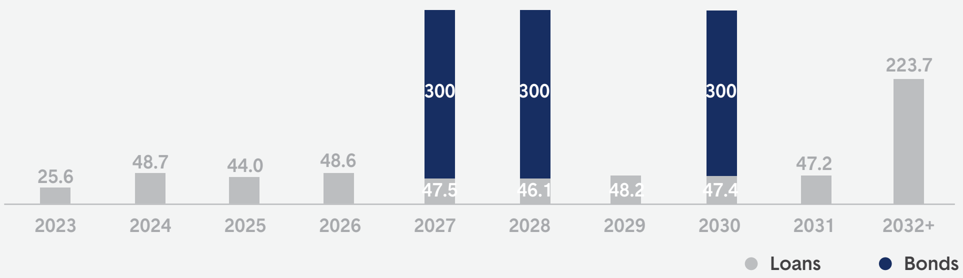
Maturities

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 financial liabilities as of 31 March 2023 was 6.5 years (5.7 years in 31 December 2022).

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+

Repayment schedule of the Group's financial liabilities, EURm



Cash flows

CFO

Net cash flows from operating activities (CFO) amounted to EUR 364.8 million in 3M 2023. Compared to 3M 2022, CFO increased by EUR 335.2 million, mainly due to cash inflow from working capital changes (EUR 234.9 million in 3M 2023, while it was EUR -88.9 million in 3M 2022) and higher net profit (EUR +80.4 million).

CFI

Net cash flows from investing activities (CFI) amounted to EUR -129.6 million in 3M 2023. CFI indicator decreased by EUR -63.8 million, mainly due to higher payments for acquisition of PPE and intangible assets (EUR -51.9 million) compared to 3M 2022.

CFF

Net cash flows from financing activities (CFF) amounted to EUR -161.1 million in 3M 2023. CFF was negative due to repaid credit lines and overdrafts (EUR -328.6 million). Negative CFF was partly offset by additional loans received in the amount of EUR 173.5 million for Vilnius CHP for completing the biomass unit. In comparison, CFF in 3M 2022 was positive due to the loans received in the amount of EUR 73.0 million.

FFO

In 3M 2023, the Group's FFO increased by 107.7% (EUR +96.2 million) and amounted to EUR 185.5 million. The main reason for its growth was higher EBITDA, while the growth was partly offset by more income tax and interest paid.

FCF

In 3M 2023, the Group's FCF amounted to EUR 208.0 million. Positive FFO effect and a decrease in net working capital were partly offset by higher Investments.

Cash flows, EURm

	3M 2023	3M 2022	Δ	Δ, %
Cash and cash equiv. at the beginning of the period	**694.1**	**449.1**	***245.0***	***54.6%***
CFO	364.8	29.6	*335.2*	*1,132.4%*
CFI	(129.6)	(65.8)	*(63.8)*	*97.0%*
CFF	(161.1)	66.5	*(227.6)*	*n/a*
Increase (decrease) in cash and cash equiv.	**74.1**	**30.3**	***43.8***	***144.6%***
Cash and cash equiv. at the end of period	768.2	479.4	*288.8*	*60.2%*

FFO and FCF, EURm

	3M 2023	3M 2022	Δ	Δ, %
EBITDA APM	195.3	91.6	*103.7*	*113.2%*
Interest received	0.2	0.1	*0.1*	*100.0%*
Interest paid	(4.2)	(2.1)	*(2.1)*	*100.0%*
Income tax paid	(5.8)	(0.4)	*(5.4)*	*n/a*
FFO APM	**185.5**	**89.3**	***96.2***	***107.7%***
Investments[1]	(120.8)	(62.0)	*(58.8)*	*94.8%*
Grants received	5.2	5.1	*0.1*	*2.0%*
Cash effect of new connection points and upgrades	9.4	4.9	*4.5*	*91.8%*
Proceeds from sale of PPE and intangible assets[2]	0.2	0.3	*(0.1)*	*(33.3%)*
Change in net working capital	128.5	(194.8)	*323.3*	*n/a*
FCF[1] APM	**208.0**	**(157.2)**	***365.2***	***n/a***

[1] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline. This adjustment also had impact on reported FCF figure. For updated formula, see definitions of 'Alternative performance measures' used by the Group.
[2] Cash inflow indicated in CF statement line 'Proceeds from sale of PPE and intangible assets' exclude gain or loss, which is already included in FFO.

Sustainable finance

The Taxonomy Regulation lays down a classification and investment screening system for environmentally sustainable economic activities, which aims to create transparency for shareholders, investors, and other stakeholders. The main aim of the regulation is to steer investments towards activities that help achieve the ambitions of the EU Green Deal.

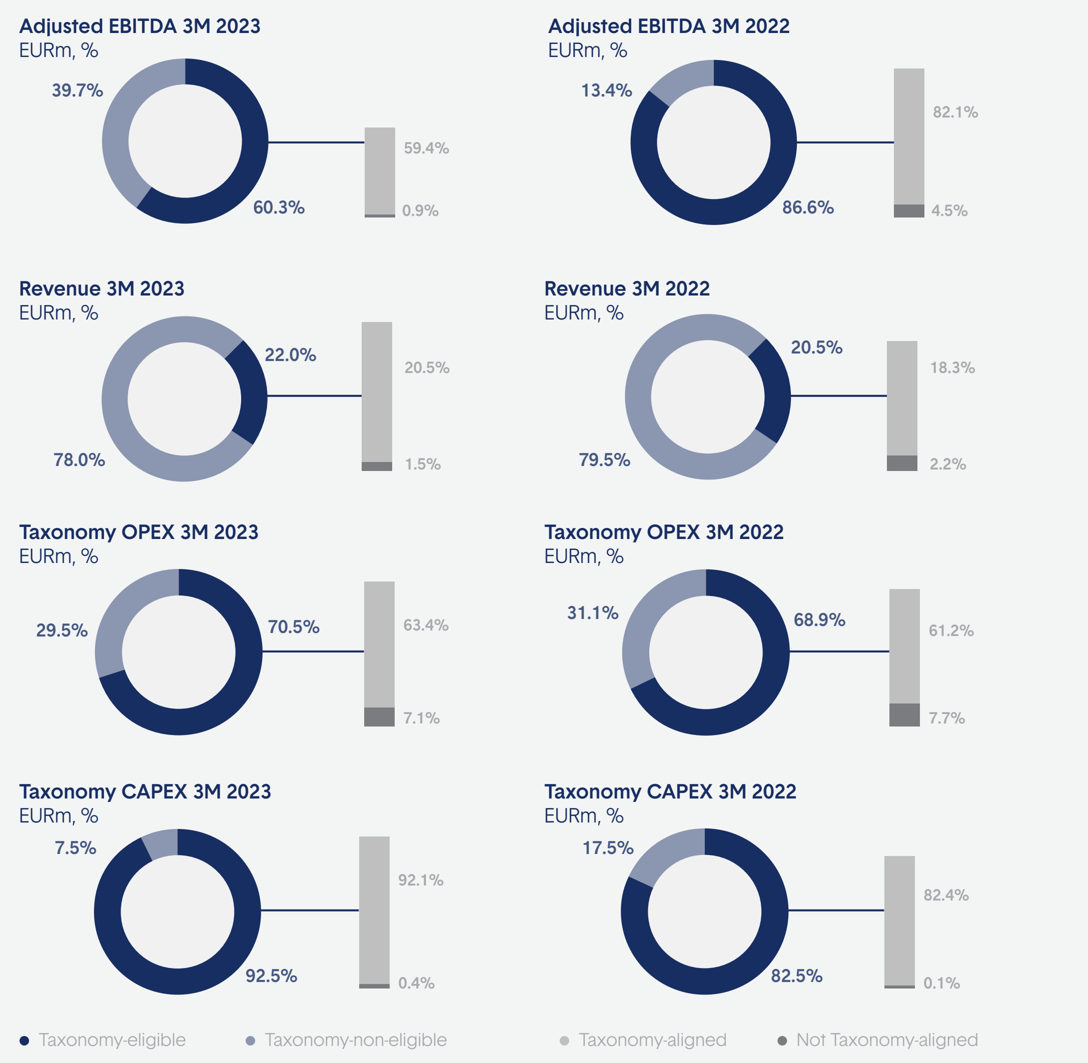
The Taxonomy Regulation also sets mandatory requirements on disclosure with the aim of providing transparency on environmental performance. The Group follows the mandatory disclosure requirements (available in section '5.9 Sustainability governance and other disclosures' in our Annual report 2022) and in addition to that will voluntarily provide interim status information on key Taxonomy KPIs.

During 3M 2023, there were no changes in the alignment of Taxonomy-eligible activities compared to the information disclosed in our Annual report 2022.

Accounting policies

The Group is calculating the financial metrics associated with Taxonomy-eligible and/or -aligned economic activities based on the accounting policies described in the Annual report 2022, section '5.9 Sustainability governance and other disclosures'. There were no significant changes in the accounting policies since the Annual report 2022. While the EU Taxonomy requires to disclose the share of revenue, Taxonomy OPEX and Taxonomy CAPEX KPIs, the Group additionally discloses the Adjusted EBITDA metric as it provides coherence with other KPIs and better reflects the relation of the Group's growth with sustainable activities (as defined by the Taxonomy).

Taxonomy-eligible	Taxonomy-aligned
4.1 Electricity generation using solar photovoltaic technology	✓
4.3 Electricity generation from wind power	✓
4.5 Electricity generation from hydropower	✓
4.9 Transmission and distribution of electricity (including EV network and Smart metering)	✓
4.10 Storage of electricity	✓
4.20 Cogeneration of heat/cool and power from bioenergy	✓
4.24 Production of heat/cool from bioenergy	✓
4.29 Electricity generation from fossil gaseous fuels	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	
6.6 Freight transport services by road	
7.3 Installation, maintenance and repair of energy efficiency equipment	✓
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	✓
7.6 Installation, maintenance and repair of renewable energy technologies	✓
7.7 Acquisition and ownership of buildings	



Key operating indicators

Electricity

The Green Generation Portfolio increased to 5.3 GW (from 5.1 GW) as a result of greenfield capacity additions of around 0.2 GW.

Electricity generation (net) decreased by 0.04 TWh, or 7.4%, YoY and amounted to 0.53 TWh in 3M 2023. The decrease in electricity generated (net) was driven by lower generation at Kruonis PSHP (-0.03 TWh, or -19.8%), due to fewer days with favourable conditions for generation, CCGT at Elektrėnai Complex (-0.01 TWh, or -27.4%), due to less favourable clean spark spread, and lower generation by onshore wind farms (-0.01 TWh, or -6.0%), due to lower wind farm availability and lower average wind speed. The decrease was offset by higher generation at Kaunas HPP (+0.01 TWh or +6.8%) due to elevated water levels in the Nemunas River.

The electricity sales decreased by 0.31 TWh, or 14.0%, compared to 3M 2022. The decline was noticed across both B2B and B2C segments and was driven by generally lower consumption in the region as well as a loss of several B2B contracts to competitors.

The total distributed electricity volumes decreased by 0.18 TWh, or 6.4%, compared to the year prior. The decrease was driven by the B2B segment due to noticeable decline in industrial production as well as a decrease in electricity consumption by retail and service industries.

Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, improved compared to the previous year and was 0.26 interruptions (0.62 interruptions in 3M 2022). Electricity SAIDI indicator, which shows the average duration of unplanned interruptions, improved to 19 minutes (compared to 105 minutes in 3M 2022). Electricity quality indicators were significantly better due higher number of installed automatic solutions, management of staff levels based on weather forecast and favourable weather conditions over the 3M 2023.

Heat

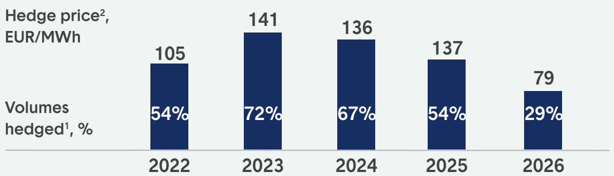
In 3M 2023, heat generated (net) amounted to 0.28 TWh and was 0.03 TWh, or 8.6%, lower compared to 3M 2022. The decrease was mainly driven by lower demand due to relatively warm winter.

Natural gas

The natural gas sales decreased by 0.15 TWh, or 3.7%, mainly driven by a fall in retail sales across all markets except Poland. The main causes were warmer weather and the market conditions over the last year pushing B2B customers to reduce consumption or look for alternative fuels. In Lithuania, natural gas distribution volumes dropped by 0.38 TWh, or 14.0%, YoY. The decrease in retail sales was offset by wholesale, where sales increased significantly as accumulated excess gas was sold through the exchange (GetBaltic).

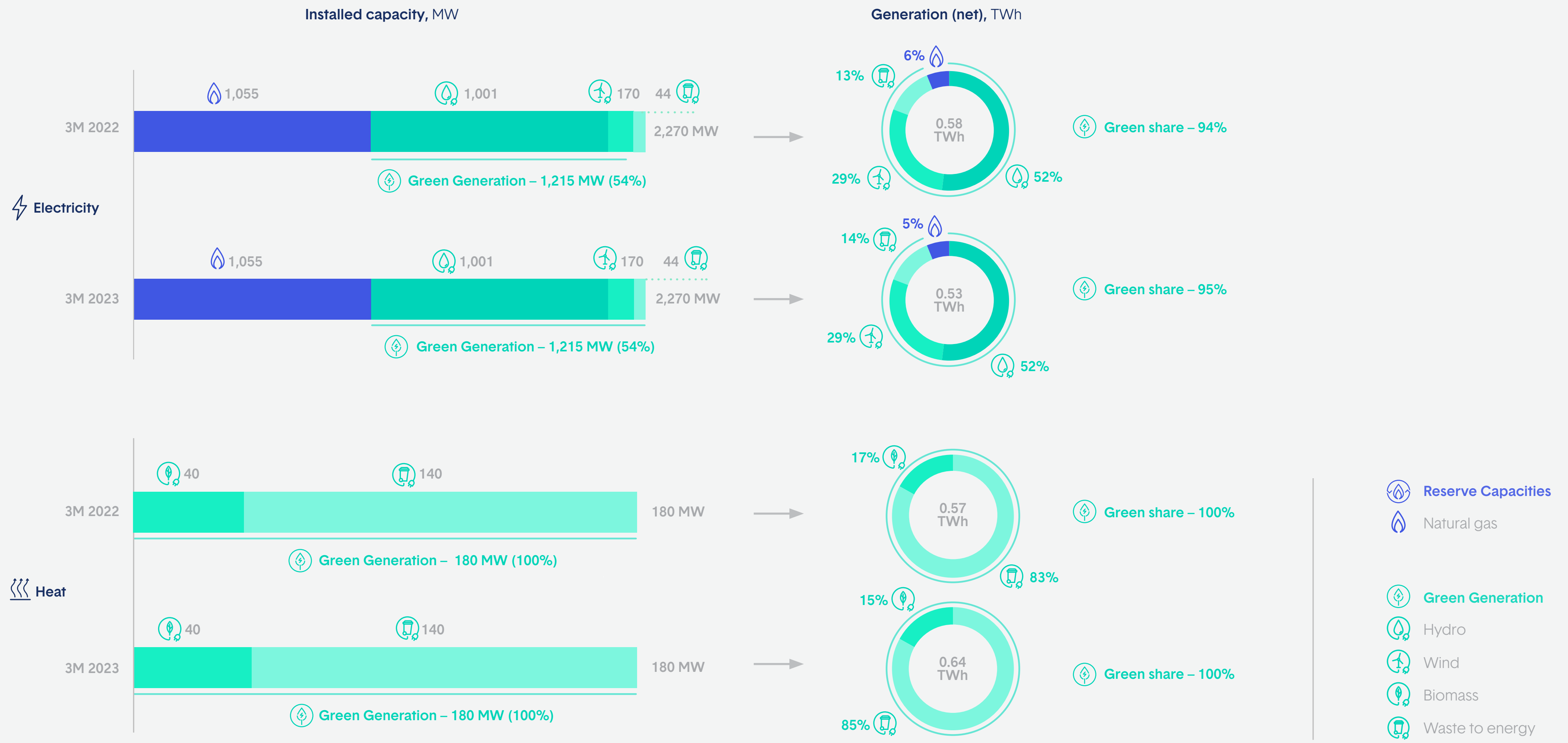
		31 Mar 2023	31 Dec 2022	Δ	Δ, %
Electricity					
Green Generation Portfolio	GW	5.3	5.1	*0.2*	*3.9%*
Secured capacity	GW	1.6	1.6	*0.0*	*1.4%*
Installed capacity	GW	1.2	1.2	*-*	*-%*
Under construction	GW	0.4	0.4	*0.0*	*6.2%*
Advanced development Pipeline	GW	0.9	0.7	*0.2*	*32.3%*
Early development Pipeline	GW	2.8	2.8	*(0.1)*	*(1.8%)*
		3M 2023	**3M 2022**	**Δ**	**Δ, %**
Electricity generated (net)	TWh	0.53	0.58	*(0.04)*	*(7.4%)*
Green electricity generated (net)	TWh	0.51	0.54	*(0.03)*	*(5.7%)*
Green share of generation	%	95.3%	93.6%	*1.7 pp*	*n/a*
Electricity sales	TWh	1.89	2.19	*(0.31)*	*(14.0%)*
Electricity distributed	TWh	2.60	2.77	*(0.18)*	*(6.4%)*
SAIFI	units	0.26	0.62	*(0.36)*	*(57.5%)*
SAIDI	min	19	105	*(87)*	*(82.3%)*
Heat					
Heat generation capacity	GW	0.4	0.4	*-*	*-%*
Installed capacity	GW	0.2	0.2	*-*	*-%*
Under construction	GW	0.2	0.2	*-*	*-%*
Heat generated (net)	TWh	0.28	0.30	*(0.03)*	*(8.6%)*
Natural gas					
Natural gas sales	TWh	3.86	4.01	*(0.15)*	*(3.7%)*
Natural gas distributed	TWh	2.31	2.68	*(0.38)*	*(14.0%)*

Generation Portfolio hedging levels



[1] Generation Portfolio includes total electricity production of operating assets (installed capacity) and projects under construction, except Kruonis PSHP and units 7, 8 and CCGT at Elektrėnai Complex.
[2] Most PPA contracts are base load, therefore, actual effective hedge price can differ from the price in the contract, due to profile effect.

Installed capacity and generation mix overview

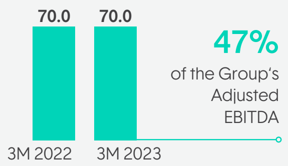


3.2 Results by business segment

Overview

Green Generation

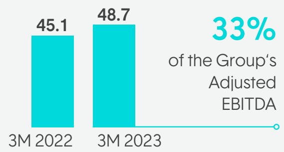
Adjusted EBITDA, EURm



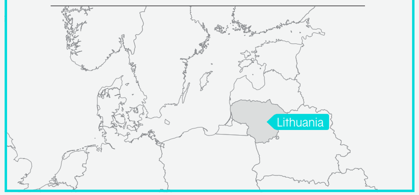
Revenue, EURm	99.6
Adjusted EBIT, EURm	62.9
Investments, EURm	46.2

Networks

Adjusted EBITDA, EURm

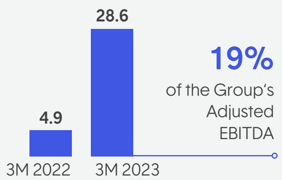


Revenue, EURm	165.6
Adjusted EBIT, EURm	22.5
Investments, EURm	71.6

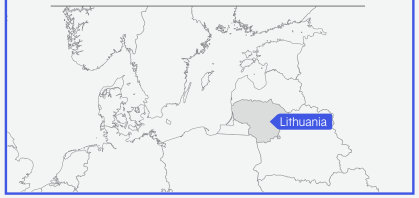


Reserve Capacities

Adjusted EBITDA, EURm

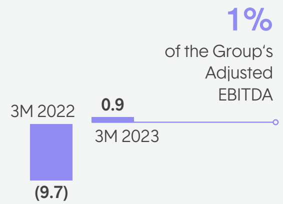


Revenue, EURm	14.5
Adjusted EBIT, EURm	25.6
Investments, EURm	0.3

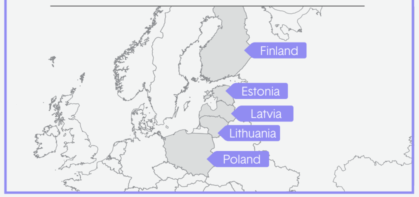


Customers & Solutions

Adjusted EBITDA, EURm



Revenue, EURm	681.5
Adjusted EBIT, EURm	0.1
Investments, EURm	0.6



Indicators provided in this page (except Revenue) are considered as Alternative Performance Measures APM.

Green Generation

Highlights

- During 3M 2023, our Green Generation Portfolio increased to 5.3 GW (from 5.1 GW) as a result of greenfield capacity additions of around 0.2 GW. Our Secured capacity increased by 22 MW as Tauragė solar project in Lithuania reached the construction phase.
- Mažeikiai WF (63 MW) supplied the first power to the grid and signed internal PPA for ~65% of expected output.
- On 30 March 2023, Vilnius CHP's biomass unit started the hot tests to evaluate the readiness of equipment for heat and electricity production, with COD expected in Q3 2023.
- In April 2023, FID was made and construction phase was reached in Kruonis PSHP expansion project (110 MW).
- In April 2023, Moray West offshore wind project (882 MW) has reached a financial close after securing GBP 2 billion of non-recourse project finance.
- Currently, we are participating in the spring's tender, which started on 30 March 2023, for the first 700 MW project with our partner Ocean Winds.
- The European Council adopted a temporary EU revenue cap of 180 EUR/MWh on the electricity produced from inframarginal technologies, which affects all technologies of the Green Generation segment except the pumped-storage hydroelectric power plant. Negative effect for 3M 2023 amounted to EUR -2.9 million.

Financial results

Revenue

In 3M 2023, revenue of the Green Generation segment amounted to EUR 99.6 million and was 17.5%, or EUR 21.1 million, lower than in 3M 2022. The decrease was mainly driven by:

- hydro assets, mainly by Kruonis PSHP as lower electricity prices and lower volumes generated affected the result (EUR -15.7 million, or 22.9%);
- wind farms due to lower volumes generated, mainly in Pomerania WF, (EUR -3.9 million or 21.9%).

Adjusted EBITDA

Adjusted EBITDA amounted to EUR 70.0 million in 3M 2023 and remained flat compared to Adjusted EBITDA in 3M 2022. The result was mainly driven by:

- CHPs. The result of both Vilnius and Kaunas CHPs increased by EUR +5.5 million, or 34.0%, mainly due to an increase in effective electricity and heat prices.
- hydro results as they increased by EUR +0.9 million, or 2.5%, due to higher EBITDA of Kaunas HPP (EUR +5.7 million), which was driven by higher volumes sold (+31.0 GWh, or +22.3%) and which offset a negative effect of Kruonis PSHP (EUR -4.8 million), resulting from a less favourable spread between peak and off-peak prices as well as lower volumes generated (-31.8 GWh, or 19.8%).
- the results of wind farms, which decreased by EUR -5.1 million, or 32.9%, due to lower volumes generated.

Investments

Investments in the Green Generation segment amounted to EUR 46.2 million in 3M 2023 and were EUR 21.6 million higher compared to 3M 2022. The Investments were mostly directed towards onshore wind farms in Lithuania and Poland (EUR 20.9 million), mainly to Silesia WF II (EUR 13.1 million) and Mažeikiai WF (EUR 2.3 million), as well as biomass/WtE technologies (EUR 14.0 million), mainly in Vilnius CHP's biomass unit.

