ignitis group

2020 Interim report

Consolidated interim report for the 12-month period ended 31 December 2020

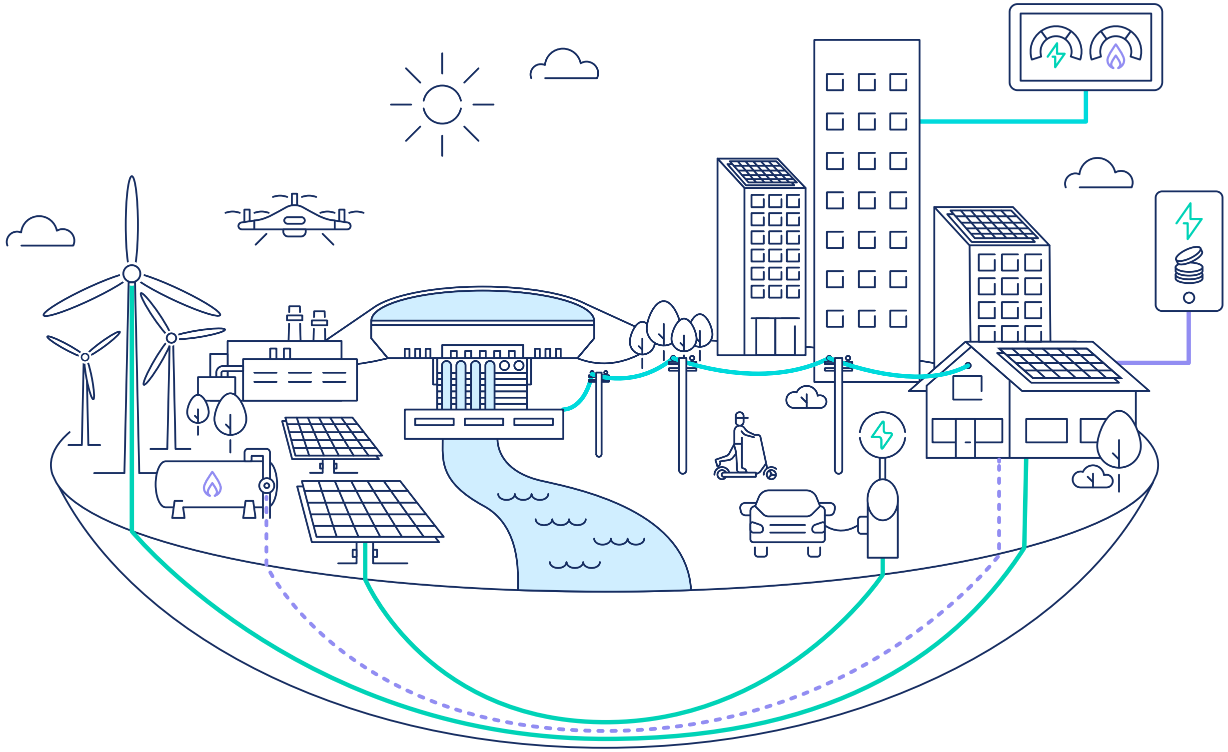
Ignitis Group – creating an energy smart world

Who we are

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

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

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



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

Green Generation
Focused, sustainable and profitable growth.

Flexible Generation
Reliable and flexible power system.

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

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Overview

ignitis group

1.1 CEO's statement

Delivering today to change tomorrow

We present you the results of Ignitis Group and an overview of the year 2020, which highlights our achievements, challenges, and changes during this unusual year.

The ripples of the COVID-19 pandemic and the quarantine restrictions affected every one of us. However, this situation proved once again that the determination of a unified professional team can overcome many challenges. Our colleagues made immense efforts during this extraordinary period.

The year 2020 will moreover stand out for Ignitis Group due to the completion of the largest ever IPO in the Baltic region. During the IPO, we successfully raised EUR 450 million of primary capital. It is a major form of recognition of our sustainable growth strategy.

We have proven once again that Ignitis Group is ready to lead the energy transition in the Baltic region by expanding Green Generation capacity and creating long-term sustainable value to all our shareholders and stakeholders.

GRI 102-1 GRI 102-14

Sustainability

Creating a sustainable future is one of our strongest long-term commitments embedded in Ignitis Group's strategy presented last year. It can only be achieved with the decarbonisation of the energy sector, development of innovative solutions and sustainable growth while following the principles of environmental, social, and good corporate governance (ESG), which are the basis of our businesses.

In this journey, we follow the principles of the United Nations Global Compact and recognise the increasingly important role of corporations in contributing to sustainable development. In 2020, we updated our Sustainability Policy and adopted a new Code of Ethics, which clearly states the principles of conduct expected from our employees and partners as well as our commitment to fostering those principles. We will continue our efforts to make sure that the Code of Ethics becomes an integral part of our organisational culture.

In 2020, we laid the groundwork for delivering on our sustainability commitments. We conducted an inventory of our carbon emissions in preparation for the pathway to net zero emissions by 2050. We also made significant progress with disclosures by making many of the Group's internal policies publicly available on our website. We also received and published independent evaluations of our ESG performance by the global ratings agencies MSCI and Sustainalytics.

Our comprehensive Sustainability Report will be presented as part of the Annual Report this year and will be aligned with globally recognised standards, such as the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide. We hope that enhanced disclosures will help our stakeholders to better assess our performance and progress.

We are glad that the year 2020, despite the public health emergency, showed that the Group's efforts to ensure respect, equal opportunity, safe environment, and a culture of growth is observed and appreciated by our colleagues. The Employee Net Promoter Score (eNPS) grew from 24.5% to 56.0% compared to 2019. It is a significant increase showing that we are on the right path.

New developments towards a more sustainable future deserve a mention as well. A hydrogen platform established in Lithuania last year is one of the highlights among the initiatives to decarbonise the energy sector, thus we became a part of it too. This way, we will contribute to the development of hydrogen as a potential fuel of the future and to the overall sector ecosystem.

Performance

In 2020, we continued to grow and achieved a solid result of EUR 291.6 million of adjusted EBITDA which exceeded our expectations and outperformed our guidance to the market by around 10%. It was driven by better than expected results of the CCGT unit in Elektrėnai Complex of Flexible Generation segment and Kruonis PSHP of Green Generation segment as well as better overall performance of Customers & Solutions segment activities.

Adjusted EBITDA was EUR 31.7 million or 12% higher compared to 2019. Adjusted EBITDA results increased in all main Group's operating segments. The year-on-year increase in the Networks segment due to a higher RAB value reflects our continued investments into the reliability of the network, new customer connections and upgrades. Growth in Green Generation segment, the result of which improved by 17%, was influenced by the efficient performance of Kruonis PSHP and the launch of Kaunas CHP. Flexible Generation segment grew due to successful commercial activities in Elektrėnai complex. The Customers & Solutions segment result increased due to expansion to the Finnish gas market.

Moreover, during 2020 we made huge steps in Green Generation segment which are not yet fully reflected in the financial results: Kaunas CHP started its commercial activities in August 2020, all wind turbines in Pomerania WF were completed, and it is expected to start generating electricity in Q1 2021, 'hot' tests were completed at Vilnius CHP for the waste-to-energy unit, which should also start its operations in Q1 2021. Thus, we expect even higher growth of adjusted EBITDA in Green Generation segment during 2021, which will affirm the promise made to our stakeholders.

On the other hand, the completion of Ignitis Group IPO in October strengthened the capital structure of the Group, which led to the event driven review of the credit rating and subsequent outlook change. The international credit rating agency S&P Global Ratings upgraded the credit rating outlook from 'negative' to 'stable' with BBB+ credit rating. It is an additional confirmation of us being able to ensure the implementation of our sustainable growth strategy and an indication of the reliability of Ignitis Group.

In 2020, a new dividend policy of Ignitis Group was also approved. Under the new policy, dividends of EUR 85 million will be declared for the financial year 2020. For each subsequent financial year, dividends will be at least 3% higher than the amount paid for the previous financial year. This will ensure a growing return which is in line with the goals set by Ignitis Group on maintaining a sustainable financial position and creating value for its shareholders.

Key developments

During 2020, we continued to develop generation capacity of our Green Generation segment.

Over the last year we erected all 29 wind turbines in Pomerania WF in Poland. It should start generating electricity already in spring this year. In addition to further expansion in Poland, we concluded an agreement for the acquisition of the solar PV development portfolio with total capacity of up to 170 MW. It became the largest agreement of this type in Central Europe. All this ensures us stepping forward towards the implementation of the ambitious future projects.

Besides, by concluding the partnership with Ocean Winds we for the first time appeared in the offshore development market. We not only aim to participate in the offshore wind farm auctions to be held in Lithuania in 2023, but also will act as a minority partner in the development of the Moray West wind farm on the east coast of the United Kingdom.

We also progressed with the development of CHP assets. In August, Kaunas CHP started its commercial activities, while 'hot' tests were completed at Vilnius CHP, the waste-to-energy unit. On the other side, while developing Vilnius CHP we faced some challenges. While the waste-to-energy unit of Vilnius CHP should start its commercial activities as expected (around Q1 2021), the launch of the biomass unit may be delayed by approximately one year. This is mainly due to the contract termination with biomass unit contractor Rafako, which has launched the process of restructuring. Currently, we are preparing to start public procurement procedures to engage potential contractors to finish the project.

Lastly, we started preparatory works for the 63 MW Mažeikiai WF construction in Lithuania.

Being well on track to meet our Green Generation portfolio development goals, we also expanded our Customers & Solutions segment activities to the Finnish and Polish energy supply markets.

Looking ahead

We remain committed to reducing the greenhouse gas emissions from our activities and to reach net zero emissions by 2050, this way contributing to slowing the rate of climate change. A detailed GHG management plan will be prepared in 2021. It will comply with the requirements of the Science Based Targets Initiative (SBTi) led by the United Nations and other international organisations. We will also continue to pursue other important sustainability goals in the environmental, social and governance domains.

Over the last 5 years we have intensively worked on Green Generation development projects and will continue expanding our portfolio even further. In 2024, our Green Generation segment capacity should reach 1.8–2.0 GW. We currently manage 1.1 GW of operating generation capacity in this segment, which means that the installed capacity would increase by around 700–900 MW. During the period of 2021–2024, we expect the investments into renewable energy projects to amount to EUR 800–1,000 million.

The second largest proportion of the investments, amounting to EUR 800–900 million, will be directed to the Networks segment. We will continue to increase the security, reliability and resilience of the electricity and gas distribution system as well as responsibly expand the grid, following the needs of our clients. The implementation of smart metering programme will enable our clients to use the benefits of digitalised network for all of their energy smart ideas at their homes and businesses.

Lastly, we continue our commitment towards maintaining our financial discipline. To increase effective capital employment, we included a target to grow ROCE by 5.5–6.5% in the updated Strategic plan for the period of 2021–2024. This will support us in ensuring steadily increasing dividends to our shareholders.

Concluding remarks

2020 was a year of change. We are proud of what we have achieved so far, and we know that there is always some room for improvement. Therefore, we will continue to incorporate widely recognised governance standards in our activity, seeking to ensure our transparency and maintain the trust we have gained from our shareholders and stakeholders. Having a platform filled with market expertise and an ambitious mindset, we will take our responsibility to lead the energy transition in our region even further.

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

1.2 Business highlights

January

Customers & Solutions: Entered the Finnish gas supply market.

Customers & Solutions: Entered the Polish electricity supply (B2B) market.

March

Governance: Number of Supervisory Board members increased from 5 to 7.

April

Sustainability: Received a rating of A (on a scale of CCC-AAA) in the MSCI ESG Ratings assessment.

May

Finance: Issued EUR 300 million 10-year bond.

June

Strategy: Updated the long-term corporate strategy and prepared a 2020-2023 Strategic plan.

July

Governance: Jumped from 33rd place to 12-13th in the Lithuanian Corporate Reputation Index.

Finance: Delisted ESO and Ignitis Gamyba from Nasdaq Vilnius.

Flexible Generation: EC units successfully participated in test of the operation of the isolated Lithuanian energy system.

August

Green Generation: Began preparatory construction works of Mažeikiai WF (63 MW) in Lithuania.

Green Generation: Kaunas CHP (24 MWe, 70 MWth) started its commercial activities.

Green Generation: Vilnius CHP (92 MWe, 229 MWth) implemented the 'hot' testing of waste heat boilers.

September

Finance: Approved a new dividend policy.

Green Generation: SPA signed with SIG for the solar PV development portfolio (up to 170 MW) in Poland.

Sustainability: Obtained Sustainalytics ESG risk rating of 26.5 which is medium at the risk rating scale.

Green Generation: Concluded partnership with Ocean Winds to develop offshore wind farm projects.

October

Finance: Completed the largest ever IPO in the Baltic States and began trading on Nasdaq Vilnius and London stock exchanges.

Green Generation: Vilnius CHP terminated the contract with biomass contractor Rafako.

Networks: NERC set electricity and natural gas distribution price caps for 2021.

November

Governance: 2 new independent members (Bent Christensen and Judith Buss) appointed to the Supervisory Board.

Finance: S&P Global Ratings upgraded BBB+ rating outlook from negative to stable.

December

Governance: LTIP for the top executives established.

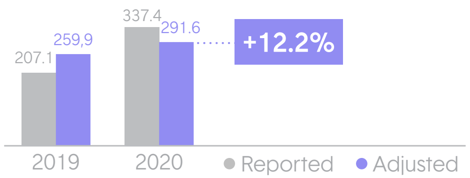
Green Generation: All 29 wind turbines erected in Pomerania WF (94 MW) in Poland with expected COD in Q1 2021.

Multiple segments: NERC updated WACC methodology.

1.3 Performance highlights

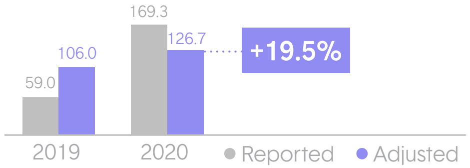
Financial

EBITDA, Adjusted EBITDA APM
EURm



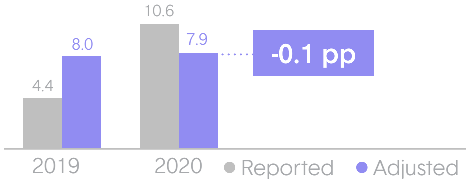
Adjusted EBITDA grew across all four segments. An increase of 12.2% was driven by regulated asset base (RAB) growth in the Networks segment, better result of commercial activities of the CCGT unit, efficient use of Kruonis PSHP, launch of Kaunas CHP and expansion to the Finnish gas market.

Net profit, Adjusted net profit APM
EURm



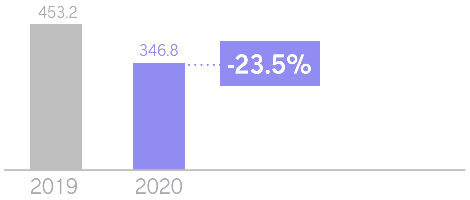
Adjusted net profit increased by 19.5% driven by growth in Adjusted EBITDA which was partly offset by higher income tax expenses.

ROE, Adjusted ROE APM
%



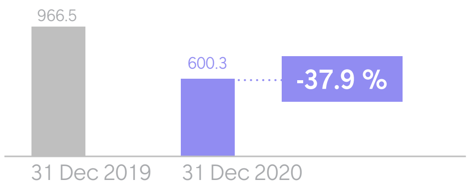
Adjusted ROE slightly decreased to 7.9%. An effect of increased Adjusted net profit was offset by increase of capital during the IPO.

Investments APM
EURm



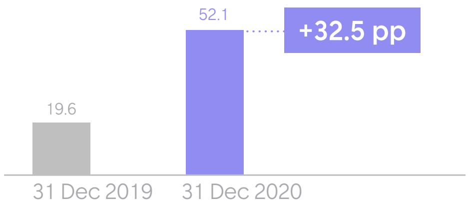
Investments decreased mainly due to lower investments in Vilnius CHP and the Networks segment. Decrease was partly offset by higher investments in Kaunas CHP and Pomerania WF.

Net debt APM
EURm



Net debt decreased by 37.9%. The decrease mainly resulted from the capital raised during the IPO (EUR 450.0 million).

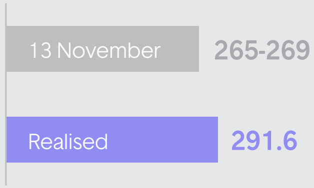
FFO/Net debt APM
%



FFO / Net debt improved from 19.6% to 52.1%, as Net Debt significantly decreased post IPO and FFO increased due to higher EBITDA.

Results comparison with the outlook for 2020

Adjusted EBITDA APM
EURm



In the outlook announced in our 2020 9-month interim report, we expected adjusted EBITDA to be in the range of EUR 265–269 million for 2020.

With adjusted EBITDA of EUR 291.6 million, we exceeded the guidance by around 10%.

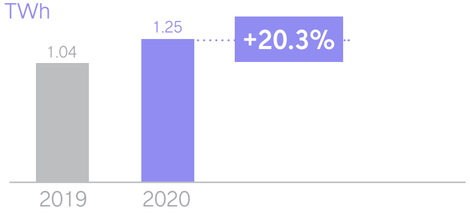
The outperformance was driven by better than expected results of Kruonis PSHP (Green Generation segment), the CCGT unit of Elektrėnai Complex (Flexible Generation segment) and better overall performance of the Customers & Solutions segment.

** Because of the restatement of comparative figures for the year 2019 in 2020 Financial Statements, the performance indicators presented here (and throughout this report) for 2019 might differ from those presented in the 2019 Annual Report. Changes of the financial figures of 2019 are disclosed in 2020 Financial Statements Note 5. In case of a change of calculation of APM in 2020, the measures of 2019 were recalculated as to the calculation of 2020. The calculation of Adjusted EBIT was changed from H1 2020 (more information in Adjusted EBIT section of the report).*

APM Alternative Performance Measure - Adjusted figures used in this report refer to measures used for internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. The definitions of alternative performance measures can be foundin the 'Further information' section of this report or the Group's website.

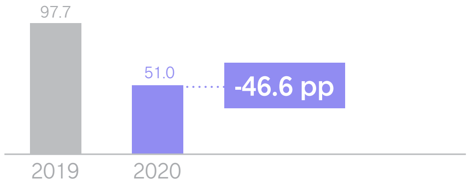
Environment

Green electricity generated
TWh



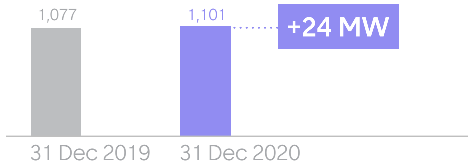
Green electricity generated increased by 20.3% which was mainly driven by higher generation at Kruonis PSHP as a result of effective utilisation of fluctuations in electricity prices and Kaunas CHP, which commenced commercial operations in August 2020.

Green share of generation
%



Green share of generation decreased by 46.6 pp as a result of significant increase of electricity generated from the CCGT, caused by favourable gas prices and changes in the regulation of ancillary services.

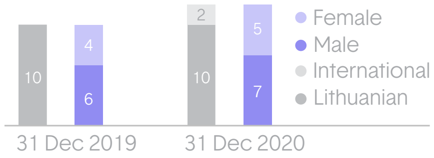
Green Generation installed capacity
MW



Installed Green Generation capacity increased by 24 MW since Kaunas CHP commenced commercial operations in August 2020.

Governance

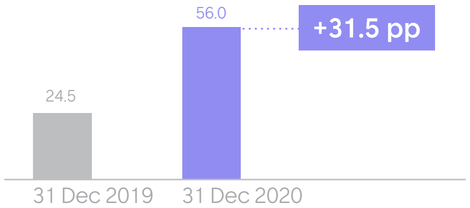
Supervisory and Management Boards
Nationality and gender diversity



As of 31 December 2020, the Supervisory and Management Boards had 42% female and 17% international members. In 2020 two new international members joined the Supervisory Board (one female and one male) resulting in an improvement of diversity in the main governing bodies.

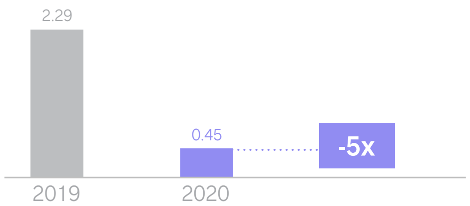
Social

Employee satisfaction
eNPS, % (1-100)



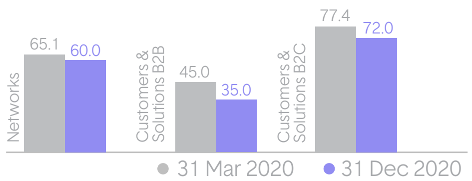
From 2019 the Group started to monitor eNPS, which improved by 31.5 pp. The Group's actions taken during COVID-19 and greater focus on employee development positively impacted employee satisfaction.

Safety
TRIR, times



During 2020, total recordable employee injury rate (TRIR) equalled to 0.45 for million hours worked and was 5 times lower compared to 2019. We consider 2020 TRIR to be an outlier mainly because of the mobility restrictions imposed by the COVID-19 pandemic.

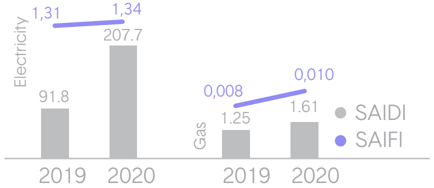
Customer experience
NPS, %



From 2020 the Group started to monitor relationship NPS. NPS decreased by 5.1 pp in the Networks segment, by 10 pp in B2B and by 5.4 pp in B2C in the Customers & Solutions segment mainly influenced by B2C market deregulation. Increased inquiries and calls related to market deregulation influenced lower customer service quality, and the responses were provided later than usual. Nevertheless, NPS indicators remain relatively high compared to other utilities.

Operational efficiency

Network quality
SAIDI, min./ SAIFI, units



Deterioration of electricity quality indicators was mainly caused by storm Laura (12–13th March), which was the biggest storm since 2005. Deterioration of gas quality indicators resulted from the network disruptions by third parties. The largest disruption in gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020.

1.4 Outlook

Adjusted EBITDA guidance

We expect 2021 Adjusted EBITDA to amount to EUR 300–310 million. This represents 3–6% growth compared to 2020 result. The growth is expected to be driven by the Green Generation segment due to the launch of Vilnius CHP waste-to-energy unit in Lithuania, Pomerania WF in Poland, and full-year result of Kaunas CHP, which was launched last year.

Networks – higher

Adjusted EBITDA for the Networks segment will continue to increase due to growing value of RAB driven by continued investments programme to the distribution network mainly comprising of replacement of overhead lines with underground lines as well as new customer connection and upgrade.

Approved RAB for electricity distribution for 2021 amounts to EUR 1,414 million and for gas distribution – EUR 249 million. Approved WACC for electricity distribution for 2021 is 5.34%, for gas distribution – 3.90%.

Green Generation – higher

Adjusted EBITDA for the Green Generation segment is expected to be higher as a result of:
- start of operations of Pomerania WF in Poland in Q1;
- start of operations of Vilnius CHP's waste-to-energy unit in Q1;
- full year effect of Kaunas CHP which commenced commercial operation in August 2020.

Flexible Generation – lower

Due to extremely favourable conditions in 2020, the CCGT unit in Elektrėnai performed better than expected. For 2021 we expect more moderate performance and a lower result in this segment.

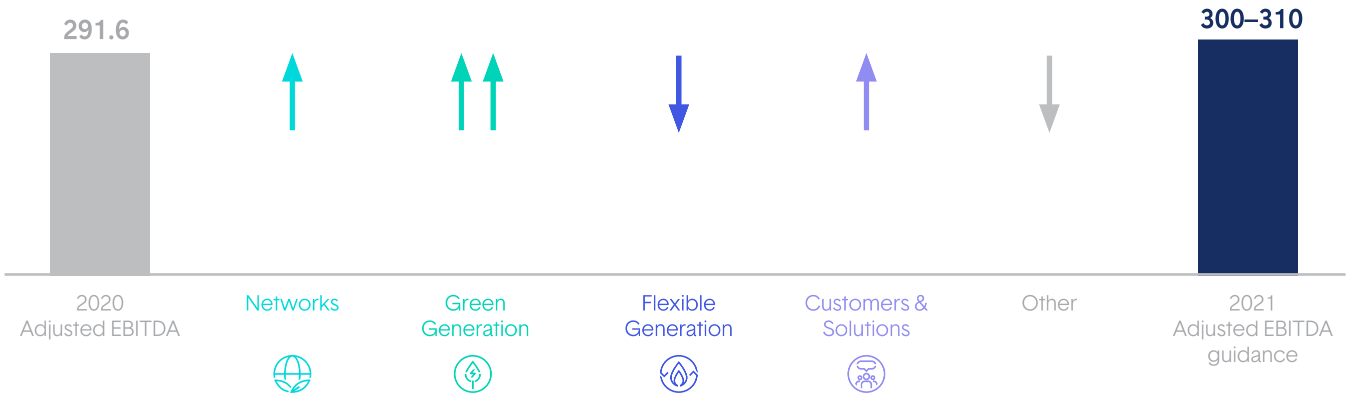
Customers & Solutions – higher

The segment's Adjusted EBITDA is forecasted to grow mainly due to expected better B2B electricity result, as the unfavourable hedge movements of 2020 are not expected to repeat. Deregulation of B2C electricity in Lithuania is not expected to have a significant impact on Adjusted EBITDA.

Other – lower

Adjusted EBITDA decrease is forecasted as a result of divestment of non-core activities. Duomenų Logistikos Centras (information technology and telecommunication services) was sold in 2020, Enepro (construction, repair and maintenance of electricity networks) and NT Valdos (management and other related services of real estate) expected to cease activities in 2021. The scope of another Group company Transporto Valdymas (vehicle rental, leasing, repair, maintenance, renewal and service) is also diminishing.

Adjusted EBITDA development for 2021
EURm*



** Adjusted EBITDA indication for the Group is the prevailing guidance, whereas directional effect per business segment serves as a mean to support it. Higher/stable/lower indicates the direction of the business segment's change in 2021 relative to the actual results for 2020. Double higher indicates the accelerated growth compared to other segments.*

Forward-looking statements

The Interim report contains forward-looking statements, which reflect current views and are, by nature, subject to risks and uncertainties. Because they relate to events and circumstances that will occur in the future, the actual development may differ materially from our expectations. We are unable to predict the impact of these events. For further information about the risks relevant to the Group activities, see section 4.6 'Risk and risk management'.

1.5 Ignitis Group IPO

Overview

The parent company was listed on Nasdaq Vilnius and London Stock (LSE) exchanges on 7 October 2020, after implementing the largest ever IPO in the Baltic States. A total EUR 450 million of all primary capital was raised by offering 26.91% of the shares and GDRs to the institutional and Baltic retail investors. Overall, we are proud our IPO has already made a positive impact to the Baltic capital markets – Nasdaq Baltic turnover over the last year increased almost by 70% and the largest change occurred in Nasdaq Vilnius market, the turnover of which increased twofold, with our shares being traded the most and accounting for around 35% of the increase.

Shares

IPO offer price was set at EUR 22.50 and at the end of the first trading day closed at a price of EUR 22.30 on Nasdaq Vilnius stock exchange, and GDR at a price of EUR 21.30 on LSE. Both respectively closed the year at a price of EUR 20.20 and EUR 19.90, which respectively equates to a decrease of 9.4% and 6.6%. During the same period, the price of Euro Stoxx Utilities index increased by 7.1%.

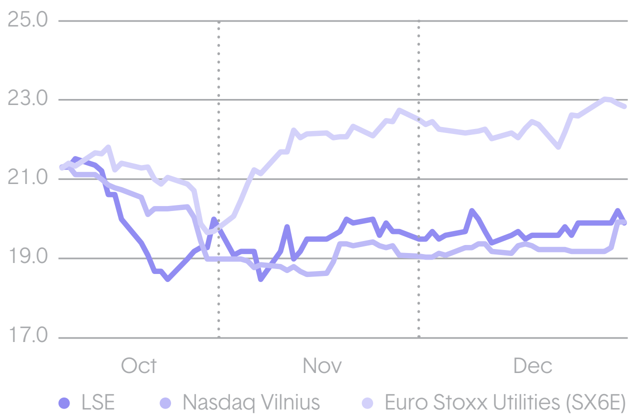
Since the admission, total (shares and GDRs) turnover was equal to EUR 135.0 million (EUR 33.3 million on Nasdaq Vilnius exchange and EUR 101.7 million on LSE), whereas the average daily turnover totalled to EUR 2.2 million (EUR 0.5 million on Nasdaq Vilnius exchange and EUR 1.7 million on LSE).

The overall (shares and GDRs) volume-weighted average price for the reporting period was equal to the price EUR 20.75, price to earnings ratio totalled to 7.18 times. At the end of the reporting the total period total market capitalisation was EUR 1.5 billion.

Since the IPO, we were included in the MSCI Frontier Markets Index from 30 November 2020 and the Nasdaq OMX Baltic Benchmark Index from 4 January 2021.

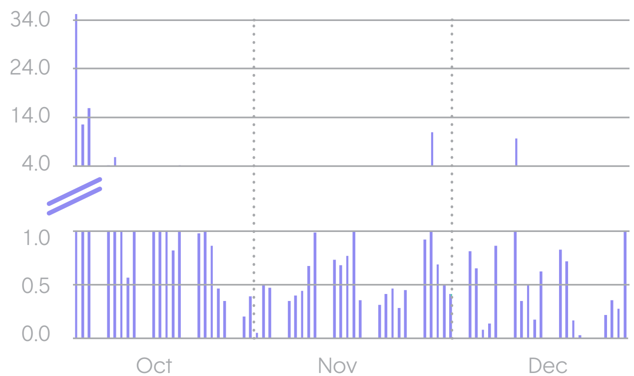
Currently, we are covered by 5 research analysts. Their recommendations are available on the Group's website.

Share price development in 2020, Index 21.3 = LSE GDR closing price on 7 October 2020*

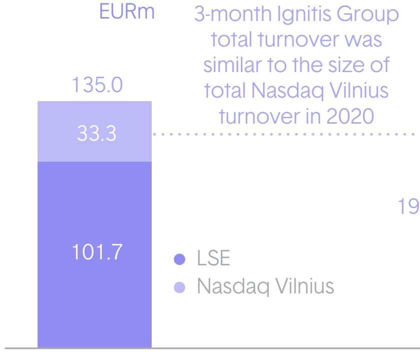


** First day of trading.*

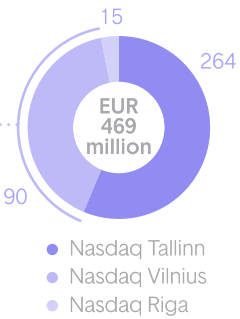
Daily turnover in 2020
EURm



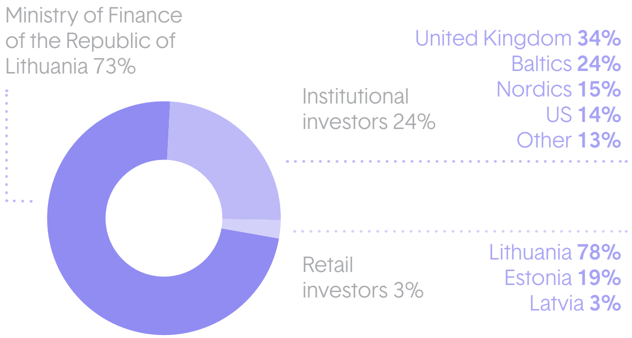
Total turnover in 2020
EURm



Nasdaq Baltic turnover in 2020
EURm



Shareholder structure as of IPO date



Share information

Issuer	Ignitis Group	
Nominal value	EUR 22.33 per share	
Number of shares	74,283,757	
Free float, shares (%)	20,000,000 (26.92%)	
Type	Ordinary shares	Reg S: US66981G2075
ISIN-code	LT0000115768	Rule 144A: US66981G1085
Exchange (ticker)	Nasdaq Vilnius: IGN1L	London Stock Exchange: IGN
Year opening	7 Oct: EUR 22.70	7 Oct: EUR 22.00
Year high*	8 Oct: EUR 22.32	9 Oct: EUR 21.50
Year low*	13 Nov: EUR 19.50	6 Nov: EUR 18.50
Year average*	EUR 21.10	EUR 20.63
Year end*	EUR 20.20	EUR 19.90
P/E (year end)	6.99 times	6.88 times
Turnover	EUR 33.3 million	EUR 101.7 million
Market capitalisation, year end	EUR 1,536,682,819	

** As of closing trading market price.*

Share capital

In relation to the IPO, during 2020, the parent company increased its share capital by 20,000,000 primary shares to 74,283,757. On 7 October 2020, newly issued shares were admitted to the Main Trading List of Nasdaq Vilnius and the GDRs representing the parent company's shares to the standard listing segment on the Official List of the Financial Conduct Authority and to trading on the Main Market of the LSE.

The parent company has one class of shares. Each share entitles to one vote at the shareholder meetings and to equal dividend.

Shareholder structure

At the end of 2020, the Republic of Lithuania (authority implementing shareholder's rights – Ministry of Finance of the Republic of Lithuania) owned 73.08% of the parent company's share capital. The remaining part of the share capital lies with institutional investors 24% and retail investors 3%. There are no other shareholders owning more than 5% of the parent company's shares.

In the figure above the composition of shareholders by the type and country is specified as of IPO date. In total the parent company has 6,900 shareholders, out of which 6,827 are retail investors, 72 institutional investors and the remaining – Ministry of Finance of the Republic of Lithuania.