Key financial indicators, EURm

	3M 2023	3M 2022[1]	Δ	Δ,%
Revenue	99.6	120.7	*(21.1)*	*(17.5%)*
Adjusted EBITDA APM	70.0	70.0	-	-%
EBITDA APM	70.0	70.0	-	-%
Adjusted EBIT APM	62.9	63.1	*(0.2)*	*(0.3%)*
EBIT APM	62.9	63.1	*(0.2)*	*(0.3%)*
Investments APM	46.2	24.6	*21.6*	*87.8%*
Adjusted EBITDA margin APM	70.3%	58.0%	*12.3 pp*	*n/a*
	31 Mar 2023	**31 Dec 2022**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	895.4	856.0	*39.4*	*4.6%*

Key regulatory indicators

		2023[2]	2022[2]	Δ	Δ,%
Regulated activities share in Adjusted EBITDA, 3M	**%**	**0.7**	**0.7**	***0 pp***	***n/a***
Kruonis PSHP					
RAB	EURm	14.7	16.5	*(1.8)*	*(10.9%)*
WACC	%	3.99	4.03	*(0.04)*	*n/a*
D&A (regulatory)	EURm	1.3	1.4	*(0.1)*	*(7.1%)*

[1] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline. For updated formula, see definitions of 'Alternative performance measures' used by the Group.
[2] Numbers approved and published by the regulator (NERC).

Operating performance

Electricity

Green Generation Portfolio increased to 5,325 MW (from 5,125 MW) mainly due to greenfield capacity additions of around 200 MW. The green generation secured capacity increased by 22 MW as Tauragė solar project reached the construction phase.

Electricity generated (net) in the Green Generation segment decreased by 0.03 TWh, or 5.7%, YoY. The decrease was driven by lower generation at Kruonis PSHP (-0.03 TWh, or -19.8%), due to fewer days with favourable conditions for generation, as well as lower generation by onshore wind farms (-0.01 TWh, or -6.0%), due to lower wind farm availability and lower average wind speed. The decrease was offset by higher generation at Kaunas HPP (+0.01 TWh, or 6.8%) due to elevated water levels in the Nemunas River.

Lower average wind speed has impacted onshore wind farm load factor, which reached 40.5% and was 5.0 pp lower than in the year prior. Wind farm availability factor decreased by 5.4 pp, totalling 93.7%.

Heat

In 3M 2023, heat generated (net) amounted to 0.28 TWh and was 0.03 TWh, or 8.6%, lower compared to 3M 2022. The decrease was driven by lower demand due to a relatively warm winter.

Key operating indicators

		31 Mar 2023	31 Dec 2022	Δ	Δ, %
Electricity					
Green Generation Portfolio	MW	5,325	5,125	*200*	*3.9%*
Secured capacity	MW	1,590	1,568	*22*	*1.4%*
Installed capacity	MW	1,215	1,215	-	*-%*
Onshore Wind	MW	170	170	-	*-%*
Hydro	MW	1,001	1,001	-	*-%*
Pumped storage	MW	900	900	-	*-%*
Run-of-river	MW	101	101	-	*-%*
Waste	MW	44	44	-	*-%*
Under construction	MW	375	353	*22*	*6.2%*
Onshore Wind	MW	250	250	--	*-%*
Solar	MW	52	30	*22*	*73.3%*
Biomass	MW	73	73	-	*-%*
Advanced development Pipeline	MW	942	712	*230*	*32.3%*
Early development Pipeline	MW	2,793	2,845	*(52)*	*(1.8%)*
		3M 2023	**3M 2022**	**Δ**	**Δ, %**
Electricity generated (net)	TWh	0.51	0.54	*(0.03)*	*(5.7%)*
Onshore Wind	TWh	0.16	0.17	*(0.01)*	*(6.0%)*
Hydro	TWh	0.28	0.30	*(0.02)*	*(7.5%)*
Pumped storage	TWh	0.13	0.16	*(0.03)*	*(19.8%)*
Run-of-river	TWh	0.15	0.14	*0.01*	*6.8%*
Waste	TWh	0.08	0.07	*0.00*	*2.0%*
Onshore Wind farms availability factor	%	93.7%	99.1%[1]	*(5.4 pp)*	*n/a*
Onshore Wind farms load factor	%	40.5%	45.5%[1]	*(5.0 pp)*	*n/a*
Wind speed	m/s	7.4	8.3	*(0.9)*	*(10.5%)*
Heat					
Heat Generation capacity	MW	349	349	-	*-%*
Installed capacity	MW	180	180	-	*-%*
Under construction	MW	169	169	-	*-%*
Heat generated (net)	TWh	0.28	0.30	*(0.03)*	*(8.6%)*
Waste[2]	TWh	0.24	0.25	*(0.02)*	*(6.9%)*
Biomass	TWh	0.04	0.05	*(0.01)*	*(17.5%)*

[1] Previously reported 98.0% and 45.9% values were corrected with regards to new information.
[2] 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'.

Networks

Highlights

- The smart meter roll-out was started in July 2022. As of 31 March 2023, we have successfully installed over 340k smart meters with nearly 130k installed in 3M 2023.
- Electricity quality indicators (SAIFI and SAIDI) improved significantly due to a higher number of installed automatic solutions, proactive management of staff levels based on the weather forecast and better weather conditions over 3M 2023.

Financial results

Revenue

In 3M 2023, revenue of the Networks segment amounted to EUR 165.6 million and was 23.0%, or EUR 31.0 million, higher than in 3M 2022. The increase was mainly driven by higher revenue from electricity distribution (EUR +34.9 million) and natural gas distribution (EUR +9.2 million) due to higher electricity and natural gas distribution tariff components approved by the regulator. The main reason for higher tariffs was expected higher expenses from technological losses due to estimated increase in market prices of electricity and natural gas during 2023. The result was partly offset by lower revenue from electricity transmission (EUR -11.6) due to lower tariffs set by the regulator.

Adjusted EBITDA

In 3M 2023, the Networks segment's Adjusted EBITDA amounted to EUR 48.7 million and was 8.0%, or EUR 3.6 million, higher than in 3M 2022, mainly due to higher RAB (EUR + 2.8 million).

Investments

Investments in the Networks segment amounted to EUR 71.6 million and were 115.7%, or EUR 38.4 million, higher compared to 3M 2022. The main reasons behind the increase were higher number of new connections as well as higher contractors' prices as fees for new connections and upgrades increased on average by 63% per customer, and contractor fees for maintenance increased on average by 49% per object. Investments in the expansion of the electricity distribution network increased by EUR 27.4 million, or +163.1%, and amounted to EUR 44.2 million. Additionally, higher Investments in the expansion are related to the smart meter roll-out. Investments in smart meters amounted to EUR 8.9 million. Investments in the maintenance of the electricity distribution network have increased by EUR +7.3 million, or +79.3%, and amounted to EUR 16.5 million. The increase was driven by higher contractor's fees and larger volumes of works.

Key financial indicators, EURm

	3M 2023	3M 2022	Δ	Δ,%
Revenue	165.6	134.6	*31.0*	*23.0%*
Adjusted EBITDA APM	48.7	45.1	*3.6*	*8.0%*
EBITDA APM	92.5	32.6	*59.9*	*183.7%*
Adjusted EBIT APM	22.5	22.6	*(0.1)*	*(0.4%)*
EBIT APM	66.2	10.0	*56.2*	*562.0%*
Investments APM	71.6	33.2	*38.4*	*115.7%*
Adjusted EBITDA margin APM	40.0%	30.6%	*9.4 pp*	*n/a*
	31 Mar 2023	**31 Dec 2022**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	1,851.6	1,654.6	*196.9*	*11.9%*

Key financial indicators

		2023[1]	2022	Δ	Δ,%
Regulated activities share in Adjusted EBITDA, 3M	%	**100.00**	**100.00**	***0 pp***	***n/a***
Total					
RAB	EURm	1,429	1,345	*84*	*6.2%*
WACC (weighted average)	%	4.14	4.13	*0.01 pp*	*n/a*
D&A (regulatory)	EURm	74.9	67.8	*7.1*	*10.5%*
Additional tariff component	EURm	28.0	28.0	*0.0*	*0.0*
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	4.9	3.7	*1.2*	*31.6%*
Electricity distribution					
RAB	EURm	1,183	1,097	*86*	*7.8%*
WACC	%	4.17	4.16	*0.01 pp*	*n/a*
D&A (regulatory)	EURm	64.5	58.5	*6.0*	*10.3%*
Additional tariff component	EURm	28.0	28.0	*0.0*	*0.0*
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	4.5	3.3	*1.1*	*34.7%*
Natural gas distribution					
RAB	EURm	246	248	*(2.0)*	*(0.8%)*
WACC	%	3.99	3.98	*0.01 pp*	*n/a*
D&A (regulatory)	EURm	10.4	9.3	*1.1*	*11.8%*
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	0.4	0.4	*0.02*	*4.0%*

[1] Numbers approved and published by the regulator (NERC).
[2] Actual numbers for 3M 2023 from the Statement of Profit or Loss.

Operating performance

Electricity distribution

Total distributed electricity decreased by 0.18 TWh, or 6.4%. The decrease was mainly driven by the B2B segment, due to noticeable decline in industrial production, as well as a decrease in electricity consumption by retail and service industries. Technological losses ratio decreased by 1.0 pp compared to last year. The number of electricity distribution customers increased by 24,588, or 1.4%, compared to 3M 2022 as new objects were connected to the network. The number of prosumers and producers increased nearly 2.5 times. The increase in prosumers and producers is related to high energy prices and the government support schemes for solar parks. The average time to connect increased by 3 c.d., or 5.4%, due to continuously high number of applications and shortage of contractors.

Electricity distribution quality indicator SAIFI improved compared to the year prior and was 0.26 interruptions (0.62 interruptions in 3M 2022). Electricity SAIDI indicator improved to 19 minutes (compared to 105 minutes in 3M 2022). The electricity quality indicators were significantly better due higher number of installed automatic solutions, management of staff levels based on weather forecast and favourable weather conditions over the first 3 months of 2023.

The smart meter roll-out started in July 2022. As of 31 March 2023, over 340k of smart meters have been successfully installed

Natural gas distribution

Natural gas distribution volume has dropped by 0.38 TWh, or 14.0%, due to unfavourable market conditions over the last year, pushing B2B customers to reduce gas consumption, halt production or switch to alternative fuels. This also had an impact on the metrics of new connection points and upgrades, which dropped by 600, or 52.7%. Natural gas supply quality indicators SAIFI and SAIDI have slightly deteriorated compared to the same period last year and were equal to 0.001 interruptions and 0.07 minutes respectively.

Customer experience

Net promoter score (NPS) has dropped by 19.9 pp, from 65.2% to 45.3%, due to growing number and prices of new connections, which affected the average time to connect.

Key operating indicators

		3M 2023	3M 2022	Δ	Δ,%
Electricity					
Electricity distributed	TWh	2.60	2.77	*(0.18)*	*(6.4%)*
of which B2C	TWh	0.89	0.90	*(0.01)*	*(1.4%)*
of which B2B	TWh	1.71	1.87	*(0.16)*	*(8.8%)*
Distribution network	thousand km	128	127	*1*	*0.7%*
Technological losses	%	4.7%	5.7%	*(1.0 pp)*	*n/a*
Number of customers	thousand	1,832	1,807	*25*	*1.4%*
of which prosumers and producers	thousand	42	18	*25*	*138.9%*
admissible power of prosumers and producers	MW	1,965	851	*1,114*	*130.9%*
New connection points	thousand	12.1	5.5	*6.6*	*119.7%*
Connection point upgrades	thousand	7.1	5.4	*1.7*	*31.5%*
Admissible power of new connection points and upgrades	MW	148	127	*20*	*16.0%*
Time to connect (average)	c. d.	51	48	*3*	*5.4%*
SAIFI	unit	0.26	0.62	*(0.36)*	*(57.5%)*
SAIDI	min	19	105	*(87)*	*(82.3%)*
Number of smart meters installed	thousand	340	-	*340*	*-%*
Supply of last resort	TWh	0.06	0.06	*(0.00)*	*(0.8%)*
Natural gas					
Natural gas distributed	TWh	2.31	2.68	*(0.38)*	*(14.0%)*
of which B2C	TWh	1.01	1.09	*(0.08)*	*(7.7%)*
of which B2B	TWh	1.30	1.59	*(0.29)*	*(18.4%)*
Distribution network	thousand km	10	10	*0*	*0.8%*
Technological losses	%	1.6%	1.4%	*0.2 pp*	*n/a*
Number of customers	thousand	624	620	*4*	*0.6%*
New connection points and upgrades	thousand	0.6	1.2	*(0.6)*	*(52.7%)*
Time to connect (average)	c. d.	59	57	*2*	*3.4%*
SAIFI	unit	0.001	0.001	*0.000*	*4.9%*
SAIDI	min	0.07	0.05	*0.02*	*37.1%*
Customer experience					
NPS (Transactional)	%	45.3	65.2[1]	*(19.9 pp)*	*n/a*

[1] *Previously reported value 62.0% was corrected.*

Reserve Capacities[1]

Highlights

- At the start of 2023, 519 MW of Elektrėnai Complex capacity, which was previously reserved for tertiary power reserve services, was allocated to isolated regime services (891 MW in total). The impact of abandoning the tertiary power reserve services is not significant at the Group level.
- After reporting period, electricity generators of the segment contributed to the success of a unique test, organized by Litgrid (TSO), during which the Lithuanian electricity system operated completely independently. For the first time, units 7, 8 and CCGT of Elektrėnai Complex, were operating simultaneously and together with Kruonis PSHP and Kaunas HPP (Green Generation), supplied electricity to customers and generated electricity to cover more than 65% of the national electricity demand.

Financial results

Revenue

During 3M 2023, revenue of the Reserve Capacities segment amounted to EUR 14.5 million and was 80.0%, or EUR 57.9 million, lower compared to 3M 2022. The decrease was driven by lower revenue from regulated activities (EUR -53.1 million), mainly due to additional regulatory revenue (EUR 49.2 million) recorded in 3M 2022, covering expenses related to the acquisition of a supplementary natural gas reserve. The decrease was also affected by lower revenue from commercial activities (EUR -4.8 million) due to lower electricity market prices and volumes generated (-12 GWh, or -32.1%) as clean spark spread was less favourable for generation.

Adjusted EBITDA

In 3M 2023, Adjusted EBITDA of the Reserve Capacities segment amounted to EUR 28.6 million and was 483.7%, or EUR 23.7 million, higher than in 3M 2022. The increase was related to commercial activities (EUR +25.3 million) and was partly offset by a lower result from regulated activities (EUR -1.6 million). The increase from commercial activities was mainly driven by a utilised option to earn market premium (EUR +27.4 million) by fixing a positive forward clean spark spread (fixed in Q4 2022, and realized in Q1 2023). Due to changes in actual electricity and natural gas market prices, the transaction was closed without physical delivery of electricity. The increase of Adjusted EBITDA related to commercial activities was partly offset by lower electricity market prices and volumes generated (-12 GWh, or -32.1%) due to less favourable clean spark spread for generation in the day-ahead power market.

Key financial indicators, EURm

	3M 2023	3M 2022	Δ	Δ,%
Revenue	14.5	72.4	*(57.9)*	*(80.0%)*
Adjusted EBITDA[2] APM	28.6	4.9	*23.7*	*483.7%*
EBITDA APM	28.6	4.9	*23.7*	*483.7%*
Adjusted EBIT APM	25.6	1.9	*23.7*	*1,247.4%*
EBIT APM	25.6	1.9	*23.7*	*1,247.4%*
Investments APM	0.3	-	*0.3*	*n/a*
Adjusted EBITDA margin APM	197.1%	6.8%	*190.3 pp*	*n/a*
	31 Mar 2023	**31 Dec 2022**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	284.9	288.9	*(4.0)*	*(1.4%)*

[1] During 3M 2023 the Group has changed the name of the segment from Flexible Generation to Reserve Capacities to better represent segment activities and Group strategy objectives – the main activities of this segment include utilisation of reserve capacities to ensure reliability and security of power system (option to generate electricity in the market during low renewables generation / positive clean spark spread periods).
[2] In 3M 2023 Adjusted EBITDA is higher than Revenue due to positive amount of "Purchase of electricity, natural gas and other services", which resulted from gain of realized cash flow hedge instrument. According to the Group accounting policy when cash flow hedges are realized, gain or losses are transferred from equity and recognized in statement of profit or loss as "Purchases of electricity, gas and other services" (for more information, please see note 3.15.3.3 of Annual consolidated financial statements for 2022).

Operating performance

Electricity generation (net) volume of CCGT as well as units 7 and 8 at Elektrėnai Complex amounted to 0.03 TWh in 3M 2023 and decreased by 0.01 TWh, or 32.1%, compared to 3M 2022 due to less favourable clean spark spread, which was also demonstrated by a 0.5 pp decrease in load factor (1.1% in 3M 2023). Availability of Elektrėnai Complex remained high at 99.9%.

The total installed electricity generation capacity of Elektrėnai Complex is 1,055 MW, and 891 MW were used for isolated regime services with 260 MW provided by unit 7 of Elektrėnai Complex, 260 MW by unit 8 of Elektrėnai Complex and 371 MW by CCGT. The tertiary active power reserve services have been abandoned. The impact of abandoning tertiary power reserve services is not material at the Group level.

Key operating indicators

		3M 2023	3M 2022	Δ	Δ,%
Installed electricity capacity	MW	1,055	1,055	-	-%
Total reserve and isolated regime services	MW	891	891	-	-%
Tertiary power reserve services	MW	-	519	*(519)*	-%
Isolated system operation services	MW	891	372	*519*	*139.5%*
Electricity generated (net)	TWh	0.03	0.04	*(0.01)*	*(32.1%)*
Availability factor	%	99.9%	100.0%	*(0.1 pp)*	*n/a*
Load factor	%	1.1%	1.6%	*(0.5 pp)*	*n/a*

Key regulatory indicators

		2023[1]	2022[1]	Δ	Δ,%
Regulated activities share in Adjusted EBITDA, 3M	**%**	**8.8**	**84.4**	***(75.6 pp)***	***n/a***
Total	**EURm**				
RAB	%		32.0	*(32.0)*	*(100%)*
WACC	EURm		4.03	*(4.03 pp)*	*n/a*
D&A (regulatory)		10.6	13.2	*(2.6)*	*(19.7%)*
CCGT					
RAB	EURm	-	-	-	-
WACC	%	-	-	-	-
D&A (regulatory)	EURm	7.6	9.3	*(1.7)*	*(18.3%)*
Units 7 and 8					
RAB	EURm		32.0	*(32.0)*	*(100%)*
WACC	%		4.03	*(4.03 pp)*	*n/a*
D&A (regulatory)	EURm	3.0	3.9	*(0.9)*	*(23.1%)*

[1] Numbers approved and published by regulator (NERC).

Customers & Solutions

Highlights

- Net working capital metrics have improved since the end of 2022, mainly due to a lower level and value of stored natural gas inventory as well as diminished trade receivables resulting from lower energy prices and lower volumes sold.
- Announced plans to expand EV charging network in Latvia and Estonia.
- With the ongoing B2C electricity market deregulation activities, we are maintaining a leading position in B2C independent supply as our market share reaches 77.1% by number of objects (68.6% by consumption volume).

Financial results

Revenue

In 3M 2023, revenue of the Customers & Solutions segment amounted to EUR 681.5 million and was 0.6%, or EUR 4.1 million, higher than in 3M 2022. The increase was driven by higher revenue from natural gas business (EUR +47.3 million), mainly due to higher average TTF gas price index (+15.6%). The increase was partly offset by lower revenue from electricity business (EUR -47.8 million) due to lower market prices (-27.2% on average) and lower retail volume sold (-14.4%)

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Adjusted EBITDA

In 3M 2023, Adjusted EBITDA of the Customers & Solutions segment turned positive, reaching EUR 0.9 million, and was EUR 10.6 million higher than in 3M 2022. The increase was driven by higher natural gas results in B2B segment (EUR +25.7 million), mainly from lower COGS of natural gas sold (as inventory was written down to net realizable value in H2 2022). The increase was partly offset by a worse natural gas B2C result (EUR -13.3 million) due to over-declaration, which is expected to be recovered this year. B2B electricity results (EUR +11.0 million) and open mark-to- market hedge results (EUR +7.4 million) were better mainly due to ineffective hedges. The negative effect YoY from electricity B2C (EUR -19.9 million) was partly the result of the investments into acquiring a new customer base, which moved from the bankrupted competitor supplier in 2022 offering the same prices as they have had previously, even though the electricity market prices have already increased by that time. In total, during 3M 2023 electricity B2C activities loss concluded EUR -16.4 million.

Net working capital

Compared to 31 December 2022, net working capital has decreased (EUR -218.7 million). The decrease was mainly driven by the reduced level and lower value of the natural gas inventory (EUR -294.5 million) and a decrease in trade receivables (EUR -261.1 million). The decrease was partly offset by a decrease in trade payables (EUR +114.3 million) and VAT payables (EUR +60.1 million), a decrease in mark-to-market (MtM) reserve related to Nasdaq commodities market (the cash part of all open derivatives positions[1]) (EUR +87.4 million) and an increase in derivative trading deposits (EUR +69.2 million) due to changes in MtM value as hedge positions were closed.

Key financial indicators, EURm

	3M 2023	3M 2022	Δ	Δ,%
Revenue	681.5	677.4	*4.1*	*0.6%*
Adjusted EBITDA APM	0.9	(9.7)	*10.6*	*n/a*
EBITDA APM	2.5	(16.8)	*19.3*	*n/a*
Adjusted EBIT APM	0.1	(10.2)	*10.3*	*n/a*
EBIT APM	1.6	(17.3)	*18.9*	*n/a*
Investments APM	0.6	0.3	*0.3*	*100.0%*
Adjusted EBITDA margin APM	0.1%	(1.4%)	*1.5 pp*	*n/a*
	31 Mar 2023	**31 Dec 2022**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	8.5	10.7	*2.0*	*31.0%*
Net working capital APM	227.9	446.6	*(218.7)*	*(49.0%)*

Key regulatory indicators[2]

		2023[3]	2022[3]	Δ	Δ,%
Regulated activities share in Adjusted EBITDA, 3M	%	**n/a**	**n/a**	***n/a***	***n/a***
RAB[4]	EURm	8.3	14.2	*(5.9)*	*(41.5%)*
WACC	%	3.09	3.05	*0.04 pp*	*n/a*

[1] Mark-to-market (MtM) cash part is the sum of financial derivatives related cash flows, covering all payments that are settled in full each business day between counterparties. The daily cash settlement corresponds to the amount of fair value movement for futures products traded on Nasdaq commodities market.
[2] Full year numbers unless stated otherwise.
[3] Numbers approved and published by the regulator (NERC).
[4] RAB for businesses of the Customers & Solutions segment comprises net working capital for covering the demand of public supply of electricity.

Operating performance

Electricity sales

Total electricity sales in the retail market in 3M 2023 decreased by 0.31 TWh, or 14.4%, compared to 3M 2022. The decline was noticed across both B2B and B2C segments and was driven by generally lower consumption in the region as well as a loss of several B2B contracts to competitors. Sales to B2C customers in Lithuania were 0.12 TWh, or 17.2%, lower, and the number of B2C customers decreased by 140k, or 9.3%, compared to 3M 2022 due to the ongoing electricity market deregulation in Lithuania. We retained the market leader position in Lithuania with 77.1% B2C customer share in the independent supply market by number of objects.

Natural gas sales

The natural gas sales decreased by 0.15 TWh, or 3.7%, which was mainly driven by a fall in retail sales across all markets except Poland. The main causes were warmer weather and the market conditions over the last year, pushing B2B customers to reduce consumption or look for alternative fuels. This was offset by wholesale, which increased significantly (+0.57 TWh, or +142.3%) as accumulated excess gas was sold through the exchange (GetBaltic).

Other

Over 3M 2023, customer experience indicator (transactional NPS) of both B2C and B2B customers in the Customers & Solutions segment increased by +1.7 pp and +36.0 pp respectively compared to 3M 2022. Transactional customer experience indicator improved due to continuous assessment of service quality and timely product/service-related communications to customers.

Key operating indicators

		3M 2023	3M 2022	Δ	Δ, %
Electricity sales					
Lithuania	TWh	1.45	1.68	*(0.22)*	*(13.3%)*
Latvia	TWh	0.23	0.35	*(0.12)*	*(33.2%)*
Estonia	TWh	0.00	0.00	*(0.00)*	*(12.7%)*
Poland	TWh	0.14	0.10	*0.03*	*32.3%*
Total retail	TWh	1.82	2.13	*(0.31)*	*(14.4%)*
of which B2C	TWh	0.60	0.73	*(0.12)*	*(17.2%)*
of which B2B	TWh	1.22	1.40	*(0.18)*	*(12.9%)*
Number of customers	m	1.4	1.6	*(0.1)*	*(8.8%)*
EV charging points	units	251	203	*48*	*23.6%*
Natural gas sales	TWh	3.86	4.01	*(0.15)*	*(3.7%)*
Lithuania	TWh	1.85	2.16	*(0.31)*	*(14.2%)*
Latvia	TWh	0.12	0.16	*(0.04)*	*(24.3%)*
Estonia	TWh	0.01	0.01	*(0.00)*	*(18.4%)*
Poland	TWh	0.11	0.06	*0.04*	*68.4%*
Finland	TWh	0.80	1.22	*(0.42)*	*(34.3%)*
Total retail	TWh	2.88	3.60	*(0.72)*	*(20.0%)*
of which B2C	TWh	1.03	1.11	*(0.08)*	*(7.3%)*
of which B2B	TWh	1.85	2.49	*(0.64)*	*(25.6%)*
Wholesale market	TWh	0.97	0.40	*0.57*	*142.3%*
Number of customers	m	0.6	0.6	*0.0*	*0.5%*
Customer experience					
NPS (B2C – Transactional)	%	62.0%	60.3%	*1.7 pp*	*n/a*
NPS (B2B – Transactional)	%	73.0%	37.0%	*36.0 pp*	*n/a*

3.3 Quarterly summary

Key financial indicators

		Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue	EURm	928.3	1,359.1	1,294.7	741.9	991.2	733.2	427.3	344.7	393.4	354.3	277.9	265.3
EBITDA APM	EURm	195.3	206.2	122.1	119.8	91.6	88.0	83.8	83.8	87.4	105.0	79.0	88.2
Adjusted EBITDA APM	EURm	149.9	112.1	150.8	95.1	111.4	116.5	72.2	70.6	78.1	90.6	72.9	60.4
Adjusted EBITDA margin APM	%	17.0%	8.9%	11.4%	13.3%	11.0%	15.3%	17.4%	21.3%	20.3%	26.7%	26.8%	25.4%
EBIT APM	EURm	156.6	162.6	83.3	84.7	57.2	29.5	53.0	52.5	57.0	72.5	48.9	60.8
Adjusted EBIT APM	EURm	111.3	68.5	112.0	60.0	76.9	82.8	41.4	39.3	47.7	58.1	42.8	33.0
Net profit	EURm	127.2	108.6	70.0	68.1	46.8	47.9	51.2	18.0	43.0	61.7	36.4	48.2
Adjusted net profit APM	EURm	88.7	51.8	94.4	46.8	61.1	74.3	29.2	28.3	35.1	49.5	31.2	24.5
Investments[1] APM	EURm	120.8	154.0	188.1	117.7	62.0	103.1	54.1	48.7	29.0	76.0	83.7	124.5
FFO APM	EURm	185.5	197.2	101.4	96.2	89.3	82.9	67.4	65.1	84.0	102.1	65.3	81.7
FCF[1] APM	EURm	208.9	652.9	(385.5)	(92.8)	(157.2)	(279.3)	(47.3)	54.3	30.9	(7.7)	23.6	(1.1)
ROE LTM[2] APM	%	18.4%	14.7%	11.5%	10.8%	8.6%	8.7%	11.1%	10.1%	12.0%	10.8%	9.4%	7.8%
Adjusted ROE LTM[2] APM	%	13.9%	12.9%	13.7%	10.7%	10.0%	8.9%	9.1%	9.1%	8.9%	6.0%	5.9%	5.2%
ROCE LTM[2] APM	%	16.7%	13.1%	8.3%	7.9%	7.1%	7.3%	9.9%	9.7%	10.2%	9.1%	7.0%	5.8%
Adjusted ROCE LTM[2] APM	%	12.1%	10.7%	10.7%	9.1%	8.8%	7.9%	7.8%	7.9%	7.7%	5.4%	4.6%	4.0%
		31 Mar 2023	**31 Dec 2022**	**30 Sept 2022**	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sept 2021**	**30 Jun 2021**	**31 Mar 2021**	**31 Dec 2020**	**30 Sept 2020**	**30 Jun 2020**
Total assets	EURm	4,928.2	5,271.6	5,304.7	4,614.5	4,623.0	4,258.2	4,131.1	3,967.5	3,975.2	3,920.9	3,408.8	3,368.4
Equity	EURm	2,060.3	2,125.6	2,228.2	2,127.8	2,005.3	1,855.9	1,811.2	1,831.0	1,810.7	1,813.3	1,312.7	1,320.4
Net debt APM	EURm	762.9	986.9	1,512.8	1,156.2	1,000.7	957.2	620.4	571.6	579.2	600.3	1,026.8	1,019.2
Net working capital APM	EURm	314.8	443.3	1,068.7	747.2	642.4	438.7	169.5	99.1	129.7	94.4	31.4	55.9
Net debt/EBITDA LTM APM	times	1.19	1.83	3.65	3.08	2.95	2.85	1.72	1.61	1.61	1.80	3.64	4.04
Net debt/Adjusted EBITDA LTM APM	times	1.50	2.10	3.23	2.96	2.73	2.88	1.99	1.83	1.92	2.44	4.51	4.79
FFO LTM /Net debt APM	%	76.1%	49.1%	23.9%	28.4%	29.7%	31.3%	51.3%	55.4%	57.5%	51.5%	24.8%	22.5%

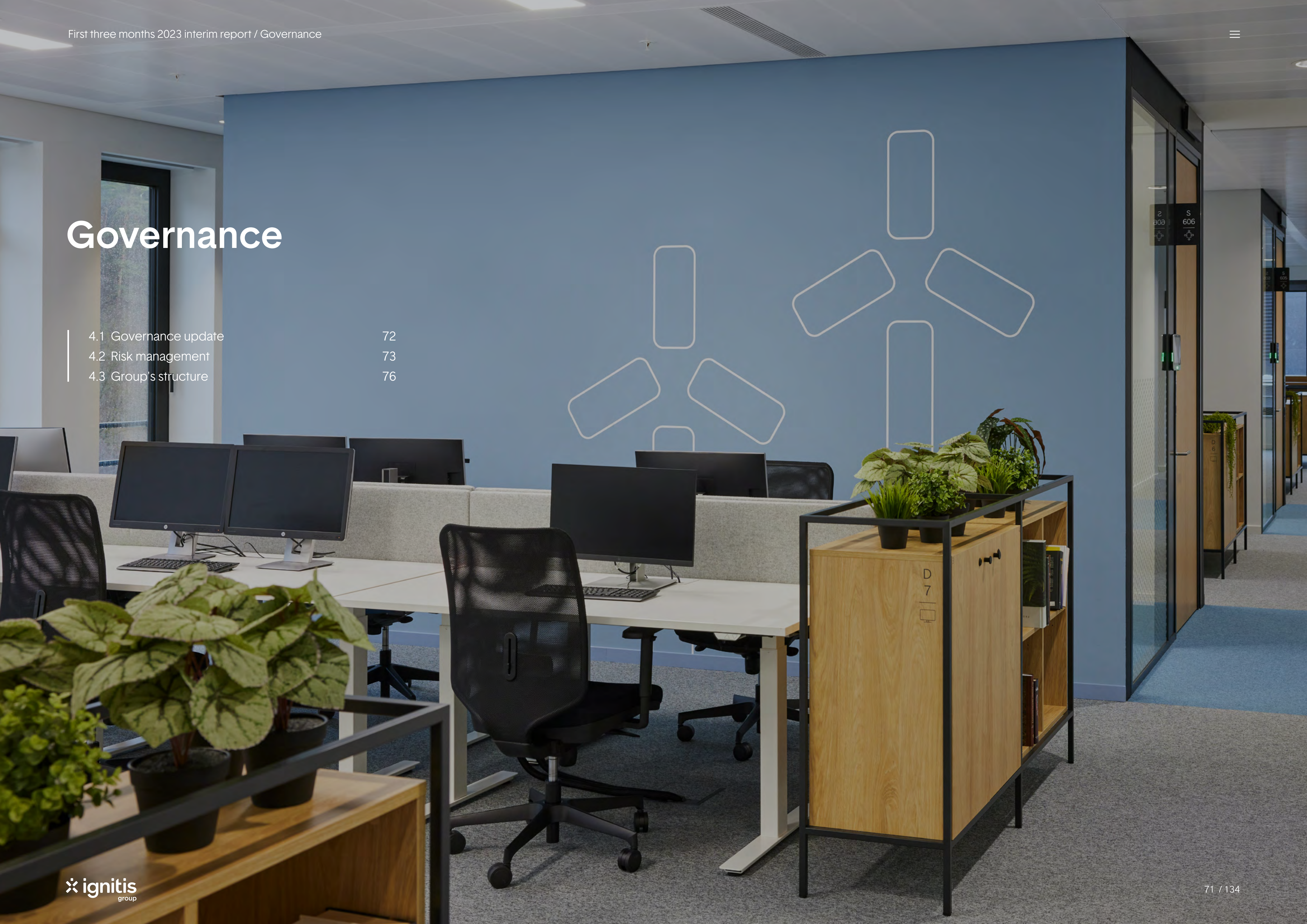
[1] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline. This adjustment also had an impact on the reported FCF figure. For the updated formula, see definitions of 'Alternative performance measures' used by the Group.

[2] Due to changes in IAS, a part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see Annual report 2022). Due to the adjustment, the LTM indicator for the year 2022 was recalculated retrospectively.

Key operating indicators

		31 Mar 2023	31 Dec 2022	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 Jun 2021	31 Mar 2021	31 Dec 2022	30 Sept 2020	30 Jun 2020
Electricity													
Green Generation Portfolio	GW	5.3	5.1	3.6	3.0	2.7	2.6	2.8	2.7	2.6	2.6	1.8	1.7
Secured capacity	GW	1.6	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3
Installed capacity	GW	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1
Under construction	GW	0.4	0.4	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Advanced development Pipeline	GW	0.9	0.7	0.1	0.3	0.2	0.1	-	-	-	-	-	-
Early development Pipeline	GW	2.8	2.8	2.1	1.4	1.1	1.1	1.2	1.1	1.0	1.0	0.3	0.3
		Q1 2023	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**
Electricity generated (net)	TWh	0.53	0.54	0.33	0.38	0.58	0.59	0.57	0.58	0.57	0.65	0.86	0.56
Green electricity generated (net)	TWh	0.51	0.41	0.27	0.34	0.54	0.49	0.28	0.35	0.35	0.34	0.32	0.26
Green share of generation	%	95.3%	74.8%	81.4%	90.2%	93.6%	84.1%	50.0%	61.0%	61.0%	52.0%	36.7%	46.8%
Electricity sales	TWh	1.89	1.91	1.81	2.07	2.19	1.97	1.67	1.67	1.81	1.83	1.64	1.62
Electricity distributed	TWh	2.60	2.51	2.29	2.44	2.77	2.77	2.45	2.43	2.72	2.55	2.3	2.17
SAIFI	units	0.26	0.31	0.28	0.31	0.62	0.35	0.38	0.36	0.37	0.23	0.25	0.41
SAIDI	min	19	34	19	20	105	29	31	45	98	13	16	34
Heat													
Heat Generation capacity	GW	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Installed capacity	GW	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	-
Under construction	GW	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Heat generated (net)	TWh	0.28	0.25	0.16	0.18	0.3	0.28	0.12	0.21	0.23	0.15	0.03	0.09
Natural gas													
Natural gas sales	TWh	3.86	3.83	2.52	2.44	4.01	2.85	1.39	2.07	5.25	3.84	3.62	2.98
Natural gas distributed	TWh	2.31	2.02	0.77	1.21	2.68	2.74	1.02	1.41	3.32	2.48	0.99	1.18

Governance



4.1 Governance update

Overview

In this section we highlight the key changes, if any, related to the governance of the Group both during and after the reporting period.

Key changes during the reporting period

During the reporting period there were no significant changes related to the governance of the Group.

Selected relevant information available in our Annual report 2022 as well as our website

- Shareholder's competences
- Information on the General Meetings of Shareholders
- Collegial bodies and CEO's functions, selection criteria, management of conflicts of interests and remuneration principles as well as information on education, competences, experience, place of employment, and participation in the capital of the parent company or its subsidiaries.

Key changes after the reporting period

The composition of the Risk Management and Sustainability Committee has changed

In relation to the process of expanding and strengthening the competences of the Risk Management and Sustainability Committee, its composition was expanded and two new independent members, Ana Riva and Wolf Willems, have been selected and joined the committee. They will be responsible for the oversight of risk management and occupational health and safety as well as sustainability. They have started their roles on 1 April 2023, and the end of their term of office is the same as the current Supervisory Board's, which is 25 October 2025. Currently, the committee comprises four members in total: two members of the Supervisory Board and two external independent members. In addition, the committee's name was changed to Risk Management and Sustainability Committee (from Risk Management and Business Ethics Supervision Committee).

The Majority Shareholder's Letter of Expectations has been updated

On 11 May 2023, the Group received an updated Letter of Expectations from the Ministry of Finance of the Republic of Lithuania, which exercises the rights and obligations of the Republic of Lithuania (Majority Shareholder). The Majority Shareholder holds 74.99% of the parent company's share capital and, in accordance with the Property Guidelines, submits a Letter of Expectations to the parent company at least once every four years, detailing the objectives pursued by the Majority Shareholder in the SOE and its expectations.

The Letter of Expectations was updated in the light of the geopolitical situation and a growing need to prioritise green generation development while ensuring energy security in the region. The Majority Shareholder's expectations regarding the strategic objectives of the Group remain consistent with the expectations laid down in the previous letters, however, the new wording prioritises green generation development, ensuring energy security and improving customer service quality even more.

The updated Letter of Expectations, supporting the Group's strategy, include the following key:

- **Green generation.** The Group should prioritise focused, sustainable and profitable development of green generation capacities in order to significantly contribute to the energy security and green transition in the region. The Majority Shareholder notes in the Letter of Expectations that the Group should continue to look for ways to increase electricity generation and should invest in electricity generation from renewable energy sources both in Lithuania and other EU member states. The main green generation technologies the Group should invest in include offshore and onshore wind, solar energy and hybrid technologies. The Group should mainly focus on preparation for offshore wind projects in Lithuania and their successful implementation. The Group should also explore investment opportunities in energy storage solutions (e.g., hydrogen, batteries, synthetic fuel, etc.);
- **Energy security.** The Majority Shareholder underlines that the Group must ensure the availability and the long-term operational capacity of the infrastructure that is important for national and energy security, including the operational facilities of Elektrėnai Complex;
- **Customers & Solutions:**
  - The Letter of Expectations stipulates that the Group must strive to increase electricity supply in the region by supplying final consumers with clean energy generated by its green generation assets as well as ensuring good customer experience. The Group should prioritise the expansion of its customer portfolio and utilising it to conclude PPAs to enable development of green energy generation capacities. The Majority Shareholder emphasises that the Group must seek to exploit the benefits of the economy of scale while providing competitive and affordable energy services for private and business customers as well as ensuring high-quality customer service;
  - The Letter of Expectations also highlights the importance of ensuring the resilience of the electricity distribution network to external factors, efficient distribution, network development, facilitating the energy market and electrification in Lithuania. It also stipulates the necessity of investments into connecting new electricity consumers, electric vehicle (EV) charging stations, expanding electricity network capacity and developing related energy markets (electrification of transport, industrial, heating sectors). The Group should also automate the electricity distribution network management, digitalise the network, implement the smart meter programme and ensure that the network reliability indicators are within the set norm;
- **Return on capital employed.** Additionally, the updated Letter of Expectations stipulates the expectation of the Majority Shareholder regarding a higher return on capital employed, i.e., while implementing its strategy, the Group must ensure at least 6.5% adjusted return on capital employed (ROCE).

4.2 Risk management

Risk management framework

In connection with its business activities, the Group is exposed to strategic, operational (activity), financial and external risks that might affect its performance. To ensure their mitigation to an acceptable level, we apply uniform risk management principles, which are based on the best market practices, including the guidance of the COSO and ISO 31000:2018 Risk management – Principles and Guidelines. A clear segregation of risk management and control duties is controlled by applying the three-lines enterprise risk management framework in the Group, where the duties are distributed between management and supervisory bodies, structural units, and functions.

In order to ensure that risk management information and decisions are relevant to and reflect the changes in the Group, each year the Group initiates a risk management process related to the Group's risks and the Group's strategic objectives, which includes all the Group companies and functions. In order to ensure control, we monitor risks, risk management measures, key risk indicators and prepare internal reports to the management (both at the level of individual functions or Group companies and at the Group level) on a quarterly basis.

Further information on our risk management framework is available in our Annual report 2022.

Key risks and their control

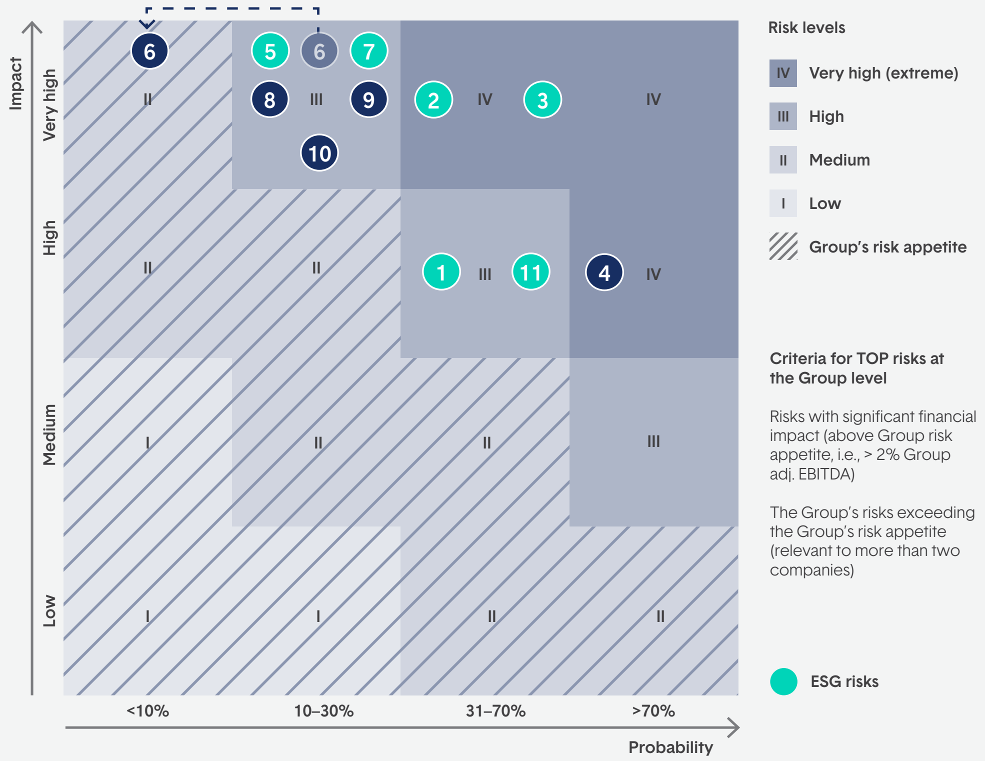
During and after the reporting period

After 3M 2023 risk review, one change was recorded among the key risks' levels compared to the end of Q4 2022. Financial liquidity risk's (No. 6) level was reduced to 'Medium' (from 'High') due to reduced energy price levels in global market, resulting in lower working capital needs (down from EUR 426 million as of 31 December 2022 to EUR 313 million as of 31 March 2023), as well as additional Group financing agreements concluded during the reporting period (the Group concluded financing agreements with Swedbank for a total of EUR 300 million). Additionally, liquidity position was further strengthened post reporting period in which a financing agreement with Citibank for EUR 100 million was concluded, increasing liquidity reserve to EUR 1.1 billion.

Further in depth overview of potential impact and probability of all risks indicated in the heat map on the right side of the page, together with the detailed disclosure of their mitigation strategies, are available in our Annual report 2022.

The ongoing geopolitical crisis, Russia's invasion of Ukraine, still has an impact on businesses and people across the globe, therefore we provide a separate disclosure on the following pages to ensure the transparency and clarity to the extent possible as well as to cover its potential impact on the Group.

Heat map of the key risks of the Group



1 Risk of occupational health & safety accidents of employees and contractors (the Group)
2 Risk of insufficient transmission grid capacities (Green Generation)
3 Risk of not winning the Lithuanian offshore wind tender (Green Generation)
4 Liquid hedging product deficit risk (Customers & Solutions)
5 Employee attraction, development, and retention risk (Green Generation)
6 Financial liquidity risk (the Group)
7 Risk of unplanned and adverse regulatory changes (the Group)
8 Risk of failure to complete the Vilnius CHP biomass unit properly and on time (Green Generation)
9 Risk of recovery of not notified State-aid (Reserve Capacities)
10 Lithuanian energy system security risk (Reserve Capacities)
11 Risk of cyber attack (the Group)

Russia's invasion of Ukraine

Overview

The Group has assessed actual and potential direct and indirect impact of Russia's invasion of Ukraine on its business activities, the Group's exposure to the affected markets, supply chains, its financial situation and economic performance by using all the information available at the time and did not identify any material threats to the Group's business continuity. However, it should be noted that, due to the ongoing uncertainty, the final impact of Russia's invasion of Ukraine on the business of the Group companies cannot be fully assessed.

General potential effects that are tightly related to the Group's activities are an increase in electricity and natural gas prices, increase in net working capital, possible disruptions in supply chains as well as rising inflation and prices of other materials. To manage these effects, proper actions have been taken, including, but not limited to, additional short-term loan agreements concluded with banks. Additionally, at the end of year 2022 the Lithuanian Parliament compensated regulatory differences accrued for year 2022. In H1 2023, the compensation mechanism remains in effect, but due to the decrease in prices, the use of compensations in the 3M 2023 is lower than planned, and the resulting surplus (if any) will be returned to the state budget. Considering the increased number of cyber-attacks, the level of vigilance in cybersecurity is being raised nationwide. Despite the increased number of attacks, all the threats were managed successfully, therefore cybersecurity risk level remains unchanged. It must be noted that the Group is classified as an owner of critical infrastructure.