Management shareholding represents less than 0.005% of the total shares in the parent company. Relevant information on the management long-term incentive scheme can be found in the 'Governance' section of this report.

General shareholders' meetings

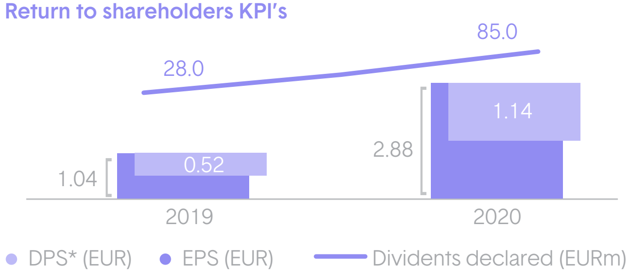
Since the day of admission, one Extraordinary General Meeting of Shareholders has been held, during which 2 new members of the Supervisory Board were appointed. The Annual General Meeting will be held on 25 March 2021. Further relevant information, including shareholder rights can be found in 'Governance' section of this report.

Dividends

In September 2020, the Group updated its dividend policy which is based on a fixed starting level plus a minimum growth rate. For the financial year 2020, EUR 85 million of dividends are to be declared. For each subsequent financial year, dividends will be at least 3% higher than the amount paid for the previous financial year. The updated dividend policy can be found on the Group's website.

A dividend of EUR 42 million for the first half of 2020 was declared by the Principal Shareholder on 17 September 2020 and paid prior to the IPO. The remaining part of EUR 43 million (EUR 0.58 per share) for the second half of 2020 is subject to approval at the Annual General Meeting on 25 March 2021. For 2020, the dividend pay-out is expected to be equal to 0.5 compared to 0.47 in 2019.

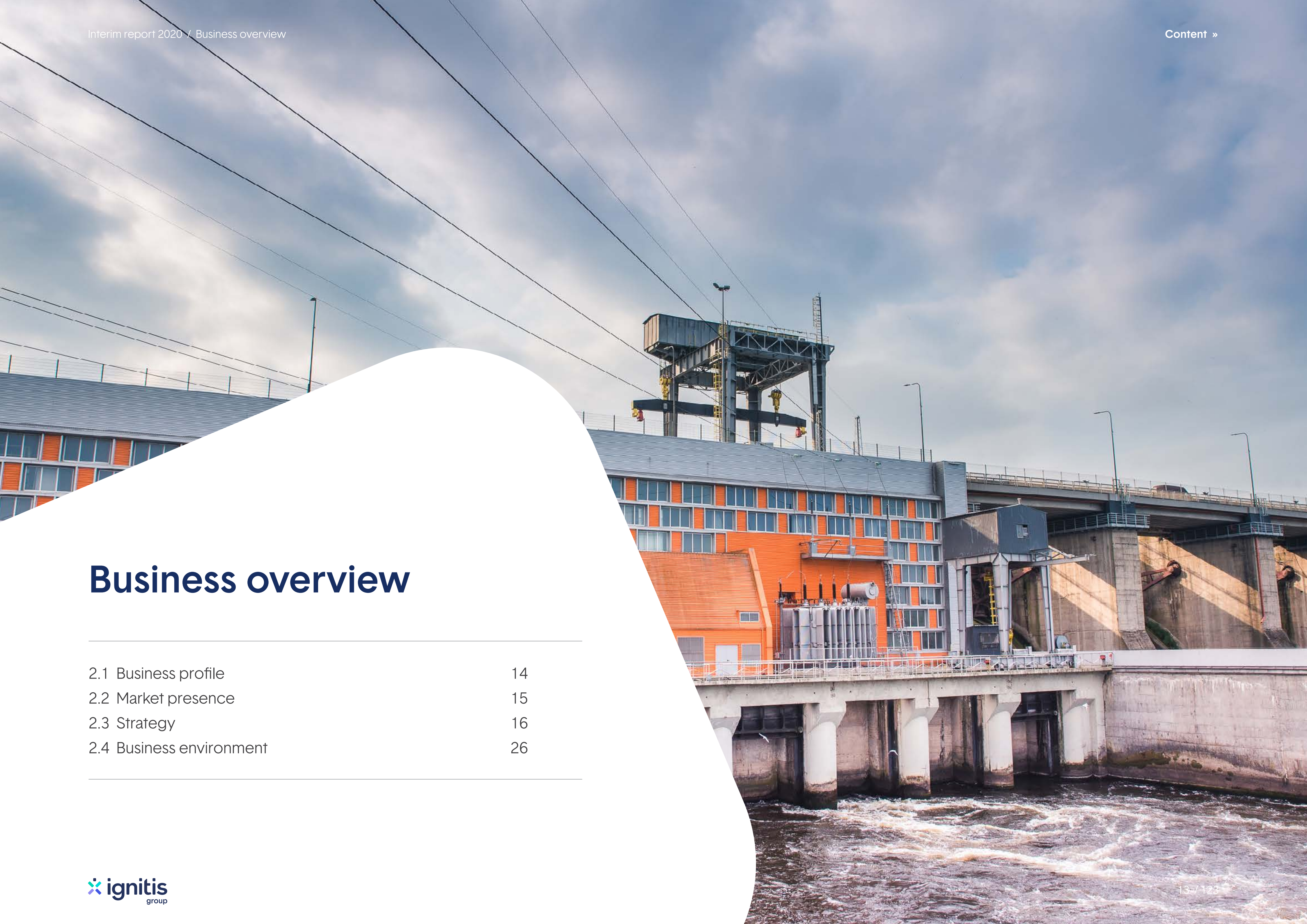
Return to shareholders KPI's



** Presented DPS indicator was calculated using number of nominal shares at the end of 2020 if calculated using actual number of shares at the moment the dividends were declared, indicator would amount 1.35.*

Investor relations

Since our first capital markets debut back in 2017, we target to ensure the transparency and stability in our communication with all the investors. We target to engage with our investors through quarterly earning calls, non-deal roadshows, and other type of meetings including the dialogue with the research analysts. Our dialogue with the investors and other stakeholders is subject to restrictions prior to the announcements of any non-public information. On the Group's website, in 'Investors' section, we provide all relevant reports and presentations, investor calendar and a wide range of other data which we believe is of interest for our stakeholders.



Business overview

2.1 Business profile

Creating an Energy Smart world

Core businesses

Networks

Resilient and efficient energy distribution enabling the energy transition.

Activities

Operate, maintain, manage, and develop electricity and gas distribution networks to ensure safe and reliable operation as well as supply of last resort.

Revenue model

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

CO_2 neutral strategy support

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

Network size and distribution volume

	Size	Volume
Electricity	126,105 km*	9.55 TWh
Gas	9,690 km	7.06 TWh

** Whereof 68% overhead lines and 32% underground lines.*

Green Generation

Focused, sustainable, and profitable growth.

Activities

Generate electricity through sustainable energy sources including wind, hydro, solar, biomass and waste-to-energy. Develop and operate new generation capacities.

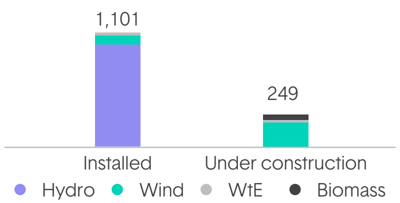
Revenue model

Renewable energy long-term support schemes (FiT, FiP, CfD), long-term PPAs, merchant.

CO_2 neutral strategy support

Through development of zero carbon electricity generating assets.

Electricity capacity, MW



1.25 TWh

Electricity generated

Complementary businesses

Flexible Generation

Reliable and flexible power system.

Activities

Provide system services and ensure stability and security of Lithuania's electricity system.

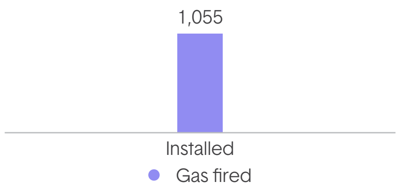
Revenue model

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

CO_2 neutral strategy support

Through electricity generation from coal-free assets.

Electricity capacity, MW



1.20 TWh

Electricity generated

Customers & Solutions

Innovative solutions for easier life and energy evolution.

Activities

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

Revenue model

Regulated tariffs and commercial contracts.

CO_2 neutral strategy support

Through development and support of low-carbon energy smart solutions.

Electricity and gas supply customers

	B2C	B2B
Electricity: total 1,658.6 thousand	1,648.8 thousand	9.8 thousand
Gas: total 610.3 thousand	602.7 thousand	7.6 thousand

2.2 Market presence

Regional leader exploring opportunities in the markets undergoing energy transition paths

LITHUANIA
Networks

- Country-wide electricity and gas distribution

Green Generation:

- Kruonis PSHP (900 MW operational + 110 MW under development)
- Kaunas HPP (100.8 MW)
- Three onshore wind farms (58 MW in total)
- Kaunas CHP (24 MWe, 70 MWth)
- Biomass boiler in Elektrėnai (40 MWth)
- Vilnius CHP (92 MWe, 229 MWth) - under construction
- Mažeikiai wind farm (63 MW) - under construction
- Partnership agreement for Lithuania offshore wind (700 MW)

Flexible generation

- Two gas fired reserve power units in Elektrėnai (600 MW)
- Combined Cycle Gas Unit in Elektrėnai (455 MW)

Customers & Solutions

- B2B and B2C supply of electricity and gas, solar, e-mobility, ESCO etc.

FINLAND
Customers & Solutions

- B2B supply of gas

ESTONIA
Green Generation:

- Onshore wind farm (18 MW)

Customers & Solutions

- B2B supply of electricity

LATVIA
Customers & Solutions

- B2B supply of electricity and gas

POLAND
Green Generation

- Pomerania WF (94 MW) – under construction
- Polish solar portfolio I (up to 170 MW) – under development

Customers & Solutions

- B2B supply of electricity

2.3 Strategy

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

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

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

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

Our values

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

PARTNERSHIPS
Diverse. Strong. Together.

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

GROWTH
Curious. Bold. Everyday.

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

ENSURING
resilience and flexibility of the energy system

ENABLING
energy transition and evolution

GROWING RENEWABLES
to meet regional energy commitments

CAPTURING GROWTH OPPORTUNITIES
and developing innovative solutions to make life easier for the energy smart

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

Strategic directions in depth

Networks

Resilient and efficient energy distribution enabling the energy transition.

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

Green Generation

Focused, sustainable, and profitable growth.

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

Flexible Generation

Reliable and flexible power system.

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

Customers & Solutions

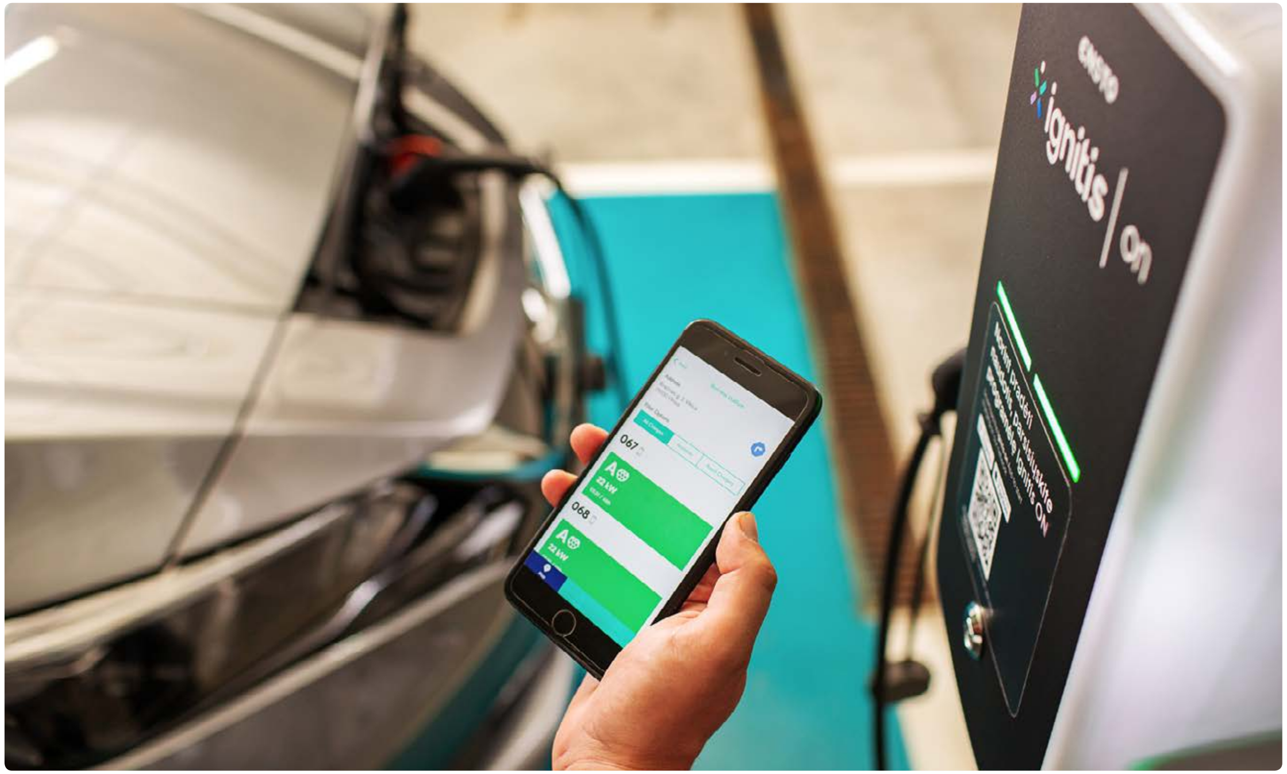
Innovative solutions for easier life and energy evolution.

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

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

Creating an **Energy Smart** world

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



Our people and culture

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

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

Our organisation

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

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

Focus on financial discipline

Target returns, capital structure, dividends.

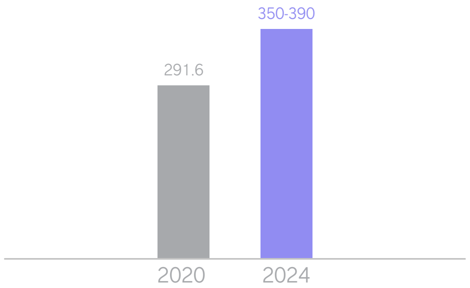
- We target high single-digit/low double-digit levered equity returns depending on the risk profile of the projects.
- Solid investment-grade rating: BBB and above. Net Debt to EBITDA < 5x.
- We aim to deliver dividends to our shareholders in line with our growth and at a minimum annual dividend growth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

Our strategic targets and KPIs for 2021–2024

Below we provide the targets and KPIs set in our 2021-2024 strategic plan. The strategic plan document can be found on the Group's website.

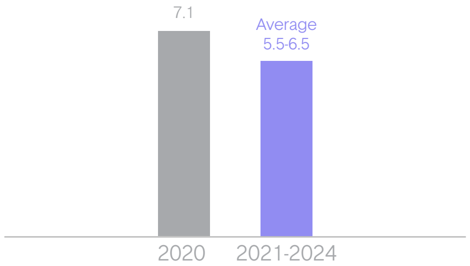
Financial

Adjusted EBITDA APM
EURm



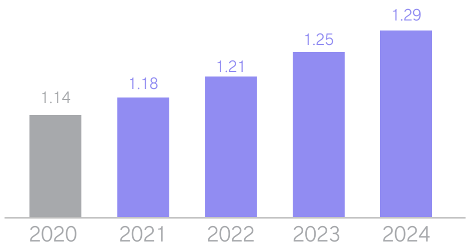
Adjusted EBITDA is expected to reach EUR 350–390 million in 2024, implying a 4.7–7.5% CAGR for 2020-2024.

Adjusted ROCE APM
%



Average Adjusted ROCE during 2021-2024 is expected to be around 5.5–6.5%. Revised WACC in electricity DSO is the key driver for the lower 2021–2024 targeted level

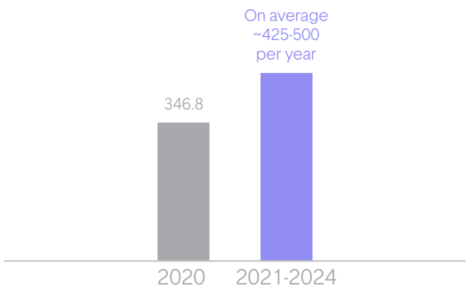
Minimum DPS*
EUR



We aim to grow our dividends to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 is set at EUR 85 million.

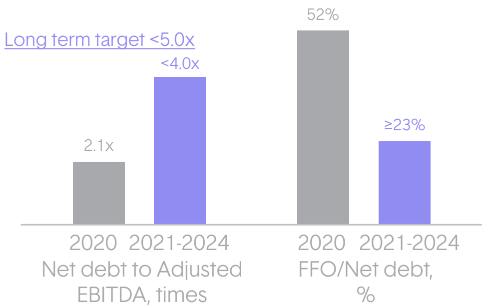
** Based on the No of shares at the end of 2020.*

Investments APM
EURm



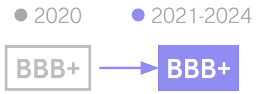
We aim to invest EUR 1.7–2.0 billion over 2021-2024 period. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, modernisation and digitisation of our electricity distribution network.

Leverage metrics
Net debt to Adjusted EBITDA & FFO/Net debt



Net Debt/Adjusted EBITDA ratio is expected to be below 4x during 2021-2024. FFO/Net debt is expected to remain above 23% during the same period (S&P threshold for BBB+ rating).

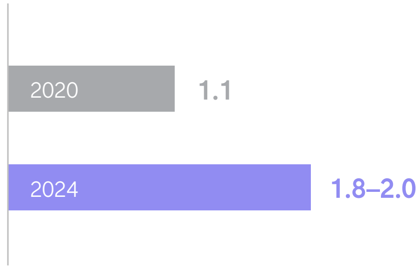
Credit rating
S&P



We are committed to solid investment–grade rating (BBB or above). We expect to keep BBB+ rating over the 2021–2024 period.

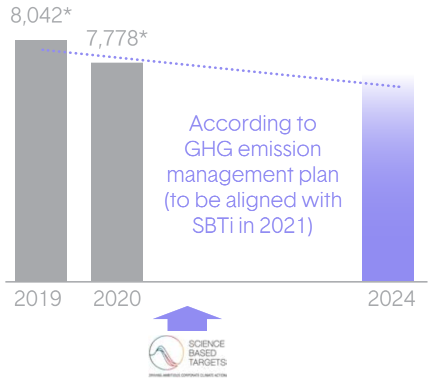
Environment

Green Generation installed capacity
GW



We expect to reach 1.8–2.0 GW of installed Green Generation capacity in 2024.

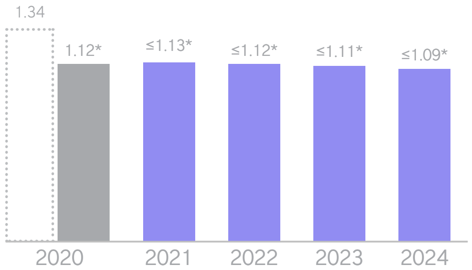
Net GHG emissions
Thousand t CO_2 eq



** Scope 1-3 (market-based). Data is being verified at the date of publication of the report.*

Operational efficiency

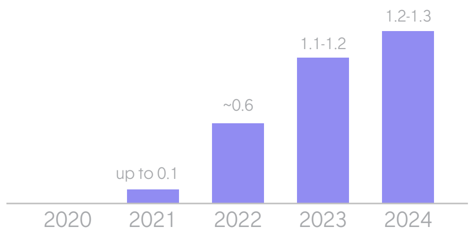
Electricity SAIFI
Interruptions per customer



Investments in service quality and network efficiency will boost the network resilience, resulting in an expected decline of the SAIFI indicator.

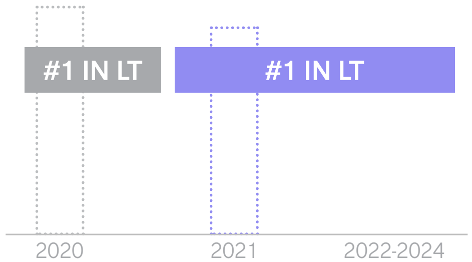
** Excluding exceptional events approved by regulatory authority (NERC).*

Smart meters
million



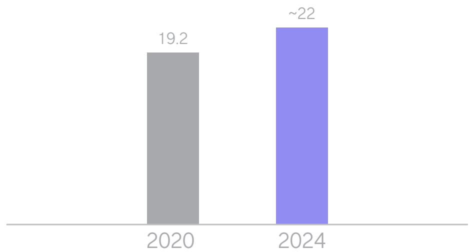
We digitise our electricity distribution network by implementing smart metering programme. By the end of 2023, we aim to install smart meters for all business customers and households, consuming >1.000 kWh/year. Further installations of smart meters will be continued as ongoing operating activities.

Ancillary and power reserve services
Market position



We aim to keep #1 market position of ancillary and power reserve services in Lithuania. In 2020, we had 100% share of power reserve services (475 MW - tertiary power reserve). In 2021, we continue providing tertiary (482 MW) power reserve services as well as isolated regime services within the scope of 409 MW.

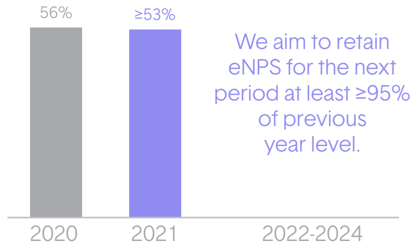
Retail sales volumes
Electricity and gas, TWh



We aim to increase energy retail sales volumes up to about 22 TWh in 2024 (implying a ~2.6% CAGR for 2020-2024) by scaling core energy supply business in the region complemented with innovative energy solutions, and to compensate the B2C electricity supply deregulation impact on sales volumes during the second and third stages of deregulation in Lithuania by 2023 (the first stage started in 2020).

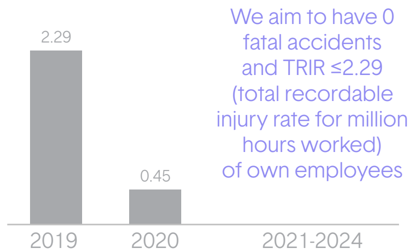
Social

Employee NPS
%



We measure the Group's eNPS since 2019. Our target is to retain the reached level at least at ≥95% of the last year's level for the next performance period.

Safety
TRIR & # of fatal accident

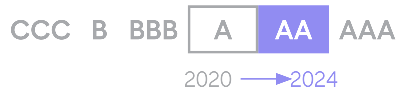


We target to have TRIR ≤2.29 level. This goal is based on the year 2019, due to TRIR value for 2020 being an outlier due in large part to the mobility restrictions imposed by the COVID-19 pandemic.

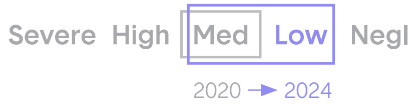
Governance

ESG
Indices

MSCI ESG index



Sustainalytics ESG risk index



We aim to improve both or at least one of the indices.

Investment policy

The largest proportions of the Group investments during the period of 2021–2024 will be directed to the expansion of Green Generation capacity as well as Network maintenance, expansion through new customer connections and upgrades, and digitisation through smart metering programme.

The Group applies a prudent investment framework with hurdle rates for the Green Generation expansion projects. A disciplined investment policy targets high single-digit to low double-digit levered equity returns depending on the risk profile of the projects. Additionally, we aim to utilise asset rotation strategy and sell down a portion of the Group interest (up to 49%) in the Green Generation projects in order to recycle capital and capture premium. Asset rotation would be performed only in cases where it creates value.

Green Generation segment investment framework

Target markets
Primarily Baltics and Poland

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

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

Financing
60–75% leverage at the project level

Asset rotation
Targeting up to 49% asset rotation

Target returns
High single-digit to low double-digit levered equity returns depending on risk profile

Currently, investments into Networks are confirmed with NERC on a yearly basis and, starting from 2022, on a two-year basis. Additionally, 10-year investment plans, in which the goals, directions and volumes of Networks investments are detailed, are published annually. Currently, EUR 1.9 billion of investments are agreed through for 2020–2029 (see more on ESO website) directed to improve Network's reliability, durability and smartness, and to connect new users.

Networks segment investment framework

Target markets
Lithuania

Technologies
Electricity and gas distribution

Type
Maintenance, new customer connections and upgrades, digitisation

Investment capacity
10-year investment plans updated and coordinated with NERC on an annual basis

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

Ongoing and planned Investments

In the updated Strategic Plan 2021–2024, we set the investment plans for the Group through 2024. In total we plan to invest between EUR 1.7 to 2.0 billion, out of which 45 to 50% will be directed to Green Generation development, followed by 45 to 50% of the investments to Networks. Funds directed to Green Generation should expand our renewables' portfolio to between 1.8 and 2.0 GW, compared to 1.1 GW operational capacity at the end of 2020. Regarding investment in Networks, it should contribute to the grid maintenance by increasing its security and reliability, development of new customer connections and upgrades, and digitisation of the Lithuanian energy sector with the smart electricity metering programme. Below are provided the lists of our currently planned investment projects.

Key ongoing and planned Green Generation investments

Under construction

Pomerania WF

- **Status:** final stage (29/29 turbines erected)
- **Capacity:** 92 MW
- **Investment:** ~ EUR 130 million
- **COD:** around Q1 2021
- **Ownership:** 100%
- **Subsidy scheme:** 15-year CfD (inflation adjusted)
- **Significance:** one of the largest onshore wind farms in Poland

Vilnius CHP

Waste-to-energy plant

- **Status:** under construction (~95% completion)
- **Capacity:** 16 MWe, 60 MWth
- **COD:** around Q1 2021

Biomass plant

- **Status:** under construction (~75% completion)
- **Capacity:** 73 MWe, 169 MWth
- **COD:** around Q4 2022

- **Investment:** ~ 350 EURm
- **Ownership:** 100% (49% to be divested)
- **Subsidy scheme:** ~140 EURm EU CAPEX subsidy
- **Significance:** project of State significance

Mažeikiai WF

- **Status:** under construction
- **Capacity:** 63 MW
- **Investment:** EUR 80–85 million
- **COD:** 2023
- **Ownership:** 100%
- **Subsidy scheme:** internal PPA expected
- **Significance:** the first wind farm without subsidies in the portfolio

Under development

Polish solar portfolio I

- **Status:** SPA signed
- **Capacity:** up to 170 MW
- **COD:** 2021–2023
- **Ownership:** 100%*
- **Subsidy scheme:** 15-year CfD (inflation adjusted)
- **Significance:** the first sizeable PV project in the portfolio

Moray West offshore wind project

- **Status:** preparatory works
- **Capacity:** 800–950 MW
- **COD:** 2025
- **Ownership:** 5% by the Group, 95% by OW
- **Significance:** learning the technology

Lithuania offshore wind project

- **Status:** preparing for the auctions which are expected to be held in 2023
- **Capacity:** 700 MW
- **COD:** 2028
- **Ownership:** 51% by the Group, 49% by OW
- **Significance:** the first offshore wind project in Lithuania

Kruonis PSHP expansion

- **Status:** procurement planning
- **Capacity:** 110 MW
- **COD:** 2025**
- **Ownership:** 100%
- **Significance:** energy system flexibility and security increase in the context of synchronisation with the continental Europe

** After winning auctions and completion of each project*
*** Tentative schedule is targeted to be aligned with Lithuanian synchronization to European continental networks project.*

Key ongoing and planned Networks investments

Maintenance

- **Status:** ongoing
- **Investment:** ~up to EUR 1 bn
- **Investment period:** by 2029
- **Subsidy scheme:** partially covered by EU funds (on a project by project basis)
- **Significance:** investments into replacement of overhead lines to underground cables to improve the network quality and decrease opex for maintenance

Expansion
New customer connections and upgrades

- **Status:** ongoing
- **Investment:** ~up to EUR 700 million
- **Investment period:** by 2029
- **Subsidy scheme:** partially covered by customers' fees
- **Significance:** grid expansion through new connection points and upgrades enabling renewable energy expansion, empowering prosumers, and decentralised generation

Expansion
Smart meter roll-out

- **Status:** final stages of procurement
- **Investment:** EUR 115–150 million
- **Capacity:** 1.1–1.2 million smart meters
- **Completion date:** 2023
- **Significance:** improvement in grid efficiency and energy savings as well as acting as market facilitator

Sustainability

Overview

Sustainability is at the core of the Group's strategy. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance. In recognition of our continuous improvement, in April 2020, we received a rating of A (on a scale of CCC-AAA) in the MSCI ESG Ratings assessment which placed us just insignificantly below than our industry benchmarks. It was followed (September 2020) by Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research, and analysis, ESG performance assessment. With the total score of 26.5, the Sustainalytics placed the Group in the top fifth best performers on the ESG Risk Rating scale, in both its subindustry and industry groups. Finally, with our Annual report we will introduce a Sustainability Report prepared in accordance with the GRI Core framework as well as Nasdaq ESG guidelines.

Framework

Throughout 2020, we continued strengthening our sustainability management. In Q3 2020, we published a sustainability management plan (you can read it on our website), which specified our management approach towards the strategic sustainability priorities embedded in the Group's strategy.

MAIN TOPICS

We are committed to reduce net GHG emissions to zero by 2050. We seek to contribute directly to the implementation of the UN Global Compact, Sustainable Development Goals, and the Paris Agreement

GOVERNANCE AND PROCESSES

We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community

ACCOUNTABILITY

We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs

MEASURING PROGRESS

We aim to benchmark our continuous improvement using ESG ratings provided by leading ESG ratings agencies[1]

MSCI ESG RATINGS: A

CCC	B	BB	BBB	A	AA	AAA

BBB: Utility group average (MSCI ACWI index)
A: ignitis group

SUSTAINALYTICS RATED

ignitis group: Among top 20% in the utility group

Negl	Low	Med	High	Severe
0-10	10-20	20-30	30-40	40+

[1] *See MSCI disclaimer notice and ESG Risk Rating Summary Report by Sustainalytics on our website.*

Business enablers

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

Innovations

In 2018, we established Innovation Hub (for more information visit its website), which utilises internal and external initiatives to promote energy technologies and attract innovative ideas, promotes data sharing and enables other companies outside the Group to test their technologies, prototypes or business ideas in the Group's infrastructure through a free of charge Sandbox programme and cooperates with universities, companies and utilities to develop new products and services that can later be implemented to create value for the Group's businesses. We aim to create and lead EnergyTech ecosystem based on a key principle – openness.

For the period 2020–2024, Ignitis Innovation Hub aims to conceptualise a use-case for 50 innovative solutions, followed by 35 pilot projects to validate the idea. In 2020, 12 concepts and 9 pilot projects were carried out, 2 solutions were scaled-up. Scaled-up solutions include the launch of CO_2 offset certificate service and adaption of distribution grid planning software. Some key pilot projects completed in 2020 include overhead power line inspection using LIDAR, battery storage use-case for voltage control and solar potential calculator for rooftops using photogrammetry and LIDAR technologies. Use-case concepts of promising technologies and new service have been developed as well. These included hydrogen, community wind power for prosumers and smart usage of grid capacities for hybrid generation sources coupling solar and wind power.

Open innovation pillars

Open infrastructure and data – Sandbox and Open Data programmes operating in the Group.

ESO launched the Sandbox programme in 2018, and in 2019 it was expanded throughout the Group, offering technologies and solutions that can be tested in other Group companies' infrastructure. During the lifetime of the programme, 32 applications have been received from 6 countries and 6 Sandbox projects are in progress. Even a few tried-and-tested technologies helped to solve existing problems and are already used in daily activities.

Open partnership – is the search for partnerships for joint projects, research, and development.

Ignitis Innovation Hub specialists are involved in a number of partnership-based initiatives. These partnerships incorporate participation in a number of workgroups in energy associations, alliances, and tech-hubs. We are strengthening relations with public bodies like regulator and ministries in order to develop innovation friendly environment in the energy sector. Partnerships prove to be necessary to developed cross-disciplinary energy innovations, e.g. hydrogen production, its distribution and usage.

Open culture – promoting a culture of energy innovation.

Ignitis innovation Hub promotes culture of innovation which results in idea sharing among the specialists. This pillar includes organising hackathons, creating, and sharing educational media, giving energy innovations related classes for the Group's employees as well as participating and giving speeches in various events. Open culture proved to be the most productive idea generators.

Open funding – Ignitis Innovation Fund investing in energy start-ups.

A venture capital fund founded by the Group Ignitis Innovation Fund (former – Smart Energy Fund) since its establishment in 2017 invested EUR 5.2 million in 16 start-ups from 7 countries (France, UK, Lithuania, Estonia, Norway, Israel, and Sweden). The fund invested in start-ups that develop innovative solutions in the fields of energy generation, storage, transmission, distribution, prosumers, and e-mobility.

Ignitis Innovation Fund investments

5.2	16	7	37
EUR million	different companies	countries	investment partners

Digitisation and operational excellence

Operation excellence and digitisation programmes applied by the Group help to create a culture of continuous improvement and rapid learning. In 2020, digitisation and operational excellence team focused on process automation and chatbots, organising hackathons, and operational excellence enhancement.

Hackathons

The hackathons addressed the real challenges of the Group and brought together teams from various divisions and Group companies. In 2020, we organised three hackathons – two for our employees, one for external partners.

Results of hackathons

3 hackathons

36 ideas developed

16 ideas implemented

Due to the pandemic, all of the hackathons this year were organised online (see picture on the right), which allowed to gather more various teams and ideas to the events. The first internal hackathon of the year focused on the challenges of the pandemic both for the organisation and for customers. Employees from different fields gathered to create ideas on how the organisation should work, communicate, and cooperate, and serve the needs of our customers in the current situation. Some of the ideas developed, considered how the employees could have a healthy work-life balance, how the employees could be motivated remotely, how our employees could organise meetings and work more efficiently and how could we help our customers to go green by encouraging them to use solar energy.

In our second internal hackathon, a new format of artificial intelligence games was tested. During the event, teams gathered to create solutions and ideas based on artificial intelligence. Here are some examples of the ideas that were developed during this event and which we will try to apply within our Group during 2021:

- a model that assesses risk of a customer leaving our company;
- using old customer inquiries to create a solution that can automatically sort new inquiries;
- using machine learning algorithms to identify potential cyber threats.

The development of all these ideas will continue in 2021.

Process automation

In 2020, a lot of attention was paid to automating processes and launching chatbots, helping our customers to find answers to questions from various topics.

With regards to RPA, we made a progress as well. In 2020, FTEs saving when using RPA amounted to 105, which is an increase by almost 50 FTEs compared to 2019. By allowing the robots to perform part of their work, the Group's employees had the opportunity to choose more interesting and higher value-added tasks.

Operational Excellence programme

The Group companies have been operating an operational excellence programme for five years so far to help the Group companies create more value for their stakeholders. In 2020, more than 500 operational improvements were implemented whereby saving EUR 3.7 million.

One of such operational excellence examples is employee coming up with the idea to improve modular transformers by removing one unnecessary detail from them. The same modular transformers were bought for a long time, although the equipment and technology have already changed. Thus, one part used in the transformer simply became redundant. Finally, when a new purchase contract was drawn up, the price of a transformer without the unnecessary part became cheaper.

Another example occurred when several teams from different fields and competencies were reviewing more than 30 processes applied in the Group. One such review resulted in manual work elimination helping to reduce almost 90% of the process time.

Plans ahead

Operational excellence and digitisation programmes will continue in 2021. This year 2 internal hackathons will focus more on improving various parts of digital employee experience. Process automation will continue to bring large numbers of FTEs saved back to the Group and new technologies will be implemented to continue the path in the automation journey. Operational excellence programme will continue to focus on process time and FTEs' savings as well as on possible cost savings reached by making process improvements or transformations.

2.4 Business environment

Macroeconomic environment

2020 was a year marked with COVID-19 pandemic uncertainty. Based on European Commission Autumn 2020 projections, EU GDP is expected to contract by (7.4%) in 2020, compared to 1.5% growth in 2019. Further forecasts on future economic environment remain subject to resurgence in COVID-19 infections, deployment of vaccines, policy support as well as post-Brexit trading relationship between the UK and the EU. However, the economy, after adapting to the pandemic environment, is expected to rebound by 4.1% in 2021 and 3.0% in 2022, but still remain incomplete and not returning to the pre-pandemic level by 2022.

Regarding Lithuania, its economy demonstrated a degree of economic resilience to the COVID- 19 pandemic in the first quarter of 2020, when no GDP decline was captured. Mostly affected by the decline in domestic demand, its economy is expected to shrink by (2.2%) in 2020 compared to 4.3% growth in 2019. For the following two years, GDP growth is expected to be moderate – reaching 3.0% in 2021 and 2.6% in 2022.

GDP change*, %	2019	2020	2021	2022
Lithuania	4.3	(2.2)	*3.0*	*2.6*
Latvia	2.1	(5.6)	*4.9*	*3.5*
Estonia	5.0	(4.6)	*3.4*	*3.5*
Finland	1.1	(4.3)	*2.9*	*2.2*
Sweden	1.3	(3.4)	*3.3*	*2.4*
Poland	4.5	(3.6)	*3.3*	*3.5*
Euro area	1.3	(7.8)	*4.2*	*3.0*
EU	1.5	(7.4)	*4.1*	*3.0*

** Source: European Commission, European Economic Forecast (Autumn, 2020)*

COVID-19

Despite the resilient economic environment in the home market, COVID-19-related crisis could impact the Group's activities mostly by affecting our employees, contractors, suppliers, customers, and capital markets. To mitigate these risks, the Group established a COVID-19 situation management team that constantly monitors the situation and analyses the latest information, changes in external factors and their impact on the Group's business continuity.

The employees of the Group, who can perform their functions remotely, work from home, others are provided with additional personal protection and personal hygiene measures, unnecessary contacts with other persons are restricted. Given the evolving uncertainty, it is too early to assess the potential financial effect of COVID-19, but the Group did not experience any significant disruptions due to COVID-19 in main business activities. Due to mobility restrictions imposed by the COVID-19 pandemic, there were some postponements for the development of ongoing projects as well as for investments into the distribution network mostly related to expansion of the electricity and gas networks.

Industry environment

Wholesale electricity market

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

Nord Pool countries

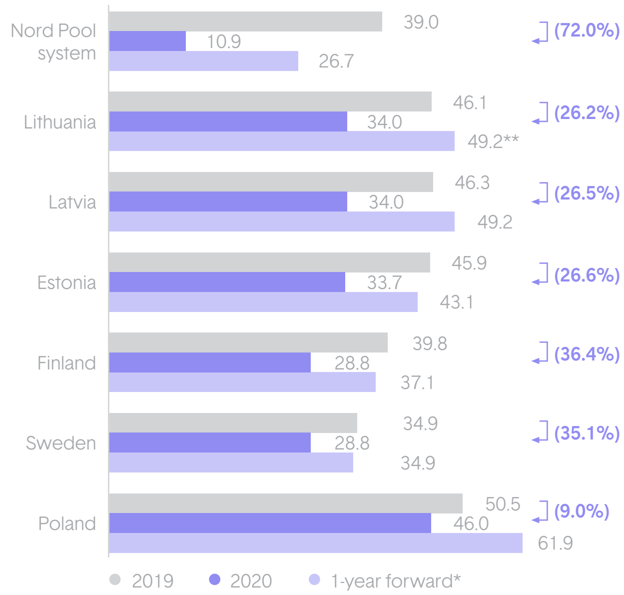
During 2020, prices fell remarkably in all the bidding areas of the Nord Pool Nordic power exchange. Compared to 2019, the average system price was lower by 72.0%, the moderate change captured within the Baltic region – approx. 26%, and the smallest – in the Polish commodity exchange market – prices there decreased by 9.0%.

It should be noted that in Lithuania, Latvia and Estonia the electricity prices were almost the same during 2019 and 2020. During 2020, the average price difference between Lithuania and Sweden in the fourth zone was higher by approx. 30%. Also, negative prices were observed for the first time in Lithuania's price zone (one hour on 6 July and four hours on 2 November).

In 2020, Lithuania produced approx. 37.4% more electricity compared to 2019 (1.36 TWh), meanwhile Estonia – approx. 27.9% and Latvia – approx. 11.1% less. Lithuania remains an energy-deficit country, producing around 42% of the country's demand, in Latvia, local production covers around 77% of country's demand, Estonia remains an energy-deficit the country's too, producing around 55% of the country's demand. Based on ENTSO-e data of 2020, consumption in Poland decreased by approx. 2.2% (3.7 TWh) compared to the same period in 2019. However, Poland is still net power importer.

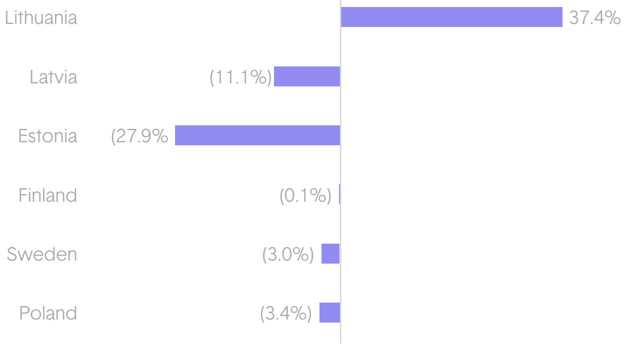
During 2020, commercial import from third countries to Lithuania decreased by approx. 2 times compared to 2019 (from approx. 5.46 TWh to approx. 2.86 TWh), import from Scandinavia to Lithuania increased by approx. 37% (from approx. 3.26 TWh in 2019 to approx. 4.48 TWh in 2020), export to Poland decreased by 22,91% (from approx. 1.87 TWh in 2019 to approx. 1.44 TWh in 2020). 23%. According to Nord Pool data, electricity consumption in Lithuania decreased by approx. 1.5% compared to 2019 (excl. Kruonis PSHP demand). In Latvia demand decreased by approx. 2%, in Estonia – approx. 3%.

Average hourly electricity spot price change in 2020 compared to 2019

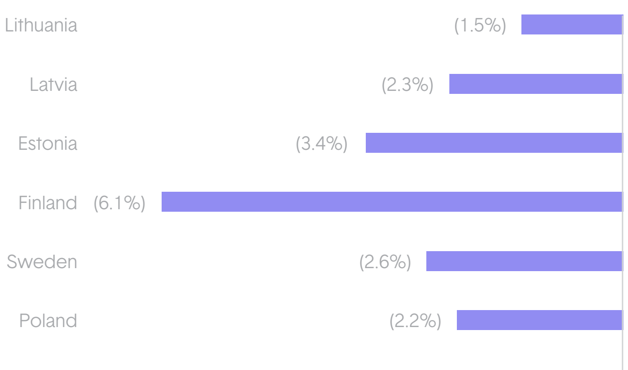


**1-year forward price is as of 19 February 2020*
***Based on Latvia forward price (as there is no separate Lithuanian zoe)*

Electricity generation change in 2020 compared to 2019



Electricity consumption change in 2020 compared to 2019



Wholesale natural gas market

During 2020, prices in the natural gas market were at the lowest levels in a decade. Consumption in some European countries fell sharply due to COVID-19, European gas storage year-on-year levels were at record high, market witnessed liquefied natural gas surplus.

In May 2020, European spot and front month natural gas prices along with East Asia EAX index fell below US prices. Selling produced LNG on the spot market was not economically beneficial, thus LNG off-takers started canceling cargoes. Some gas production sites were restructuring their production plans and oversupply still persisted in Europe and globally. Lower consumption levels and vast supply pressured TTF index to unseen levels close to 5 EUR/MWh during summer months. Spread between US natural gas and Asian as well as European markets started the recovery from August 2020 raising LNG production in the US. Nevertheless, LNG liquefaction plants saw quite a few challenges, including hurricanes, unplanned maintenances all over the globe during 2020. In December, markets witnessed first spikes in Asian LNG markets amid recovering gas consumption.

Natural gas prices on Lithuanian natural gas exchange were impacted by global and regional market developments. Weaker North West European hub prices during 2020 along with healthy winter-summer spreads stimulated market players to make use of situation bringing competitive pricing in winter 2020/2021.

As at 31 December 2020, the European natural gas storage filling rate stood at 74%, which was 3% higher than average of last 5 years. At the same time storage filling rate in Latvia reached 80% and in Poland 74%, which is respectively 45% higher and 5% lower than average of last 5 years.

During 2020, 21.94 TWh or 12% more natural gas was supplied from Klaipėda LNG terminal to the transmission system of Lithuania compared to 2019, while customers in Poland received 39.9 TWh or 10% more from Świnoujście LNG terminal comparing the same tenors.

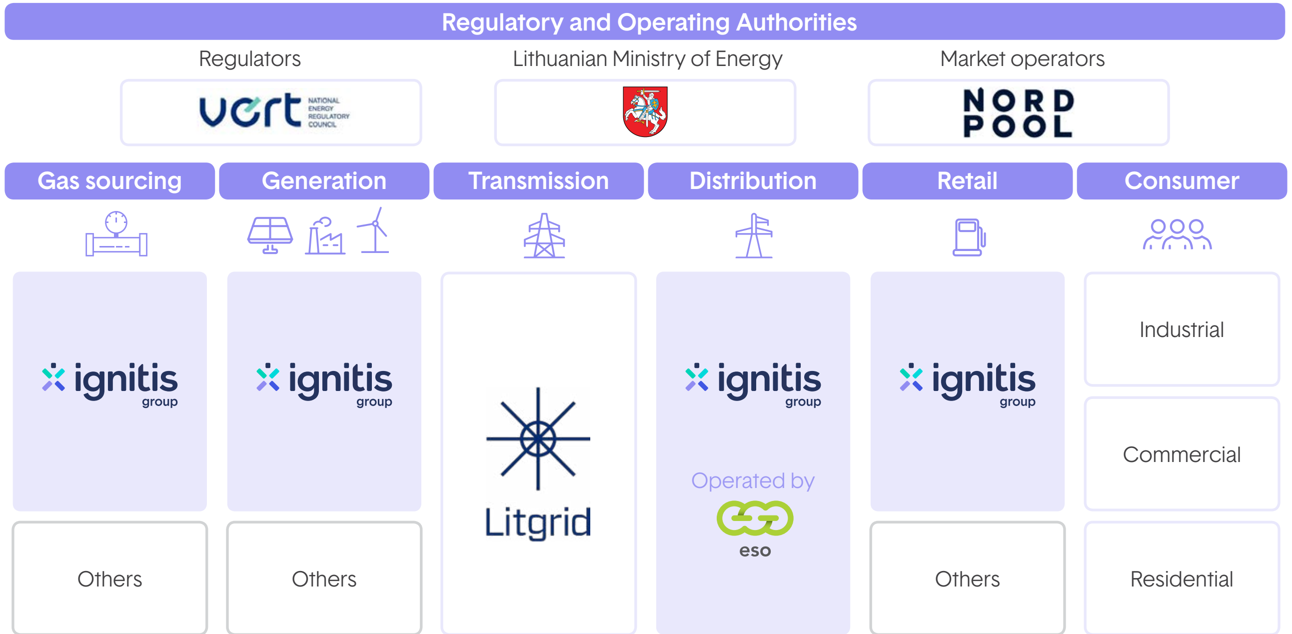
According to the data of the Lithuanian transmission system operator, the consumption of natural gas in the country was 7.2% higher compared to 2019 and reached 25.3 TWh. In 2020, the interconnection between EE-FI started operating, during the 12 months of 2020, 5.8 TWh of gas were supplied to Finland from the Baltics.

Regulatory environment

Lithuanian energy regulatory framework

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

Group's contribution to Lithuania's energy value chain



Content »

Business segment relevant environment overview

Networks

In 2020, market regulator NERC continued preparing for the new electricity regulatory period, which is due to start in 2022. They also updated WACC methodology (see more on NERC website). It is expected that during the first half of 2021, the regulator will present their initial proposal for LRAIC model update and lead the discussion with market participants. The Group plans to actively participate in the discussions related to this matter. Both the new regulatory framework and LRAIC model update will create a principal basis for Networks activities in the upcoming years.

Green Generation

In line with European Green Deal initiatives, Lithuania approved its National Energy and Climate Plan (NECP) in 2020 as well as started to develop its regulatory framework for offshore wind development that is currently under discussions in the Lithuanian Parliament.

It is expected that the offshore wind energy auction (700 MW) will take place in 2023. This auction together with other support mechanisms that are currently in place will create a solid basis for Lithuania to achieve several strategic goals in the energy sector – to increase local electricity production as well as to keep renewable energy as the main energy source in the country.

Regarding the other home markets, we see the greatest potential in Poland, due to its focus on phasing out coal generation, which currently represents around ~85% of generation mix, and replacing it on renewable energy. By being supported by the Renewable Energy Sources Act, this might lead to almost 3 times increase in installed renewables capacity in Poland 30.8 GW by 2030.

The development of renewables capacity in Estonia is on the similar path as in Lithuania, Latvia is relatively less progressed, which might result in limited new installed renewables capacity in the short term.

Overall, within our target Green Generation markets, around 24 GW of additional renewables capacity should be installed during the period from 2020 to 2030.

Expected auctions by 2024 in Group's home markets*

	Poland			Lithuania		Estonia	Estonia & Latvia joint	Total
Growth potential	**2.9x**			**2.4x**		**2.4x**	**NA**	**2.6x**
Installed capacity								
Target by 2030	30.9 GW			4.0 GW		2.2 GW	NA	**39.6 GW**
2020	10.8 GW			1.7 GW		0.9 GW	NA	**15.2 GW**
Preliminary auctions by 2024								
Year	2021	2021	2022 or later	2021-2022	2023	2021-2023	TBD	
Technology	Neutral	Offshore	Neutral	Neutral	Offshore	Neutral	Offshore	
Capacity	2.7 GW**	5.9 GW	TBD	0.5 GW**	0.7 GW	0.4 GW**	1.0 GW	**11.2 GW**
Status	Approved	Planned	Planned	Approved	Planned	Planned	Planned	
Support scheme	Indexed CfD	Indexed CfD	Indexed CfD	FiP	Fixed CfD	Fixed CfD	TBD	
Support period	15 years	25 years	15 years	12 years	15 years	12 years	TBD	
Group project relevance	Polish solar portfolio I	TBD	Polish solar portfolio I	TBD	Lithuanian offshore wind farm project	TBD	TBD	

** Information provided based on publicly available information and Wood Mackenzie. It might differ by the time auction is expected to take place*
*** Capacity calculated based on the following assumptions: auctions technology neutral, wind capacity factor equal to 35%, solar – 11.5%. In Polish auction proportion between wind and solar project, win equal to 50:50, whereas in the remaining countries all auctions are won by wind projects*

Flexible Generation

In 2020, Lithuania reached the record level of local electricity production since 2010. Electricity production in 2020 amounted to approximately 5 TWh and was more than 30% higher compared to 2019. This was mainly determined by the historically low natural gas prices in 2020 that enabled electricity production in gas-fired power plants that are operated by the Group.

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

As the Baltic TSOs developed key concepts and principles as well as described the technical requirements and procedures for the future of ancillary services market setup, the Group constantly analyses various renovation as well as new development opportunities of its Flexible Generation fleet.

Customers & Solutions

After long lasting discussions in the Lithuanian Parliament and due to Lithuania's EU commitments, Lithuania in 2020 finally decided deregulate electricity prices for household (B2C) consumers.

During the first stage of this market reform, the Group maintained its leadership position in the electricity supply market as more than 60% of customers that terminated their public supply contracts selected Ignitis as their new independent electricity supplier. Starting 1 January 2021, regulation of the final electricity prices has been terminated for the largest household consumers (consuming more than 5,000 kWh per year), while gradually reducing the consumption threshold, electricity prices for all household consumers will be deregulated from 2023.

It is expected that this process, together with smart metering roll-out and data-hub projects that are currently implemented by the Networks segment, will help to increase competition in the market as more electricity suppliers will enter the market. Data availability will also help energy companies to tackle their challenges and seize the opportunities related to digitisation.

Regarding the designated LNG supplier function, at the end of 2020 the Government of Lithuania approved the delivery of 4 designated supply cargoes in 2021 (the same number of cargoes as in the previous years) with a possibility to review the number of cargoes over the course of the year.

It was also agreed that the Ministry of Energy as well as the majority shareholder of the Group (Ministry of Finance) have to propose solutions to the Government to reduce expenses related to designated supply function by 31 March 2021.

Other

Another important topic which received a lot of public attention in 2020 was related to Astravyets Nuclear Power Plant (NPP) which started its operations in Belarus at the end of 2020.

Lithuania is seeking an EU-wide ban on electricity import from the Astravyets NPP, which is located approximately 50 kilometres from Vilnius, however a unanimous decision has not been reached neither between all EU Member States nor between the Baltic States.

At the moment all countries of the Baltic States have to agree on uniform principles related to electricity trading with third countries, however, this agreement has not yet been reached.

As a solution to reduce existing unfair competition in the market before fully terminating electricity trading with third countries after synchronisation with Continental Europe (2025), an import/ infrastructure tax for electricity import from third countries could be introduced for the period until 2025, however this requires consensus between all related parties.

Other factors

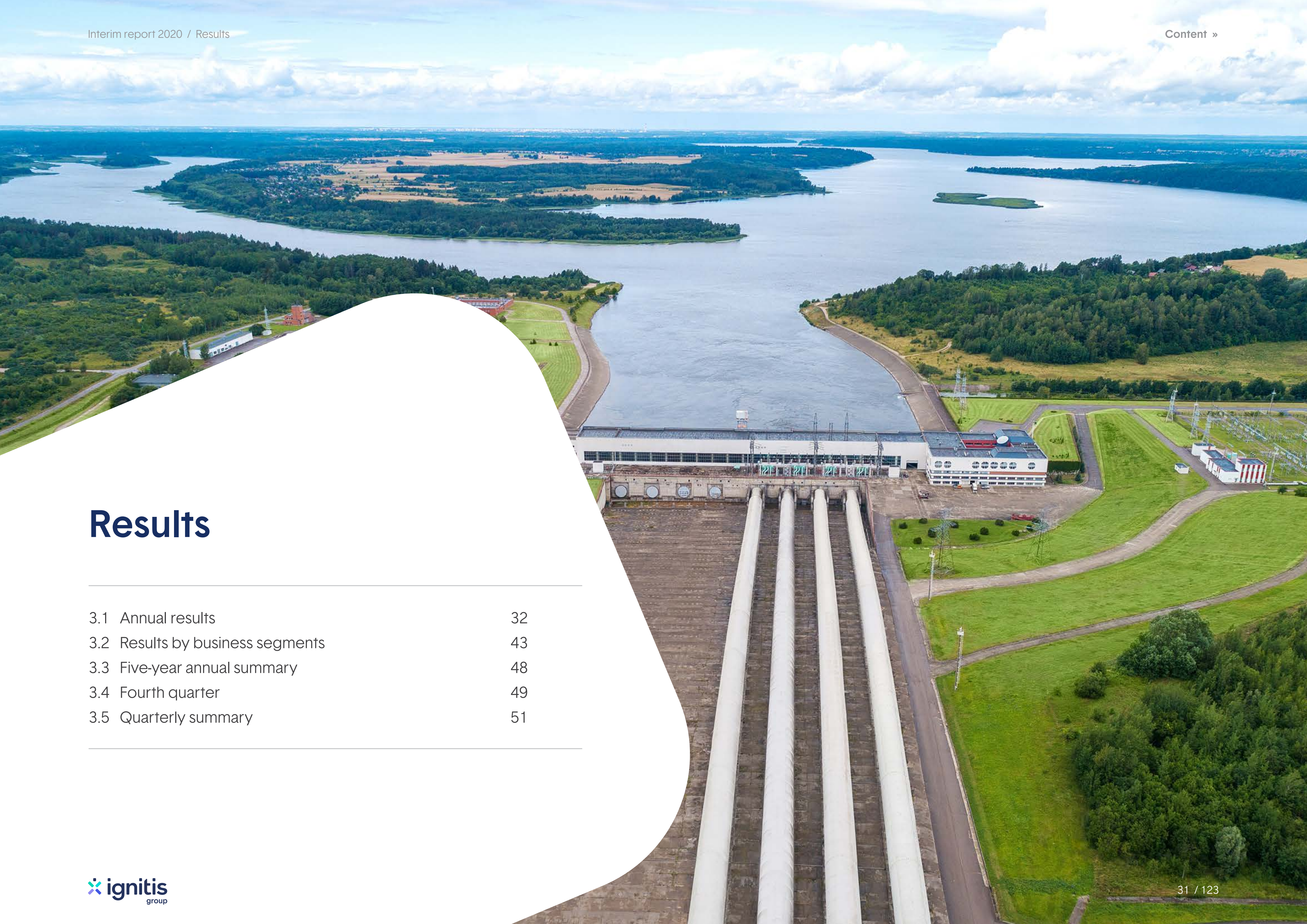
The most relevant internal and external factors, which might have significant financial and/or non-financial impact for the Group, are listed below. Further information on the risks and their management plan can be seen in section 4.6 'Risk and risk management'.

Internal environment factors

- Strategic procurement and timely implementation of priority projects.
- Occupational health and safety.
- Personal data protection and cyber security.
- Employee turnover.
- Potential for operational efficiency enhancement.
- Ensuring IT system development needs and targeted architecture and digitising business processes.
- Prevention of corruption.

External environment factors

Political	– National Energy Independence Strategy. – Energy Security Policy: strategic energy projects. – Environment and climate change policy: EU policies of reducing green-house gas emissions. – Changes in legislation.
Economical	– COVID-19 outbreak and social and economic restrictions. – Impact of economic development cycles on changes in energy demand. – Synchronisation of Lithuania's electricity system with the electricity system of Continental Europe has the potential to open up new markets. However, competition might increase as well. – Growing competition in Green Generation segment. – Increasing competition between system service providers. – Lack of competition in the outsourced market of contracts work results in rising prices for services. – Fluctuation of electricity and gas market prices. – Cost of resources.
Social	– Rapid growth of purchasing power in Lithuania. However, still lower in absolute terms compared to EU average. – Safety of employees/contractors/residents. – Growing public expectations regarding new technology solutions.
Technological	– Conventional power generation has to face challenges and opportunities brought by the power generation from renewable energy sources. – Innovation development, new energy services and technologies. – The need for digital technologies and complex modern solutions (e.g. Cloud, IoT, etc.) to increase competitiveness. – Sub-optimal and not fully automated distribution network. – Growing risk of cyber threats.
Regulatory/Legal	– New regulatory period for electricity distribution network. – Deregulation of the electricity B2C market in Lithuania. – Continuation of designated LNG supply business model. – Renewable energy support auctions, offshore wind farms' development. – Capacity auctions, system services uncertainty. – Risk of non-compliance: NERC's qualitative distribution indicators (SAIDI, SAIFI, duration of connection of new customers), anti-money laundering and counter-terrorist financing, personal data protection.
Environmental	– Growing public attention to climate change. – Increasing environmental requirements.



Results

3.1 Annual results

Key financial indicators

		2020	2019	Δ	Δ, %
Revenue	EURm	1,223.1	1,099.3	123.8	11.3%
EBITDA APM	EURm	337.4	207.1	130.3	62.9%
Adjusted EBITDA APM	EURm	291.6	259.9	31.7	12.2%
Adjusted EBITDA margin APM	%	24.8%	22.6%	n/a	2.2 pp
EBIT APM	EURm	214.9	83.1	131.8	158.6%
Adjusted EBIT APM	EURm	168.9	135.0	33.9	25.1%
Net profit	EURm	169.3	59.0	110.3	186.9%
Adjusted net profit APM	EURm	126.7	106.0	20.7	19.5%
Investments APM	EURm	346.8	453.2	(106.4)	(23.5%)
FFO APM	EURm	312.5	189.5	123.0	64.9%
FCF APM	EURm	48.0	(189.8)	237.8	n/a
ROE APM	%	10.6%	4.4%	n/a	6.2 pp
Adjusted ROE APM	%	7.9%	8.0%	n/a	(0.1 pp)
ROCE APM	%	9.0%	3.8%	n/a	5.2 pp
Adjusted ROCE APM	%	7.1%	6.2%	n/a	0.9 pp
EPS (Basic)	EUR	2.88	1.04	1.84	176.9%
DPS APM	EUR	1.14	0.52	0.62	119.2%
		2020.12.31	2019.12.31	Δ	Δ, %
Total assets	EURm	3,969.3	3,198.1	771.2	24.1%
Equity	EURm	1,843.8	1,348.6	495.2	36.7%
Net debt APM	EURm	600.3	966.5	(366.2)	(37.9%)
Net working capital APM	EURm	38.7	52.6	(13.9)	(26.4%)
Net debt/EBITDA APM	times	1.78	4.67	(2.89)	(61.9%)
Net debt/Adjusted EBITDA APM	times	2.06	3.72	(1.66)	(44.6%)
FFO/Net debt APM	%	52.1%	19.6%	n/a	32.5 pp

Highlights

2020 vs 2019

In 2020, Adjusted EBITDA increased in all of the main operating segments of the Group. Increase was mainly driven by the following factors:

- growth in the Networks segment due to RAB which grew as a result of continued investments for reliability of the network, new customer connections and upgrades as well as increase in RAB which is calculated using LRAIC model;
- efficient use of Kruonis PSHP (Green Generation) mainly caused by effective utilisation of fluctuations in electricity market prices;
- better result of commercial activities of the CCGT unit (Flexible Generation) because of change in the regulatory regime allowing it to operate in the market and favourable gas market prices ;
- launch of Kaunas CHP (Green Generation);
- expansion to the Finnish gas market (Customers & Solutions).

Realised vs guidance

In the outlook announced with our 2020 9-month interim report, we expected 2020 adjusted EBITDA to be in the range of EUR 265–269 million. The actual result was around 10% higher and reached EUR 291.6 million.

The outperformance was mainly driven by:

- better result of Kruonis PSHP (Green Generation) mostly due to higher volumes of electricity generated;
- better than expected result of commercial activities of the CCGT unit (Flexible Generation) due to favourable conditions in the market;
- better overall performance of the Customers & Solutions segment.

	Networks	Green Generation	Flexible Generation	Customers and Solutions	Other*	Total Adjusted	Adjust-ments	IFRS
2020			Adjusted					Reported
Revenue	**499.4**	**89.6**	**110.9**	**487.1**	**(13.2)**	**1,173.8**	**49.3**	**1,223.1**
Purchases of electricity, gas and other services	(194.5)	(21.4)	(62.3)	(437.4)	13.0	(702.6)		(702.6)
Wages and salaries and related expenses	(51.4)	(6.4)	(7.0)	(9.9)	(18.1)	(92.8)		(92.8)
Repair and maintenance expenses	(24.8)	(2.9)	(6.3)	0.0	(0.1)	(34.1)		(34.1)
Other expenses	(29.7)	(8.2)	(3.5)	(28.8)	17.5	(52.7)	(3.5)	(56.2)
EBITDA APM	**199.0**	**50.7**	**31.8**	**11.0**	**(0.9)**	**291.6**	**45.8**	**337.4**
Depreciation and amortisation	(78.3)	(17.6)	(11.4)	(1.6)	(4.5)	(113.4)		(113.4)
Write-offs, revaluation and impairment losses of PPE and intangible assets	(4.7)	0.0	(0.2)	0.0	(1.0)	(5.9)		(5.9)
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	(0.7)	0.0	0.0	(2.4)	(0.3)	(3.4)	3.4	0.0
Revaluation of emission allowances	0.0	0.0	0.0	0.0	0.0	0.0	(3.2)	(3.2)
EBIT APM	**115.3**	**33.1**	**20.2**	**7.0**	**(6.7)**	**168.9**	**46.0**	**214.9**
Finance activity, net						(20.2)		(20.2)
Income tax expenses						(22.0)	(3.4)	(25.4)
Net profit						**126.7**	**42.6**	**169.3**
2019			Adjusted					Reported
Revenue	**464.8**	**83.6**	**65.7**	**539.2**	**(2.5)**	**1,150.8**	**(51.5)**	**1,099.3**
Purchases of electricity, gas and other services	(183.3)	(27.7)	(28.4)	(493.7)	6.5	(726.6)		(726.6)
Wages and salaries and related expenses	(46.0)	(4.4)	(6.3)	(4.9)	(25.4)	(87.0)		(87.0)
Repair and maintenance expenses	(21.7)	(2.4)	(4.9)	0.0	(0.8)	(29.8)		(29.8)
Other expenses	(33.3)	(5.7)	(4.1)	(29.7)	25.3	(47.5)	(1.3)	(48.8)
EBITDA APM	**180.5**	**43.4**	**22.0**	**10.9**	**3.1**	**259.9**	**(52.8)**	**207.1**
Depreciation and amortiaation	(81.0)	(15.3)	(11.6)	(0.4)	(1.6)	(109.9)		(109.9)
Write-offs, revaluation and impairment losses of PPE and intangible assets	(8.2)	0.0	(0.3)	0.0	(5.2)	(13.7)		(13.7)
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	(0.5)	0.0	1.1	(3.8)	1.9	(1.3)	1.3	0.0
Revaluation of emission allowances	0.0	0.0	0.0	0.0	0.0	0.0	(0.4)	(0.4)
EBIT APM	**90.8**	**28.1**	**11.2**	**6.7**	**(1.8)**	**135.0**	**(51.9)**	**83.1**
Finance activity, net						(16.9)		(16.9)
Income tax expenses						(12.1)	4.9	(7.2)
Net profit						**106.0**	**(47.0)**	**59.0**

** Other – other activities and eliminations.*

	Realised 2019	Guidance 7 May 2020	Guidance 13 Nov 2020	Realised 2020
Adjusted EBITDA APM	**259.9**	**Similar**	**265-269**	**291.6**
Networks	180.5	Higher	Higher	199.0
Green Generation	43.4	Higher	Higher	50.7
Flexible Generation	22.0	Lower	Higher	31.8
Customers & Solutions	10.9	Stable	Lower	11.0
Other	3.1	Lower	Lower	(0.9)

Revenue

In 2020, Revenue increased by 11.3% compared to 2019, and totalled EUR 1,223.1 million. The main reasons causing Revenue changes were as follows:

1. **Higher Revenue of the Networks segment (EUR +67.2 million).** The increase was mainly driven by higher electricity distribution (EUR +54.4 million) and transmission (EUR +31.2 million) revenue due to on average 11% higher tariff of power transfer service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulator. The increase was partly offset by the decreased revenue of supply of last resort (EUR -10.0 million) due to the decreased electricity market price.
2. **Higher Revenue of the Customers & Solutions segment (EUR +26.3 million).** The increase was mainly driven by higher B2B electricity supply revenue (EUR +31.9 million) due to higher volume of sold electricity and the increase of B2C electricity supply revenue (EUR +27.9 million) due to higher electricity tariff set by the regulator (+14.6% for H1 2020 and +5.6% for H2 2020 comparing to the same periods in 2019), higher sales volumes (+5.0% YoY) and revenues and receivable amount related to temporary regulatory differences for the previous periods recognised in 2020 as to new NERC resolution No O3E-879, adopted on 25 September 2020, which ensures that Ignitis will be compensated for outstanding temporary regulatory differences after the deregulation of electricity public supply activity. The increase was partly offset by lower gas sales revenue from B2B customers (EUR -19.8 million) due to lower gas market price and lower B2C gas sales (EUR -10.5 million) due to lower tariff set by the regulator (on average by 20% for H1 2020 and 35% for H2 2020 compared to the same periods in 2019).
3. **Higher Revenue of the Flexible Generation segment (EUR +30.9 million).** The segment's Revenue increase was mainly driven by higher revenue of the CCGT unit (EUR +44.8 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of sales to the market and revenue from isolated regime services was higher than return on investment included in tariff of 2019 when providing tertiary reserve services. 2019 revenue was boosted by one-off compensation received in Q1 2019 for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009 (EUR -9.3 million). 2019 revenues were also boosted by sale of fuel oil stocks no longer in use (EUR -4.3 million).
4. **Higher Revenue of the Green Generation segment (EUR +6.0 million).** The Revenue increase was driven by launch of Kaunas CHP (EUR +7.2 million) and higher sales in Kruonis PSHP (EUR +4.2 million). The increase was partly offset by lower revenue of Kaunas HPP (EUR -4.7 million) due to lower water level in the Nemunas river and lower electricity prices.
5. **Lower Revenue of the Other segment (EUR -6.6 million).** Other activities and eliminations decreased due to more intra-group revenue in 2020. The total elimination of intra-group revenue amounts to EUR -18.2 million.