Further information about impact on our business segments and mitigation measures can be found in our Annual report 2022.

Cyber security

Since the outbreak of the war in Ukraine, the number of external scans and distributed denial-of-service (DDoS) attacks, which target the IT infrastructure of the Group, have been increasing. After considering the geopolitical situation and assessing the increased risks of cyber incidents, appropriate preventive measures have been taken to manage the increased cyber security risks. In order to raise the maturity of CERT management, we updated the most important processes and accredited the Ignitis CERT team. This enables the CERT team to operate more efficiently, to share information with foreign partners, and to operate according to the best international practices. Our monitoring and CERT teams ensures 24/7 monitoring of external and internal resources, which helps proactively detect, prevent, and mitigate malicious actions. In order to reduce the risks of the human error and to make the management of security events more efficient, we place great attention to focus on the automation of security events analysis and employee awareness training. In 3M 2023, the analysis of over 70 security events categories were automated, which enabled the automatic resolution of approximately 35% of all security tickets. Performing periodic phishing simulations increased employees awareness of phishing attacks by almost 3 times, when comparing the proportions of compromised employees in 2022.

Impact on business segments

Overview of the impact of Russia's invasion of Ukraine

Business segment	Overall impact
Green Generation	– Changes in the construction milestones and budget of Vilnius CHP's biomass unit. – Delay of spare parts for Kruonis PSHP's major overhaul. – Potential increase in investment expenditures in new projects due to growing commodity prices. – Increased electricity prices have a positive impact on EBITDA of the Green Generation Portfolio. – Potentially longer lead times of Green Generation projects. – Insufficient transmission networks capacity due to increased development of green energy generation.
Networks	– Uncertainty regarding the supply chain and an increase in the price of key materials.
Reserve Capacities	– Delay of spare parts for major overhaul of unit 8 of Elektrėnai Complex. – Additional natural gas reserve of 1.1 TWh was acquired during year 2022, which increased the net working capital.
Customers & Solutions	– Increased natural gas and electricity prices had impact on increased net working capital.

Compliance Programme

The Group strives for maximum transparency, effective management of inside information and ensuring equality for 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 in both London and EU stock exchanges – it complies with all relevant EU, Lithuanian and UK laws and regulations, including Market abuse regulation (EU) No. 596/2014 (MAR).

Persons discharging managerial responsibilities and persons associated with them are under a duty to disclose their transactions related to the Group's financial instruments when a EUR 5,000 notification threshold has been reached within a calendar year. Trading of such individuals is also governed by Trading Guidelines for the Issuer's Managers and Persons Closely Associated with them. The Group's own internal insider and transparency rules are updated regularly and a specialized internal inside information management training is performed regularly by all Group employees who are included in an "insider list". The Group also has an Inside Information Management Committee, which effectively deals with complex insider management and other related issues. Moreover, the Group applies guidelines for preventing market abuse in practice to help employees identify illegal actions and provide relevant recommendations. Further details on transparency and market abuse management, the persons discharging managerial responsibilities and their duty to disclose, a "closed period" as well as internal supervision of insiders and relevant affairs are available in the Annual report 2022.

4.3 Group's structure

The Group's corporate structure at the end of the reporting period is presented below. Key changes in the number of subsidiaries during the reporting period are available in section '7 Consolidated financial statements' of this report. Detailed information about the governance system of the entities presented below as well as other relevant information are available in section '4.8 Information about the Group' in our Annual report 2022 and our website respectively.

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.
[3] AB „Ignitis grupė" holds 51 % of effective ownership interest.

Green Generation | Networks | Reserve Capacities | Customers & Solutions

ESG performance report

5.1 ESG highlights

In 3M 2023, we have:

- published the Sustainability Report 2022, prepared in accordance with GRI requirements and TCFD recommendations. The Sustainability Report also includes full disclosures under the EU Taxonomy Regulation;
- launched dedicated occupational health and safety programme under the name 'Is it safe?' that emphasises the importance of strengthening the safety culture, increasing awareness and cooperation both among the Group employees and with contractors to ensure that all work is performed safely and that employees get home safe;
- approved the Group Abuse and Harassment Prevention Policy. The purpose of the policy is to provide and implement effective prevention measures in order to protect employees from abuse and harassment and help them clearly understand potential manifestations of it at work, recognise its signs, and be aware of legal defence methods.

After the reporting period, we have:

- strengthened sustainability oversight – the Risk Management and Sustainability Committee started working at full capacity after professionals with international experience in the fields of risk and environmental management, security and occupational health and safety joined the committee;
- Sustainalytics improved the Group's ESG Risk Rating to 'low' from 'medium' ESG risk level (with a score to 19.9 from 20.4 on a scale of 100–0, from highest to lowest risk);
- revised sustainability targets and approved the Strategic Plan 2023–2026.

5.2 Our ESG targets and progress

Measurable sustainability targets

After the reporting period, the Supervisory Board of the Group approved the Strategic Plan 2023–2026, which, inter alia, establishes the Group's commitment to pursue its targets under the sustainable development pillars. Sustainability targets were set in accordance with the results of the strategic materiality assessment, thus strengthening our commitment to sustainability and ensuring that our priorities are in line with business objectives and stakeholder expectations.

The Group continues to monitor its progress in accordance with the evaluation results of international ratings agencies assessing ESG risk management as well as CDP, a globally recognised environmental disclosure organisation. Information on the 3M 2023 progress towards strategic KPIs can be found in the table below. For more in-depth information, see section 'Sustainability report (Corporate social responsibility report)' in our Annual report 2022.

Strategic ESG KPIs of the Group

Priority		2026 strategic milestones and targets	3M 2023	3M 2022	Δ	2022
Decarbonisation	Reduction of GHG emissions in accordance with science-based targets	3.9 m t CO_2-eq[1] 27% GHG emissions reduction (vs.2020)[1]	1.37 m t CO_2-eq[1]	1.55 m t CO_2-eq[1]	(11.6%)	4.98m t CO_2-eq[1] (6.2% less than in 2020)
Safety	Zero fatal accidents	0 fatalities of employees & contractors	0	1	(100%)	3
	Total recordable injury rate	Employee TRIR <1.75	1.52	2.20	(30.9%)	1.69
		Contractors TRIR <3.5	0.59	n/a	n/a	0.49[2]
Employee experience	Employee overall experience[3]	≥50% employees promoting the Group as an employer (eNPS)	64.3%	65.0%	(0.7 pp)	61.8%
Diversity	Gender diversity in top management	≥35% share of women in top management positions	15%	21%	(6 pp)	23%
Sustainable value creation	Sustainable investments	≥85–90% share[4] of CAPEX aligned to the EU Taxonomy (2023–2026)	92.1%	82.4%	9.7 pp	89.5% (365 EURm)
	Sustainable returns	≥75% sustainable Adjusted EBITDA share[4]	58.4% (89.1 EURm)	82.1% (91.4 EURm)	(22.7 pp)	74.6% (350 EURm)

[1] *GHG emissions from Vilnius CHP are not included.*
[2] *For the period: Jun-Dec 2022.*
[3] *Experiences of employees in areas such as well-being, learning and growth, equal pay, diversity and inclusion, etc.*
[4] *CAPEX and Adjusted EBITDA from EU Taxonomy-aligned activities.*

Progress on our ESG targets

Sustainability Report. In 3M 2023, the Group published a Sustainability Report 2022, prepared in accordance with GRI and TCFD recommendations. The Sustainability Report also includes disclosures under the EU Taxonomy Regulation.

Revised sustainability targets. After the reporting period, the Supervisory Board of the Group approved the Strategic Plan 2023–2026.

ESG risk assessment. Sustainalytics improved the Group's ESG Risk Rating to 'low' ESG risk level from 'medium'. We received a score of 19.9 (on a scale of 100–0, from highest to lowest risk, previous score was 20.4).

Sustainability management. To strengthen sustainability oversight, in Q4 2022, the Group started looking for independent members to join the Risk Management and Sustainability Committee, and in 3M 2023 the committee started working at full capacity after professionals with international experience in the fields of risk and environmental management, security and occupational health and safety joined it.

Decarbonisation. The Group's total GHG emissions for 3M 2023 was 1.44 m t CO_2-eq (11.0% lower than for the same period in 2022). Detailed Group's GHG emissions by scopes can be found in the '1.3 Performance highlights' section of this report.

Occupational health and safety (OHS). The Management Board of the Group declared 2023 as the 'Year of Safety', and the OHS programme, covering all the Group's companies, was prepared under the name 'Is it safe?'. We are focusing on strengthening the safety culture, increasing awareness and cooperation both among the Group employees and contractors in order to ensure that all work is performed safely and that employees are healthy.

A total of 3 employee TRIR incidents occurred during the 3M 2023, one of which was life threatening, while others included injuries of various severity. In addition, in 3M 2023, a fatal accident to a trespasser occurred due to unsafe behaviour. This incident induces further public education about possible dangers of being around such facilities and how to behave safely.

Diversity and human rights. The Group Abuse and Harassment Prevention Policy has been approved and entered into force in 3M 2023, which is another important milestone in strengthening emotionally positive work environment in the organisation. The most important goal of the policy is to provide and implement effective prevention measures in order to protect employees from abuse and harassment and help them clearly visualise potential manifestations of it at work, recognise its signs and be aware of legal defence methods.

EnergySmartSTART. The Group continues the programme EnergySmartSTART, aimed at increasing the attractiveness of the energy sector and, after the reporting period, has approved a new package of financial support. EUR 300,000 to be allocated for 100 scholarships supporting the future energy engineers.

Sustainable procurements. The Guidelines for the Implementation of Commercial and Regulated Procurement Policy of the Group have been updated – the requirements for the application of the principles of sustainable development and social responsibility have been added. The Group's target is 35% of green and socially responsible commercial procurements in 2023. The share of public socially responsible procurement by value increased by 27 pp compared to 3M 2022 and reached 36% in 3M 2023 while the share of public green procurement was nearly 100%.

Corruption intolerance. In 2023, a survey on the level of tolerance for corruption among employees showed that 95% of the Group's employees (1 pp more than in 2022) do not tolerate corruption, and if they encountered it, they would report it.

5.3 ESG rankings and recognitions

Commitment to sustainability excellence

Sustainability is at the core of the Group's Strategy. Hence, we take a holistic approach that involves all levels and functions in applying the key principles of sustainability across the Group. Our daily actions lead to sustainability excellence which is reflected in recognitions detailed below placing the Group among ESG leaders in our home markets.

	SUSTAINALYTICS	MSCI ESG RATINGS AA	CDP	ecovadis	ISS ESG
Rank compared to utility peers	Top 12%	Top 38%[2]	'B'[3]	Top 3%[4]	6 decile
ignitis group	19.9 (Low risk)	'AA' (Leader)	'A-' (Leadership)	78 (Platinum)	'C' (Medium)
Utiities average	33.9[1]	'A'[2]	'B'[3]	N/A	N/A
Rating scale (worst to best)	100 to 0	'CCC' to 'AAA'	'D-' to 'A'	0 to 100	'D-' to 'A+'

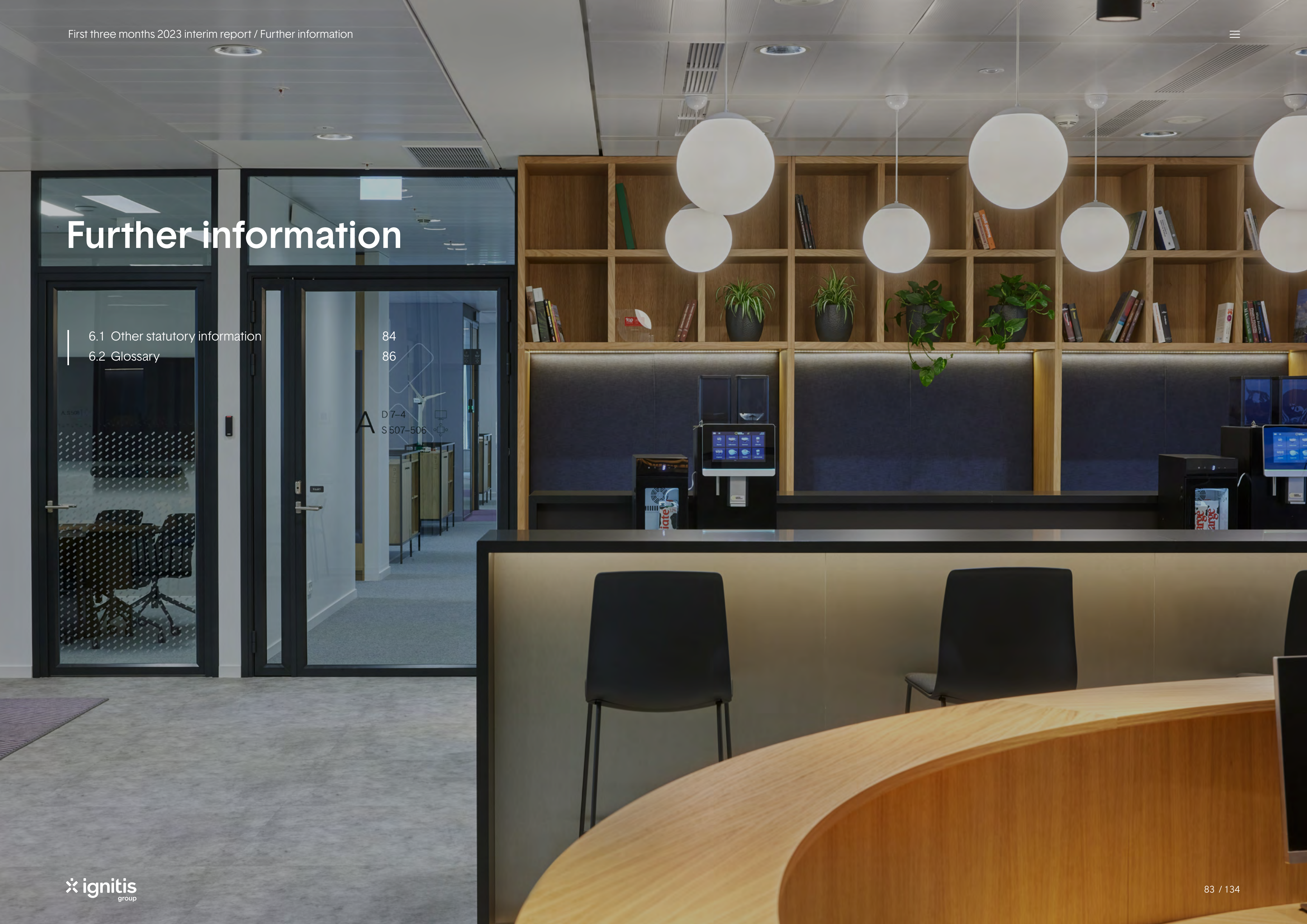
Following globally recognised standards

SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION: Validated GHG emissions targets for 2030 with the SBTi.

TCFD: Implemented TCFD recommendations on climate-related financial disclosure.

GRI: Reporting in accordance with the globally recognised GRI standards.

[1] Based on publicly available data.
[2] MSCI utilities rank and average based on utilities included in the MSCI ACWI index.
[3] In energy utility networks activity group.
[4] In electricity, gas, steam and air conditioning supply industry. Assessment of Groups' subsidiary UAB "Ignitis" (Customers & Solutions).



Further information

6.1 Other statutory information

The interim report provides information to shareholders, creditors, and other stakeholders of AB „Ignitis grupė" (the parent company) about the operations of the parent company and the companies it controls, which are collectively referred to as the group of companies (the Group or Ignitis Group), for the period of January–March 2023.

The parent company's CEO is responsible for its preparation, while the parent company's Management Board considers and approves the interim report. This report has been prepared in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian), the Law on Financial Reporting by Undertakings of the Republic of Lithuania (link in Lithuanian), the Listing of Rules of Nasdaq Vilnius as well as legal acts and recommendations of relevant supervisory authorities and operators of the regulated markets.

The report and the documents based on which it was prepared are available at the registered office of the parent company (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

Information that must be published by the parent company according to the legal acts of the Republic of Lithuania is made public, depending on the disclosure requirements, either on our website, on the websites of Nasdaq Vilnius, London and Luxembourg stock exchanges or both.

Material events of the parent company	Material events of the parent company are published on Nasdaq Vilnius, London and Luxembourg stock exchanges as well as on the Group's website.
Internal control and risk management systems involved in the preparation of the 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 are monitored and managed based on the legal acts governing the preparation of financial statements.
Alternative performance measures	Alternative Performance Measures (APM) are adjusted figures used in this report that 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 on the Group's website.
Information about the auditor	"KPMG Baltics", UAB on 30 March 2023 has been reappointed as the auditor by the General Meeting of Shareholders of the parent company to perform the audit of the financial statements of the parent company and the consolidated financial statements of the Group for the year 2023–2027. Information about the auditor, including remuneration for the services provided, is available in section '6.4 Information about the auditor' of our Annual report 2022.
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. 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 under a conflict of interests between the parent company's managers, the controlling shareholders or other parties related 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.
Related party transactions	Related party transactions concluded during the reporting period are disclosed in section '7 Consolidated financial statements' of this report and on our website.
Information on delisted companies	Since September 2021, the parent company owns 100% of shares of ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation). More information about the delisted companies, including the details of payment for shares, is available in section '7.1 Further investor related information' of our Annual report 2022 and on our website.
Legal acts referred to in this report	– Law on Companies of the Republic of Lithuania (link in Lithuanian) – Property Guidelines (link in Lithuanian)

6.2 Glossary

AB	Joint stock company
Advanced development Pipeline	Projects which have access to the electricity grid secured through preliminary grid connection agreement (agreement signed and grid connection fee has been paid). For offshore wind it also includes projects where public seabed auction has been won, but the grid connection has not yet been secured.
APM	Alternative performance measure (link)
Awarded / contracted	Projects with one of the following: (i) awarded in government auctions and tenders (incl. CfD, FiP, FiT, seabed with grid connection), or (ii) for which offtake is secured through PPA or similar instruments (total secured offtake through PPA and other instruments should cover at least 50% of the annual expected generation volume of the asset).
CCGT	Combined Cycle Gas Turbine Plant
CDP	Carbon Disclosure Project
CfD	Contract for difference
CHP	Combined heat and power
Clean spark	Indicative prices giving the difference between the combined cost of gas and emissions, and the equivalent price of electricity
COD (commercial operation date)	The date at which the asset passed a final performance test (commissioned) and the legal liability from the supplier has been transferred to the Group. The asset has been given with permission from competent authority to operate at full power and sell electricity in the market.
COGS	Cost of Goods Sold
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
Early development Pipeline	Projects of planned capacity higher than 50 MW with substantial share of land rights secured.
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
eNPS	Employee Net Promoter Score
EPSO-G	EPSO-G is a state-owned group of energy transmission and exchange companies. It consists of the parent management company EPSO-G, five directly owned companies Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells and the indirectly controlled GET Baltic.
ESG	Environmental, social and corporate governance
ESG risks	Risks that meet ESG risks' criteria. Based on these criteria, ESG type is assigned to the risk. E type is assigned to risks including climate-related physical, transitional, and other environmental risks, S to social and G to governance related risks.
ESO	AB „Energijos skirstymo operatorius"
Final investment decision (FID)	Relevant governance body decision to make significant financial commitments related to the project.
FiT	Feed-in Tariff
FIP	Feed-in premium – fixed premium to the electricity market price
Full completion	Taking over certificate obtained implying the transfer of operational responsibility of the power plant to the Group
GDPR	General Data Protection Regulation
GDR	Global depositary receipt
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 Portfolio	All Green Generation projects of the Group, which include: (i) secured capacity, (ii) advanced development pipeline and (iii) early development pipeline

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
Gross capacity	Total generation capacity, independently from actual/planned share of ownership, if the actual/planned ownership share is 51% or above.
Heat generated (net)	Heat sold in CHP plants, biomass plants
Hydro power	Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant
Ignitis	Ignitis UAB (former Lietuvos energijos tiekimas and Energijos tiekimas)
Ignitis Gamyba	AB „Ignitis gamyba"
Ignitis Renewables	UAB „Ignitis renewables"
Installed capacity	Projects with commercial operation date (COD) achieved.
ISIN	International Securities Identification Number
YoY	Year over year
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
LRAIC	Long-run average incremental cost
LTM	Last twelve months
MAR	Market Abuse Regulation
Mažeikiai	UAB „VVP Investment"
n/a	Not applicable
NERC	The National Energy Regulatory Council
Net capacity	Net effective generation capacity owned by the Group, if actual/planned share of ownership varies from 51% to 100%

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
NTP	Written authorization to the contractor to proceed with works or the acquisition of materials as agreed in the agreement.
Parent company	AB „Ignitis grupė" (former „Lietuvos energija", UAB)
Pipeline	Portfolio, excluding installed capacity projects.
PPA	Power purchase agreement
pp	Percentage point
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
RAB	Regulated asset base
Regulated activities	Activities of some individual Group companies and their individual activities which are regulated by NERC through the service tariffs approved for the next periods.
Regulatory debt	Debt related to regulated activities.
REMIT	Regulation of the European parliament on wholesale energy market integrity and transparency
SAIDI	Average duration of unplanned interruptions in electricity or gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
Secured capacity	Green Generation projects under the following stages: (i) installed capacity, or (ii) under construction or (iii) awarded / contracted.
SOE	State-owned enterprise
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
Taxonomy CAPEX	Capital expenditures used for calculations under EU Taxonomy

Taxonomy OPEX	Operating expenditures used for calculations under EU Taxonomy
Taxonomy-eligible	An economic activity that is described in the delegated acts supplementing Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts
Taxonomy-non-eligible	Any economic activity that is not described in the delegated acts supplementing Regulation (EU) 2020/852
Taxonomy-aligned	An economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852
TCFD	Task Force on Climate-Related Financial Disclosures
TRIR	Total Recordable Incident Rate
UAB	Private Limited Liability Company
Under construction	Project with building permits secured or permitting in process including one of following: (i) notice to proceed has been given the first contractor or (ii) final investment decision has been made.
UNGC	United Nations Global Compact
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
WF	Wind farm
WtE	Waste-to-energy

Consolidated financial statements

7 Consolidated financial statements

Unaudited interim condensed consolidated financial statements for the three months period ended 31 March 2023, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union

The Group's interim condensed consolidated financial statements were prepared and signed by AB „Ignitis grupė" management on 23 May 2023:

Darius Maikštėnas
Chief Executive Officer of the parent company

Jonas Rimavičius
Chief Financial Officer of the parent company

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras",
Head of Accounting acting under
Decision No 23_GSC_SP_0010
(signed 17 February 2023)

7.1 Interim condensed consolidated statement of profit or loss

For the three-month period ended 31 March 2023

EURm	Notes	3M 2023	3M 2022
Revenue from contracts with customers	6	927.1	989.8
Other income		1.2	1.4
Total revenue and other income		**928.3**	**991.2**
Purchases of electricity, natural gas and other services	7	(677.8)	(801.5)
Salaries and related expenses		(30.3)	(28.3)
Repair and maintenance expenses		(8.5)	(6.2)
Other expenses	8	(16.4)	(63.6)
Total		**(733.0)**	**(899.6)**
EBITDA	5	**195.3**	**91.6**
Depreciation and amortisation		(37.5)	(33.8)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets		(1.2)	(0.6)
Operating profit (loss) (EBIT)		**156.6**	**57.2**
Finance income		2.6	3.0
Finance expenses		(11.3)	(7.9)
Finance activity, net		**(8.7)**	**(4.9)**
Profit (loss) before tax		**147.9**	**52.3**
Current income tax (expenses)/benefit	9	(17.0)	(15.6)
Deferred tax (expenses)/benefit	9	(3.7)	10.1
Net profit for the period		**127.2**	**46.8**
Attributable to:			
Equity holders of the parent		127.2	46.8
Non-controlling interest		-	-
Basic earnings per share (in EUR)	10	**1.76**	**0.64**
Diluted earnings per share (in EUR)	10	**1.76**	**0.64**
Weighted average number of shares	10	**72,388,960**	**73,040,514**

7.2 Interim condensed consolidated statement of comprehensive income

For the three-month period ended 31 March 2023

EURm	Notes	3M 2023	3M 2022
Net profit for the period		**127.2**	**46.8**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		0.6	-
Items that will not be reclassified to profit or loss in subsequent periods, total		**0.6**	**-**
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		(116.1)	108.0
Cash flow hedges – reclassified to profit or loss		(30.8)	45.6
Foreign operations – foreign currency translation differences		2.4	(0.2)
Items that may be reclassified to profit or loss in subsequent periods, total		**(144.5)**	**153.4**
Total other comprehensive income (loss) for the period	17	**(143.9)**	**153.4**
Total comprehensive income (loss) for the period		**(16.7)**	**200.2**
Attributable to:			
Equity holders of the parent		(16.7)	200.2
Non-controlling interests		-	-

7.3 Interim condensed consolidated statement of financial position

As at 31 March 2023

EURm	Notes	31 March 2023	31 December 2022
ASSETS			
Non-current assets			
Intangible assets	11	170.5	148.3
Property, plant and equipment	12	2,868.3	2,810.9
Right-of-use assets		49.8	48.6
Prepayments for non-current assets		132.6	125.8
Investment property		5.5	5.5
Non-current receivables		63.2	28.9
Other financial assets		25.9	25.6
Other non-current assets		6.5	24.8
Deferred tax assets		57.1	31.1
Total non-current assets		**3,379.4**	**3,249.5**
Current assets			
Inventories	13	265.4	570.4
Prepayments and deferred expenses		16.0	95.8
Trade receivables	14	306.6	424.4
Other receivables	15	169.8	179.7
Other current assets		22.2	56.9
Prepaid income tax		0.2	0.4
Cash and cash equivalents		768.2	694.1
Assets held for sale		0.4	0.4
Total current assets		**1,548.8**	**2,022.1**
TOTAL ASSETS		**4,928.2**	**5,271.6**

EURm	Notes	31 March 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity			
Issued capital	16	1,616.4	1,616.4
Reserves		215.7	344.9
Retained earnings		228.2	164.3
Equity attributable to equity holders of the parent		**2,060.3**	**2,125.6**
Non-controlling interests		-	-
Total equity		**2,060.3**	**2,125.6**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	18	1,433.0	1,423.3
Non-current lease liabilities	19	45.9	45.1
Grants and subsidies		299.0	296.8
Deferred tax liabilities		61.4	55.2
Provisions	20	28.7	17.6
Deferred income	21	212.7	205.5
Other non-current amounts payable and liabilities		26.0	20.7
Total non-current liabilities		**2,106.7**	**2,064.2**
Current liabilities			
Loans	18	48.5	209.0
Lease liabilities	19	3.6	3.6
Trade payables		42.0	177.2
Advances received		78.8	61.6
Income tax payable		61.6	53.4
Provisions	20	50.6	38.0
Deferred income	21	83.1	114.8
Other current amounts payable and liabilities	22	393.0	424.2
Total current liabilities		**761.2**	**1,081.8**
Total liabilities		**2,867.9**	**3,146.0**
TOTAL EQUITY AND LIABILITIES		**4,928.2**	**5,271.6**

7.4 Interim condensed consolidated statement of changes in equity

For the three-month period ended 31 March 2023

				Equity, attributed to equity holders of the parent								
EURm	Notes	Issued capital	Treasury shares	Legal reserve	Revaluation reserve	Hedging reserve	Treasury shares reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance as at 1 January 2022[1]		**1,658.8**	**(23.0)**	**125.8**	**84.1**	**18.6**	**23.0**	**(2.7)**	**(28.7)**	**1,855.9**	**-**	**1,855.9**
Net profit for the period		-	-	-	-	-	-	-	46.8	**46.8**	-	**46.8**
Other comprehensive income (loss) for the period	17	-	-	-	-	153.6	-	(0.2)	-	**153.4**	-	**153.4**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**153.6**	**-**	**(0.2)**	**46.8**	**200.2**	**-**	**200.2**
Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax)		-	-	-	(2.5)	-	-	-	2.5	**-**	-	**-**
Transfers to legal reserve		-	-	11.6	-	-	-	-	(11.6)	**-**	-	**-**
Transfer to reserves to acquire treasury shares		-	-	-	-	-	14.7	-	(14.7)	**-**	**-**	**-**
Dividends	16.2	-	-	-	-	-	-	-	(43.8)	**(43.8)**	-	**(43.8)**
Balance as at 31 March 2022[1]		**1,658.8**	**(23.0)**	**137.4**	**81.6**	**172.2**	**37.7**	**(2.9)**	**(49.5)**	**2,012.3**	**-**	**2,012.3**
Balance as at 1 January 2023		**1,616.4**	**-**	**138.4**	**73.0**	**100.6**	**37.7**	**(4.8)**	**164.3**	**2,125.6**	**-**	**2,125.6**
Net profit for the period		-	-	-	-	-	-	-	127.2	**127.2**	-	**127.2**
Other comprehensive income (loss) for the period	17	-	-	-	-	(146.9)	-	2.4	0.6	**(143.9)**	-	**(143.9)**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**(146.9)**	**-**	**2.4**	**127.8**	**(16.7)**	**-**	**(16.7)**
Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax)		-	-	-	(2.0)	-	-	-	2.0	**-**	-	**-**
Transfers to legal reserve		-	-	17.3	-	-	-	-	(17.3)	**-**	-	**-**
Dividends	16.2	-	-	-	-	-	-	-	(45.2)	**(45.2)**	-	**(45.2)**
Other movement		-	-	-	-	-	-	-	(3.4)	**(3.4)**	-	**(3.4)**
Balance as at 31 March 2023		**1,616.4**	**-**	**155.7**	**71.0**	**(46.3)**	**37.7**	**(2.4)**	**228.2**	**2,060.3**	**-**	**2,060.3**

[1] A part of the amounts do not agree with the interim financial statements issued for the 3M 2022 due to an accounting policy change in accordance with IAS 16 amendment requirements. For more information, please see Note 6 of the annual financial statements for the year ended 31 December 2022.

7.5 Interim condensed consolidated statement of cash flows

For the three-month period ended 31 March 2023

EURm	Notes	3M 2023	3M 2022
Cash flows from operating activities			
Net profit for the period		127.2	46.8
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		40.4	36.6
Fair value changes of derivatives	23	1.1	40.3
Fair value change of financial instruments		-	(2.4)
Impairment/(reversal of impairment) of financial assets		0.2	0.6
Income tax expenses/(benefit)	9	20.7	5.5
Depreciation and amortisation of grants		(2.9)	(2.8)
Increase/(decrease) in provisions		24.4	(13.6)
Inventory write-down to net realizable value/(reversal)	13	(85.2)	-
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		1.1	0.5
Interest income		(1.7)	(0.2)
Interest expenses		7.5	6.7
Other expenses/(income) of financing activities		2.9	0.9
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable		105.4	(74.4)
(Increase)/decrease in inventories, prepayments and other current and non-current assets		469.3	(203.9)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities		(339.8)	189.4
Income tax (paid)/received		(5.8)	(0.4)
Net cash flows from operating activities		**364.8**	**29.6**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(122.3)	(70.4)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		0.3	0.4
Acquisition of a subsidiary, net of cash acquired	28	(2.8)	-
Loans granted		(10.2)	-
Grants received		5.2	5.1
Interest received		0.2	0.1
Finance lease payments received		0.3	0.4
Investments in Innovation Fund		(0.3)	(1.4)
Net cash flows from investing activities		**(129.6)**	**(65.8)**

EURm	Notes	3M 2023	3M 2022
Cash flows from financing activities			
Loans received	19	173.5	73.0
Repayments of loans	19	(155.7)	(2.8)
Overdrafts net change	19	(172.9)	-
Lease payments	19	(1.8)	(1.6)
Interest paid	19	(4.2)	(2.1)
Net cash flows from financing activities		**(161.1)**	**66.5**
Increase/(decrease) in cash and cash equivalents		**74.1**	**30.3**
Cash and cash equivalents at the beginning of the period		694.1	449.1
Cash and cash equivalents at the end of the period		**768.2**	**479.4**

7.6 Notes

For the three-month period ended 31 March 2023

1 General information

AB "Ignitis grupė" (hereinafter referred to as 'the parent company') is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės Ave. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Parent company code is 301844044. The parent company has been founded for an indefinite period.

The parent company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, and 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 parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating electricity distribution Network and managing and developing Green Generation Portfolio. The Group also manages strategically important Reserve Capacities and provide Customers & Solutions services, including the supply of electricity and natural gas, solar, e-mobility, energy efficiency and innovative energy solutions for households (hereinafter referred to as 'B2C') and businesses (hereinafter referred to as 'B2B'). Information on the Group's structure is provided in Note 24.

The Group's principal shareholder is the Republic of Lithuania (74.99%).

Shareholders of the Group	31 March 2023		31 December 2022	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.1	74.99	1,212.1	74.99
Other shareholders	404.3	25.01	404.3	25.01
In total	**1,616.4**		**1,616.4**	

These interim consolidated financial statements were prepared and signed by the Group's management on 23 May 2023. These are interim condensed consolidated financial statements of the Group. The parent company also prepares separate interim condensed financial statements in accordance with IFRS as adopted by the EU as required by local legislation.

2 Basis of preparation

2.1 Basis of accounting

These interim condensed consolidated financial statements are prepared for the three-month period ended 31 March 2023 (hereinafter referred to as 'interim financial statements') and have been prepared in accordance with International Accounting Standard (hereinafter referred to as 'IAS') 34 'Interim Financial Reporting'.

These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS') issued by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in the European Union.

Interim financial statements have been prepared on a going concern basis while applying measurements based on historical costs, except for certain items of property, plant and equipment, investment property, and certain financial instruments measured at fair value.

These interim financial statements are presented in euros and all values are rounded to the nearest million (EUR '000,000), except when otherwise indicated. The interim financial statements provide comparative information in respect of the previous period. The financial year of the Group coincides with the calendar year.

2.2 Alternative performance measures

The Group presents financial measures in the interim financial statements which are not defined according to IFRS. The Group uses these alternative performance measures (hereinafter referred to as ‘APM’) as it believes that these financial measures provide valuable information to stakeholders and the management.

The financial measures should not be considered a replacement for the performance measures as defined under IFRS but rather as supplementary information.

The APM may not be comparable to similarly titled measures presented by other companies, as the definitions and calculations may be different.

The APM most commonly used in the interim financial statements: EBITDA, EBIT, Adjusted EBITDA, Adjusted EBIT, Investments, Net Debt

For more information on the APM – see Note 5.

3 Significant accounting policies

3.1 New standards, amendments, interpretations

3.1.1 Changes in the accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the period ended 31 December 2022, with the exception of the new standards which entered into force during 3M 2023.

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter referred to as ‘IASB’) and endorsed in the European Union during the reporting period ended 31 March 2023.

Standards or amendments that came into force during 3M 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Definition of Accounting Estimates (Amendments to IAS 8)
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

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

3.1.1.2 Standards issued but not yet effective and not adopted early

While preparing these interim financial statements, the Group did not adopt new IFRS, IAS, their amendments or interpretations issued by IASB the effective date of which is later than 31 March 2023 and where early adoption is permitted.

Other standards

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

Other new standards or amendments	IASB effective date	EU endorsement status
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

4 Critical accounting estimates and judgements used in preparation of the interim financial statements

While preparing these interim financial statements, the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as the ones used while preparing the annual financial statements for the year ended 31 December 2022, except the following:

4.1 Services ensuring isolated operation of the power system and capacity reserve

On 14 November 2019, NERC adopted a resolution No O3E–715 ‘On the approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system’. According to the resolution, if the costs actually incurred by the Group were higher than the income received from the transmission system operator, the transmission system operator must return such amount to the Group, and vice versa. Due to this reason, the Group recognizes assets or liabilities of regulated activities in order to equalize the current year’s profit to a set level.

As at 31 March 2023, the Group has recognised EUR 13,8 million (31 December 2022: EUR 2.3 million) to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the ‘Provisions’ in the Statement of financial position (Note 20). The current portion of provision for isolated power system operation, tertiary active capacity reserve services, secondary active capacity reserve services and accident prevention services, amounting to EUR 1.7 million (31 December 2022: EUR 3.1 million), was recognised in the current liabilities under the line item ‘Provisions’ in the Statement of financial position (Note 20).

4.2 Public electricity supply

On 25 September 2020, NERC adopted a resolution No O3E-879 ‘On the approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap’.

This resolution also stipulates that if the Group discontinues public supply services, the Group must refund the 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 received. The difference shall be settled by 31 December 2030.

With regard what is said above, the Group recognises the discrepancies in contract assets and/or contract liabilities to eliminate mismatches between the current year earnings and the regulated level regardless of the difference under the provision of such services in the future.

As at 31 March 2023 the current payable of EUR 41.0 million (as at 31 December 2022: receivable EUR 20.3 million) is to be set-off with the future regulatory differences of the public supply activity within one year. The payable amount was re recognised in the current liabilities under the line item ‘Provisions’ in the Statement of financial position (Note 20).

5 Operating segments

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

The Group is divided into five operating segments based on their key activities. For more information about the segments, see annual report sections '2.1 Business profile' and '3.2 Results by business segment'. List of entities assigned to each segment is provided in Note 24.

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 interim financial statements. The primary performance measures are Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (Adjusted EBITDA – a non-IFRS alternative performance measure) and Adjusted Earnings Before Interest and Taxes (Adjusted EBIT – a non-IFRS alternative performance measure). Additionally, the management also analyses Investments of each individual segment. All measures are calculated starting from the data presented in the interim financial statements adjusted by the management for selected items which are not defined by IFRS.

The Group's management calculates the main performance measures as follows:

Performance measure	Calculation
EBITDA	Total revenue and other income - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses
Adjusted EBITDA	EBITDA + Management adjustments
EBIT	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets
Adjusted EBIT	EBIT + Management adjustments
Investments	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 + Prepayments for non-current assets - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets

5.1 Management's adjustments, Adjusted EBITDA and Adjusted EBIT

Management's adjustments include:
- temporary regulatory differences;
- asset rotation result (if any);
- significant one-off gains or losses (if any).

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

Adjusted EBIT is presented for each period as Adjusted EBITDA minus depreciation and amortisation expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets excluding significant one-off items (if any).

In management's view, Adjusted EBITDA and Adjusted EBIT more accurately present results of the operations and enable a better comparison of the results between the periods as they 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 (temporary regulatory differences);

Management's adjustments used in calculating Adjusted EBITDA and Adjusted EBIT:

Segment / Management's adjustments, EURm	3M 2023	3M 2022
Networks		
Temporary regulatory differences of AB "Energijos skirstymo operatorius"	(43.7)	12.6
Customers & Solutions		
Temporary regulatory differences of UAB "Ignitis"	(1.6)	7.1
Total Management's adjustments for Adjusted EBITDA	**(45.3)**	**19.7**
Total Management's adjustments for Adjusted EBIT	**(45.3)**	**19.7**

5.2 Networks segment

Adjusted EBITDA and Adjusted EBIT results are reported after the adjustments are made by the management that comprise the impact of temporary regulatory differences resulting from the NERC resolutions while deducting the current year difference arising between the return on investments permitted by the NERC and estimated by the management. For 3M 2023, the adjustment amounted to EUR (43.7) million (EUR 12.6 million for 3M 2022). This adjustment includes:

- new amounts of temporary regulatory differences formed during the 3M 2023 amounted to EUR (55.7) million (EUR 2.9 million during 3M 2022). The amounts for the current year are based on the management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by the management using actual financial and operating data for the current period;
- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 11.9 million for 3M 2023 (EUR 9.6 million during 3M 2022). These amounts are based on the resolutions passed by NERC.

5.3 Customers & Solutions segment

Adjusted EBITDA and Adjusted EBIT are reported after the adjustments are made by the management, eliminating deviations arising in the regulated activities of gas and electricity supply due to the variance between actual and projected acquisition prices and other components established in the calculation methodology used by NERC. During 3M 2023, the effect in gas supply activities, according to the management's estimate, amounted to EUR (3.9) million (EUR 2.6 million for 3M 2022). During 3M 2023, the effect in electricity public supply activities, according to the management's estimate, amounted to EUR 2.3 million (EUR 4.5 million for 3M 2022).

The table below shows the information on the Group's segments:

EURm	Green Generation	Networks	Reserve Capacities[4]	Customers & Solutions	Other[3]	Reportable segments	Adjustments	IFRS[1]
3M 2023		Adjusted						Reported
Total revenue and other income	**99.6**	**121.9**	**14.5**	**679.9**	**(32.9)**	**883.0**	**45.3**	**928.3**
Purchases of electricity, natural gas and other services	(20.1)	(40.5)	18.4[5]	(668.7)	33.1	(677.8)	-	(677.8)
Salaries and related expenses	(3.8)	(16.1)	(2.3)	(3.6)	(4.5)	(30.3)	-	(30.3)
Repair and maintenance expenses	(1.4)	(6.3)	(0.8)	-	-	(8.5)	-	(8.5)
Other expenses	(4.3)	(10.3)	(1.2)	(6.7)	6.2	(16.4)	-	(16.4)
EBITDA[2]	**70.0**	**48.7**	**28.6**	**0.9**	**1.8**	**150.0**	**45.3**	**195.3**
Depreciation and amortization	(7.1)	(25.1)	(3.0)	(0.8)	(1.5)	(37.5)	-	(37.5)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	-	(1.2)	-	-	-	(1.2)	-	(1.2)
EBIT[2]	**62.9**	**22.5**	**25.6**	**0.1**	**0.2**	**111.3**	**45.3**	**156.6**
Finance activity, net						(8.7)	-	(8.7)
Income tax expenses						(13.9)	(6.8)	(20.7)
Net profit						**88.7**	**38.5**	**127.2**
Investments	46.2	71.6	0.3	0.6	2.1	120.8	-	120.8
3M 2022		Adjusted						Reported
Total revenue and other income	**120.7**	**147.2**	**72.4**	**684.5**	**(13.9)**	**1,010.9**	**(19.7)**	**991.2**
Purchases of electricity, natural gas and other services	(32.6)	(72.5)	(12.1)	(684.5)	0.2	(801.5)	-	(801.5)
Salaries and related expenses	(2.5)	(16.0)	(2.1)	(3.1)	(4.6)	(28.3)	-	(28.3)
Repair and maintenance expenses	(0.9)	(4.6)	(0.7)	-	-	(6.2)	-	(6.2)
Other expenses	(14.7)	(9.0)	(52.6)	(6.6)	19.3	(63.6)	-	(63.6)
EBITDA[2]	**70.0**	**45.1**	**4.9**	**(9.7)**	**1.0**	**111.4**	**(19.7)**	**91.6**
Depreciation and amortization	(6.9)	(21.9)	(3.0)	(0.5)	(1.5)	(33.8)	-	(33.8)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	-	(0.6)	-	-	-	(0.6)	-	(0.6)
EBIT[2]	**63.1**	**22.6**	**1.9**	**(10.2)**	**(0.4)**	**76.9**	**(19.7)**	**57.2**
Finance activity, net						(7.3)	2.4	(4.9)
Income tax expenses						(8.5)	3.0	(5.5)
Net profit						**61.1**	**(14.3)**	**46.8**
Investments[6]	24.6	33.2	0.3	*0.3*	*3.6*	62.0	-	62.0

[1] Amounts are presented according to Statement of profit or loss of these interim 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 a better comparison of results between the periods.
[3] Other activities and eliminations include the parent company (AB "Ignitis grupė"), a business support service company (UAB "Ignitis grupės paslaugų centras"), additional services companies (UAB Elektroninių mokėjimų agentūra, UAB "Gamybos optimizavimas", UAB "Transporto valdymas") and consolidation corrections and eliminations of intercompany transactions.
[4] During 3M 2023, the Group has changed the name of the segment from Flexible Generation to Reserve Capacities to better represent the segment's activities and the Group's strategic objectives – the main activities of this segment include utilisation of reserve capacities to ensure reliability and security of the power system (having an option to generate electricity in the market during low renewables generation/positive clean spark spread periods).
[5] Positive amount of 'Purchase of electricity, natural gas and other services' resulted from the gain of realized cash flow hedge instrument. According to the Group's accounting policy, when cash flow hedges are realized, gain or losses are transferred from equity and recognized in the Statement of profit or loss as 'Purchases of electricity, gas and other services' (for more information, please see note 3.15.3.3 of Annual consolidated financial statements for 2022).
[6] A part of the amounts do not agree with the interim financial statements issued for the 3M 2022 as the Investments formula has been adjusted by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline
. For the updated formula, see definitions of 'Alternative performance measures' used by the Group.