Revenue by segment, EURm

	2020	2019	Δ	Δ, %
Customers & Solutions	548.5	522.2	*26.3*	*5.0%*
Networks	482.2	415.0	*67.2*	*16.2%*
Flexible Generation	111.7	80.8	*30.9*	*38.2%*
Green Generation	89.0	83.0	*6.0*	*7.2%*
Other*	(8.3)	(1.7)	*(6.6)*	*n/a*
Revenue	**1,223.1**	**1,099.3**	***123.8***	***11.3%***

** Other – other activities and eliminations.*

Revenue by country, EURm

	2020	2019	Δ	Δ, %	2020, %
Lithuania	1,122.8	1,012.3	*110.5*	*10.9%*	*91.8%*
Other	100.3	87.0	*13.3*	*15.2%*	*8.2%*
Revenue	**1,223.1**	**1,099.3**	***123.8***	***11.3%***	***100.0%***

In 2020, the Group earned 91.8% (92.1% in 2019) of its revenue in Lithuania (EUR 1,122.8 million). The Group's Revenue from foreign countries (Latvia, Estonia, Poland and Finland) increased by 15.2% and reached EUR 100.3 million (2019: EUR 87.0 million) mainly due to expansion to Finland and increased gas sales in Latvia.

Revenue by type, EURm

	2020	2019	Δ	Δ, %	2020, %
Electricity related	941.8	770.8	*171.0*	*22.2%*	*77.0%*
Gas related	243.5	275.1	*(31.6)*	*(11.5%)*	*19.9%*
Other	37.8	53.4	*(15.6)*	*(29.2%)*	*3.1%*
Revenue	**1,223.1**	**1,099.3**	***123.8***	***11.3%***	***100.0%***

In 2020, electricity related revenue increased by EUR 171.0 million compared to 2019 due to higher electricity distribution and transmission revenue (EUR +85.6 million), revenue from sale of produced electricity (EUR +51.9 million), higher revenue from B2C electricity supply (EUR +27.9 million) and higher revenue from B2B electricity supply (EUR 31.9 million). Gas related revenue decreased by EUR 31.6 million compared to 2019 due to lower revenue from gas sales (EUR -30.3 million).

Expenses

Purchases of electricity, gas and related services

The Group's purchases of electricity and gas amounted to EUR 702.6 million in 2020 and decreased by 3.3% compared to 2019. The decrease was caused by lower electricity purchases (EUR -11.7 million) mainly due to lower electricity market price and lower gas purchases (EUR -9.6 million) mainly due to lower gas market price.

OPEX

In 2020 OPEX was equal to EUR 165.7 million and rose by 12.0% (EUR +17.8 million). This change was driven by an increase in salaries and related expenses by EUR 5.8 million (or +6.7%) which increased mainly due to Group's average salary growth, an increase of headcount (+94 employees) mainly due to Vilnius CHP project which is nearing launch, increased vacation accrual and increased overtime resulted from repair of failures in the electricity distribution network after storm Laura in Q1 2020.

Repair and maintenance expenses increased by EUR 4.3 million (or +14.4%) mostly due to increased repair and maintenance works required for the electricity distribution network.

Also OPEX growth was driven by higher other OPEX, which increased by EUR 7.7 million (or +24.8%) mainly due to higher IT expenses, external customer service and purchases of additional personal protection and personal hygiene measures due to COVID-19 as well as less capitalised expenses compared to 2019.

New Green Generation projects under construction and under development accounted for EUR 3.1 million increase in OPEX.

Other

Impairment expenses and write-offs of property, plant and equipment decreased by EUR 7.8 million in 2020 compared to 2019 mostly resulting from depreciation of assets held for sale accounted as impairment expenses in 2019 and due to write-offs of old construction-in-progress projects in 2019.

Expenses, EURm

	2020	2019	*Δ*	*Δ, %*
Purchases of electricity, gas and other services	**702.6**	**726.7**	***(24.1)***	***(3.3%)***
Purchases of electricity and related services	469.2	480.9	*(11.7)*	*(2.4%)*
Purchases of gas and related services	228.4	238.0	*(9.6)*	*(4.0%)*
Other	5.0	7.8	*(2.8)*	*(35.9%)*
OPEX APM	**165.7**	**147.9**	***17.8***	***12.0%***
Salaries and related expenses	92.8	87.0	5.8	6.7%
Repair and maintenance expenses	34.1	29.8	4.3	14.4%
Other	38.8	31.1	7.7	24.8%
Other	**139.9**	**141.6**	**(1.7)**	**(1.2%)**
Depreciation and amortisation	113.4	109.9	3.5	3.2%
Energy hedging	14.1	16.4	(2.3)	(14.0%)
Impairment expenses and write-offs of property, plant and equipment	5.9	13.7	(7.8)	(56.9%)
Write-offs and impairments of short term and long-term receivables, inventories and other	3.3	1.2	2.1	175.0%
Revaluation of emission allowances	3.2	0.4	2.8	n/a
Total	**1,008.2**	**1,016.2**	***(8.0)***	***(0.8%)***

Adjusted EBITDA

Adjusted EBITDA amounted to EUR 291.6 million in 2020 and was 12.2% or EUR 31.7 million higher than in 2019. Adjusted EBITDA margin reached 24.8% (2019: 22.6%).

The main reasons behind adjusted EBITDA growth were as follows:

1. **Networks grew by EUR 18.5 million.** The increase was driven by RAB growth, which increased by 15% from EUR 1,416 million in 2019 to EUR 1,628 million in 2020 mainly due to higher electricity RAB as a result of investments in distribution network maintenance, new customer connections and upgrades as well as increase in RAB, which is calculated using LRAIC model.
2. **Flexible Generation increased by EUR 9.8 million.** The increase was mainly caused by better results from the CCGT unit (EUR +9.4 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of selling to the market and providing isolated regime services was higher than return on investment included in the tariff of 2019 when providing tertiary reserve services. Also, the increase was caused by better results of units 7 and 8 of Elektrėnai Complex regulated activities as in 2019 these units were delivering ancillary services only one and two months respectively and in 2020 they provide tertiary reserve services all year long (EUR +1.7 million). 2019 Adjusted EBITDA was boosted by gain from sale of fuel oil stocks (EUR -1.8 million).
3. **Green Generation increased by EUR 7.3 million.** The increase was mainly influenced by better results of Kruonis PSHP (EUR +12.3 million) mainly caused by effective utilisation of fluctuations in electricity market prices and positive impact from Kaunas CHP (EUR +4.2 million) as the plant was launched in August. The increase was partly offset by worsened result of Kaunas HPP (EUR -4.7 million) due to lower water level in the Nemunas river and lower captured electricity prices. The segment's adjusted EBITDA was negatively affected by the increased OPEX of Vilnius CHP project (EUR -1.9 million) as the launch of the plant is approaching.
4. **Customers & Solutions increased by EUR 0.1 million.** The positive impact was driven by the increase in gas B2B results (EUR +13.2 million) mainly due to the growth of gas export to Finland and Latvia (export volumes increased by 306.6% YoY to 5.2 TWh) as well as higher B2B sales volumes in Lithuania (B2B gas sales volumes increased by 15.7% YoY to 5.4 TWh). The negative impact was driven by lower B2B electricity results (EUR -11.8 million) due to the negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers' portfolio because of COVID-19.
5. **Result from other activities decreased by EUR 4.0 million.** The decrease was mainly influenced by lower results of the parent company, group service centre and non-core businesses which are gradually being divested.

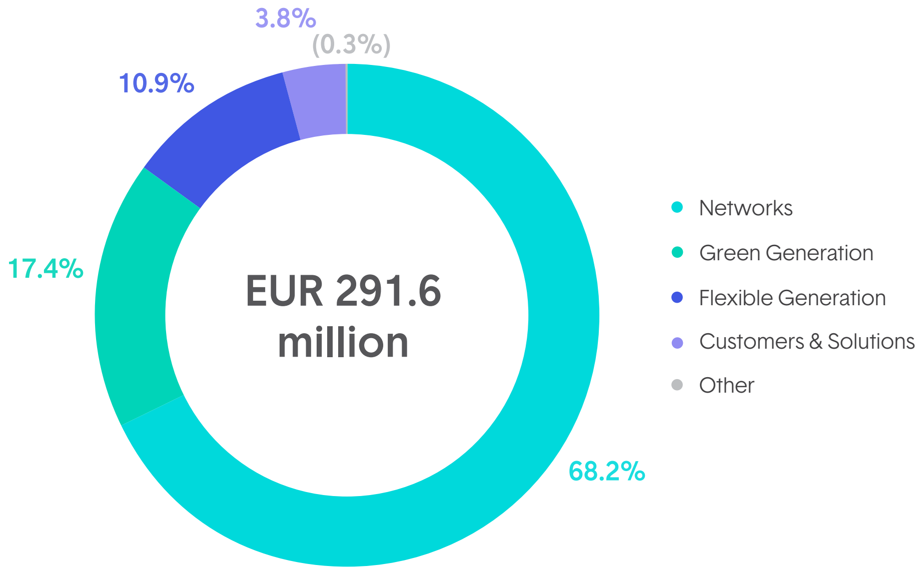
We draw your attention to the fact that 2019 Adjusted EBITDA was restated and increased by EUR 0.3 million compared to 2019 Annual report. The restatement occurred because the result of hedging activities was transferred from financial activities (below EBITDA level) to other expenses (part of EBITDA) because of an unification of hedging activities accounting method in Group companies.

Adjusted EBITDA by segments, EURm

	2020	2019	Δ	Δ, %
Networks	199.0	180.5	*18.5*	*10.2%*
Green Generation	50.7	43.4	*7.3*	*16.8%*
Flexible Generation	31.8	22.0	*9.8*	*44.5%*
Customers & Solutions	11.0	10.9	*0.1*	*0.9%*
Other*	(0.9)	3.1	*(4.0)*	*n/a*
Adjusted EBITDA APM	**291.6**	**259.9**	***31.7***	***12.2%***

** Other – other activities and eliminations.*

Adjusted EBITDA 2020, EURm



Adjusted EBITDA by activity type

In 2020, Adjusted EBITDA from regulated and long-term contracted activities amounted to 82.7% of the total Adjusted EBITDA (2019: 87.1%). The share of such activities decreased due to significantly higher Adjusted EBITDA from commercial activities, mostly the CCGT unit and Kaunas CHP.

Regulated activities include:

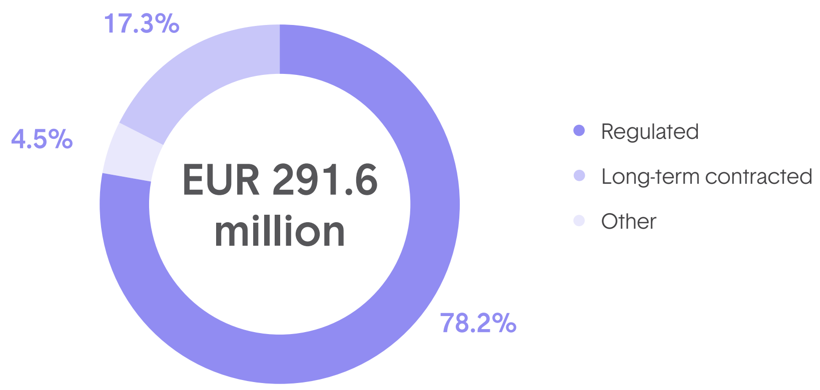
1. electricity and gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, gas supply to residents of Lithuania and designated LNG supplier service.

Long-term contracted activities include wind farms with feed-in or feed-in premium tariffs.

Adjusted EBITDA by types of activities, EURm

	2020	2019	Δ	Δ, %
Regulated	228.0	213.0	*15.0*	*7.0%*
Long-term contracted	13.2	13.3	*(0.1)*	*(0.8%)*
Other	50.4	33.6	*16.8*	*50.0%*
Adjusted EBITDA APM	**291.6**	**259.9**	***31.7***	***12.2%***

Adjusted EBITDA by types of activities in 2020, %



EBITDA adjustments, EURm

	2020	2019	Δ	Δ, %
EBITDA APM	**337.4**	**207.1**	***130.3***	***62.9%***
*Adjustments**				
Temporary regulatory differences (1)	(38.4)	31.7	*(70.1)*	*n/a*
Temporary fluctuations in fair value of derivatives (2)	(18.5)	16.8	*(35.3)*	*n/a*
Cash effect of new connection points and upgrades (3)	13.2	16.1	*(2.9)*	*(18.0%)*
Other (4)	(2.1)	(11.8)	*9.7*	*(82.2%)*
Total EBITDA adjustments	**(45.8)**	**52.8**	**(98.6)**	**n/a**
Adjusted EBITDA APM	**291.6**	**259.9**	***31.7***	***12.2%***
Adjusted EBITDA margin APM	24.8%	22.6%	*n/a*	*2.2 pp*

** A more detailed description of the management adjustments is presented in Consolidated Financial statements for 2020, Note 45 'Operating segments'.*

(1) Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator. In 2020, adjustment mostly consists of elimination of higher Customers & Solutions segment profit earned from regulated activities during 2020, which resulted from lower actual electricity and gas purchase prices compared to prices set by the regulator. In 2019, adjustment was mainly related to the Networks segment (EUR 36.9 million) mainly due to amounts returned to the consumers for previous periods through lower tariffs.

(2) Elimination of temporary fluctuations in the fair value of derivatives related to other periods (including contracts that are settled in the current period but are related to future periods). The Group uses derivatives for economic hedge of electricity and gas supply contracts, however, does not fully apply hedge accounting, therefore, management eliminates them when analysing current period results.

(3) According to the accounting policy, revenues from new connection points and upgrades are recognised throughout the useful life of the newly created infrastructure, even though the cash is received when the new connection point or upgrade is completed. In order to better reflect the cash flow and results of connection points and upgrades completed in the current period, revenues are adjusted as if they were booked at the moment of connection or upgrade.

(4) Other adjustments include elimination of impairment and write-offs of current and non-current amounts receivables, loans, goods and others, gains or losses from disposal of non-current assets and other one-off gains or losses. The main one-off elimination for 2020 is amount related to GDRs, which was collected from GDR holders during the IPO process (EUR -1.8 million). The main one-off eliminations for 2019 are received compensations of: i) EUR 9.28 million for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of AB Lietuvos Elektrinė in 2005–2009; ii)) EUR 2.6 million compensation received from AB Litgrid for transmission and system services (for January and February 2016).

Adjusted EBIT

In 2020, Adjusted EBIT amounted to EUR 168.9 million, which was 25.1% (or EUR +33.9 million) higher than in 2019. The main effects on Adjusted EBIT change were higher Adjusted EBITDA (EUR +31.7 million) (the reasons behind the increase are described in 'Adjusted EBITDA' section), lower write-offs, revaluation expenses and impairment losses of PPE and intangible assets (EUR +7.8 million) and slightly higher depreciation expenses (EUR -3.5 million).

Adjusted EBIT by segments, EURm

	2020	2019	Δ	Δ, %
Networks	115.3	90.8	*24.5*	*27.0%*
Green Generation	33.1	28.1	*5.0*	*17.8%*
Flexible Generation	20.2	11.2	*9.0*	*80.4%*
Customers & Solutions	7.0	6.7	*0.3*	*4.5%*
Other*	(6.7)	(1.8)	*(4.9)*	*n/a*
Adjusted EBIT APM	**168.9**	**135.0**	***33.9***	***25.1%***
Adjusted EBIT margin APM	14.4%	11.7%	*n/a*	*2.7 pp*

** Other – other activities and eliminations.*

Calculation of Adjusted EBIT was changed not eliminating write-offs, revaluation expenses and impairment losses of PPE and intangible assets and eliminating impairment and write-offs of current and non-current amounts receivables, loans, goods and others.

EBIT adjustments, EURm

	2020	2019	Δ	Δ, %
EBIT APM	**214.9**	**83.1**	***131.8***	***158.6%***
Adjustments				
Total EBITDA adjustments	(45.8)	52.8	*(98.6)*	*n/a*
Revaluation of emission allowances	3.2	0.4	*2.8*	*n/a*
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	(3.4)	(1.3)	*(2.1)*	*161.5%*
Total EBIT adjustments	**(46.0)**	**51.9**	***(97.9)***	***n/a***
Adjusted EBIT APM	**168.9**	**135.0**	***33.9***	***25.1%***

Adjusted and Reported net profit

Adjusted net profit amounted to EUR 126.7 million in 2020 and was 19.5% higher than in 2019. Adjusted EBITDA positive impact (EUR +31.7 million) was partly offset by higher income tax (EUR -9.8 million), financial activity (EUR -3.9 million) and depreciation and amortisation (EUR -3.5 million) expenses. Deferred income tax expenses increased due to income tax relief for the investment project related assets transfer to another Group company what lowered deferred income tax assets as tax relief itself could not be transferred to another company.

Net profit adjustments include an additional income tax adjustment of 15% (statutory income tax rate in Lithuania) applied to all other adjustments (except for those where income tax is already included in the adjustment calculations).

Reported net profit in 2020 increased to EUR 169.3 million, compared to net profit of EUR 59.0 million in 2019. Reported Net profit increased significantly more than Adjusted net profit due to temporary regulatory differences of the Customers & Solutions segment EUR 43.3 million in 2020 and the Networks segment EUR -36.9 million in 2019. Also temporary fluctuations in fair value of derivatives increased significantly from EUR -16.8 million in 2019 to EUR +18.5 million in 2020.

Net profit adjustments, EURm

	2020	2019	Δ	Δ,%
Net profit	**169.3**	**59.0**	***110.3***	***186.9%***
Adjustments				
Total EBITDA adjustments	(45.8)	52.8	*(98.6)*	*n/a*
Revaluation of emission allowances	3.2	0.4	*2.8*	*n/a*
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	(3.4)	(1.3)	*(2.1)*	*161.5%*
Adjustments' impact on income tax	3.4	(4.9)	*8.3*	*n/a*
Total net profit adjustments	**(42.6)**	**47.0**	***(89.6)***	***n/a***
Adjusted net profit APM	**126.7**	**106.0**	***20.7***	***19.5%***
Adjusted ROE APM	7.9%	8.0%	*n/a*	*(0.1 pp)*
ROE APM	10.6%	4.4%	*n/a*	*6.2 pp*

Investments

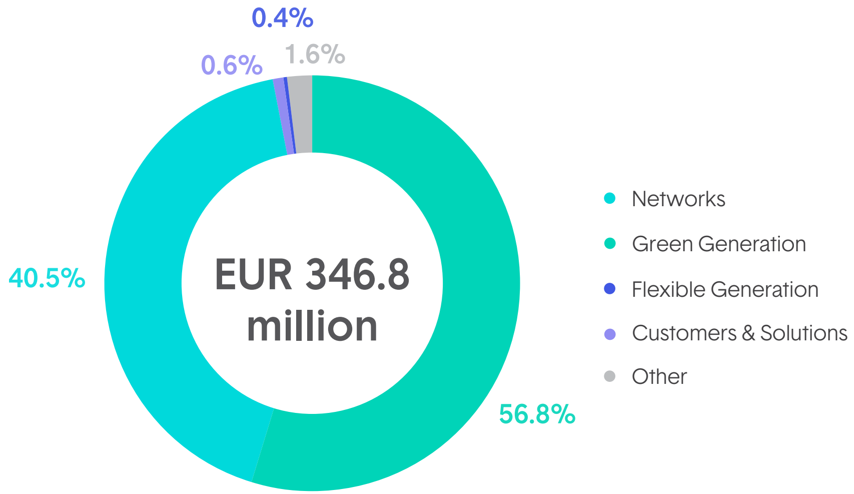
In 2020, Investments amounted to EUR 346.8 million and were EUR 106.4 million lower than in 2019. The largest investments were made in construction of Pomerania WF (21.9% from total Investments), construction of Kaunas CHP (20.3%), electricity distribution network expansion (new connection points and upgrades) (15.6%), electricity distribution network maintenance (mainly replacement of overhead lines with underground lines) (14.1%) and construction of Vilnius CHP (13.3%).

Green Generation segment investments amounted to EUR 197.0 million in 2020 and were EUR 56.9 million lower compared to 2019. The main reason for the decrease was lower investments in Vilnius CHP (EUR -115.3 million). The decrease was partly expected because of the construction schedule, but also there was some delay due to COVID-19. Decrease was partly offset by higher investments in construction of Kaunas CHP (EUR +26.5 million) and Pomerania WF (EUR +26.3 million).

Networks segment investments amounted to EUR 140.6 million and were lower by EUR 38.4 million compared to 2019. Decrease was mainly driven by lower investments in expansion of the electricity and gas distribution networks (EUR -48.5 million) due to COVID-19 as well as overall decrease in new customers connection and upgrades contract work fees.

The Group received EUR 25.7 million grants for Investments in 2020. It mainly contains grants for Vilnius CHP project (EUR 18.5 million), the remaining grants were related to electricity and gas distribution networks. Also, part of the Networks investments related to new customer connections, upgrades and infrastructure equipment transfers were covered by customers (EUR 26.3 million). Also, there were investments covered by guarantee due to termination of agreement with Vilnius CHP contractor (EUR -15.0 million).

Investments by segment in 2020, %



Investments by segment, EURm

	2020	2019	Δ	Δ, %
Green Generation	197.0	253.9	*(56.9)*	*(22.4%)*
Pomerania WF	75.8	49.5	*26.3*	*53.1%*
Kaunas CHP	70.5	44.0	*26.5*	*60.2%*
Vilnius CHP	46.0	161.3	*(115.3)*	*(71.5%)*
Other	4.7	(0.9)	*5.6*	*n/a*
Networks	140.6	179.0	*(38.4)*	*(21.5%)*
Expansion of the electricity network	54.2	79.1	*(24.9)*	*(31.5%)*
Maintenance of the electricity network	49.0	44.4	*4.6*	*10.4%*
Expansion of the gas network	21.4	45.0	*(23.6)*	*(52.4%)*
Maintenance of the gas network	9.6	7.0	*2.6*	*37.1%*
Other	6.4	3.5	*2.9*	*82.9%*
Customers & Solutions	2.2	3.2	*(1.0)*	*(31.3%)*
Flexible Generation	1.5	0.5	*1.0*	*200.0%*
Other*	5.5	16.6	*(11.1)*	*(66.9%)*
Investments APM	**346.8**	**453.2**	***(106.4)***	***(23.5%)***
Grants	(25.7)	(64.0)	*38.3*	*(59.8%)*
Investments covered by customers**	(26.3)	(26.5)	*0.2*	*(0.8%)*
Investments covered by guarantee	(15.0)	0.0	*(15.0)*	*n/a*
Investments (excl. grants and investments covered by customers and guarantees)	**279.8**	**362.7**	***(82.9)***	***(22.9%)***

** Other – other activities and eliminations.*
*** Investments covered by customers include new customers connections and upgrades, and infrastructure equipment transfers.*

Statement of financial position

Assets

As of 31 December 2020, total assets reached EUR 3,969.3 million (24.1% increase from 31 December 2019). The growth was mainly influenced by the increase in cash and cash equivalents due to additional bond issuance and IPO proceeds. Also, property, plant and equipment increased, resulting from investments made in 2020.

Equity

As of 31 December 2020, equity amounted to EUR 1,843.8 million, 36.7% increase from 31 December 2019 mostly due to new shares issued through IPO and Net profit for 2020.

Liabilities

Total liabilities increased by 14.9% or EUR 276.0 million during 2020. Non-current liabilities grew by 34.5% or EUR 465.7 million, which was mainly influenced by the issuance of bonds (EUR +300.0 million) and increased loans from banks (EUR +127.3 million) for Pomerania WF, Kaunas CHP and Vilnius CHP. Current liabilities decreased by 38.0% or EUR 189.7 million. It was caused by decrease in Bank overdrafts (EUR -191.3 million) and the current portion of non-current loans (EUR -32.1 million).

Balance sheet, EURm

	2020.12.31	2019.12.31	Δ	Δ,%
Non-current assets	2,982.7	2,770.6	*212.1*	*7.7%*
Current assets	986.6	427.5	*559.1*	*130.8%*
TOTAL ASSETS	**3,969.3**	**3,198.1**	***771.2***	***24.1%***
Equity	1,843.8	1,348.6	*495.2*	*36.7%*
Total liabilities	2,125.5	1,849.5	*276.0*	*14.9%*
Non-current liabilities	1,816.2	1,350.5	*465.7*	*34.5%*
Current liabilities	309.3	499.0	*(189.7)*	*(38.0%)*
TOTAL EQUITY AND LIABILITIES	**3,969.3**	**3,198.1**	***771.2***	***24.1%***
Asset turnover APM	0.34	0.36	*(0.02)*	*(5.6%)*
ROA APM	4.7%	1.9%	*n/a*	*2.8 pp*
Current ratio APM	3.19	0.78	*2.41*	*n/a*
Working capital/Revenue APM	3.2%	4.8%	*n/a*	*(1.6 pp)*

Financing

Net debt

As of 31 December 2020, Net debt amounted to EUR 600.3 million, a decrease of 37.9% or EUR 366.2 million compared to 31 December 2019 was mostly influenced by the IPO proceeds, that was partly offset by new loans obtained (which were used to finance investments in renewable energy projects).

During 2020, Gross debt increased by 18.7% or EUR 205.8 million, and on 31 December 2020 amounted to EUR 1,304.1 million. Main factors for the increase were bonds issuance and increase of loans from banks, that was partly offset by lower bank overdrafts and current portion of non-current loans.

FFO/Net debt significantly improved from 19.6% to 52.1%.

The IPO has strengthened the capital structure of the Group, which led to the event driven review of credit rating and outlook change. S&P Global Ratings improved the credit rating outlook of the Group from ‘negative’ to ‘stable’ with BBB+ rating.

Net debt, EURm

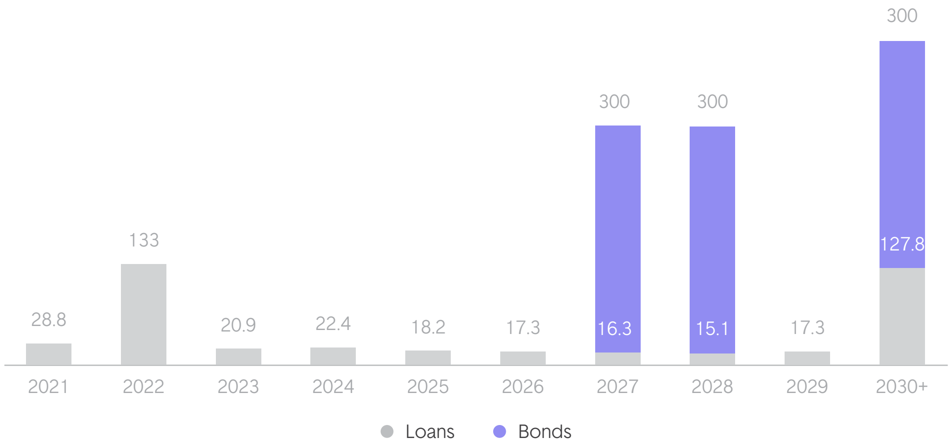
	2020.12.31	2019.12.31	Δ	Δ,%
Total non-current financial liabilities	**1,275.3**	**855.7**	***419.6***	***49.0%***
Non-current loans	359.0	231.7	*127.3*	*54.9%*
Bonds	887.0	590.1	*296.9*	*50.3%*
Interests payable (including accrued)	0.2	0.1	*0.1*	*100.0%*
Lease liabilities (IFRS 16)	29.1	33.8	*(4.7)*	*(13.9%)*
Total current financial liabilities	**28.8**	**242.6**	***(213.8)***	***(88.1%)***
Current portion of non-current loans	6.3	37.5	*(31.2)*	*(83.2%)*
Current loans	0.0	0.0	*0.0*	*0.0*
Interests payable (including accrued)	9.1	5.4	*3.7*	*68.5%*
Lease liabilities (IFRS 16)	13.4	8.4	*5.0*	*59.5%*
Banks overdrafts	0.0	191.3	*(191.3)*	*(100.0%)*
Gross debt APM	**1,304.1**	**1,098.3**	***205.8***	***18.7%***
Cash, cash equivalents and restricted cash	**703.8**	**131.8**	***572.0***	***n/a***
Cash and cash equivalents	658.8	130.7	*528.1*	*n/a*
Cash in escrow account	45.0	1.1	*43.9*	*n/a*
Net debt APM	**600.3**	**966.5**	***(366.2)***	***(37.9%)***
EPSO-G receivable	150.7	158.7	*(8.0)*	*(5.0%)*
Net debt less EPSO-G receivable	**449.6**	**807.8**	***(380.0)***	***(47.0%)***
Net debt / Adjusted EBITDA APM	2.06	3.72	*(1.66)*	*(44.6%)*
Net debt / EBITDA APM	1.78	4.67	*(2.89)*	*(61.9%)*
FFO / Net debt APM	52.1%	19.6%	*n/a*	*32.5 pp*
Gross debt/Equity APM	0.71	0.81	*(0.1)*	*(12.8%)*
Equity ratio APM	0.46	0.42	*0.04*	*9.1%*

Maturities

Bonds, which mature in 2027 (EUR 300.0 million, green), in 2028 (EUR 300.0 million, green) and in 2030 (EUR 300.0 million) make the largest portion of the Group's financial liabilities.

The average maturity of the financial liabilities as of 31 December 2020 was 7.7 years (31 December 2019: 6.3 years). The average maturity increased mainly as a result of bank overdraft being refinanced with 10-year bonds.

Group's financial liabilities repayment schedule, EURm



Interest rate, currency, and liquidity risk

On 31 December 2020, financial liabilities amounting to EUR 1,244.2 million were subject to the fixed interest rate (95.4% of the gross debt) and the remaining amount of financial liabilities were subject to the floating interest rate. 93.1% of gross debt were in EUR, while 6.9% – in PLN.

The Group manages liquidity risk by entering into the credit line agreements with banks. On 31 December 2020, credit line facilities amounted to EUR 170 million of which all are undrawn, EUR 12 million are frozen for redemption of shares of Ignitis Gamyba and ESO. All the credit lines are committed, i.e. funds must be paid by the bank upon request.

Cash flows

Net cash flows from operating activities (CFO) amounted to EUR 282.5 million in 2020. Compared to 2019, CFO increased by EUR 105.3 million mainly due to increase of net profit and decrease in working capital.

Net cash flows from investing activities (CFI) amounted to EUR -260.3 million in 2020. Compared to 2019, CFI decreased by EUR 87.0 million due to lower Investments.

Net cash flows from financing activities (CFF) amounted to EUR 504.8 million in 2020. Compared to 2019, CFF increased by EUR 330.7 million mostly due to IPO proceeds and bonds issuance used to refinance overdrafts.

Cash flows, EURm

	2020	2019	Δ	Δ, %
Cash and cash equivalents at the beginning of the period	**131.8**	**127.8**	***4.0***	***3.1%***
CFO	282.5	177.2	*105.3*	*59.4%*
CFI	(260.3)	(347.3)	*87.0*	*(25.1%)*
CFF	504.8	174.1	*330.7*	*189.9%*
Increase (decrease) in cash and cash equiv.	**527.0**	**4.0**	***523.0***	***n/a***
Cash and cash equivalents at the end of period	**658.8**	**131.8**	***527.0***	***n/a***

In 2020, the Group's FFO increased by 64.9% (EUR 123.0 million) and amounted to EUR 312.5 million. The main reason for the growth was higher EBITDA.