6 Revenue from contracts with customers

6.1 Disaggregated revenue information

EURm	3M 2023	3M 2022
Electricity related revenue		
Revenue from the sale of electricity	228.8	242.5
Revenue from electricity transmission and distribution	119.3	96.0
Revenue from sale of produced electricity	82.1	101.9
Revenue from public electricity supply	17.6	76.7
Revenue from services ensuring the isolated operation of power system and capacity reserve	11.2	62.7
Gas related revenue		
Revenue from gas sales	412.2	367.3
Revenue from gas distribution	26.0	16.4
Revenue of LNGT security component	0.3	5.3
Other revenue		
Revenue from sale of heat energy	14.0	11.5
Revenue from new customers' connection and upgrade fees	2.5	2.2
Other revenue from contracts with customers	13.9	7.3
In total	**927.1**	**989.8**

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

EURm	3M 2023	3M 2022
Performance obligation settled over time	911.2	987.4
Performance obligation settled at a specific point in time	15.9	2.4
In total	**927.1**	**989.8**

6.2 Contract balances

EURm	Notes	31 March 2023	31 December 2022
Trade receivables	14	**306.6**	**424.4**
Contract assets	15	**20,8**	**32,5**
Accrued revenue from electricity sales		6.4	18.2
Accrued revenue from natural gas sales		4.0	7.7
Other accrued revenue		10.4	6.6
Contract liabilities		**360.7**	**319.9**
Advances received		64.9	60.7
Deferred income	21	295.8	320.3

6.3 Rights to returned goods assets and refund liabilities

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

6.4 Performance obligations

The remaining performance obligations expected to be recognised after the end of the reporting period relate to the deferred income and advances received:

EURm	31 March 2023	31 December 2022
More than one year	212.7	205.5
Within one year	148.0	175.5
In total	**360.7**	**381.0**

6.5 The Group's revenue from contracts with customers by geographic segment:

EURm	3M 2023	3M 2022
Lithuania	693.1	630.6
Finland	104.8	115.2
Latvia	44.9	72.5
Poland	41.0	45.5
Estonia	3.6	8.8
Other countries	3.5	-
Sales via Nordpool	36.2	117.2
In total	**927.1**	**989.8**

7 Purchases of electricity, natural gas and other services

EURm	3M 2023	3M 2022
Purchases of electricity and related services	236.1	387.5
Purchases of natural gas and related services	434.7	411.7
Other purchases	7.0	2.3
In total	**677.8**	**801.5**

8 Other expenses

EURm	3M 2023	3M 2022
Customer service	2.9	2.1
Taxes (other than income tax)	2.7	2.0
Telecommunications and IT services	2.8	2.0
Transport	1.0	1.0
Utilities	0.9	1.1
Personnel development	0.9	0.5
OTC and Nasdaq contracts (Note 23.2)	0.2	51.5
Other	5.0	3.4
In total	**16.4**	**63.6**

9 Income taxes

9.1 Amounts recognised in profit or loss

EURm	3M 2023	3M 2022
Income tax expenses (benefit) for the period	17.0	15.6
Deferred tax expenses (benefit)	3.7	(10.1)
In total	**20.7**	**5.5**

9.2 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:

EURm	3M 2023	3M 2023	3M 2022	3M 2022
Profit (loss) before tax		147.9		52.3
Income tax expenses (benefit) at tax rate of 15%	15.00%	22.2	15.00%	7.8
Effect of tax rates in foreign jurisdictions	(0.07)%	(0.1)	0.00%	-
Expenses not deductible for tax purposes	2.50%	3.7	16.06%	8.4
Income not subject to tax	(1.01)%	(1.5)	(18.55)%	(9.7)
Income tax relief for the investment project	(1.83)%	(2.7)	0.00%	-
Taxable income[1]	(2.64)%	(3.9)	48.18%	25.2
Income tax recognised in other comprehensive income[1]	2.64%	3.9	(48.18)%	(25.2)
Other	(0.61)%	(0.9)	(1.91)%	(1.0)
In total	14.00%	**20.7**	10.52%	**5.5**

[1] Taxable income relates to the effective change in fair value of derivatives recognised in other comprehensive income. The amount of income tax recognised in other comprehensive income is related to the gain on the change in fair value of the Group's effective hedging derivatives (Note 23). For income tax purposes, this change in the fair value of the hedging derivatives is treated as deductible expenses (negative) or taxable income (positive).

Income tax relief for the investment project included the income tax relief for the investment projects during 3M 2023.

10 Earnings per share

The Group's earnings per share and diluted earnings per share attributable to the shareholders of the parent company were as follows:

	3M 2023	3M 2022
Net profit	**127.2**	**46.8**
Attributable to:		
Equity holders of the parent	**127.2**	**46.8**
Non-controlling interests	-	-
Weighted average number of nominal shares	72,388,960	73,040,514
Basic earnings/(loss) per share attributable to shareholders of the parent company, (in EUR)	1.76	0.64
Diluted earnings/(loss) per share attributable to shareholders of the parent company, (in EUR)	1.76	0.64

Basic and diluted earnings per share indicators have been calculated based on 72,388,960 weighted average number of ordinary shares as at 31 March 2023 (as at March 31 2022: 73,040,514). As at 31 March 2022, the Group held its own ordinary shares (treasury shares), which are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they were held by AB "Ignitis grupė". On 9 August 2022, the Group has reduced its share capital by annulling the acquired treasury shares.

11 Intangible assets

EURm	Patents and licences	Computer software	Goodwill	Servitudes and security zones	Other intangible assets	In total
As at 31 December 2022						
Acquisition cost	0.3	46.1	5.3	23.0	115.0	**189.7**
Accumulated amortisation	(0.3)	(27.7)	-	-	(13.4)	**(41.4)**
Carrying amount	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**
Carrying amount at 1 January 2023	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**
Additions	-	-	-	0.4	3.5	**3.9**
Reclassifications between categories	-	3.4	-	-	(3.4)	**-**
Acquisition through business combination (Note 28)	-	-	21.3	-	(0.5)	**20.8**
Foreign currency exchange difference	-	-	(0.1)	-	0.2	**0.1**
Amortisation	-	(1,7)	-	-	(0.9)	**(2.6)**
Carrying amount at 31 March 2023	**-**	**20.1**	**26.5**	**23.4**	**100.5**	**170.5**
As at 31 March 2023						
Acquisition cost	0.3	49.5	26.5	23.4	114.8	**214.5**
Accumulated amortisation	(0.3)	(29.4)	-	-	(14.3)	**(44.0)**
Carrying amount	**-**	**20.1**	**26.5**	**23.4**	**100.5**	**170.5**

The Group reviewed the carrying amount of its goodwill to determine whether there are any indications that those assets have suffered an impairment loss. The goodwill has not showed any indications of impairment.

Changes in other intangible assets identified during business combination is related to the acquisition of subsidiaries (Note 28). As at 31 March 2023, the Group did not complete the assessment of the fair value of the net assets acquired, accordingly difference between consideration transferred and net assets acquired was recognized as goodwill. Assessment of assets acquired and liabilities assumed will be finalized during twelve months after the acquisition date.

The Group has acquisition commitments of intangible assets which will have to be fulfilled during the later years. The Group's acquisition commitments amounted to EUR 2.4 million as at 31 March 2023 (as at 31 December 2022: EUR 1.3 million).

12 Property, plant, and equipment

EURm	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment	Construction-in-progress	In total
As at 31 December 2022											
Cost or revalued amount	3.4	46.3	1,377.3	300.5	212.2	772.4	210.0	268.3	109.2	318.8	**3,618.4**
Accumulated depreciation	-	(2.6)	(69.7)	(21.4)	(123.5)	(471.5)	(36.2)	(21.7)	(39.2)	-	**(785.8)**
Accumulated impairment	-	-	-	(7.4)	-	(14.1)	-	-	-	(0.2)	**(21.7)**
Carrying amount	**3.4**	**43.7**	**1,307.6**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**70.0**	**318.6**	**2,810.9**
Carrying amount at 1 January 2023	**3.4**	**43.7**	**1,307.6**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**70.0**	**318.6**	**2,810.9**
Additions	-	-	-	-	-	-	-	-	1.3	94.5	**95.8**
Sales	-	-	-	-	-	-	-	-	(0.1)	-	**(0.1)**
Write-offs	-	-	(1.0)	(0.1)	-	-	-	-	-	(0.1)	**(1.2)**
Reclassifications between categories	-	1.1	78.9	1.9	(0.2)	0.1	-	-	1.8	(83.5)	**-**
Reclassified from (to) finance lease	-	-	-	-	-	-	-	-	0.1	-	**0.1**
Reclassified from (to) assets held for sale	-	-	-	-	-	-	-	-	(0.1)	-	**(0.1)**
Reclassified from (to) inventories	-	-	-	-	0.1	-	-	-	-	(1.9)	**(1.8)**
Depreciation	-	(0.5)	(18.5)	(3.4)	(1.3)	(5.0)	(1.9)	(2.8)	(3.1)	-	**(36.4)**
Assets identified after business combination (Note 28)	-	-	-	-	-	-	-	-	-	0.9	**0.9**
Carrying amount at 31 March 2023	**3.4**	**44.3**	**1,367.0**	**270.1**	**87.3**	**281.9**	**171.9**	**243.8**	**69.9**	**328.5**	**2,868.1**
As at 31 March 2023											
Cost or revalued amount	3.4	47.4	1,455.0	302.4	212.1	772.3	210.0	268.3	111.9	328.7	**3,711.5**
Accumulated depreciation	-	(3.1)	(88.0)	(25.3)	(124.8)	(479.1)	(38.1)	(24.5)	(42.0)	-	**(824.9)**
Accumulated impairment	-	-	-	(7.0)	-	(11.3)	-	-	-	(0.2)	**(18.5)**
Carrying amount	**3.4**	**44.3**	**1,367.0**	**270.1**	**87.3**	**281.9**	**171.9**	**243.8**	**69.9**	**328.5**	**2,868.1**

Additions of property, plant and equipment during 3M 2023 include the following major acquisitions:

- acquisitions for the construction of a new high-efficiency waste-to-energy cogeneration power plant, which started comercial operations in 2022 (except the biomass unit);
- acquisitions related to the development of the electricity distribution network;
- acquisitions for the construction of wind farms.

The Group has significant acquisition commitments of property, plant and equipment, which will have to be fulfilled during the later years. The Group's acquisition and construction commitments amounted to EUR 279.2 million as at 31 March 2023 (31 December 2022: EUR 364.3 million).

13 Inventories

EURm	31 March 2023	31 December 2022
Natural gas	218.6	514.9
Emission allowances	24.5	33.6
Consumables, raw materials and spare parts	17.1	16.4
Other	5.2	5.5
Carrying amount	**265.4**	**570.4**

The carrying amount of natural gas decreased during 3M 2023 due to the end of the heating season.

During 3M 2023, changes in the write-down of inventory in the amount of EUR 85.2 million includes an additional write-down of EUR (12.8) million and a decrease in inventory write-down by EUR 98.0 million due to write-down attributable to sold inventories. The write-down is included in 'Purchases of electricity, natural gas and other services' in the Statement of profit or loss.

14 Trade receivables

EURm	31 March 2023	31 December 2022
Amounts receivable under contracts with customers		
Receivables from electricity related sales	180.6	272.8
Receivables from gas related – B2B	84.9	135.9
Receivables from gas related – B2C	6.9	7.2
Other trade receivables	45.9	20.6
In total	**318.3**	**436.5**
Less: loss allowance	(11.7)	(12.1)
Carrying amount	**306.6**	**424.4**

As at 31 March 2023 and 31 March 2022, 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 an insignificant part of the 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 settlements between related parties, see Note 26.

14.1 Loss allowance 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 March 2023 and as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

EURm	Loss ratio	Trade receivables	Loss allowance
Not past due	0.62	193.6	1.2
Up to 30 days	3.30	9.1	0.3
30–60 days	6.82	4.4	0.3
60–90 days	6.45	3.1	0.2
90–120 days	14.29	2.1	0.3
More than 120 days	61.22	14.7	9.1
As at 31 March 2023	**4.98**	**227.0**	**11.4**

EURm	Loss ratio	Trade receivables	Loss allowance
Not past due	0.65	338.1	2.2
Up to 30 days	1.40	21.4	0.3
30–60 days	8.82	3.4	0.3
60–90 days	12.00	2.5	0.3
90–120 days	15.38	2.6	0.4
More than 120 days	69.17	12.0	8.3
As at 31 December 2022	**3.11**	**380.0**	**11.8**

The table below presents the information on the Group's trade receivables under contracts with customers that are assessed on an individual basis:

	31 March 2023		31 December 2022	
EURm	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not past due	89.2	-	53.3	-
Up to 30 days	1.3	-	2.6	-
30–60 days	0.2	-	0.1	-
60–90 days	0.1	-	0.1	-
90–120 days	-	-	0.1	-
More than 120 days	0.6	0.3	0.3	0.3
As at 31 March 2023	**91.4**	**0.3**	**56.5**	**0.3**

15 Other receivables

EURm	31 March 2023	31 December 2022
Deposits for gas related derivatives to commodity traders	57.7	25.0
Deposits for electricity related derivatives in electricity market	43.8	57.6
Receivables for derivatives	26.8	16.9
Value added tax	16.1	14.1
Other accrued revenue	10.4	6.6
Accrued revenue from electricity sales	6.4	18.2
Accrued revenue from natural gas sales	4.0	7.7
Granted loans	0.3	24.2
Other receivables	4.6	9.8
In total	**170.2**	**180.1**
Less: loss allowance	(0.4)	(0.4)
Carrying amount	**169.8**	**179.7**

‘Accrued revenue from electricity sales’, ‘Accrued revenue from natural gas sales’ and ‘Other accrued revenue’ represent contract assets (Note 6.2).

The fair values of other receivables as at 31 March 2023 and 2022 approximated their carrying amounts.

15.1 Loans granted

During 3M 2023 a loan granted to Moray West Holdings Limited was reclassified from ‘Other receivables’ to ‘Non-current receivables’ in the Statement of financial position as loan repayment was extended till 1 July 2025.

15.2 Deposits for electricity- and gas-related derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading derivatives linked to electricity and gas market prices. The 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 the income from sales, and after this payment the cash collateral will be returned.

16 Equity and reserves

16.1 Issued capital

EURm	31 March 2023	31 December 2022
Authorised shares		
Ordinary shares	1,616.4	1,616.4
Ordinary shares issued and fully paid	**1,616.4**	**1,616.4**

As at 31 March 2023 the Group’s issued capital comprised EUR 1,616.4 million (31 December 2022: 1,616.4 million) and was divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share (31 December 2022: issued capital divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share).

16.2 Dividends

Dividends declared by the parent company during the 3M period:

EURm	3M 2023	3M 2022
AB “Ignitis grupė”	45.2	43.8

EUR 45.2 million dividend for the second half of 2022 was approved at the Ordinary General Meeting of shareholders on 30 March 2023 and EUR 43.8 million dividend for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022.

17 Other comprehensive income

EURm	Equity, attributed to equity holders of the parent: Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Total
Cash flow hedges – effective portion of change in fair value	-	108.0	-	-	**108.0**
Cash flow hedges – reclassified to profit or loss	-	45.6	-	-	**45.6**
Foreign operations – foreign currency translation differences	-	-	(0.2)	-	**(0.2)**
In total for the 3M 2022	**-**	**153.6**	**(0.2)**	**-**	**153.4**
Cash flow hedges – effective portion of change in fair value	-	(116.1)	-	-	**(116.1)**
Cash flow hedges – reclassified to profit or loss	-	(30.8)	-	-	**(30.8)**
Result of change in actuarial assumptions	-	-	-	0.6	**0.6**
Foreign operations – foreign currency translation differences	-	-	2.4	-	**2.4**
In total for the 3M 2023	**-**	**(146.9)**	**2.4**	**0.6**	**(143.9)**

Hedging reserve movement comprises recognition of the effective portion of EUR (116.1) million (gross, before tax, EUR (136.0) million) (as at 31 March 2022: EUR 108.0 million (gross, before tax, EUR 127.0 million)) and the reclassification to 'Purchases of electricity, gas and other services' of the Statement of profit or loss of EUR (30.8) million (gross, before tax, EUR (36.1) million) (as at 31 March 2022: EUR 45.6 million (gross, before tax, EUR 53.6 million) (see Note 7).

18 Loans and bonds

EURm	31 March 2023	31 December 2022
Non-current		
Bonds issued	890.6	890.1
Bank loans	542.0	533.2
Other non-current loans	0.4	-
Current		
Current portion of non-current loans	34.7	26.1
Bank overdrafts	-	172.9
Accrued interest	13.8	10.0
In total	**1,481.5**	**1,632.3**

Non-current borrowings by maturity:

EURm	31 March 2023	31 December 2022
From 1 to 2 years	43.0	177.0
From 2 to 5 years	437.9	376.6
After 5 years	952.1	869.7
In total	**1,433.0**	**1,423.3**

Loans and bonds of the Group are denominated in euros or polish zlotys.

18.1 Movement of loans and bonds

Movement of loans and bonds during 3M 2023 mainly consisted of the following:

On 9 March 2023, the Group signed a long-term agreement of EUR 220.0 million with "Swedbank" AB. EUR 85 million out of the EUR 220 million loan granted by Swedbank will be used to finance the completion of the construction of the Group's biomass unit. The remaining EUR 135 million were used to refinance the European Investment Bank's loan granted to the Group company, which was taken over by the parent company. The maturity of the loan is 9 March 2033, and the interest rate is floating. The balance of the loan as at 31 March 2023 is EUR 174.0 million.

18.2 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 March 2023 and 31 December 2022.

As at 31 March 2023, the Group's unwithdrawn balance of loans and bank overdrafts amounted to EUR 499.0 million (31 December 2022: EUR 396.1 million).

19 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. The management is monitoring the Net Debt metric as a part of a risk-management strategy. Only debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the Net Debt calculation. This note sets out an analysis of Net Debt, a non-IFRS measure for the purposes of presentation of these interim financial statements as defined by the management below.

Net Debt balance:

EURm	31 March 2023	31 December 2022
Cash and cash equivalents	(768.2)	(694.1)
Non-current loans and bonds payable after one year	1,433.0	1,423.3
Current loans payable within one financial year (including accrued interest)	48.5	36.1
Bank overdrafts	-	172.9
Lease liabilities	49.5	48.7
Net debt	**762.8**	**986.9**

Reconciliation of the Group's Net Debt balance and cash flows from financing activities:

	Assets	Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2023	**(694.1)**	**45.1**	**3.6**	**1,423.3**	**209.0**	**986.9**
Cash changes						
(Increase) decrease in cash and cash equivalents	(73.9)	-	-	-	-	**(73.9)**
Proceeds from borrowings	-	-	-	173.5	-	**173.5**
Repayments of borrowings	-	-	-	(150.0)	(5.7)	**(155.7)**
Lease payments	-	(0.1)	(1.7)	-	-	**(1.8)**
Interest paid	-	-	(0.2)	-	(4.0)	**(4.2)**
Bank overdraft received (repaid)	-	-	-	-	(172.9)	**(172.9)**
Non-cash changes						
Lease contracts concluded	-	2.5	0.1	-	-	**2.6**
Accrual of interest payable	-	-	0.3	0.4	7.5	**8.2**
Lease liabilities written-off	-	(0.1)	-	-	-	**(0.1)**
Reclassifications between items	-	(1.4)	1.4	(14.6)	14.6	**-**
Assumed through business combination (Note 28)	(0.2)	-	-	0.4	-	**0.2**
Change in foreign currency	-	(0.1)	0.1	-	-	**-**
Net debt at 31 March 2023	**(768.2)**	**45.9**	**3.6**	**1,433.0**	**48.5**	**762.8**

20 Provisions

EURm	31 March 2023	31 December 2022
Non-current	28.7	17.6
Current	50.6	38.0
In total	**79.3**	**55.6**

Movement of the Group's provisions was as follows:

EURm	Emission allowance provision	Provisions for employee benefits	Provisions for servitudes	Provisions for registration of protection zones	Provision for isolated power system operations' and system services	Regulatory differences of public electricity supply activity	Other provisions	Total
Balance as at 1 January 2023	**11.0**	**6.1**	**8.2**	**1.6**	**5.4**	**20.3**	**3.0**	**55.6**
Increase during the period	2.4	0.2	-	-	12.1	20.7	-	**35.4**
Utilised during the period	(9.1)	-	-	-	(2.0)	-	-	**(11.1)**
Result of change in assumptions	-	(0.6)	-	-	-	-	-	**(0.6)**
Balance as at 31 March 2023	**4.3**	**5.7**	**8.2**	**1.6**	**15.5**	**41.0**	**3.0**	**79.3**
Non-current	-	4.8	7.2	-	13.8	-	2.9	**28.7**
Current	4.3	0.9	1.0	1.6	1.7	41.0	0.1	**50.6**
Balance as at 31 March 2023	**4.3**	**5.7**	**8.2**	**1.6**	**15.5**	**41.0**	**3.0**	**79.3**

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

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. Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter, the period of reimbursement is the 2024–2025 period (Note 4.1).

The provision for regulatory differences of the public electricity supply activity consists of a EUR 41.0 million provision related to regulatory differences of public electricity supply activity, which will be set-off with the future regulatory differences of the public electricity supply activity within one year. The increase in overcollection during 3M 2023 is related to low electricity prices in the market.

21 Deferred income

EURm	31 March 2023 Current portion	31 March 2023 Non-current portion	31 December 2022 Current portion	31 December 2022 Non-current portion
Deferred income under contracts with customers				
Deferred income related to new customers connection and upgrade fees	10.9	212.7	10.5	205.5
Deferred income related to gas	37.0	-	61.1	-
Deferred income related to gas over declaration	30.4	-	33.7	-
Deferred income related to electricity over declaration	4.8	-	9.5	-
In total	**83.1**	**212.7**	**114.8**	**205.5**

Movement in the Group's deferred income:

EURm	3M 2023 Current portion	3M 2023 Non-current portion
Balance as at 1 January	**114.8**	**205.5**
Increase during the year	32.6	9.7
Recognised as revenue	(66.8)	-
Reclassifications between items	2.5	(2.5)
Balance as at 31 March	**83.1**	**212.7**

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

22 Other current amounts payable and liabilities

EURm	31 March 2023	31 December 2022
Accrued expenses	71.2	84.7
Derivatives (Note 23)	60.9	14.2
Taxes (other than income tax)	49.7	122.6
Non-controlling interest dividends	48.5	3.3
Put option redemption liability	38.0	38.0
Amounts payable for property, plant and equipment	35.2	55.9
Payroll related liabilities	32.1	21.7
Deposits received for derivatives	24.9	56.0
Payable to non-controlling party for acquisition of SIL shares	6.3	6.3
Irrevocable commitment to acquire a minority interest	3.6	3.6
Other amounts payable and liabilities	22.6	17.9
Carrying amount	**393.0**	**424.2**

23 Derivative financial instruments

The Group's derivative financial instruments mainly comprise:

- 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

The fair value of Nasdaq contracts is being set-off with cash on day-to-day basis. Accordingly, no financial assets or liabilities are being recognized in the Statement of financial position. Gain or loss of such transactions is recognized the same as all derivative financial instruments.