FFO, EURm

	2020	2019	Δ	Δ, %
EBITDA APM	337.4	207.1	*130.3*	*62.9%*
Interest received	0.6	1.1	*(0.5)*	*(45.5%)*
Interest paid	(15.9)	(14.1)	*(1.8)*	*12.8%*
Income tax paid	(9.6)	(4.6)	*(5.0)*	*108.7%*
FFO APM	**312.5**	**189.5**	***123.0***	***64.9%***

FCF, EURm

	2020	2019	Δ	Δ, %
FFO APM	312.5	189.5	*123.0*	*64.9%*
Investments	(346.8)	(453.2)	*106.4*	*(23.5%)*
Grants received	25.7	64.0	*(38.3)*	*(59.8%)*
Investments covered by guarantee	15.0	0.0	*15.0*	*n/a*
Cash effect of new connection points and upgrades	13.2	16.1	*(2.9)*	*(18.0%)*
Proceeds from sale of property, plant and equipment and intangible assets	14.4	39.5	*(25.1)*	*(63.5%)*
Change in net working capital	14.0	(45.7)	*59.7*	*n/a*
FCF APM	**48.0**	**(189.8)**	***237.8***	***n/a***

Key operating indicators

		2020	2019	Δ	Δ, %
Electricity					
Green Generation capacity	MW	1,350	1,287	63	4.9%
Green Generation installed capacity	MW	1,101	1,077	24	2.2%
Green Generation projects under construction	MW	249	210	39	18.6%
Electricity distributed	TWh	9.55	9.55	0.00	0.0%
Electricity generated	TWh	2.45	1.06	1.39	131.9%
Green electricity generated	TWh	1.25	1.04	0.21	20.3%
Green share of generation	%	51.0%	97.7%	-	(46.6 pp)
Electricity sales	TWh	6.79	5.86	0.93	15.9%
SAIFI	units	1.34	1.31	0.03	2.2%
SAIDI	min.	207.67	91.79	115.88	126.2%
Heat					
Green Generation capacity	MW	339	339	0.0	0.0%
Green Generation installed capacity	MW	110	40	70	175.0%
Green Generation projects under construction	MW	229	299	(70)	(23.4%)
Heat generated	TWh	0.33	0.09	0.24	n/a
Gas					
Gas distributed	TWh	7.06	6.97	0.09	1.4%
Gas sales	TWh	14.77	9.84	4.93	50.1%
SAIFI	units	0.010	0.008	0.00	19.5%
SAIDI	min.	1.61	1.25	0.36	28.9%

Electricity

The total distributed electricity remained unchanged. B2B distribution decreased by about 3.4%, partly offset by an increase in B2C distribution by 7.7%. Changes between customer groups were mainly influenced by COVID-19.

Electricity generation increased 2 times compared to 2019 and amounted to 2.45 TWh in 2020. The increase was mainly driven by higher electricity generation in the CCGT unit at Elektrenai Complex, Kruonis PSHP, and Kaunas CHP. Electricity generation volumes in the CCGT unit increased almost 61.7 times from 0.02 TWh in 2019 to 1.18 TWh in 2020, caused by favourable gas prices and changes in the regulation of ancillary services. Electricity generation volumes at Kruonis PSHP increased by 33.8% as a result of effective utilisation of fluctuations in electricity prices in 2020.

SAIDI indicator deteriorated and was 207.67 minutes compared to 91.79 minutes in 2019. SAIFI indicator was equal to 1.34 interruptions, up from 1.31 in 2019. Deterioration of quality indicators of continuous electricity supply was mainly caused by storm Laura (12–13 March), which was the biggest storm since 2005.

Heat

Heat generation in 2020 increased 3.9 times compared to 2019 as a result of Kaunas CHP, which commenced commercial operation in August 2020, and Vilnius CHP test runs.

Gas

Gas distribution volumes slightly increased by 1.4% and amounted to 7.06 TWh in 2020, compared to 6.97 TWh in 2019. Gas sales increased by 50.1% and amounted to 14.77 TWh. The increase in gas sales was mainly influenced by entry into the Finnish gas market and higher gas sales in the Latvian market.

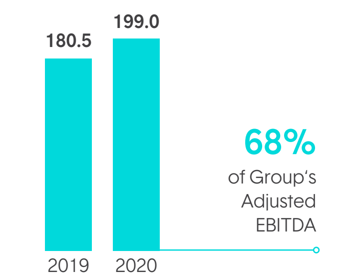
Gas distribution SAIDI indicator deteriorated in 2020 and was 1.61 minutes. SAIFI ratio was equal to 0.010 interruptions. Deterioration of the gas quality indicators resulted from the network disruptions by third parties. The largest disruption in the gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020. Despite the deterioration of the gas quality indicators, the indicators remain strong.

3.2 Results by business segments

Overview

Networks

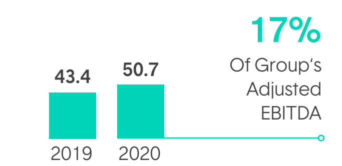
Adjusted EBITDA, EURm



Revenue, EURm	482.2
Adjusted EBIT, EURm	115.3
Investments, EURm	140.6
Net debt, EURm	680.7

Green Generation

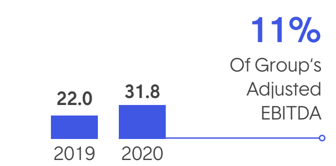
Adjusted EBITDA, EURm



Revenue, EURm	89.0
Adjusted EBIT, EURm	33.1
Investments, EURm	197.0
Net debt, EURm	352.4

Flexible Generation

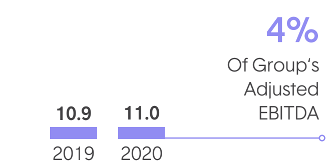
Adjusted EBITDA, EURm



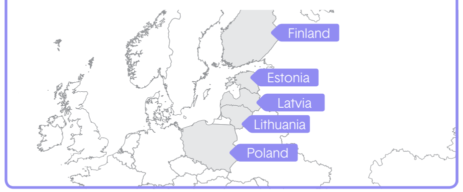
Revenue, EURm	111.7
Adjusted EBIT, EURm	20.2
Investments, EURm	1.5
Net debt, EURm	(40.2)

Customers & Solutions

Adjusted EBITDA, EURm



Revenue, EURm	548.5
Adjusted EBIT, EURm	7.0
Investments, EURm	2.2
Net debt, EURm	29.4



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

Networks

Highlights 2020

- **In 2020, the National Energy Regulatory Council approved the updated Methodology on the Rate of Return on Investments. The updated Methodology will be effective when determining the WACC rates for electricity distribution from 2022 and for natural gas distribution from 2024**
- **In 2020 the investment plan for 10 years was updated. The investments of EUR 1.9 billion are planned to increase reliability, durability and smartness of the network and to connect new users in 2020–2029. The planned investments will be directed to two main programmes according to the priorities of the investments: i) network reliability and efficiency, and ii) market enabling and customer experience**

Financial results

In 2020, the Networks Revenue reached EUR 482.2 million and was 16.2% or EUR 67.2 million higher than in 2019. The increase was mainly driven by higher electricity distribution (EUR +54.4 million) and transmission (EUR +31.2 million) revenue due to on average 11% higher tariff of power transfer service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulator. The increase was partly offset by decreased revenue of supply of last resort (EUR -10.0 million) due to decreased electricity market price.

Adjusted EBITDA reached EUR 199.0 million and was 10.2% or EUR 18.5 million higher than in 2019. Increase was driven by:

- growing value of RAB – electricity distribution RAB increased from EUR 1,227 million in 2019 to EUR 1,401 million in 2020, gas distribution RAB increased from EUR 189 million to EUR 227 million;
- increased compensated depreciation – as the value of RAB increased so did the depreciation calculated from RAB value which is compensated by the regulator;
- increased WACC – electricity distribution WACC increased from 5.04% in 2019 to 5.28% in 2020, WACC of gas distribution increased from 3.59% to 3.84%.

The segment's PPE, intangible and right-of-use assets increased by 3.3% or EUR 51.5 million due to Investments made. However, compared to 2019, Investments decreased by EUR 38.4 million or 21.5%. The decrease was mainly driven by lower investments in expansion of the electricity and gas distribution networks (EUR -48.5 million) due to COVID-19 as well as overall decrease in new customers' connection and upgrades contract work fees.

Operating performance

Electricity distribution

Total distributed electricity in 2020 remained unchanged. B2B distribution decreased by about 3.4%, partly offset by an increase in B2C distribution by 7.7%. Changes between customer groups were mainly influenced by COVID-19.

Electricity distribution customer number increased by 1.3% due to the growing number of new connection points. Producers and procumers number increased almost 2 times as a result of solar support schemes.

SAIDI indicator in 2020 deteriorated and was 207.67 minutes compared to 91.79 minutes in 2019. SAIFI indicator was equal to 1.34 interruptions, up from 1.31 in 2019. Deterioration of quality indicators of continuous electricity supply was mainly caused by storm Laura (12–13 March), which was the biggest storm since 2005.

Gas distribution

Gas distribution volume slightly increased by 1.4%. In 2020, 215.2 km of the new gas pipelines were constructed (521.2 km in 2019).

In 2020, 7,785 new connection points and upgrades were completed in the gas distribution network, 34.0% less than during 2019 because the connection fees became higher.

Gas distribution SAIDI indicator deteriorated and was 1.61 minutes. SAIFI ratio was equal to 0.010 interruptions. The deterioration of the gas quality indicators resulted from the network disruptions by third parties. The largest disruption in the gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020. Despite the deterioration of the gas quality indicators, the indicators remain strong.

Key financial indicators, EUR m	2020	2019	Δ	Δ,%
Revenue	482.2	415.0	*67.2*	*16.2%*
Adjusted EBITDA APM	199.0	180.5	*18.5*	*10.2%*
EBITDA APM	181.1	130.2	*50.9*	*39.1%*
Adjusted EBIT APM	115.3	90.8	*24.5*	*27.0%*
EBIT APM	98.1	41.0	*57.1*	*139.3%*
PPE, intangible and right-of-use assets	1,616.9	1,565.4	*51.5*	*3.3%*
Net debt APM	680.7	657.7	*23.0*	*3.5%*
Investments APM	140.6	179.0	*(38.4)*	*(21.5%)*
Adjusted EBITDA margin, % APM	39.8%	38.8%	*n/a*	*1.0 pp*

Key operating indicators		2020	2019	Δ	Δ,%
Electricity distribution					
Electricity distributed	TWh	9.55	9.55	(0.00)	0.0%
Distribution network	'000 km	126.11	125.50	0.61	0.5%
Technological losses	%	5.8%	6.3%	(0.00)	(0.5 pp)
Number of customers	'000	1,777.08	1,754.46	22.62	1.3%
of which prosumers and producers	'000	10.96	5.69	5.27	92.7%
New connection points	'000	22.77	24.71	(1.94)	(7.8%)
Connection point upgrades	'000	18.27	15.44	2.83	18.3%
Admissible power of new connection points and upgrades	MW	386.2	446.1	(59.90)	(13.4%)
Time to connect (average)	c. d.	31.14	31.99	(0.85)	(2.7%)
SAIFI	unit	1.34	1.31	0.03	*2.2%*
SAIDI	min.	207.67	91.79	115,88	126.2%
Gas distribution					
Gas distributed	TWh	7.06	6.97	0.09	1.4%
Distribution network	'000 km	9.69	9.48	0.22	2.3%
Technological losses	%	2.2%	2.2%	0.00	0.0 pp
Number of customers	'000	611.39	602.47	8.92	1.5%
New connection points and upgrades	'000	7.785	11.793	(4.01)	(34.0%)
Time to connect (average)	c. d.	56.82	65.05	(8.23)	(12.7%)
SAIFI	unit	0.01	0.01	0.00	19.5%
SAIDI	min.	1.61	1.25	0.36	28.9%

Key regulatory indicators		2021*	2020	2019
Total				
RAB	EURm	1,663	1,628	1,416
WACC (RAB weighted average)	%	5.14%	5.08%	4.85%
Depreciation and amortisation (regulatory)	EURm	91.9	89.5	84.9
Electricity distribution				
RAB	EURm	1,414	1,401	1,227
WACC	%	5.34%	5.28%	5.04%
Depreciation and amortisation (regulatory)	EURm	82.4	80.0	75.7
Gas distribution				
RAB	EURm	249	227	189
WACC	%	3.90%	3.84%	3.59%
Depreciation and amortisation (regulatory)	EURm	9.5	9.6	9.2

** Key regulatory indicators for 2021 were approved by the regulator at the end of 2020, however after annual regulatory audit, which is scheduled for May, indicators might be adjusted to reflect final audited results*

Green Generation

Highlights 2020

- **In August 2020, operations commenced at Kaunas CHP (WtE plant with 24 MWe and 70 MWth capacity)**
- **During 2020 instalment of 29 wind turbines in Pomerania WF (94 MW) was completed and the wind farm should start generating electricity in Q1 2021**
- **In September 2020, the agreement for the acquisition of the solar PV development portfolio in Poland with total capacity of up to 170 MW was concluded**
- **Partnership agreement with Ocean Winds was concluded for the development of offshore wind farms. 700 MW planned in Lithuania (Ignitis Group stake 51%) and 800-950 MW in UK (Ignitis Group stake 5%)**
- **Vilnius CHP's waste-to-energy unit (19 MWe and 60 MWth capacity) was 'hot' tested and is expected to start operating according to the plan in Q1 2021, while the biomass unit (73 MWe and 169 MWth capacity) is delayed by around one year until Q4 2022**
- **Lastly, preparatory works for the 63 MW Mažeikiai WF development in Lithuania have started**

Financial results

In 2020, Green Generation Revenue amounted to 89.0 million and was 7.2% or EUR 6.0 million higher than in 2019. Revenue increase was driven by launch of Kaunas CHP (EUR +7.2 million) and higher sales at Kruonis PSHP (EUR +3.4 million). The increase was partly offset by lower revenue of Kaunas HPP (EUR -4.9 million) due to lower water level in the Nemunas river and lower electricity prices.

In 2020, Adjusted EBITDA reached EUR 50.7 million and was 16.8% or EUR 7.3 million higher than in 2019. The main effects were:

- better results of Kruonis PSHP (EUR +12.3 million) mainly caused by effective utilisation of fluctuations in electricity market prices;
- positive impact of Kaunas CHP (EUR +3.7 million) as the plant was launched in August;
- worsened result of Kaunas HPP (EUR -4.7 million) due to lower water level in the Nemunas river and lower captured electricity prices;
- increased OPEX of Vilnius CHP project (EUR -1.9million) as the launch of plant is approaching.

Compared to 2019, property, plant and equipment, intangible and right-of-use assets in the Green Generation segment grew due to ongoing Investments in Vilnius and Kaunas CHPs and Pomerania WF. The segment's Net debt increased accordingly.

Investments amounted to EUR 197.0 million in 2020 and were EUR 56.9 million lower compared to 2019. The main reason for the decrease was lower investments in Vilnius CHP (EUR -115.3 million). The decrease was partly expected because of the construction schedule, but also there was some delay due to COVID-19. The decrease was partly offset by higher investments in construction of Kaunas CHP (EUR +26.5 million) and Pomerania WF (EUR +26.3 million).

Operating performance

Electricity generation

Electricity generated in the Green Generation segment increased by 20.3% in 2020, compared to 2019. This mainly resulted from higher electricity generation in hydro portfolio. Electricity generation volumes at Kruonis PSHP increased by 33.8% as a result of effective utilisation of fluctuations in electricity prices in 2020, which was slightly offset by decrease in Kaunas HPP by 16.4%, caused by lower levels of water in the Nemunas river.

The volume of electricity generated at wind farms was 0.24 TWh, which is 4.6% more compared to 2019. The increase in wind farms generation portfolio was impacted by higher load factors due to better weather conditions and availability factors.

The volume of electricity generated from waste incineration increased due to Kaunas CHP, which commenced commercial operation in August 2020.

Heat generation

Heat generation in 2020 increased 6.5 times compared to 2019 as a result of Kaunas CHP's commercial operation commencement and Vilnius CHP's test runs.

Key financial indicators, EURm	2020	2019	Δ	Δ,%
Revenue	89.0	83.0	6.0	*7.2%*
Adjusted EBITDA APM	50.7	43.4	7.3	*16.8%*
EBITDA APM	50.2	42.9	7.3	*17.0%*
Adjusted EBIT APM	33.1	28.1	5.0	*17.8%*
EBIT APM	32.0	27.6	4.4	*15.9%*
PPE, intangible and right-of-use assets	755.4	585.3	170.1	*29.1%*
Net debt APM	352.4	278.5	73.9	*26.5%*
Investments APM	197.0	253.9	(56.9)	*(22.4%)*
Adjusted EBITDA margin, % APM	56.6%	51.9%	n/a	*(4.7 pp)*

Key operating indicators		2020	2019	Δ	Δ,%
Electricity generation					
Installed capacity	MW	1,101	1,077	24	*2.2%*
Wind	MW	76	76	(0)	*0.0%*
Hydro	MW	1,001	1,001	(0)	*0.0%*
Kruonis PSHP	MW	900	900	(0)	*0.0%*
Kaunas HPP	MW	101	101	(0)	*0.0%*
Waste	MW	24	-	24	*n/a*
Projects under construction	MW	249	210	39	*18.6%*
Electricity generated:	TWh	1.25	1.04	0,21	*20.3%*
Wind	TWh	0.24	0.23	0.01	*4.6%*
Hydro	TWh	0.94	0.81	0.13	*17.0%*
Kruonis PSHP	TWh	0.72	0.54	0.18	*33.8%*
Kaunas HPP	TWh	0.23	0.27	(0.04)	*(16.4%)*
Waste	TWh	0.07	-	0.07	*n/a*
Wind farms availability factor	%	98.5%	97.8%	n/a	*0.7 pp*
Wind farms load factor	%	35.5%	34.2%	n/a	*1.4 pp*
Heat generation					
Installed capacity	MW	110	40	70	*175%*
Projects under construction	MW	229	299	(70)	*(23%)*
Heat generated:	TWh	0.33	0.09	70	*n/a*
Waste	TWh	0.23	-	(70)	*n/a*
Biomass	TWh	0.08	0.09	0.24	*(8.8%)*
Gas	TWh	0.02	-	0.23	*n/a*

Key regulatory indicators		2021*	2020	2019
Kruonis PSHP				
RAB	EURm	16.2**	35.6	37.3
WACC	%	3.50%	5.07%	5.00%
Depreciation and amortisation (regulatory)	EURm	1.3	1.7	1.6

** Key regulatory indicators for 2021 were approved by the regulator at the end of 2020, however, after annual regulatory audit, which is scheduled for May, indicators might be adjusted to reflect final audited results.*
*** The regulator has halved the RAB of the secondary power reserve, but allows to keep a half of the earned profit from electricity sales by activating the secondary power reserve.*

Flexible Generation

Highlights 2020

- **In 2020, CCGT provided isolated regime services and was able to operate under the market conditions MW)expected. The result of sales to the market was higher than return on investment included in tariff of 2019 when providing tertiary reserve services**
- **According to the new agreement in 2021, the Group will continue providing the isolated regime services within the scope of 409 MW (415 MW in 2020)**
- **Tertiary power reserve in 2020 was provided by the EC units 7 and 8**
- **Auctions to continue providing tertiary power reserve in 2021 were won within the scope of 482 MW (475 MW in 2020)**
- **In 2020, EC units successfully participated in test of the operation of the isolated Lithuanian energy system**

Financial results

In 2020, Flexible Generation Revenue reached 111.7 million and was 38.2% or EUR 30.9 million higher than in 2019. The segment's Revenue increase was mainly driven by higher revenue of the CCGT unit (EUR +44.8 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of sales to the market and revenue from isolated regime services was higher than return on investment included in tariff of 2019 when providing tertiary reserve services. 2019 revenue was boosted by one-off compensation received in Q1 2019 for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009 (EUR -9.3 million). 2019 revenues were also boosted by sale of no longer in use fuel oil stocks (EUR -4.3 million).

In 2020, Adjusted EBITDA reached EUR 31.8 million and was 44.5% or EUR 9.8 million higher than in 2019. The main effects were:

- better results of the CCGT unit (EUR +9.4 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power Generation. The result of selling to the market and providing isolated regime services was higher than return on investment included in tariff of 2019 when only providing tertiary reserve services;
- better results of units 7 and 8 of Elektrėnai Complex regulated activities as in 2019 these two units were delivering ancillary services only one and two months respectively while in 2020 they provided tertiary reserve services all year long (EUR +1.7 million);
- 2019 Adjusted EBITDA was boosted by gain from sale of fuel oil stocks (EUR -1.8 million).

Operating performance

Electricity generation volumes at Elektrėnai Complex increased almost 50 times in 2020, compared with 2019, and reached 1.20 TWh. The growth was mainly influenced by higher CCGT generation, caused by favourable gas prices and changes in the regulation of ancillary services.

In 2019, the tertiary active power reserve in the capacity of 260 MW was ensured by the CCGT unit while in 2020 tertiary power reserve is ensured by units 7 and 8 of Elektrėnai Complex with the scope of 475 MW. According to the final results of the auction, the Group will provide the tertiary active power reserve in 2021 within the scope of 482 MW through units 7 and 8 of Elektrėnai Complex.

In 2020, the CCGT is providing the service of operation of the isolated network with the scope of 370 MW. The rest of isolated system operation service is provided by unit 8 with the scope of 45 MW. According to the new agreement in 2021, the Group will provide the isolated regime service within the scope of 409 MW through the CCGT (371 MW) and unit 8 (38 MW).

** Both Units 7 and 8 were in preservation mode most of the year when providing this service; the exact power dedicated for the service was not indicated and is thus not provided in the table.*

Key financial indicators, EURm	2020	2019	Δ	Δ,%
Revenue	111.7	80.8	*30.9*	*38.2%*
Adjusted EBITDA APM	31.8	22.0	*9.8*	*44.5%*
EBITDA APM	32.6	38.2	*(5.6)*	*(14.7%)*
Adjusted EBIT APM	20.2	11.2	*9.0*	*80.4%*
EBIT APM	18.4	25.9	*(7.5)*	*(29.0%)*
PPE, intangible and right-of-use assets	401.0	392.0	*9.0*	*2.3%*
Net debt APM	(40.2)	(43.2)	*3.0*	*(6.9%)*
Investments APM	1.5	0.6	*0.9*	*150.0%*
Adjusted EBITDA margin, % APM	28.7%	33.5%	*n/a*	*(4.8 pp)*

Key operating indicators		2020	2019	Δ	Δ,%
Installed electricity capacity	MW	1,055	1,055	*0.0*	*0%*
Electricity generated	TWh	1.20	0.02	*1.18*	*48.8x*
Total reserve and Isolated Regime Services	MW	890	260	*630*	*3.4x*
Tertiary Power Reserve Services	MW	475	260	*215*	*82.7%*
Isolated Regime Services	MW	415	-*	*415*	-

Key regulatory indicators		2021**	2020	2019
CCGT				
RAB	EURm	-	-	150.5
WACC	%	-	-	5.00%
Depreciation and amortisation (regulatory)	EURm	9.9	9.8	10.4
Units 7 and 8				
RAB	EURm	33.8	36.5	30.4
WACC	%	3.50%	5.07%	5.00%
Depreciation and amortisation (regulatory)	EURm	4.0	3.8	3.1

*** Key regulatory indicators for 2021 were approved by the regulator at the end of 2020, however, after annual regulatory audit, which is scheduled for May, indicators might be adjusted to reflect final audited results.*

Customers & Solutions

Highlights 2020

- **In 2020, the Group expanded energy supply activities geographically to Finland (B2B gas) and to Poland (B2B electricity)**
- **The first deregulation stage of B2C electricity supply market in Lithuania was implemented and 66.5% of 1st stage customers were retained**

Financial results

In 2020, Customers & Solutions Revenue reached EUR 548.5 million and was 5.0% or EUR 26.3 million higher than in 2019.

The increase was mainly driven by higher B2B electricity supply revenue (EUR +31.9 million) due to higher volume of sold electricity and increase of B2C electricity supply revenue (EUR +27.9 million) due to higher electricity tariff set by the regulator (+14.6 % for H1 2020 and +5.6% for H2 2020 comparing to the same periods in 2019), higher sales volumes (5.0% YoY) and revenues and receivable amount related to temporary regulatory differences for the previous periods recognised in 2020 as to new NERC resolution No O3E-879, adopted on 25 September 2020 which ensures that Ignitis will be compensated for outstanding temporary regulatory differences after the deregulation of electricity public supply activity.

The increase was partly offset by lower gas sales revenue from B2B customers (EUR -19.8 million) due to lower gas market price and lower B2C gas sales (EUR -10.5 million) due to lower tariff set by the regulator (on average by 20% for H1 2020 and 35% for H2 2020 compared to the same periods in 2019).

In 2020, Adjusted EBITDA reached EUR 11.0 million and was 0.9% or EUR 0.1 million higher than in 2019. The main effects were:

- higher gas B2B results (EUR +13.2 million) due to the increase of gas export to Finland and Latvia (export volumes increased by 306.6% YoY to 5.2 TWh) as well as higher B2B sales volumes in Lithuania (B2B gas sales volumes increased by 15.7 % YoY to 5.4 TWh);
- lower B2B electricity results (EUR -11.8 million) due to negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers' portfolio because of COVID-19.

Compared to 2019, Net debt decreased mostly because of higher EBITDA (EUR +79.8 million).

Operating performance

Electricity sales

Total electricity sales in retail market in 2020 increased by 18.0% compared to 2019. The increase was mainly caused by higher sales in Lithuania for B2B as a result of new contracts signed.

Gas sales

The volume of gas sold in 2020 increased by 50.3%. This was mainly influenced by entry into Finnish gas market and higher gas sales in Latvian market. Sales in wholesale gas market decreased by 5.3% in 2020 compared to 2019, it was influenced by the decrease in small-scale sales through LNG terminal, which was partly offset by an increase in sales through Get Baltic gas exchange.

Key financial indicators, EURm	2020	2019	Δ	Δ,%
Revenue	548.5	522.2	*26.3*	*5.0%*
Adjusted EBITDA APM	11.0	10.9	*0.1*	*0.9%*
EBITDA APM	70.0	(9.8)	*79.8*	*n/a*
Adjusted EBIT APM	7.0	6.7	*0.3*	*4.5%*
EBIT APM	68.4	(10.2)	*78.6*	*n/a*
PPE, intangible and right-of-use assets	6.6	4.2	*2.4*	*57.1%*
Net debt APM	29.4	91.2	*(61.8)*	*(67.8%)*
Investments APM	2.2	3.2	*(1.0)*	*(31.3%)*
Adjusted EBITDA margin, % APM	2.3%	2.0%	*n/a*	*0.3 pp*

Key operating indicators		2020	2019	Δ	Δ,%
Electricity sales					
Lithuania	TWh	5.48	4.56	*0.92*	*20.1%*
Latvia	TWh	0.87	0.83	*0.04*	*4.4%*
Other	TWh	0.02	0.00	*0.02*	*8.6x*
Total retail	TWh	6.37	5.40	*0.97*	*18.0%*
of which B2C	TWh	3.03	2.88	*0.14*	*5.0%*
of which B2B	TWh	3.34	2.51	*0.83*	*32.9%*
Number of customers*	m	1.66	1.65	*0.01*	*0.7%*
Gas sales	TWh	14.77	9.83	*4.94*	*50.3%*
Lithuania	TWh	7.65	6.74	*0.90*	*13.4%*
Latvia	TWh	2.12	1.27	*0.85*	*66.6%*
Finland	TWh	3.05	-	*3.05*	*-*
Total retail	TWh	12.81	8.01	*4.80*	*59.9%*
of which B2C	TWh	2.25	2.08	*0.17*	*8.3%*
of which B2B	TWh	10.56	5.93	*4.63*	*78.1%*
Wholesale market	TWh	1.96	1.82	*0.14*	*7.7%*
Number of customers	m	0.61	0.60	*0.01*	*1.3%*

** Till Q4 2020, electricity B2C was calculated as existing contracts; since Q4 2020, electricity B2C is calculated as objects (object – an object managed by the right of ownership or other legal basis (facility, construction, etc.), which consumes electricity). For this reason, the number of electricity B2C for 2019 was restated from 1.68m (total electricity supply customers 1.69m) to 1.64m (total electricity supply customers 1.65m).*

3.3 Five-year annual summary

Key financial indicators		2020	2019	2018	2017	2016
Revenue	EURm	1,223.1	1,099.3	1,070.1	1,100.8	1,101.6
EBITDA APM	EURm	337.4	207.1	145.3	227.2	232.8
EBITDA margin APM	%	27.6%	18.8%	13.6%	20.6%	21.1%
Adjusted EBITDA APM	EURm	291.6	259.9	221.3	238.2	233.9
Adjusted EBITDA margin APM	%	24.8%	22.6%	18.1%	21.2%	21.2%
EBIT APM	EURm	214.9	83.1	(20.4)	97.1	147.4
EBIT margin APM	%	17.6%	7.6%	(1.9%)	8.8%	13.4%
Adjusted EBIT APM	EURm	168.9	135.0	124.3	136.3	147.7
Net profit	EURm	169.3	59.0	(22.0)	93.5	118.4
Net profit margin APM	%	13.8%	5.4%	(2.1%)	8.5%	10.7%
Adjusted net profit APM	EURm	126.7	106.0	99.0	126.7	117.9
Investments APM	EURm	346.8	453.2	418.3	260.1	240.5
FFO APM	EURm	312.5	189.5	129.7	214.6	216.1
FCF APM	EURm	48.0	(189.8)	(192.7)	(62.8)	(31.2)
ROE APM	%	10.6%	4.4%	(1.7%)	7.0%	9.0%
Adjusted ROE APM	%	7.9%	8.0%	7.5%	9.5%	9.0%
ROCE APM	%	9.0%	3.8%	(1.1%)	5.7%	9.2%
Adjusted ROCE APM	%	7.1%	6.2%	6.6%	8.0%	9.8%
ROA APM	%	4.7%	1.9%	(0.8%)	3.8%	5.0%
		2020.12.31	2019.12.31	2018.12.31	2017.12.31	2016.12.31
Total assets	EURm	3,969.3	3,198.1	2,853.9	2,505.1	2,432.2
Equity	EURm	1,843.8	1,348.6	1,302.5	1,343.6	1,319.5
Net debt APM	EURm	600.3	966.5	736.0	442.3	315.8
Working capital APM	EURm	38.7	52.6	(19.2)	(8.8)	(34.0)
Working capital/Revenue APM	%	3.2%	4.8%	(1.8%)	(0.8%)	(3.1%)
Equity ratio APM	times	0.46	0.42	0.46	0.54	0.54
Net debt/EBITDA APM	times	1.78	4.67	5.07	1.95	1.36
Net debt/Adjusted EBITDA APM	times	2.06	3.72	3.33	1.86	1.35
FFO/Net debt APM	%	52.1%	19.6%	17.6%	48.5%	64.9%
Current ratio APM	times	3.19	0.78	1.16	1.29	1.05
Asset turnover APM	times	0.34	0.36	0.40	0.45	0.46

Key operating indicators		2020	2019	2018	2017	2016
Electricity						
Green Generation capacity	MW	1,350	1,287	1,193	1,159	1,001
Green Generation installed capacity	MW	1,101	1,077	1,077	1,043	1,001
Green Generation projects under construction	MW	249	210	116	116	-
Electricity distributed	TWh	9.55	9.55	9.59	9.22	8.98
Electricity generated	TWh	2.45	1.06	1.01	1.28	1.49
Green electricity generated	TWh	1.25	1.04	0.95	1.14	1.00
Green share of generation	%	51.0%	97.7%	93.4%	89.1%	67.1%
Electricity sales	TWh	6.79	5.86	5.91	5.43	4.93
SAIFI	units	1.34	1.31	1.14	1.32	1.25
SAIDI	min.	207.67	91.79	81.37	137.83	172.92
Heat						
Green Generation capacity	MW	339	339	339	339	40
Green Generation installed capacity	MW	110	40	40	40	40
Green Generation projects under construction	MW	229	299	299	299	-
Heat generated	TWh	0.33	0.09	0.10	0.11	0.12
Gas						
Gas distributed	TWh	7.06	6.97	7.60	7.37	7.39
Gas sales	TWh	14.77	9.84	11.33	11.47	11.31
SAIFI	units	0.01	0.01	0.006	0.007	0.006
SAIDI	min.	1.61	1.25	0.61	1.16	0.53

3.4 Fourth quarter results

Financial results

Revenue

In Q4 2020, compared to Q4 2019, Revenue increased mainly by higher Flexible Generation segment revenue from the commercial CCGT unit activities, higher Networks segment electricity distribution revenue and higher Customers & Solutions segment revenue from public supply related to temporary regulatory differences for the previous periods (revenues and receivable amount recognised in 2020 as to new NERC resolution No O3E-879, adopted on 25 September 2020, which ensures that Ignitis will be compensated for outstanding temporary regulatory differences after the deregulation of electricity public supply activity).

Adjusted EBITDA

In Q4 2020, compared to the same period last year, Adjusted EBITDA increased by EUR 20.1 million. Increase was mainly caused by better result from CCGT commercial activities and growing value of the Networks segment RAB as a result of continued investments into maintenance and expansion of the distribution network.

Adjusted net profit

In Q4 2020, compared to the same period last year, Adjusted net profit increased by EUR 14.7 million mainly due to higher Adjusted EBITDA.

Investments

Investments in Q4 2020 decreased due to lower investments in construction of Vilnius CHP (EUR -54.8 million), as partly expected because of the construction schedule, but also there was some delay due to COVID-19, and Kaunas CHP (EUR -16.1 million) as its construction was completed.

Operating performance

Electricity

Operational capacity increased by 24 MW since Kaunas CHP commenced commercial operations in August 2020. Capacity under construction increased by 63 MW as a result of starting preparatory construction works in Mažeikiai WF.

Distributed electricity slightly increased, due to higher distribution for B2C. Electricity generated significantly increased. The increase was mainly driven by higher electricity generation in the CCGT unit at Elektrėnai Complex, Kruonis PSHP and Kaunas CHP.

Improvement of electricity quality indicators SAIDI and SAIFI of continuous electricity supply was mainly caused by better weather conditions.

Heat

Heat generation increased as a result of Kaunas CHP Plant which commenced commercial operation in August 2020 and Vilnius CHP's test runs.

Gas

Gas distribution increased due to increased consumption of B2C during the quarantine and annual growth of new connections. Gas sales volumes increased, mainly influenced by entry into the Finnish gas market and higher gas sales in the Latvian market.

Deterioration of gas quality indicators SAIDI and SAIFI of continuous gas supply was mainly caused by the network disruptions by third parties. The largest disruption in gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020. Despite deterioration of the gas quality indicators, the indicators remain strong.

Key financial indicators		Q4 2020	Q4 2019	Δ	Δ,%
Revenue	EURm	354.3	287.0	*67.3*	*23.4%*
EBITDA APM	EURm	107.8	53.1	*54.7*	*103.0%*
Adjusted EBITDA APM	EURm	92.3	72.2	*20.1*	*27.8%*
Adjusted EBITDA margin APM	%	27.3%	23.7%	*n/a*	*3.6 pp*
EBIT APM	EURm	71.8	18.9	*52.9*	*n/a*
Adjusted EBIT APM	EURm	57.6	36.6	*21.0*	*57.4%*
Net profit	EURm	60.9	15.2	*45.7*	*n/a*
Adjusted net profit APM	EURm	46.2	31.5	*14.7*	*46.7%*
Investments APM	EURm	76.0	123.7	*(47.7)*	*(38.6%)*
FFO APM	EURm	104.9	47.8	*57.1*	*119.5%*
FCF APM	EURm	39.1	(34.1)	*73.2*	*n/a*

Key financial indicators		Q4 2020	Q4 2019	Δ	Δ,%
Electricity					
Green Generation capacity	MW	1,350	1,287	*63*	*4.9%*
Green Generation installed capacity	MW	1,101	1,077	*24*	*2.2%*
Green Generation projects under construction	MW	249	210	*39*	*18.6%*
Electricity distributed	TWh	2.55	2.48	*0.07*	*2.8%*
Electricity generated	TWh	0.65	0.25	*0.40*	*162.4%*
Green electricity generated	TWh	0.34	0.24	*0.10*	*40.2%*
Green share of generation	%	0.52	0.97	-	*(46.6 pp)*
Electricity sales	TWh	1.83	1.66	*0.17*	*10.2%*
SAIFI	units	0.23	0.27	*(0.04)*	*(14.9%)*
SAIDI	min.	13.49	18.21	*(4.72)*	*(25.9%)*
Heat					
Green Generation capacity	MW	339	339	-	*0.0%*
Green Generation installed capacity	MW	110	40	*70*	*175.0%*
Green Generation projects under construction	MW	229	299	*(70)*	*(23.4%)*
Heat generated	TWh	0.15	0.02	*0.12*	*n/a*
Gas					
Gas distributed	TWh	2.48	2.26	*0.22*	*9.9%*
Gas sales	TWh	3.88	3.28	*0.60*	*18.3%*
SAIFI	units	0.003	0.002	*0.00*	*98.8%*
SAIDI	min.	0.76	0.23	*0.53*	*n/a*

Results by business segments

Networks

In Q4 2020, the Networks Revenue was 21.6% or EUR 23.2 million higher than in Q4 2019. The increase was mainly driven by higher electricity distribution and transmission revenue.

In Q4 2020, Adjusted EBITDA was 11.3% or EUR 5.6 million higher than in Q4 2019. The increase was driven by RAB growth, which increased by 15% from EUR 1,416 million in 2019 to EUR 1,628 million in 2020 mainly due to higher electricity RAB as a result of investments in distribution network maintenance, new customer connections and upgrades as well as increase in RAB which is calculated using LRAIC model.

In Q4 2020, Investments were 41.3% or EUR 16.0 million higher than in Q4 2019, mainly due to higher investments in maintenance of electricity distribution network (EUR +17.1 million).

Green Generation

In Q4 2020, the Green Generation Revenue was 51.9% or EUR 9.8 million higher than in Q4 2019. The Revenue increase was driven by launch of Kaunas CHP (EUR +5.2 million) and higher sales of Kruonis PSHP (EUR +5.4 million).

In Q4 2020, Adjusted EBITDA was 91.2% or EUR 8.3 million higher than in Q4 2019. The increase was mainly influenced by better results of Kruonis PSHP (EUR +6.9 million) and launch of Kaunas CHP (EUR +3.5 million).

In Q4 2020, Investments were 78.7% or EUR 64.7 million lower than in Q4 2019, mainly resulting from lower investments in Vilnius CHP (EUR -54.8 million). The decrease was partly expected because of the construction schedule, but also there was some delay due to COVID-19.

Flexible Generation

In Q4 2020, the Flexible Generation Revenue (+123.4% or EUR +20.6 million) as well as adjusted EBITDA (+112.0% or EUR +5.6 million) were higher than in Q4 2019. The increase was mainly driven by higher revenue (EUR +15.0 million) and better adjusted EBITDA result (EUR +5.7 million) of the CCGT which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of sales to the market and revenue from isolated regime services was higher than return on investment included in tariff of 2019 when providing tertiary reserve services.

Customers & Solutions

In Q4 2020, the Customers & Solutions Revenue was 0.6% or EUR 1.0 million higher than in Q4 2019.

In Q4 2020, Adjusted EBITDA was 21.1% or EUR 2.3 million lower than in Q4 2019 because Q4 2019 was unusually good mostly due to B2B gas results in Lithuania. The negative impact was driven by lower B2B electricity results (EUR -4.2 million) and higher expenses related to B2C electricity deregulation (EUR -0.8 million). The positive impact was driven by increase of B2B gas results (EUR +1.5 million) and higher B2C gas results (EUR +1.7 million).

Results by business segments, EURm

Networks	Q4 2020	Q4 2019	Δ	Δ,%
Revenue	130.5	107.3	23.2	21.6%
Adjusted EBITDA APM	55.3	49.7	5.6	11.3%
EBITDA APM	39.8	29.9	9.9	33.1%
Adjusted EBIT APM	32.9	24.1	8.8	36.5%
EBIT APM	17.5	4.5	13.0	n/a
PPE, intangible and right-of-use assets	1,616.9	1,565.4	51.5	3.3%
Net debt APM	680.7	657.7	23.0	3.5%
Investments APM	54.7	38.7	16.0	41.3%
Adjusted EBITDA margin, % APM	37.9%	39.2%	n/a	(1.3 pp)
Green Generation	**Q4 2020**	**Q4 2019**	**Δ**	**Δ,%**
Revenue	28.7	18.9	9.8	51.9%
Adjusted EBITDA APM	17.4	9.1	8.3	91.2%
EBITDA APM	16.9	8.7	8.2	94.3%
Adjusted EBIT APM	10.5	5.4	5.1	94.4%
EBIT APM	9.5	4.8	4.7	97.9%
PPE, intangible and right-of-use assets	755.4	585.3	170.1	29.1%
Net debt APM	352.4	278.5	73.9	26.5%
Investments APM	17.5	82.2	(64.7)	(78.7%)
Adjusted EBITDA margin, % APM	59.4%	46.6%	n/a	12.8 pp
Flexible Generation	**Q4 2020**	**Q4 2019**	**Δ**	**Δ,%**
Revenue	37.3	16.7	20.6	123.4%
Adjusted EBITDA APM	10.6	5.0	5.6	112.0%
EBITDA APM	11.0	4.7	6.3	134.0%
Adjusted EBIT APM	7.7	2.1	5.6	n/a
EBIT APM	5.1	2.1	3.0	142.9%
PPE, intangible and right-of-use assets	401.0	392.0	9.0	2.3%
Net debt APM	(40.2)	(43.2)	3.0	(6.9%)
Investments APM	0.8	0.2	0.6	n/a
Adjusted EBITDA margin, % APM	28.7%	29.6%	n/a	(0.9 pp)
Customers & Solutions	**Q4 2020**	**Q4 2019**	**Δ**	**Δ,%**
Revenue	157.4	156.4	1.0	0.6%
Adjusted EBITDA APM	8.6	10.9	(2.3)	(21.1%)
EBITDA APM	35.1	7.3	27.8	n/a
Adjusted EBIT APM	6.4	8,1	(1.7)	(21.0%)
EBIT APM	34.7	7.2	27.5	n/a
PPE, intangible and right-of-use assets	6.6	4.2	2.4	57.1%
Net debt APM	29.4	91.2	(61.8)	(67.8%)
Investments APM	1.4	1.6	(0.2)	(12.5%)
Adjusted EBITDA margin, % APM	6.7%	6.9%	n/a	(0.2 pp)

3.5 Quarterly summary

Key financial indicators		Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019*	Q3 2019*	Q2 2019*	Q1 2019*
Revenue	EURm	354.3	277.9	265.3	325.6	287.0	242.6	226.2	343.5
EBITDA APM	EURm	107.8	79.8	87.8	62.0	53.1	48.9	50.8	54.3
Adjusted EBITDA APM	EURm	92.3	70.2	51.6	77.5	72.2	57.9	59.3	70.5
Adjusted EBITDA margin APM	%	27.3%	26.1%	22.7%	22.7%	23.7%	23.1%	25.2%	19.6%
EBIT APM	EURm	71.8	49.7	62.8	30.6	18.9	18.1	20.0	26.1
Adjusted EBIT APM	EURm	57.6	40.5	23.1	47.7	36.6	27.1	29.5	41.8
Net profit	EURm	60.9	36.4	49.8	22.2	15.2	14.9	11.9	17.0
Adjusted net profit APM	EURm	46.2	26.0	12.2	42.3	31.5	21.9	20.0	32.6
Investments APM	EURm	76.0	83.7	124.5	62.6	123.7	110.4	121.4	97.7
FFO APM	EURm	104.9	66.1	81.4	60.1	47.8	39.8	48.9	53.0
FCF APM	EURm	39.1	14.0	(12.8)	7.7	(34.1)	(88.1)	(55.1)	(12.5)
ROE (LTM) APM	%	10.6%	9.3%	7.7%	4.8%	4.4%	(0.8%)	(3.9%)	(2.8%)
Adjusted ROE (LTM) APM	%	7.9%	8.4%	8.1%	8.7%	8.0%	8.9%	7.1%	7.0%
ROCE(LTM) APM	%	9.0%	7.0%	5.8%	4.0%	3.8%	(0.4%)	(2.2%)	(1.7%)
Adjusted ROCE (LTM) APM	%	7.1%	6.4%	5.9%	6.4%	6.2%	6.8%	6.1%	6.0%
		Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019*	Q3 2019*	Q2 2019*	Q1 2019*
Total assets	EURm	3,969.3	3,440.1	3,400.4	3,194.1	3,198.1	3,061.1	2,992.6	2,964.3
Equity	EURm	1,843.8	1,329.6	1,337.8	1,357.1	1,348.6	1,332.5	1,320.8	1,314.2
Net debt APM	EURm	600.3	1,026.8	1,019.2	950.6	966.5	925.4	842.0	761.2
Net working capital APM	EURm	38.7	22.2	36.6	50.4	52.6	59.4	12.2	(1.6)
Net debt/EBITDA (LTM) APM	times	1.78	3.63	4.05	4.42	4.67	4.92	5.84	5.26
Net debt/Adjusted EBITDA (LTM) APM	times	2.06	3.78	3.93	3.56	3.72	3.64	3.63	3.47
FFO/Net debt (LTM) APM	%	52.1%	24.9%	22.5%	20.7%	19.6%	17.9%	15.6%	17.4%

Key operating indicators		Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Electricity									
Green Generation capacity	MW	1,350	1,350	1,287	1,287	1,287	1,287	1,287	1,193
Green Generation installed capacity	MW	1,101	1,101	1,077	1,077	1,077	1,077	1,077	1,077
Green Generation projects under construction	MW	249	249	210	210	210	210	210	116
Electricity distributed	TWh	2.55	2.30	2.17	2.53	2.48	2.26	2.27	2.54
Electricity generated	TWh	0.65	0.86	0.56	0.39	0.25	0.34	0.22	0.25
Green electricity generated	TWh	0.34	0.32	0.26	0.34	0.24	0.34	0.22	0.24
Green share of generation	%	0.52	0.37	0.47	0.87	0.97	0.98	0.99	0.97
Electricity sales	TWh	1.83	1.64	1.62	1.71	1.66	1.33	1.34	1.54
SAIFI	units	0.23	0.25	0.41	0.45	0.27	0.35	0.34	0.35
SAIDI	min.	13.49	16.36	34.15	143.67	18.21	22.34	25.06	26.17
Heat									
Green Generation capacity	MW	339	339	339	339	339	339	339	339
Green Generation installed capacity	MW	110	110	40	40	40	40	40	40
Green Generation projects under construction	MW	229	229	299	299	299	299	299	299
Heat generated	TWh	0.15	0.03	0.09	0.06	0.02	0.00	0.01	0.05
Gas									
Gas distributed	TWh	2.48	0.99	1.18	2.41	2.26	0.91	1.03	2.76
Gas sales	TWh	3.88	3.63	2.99	4.27	3.28	1.53	1.38	3.65
SAIFI	units	0.003	0.004	0.002	0.001	0.002	0.002	0.003	0.002
SAIDI	min.	0.76	0.61	0.19	0.05	0.23	0.34	0.47	0.21

** Because of the restatement of the 2019 Financial Statements, performance indicators presented here for 2019 might differ from those presented in the 2019 Annual Report. Changes of the financial statements of 2019 are disclosed in the 2020 Financial Statements Note 5.*

Governance

4.1 Supervisory Board Chair's statement

Applying the highest standards

While 2020 was a challenging year for many countries and industries due to COVID-19 pandemic, the Group has managed not only to navigate business through the uncertain times, but also to achieve a significant milestone by implementing the largest ever IPO in Lithuania and in the Baltic States. The Supervisory Board is proud to have been a part of and to have contributed to this journey and I, on behalf of the Supervisory Board, would like to express sincere gratitude to the management and all employees of the Group for their effort and dedication in making the Group a modern and dynamic workplace and in promoting values that are important to our stakeholders and investors as well as to the society at large.

The Supervisory Board fulfilled all its fiduciary duties as required by Lithuanian law and the Articles of Association as well as met the expectations of the principal shareholder – Ministry of Finance - and other stakeholders. Throughout the year, we were actively involved with reviewing and approving major strategic initiatives as well as organisational changes. After the outbreak of COVID-19, we made sure to receive periodic updates on business continuity management and pandemic crisis management plans. The pandemic has also slightly rewritten our rules of engagement, as the majority of Supervisory Board meetings were held remotely according to the requirements of quarantine or social distancing.

Key topics of the Supervisory Board debate in 2020

During 2020 the Supervisory Board convened for twenty-four meetings while compared to the thirteen we held in 2019. The increase in the number of meetings was due to important events that took place during the past year, including the implementation of IPO transaction and applying the best market practices.

At the end of 2019 the Ministry of Finance formed an intra-governmental working group to assess the Group's long-term financing alternatives. I am proud that I was an active member of the working group which studied the Group's long-term strategy and its financing options with the final recommendation for launching the IPO process. The Supervisory Board has contributed to the process of preparation to IPO by forming the Steering Committee from the representatives of the Ministry of Finance, the parent company's sole shareholder at the time, members of the Supervisory Board and the Management Board. We have also approved an updated long-term Corporate Strategy of the Group and a Strategic Plan for the period 2020–2023 and recommended new changes to a more transparent and sustainable dividend policy post IPO.

Another important initiative and recommendation by the Supervisory Board was related to the long-term incentive programme to align managers' and shareholders' long-term interests by instituting long-term share award programme to executive management. The latter initiative was aligned with best corporate governance practices of publicly listed companies.

Improved independence

Last but not least, in November the Supervisory Board was expanded from five to seven members (of which five are independent) by addition of Judith Buss (Germany) and Bent Christensen (Denmark). Both of them bring invaluable strategic experience in renewable energy, power generation and utilities across different European countries. I was very excited to welcome Judith and Bent to the team and I believe that they will help us to ensure the further implementation of key strategic objectives and to strengthen efficiency, transparency and supervision of decision-making and corporate governance of the Group.

Concluding remarks

While the term of the current Supervisory Board expires in August 2021, we are looking forward to continuing our active participation in the Group's key strategic decisions before the end of our service term. We believe the Group is very well positioned to continue the successful journey towards achievement of green energy objectives as well as adoption of energy-smart solutions for people and businesses in the countries of the Group's operations.

On behalf of the Supervisory Board,

Darius Daubaras
Chair of the Supervisory Board
Ignitis Group

4.2 Governance framework

Corporate governance structure of the Group

The purpose of the parent company and the Group is understood as pursuit of the objectives related to the activities of the Group, as set forth in the State Sector Strategy Papers and their implementing documents, by ensuring socially responsible enhancement of the long-term value of the parent company and the Group and appropriate return on capital invested by the shareholders, by balancing the interests of the principal shareholder (state) with the interests and expectations of other stakeholders. Therefore, the aim of the parent company is to ensure effective and transparent operations.

The Group's governance structure and model have been developed on the basis of the most advanced international and national practices, following the recommendations published by the OECD, having regard to the Corporate Governance Code for the companies listed on Nasdaq Vilnius, Guidelines on the Governance for State-Owned Enterprises recommended by the Baltic Institute of Corporate Governance (BICG). The corporate governance model of the power generation companies' group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania and amended several times, most recently on 7 September 2020 (hereinafter – Corporate Governance Guidelines) (Corporate Governance Guidelines are available on our website.

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

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

Key principles of the corporate governance

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

Ignitis Group – 2019–2020 Governance index leader

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

Since 2012 the parent company has received the highest rating in Good Corporate Governance Index and has been recognised as the best managed state-controlled company. The Good Corporate Governance Index has been compiled since 2012 by the Governance Coordination Centre on annual basis with the aim to assess and measure how each state-controlled company implements key good governance practices. Currently, this index is the most widely used measure for assessing the quality of governance of all state-controlled enterprises. In the Corporate Governance Index of the state-controlled enterprises for 2019–2020, the parent company received the highest possible A+ rating and was recognised as the governance leader in the category of large companies for the second year in a row. The rating total was compiled in accordance with the three governance criteria – collegial bodies, strategic planning and implementation and transparency standards. The evaluation of the first two criteria remained the highest possible and the transparency criteria rating increased from A to A+ compared to last year.

According to the report issued on 17 September 2020 by Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research and analysis, the Group has a total ESG risk rating score of 26.5 ('medium risk'), with corporate governance being rated 1.9 ('negligible risk'). The 54.9 management score ('strong') also indicates that the company's overall management of material ESG issues is strong.

Governance model

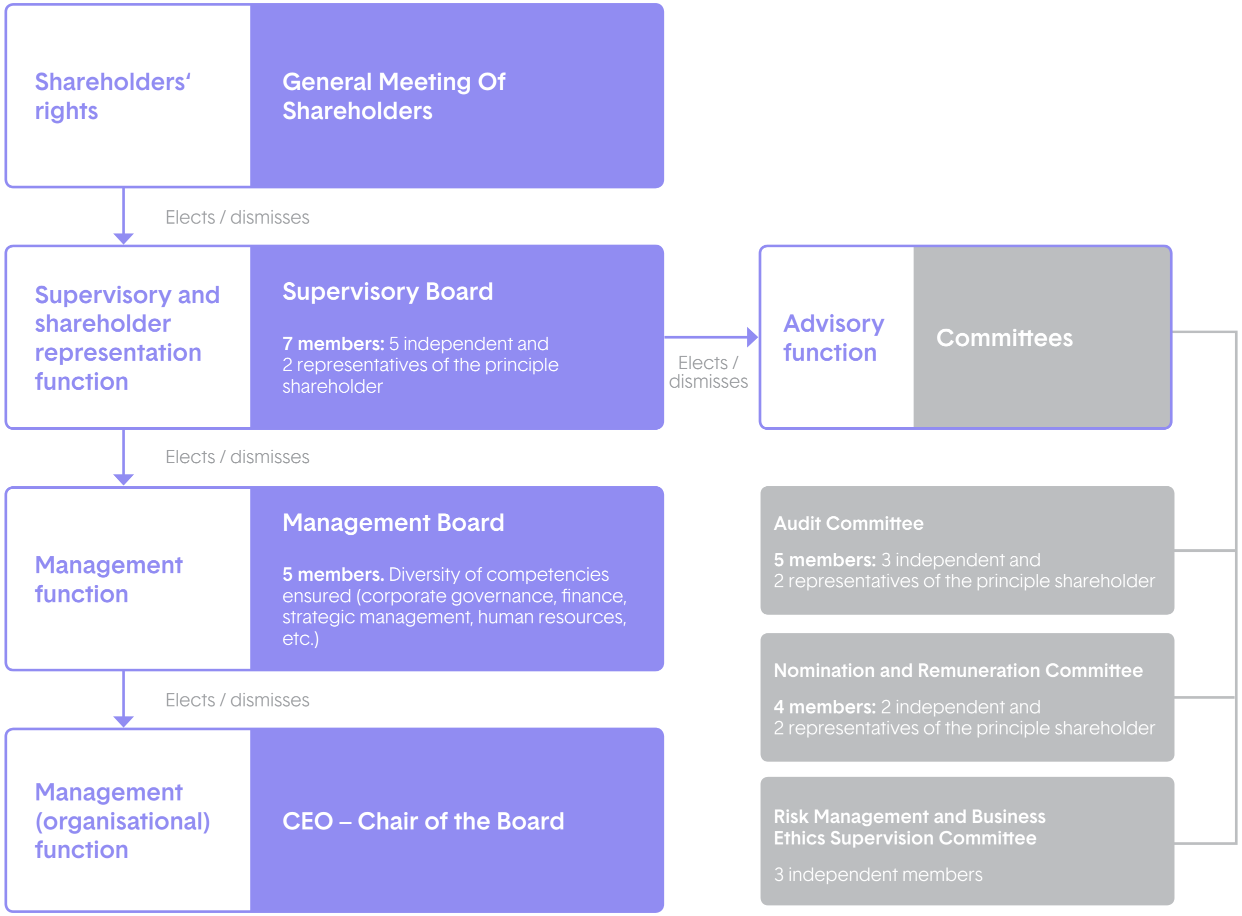
The parent company employs a system of corporate governance designed to manage and control the Group as a whole, with a view to achieving objectives that are common to the Group as well as the parent company. The corporate governance of the Group is exercised by the parent company through the exercise of its parent functions, e.g., by the responsibilities which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achieving a common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities.

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

The Supervisory Board is a collegial supervisory body provided for in the Articles of Association. The Supervisory Board functions at the Group level by addressing, where appropriate, issues relating not only to the activities of the parent company, but also to those of its subsidiaries or their respective management and supervisory bodies. For the purposes of effective fulfilment of its functions and obligations, the Supervisory Board forms three committees: the Risk Management Supervision and Operational Ethics Committee, the Audit Committee, and the Nomination and Remuneration Committee. If necessary, other committees may be formed according to the *ad hoc* principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.).

The parent company's management and supervisory bodies are composed, and are to be managed, in such a way as to ensure the proper representation of the Republic of Lithuania as a shareholder, alongside other interested parties, and the separation of the management and supervisory functions.

Corporate governance model



Shareholders' rights and general meetings

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

Every shareholder who have been entered in the parent company's shareholders' register before the Record Date (fifth day before the General Meeting) has the right to attend the General Meeting and exercise his/her voting right in matters belonging to the competence of the General Meeting. Notices about the summons to the General Meeting of Shareholders as well as all relevant necessary information, the annex of questions to be addressed at the meeting and the decisions of the General Meeting are published on the parent company's website and as Nasdaq Vilnius and London capitalise releases in their respective publishing systems.

Shareholders' competence

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

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

Shareholders' decisions

Pre-IPO

Until 5 October 2020, parent company's sole shareholder was the Republic of Lithuania, which exercised its shareholder rights through the Ministry of Finance. During 2020, the Ministry of Finance, as a sole shareholder, has made these decisions:

- on 26 March 2020 a new version of the Articles of Association was approved, establishing that the Supervisory Board of the parent company is made up of seven members instead of five;
- on 8 May 2020 the audited consolidated Annual Financial Statements and the consolidated Annual Report of the parent company for the year 2019 were approved, the profit (loss) of the parent company for the year 2019 was allocated;
- on 30 June 2020 a decision to convert UAB Ignitis Grupė into a public limited liability company – AB Ignitis Grupė was adopted;
- on 26 August 2020 a decision to change the nominal value and the number of shares issued by the parent company was adopted. In accordance with this decision, the nominal value of one ordinary registered share of the parent company was changed from EUR 0.29 to EUR 22.33, upon the change of the nominal value of one share, the authorised capital of the parent company was divided into 54,283,757 shares;
- on 15 September 2020 a decision to allocate EUR 42 million to be paid for dividends on distributable profit for six months' period, which ended on 30 June 2020, was adopted and the set of interim financial statements of the parent company for the six-month period, which ended on 30 June 2020, was approved;
- on 16 September 2020 a decision was adopted to increase parent company's share capital by issuing new shares and to apply for the admission of the parent company's ordinary shares to trading on the Main Trading List of AB Nasdaq Vilnius and of global depositary receipts representing the parent company's shares to standard listing segment of the Official List of the Financial Conduct Authority of the United Kingdom;
- on 16 September 2020 the Share Allocation Rules of the parent company were approved;
- on 18 September 2020 the price range of the newly issued shares during the offering period were approved and the decision of 16 September 2020 to increase share capital was amended.

Post-IPO

After completing the initial public offering and increasing the parent company's share capital, one general meeting of parent company's shareholders was held on 12 November 2020, during which two independent Supervisory Board members were elected.

Principal shareholder

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

The Corporate Governance Guidelines state that the principal shareholder exercises the voting rights attached to its shares within its competence and undertakes its best effort to ensure that the parent company and the Group of companies are able to operate its business independently, i.e. the principal shareholder:

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

Expectations of principal shareholder

In accordance with the Property Guidelines, the authority representing the State shall prepare and submit to the state-controlled enterprise a letter on the objectives pursued by the State in the state-controlled enterprise and its expectations at intervals of no more than four years. With that in mind, the letter on the expectations of the State in relation to the activities of the Group companies was approved by the order of the Minister of Finance on 13 April 2018 and recently amended on 19 June 2020 and 17 February 2021 (the principal shareholder's letter is available at Group's website).

In this letter, the principal shareholder indicates the following expectations of the Group strategic priorities:

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

4.3 Supervisory Board and committees

Supervisory Board overview

The Supervisory Board is a collegial supervisory body provided in the Articles of Association of the parent company. The Supervisory Board is elected by the General Meeting of Shareholders for the period of four years. The Supervisory Board of the parent company consists of seven members: two representatives of the Ministry of Finance and five independent members. The Supervisory Board elects its Chair from its members. Such method for the formation of the Supervisory Board is in line with the corporate governance principles. No members of the Supervisory Board have any participation in the capital of the parent company or its subsidiaries.

The main functions and responsibilities of the Supervisory Board are:

- consideration and approval of the business strategy, annual budget and investment policy of the parent company and the Group;
- analysis and evaluation of the information on the implementation of the business strategy, provision of this information to the annual General Meeting;
- election and removal of the Members of the Management Board;
- supervision of activities of the Management Board and the CEO;
- provision of comments to the General Meeting of Shareholders on a set of financial statements, allocation of profit or loss, and annual report;
- taking into consideration the conclusion of the company's Audit Committee, delivering an opinion regarding the parent company's certain agreements planned to be made with a related party.

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

The Supervisory Board is functioning at the Group level, i.e. where appropriate, it addresses the issues related not only to the activities of the parent company, but also to the activities of its subsidiaries or the activities of their management and supervisory bodies.

The term of office of the current Supervisory Board is from 30 August 2017 to 29 August 2021. On 12 November 2020, two additional independent members were elected – Judith Buss and Bent Christensen.

Activities of the Supervisory Board during the reporting period

Overall 24 meetings of the Supervisory Board were held in 2020. Overview of the attendance is indicated in the table below.

Activities of the Supervisory Board in 2020 covered the following key areas:

- supervision of parent company's IPO process;
- evaluation of nominations for members of the Group companies' management and supervisory bodies (i.e. Ignitis Polska, Transporto Valdymas, Kaunas CHP, Ignitis Grupės Paslaugų Centras, Ignitis Gamyba);
- submission of proposals regarding the business organisation and planning, objectives, financial position and performance of the parent company, including sustainability considerations;
- issues related to the remuneration system of the Group companies, including long-term incentive share options programme for executives;
- issues related to major Investment projects of the Group companies;
- issues related to the organisation and operation of the parent company's Supervisory Board and its committees.

Information on payments made to the members during the reporting period

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

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

Information on selection criteria of the members

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

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

Conflicts of interest

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

Members of the Supervisory Board

Darius Daubaras

Chair since 30/08/2017
Independent
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: R

Experience
Darius is a seasoned finance professional with over 20 years of international experience in investment banking, private equity and corporate finance at top-tier institutions such as JP Morgan, Credit Suisse, BNP Paribas and Citigroup. He has advised on and led a broad spectrum of strategic transactions such as mergers & acquisitions, private equity investments, equity capital raising, debt financing and privatisations across the globe, including in North America, Europe, Asia and Middle East. In addition, Darius served as a Head of Private Equity and Special Situations at a publicly-listed investment trust fund Tau Capital Plc (listed on AIM in London and managed by Spencer House Capital Management LLP).

Education
University of Cambridge, Master's degree in International Relations; Wharton School of the University of Pennsylvania, Master of Business Administration (MBA) in Finance; University of Denver, Bachelor's Degree (Summa Cum Laude) in Finance.

Other current place of employment, position
Senior Executive in Strategic Finance & Development Department (part of Treasury) in Financial Advisory Division, and Project Manager of Strategic and M&A at Saudi Aramco; Supervisory Board Member (independent) at Valstybės investicijų valdymo agentūra (since 23/07/2020).

Number of shares in parent company
None.

Judith Buss

Member since 12/11/2020
Independent
Joined: 2020
Term of office expires: 29/08/2021
Committee membership: NA

Experience
Judith has more than 20 years of experience in various leadership positions in the global energy industry and has worked internationally in Germany, Norway and the UK. She also has significant experience in corporate finance, leading and negotiating large international M&A growth acquisitions, integration processes and organisational & cultural change processes. Judith has held several executive positions at E.ON group of companies, most recently as Chief Financial Officer of E.ON Climate & Renewables.

Education
University of Augsburg, Master's Degree in Banking, Finance and Controlling.

Other current place of employment, position
None.

Number of shares in parent company
None.

Daiva Lubinskaitė-Trainauskienė

Member since 30/08/2017
Independent
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: N

Experience
Daiva has over 20 years of experience in HR management and Administrative Services management. She has more than 10 years' experience in organisational development consulting, providing employer branding, talent attraction and selection, development, employee opinion survey services.

Education
ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Diploma of Major in Philology at Vilnius University.

Other current place of employment, position
Thermo Fisher Scientific Baltics UAB, Administration Manager.

Number of shares in parent company
None.

Bent Christensen

Member since 12/11/2020
Independent
Joined: 2020
Term of office expires: 29/08/2021
Committee membership: NA

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

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

Other current place of employment, position
Christensen Management Consulting ApS, Chief Executive Officer and owner.

Number of shares in parent company
None.

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

Andrius Pranckevičius

Member since 22/12/2017
Independent
Joined: 2017
Term of office expires: 29/08/2021
Committee membership R

Experience
Andrius has over 15 years of managerial experience. During his extensive career Andrius has held various executive positions in AB "Linas Agro Group" which is one of the largest agricultural group of companies in the Baltics. In these positions, Andrius was responsible for controlling the activities of the group's agricultural and poultry companies, formulating and implementing their strategy, and attracting EU funding.

Education
Kaunas University of Technology, Bachelor's degree in Business Administration and Master's degree in Marketing Management; Harvard Business School, Leadership Development.

Other current place of employment, position
Linas Agro Group AB, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Chief Executive Officer and Chair of the Board; Linas Agro AB, Member of the Board; UAB Linas Agro Konsultacijos, Chair of the Board; Lielzeltini SIA, Chair of the Board; Broileks SIA, Chair of the Board; Cerova SIA, Chair of the Board; Žilvista ŽŪB, Member.

Number of shares in parent company
None.

Daiva Kamarauskienė

Member since 30/08/2017
Representative of the principal shareholder
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: N

Experience
Daiva has almost 20 years of management expertise gained in civil service. She has held various executive positions in the Ministry of Finance of the Republic of Lithuania, including Director of State Debt Management Department, Deputy Director of State Treasury Department and Director of Budget Department.

Education
Vilnius University, Master's degree in Economics; Baltic Institute of Corporate Governance, Board member education certificate.

Other current place of employment, position
Ministry of Finance of the Republic of Lithuania, Director of Budget Department.

Number of shares in parent company
None.