23.1 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:

EURm	Note	Movement during 3M 2023
Derivative financial instruments		
Other non-current assets		24.4
Other current assets		44.2
Other non-current amounts payable and liabilities		(14.9)
Other current amounts payable and liabilities	22	(14.2)
Carrying amount as at 31 December 2022		**39.5**
Change in the value		
Fair value change of OTC recognised in 'Other expenses'		(1.1)
Fair value change of OTC recognised in 'Other comprehensive income'		(100.7)
Total change during 3M 2023		**(101.8)**
Derivatives		
Carrying amount as at 31 March 2023		**(62.3)**
Other non-current assets		6.2
Other current assets		7.6
Other non-current amounts payable and liabilities		(15.2)
Other current amounts payable and liabilities	22	(60.9)

23.2 Derivatives included in the Statement of profit or loss and Statement of comprehensive income

EURm	Note	3M 2023	3M 2022
Fair value change of derivative financial instruments		-	(0.2)
Fair value change of OTC		(1.1)	(40.1)
Fair value change of Nasdaq		(16.3)	(14.0)
Hedge ineffectiveness recognised - OTC		2.5	2.4
Hedge ineffectiveness recognised - Nasdaq		14.7	0.4
Total recognised in 'Other expenses'	8	**(0.2)**	**(51.5)**
Effective hedges reclassified from Hedging reserve to statement profit or loss		36.0	(53.6)
Total recognised in 'Statement of profit or loss'		**35.8**	**(105.1)**

24 Structure of the Group

The Group's structure as at 31 March 2023:

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB "Ignitis grupė"	Lithuania	Other[3]	Parent company – management and coordination of activities of the Group companies	-	-
Subsidiaries of the Group:					
UAB "Ignitis renewables"	Lithuania	Green Generation	Coordination of operation, supervision and development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
Ignitis Renewables Polska Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Ignitis RES DEV Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Pomerania Wind Farm Sp. z o. o.	Poland	Green Generation	Generation of renewable electricity	100.00	-
Tuuleenergia OÜ	Estonia	Green Generation	Generation of renewable electricity	100.00	-
UAB "EURAKRAS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB "VĖJO VATAS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB "VĖJO GŪSIS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB "VVP Investment"	Lithuania	Green Generation	Development and operation of a renewable energy (wind) project	100.00	-
Silezia1 Wind Farm Sp. z o.o.	Poland	Green Generation	Development and operation of a renewable energy (wind) project	100.00	-
Altiplano S.A.	Poland	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV1 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV2 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
Ignitis renewables Latvia SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Plungės vėjo energija"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 2"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 3"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV5 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Vėjo galia bendruomenei"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV3 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV4 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV6 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
SP Venta SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
BRVE SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
CVE SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 4"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 5"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 6"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB Kauno kogeneracinė jėgainė	Lithuania	Green Generation	Electricity and heat production from waste	51.00	49.00
UAB Vilniaus kogeneracinė jėgainė	Lithuania	Green Generation	Development and operation of cogeneration power plant project	100.00	-
AB "Ignitis gamyba"	Lithuania	Green Generation[1] Reserve Capacities[2]	Generation, trading of electricity and utilisation of reserve capacities	100.00	-
AB "Energijos skirstymo operatorius"	Lithuania	Networks	Distribution of electricity and natural gas, supply of last resort service	100.00	-
UAB "Ignitis"	Lithuania	Customers & Solutions	Electricity and gas supply, trading, energy efficiency projects	100.00	-
Ignitis Polska Sp. z o. o.	Poland	Customers & Solutions	Supply and trading of electricity	100.00	-
Ignitis Latvija SIA	Latvia	Customers & Solutions	Supply of electricity and natural gas	100.00	-
Ignitis Eesti, OÜ	Estonia	Customers & Solutions	Supply of electricity	100.00	-
Ignitis Suomi OY	Finland	Customers & Solutions	Supply of natural gas	100.00	-
UAB "Ignitis grupės paslaugų centras"	Lithuania	Other[3]	Shared business support services	100.00	-
UAB "Gamybos optimizavimas"	Lithuania	Other[3]	Planning, optimization, forecasting, trading, brokering and other electricity related services	100.00	-
UAB Elektroninių mokėjimų agentūra	Lithuania	Other[3]	Payment aggregation	100.00	-
UAB "Transporto valdymas"	Lithuania	Other[3]	Vehicle rental, leasing, repair, maintenance, renewal and service	100.00	-

[1] *Segment consists of Kaunas Algirdas Brazauskas Hydroelectric Power Plant, Kruonis Pumped-Storage Power Plant, biofuel and steam boiler.*
[2] *The assets mentioned in point 1 do not belong to the segment. From Q1 of 2023 the Group has changed the segment's name from Flexible Generation to Reserve Capacities (for more information please see note Note 5)*
[3] *Other activities and eliminations include: business support service company (UAB "Ignitis grupės paslaugų centras"); non-core activities companies (UAB "Transporto valdymas"); additional service entities (UAB Elektroninių mokėjimų agentūra, UAB "Gamybos optimizavimas"); the parent company AB "Ignitis grupė"; consolidation corrections and eliminations of intercompany transactions.*

24.1 Acquisition of shares in business combinations

During 3M 2023, the Group acquired the following subsidiaries:
- On 14 March 2023, the Group acquired a 100% shareholding in SP Venta SIA. Total consideration amounts to EUR 21.6 million (Note 28.1).
- On 17 March 2023, the Group acquired a 100% shareholding in BRVE SIA. Total consideration amounts to EUR 0.2 million (Note 28.2).
- On 17 March 2023, the Group acquired a 100% shareholding in CVE SIA. Total consideration amounts to EUR 0.3 million (Note 28.2).

24.2 Establishment of new subsidiaries

On 24 March 2023, the Group established new subsidiaries: UAB "Ignitis renewables projektai 4", UAB "Ignitis renewables projektai 5" and UAB "Ignitis renewables projektai 6".

25 Commitments, contingent liabilities and contingent assets

25.1 Litigations

During 3M 2022, there were no significant changes in litigations reported in annual financial statements for 2022 or new significant litigations except for the ones mentioned below.

25.1.1 Litigation with Rafako S.A.

During 3M 2023 in the part of legal disputes, decisions made by the court were favourable to the Group. The outcome of the legal disputes should not create additional obligations for the Group towards subcontractors.

The Group expects to succeed defending its interests. According to the Group's management, this dispute will not have significant financial consequences for the implementation of the project.

25.1.2 Litigation with UAB "VILNIAUS ENERGIJA"

The Lithuanian Court of Appeal by its ruling of 23 February 2023 decided to uphold the claim of UAB "VILNIAUS ENERGIJA". The Group was ordered to pay damages for 2014 and for 2015 and a procedural interest at the rate of 6% on the amount ordered from the date on which the case was brought into the court (24 March 2014) until the full execution and legal costs. As at 31 March 2023, the Group fully paid all the damages mentioned above. The total amount paid by the Group is EUR 3.4 million (damages EUR 2.2 million and interests EUR 1.2 million).

25.2 Issued guarantees

The Group has provided the following guarantees:

Entity	Beneficiary of the guarantee	Maximum amount of the guarantee
Not subsidiary	Commercial banks	9.4
Not subsidiary	Other companies	3.7
Total		**13.1**

25.3 Regulatory assets and liabilities

25.3.1 Natural gas distribution to B2C customers

Natural gas supply to B2C customers is regulated by NERC. NERC regulates the 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 were not recognized in the financial statements till 31 March 2023 as the Group had no guarantee for this difference to be considered when setting tariffs in the future according to the legislation base.

The over-collected unrecognised amount as of 31 March 2023 is EUR (36.9) million. The amount is related to 3M 2023 and 12M 2022 periods (the over-collected amount of EUR (16.1) million as of 31 December 2022). The management expects that the over-collected unrecognised amount EUR (36.9) million, as a result of partial compensation scheme to B2C consumers approved by the Government, will be returned to the state budget within the upcoming next 12 months period.

25.3.2 Designated supply of natural gas

Designated natural gas supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognize regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future. The over-collected amount of EUR (35.5) million as at 31 March 2023 will be included in the LNGT security component in the future (as at 31 December 2022 the over-collected amount of was EUR (53.0) million).

26 Related party transactions

Related parties	Accounts Receivable 31 March 2023	Accounts Payable 31 March 2023	Sales 3M 2023	Purchases 3M 2023	Finance income (expenses) 3M 2023
"LITGRID" AB	13.9	15.8	30.6	29.4	-
AB "Amber Grid"	2.5	1.6	3.6	14.1	-
"BALTPOOL" UAB	9.8	-	21.8	0.7	-
UAB "GET Baltic"	6.9	-	107.0	93.1	-
Other related parties of the Group	-	1.4	-	2.4	-
In total	**33.1**	**18.8**	**163.0**	**139.7**	**-**

Related parties	Accounts Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 3M 2022	Purchases 3M 2022	Finance income (expenses) 3M 2022
"LITGRID" AB	26.5	36.8	19.9	46.4	-
AB "Amber Grid"	6.4	3.1	8.2	9.6	-
"BALTPOOL" UAB	0.2	1.6	(12.4)	8.7	-
UAB "GET Baltic"	84.3	3.8	16.6	9.0	-
Other related parties of the Group	0.1	1.5	0.4	1.5	0.1
In total	**117.5**	**46.8**	**32.7**	**75.2**	**0.1**

Negative sales in 3M 2022 to "BALTPOOL" UAB is related to credit invoices issued for PSO services. Revenue from PSO funds was calculated for 1 MW electricity as the difference between the fixed tariff was set by NERC and the weighted average price of electricity was sold in the power exchange. If the weighted average price on the power exchange exceeds the fixed rate set by NERC, the Group issues credit invoices to "BALTPOOL" UAB.

26.1 Terms of transactions with related parties

The payment term range is set from 15 to 90 days. 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 receivables.

26.2 Compensation to key management personnel

	3M 2023	3M 2022
Remuneration, salaries and other short-term benefits to key management personnel	0.3	0.3
Whereof:	-	-
Short-term benefits: wages, salaries and other	*0.3*	*0.2*
Termination benefits	*-*	*0.1*
Share-based payment expenses	*-*	*-*
Number of key management personnel	12	12

During 3M 2023 and 2022 members of the Management Board, Supervisory Board as well as the Chief Executive Officer are considered to be the Group's key management personnel. For more information on the key management personnel, see '4 Governance report' in our Annual report 2022.

27 Fair value of financial instruments

27.1 Financial instruments, measured at fair value

The Group's derivatives (Level 2 in the fair value hierarchy), investment into Innovation Fund "Smart Energy Fund powered by Ignitis Group" KŪB (Level 3 in the fair value hierarchy) as well as the Group's right to acquire shares in its subsidiary (Level 2 in the fair value hierarchy) are measured at a fair value.

As at 31 March 2023 and 31 December 2022, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at a fair value and their accounting policies are set out in Note 3.15.3 of annual financial statements prepared for the year 2022. 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 a market value are measured on a recurring basis. The Group attributes derivatives linked to the Lithuanian/Latvian and Estonian/Finish electricity price areas to Level 2 in the fair value hierarchy. Derivatives acquired directly from other market participants (OTC contracts) and the acquired physical transmission rights are estimated based on the prices of the NASDAQ Commodities exchange.

As at 31 March 2023 and 31 December 2022, the Group has accounted for investment into KŪB Innovation Fund Smart Energy Fund powered by Ignitis Group. The Group accounts for financial assets at fair value, and their accounting policies are set out in Note 3.15.1 of annual financial statements prepared for the year 2022. Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on investment rounds. Fair value of this financial asset will change depending on future investment rounds or other significant events.

As at 31 March 2023 and 31 December 2022 the Group has accounted for an investment into Moray West Holdings Limited. Its fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on the valuation performed by an external valuator. The valuation was performed based on discounted cash flows.

As at 31 March 2023 and 31 December 2022, the Group accounted for the option to acquire all the shares of Kaunas CHP held by UAB "Gren Lietuva" (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 UAB "Gren Lietuva" for the redeemable Kaunas CHP shares owned by UAB "Gren Lietuva", if they choose to sell them, equals to the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of the market value). Its fair value corresponds to level 2 in the fair value hierarchy.

27.2 Financial instruments for which fair value is disclosed

The Group's fair value of loans granted is approximately equal to the carrying amount. The measurement of financial assets related to the loans issued is attributed to Level 3 in the fair value hierarchy.

The fair value of the Group's bond issue debt (Note 18) 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 the issued bonds. The cash flows were discounted using a weighted average discount rate of 4.67% as at 31 March 2023 (31 December 2022 – 5.01%). Discount rates for certain bond issues are determined as bond yields for a certain issued bond. The bond issue debt is attributed to Level 2 in the fair value hierarchy.

The Group's fair value of financial liabilities related to loans is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 5.19% for loans above EUR 1 million and 4.91% for loans less than EUR 1 million (as at 31 December 2022: accordingly 4.80% and 4.84%). The measurement of financial liabilities related to these debts is attributed to Level 2 in the fair value hierarchy.

27.3 Financial instruments' fair value hierarchy levels

The Group's financial instruments categorised between the fair value hierarchy levels as at 31 March 2023:

	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 FVPL or FVOCI						
Assets						
Derivatives	23	**13.8**	-	-	**13.8**	**13.8**
Innovation Fund "Smart Energy Fund powered by Ignitis Group" KŪB		**20.9**	-	-	20.9	**20.9**
Investment into Moray West Holdings Limited		**5.0**			5.0	**5.0**
Liabilities						
Put option redemption liability	22	**38.0**	-	38.0	-	**38.0**
Derivatives	23	**76.1**	-	76.1	-	**76.1**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted		**35.0**			37.9	**37.9**
Liabilities						
Bonds issued	18	**904.1**	-	797.8	-	**797.8**
Loans received	18	**577.8**	-	468.8	-	**468.8**

28 Business combinations

28.1 Acquisition of SP Venta SIA

On 14 March 2023, the Group acquired a 100% shareholding in SP Venta SIA from a legal person. As at 31 March 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 21.6 million, EUR 2.5 million of which were paid through a bank account, EUR 19.1 million were identified as contingent consideration, which relates to the fulfillment of specific seller's obligations set out in the share purchase agreement. The amount of contingent consideration was assessed by the Group's management according to the probability of fulfillment of obligations. As at 31 March 2023 the investment was not fully paid. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 March 2023.

The Group applied the acquisition accounting method to account for this business combination 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.

As at 31 March 2023 the Group did not complete the assessment of the fair value of the net assets acquired. At the time of business combination, the values of assets and liabilities were as follows:

	Note	SP Venta SIA
Assets acquired		
Property, plant and equipment	12	0.7
Other receivables		0.1
Liabilities assumed		-
Total identifiable net assets acquired		**0.8**
Consideration paid		(2.5)
Contingent consideration		(19.1)
Total consideration transferred:		**(21.6)**
Goodwill arising from the acquisition of subsidiary	11	20.8
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(2.5)
Cash and cash equivalents acquired		-
Net cash flows		**(2.5)**

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 the Statement of other comprehensive income for the reporting period are not significant.

If the acquisition of SP Venta SIA had occurred on 1 January 2023, the management estimates that the Group's total revenue and net profit for the reporting period would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group did not incur material acquisition-related costs.

28.2 Acquisition of BRVE SIA and CVE SIA

On 17 March 2023, the Group acquired a 100% shareholding in BRVE SIA and CVE SIA from a legal person. As at 31 March 2023 the ownership rights of shares were held by the Group. Total consideration transferred for both entities amounts to EUR 0.5 million. As at 31 March 2023 investments were fully paid.

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 businesses being acquired.

As at 31 March 2023 the Group did not complete the assessment of the fair value of the net assets acquired. At the time of business combinations, the values of assets and liabilities were as follows:

	Note	BRVE SIA and CVE SIA
Assets acquired		
Property, plant and equipment	12	0.2
Cash and cash equivalents	19	0.2
Liabilities assumed		
Non-current loans and bonds	19	0.4
Total identifiable net assets acquired		**-**
Consideration paid		(0.5)
Total consideration transferred:		**(0.5)**
Goodwill arising from the acquisition of subsidiary	11	0.5
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(0.5)
Cash and cash equivalents acquired	19	0.2
Net cash flows		**(0.3)**

The amounts of revenue and profit or loss of the acquirees since the acquisition date included in the Consolidated Statement of profit or loss and the Statement of other comprehensive income for the reporting period are not significant.

If the acquisition of BRVE SIA and CVE SIA had occurred on 1 January 2023, the management estimates that the Group's total revenue and net profit would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

The Group did not incur material acquisition-related costs.

29 Events after the reporting period

29.1 Other events

Investment decision regarding the 110 MW expansion project in Kruonis PSHP

The Management Board of the Group made a final investment decision regarding the 5th unit (110 MW) of Kruonis Pumped Storage Hydroelectric Power Plant (hereinafter – Kruonis PSHP) and approved the conclusion of the contract with a consortium of companies.

The planned investments into all project-related activities are in the range of EUR 150 million. Kruonis PSHP's 5th unit is estimated to be completed by the end of 2026.

29.2 Litigations

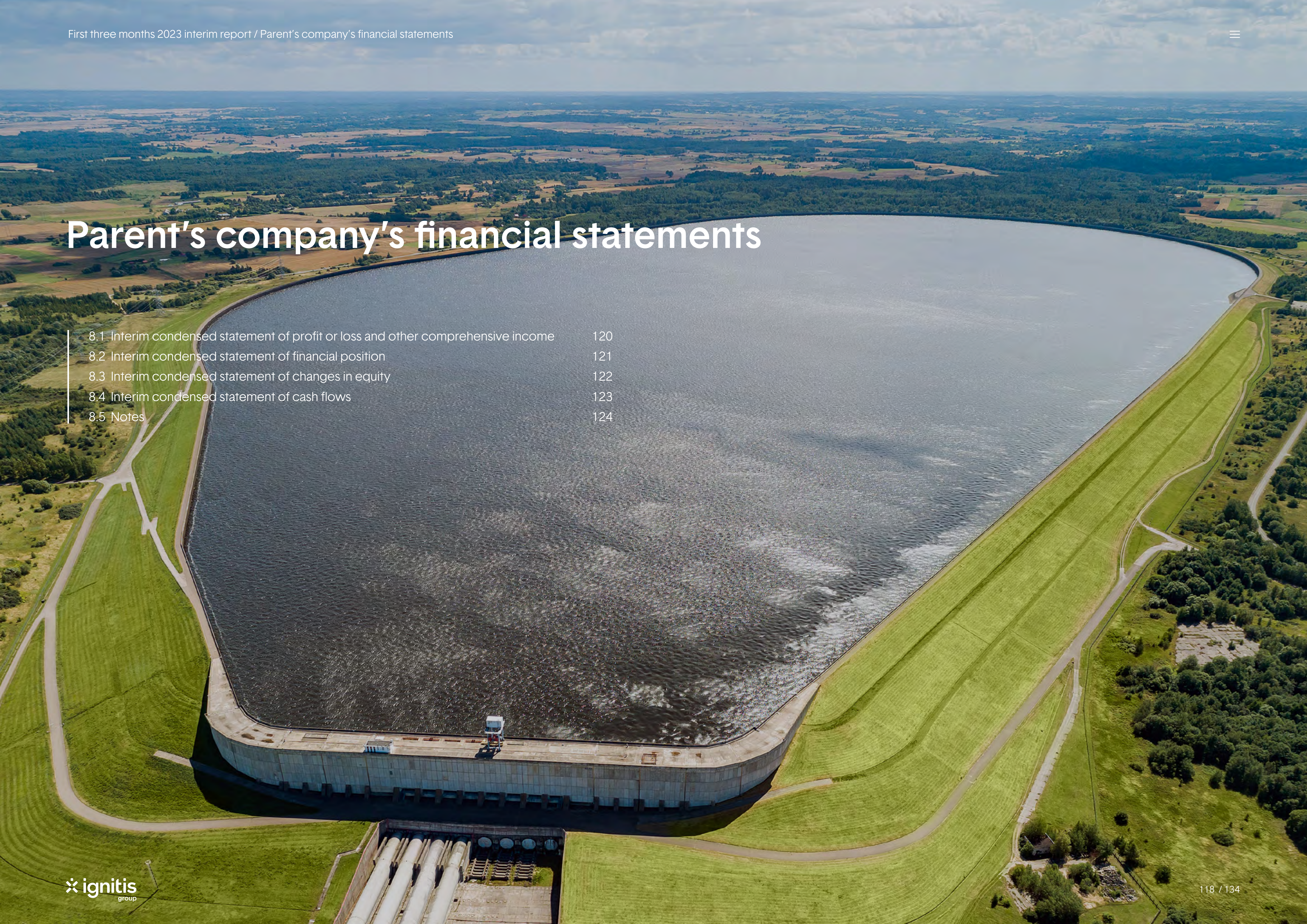
29.2.1 Litigation with AB "Šiaulių energija"

On 3 June 2022, the Supreme Court of Lithuania has accepted a cassation appeal of "LITGRID" AB. On 4 July 2022, ESO submitted a reply to the cassations appeal. On 27 April 2023, the Supreme Court of Lithuania, by a ruling of 27 April 2023, overturned the ruling of the Court of Appeal of Lithuania of 24 March 2022 and upheld the decision of the Vilnius Regional Court of 11 May 2021, which dismissed the claim against ESO in its entirety. The ruling of the Supreme Court of Lithuania entered into force immediately.

29.2.2 Litigation concerning the designated supplier state aid scheme and LNG price component

The Supreme Administrative Court of Lithuania on 19 April 2023 issued a final ruling in favour of the Group company UAB "Ignitis", rejecting the complaint of "Achema" AB regarding the setting of the LNG transmission price for 2020.

There were no other significant events after the reporting period till the issue of these interim financial statements.



Parent's company's financial statements

8 Parent's company's financial statements

Unaudited parent's company's interim condensed financial statements for the three months period ended 31 March 2023, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union

The parent company's interim condensed financial statements were prepared and signed by AB „Ignitis grupė" management on 23 May 2023:

Darius Maikštėnas
Chief Executive Officer of the parent company

Jonas Rimavičius
Chief Financial Officer of the parent company

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras",
Head of Accounting acting under
Decision No 23_GSC_SP_0010
(signed 17 February 2023)

8.1 Interim condensed statement of profit or loss and other comprehensive income

For the three- month period ended 31 March 2023

EURm	Notes	3M 2023	3M 2022
Revenue from contracts with customers	5	0.8	0.8
Dividend income	6	29.2	0.2
Total revenue and other income		**30.0**	**1.0**
Salaries and related expenses		(0.9)	(1.0)
Depreciation and amortisation		(0.5)	(0.5)
Other expenses		(1.6)	(1.0)
Total expenses		**(3.0)**	**(2.5)**
Operating profit (loss)		**27.0**	**(1.5)**
Finance income	7	13.0	9.8
Finance expenses	8	(6.5)	(5.8)
Finance activity, net		**6.5**	**4.0**
Profit (loss) before tax		**33.5**	**2.5**
Current period income tax (expenses)/benefit		(0.7)	-
Deferred tax (expenses)/benefit		-	-
Net profit for the period		**32.8**	**2.5**
Total other comprehensive income (loss) for the period		**-**	**-**
Total comprehensive income (loss) for the period		**32.8**	**2.5**
Basic earnings per share (in EUR)	9	**0.45**	**0.03**
Diluted earnings per share (in EUR)	9	**0.45**	**0.03**
Weighted average number of shares	9	**72,388,960**	**73,040,514**

8.2 Interim condensed statement of financial position

As at 31 March 2023

EURm	Notes	31 March 2023	31 December 2022
ASSETS			
Non-current assets			
Intangible assets		1.9	1.9
Property, plant and equipment		0.1	0.1
Right-of-use assets		15.7	15.7
Investment property		0.1	0.1
Investments in subsidiaries	10	1,255.2	1,255.2
Non-current receivables	11	1,422.6	1,530.1
Other financial assets		20.9	20.6
Total non-current assets		**2,716.5**	**2,823.7**
Current assets			
Prepayments and deferred expenses		0.1	0.1
Trade receivables		0.4	0.8
Other receivables		29.0	0.9
Other current assets		3.8	3.8
Current loans	12	65.8	227.8
Cash and cash equivalents		288.7	24.8
Total current assets		**387.8**	**258.2**
TOTAL ASSETS		**3,104.3**	**3,081.9**
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	1,616.4	1,616.4
Reserves	13	104.7	99.6
Reserve for treasury shares	13	37.7	37.7
Retained earnings		161.6	179.1
Total equity		**1,920.4**	**1,932.8**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	14	1,087.3	1,113.1
Non-current lease liabilities	15	14.2	14.2
Deferred tax liabilities		1.4	1.4
Total non-current liabilities		**1,102.9**	**1,128.7**
Current liabilities			
Loans	14	23.6	9.8
Lease liabilities	15	1.8	1.8
Trade payables		0.8	1.1
Income tax payable		2.1	1.8
Other current amounts payable and liabilities		52.7	5.9
Total current liabilities		**81.0**	**20.4**
Total liabilities		**1,183.9**	**1,149.1**
TOTAL EQUITY AND LIABILITIES		**3,104.3**	**3,081.9**

8.3 Interim condensed statement of changes in equity

For the three-month period ended 31 March 2023

EURm	Notes	Issued capital	Treasury shares	Legal reserve	Treasury shares reserve	Retained earnings	Total
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**88.1**	**23.0**	**186.4**	**1,933.3**
Net profit for the period		-	-	-	-	2.5	**2.5**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	2.5	**2.5**
Transfer to reserves to acquire treasury shares		-	-	-	14.7	(14.7)	**-**
Transfers to legal reserve		-	-	11.5		(11.5)	**-**
Dividends	6	-	-	-	-	(43.8)	**(43.8)**
Balance as at 31 March 2022		**1,658.8**	**(23.0)**	**99.6**	**37.7**	**118.9**	**1,892.0**
Balance as at 1 January 2023		**1,616.4**	**-**	**99.6**	**37.7**	**179.1**	**1,932.8**
Net profit for the period		-	-	-	-	32.8	**32.8**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**32.8**	**32.8**
Transfers to legal reserve	13	-	-	5.1	-	(5.1)	**-**
Dividends	6	-	-	-	-	(45.2)	**(45.2)**
Balance as at 31 March 2023		**1,616.4**	**-**	**104.7**	**37.7**	**161.6**	**1,920.4**

8.4 Interim condensed statement of cash flows

For the three-month period ended 31 March 2023

EURm	Notes	3M 2023	3M 2022
Cash flows from operating activities			
Net profit for the period		32.8	2.5
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		0.5	0.5
Fair value changes of financial instruments		-	(2.4)
Income tax expenses/(income)		0.7	-
Interest income	6	(13.0)	(7.4)
Interest expenses	7	5.8	5.1
Dividends	5	(29.2)	(0.2)
Other expenses of financing activities		0.7	0.7
Changes in working capital:			
(Increase)/decrease in trade receivables and other receivables		1.2	84.2
(Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets		-	(0.1)
Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities		0.7	(1.3)
Income tax paid/received		(0.4)	-
Net cash flows from (to) operating activities		**(1.6)**	**81.6**
Cash flows from investing activities			
Loans granted		(75.0)	(153.3)
Loan repayments received		352.3	3.1
Interest received	7	6.6	1.5
Dividends received		0.2	100.4
Investments in Innovation Fund	4.2	(0.3)	(1.4)
Net cash flows from investing activities		**283.8**	**(49.7)**
Cash flows from financing activities			
Loans received	15	134.8	73.0
Repayments of loans	15	(151.1)	-
Lease payments	15	(0.4)	(0.4)
Interest paid	15	(1.6)	(0.2)
Net cash flows from financing activities		**(18.3)**	**72.4**
Increase/(decrease) in cash and cash equivalents		**263.9**	**104.3**
Cash and cash equivalents at the beginning of the period		24.8	125.3
Cash and cash equivalents at the end of the period		**288.7**	**229.6**

8.5 Notes

For the three-month period ended 31 March 2023

1 General information

AB "Ignitis grupė" (hereinafter referred to as 'the parent company') is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės Ave. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Parent company code is 301844044. The parent company has been founded for an indefinite period.

The parent company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, and 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.

AB "Ignitis grupė" is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 10). The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating electricity distribution Networks and managing and developing its Green Generation Portfolio. The Group also manages strategically important Reserve Capacities and provides Customers & Solutions services, including the supply of electricity and natural gas, solar, e-mobility, energy efficiency and innovative energy solutions for households and businesses.

The parent company analyses the activities of the 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 parent company seeks to ensure effective operation of the 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 creates sustainable value in a socially responsible manner.

The parent company's principal shareholder is the Republic of Lithuania (74.99%).

Shareholders of the parent company	31 March 2023		31 December 2022	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.1	74.99	1,212.1	74.99
Other shareholders	404.3	25.01	404.3	25.01
In total	**1,616.4**		**1,616.4**	

These interim condensed financial statements were prepared and signed by parent company's management on 23 May 2023. These are interim condensed separate financial statements of the parent company, which are prepared in accordance with the local legal requirements. The Group also prepares consolidated interim condensed financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter referred to as 'IFRS').

2 Basis of preparation

2.1 Basis of accounting

These interim condensed financial statements have been prepared for the three-month period ended 31 March 2023 (hereinafter referred to as 'interim financial statements') and in accordance with International Accounting Standard (hereinafter referred to as 'IAS') 34 'Interim Financial Reporting'.

These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS.

Interim financial statements have been prepared on a going concern basis while applying measurements based on historical costs (hereinafter referred to as 'acquisition costs'), except for certain financial instruments measured at fair value.

These interim financial statements are presented in euros and all values are rounded to the nearest million (EUR '000,000), except when otherwise indicated. The parent company's financial year coincides with a calendar year. These interim financial statements provide comparative information in respect of the previous period.

2.2 Foreign currency translation

2.2.1 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 in the Statement of profit or loss and other comprehensive income.

3 Significant accounting policies

3.1 New standards, amendments and interpretations

3.1.1 Changes in the accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the parent company's annual financial statements for the year ended 31 December 2022, with the exception of the new standards, which entered into force during 3M 2023.

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed in the European Union during the reporting period ended 31 March 2023.:

Standards or amendments that came into force during 3M 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Definition of Accounting Estimates (Amendments to IAS 8)
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

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

3.1.1.2 Standards issued but not yet effective and not adopted early

While preparing these interim financial statements, the parent company did not adopt new IFRS, IAS, their amendments or interpretations issued by IASB the effective date of which is later than 31 March 2023 and where early adoption is permitted.

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
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

4 Critical accounting estimates and judgements used in the preparation of the financial statements

While preparing these interim financial statements, the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as the ones used while preparing the annual financial statements for the year ended 31 December 2022.

5 Revenue from contracts with customers

EURm	3M 2023	3M 2022
Management fee income	0.8	0.8
In total	**0.8**	**0.8**

The parent company's revenue from contracts with customers during 3M 2023 and 3M 2022 mainly comprised the revenue from advisory and management services provided to subsidiaries.
The parent company did not present any segment-related information as there is only one segment. All performance obligations of the parent company are settled over time.

The parent company's balances under the contracts with customers:

EURm	31 March 2023	31 December 2022
Trade receivables	0.4	0.8

6 Dividends

6.1 Dividends declared by the parent company

EURm	3M 2023	3M 2022
AB "Ignitis grupė"	45.2	43.8

EUR 45.2 million dividend for the second half of 2022 was approved at the Ordinary General Meeting of shareholders on 30 March 2023 and EUR 43.8 million dividend for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022.

6.2 Dividends received by the parent company

Dividends received by the parent company from the Group companies during the 3M 2023 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
21/03/2023	UAB Elektroninių mokėjimų agentūra	2022	0.5000	0.2	0.2	-
28/03/2023	AB "Energijos skirstymo operatorius"	2023	0.0324	29.0	29.0	-
Total				**29.2**	**29.2**	**-**

7 Finance income

EURm	3M 2023	3M 2022
Interest income at the effective interest rate	12.7	7.4
The fair value of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB	0.3	2.4
In total	**13.0**	**9.8**

The parent company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 11.2 and 12). During the 3M 2023, the parent company received EUR 6.6 million (3M 2022: EUR 1.5 million) interest income in cash, which is presented in the Statement of cash flow under line item 'Interest received'.

8 Finance expenses

EURm	3M 2023	3M 2022
Interest expenses	5.7	5.0
Interest and discount expense on lease liabilities	0.1	0.1
Other expenses of financing activities	0.7	0.7
In total	**6.5**	**5.8**

The parent company incurs interest expenses on long-term and short-term loans payable and bonds issued (Note 14). During the 3M 2023, the parent company paid interest in cash in the amount of EUR 1.6 million (3M 2022: EUR 0.2 million), which is presented in the Statement of cash flow under line item 'Interest paid'.

9 Earnings per share

The parent company's earnings per share and diluted earnings per share were as follows:

EURm	3M 2023	3M 2022
Net profit	**32.8**	**2.5**
Weighted average number of nominal shares	72,388,960	73,040,514
Basic earnings/(loss) per share attributable to shareholder of the parent company (EUR)	0.45	0.03
Diluted earnings/(loss) per share attributable to shareholder of the parent company (EUR)	0.45	0.03

Basic and diluted earnings per share indicators have been calculated based on 72,388,960 weighted average number of ordinary shares as at 31 March 2023 (as at 31 March 2022: 73,040,514). As at 31 March 2022 the parent company held its own ordinary shares (treasury shares), which are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they were held by the parent company. On 9 August 2022 the parent company has reduced its share capital by annulling the acquired treasury shares.

10 Investments in subsidiaries

Information on the parent company's investments in subsidiaries as at 31 March 2023 are provided below:

EURm	Acquisition cost	Impairment	Carrying amount	Parent company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
AB "Energijos skirstymo operatorius"	750.4	-	750.4	100.00	100.00
AB "Ignitis gamyba"	321.2	-	321.2	100.00	100.00
UAB "Ignitis renewables"	54.2	-	54.2	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	52.3	-	52.3	100.00	100.00
UAB "Ignitis"	47.1	-	47.1	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20.4	-	20.4	51.00	51.00
UAB "Ignitis grupės paslaugų centras"	6.0	-	6.0	50.47	100.00
UAB "Transporto valdymas"	2.4	-	2.4	100.00	100.00
UAB Elektroninių mokėjimų agentūra	0.8	-	0.8	100.00	100.00
UAB "Gamybos optimizavimas"	0.4	-	0.4	100.00	100.00
In total	**1,255.2**	**-**	**1,255.2**		

The parent company carried out an analysis to determine the existence of indications of impairment for investments into subsidiaries as at 31 March 2023. During the 3M 2023 there have been no significant adverse changes in the technological, market and legal environment where the subsidiaries are operating, and such changes are unlikely to occur soon. Changes in economic environment are being followed by the parent company, and the parent company estimates that the current changes will not have a significant negative influence on its subsidiaries' operations. No impairment indications were identified as at 31 March 2023.

11 Non-current receivables

EURm	31 March 2023	31 December 2022
Loans granted	1,422.6	1,530.2
Total	**1,422.6**	**1,530.2**
Less: loss allowance	-	-
Carrying amount	**1,422.6**	**1,530.2**

11.1 Expected credit losses of loans granted

As at 31 March 2023, the parent 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 11.2 and 12).

11.2 Loans granted

The parent company's loans granted as at 31 March 2023 comprised loans granted to the following subsidiaries:

EURm	31 March 2023	31 December 2022
Within one year (Note 11)	35.6	205.4
From 1 to 2 years	7.9	7.9
From 2 to 5 years	396.9	247.4
After 5 years	1,017.8	1,274.8
Carrying amount	**1,458.2**	**1,735.5**

As at 31 March 2023, the granted loans with a floating interest rate amounted to EUR 64.8 million, and with a fixed interest rate – EUR 1,393.4 million.

New loan granted to UAB "Ignitis renewables"

On 30 January 2023 the parent company granted a long-term loan to its subsidiary UAB "Ignitis renewables" with a maximum withdrawal amount of EUR 280.0 million and a fixed interest rate. The loan's maturity date is 21 May 2030. The balance of the loan as at 31 March 2023 is EUR 30.0 million.

Fair values of the loans granted are presented in Note 18.

As at 31 March 2023, the parent 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 (hereinafter referred to as 'ECL') was recognized.

12 Current loans

EURm	31 March 2023	31 December 2022
Cash-pool loans	0.7	197.5
Interest receivable on loans and issued guarantees	30.2	22.4
Current portion of non-current loans	34.9	7.9
Total	**65.8**	**227.8**
Less: loss allowance	-	-
Carrying amount	**65.8**	**227.8**

As at 31 March 2023, the parent 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 (hereinafter referred to as 'ECL') was recognized.

13 Equity and reserves

13.1 Capital management

For the purpose of capital management, the management uses Equity as reported in the Statement of financial position.

Pursuant to the Law on Companies of the Republic of Lithuania, the issued capital of a public limited liability company must not be less than EUR 25,000 and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 March 2023 and 31 December 2022, the parent company has met the requirements of capital regulation.

13.2 Issued capital

EURm	31 March 2023	31 December 2022
Authorised shares		
Ordinary shares	1,616.4	1,616.4
Ordinary shares issued and fully paid	**1,616.4**	**1,616.4**

As at 31 March 2023, the parent company's issued capital comprised EUR 1,616.4 million (31 December 2022: EUR 1,616.4 million) and was divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share (31 December 2022: 72,388,960 ordinary registered shares with EUR 22.33 value for a share).

Reconciliation of the number of shares at the beginning and at the end of the period:

	31 March 2023	31 December 2022
Number of authorised shares as at beginning of period	**72,388,960**	**74,283,757**
Reduction of ordinary shares	-	(1,894,797)
Number of authorised shares at the end of the period	**72,388,960**	**72,388,960**

13.3 Reserves

During 3M 2023 the parent company transferred EUR 5.1 million to the legal reserve. The parent company's legal reserve as at 31 March 2023 was not fully formed.

14 Loans and bonds

EURm	31 March 2023	31 December 2022
Non-current		
Bonds issued	890.6	890.1
Bank loans	196.7	223.0
Current		
Current portion of non-current loans	9.8	-
Accrued interest	13.8	9.8
Total loans and bonds	**1,110.9**	**1,122.9**

The 3M 2023 expenses related to interest on the issued bonds totalled EUR 4.8 million (for the 3M 2022: EUR 4.8 million). The accrued amount of coupon payable as at 31 March 2023 amounted to EUR 13.8 million (31 December 2022: EUR 9.8 million).

Bonds by maturity:

EURm	31 March 2023	31 December 2022
From 1 to 2 years	9.8	150.0
From 2 to 5 years	343.4	297.0
After 5 years	734.1	666.1
In total	**1,087.3**	**1,113.1**

Loans and bonds are denominated in euros.

On 10 March 2023, the parent company took over the loans of the Group company Vilnius CHP in the amount of EUR 190.0 million according to the long-term loan contract with the European Investment Bank. The loan was used for the construction of a biomass unit and a waste-to-energy unit. Maturity of the loans are 7 April 2037, 21 October 2036, 13 June 2036, 19 December 2035, and the interest rate is fixed. The balance of the loans as at 31 March 2023 is EUR 143.0 million.

During the 3M 2023, the parent company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current liabilities could be changed.

As at 31 March 2023 the parent company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 499.0 million (31 December 2022: EUR 269.0 million).

15 Net debt

Net Debt is a non-IFRS liquidity measure used to determine the value of debt against highly liquid assets owned by the parent company. Only debts to financial institutions, issued bonds and related interest payables as well as lease liabilities are included in the Net Debt calculation. This note sets out an analysis of Net Debt, a non-IFRS measure for the purposes of presentation of these financial statements as defined by the management below.

Net Debt balance:

EURm	31 March 2023	31 December 2022
Cash and cash equivalents	(288.7)	(24.8)
Non-current loans and bonds payable after one year	1,087.3	1,113.1
Current loans and bonds payable within one year (including overdraft and accrued interest)	23.6	9.8
Lease liabilities	16.0	16.0
Net debt	**838.2**	**1,114.1**

Reconciliation of the parent company's Net Debt balance cash flows from financing activities:

	Assets	Lease liabilities		Loans and bonds		
EURm	**Cash and cash equivalents**	**Non-current**	**Current**	**Non-current**	**Current**	**Total**
Net debt of 1 January 2023	**(24.8)**	**14.2**	**1.8**	**1,113.1**	**9.8**	**1,114.1**
Cash changes						
(Increase) decrease in cash and cash equivalents	(263.9)	-	-	-	-	**(263.9)**
Proceeds from loans	-	-	-	123.6	11.2	**134.8**
Repayments of loans	-	-	-	(150.0)	(1.1)	**(151.1)**
Lease payments	-	-	(0.4)	-	-	**(0.4)**
Interest paid	-	-	(0.2)	-	(1.4)	**(1.6)**
Non-cash changes						
Lease contracts concluded		0.5	-			**0.5**
Accrual of interest payable	-	-	0.1	0.6	5.1	**5.8**
Reclassifications between items	-	(0.5)	0.5	-	-	**-**
Net debt of 31 March 2023	**(288.7)**	**14.2**	**1.8**	**1 087.3**	**23.6**	**838.2**

16 Contingent liabilities and commitments

16.1 Guarantees issued and received by the parent company

16.1.1 Issued guarantees related to loans

The parent company's guarantees issued in respect of loans received by subsidiaries were as follows:

Entity	Beneficiary of the guarantee	Maximum amount of the guarantee	31 March 2023[1]	31 December 2022[1]
Subsidiary	Banks	525.3	253.0	216.1
Subsidiary	Group companies	-	4.8	6.0
In total		**525.3**	**257.8**	**222.1**

[1] The amount which should be covered by the parent company in case an entity could not perform its obligations.

16.1.2 Other issued guarantees

The parent company has provided the following other guarantees:

Entity	Beneficiary of the guarantee	Maximum amount of the guarantee	31 March 2023[2]	31 December 2022[2]
Subsidiaries	Banks	48.4	48.4	28.9
Subsidiaries	Other companies	558.7	21.1	128.0
Not subsidiary	Banks	9.4	-	-
Not subsidiary	Other companies	3.7	-	-
In total		**620.2**	**69.5**	**156.9**

[2] The amount which should be covered by the parent company in case an entity could not perform its obligations.

New significant guarantees issued

On 13 March 2023, the parent company has issued a guarantee in favour of SEB bank AB for EUR 20.0 million. The guarantee is provided to guarantee the performance of obligations of a subsidiary.

16.2 Litigations

During the 3M 2023, there were no significant changes in litigations reported in annual financial statements of 2022 or new significant litigations.

17 Related party transactions

The balance of the parent company's transactions with related parties during the period and after the end of the period are presented below:

Related parties, EURm	Accounts Receivable 31 March 2023	Loans Receivable 31 March 2023	Accounts Payable 31 March 2023	Sales 3M 2023	Purchases 3M 2023	Finance income/ (cost) 3M 2023
Subsidiaries	29.5	1,488.0	0.5	0.8	0.9	12.6
In total	**29.5**	**1,488.0**	**0.5**	**0.8**	**0.9**	**12.6**

Related parties, EURm	Accounts Receivable 31 December 2022	Loans Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 3M 2022	Purchases 3M 2022	Finance income/ (cost) 3M 2022
Subsidiaries	0.8	1,757.9	0.4	0.8	0.2	7.3
In total	**0.8**	**1,757.9**	**0.4**	**0.8**	**0.2**	**7.3**

The parent company's dividend income received from subsidiaries during the 3M 2023 and 2022 is disclosed in Note 6.

As at 31 March 2023, the parent company has issued guarantees for financial loans to its subsidiaries (Note 16.1)

The loans provided to subsidiaries are disclosed in Notes 11 and 12.

17.1 Compensation to key management personnel

EURm	3M 2023	3M 2022
Remuneration, salaries and other short-term benefits to key management personnel	0.3	0.3
Whereof:		
Short-term benefits	*0.3*	*0.2*
Termination benefits	*-*	*0.1*
Share-based payment expenses	*-*	*-*
Number of key management personnel	12	12

During 3M 2023 and 2022 members of the Management Board, Supervisory Board as well as the Chief Executive Officer were considered as the parent company's key management personnel. For more information on the key management personnel, see '4 Governance report' in our Annual report 2022.

18 Fair value of financial instruments

18.1 Financial instruments, measured at fair value

The parent company's investments into Innovation Fund "Smart Energy Fund powered by Ignitis Group" KŪB (Level 3) are measured at fair value.

As at 31 March 2023 and 31 December 2022, the parent company has accounted for investments into Innovation Fund "Smart Energy Fund powered by Ignitis Group" KŪB. The fair value measurement of this financial asset is based on investment rounds. The fair value of this financial asset will change depending on future investment rounds or other significant events.

18.2 Financial instruments for which fair value is disclosed

The carrying amount of the parent company's short-term financial assets and financial liabilities is measured at an amortised cost approximated to their fair value, except for bond issue debts, debt liabilities to commercial, state-owned banks 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 March 2023 and 31 December 2022, the fair value of the parent company's amounts receivable related to loans receivable from its subsidiary AB "Energijos skirstymo operatorius" is estimated by discounting the cash flows with a market interest applied for a similar period bond. A market interest rate for certain bond issues is determined as bond yields for certain issued bonds. Cash flows were discounted using an average discount rate of 4.67% as at 31 March 2023 (31 December 2022: 5.01%). The fair value of the amounts receivable is attributed to Level 2 of the fair value hierarchy.

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 5.19% as at 31 March 2023 (31 December 2022: 4.80%). The measurement of financial liabilities related to the loans granted is attributed to Level 2 of the fair value hierarchy.

The fair value of the parent company's bond issue debt (Note 14) 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 4.67% as at 31 March 2023 (31 December 2022: 5.01%). Discount rates for certain bond issues are determined as bond yields for a certain issued bond. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The parent company's fair value of debt liabilities to state-owned 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 discount rate of 5.19%. The measurement of financial liabilities related to debt liabilities to commercial and state-owned banks is attributed to Level 2 of the fair value hierarchy.

The parent company's financial instruments categorised between the fair value hierarchy levels as at 31 March 2023:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobser-vable inputs	In total
Financial instruments measured at FVPL						
Assets						
Innovation Fund "Smart Energy Fund powered by Ignitis Group" KŪB		**20.9**	-	-	20.9	20.9
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary AB "Energijos skirstymo operatorius"	11.2	**628.6**	-	552.9	-	**552.9**
Loans granted to other Group companies	11.2, 12	**858.5**	-	722.6	-	**722.6**
Liabilities						
Bonds issued	14	**904.1**	-	797.8	-	**797.8**
Loans received	14	**206.8**	-	126.2	-	**126.2**

19 Events after the reporting period

19.1 New guarantees issued by the parent company

On 18 April 2023, the parent company has issued a guarantee in favour of Moray West Holdings Limited for GBP 1.5 million (EUR 1.7 million). The guarantee is provided to guarantee the performance of obligations of a subsidiary. Guarantee maturity date is not defined.

On 17 May 2023, the parent company has issued a guarantee in favour of SEB bank AB for EUR 26.8 million. The guarantee is provided to guarantee the performance of obligations of a subsidiary. Guarantee maturity date is 17 January 2030..

There were no significant events after the reporting period till the issue of these interim financial statements.

9 Responsibility statement

23 May 2023

Referring to the provisions of the Article 14 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", Jonas Rimavičius, Chief Financial Officer at AB „Ignitis grupė", and Giedruolė Guobienė, Head of Accounting at UAB „Ignitis grupės paslaugų centras", acting under Decision No 23_GSC_SP_0010 of 17 February 2023, hereby confirm that, to the best of our knowledge, AB „Ignitis grupė" interim condensed consolidated and the interim condensed parent company's financial statements for the three months period ended 31 March 2023 prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB „Ignitis grupė" consolidated and the parent company's assets, liabilities, financial position, profit or loss, and cash flows for the period, the Interim report 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 of the parent company

Jonas Rimavičius
Chief Financial Officer of the parent company

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras",
Head of Accounting,
acting under Decision No 23_GSC_SP_0010
(signed 17 February 2023)

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10 Legal notice

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Certain financial and statistical information presented in this document is subject to rounding adjustments. Accordingly, any discrepancies between the listed totals and the sums of the amounts are due to rounding. Certain financial information and operating data relating to Ignitis Group presented in this document has not been audited and, in some cases, is based on the management's information and estimates, and is subject to change. This document may also include certain non-IFRS measures (e.g., Alternative Performance Measures, described at https://ignitisgrupe.lt/en/reports-and-presentations) which have not been subjected to a financial audit for any period.

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