Aušra Vičkačkienė

Member since 30/08/2017
Representative of the principal shareholder
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: A N

Experience
Aušra has more than 20 years of experience in civil service. For the last 13 years she has been the Director of the Asset Management Department of the Ministry of Finance, previously managed the Financial Services Division of the Ministry's Financial Markets Department, and was the head of the Loan and Guarantee Supervision Division. In addition to this, Aušra has been elected as a management board member of various state-owned companies: UAB Būsto paskolų draudimas, VĮ Turto bankas and UAB Viešųjų investicijų plėtros agentūra, where she was elected as the Chair of the management board.

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

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

Number of shares in parent company
None.

71%
Independence including the Chair

98%
Meeting attendance in 2020

See page 61

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

Committees of the Supervisory Board

In order to perform its functions and duties effectively the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. The committee must have at least three members, where at least one member must be a member of the Supervisory Board and at least 1/3 of the members must be independent, except for the Audit Committee, which must aim for at least 2/3 of the members to be independent. The members of the committees are elected for the period of four years. The following committees of the Supervisory Board are currently operating: Audit Committee, Nomination and Remuneration Committee and Risk Management and Business Ethics Supervision Committee.

- **The Audit Committee** is responsible for submission of objective and impartial conclusions and suggestions regarding audit, related party transactions, as provided in the Law on Companies of the Republic of Lithuania, and functioning of internal control system in the Group of companies to the Supervisory Board.
- **The Nomination and Remuneration Committee** is responsible for submission of conclusions and suggestions about appointment, revocation of the members of management and supervisory bodies of the Group companies and about incentive issues of the Supervisory Board as well as for the evaluation of performance of the Board and its members and submission of an appropriate opinion. The committee's functions also cover formation of common remuneration policy in the Group companies, determination of the size and composition of remuneration, incentive principles, etc.
- **The Risk Management and Business Ethics Supervision Committee** is responsible for submission of conclusions and suggestions regarding management and control system in the group of companies and/or status of implementation of the main risk factors and risk management tools to the Supervisory Board; for compliance with business ethics, maintenance of bribery and corruption risk managment system and submission of recommendations to the Supervisory Board.

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.). On the day when this report was announced, the committees of Risk Management and Business Ethics Supervision, Audit and Nomination and Remuneration were operating in the parent company. In addition, by the decision of the Supervisory Board, the Steering Committee of the parent company's IPO has been formed from the representatives of the parent company's shareholder, members of the Supervisory Board and the Management Board. The Steering Committee has finished its work after the completion of the parent company's IPO.

Composition of the Committees as well as information on education, experience and place of employment of the members at the date of publication of the annual report is provided below in the report. There were no changes in the composition of the Committees during the reporting period. None of the members of the Committees holds shares of the Group companies.

Overview of the meetings' attendance of the Supervisory Board and its committees' members

Member	Supervisory Board	Audit Committee	Nomination and Remuneration Committee	Risk Management and Business Ethics Supervision Committee
Darius Daubaras	24/24	-	-	8/8
Andrius Pranckevičius	22/24	-	-	8/8
Aušra Vičkačkienė	24/24	14/15	16/16	-
Daiva Kamarauskienė	24/24	-	16/16	-
Daiva Lubinskaitė-Trainauskienė	23/24	-	16/16	-
Judith Buss**	4/4*	-	-	-
Bent Christensen**	4/4*	-	-	-
Irena Petruškevičienė	-	15/15	-	-
Danielius Merkinas	-	15/15	-	-
Šarūnas Radavičius	-	15/15	-	-
Ingrida Muckutė	-	15/15	-	-
Lėda Turai-Petrauskienė	-	-	16/16	-
Šarūnas Rameikis	-	-	-	8/8

** The numbers indicate how many meetings in 2020 the members have attended out of total meetings held during the year.*
*** Elected as members of the Supervisory Board since 12 November 2020.*

Audit Committee overview

In 2020, in implementing the functions laid down in the Regulations of the Audit Committee of the parent company's Supervisory Board (Regulations can be accessed here), the Audit Committee of the parent company held 15 meetings. In 2020, the activities of the Audit Committee covered the following key matters:

Financial reporting

- Discussed an updated parent company's Accounting Policy.
- Oversaw the status of financial statements preparation process of the Group companies.
- Oversaw the readiness to produce financial statements in the European Single Electronic Format (ESEF).

External audit

- Oversaw the independence and objectivity of the Audit Firm.
- Reviewed the external audit strategy, areas of audit focus, scope and materiality for 2020.
- Periodically assessed updates from the Audit Firm on the external audit process.
- Discussed the Audit Firm's reports on the Group's public interest companies.
- Considered requests by the Audit Firm to participate and submit proposals for the purchase of non-audit services.

Internal audit

- Discussed an independent external assessment report of the parent company's Internal Audit activity, i.e. its conformity with The International Standards for the Professional Practice of Internal Auditing.
- Reviewed and approved the Internal Audit plan for 2020.
- Discussed reports on the internal audit tasks performed by the parent company's Internal Audit Service, including an update on delivery of 2019 Internal Audit plan and progress with the 2020 Internal Audit plan.
- Followed implementation of actions resulting from the Internal Audit reports.
- Discussed several selected internal audit reports.

Internal control and risk management

- Assessed the potential impact of coronavirus on the Group.
- Reviewed the results of self-assessment of the Group's internal control system.
- Reviewed periodic reports on the Group's financial results.
- Reviewed the performance reports of the parent company's investments into a venture capital fund.

Governance

- Discussed the Groups' strategy with the parent company's CEO.
- Provided opinions to the listed companies of the Group on conclusion of 6 related party transactions in compliance with the Article 372 of the Law on Companies of the Republic of Lithuania.
- Followed the implementation of the ISO 370001 Anti-Corruption Management System standard.
- Discussed the legal disputes in which the Group companies were involved.
- Submitted semi-annual Audit Committee reports on its activities on the Supervisory Boards of the Group's public interest companies for 2019/2020.
- Reviewed and submitted the Regulations of the Audit Committee for approval by the parent company's Supervisory Board.

The Audit Committee declares that in 2020 there were no factors restricting the activity of the Audit Committee and the Audit Committee received from the Group all information necessary for the exercise of its functions. In 2020, the Audit Committee did not identify any significant findings that have had negative impact on the activities of the parent company of which the parent company's Supervisory Board had not been informed.

Additional focus for 2021:

- Will follow implementation of recommendations resulting from internal and external audits.
- Will follow further developments of Accounting Policy's manual.

On behalf of the Audit Committee,

Petruškevičienė

Irena Petruškevičienė
Chair of the Audit Committee
Ignitis Group

Members of the Audit Committee

Irena Petruškevičienė

Chair, member since 13/10/2017
Independent
Term of office expires: 12/10/2021

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

Education
Vilnius University, Diploma in Economics.

Other current place of employment, position
Lietuvos geležinkeliai, AB, Member of the Audit Committee; Maxima Grupė UAB, Chair of the Audit Committee; European Stability Mechanism, Member of the Board of Auditors

Number of shares in parent company
None.

Danielius Merkinas

Member since 13/10/2017
Independent
Term of office expires: 12/10/2021

Experience
Danielius has almost 20 years of experience in various leadership positions in logistics sector. He also is a certified internal auditor and has worked as an auditor at the audit and consulting company Ernst & Young. Danielius was a management board member of state-owned company AB Lietuvos pastas until October 2019.

Education
Vilnius University, Master's degree in International Business; Deventer Business College, Master's degree in International Marketing; Lyngby Business College, Diploma in Market Economics; The Institute of Internal Auditors (IIA), CIA – Certified Internal Auditor.

Other current place of employment, position
NNL Termo UAB, Chief Executive Officer, Chair of the Board; NNT LT UAB, Chair of the Board; Nordnet UAB, Chief Financial Officer; Litcargo UAB, Chair of the Board.

Number of shares in parent company
None.

Šarūnas Radavičius

Member since 23/03/2018
Independent
Term of office expires: 12/10/2021

Experience
Šarūnas is a finance professional with 20 years of experience in accounting, audit and finance management. He is a certified public accountant as well as certified auditor and has held a role of Head of Audit at UAB Rödl & Partner for almost 15 years until August 2019. Šarūnas also has lecturing experience gained through internal trainings (accounting and audit) in Lithuania, Germany and Russia.

Education
Vilnius University, Master's degree in Audit and Accounting.

Other current place of employment, position
MB Saluma Owner; JSC Lithuanian Radio and Television Centre, Member of the Audit Committee.

Number of shares in parent company
None.

Ingrida Muckutė

Member since 23/03/2018
Representative of the principal shareholder
Term of office expires: 12/10/2021

Experience
Ingrida is an auditing and accounting professional with more than 15 years of experience in public sector. In the Ministry of Finance she has initiated the public sector accounting reform, has been involved in its implementation through all its stages: from the concept paper and the Public Sector Accountability Law to training programs for public sector accountants. Ingrida also worked as a Senior Consultant in Andersen and later in Ernst&Young as well as a Financial Controller in UAB Konica Minolta Baltia.

Education
Vilnius University, Master's degree in Finance, Accounting and Banking; Vilnius University, Bachelor's degree in Management and Business Administration; Uppsala University, Finance Management programme.

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

Number of shares in parent company
None.

Aušra Vičkačkienė

Member since 13/10/2017
Representative of the principal shareholder
Term of office expires: 12/10/2021

Member of the Supervisory Board
See page 60

The Group of companies has a centralised internal audit function since 5 January 2015. This helps ensure independence and objectivity of the internal audit, consistency in application of uniform methodology and reporting principles, and a more rational allocation of the available audit resources and competences.

Overall, the Audit Committee is responsible for monitoring the process of preparation of financial statements of the parent company and the Group's subsidiaries, with a focus on the relevance and consistency of accounting methods used. In addition, it is responsible for monitoring the effectiveness of internal controls and risk management systems of the parent company and the Group's subsidiaries, analysing the need for and relevance of these systems and performing the review of the existing internal control management systems.

None of the Audit Committee members hold shares of the Group companies.

The term of office of the current Audit Committee will last until 12 October 2021.

60%

Independence including the Chair

99%

Meeting attendance in 2020

See page 61

The main functions of the Audit Committee

Financial reporting

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

Internal audit

- To monitor effectiveness of internal audit function of the parent company and the Group companies, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of the Head of the parent company's Internal Audit Service, to coordinate and evaluate periodically the work of the parent company's Internal Audit Service, to discuss verification results, removal of defects and implementation of internal audit plans.
- To approve operational rules of the parent company's Internal Audit Service and plan of internal audit.

External audit

- To monitor independence and objectivity of auditors and audit companies and to submit recommendations regarding selection of the audit company.

Internal control and risk management

- To submit an opinion to the Group's companies, whose shares are traded on the regulated market, regarding transactions with the associated party, as provided in Article 372(5) of the Law on Companies of the Republic of Lithuania.
- To monitor whether the activities of the parent company and the Group companies are in compliance with the laws of the Republic of Lithuania, other legal acts, the Articles of Association and the business strategy.

Governance

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

Nomination and Remuneration Committee overview

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

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

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

Activities of the committee during the reporting period

Overall 16 meetings of the Nomination and Remuneration Committee were held during the reporting period.

Key activities in 2020 covered the following areas:

- evaluation of nominations for members of the parent company subsidiaries' management and supervisory bodies (i.e. Ignitis Polska, Transporto Valdymas, Kaunas CHP, Ignitis Grupės Paslaugų Centras, Ignitis Gamyba);
- issues related to the development of remuneration policy;
- proposals on the long-term promotion of the managers with share options programme;
- issues related to the implementation of the parent company's strategy and objectives in the area of people and culture.

None of theNomination and Remuneration Committee members hold shares of the Group companies.

The term of office of the current Nomination and Remuneration Committee will last until 12 September 2021.

50%

Independence including the Chair

100%

Meeting attendance in 2020

See page 61

Members of the Nomination and Remuneration Committee

Daiva Lubinskaitė-Trainauskienė

Chair, member since 13/09/2017
Independent
Term of office expires: 12/09/2021

Member of the Supervisory Board
See page 59

Daiva Kamarauskienė

Member since 22/03/2019
Representative of the principal shareholder
Term of office expires: 12/09/2021

Member of the Supervisory Board
See page 60

Aušra Vičkačkienė

Member since 13/09/2017
Representative of the principal shareholder
Term of office expires: 12/09/2021

Member of the Supervisory Board
See page 60

Lėda Turai-Petrauskienė

Member since 23/03/2018
Independent
Term of office expires: 12/09/2021

Experience
Lėda has over 15 years of international work experience in the field of human development, organisational development and communication. She has had various leadership roles and experience in local and global organisations across continents. Lėda also was a Head of the Leadership Module at ISM Executive School of ISM University of Management and Economics. In 2006 she was awarded one of the highest presidential awards, the Knight's Cross of the Order of Merit of the Republic of Hungary for developing and facilitating cultural and economic relationships between Hungary and Lithuania.

Education
University of Liverpool, Master's degree in Global Human Resource Management; Vilnius University, Master's degree in Lithuanian linguistics; Master Certified Coach by the International Coach Federation; Hamburg Institute of Counselling and Supervision, certificate of Individual Psychology.

Other current place of employment, position
L-CON Global UAB, Executive and Leadership development partner; Management Institute of Finland MIF, Trainer; Coaching Development Ltd., Trainer; International Coach Federation, Member of the EMEA Coordination Team; Vilnius International School, Member of the Advisory School Council.

Number of shares in parent company
None.

Risk Management and Business Ethics Supervision Committee overview

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

The main functions Risk Management and Business Ethics Supervision Committee:

- to monitor the way the risks relevant for the achievement of the targets set for Group companies are identified, assessed and managed;
- to assess the adequacy of internal control procedures and risk management measures in view of the risks identified;
- to assess the progress achieved in the implementation of risk management measures;
- to monitor the process of risk management;
- to analyse the financial possibilities for the implementation of risk management measures;
- to assess the risks and the risk management plan for Group companies;
- to assess the periodic cycle of risk identification and assessment;
- to monitor the availability of risk registers, analyse their data, provide recommendations;
- to monitor the availability of internal documentation pertaining to risk management;
- to assess the tolerance and the adequacy of internal documents regulating the Group's anti-bribery and anti-corruption policies and to monitor periodically their implementation/ compliance;
- to monitor periodically information related to the controlling actions of assurance of business ethics, events and unsolved incidents (security of transparency, prevention of corruption, management/prevention of corruption risk, etc.);
- to perform other functions assigned to the committee based on the decision of the Supervisory Board.

Activities of the committee during the reporting period

Overall 8 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Key activities in 2020 covered the following areas:

- risk assessment and management process applied in the Group;
- the key risks, including COVID-19, of the Group and their management measures;
- parent company's risk register and risk management plan;
- information security;
- the Group's Business Continuity System;
- risks associated with Green Generation capacity and their management;
- cooperation with the Audit Committee of the Supervisory Board;
- cooperation with the following function of the Group: information security, prevention, risk management, occupational safety, personal data protection and compliance.

None of the Risk Management and Business Ethics Supervision Committee members hold shares of the Group companies. The term of office of the current Risk Management and Business Ethics Supervision Committee will last until 19 April 2022.

100%

Independence including the Chair

100%

Meeting attendance in 2020

See page 61

Members of the Risk Management and Business Ethics Supervision Committee

Andrius Pranckevičius

Chair, member since 20/04/2018
Independent
Term of office expires: 19/04/2022

Member of the Supervisory Board
See page 60

Darius Daubaras

Member since 20/04/2018
Representative of the principal shareholder
Term of office expires: 19/04/2022

Member of the Supervisory Board
See page 59

Šarūnas Rameikis

Member since 20/04/2018
Independent
Term of office expires: 19/04/2022

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

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

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

Number of shares in parent company
None.

4.4 Management Board

Management Board overview

Management Board is a collegial management body set out in the Articles of Association of the parent company. The activities of the Management Board are regulated by the Law on Companies, its implemented legislation, the Corporate Governance Guidelines, the Articles of Association of the parent company and the Rules of Procedure of the Management Board. During the reporting period, the rules governing the election of the members of the Management Board of the parent company were not amended and there were no changes in the composition of the Management Board. The Management Board consists of five members and elects the Chair, who is also the CEO of the parent company, from among its members. Remuneration for the activities of the Management Board is paid in accordance with the guidelines established by the Supervisory Board of the parent company.

Information on the selection criteria of the Management Board members

The members of the Management Board are employees of the parent company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. Each member of the Management Board is elected for a term of four years. The Management Board of the parent company shall be formed in view of the provision that the competences of the members of the Management Board must be diverse. A member of the Supervisory Board, a person who is not legally entitled to hold this post, cannot be the member of the Management Board, neither can a member of a supervisory body, management body or administrative body of a legal entity engaged in electricity or gas distribution activities, an auditor or an employee of an audit company who participates and/or participated in the audit of financial statements if a period of more than 2 years has not elapsed; and a person who is not legally entitled to this post. The Members of the Management Board of the parent company must meet the general and specific criteria laid down by law. The need for competences shall be determined by the Supervisory Board during the formation of the Management Board. The term of office of the current Management Board is from 1 February 2018 to 31 January 2022. There were no changes in the composition of the parent company's Management Board during the reporting period.

All Management Board members hold shares of the Group companies (please refer to the description of each member below).

The main functions and responsibilities of the Management Board

The main functions and responsibilities of the Management Board are:

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

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

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

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

Activities of the Company's Board during the reporting period

Overall 83 meetings of the Management Board were held in 2020. Key activities in 2020 covered the following areas:

- making key decisions in relation to the initial public offering of the parent company's shares;
- evaluation of the most significant transactions planned by the parent company, approval of their conclusion and approval of essential terms of transactions;
- evaluation of the organisation of the parent company's and the Group companies' activities and taking decisions related thereto;
- evaluation and approval of the parent company's operational planning documents, taking into account the opinion of the parent company's Supervisory Board;
- setting the operational guidelines and rules, general policies for Group companies (i.e. updated Market Abuse Prevention Policy, Dividend Policy, Sustainability Policy, Environmental Protection Policy), annual financial plans, establishing performance parameters for the parent company and Group companies;
- making decisions on participation and voting in general meetings of shareholders of the companies in which the parent company is a shareholder;
- approval of the parent company's Annual Report and submission to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the parent company's annual financial statements and draft allocation of profit (loss) and providing feedback to the Supervisory Board and the General Meeting of Shareholders.

Members of the Management Board

Darius Maikštėnas

Chair, CEO since 01/02/2018
Elected: 2018
Term of office expires: 31/01/2022

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

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

Other current place of employment, position
AB Energijos Skirstymo Operatorius, Chair and member of the Supervisory Board; Eurelectric, member of the Management Board.

Number of shares in parent company
400.

Darius Kašauskas

Member, Finance and Treasury Director since 01/02/2018
Elected: 2013
Term of office expires: 31/01/2022

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

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

Other current place of employment, position
AB Energijos Skirstymo Operatorius, Member of the Supervisory Board.

Number of shares in parent company
250.

Vidmantas Salietis

Member, Commerce and Services Director since 01/02/2018
Elected: 2018
Term of office expires: 31/01/2022

Experience
Vidmantas, who has 7 years executive experience, joined the Group in 2011. Vidmantas gained his executive experience in energy sector. He held the position of General Manager at Energijos Tiekimas. Previously he was the Director of the Electricity Wholesale Division at Ignitis Gamyba.

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

Other current place of employment, position
UAB Ignitis, Chair and member of the Supervisory Board; UAB Elektroninių mokėjimų agentūra, Chair and Member of the Board; NT Valdos, UAB, Chair of the Management Board; UAB Gamybos Optimizavimas, Member of the Management Board, Ignitis Polska Sp. z o.o., Member of the Supervisory Board.

Number of shares in parent company
200.

Dr Živilė Skibarkienė

Member, Organisational Development Director 01/02/2018
Elected: 2018
Term of office expires: 31/01/2022

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

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

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

Number of shares in parent company
300.

Dominykas Tučkus

Member, Infrastructure and Development director since 01/02/2018
Elected: 2016
Term of office expires: 31/01/2022

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

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

Other current place of employment, position
AB Ignitis Gamyba, Chair and Member of the Supervisory Board; UAB Ignitis, Member of the Supervisory Board; UAB Vilniaus Kogeneracinė Jėgainė, Chair and Member of the Management Board; UAB Ignitis Renewables, Member of the Management Board; Smart Energy Fund KŪB, powered by Ignitis Group, Member of the Advisory Committee.

Number of shares in parent company
300.

Meeting attendance

Member	Attendance*
Darius Maikštėnas	83/83
Dominykas Tučkus	82/83
Dr Živilė Skibarkienė	82/83
Vidmantas Salietis	83/83
Darius Kašauskas	83/83

** The numbers indicate how many meetings in 2020 the members have attended out of total meetings held during the year.*

Conflicts of interest

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

CEO competence and functions

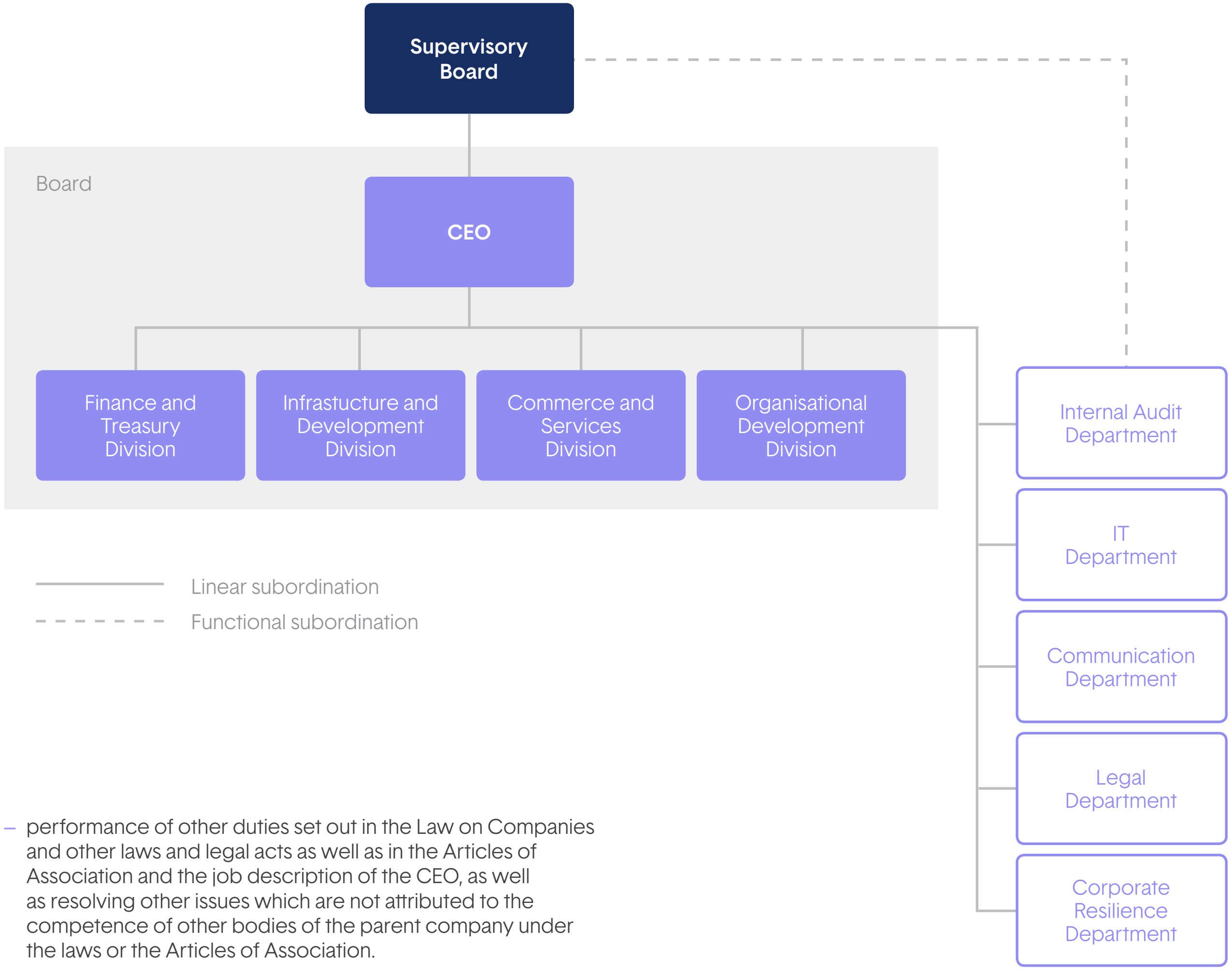
At the executive employees' level, the parent company is managed by the Chief Executive Officer and the Division Directors. The CEO is a single-person management body of the parent company, who organises, directs, acts on behalf of the parent company and concludes transactions unilaterally, as provided by the Law on Companies, its implemented legislation and the Articles of Association of the parent company. The CEO is entitled to solely represent the parent company and execute documents on the parent company's behalf.

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

The main functions and responsibilities of the CEO are:

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

The Company's governance structure (at the end of the reporting period)



4.5 Remuneration report

Remuneration of the Supervisory Board and its committees

Overview

In accordance with the Law on Companies and the Articles of Association, members of the Supervisory Board are appointed for a tenure of four years. The tenure of each member of the Supervisory Board may not last longer than until the annual General Meeting convened in the fourth year of that member's tenure. Members of the Supervisory Board are not entitled to severance payments upon termination of their contractual relationship.

The principles of remuneration of members of collegial bodies of the parent company are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Pursuant to these Guidelines, the maximum monthly amount of the remuneration paid for the activities in the Supervisory Board, its committees or to the members of the managing and supervisory bodies of other companies in the Group of Companies, who are subject to remuneration, cannot exceed one-quarter of the amount of the average monthly salary paid to the CEO of the parent company. The maximum monthly amount of the remuneration paid to the Chairman of the Supervisory Board for the work in the Supervisory Board or its committees cannot exceed one-third of the amount of the monthly salary paid to the CEO of the parent company.

Remuneration of the members of the Supervisory Board and its committees

Information about payments made to the members of the Supervisory Board and its committees during the period of 2017-2020 are set out below. All amounts shown in the table below are shown in euro, before taxes.

Annual remuneration of the members of the Supervisory Board and its committees, EUR (before taxes)

Name (position)	2020		2019		2018		2017	
	Supervisory Board	Committees	Supervisory Board	Committees	Supervisory Board	Committees	Supervisory Board	Committees
Darius Daubaras *(Chair of the Supervisory Board, member of the Risk Management and Business Ethics Supervision Committee)*	22,950	-	16,650	-	13,877	-	3,600	-
Andrius Pranckevičius *(Member of the Supervisory Board, chair of the Risk Management and Business Ethics Supervision Committee)*	-	-	5,288	-	7,618	-	-	-
Aušra Vičkačkienė* *(Member of the Supervisory Board, member of the Audit Committee)*	-	-	-	-	-	-	-	-
Daiva Kamarauskienė* *(Member of the Supervisory Board, member of the Nomination and Remuneration Committee)*	-	-	-	-	-	-	-	-
Daiva Lubinskaitė-Trainauskienė *(Member of the Supervisory Board, chair of the Nomination and Remuneration Committee)*	6,263	-	5,070	-	3,929	-	537	-
Judith Buss** *(Member of the Supervisory Board)*	3,038	-	-	-	-	-	-	-
Bent Christensen** *(Member of the Supervisory Board)*	2,625	-	-	-	-	-	-	-
Irena Petruškevičienė *(Chair of the Audit Committee)*	-	15,488	-	11,738	-	9,720	-	3,410
Danielius Merkinas *(Member of the Audit committee)*	-	11,888	-	10,590	-	6,780	-	2,029
Šarūnas Radavičius *(Member of the Audit Committee)*	-	9,750	-	8,258	-	3,180	-	-
Ingrida Muckutė *(Member of the Audit Committee)*	-	-	-	-	-	-	-	-
Lėda Turai-Petrauskienė *(Member of the Nomination and Remuneration Committee)*	-	4,125	-	-	-	1,800	-	-
Šarūnas Rameikis *(Member of the Risk Management and Business Ethics Supervision Committee)*	-	-	-	3,375	-	2,580	-	-
Total remuneration	**34,876**	**41,251**	**27,008**	**33,961**	**25,424**	**24,060**	**4,137**	**5,439**

** Members of the Supervisory Board who are delegated by the Principal Shareholder did not receive any remuneration from the parent company.*
*** Elected as members of the Supervisory Board since 12 November 2020.*

Remuneration within the Group

Overview

The Group is rapidly moving towards the sustainability, including the management of human resources. The ongoing transition requires new skills and competences as well as continuous development of our Group culture. In 2019, we substantially revised remuneration system to reduce the gap between the base salary market and the Group's internal remuneration median by transferring a part of STI to FBS in order to be more competitive in a rapidly changing salary market. We also participate in remuneration market surveys annually. Further information on human resources management and remuneration relevant matters can be found on the parent company's website.

Decision making process in remuneration related matters

Remuneration Guidelines of Executives, Remuneration Policy and Remuneration standard are the key documents on which remuneration structure is based on. They are prepared based on the best governance practises. Remuneration Policy and Remuneration standard are applicable to all Group employees, whereas and Remuneration Guidelines – to the executives. The Remuneration standard is internal document which is detailing the provisions of Remuneration policy. The provisions of the Remuneration Policy and the Remuneration Guidelines are integrated with the companies of the Group and applied downstream through the subsidiaries. Exceptions from the Remuneration Guidelines may be made only to the companies of the Group operating outside Lithuania by the decision of the Supervisory Board of the parent company, with the approval of the Nomination and Remuneration Committee of the Group.

Post IPO Remuneration Policy approval process is based on the Lithuanian Labour Code, Corporate Governance Code for The Companies Listed on Nasdaq and Law on Joint Stock Companies. Parent company is required to submit any proposed amendments of the Remuneration Policy for General Meeting of Shareholders' approval. Before that, high-impact changes of the Remuneration Policy must be agreed by the Nomination and Remuneration Committee and Supervisory board. The parent company intends the updated Remuneration Policy to be approved during the annual meeting of its shareholders which is planned in the first quarter of 2021. Up to IPO, the Remuneration Policy was being approved and amended by the parent company's Management board.

Every year remuneration ranges are submitted by the parent company's Management Board to the Nomination and Remuneration Committee and the Supervisory Board for approval. The Supervisory Board assesses the compliance of the remuneration structure with the median value of the market.

Remuneration Policy

The objective of our Remuneration Policy is to support the Group's pathway towards performance and strategic targets achievement. We have defined 5 key Remuneration Policy principles, including fairness, competitiveness, clarity, transparency, and flexibility, detailed in the figure on the right side of this page.

Overall, Group remuneration structure consists of two parts: fixed base salary (FBS) and variable remuneration (a percentage of FBS). Variable remuneration part is comprised of Short-Term Incentives (STI) and Long-Term Incentives (LTI is applicable to the key executives: parent company's top executives (including the CEO and the members of the Management Board), CEOs of ESO, Ignitis, Ignitis Gamyba and Ignitis Renewables). The variable part is paid out quarterly or annually, depending on the employees' functions, and is linked with individual, team and/or company/ Group performance. Separate remuneration schemes are set for employees of highly competitive business areas (e.g. renewable project managers, electricity and gas traders and salespersons).

Full Remuneration Policy is available on the parent company's website.

Key principles of Group Remuneration Policy	
Internal fairness	We ensure that similar or the same value creating work is compensated equally throughout the organisation.
Competitive externally	Employees are entitled to receive competitive compensation based on their function market conditions and geography.
Remuneration clarity	We aim that all employees would be informed how their performance, competences, qualification impact their full remuneration package as well as on what basis it is set.
Transparency	We believe in transparency and share our objective remuneration criteria with our employees.
Flexibility	We are flexible to provide individual solutions regarding retention of strategic employees or critical positions, if these are in line with the principles listed above.

Remuneration of the parent company's and Group's employee

The parent company's salary fund in 2020 amounted to EUR 5.3 million compared to EUR 4.9 million in 2019. Total Group salary fund in 2020 was EUR 102 million (in 2019 it was EUR 87.3 million). Average monthly salary (FBS and STI) for the period of 2016-2020 are provided in the tables below.

Average monthly remuneration of the parent company's employees, EUR (before taxes)

Position category	2020		2019		2018		2017		2016	
	Number of employees	Average salary*	Number of employees	Average salary**	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
CEO	1	10,109	1	9,725	1	6,234	1	7,508	1	6,305
Top level managers	10	7,470	11	7,342	9	5,358	8	5,381	10	4,706
Middle managers	23	5,208	21	6,320	20	3,774	14	3,671	16	3,357
Experts / Specialists	50	3,177	68	3,833	85	2,192	67	2,023	76	1,828
Workers	-	-	-	-	-	-	-	-	-	-
Total	**84**	**4,281**	**101**	**4,281**	**115**	**2,784**	**90**	**2,659**	**103**	**2,454**

** Part of STI was transferred to the FBS.*
*** Tax reform has been implemented at the beginning of 2019.*

Average monthly remuneration of the Group's employees, EUR (before taxes)

Position category	2020		2019		2018		2017		2016	
	Number of employees	Average salary*	Number of employees	Average salary**	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
CEO	17	8,990	17	7,262	14	5,348	15	5,023	18	4,004
Top level managers	34	8,274	35	6,713	38	4,589	42	4,292	48	3,286
Middle managers	375	4,038	340	3,323	327	2,333	321	2,193	267	2,338
Experts / Specialists	2,670	2,102	2,560	1,906	2,548	1,309	2,857	1,179	2,544	1,237
Workers	736	1,670	767	1,475	767	979	1,094	862	1,160	780
Total	**3,832*****	**2,059**	**3,719******	**2,015**	**3,695**	**1,374**	**4,330**	**1,214**	**4,037**	**1,573**

** Part of STI was transferred to the FBS.*
*** Tax reform has been implemented at the beginning of 2019.*
**** Data is provided with 4 trainees excluded.*
***** Excluding 23 employees from Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o. o., "Pomerania Invall Sp. z o. o.", OÜ "Tuuleenergia", UAB "VVP Investment", Ignitis Eesti OÜ.*

Remuneration of the parent company's Management Board

Overview

Remuneration Guidelines applied to the Management Board is designed to attract and retain competent members of the Management Board. In order to attract high level professionals to the management positions, the aim is to bring remuneration closer to the median of the salary market onto the country the company operates. Remuneration structure applicable to the Management Board is consistent with the structure for the remaining Group employees (except a company car). It includes FBS, STI and LTI and is detailed in the table below.

Appointment and termination of Management Board

In accordance with the Law on Companies and the Articles of Association, members of the Management Board are appointed for a tenure of four years.

Article 371 of the Law on Companies stipulates that the Chief Executive Officer of the state-owned company can be appointed only for a term of five years. The Chief Executive Officer can only be appointed for two consecutive five-year terms. Under the Law on Companies and the Labour Code, the Chief Executive Officer may be dismissed from the position by the Management Board of the parent company without any advance notice for cause. Division Heads may be dismissed from the parent company only on the grounds and following the procedure indicated in the Labour Code.

Severance pay

Members of the Management Board are not entitled to severance payments upon termination of their contractual relationship. Nevertheless, employment agreements are executed between the parent company and each of the Chief Executive Officer and Division Heads. In accordance with the Labour Code, those who are employed in any Group company under an employment agreement are entitled to severance payments upon termination of their employment. Severance pay, however, shall be paid in accordance with the Guidelines for Executives Remuneration of the Group Companies of the parent company, according to which the Chief Executive Officer and other top executives (members of the Management Board) are paid severance payment up to four times their average monthly salary if employment is terminated on initiative of the parent company and for no fault of the employee. Non-compete agreements, in accordance with the Labour Code, can be signed with Members of the Management Board. Nevertheless, additional internal regulation does not specify contract terms in more detail. Agreements can be signed and evaluated on a case-by-case basis. During 2020 year he parent company did not enter in to any non-compete agreements with Members of the Management Board.

Remuneration structure of the CEO and the Management Board

Element	Purpose	Description and performance measures
Fixed base salary (FBS)	To compensate for the job responsibilities and to reflect the skills, knowledge, and experience of the individual.	Remuneration is determined by the employment contract, taking into account the level of the position and the level of competence of the employee required for the position. Base salary is paid on monthly basis. Base salary revision is performed during the annual Remuneration Review.
Compen-sation for activities of the Board members (PBM)	To compensate for the Board member activities.	PBM is fixed amount and payed on monthly basis. PBM usually is reviewed before 4 year tenure contract is signed.
Short-term incentives (STI)	To support achievement of the Group's annual financial, strategic and sustainability targets.	The remuneration that is paid for performance, i.e. for a particular position for meeting the set objectives or indicators, is determined as a percentage of FBS. It is determined for the executives up to 20% of their annual FBS.
Long-term incentives (LTI)	To support the delivery of sustainable long-term achievement, align the interests of the Key executives with those of shareholders, and support in committing and retaining key individuals.	4-year long term targets are confirmed on which achievement the management may be granted the parent company's shares.
Health insurance, tier 3 pension or life insurance	To align with market practises and retain existing management.	Employees are covered by the health insurance schemes, unless they choose the contributions to the pension. The package applied is the same as for the rest Group employees. Management Board benefits package also includes a company car.

Remuneration of the parent company's members of the Management Board

Information about payments made to the members of the Management Board in 2020 are set out below. All amounts shown in the table below are shown in euro, before taxes.

Annual remuneration of the parent company's Management Board, EUR (before taxes)

2020	FBS*	STI	PBM	Total
Darius Maikštėnas	121,311	34,829	30,600	186,740
Dr Živilė Skibarkienė	98,374	29,008	21,780	149,162
Darius Kašauskas	101,617	29,008	21,780	152,405
Dominykas Tučkus	101,742	29,008	21,780	152,530
Vidmantas Salietis	101,477	29,008	21,780	152,265
2019	**FBS***	**STI**	**PBM**	**Total**
Darius Maikštėnas	94,135	30,090	30,600	154,825
Dr Živilė Skibarkienė	74,261	21,979	21,780	118,020
Darius Kašauskas	78,573	32,330	21,780	132,683
Dominykas Tučkus	79,534	32,104	21,780	133,418
Vidmantas Salietis	77,540	25,160	21,780	124,480

** FBS is the same for Management Board members. The differences appear regarding sick leave.*

Principles of variable remuneration

Short-term incentives

The remuneration that is paid for the annual performance, i.e. for a particular position or an employee for meeting the targets, is determined as a percentage of FBS or other basis of calculation. For the parent company's Management Board, as well as the CEOs, members of the management board of Group subsidiaries and top level executives of the companies the maximum STI level is set at 20% level (starting 2020, previously – 40%) of the annual FBS. For the remaining employees, maximum STI level is capped at the level of 10%.

The below is provided a composition of targets on which STI is based, depending on the employee's position withing the Group.

STI targets depending on the employee position within the Group

Position category	Weights for objective types		
	Objectives of parent company	Objectives of the individual company	Team / Individual objectives
Members of the Management Board of parent company	100%	0%	0%
CEOs (executives) / members of management boards at the individual companies	30%	70%	0%
Top level executives of the companies	30%	70%	0%
Function Managers	50%	0%	50%
Managers of functional Areas	30%	0%	70%
Middle level executives of the Group	0%	30%	70%
Other employees of the Group	0%	0%	100%

The criteria applicable for STI of members of the parent company's Management Board, including the CEO, for 2020 are set out in the table below.

STI targets for 2020 of parent company's Management Board

STI targets	Weight
Group adjusted EBITDA	20%
Group adjusted ROE to secure return level approved by Government of the Republic of Lithuania	10%
Improvement of customers NPS indices: Q4 2020 vs. Q1 2020	10%
Improvement of employee eNPS index: Q4 2020 vs. Q1 2020	10%
Implementation of strategic projects or their key milestones	50%

Strategic projects or their key milestones include:

- implementation of Pomerania WF project and RES portfolio development (15% weight);
- Vilnius and Kaunas CHP development according to the project schedule and scope (10% weight);
- smart metering program and Datahub project implementation according to schedule and scope (10% weight);
- implementation of the deregulation program for the household electricity market according to the program schedule and scope (10% weight);
- maintenance, modernization and development of electricity generation capacities by contributing to the synchronization of the Baltic States with the continental European networks (5% weight).

Implementation status of short-term performance objectives for 2020 applicable for members of the parent company's Management Board, including the CEO, variable remuneration is subject for approval by the Supervisory Board of parent company (approval is expected by the end of Q1 2021) and will be followed by the disclosure on the parent company's website.

Long-term incentives

In order to align management and shareholder interests, the Nomination and Remuneration Committee and Supervisory Board on 14 August 2020 approved the guidelines for the management LTI plan, to be implemented as a policy pursuant to the 'Rules for Granting Shares of the parent company'. According to the guidelines, the LTI program is equity-based (in a form of stock options with a strike price at EUR 0), and tied up with the targets set out in four-year Group's strategic plans.

The LTI will be a continuous programme with new four-year period targets put in place annually (for example, in 2020, the targets for 2023 is set based on 2020-2023 Strategic Plan; in 2021, the targets for 2024 will be set based on 2021-2024 Strategic Plan; etc.).

The LTI currently is applicable to nine Group executives, including the members of the Management Board and CEO of the parent company and the CEOs of the business segments, with the possibility on a case-by-case basis to extend programme to other executives with strategic responsibilities. The LTI maximum size is set as a percentage of the FBS, depending on the employee's position.

Maximum LTI level (% of FBS)

Position	Maximum LTI level as % of FBS
Parent company's CEO	40%
Members of the parent company's Management board	25%
CEOs of ESO, Ignitis Renewables, Ignitis Gamyba, Ignitis	15%
Other strategic employees that are assigned to Key Executives category	Up to 15%

The below table set outs the maximum value of shares on the day the option agreement with parent company's executives for granting shares have been signed in 2020. The shares depending on the performance aligned with 2023 Strategic plan targets, will be granted after 4-year vesting period in 2024.

Maximum value of shares to be granted in 2024, EUR

Parent company's executive	Maximum value of shares, EUR
Darius Maikštėnas	50,963
Dr Živilė Skibarkienė	26,505
Darius Kašauskas	26,505
Dominykas Tučkus	26,505
Vidmantas Salietis	26,505

The detailed information on the LTI targets is disclosed on the parent company's website.

Employee share option programme

In order to attract and retain competent, fast-learning, technologically advanced, globally thinking and innovative, motivated, loyal employees of the Group, the parent company intends to adopt an employee share option programme (ESOP) in 2021, pursuant to the 'Rules for Granting Shares of the parent company', which was approved by the Ministry of Finance, the Principal Shareholder, on 16 September 2020.

Further information on the status of ESOP will be available on the parent company's website.

4.6 Risk and risk management

Risk management framework

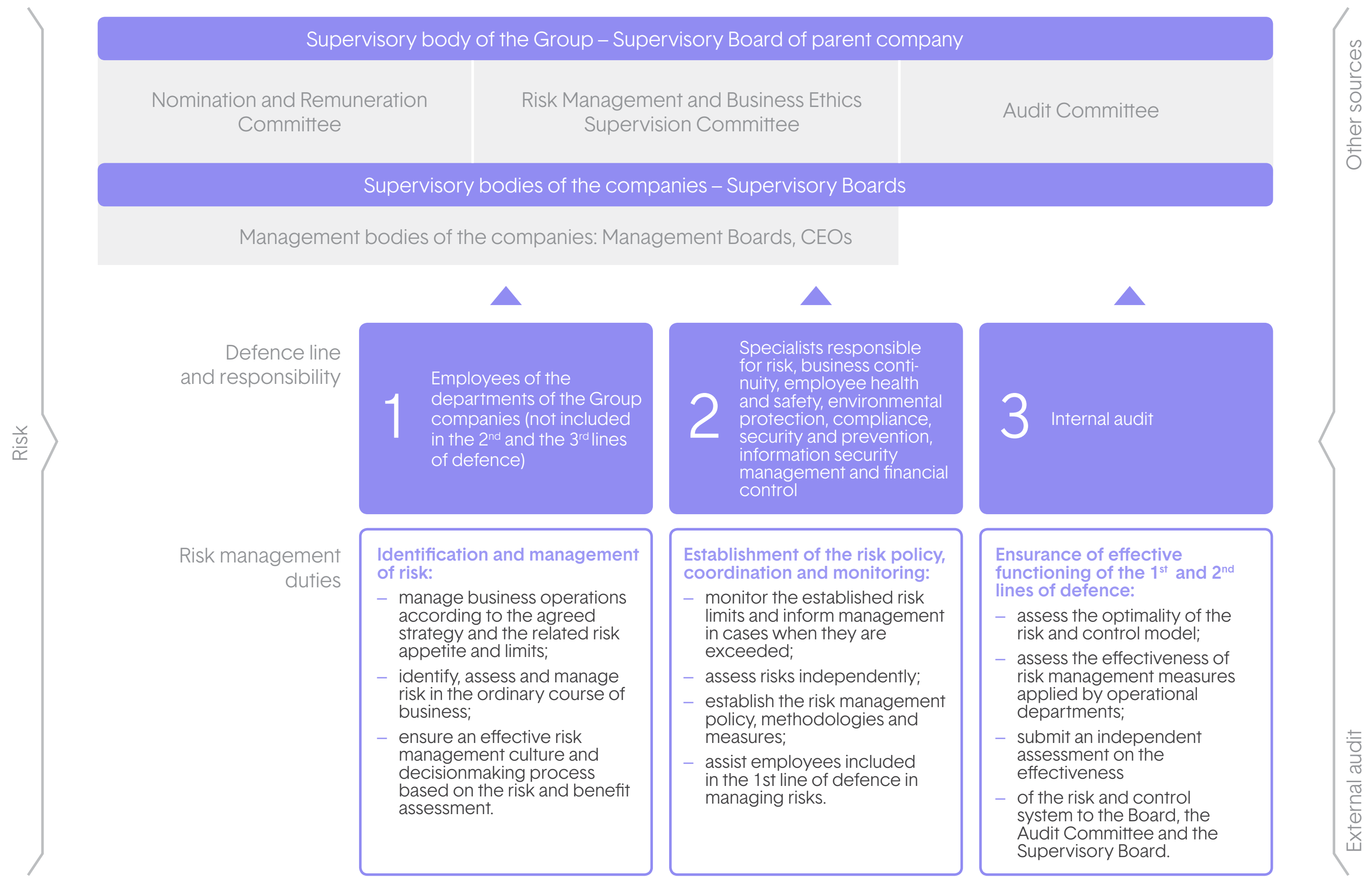
The Group is exposed to the risks that might affect its operational and financial performance. In order to mitigate these, we apply the risk management model, which is based on the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the main principles of AS/NZS ISO 31000:2009 (Risk Management — Principles and Guidelines).

The main objectives of the risk management framework are as follows:

- to achieve the Group's performance objectives with controllable, yet in principle acceptable deviations from these objectives;
- to ensure the provision of information of the highest possible accuracy to decision makers, shareholders and other stakeholders;
- to protect of the Group's reputation;
- to protect interests of shareholders, employees, clients, stakeholders and the society;
- to ensure the stability (including financial) and sustainability of the Group's activities.

The risk management principles provided for in the Group Risk Management Policy and other internal documents are consistently applied across the entire Group. The uniform risk management principles ensure that the management personnel of the Group companies receive risk management information covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement information on their activities with detailed risk assessment, monitoring, and management principles.

Internal control and risk management framework



Aiming to ensure that risk management information and decisions correspond to recent developments and changes in the Group's activities, the Group companies' risk level is re-assessed each year during a specified time period and risk mitigation actions are established. In addition, the Group companies monitor existing and new risk factors on a quarterly basis and define additional actions to manage risks, if needed.

Risk appetite and risk tolerance limits are established within the Group. Risk appetite means the level and type of risk that the Group is ready to accept in order to implement strategic objectives. Risk appetite determined by assessing the potential impact of risk exposure in the context of financial, reputational, compliance, corruption, human safety and health and business continuity aspects. Tolerance limit means the level of risk the excess of which is not acceptable for the Group and which is expressed in the results of operations or values of incidents. The risk appetite and risk tolerance limits of the Group are established and reviewed as needed by the parent company's Management Board. Where risk appetite and risk tolerance limits are exceeded by the parent company, action plans are prepared in order to meet the mentioned thresholds.

The effectiveness of the management plans is assessed by the parent company's Management Board, the parent company's Supervisory Board and the parent company's Risk Management and Business Ethics Supervision Committee under the Supervisory Board. In order to effectively manage risks arising from its activities, the Group applies the three lines of defence principle by establishing a clear separation of duties for risk management and control between the Group's management and supervisory bodies, structural departments or functions (see figure on page 78).

Risk assessment and control

On a yearly basis, the Group implements the risk assessment identifying key risks for the upcoming year and its management strategies. Compared to the risks identified for 2020, in 2021 several new priority risk factors have been determined, including a failure to achieve key commitments, core services disruptions due to IT/OT incidents and failure in new projects or businesses, reflecting on the Group's priority to ensure stability and continuity. In addition, during 2020 growth in borrowing costs, lack of strategy funding and potential corruption risks were mitigated to the accepted risk level by accordingly listing the parent company's shares on Nasdaq Vilnius and London stock exchanges and applying the Anti-Corruption Management System (LST / ISO 37001: 2017).

Sustainability risks (environmental, human resources management) have been assessed as falling within the Group's appetite and tolerance, and are therefore not mentioned in the table, however, they are actively monitored by the Management and Supervisory Boards.

Risk management plan for 2021

Risk category	Risk	Sources of risk	Risk level in 2021	Main risk management policies	Risk level in 2020
Strategic/ business risk	Changes in market and regulation	The risk of market and regulatory changes in the Group presents challenges to cash flow planning, the irreversibility of products or services and potential reputational damage. The most significant regulator for the group of companies remains the State Energy Regulatory Authority, which has the greatest influence on the prices and revenues of services provided by the companies by setting price caps. The most relevant sources of risk are expected in 2021: – the risk of non-notification of the European Commission about State aid, as described in points 7.3 and 7.4 of the PSO procedure, the services are not coordinated with the European Commission; – changes in LRAIC, WACC, depreciation rates and new consumers pricing; – electricity market deregulation – due to possible loss of customers and change in the price of supply of last resort; – a review of required quantity of liquefied natural gas for the terminal.	Very high	– Efforts are made to fulfil the requirements of the regulatory authority in as specific manner as possible and to unify the principles of cooperation with the regulatory authority at the Group level. – To ensure the compliance with the new requirements, organise projects of the group of companies as well as reduce and optimize operating costs, the best specialists of the group of companies are involved in each case to share their expertise. – Monitoring of the market situation. – The compliance function is strengthened and formed at the Group. – Active participation in the process of public coordination of legal acts. – The Management Board of the parent company regularly reviews the relevant regulatory risks.	Very high

Risk category	Risk	Sources of risk	Risk level in 2021	Main risk management policies	Risk level in 2020
Strategic / business risk	Failure in new projects or businesses	In order to implement the Group's strategy, many projects are initiated at the same time. Delays or other deviations from the goals would cause direct impact on the strategy implementation. Main risk factors in 2021 may be: – biofuel project contractor restructuring (Vilnius KJ); – risk of smart metering mismanagement due to the project scope, complexity or lack of experience; – lack of hedging opportunities in the Lithuanian electricity market zone; – Incorrect projects assumptions, forecasts.	Very high	– For the implementation of important projects, the best specialists of the group of companies are involved. Projects are implemented using best project management practices. – Find commercially viable sourcing options for portfolio hedging. – Internal measures for the control of finances. – Monitoring of the situation in the market. – Monitoring of the project's portfolio at the level of the Management Board. – Forecasting, monitoring, analysing cash flows.	NA
Operational risk	Risks associated with the COVID-19 outbreak	The first quarantine has been announced throughout the territory of the Republic of Lithuania from 16 March 2020 to 16 June 2020. The second quarantine has been announced throughout Lithuania since 7 November 2020 to 28 February 2021 (with a high probability of being extended) which was still in force at the time of publication of this annual report. In assessing the parent company's business continuity risks, the management evaluated the uncertainty caused by the COVID-19 outbreak at the time of the release of the annual report due to the potential impact on the Group's activities in the future. The potential financial impact to: – cash flows from electricity and gas payment delays or agreements with customers on longer payment terms for services and potential increase in the percentage of bad debts. Depending on the duration of the quarantine, the financial impact of the consequences will increase, but given the most likely scenarios for the spread of COVID-19 publicly discussed by experts, this should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the annual report cannot be reasonably determined; – cash flow from changes in electricity and gas consumption during the quarantine period and slower recovery of consumption after the period ended. The negative impact of electricity and gas consumption will potentially affect the business customers. However, it partially will be offset by increased electricity consumption in the household customer segment. During the first quarantine, the B2C electricity consumption increased by 5–6% in household customer segment and decreased on average by at around 8–9% in business segment compared to the ordinary usage levels of existing portfolio (with the negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers' portfolio because of COVID-19). This should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the annual report cannot be reasonably determined; – cash flows related to the risk of delays in the development of large infrastructure projects (construction and development of new power plants). Depending on the duration of the quarantine, there could be a risk of project delays due to disruptions of supply chain or due to appeared risk of infection of critical personnel with COVID-19. The positive impact on cash flows could be due to subsequent Investments, however, accordingly, the planned income earnings and cash flow from operations related to the ongoing project could be delayed. This should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the annual report cannot be reasonably determined.	Very high	The Group's management assessed the potential disruptions of cash flow, supply of services or goods, the attraction of sources of financing, the potential reduction in electricity and gas consumption due to economic slowdown, the risk of COVID-19 infection of critical function personnel and the risk of delays in ongoing projects, using all the information available at the time of the annual notification on the future risks posed by COVID-19, have not identified any circumstances which may give rise to doubts both as a result of the activities of the Group as a whole and the continuity of the individual undertakings belonging to the Group, and have taken action to manage the risks arising from the Group's activities. The Group did not experience any significant disruptions due to COVID-19 in business activity, investments strategies and development of projects, except for some delays in interim projects milestones not exceeding the lockdown period length.	Very high

Risk category	Risk	Sources of risk	Risk level in 2021	Main risk management policies	Risk level in 2020
Operational risk	Health and safety of employees, residents and contractors	With regard to the principal business activity companies due to a specific character of the activity and nature of works, the Group bears an inherent risk of health and safety of employees, residents and contractors. This risk remains a priority area for many years and the main causes of this risk, in addition to high-risk working environment, include the lack of awareness or experience/knowledge and rushing when carrying out works. No fatal or serious accidents to Group employees or residents did occur in 2020. For contractors, one fatal accident on a construction site did happen, and it was related to a non-compliance with Occupational Safety and Health Instructions. Overall, trend of minor accidents in the Group has decreased 6 times over the past year, and the incidents with contractors has halved, which was mainly related to the COVID-19 pandemic and the suspension of some work during the quarantine period.	High	– Motivational and disciplinary system for employees and contractors. – External and internal educational activity. – Modern training bases. – Regular control and monitoring of (employees/ contractors') occupational safety.	High
Operational risk	Information security breaches	Taking into account all external factors in a geopolitical situation, the Group understands its strategic importance for the country's security and by cooperating with external establishments and by introducing internal measures it aims to ensure that both the Group's strategic information and the main management systems are protected from the impact of any external/internal crime. In 2020, due to the increase in social engineering, phishing and cyber-attacks during the COVID-19 pandemic, several internal exercises and trainings were organised for employees, additional network sensors were installed to strengthen the network monitoring, the response team have been actively involved in training themselves and attended several external exercises.	High	– Improvement of resistance through scanning and isolating technology networks, carrying out tests/ trainings. – Enhancement of monitoring/detection/suspension. – Internal audits. – Cooperation with external institutions.	High
Compliance / legal risk	Compliance	The Group companies, having a significant market power (either individually or collectively), cannot drive competitors out of the market or prevent them from entering the market, may not discriminate suppliers/ buyers without justification and restrict output/sales. Group companies (where relevant) must comply with the requirements of REMIT, the Third Energy Package, AML, the National Energy Regulatory Council and other regulatory authorities (European Commission, Ministry of Energy of the Republic of Lithuania, etc.) applicable to the activities of the Group.	High	– Centralised coordination of compliance issues within the Group. – Mandatory training program for employees. – Complete separation of distribution and supply businesses – process and activities, to ensure fair rules for all market players.	High
Operational risk	Core services disruptions due to IT/OT incidents	The Group's core business is strategically important to Lithuania and the region. The main activities include: strategic generation and electricity power reserve services, heat and electricity production from waste and biofuel, distribution and supply of electricity and gas in Lithuania. Disruptions or any other incidents in core activities may have a direct financial and reputational impact or affect the Ignitis Group's strategy implementation. As a number of IT systems have specific security, operation and upgrade requirements, ensuring their operational stability, having competencies, and rapid incident response time are very important for the Group's goal achievement.	High	– Internal IT competence centre established. – Centralised change planning process involving contractors. – CMDB implementation – keeping IT systems' architecture plans up-to-date. – Problem management process improvement.	NA

Risk category	Risk	Sources of risk	Risk level in 2021	Main risk management policies	Risk level in 2020
Operational risk	Failure to achieve key commitments	The Group's core business is strategically important to Lithuania and the region. The main activities include: strategic generation and electricity power reserve services, heat and electricity production from waste and biofuel, distribution and supply of electricity and gas in Lithuania. Disruptions or any other incidents (inc. climate-related extreme weather events which can have an impact on the distribution system infrastructure and uninterrupted operations) in core activities may have a direct financial and reputational impact or affect the implementation of Ignitis Group's strategy. Due to the disconnection of the Baltic electricity grids from BRELL and synchronization with the mainland Europe project Lithuania takes part in and the forthcoming "Island regime" verification, the start-up of the Astravec nuclear power plant and the global impact of the pandemic, the Group sees this area as a priority.	High	– Periodic staff training, certification. – Periodic tests of the tertiary reserve, technical production (generation) and distribution system audits. – Business continuity planning. – Continuous improvement of the incident process. – Coordination of emergencies (such as COVID-19) at both – company and Group level. – A significant share of investments foreseen in the strategic plan are aimed directly at updating the network infrastructure and increasing resilience.	NA
Liquidity / financial risk	Risk of rise in borrowing costs/ lack of financing for the strategy implementa-tion	Following the issuance of a new bond and the Group's IPO, the liquidity and financial debt risks are significantly lower than last year. Nevertheless, the Group has a few strategic programmes currently under implementation. Any delays or regulatory risk materialization might change the volume of planned cash flows, which could hinder the further strategy plan implementation. Therefore, long-term investment planning discipline and cost control remain among the priority areas for monitoring.	Mitigated*	– Internal measures for the control of finances. – Monitoring of the situation in the market. – Monitoring of the project's portfolio at the level of the Management Board. – Forecasting, monitoring, analysing cash flows.	High
Compliance / legal risk	Corruption	In order to achieve its strategic goals, the Group continuously carries out large-scale tenders that must ensure that confidential information is not disclosed during the procurement process and that a due-diligence of the business partner, service provider or other third party is performed before signing the agreements.	Mitigated*	– Reinforcement of the process for dealing with reported cases of potential corruption and irregularities. – Standardization of procedures and strengthening of control mechanisms. – Anti-Bribery Management Systems (LST/ISO 37001: 2017) through standardisation of the Group's risk assessment and management. – The Code of Ethics.	High

** Risk was mitigated to the acceptable level.*

Compliance Programme

Transparency and Market Abuse Administration

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of issuer's material information. Efficient prevention of market abuse is one of the main priorities.

The Group complies with the Market abuse regulation (EU) No. 596/2014 (MAR) and all related regulations: Commission Delegated Regulation (EU) 2016/522; Commission Implementing Regulation (EU) 2016/1055; Commission Implementing Regulation (EU) 2016/523; Commission Delegated Regulation (EU) 2016/960; Commission Implementing Regulation (EU) 2016/347 etc.

The Group also complies with all transparency and market abuse regulations issued by the Bank of Lithuania (financial market supervisory authority of the issuer), with the relevant Guidelines issued by Nasdaq Vilnius and London Stock Exchange, and the documents of the European Securities and Markets Authority (ESMA).

Persons discharging managerial responsibilities and a Duty to Disclose

Persons discharging managerial responsibilities (PDMR) and the persons associated with them are under a duty to disclose their transactions with parent company's financial instruments when a EUR 5,000 notification threshold has been reached within a calendar year.

The Group has defined that the members of the Management Board and of the Supervisory Board are considered PDMR. Persons associated with them are being duly informed of the transaction reporting requirements applicable to them. The Group takes effective measures to ensure the proper performance of the duties related to the trading and public disclosure of relevant transactions. The Group publishes these transactions through stock exchanges according to Articles 17, 19 of MAR and other relevant disclosure requirements.

Closed Period

The parent company's Management Board and Supervisory Board members as well as other Group personnel defined to have access to sensitive financial information of the Group may not trade in parent company's financial instruments for a period of 30 days prior to the publication of interim reports and financial statements (Closed Period).

Persons associated with PDMR are not subject to the mentioned restrictions, however according to the Group's policies it is recommended to refrain from trading during Closed Period in order to avoid unfounded suspicions.

Internal supervision of insider and relevant affairs

The Group's own internal insider and transparency rules are regularly updated and made available to all Group employees. The Group arranges periodic training on market abuse and insider rules. The internal intranet page is constantly updated with the useful and preventative information. The coordination and control of market abuse affairs are among the responsibilities of The Group's Business Resilience Service.

In 2020, the Management Board of the issuer updated and significantly improved Group Market Abuse Prevention Policy. The main objectives of the mentioned policy are: (i) to properly implement the requirements of the legal acts of the EU and the Republic of Lithuania related to the prevention of market abuse; (ii) to ensure the timely and lawful disclosure of information of interest to investors; (iii) to define the main measures for the prevention of market abuse and to ensure their effective application at the level of the entire Group.

In 2020, Insider Management Guidelines have been adopted to strengthen controls in this area. The main objectives of the mentioned guidelines are: (i) to define criteria for proper identification of inside information; (ii) to establish effective inside information disclosure requirements; (iii) to lay down functional requirements for the establishment and updating of insider lists; (iv) elaborate market sounding requirements.

In parallel, an Insider Management Committee has been set up with the purpose to effectively deal with complex insider management issues, to ensure proper disclosure of inside information and maximum transparency. Mentioned committee is comprised of various experts (from finance, compliance, investor relations and communication), so the diverse competencies ensure not only the adoption of timely decisions, but also high-level quality in this area.

Related party transactions

The parent company deals with related party transactions in accordance with Law on Companies of the Republic of Lithuania. It is notable that the Supervisory Board of the parent company, taking into consideration the conclusion of the Audit Committee, makes a decision regarding the parent company's transactions planned to be made with an associated party if they are made under unusual market conditions and/or are not assigned to the parent company's usual business activities and/or has a material impact of the parent company, its finances, assets and liabilities i.e. the amount of these transactions is larger than 1/50 of the parent company's authorised capital (except the transactions which are necessary to ensure the parent company's main activities and the transactions which must be made according to the requirements of legislation). The parent company informs of a related party transaction on its website. Information on related party transactions is also provided in the notes of the financial statements.

4.7 Information about the Group

Corporate structure

At the time of the reporting period, the Group consists of the parent company and 21 fully consolidated subsidiaries. The parent company is the Group's parent company and is responsible for the co-ordination of its activities and the transparent management of the Group.

The entities showed in the figure to the right are directly or indirectly controlled by the Group*, which applies the governance system as per below:

1	**The Supervisory Board** is formed of 7 non-executive members (2 shareholder's representatives, 5 independent). **The Management Board** is formed of 5 executive members. **CEO** – Chair of the Board.
2	**The Supervisory Board** is formed of 5 non-executive members** or 3 non-executive members (2 shareholder's representatives and 1 independent member). **The Management Board** is formed of 5 or 3 executive members. **CEO** – Chair of the Board.
3	**The Management Board** is formed of 3 non-executive members (2 shareholder's representatives and 1 independent member). **The Management Board** structure might be different in some companies and it is not formed until the company starts its operations***. **CEO** is not a member of the Management Board.
4	**CEO** is a sole management body. **The Management Board** is not formed.

** The colour structure in the picture reflects companies' assignment to a particular business segment.*
*** At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.*
**** The Management Board of Ignitis Grupės Paslaugų Centras is formed ensuring representation of all shareholders, taking into account the implementation of specific legislation. The Management Boards of Ignitis Latvija and Ignitis Polska are formed of 1 member – CEO, the Supervisory Boards are formed from shareholder's representatives.*

The parent company, its subsidiaries and their performance at the end of reporting period*

AB Ignitis grupė	AB Energijos Skirstymo Operatorius	AB Ignitis Gamyba	UAB Ignitis Renewables	UAB Kauno Kogeneracinė Jėgainė
Parent company – management and coordination of activities of the Group companies	Distribution of electricity and natural gas, supply of last resort service	Generation and trading of electricity	Coordination of operation, supervision and development of renewable energy projects	Electricity and heat production from waste
Company code: 301844044	**Company code:** 304151376	**Company code:** 302648707	**Company code:** 304988904	**Company code:** 303792888
Legal form: Public Limited Liability Company				
Registered address: Žvejų st. 14, Vilnius	**Registered address:** Aguonų st. 24, Vilnius	**Registered address:** Elektrinės st. 21, Elektrėnai	**Registered address:** P. Lukšio st. 5B, Vilnius	**Registered address:** Jėgainės st. 6, Biruliškių k., Karmėlava mun., Kaunas district
Effective ownership interest: NA	**Effective ownership interest:** 98.53%	**Effective ownership share:** 98.20%	**Effective ownership interest:** 100%	**Effective ownership interest:** 51%
Share capital: EUR 1,658,756,293.81	**Share capital:** EUR 259,442,796.57	**Share capital:** EUR 187,920,762.41	**Share capital:** EUR 3,000	**Share capital:** EUR 40,000,000
Website: www.ignitisgrupe.lt	**Website:** www.eso.lt	**Website:** www.ignitisgamyba.lt	**Website:** www.ignitisgrupe.lt	**Website:** www.kkj.lt
Telephone: (+370 5) 278 2998				
Email: grupe@ignitis.lt				
Establishment date and register: 28 August 2008, Lithuanian Register of Legal Entities				

Performance (EUR million):

	AB Ignitis grupė	AB Energijos Skirstymo Operatorius	AB Ignitis Gamyba	UAB Ignitis Renewables	UAB Kauno Kogeneracinė Jėgainė
Revenue	126.5	484.8	174.5	10.1	7.2
Expenses	13.3	394.8	123.9	3.4	7.4
Adjusted EBITDA	(6.6)	199.0	70.9	(1.8)	2.6
Net profit	114.6	69.5	41.8	6.1	(1.2)
Investments	1.9	140.5	2.2	2.4	70.5
Assets	2,711.7	1,763.5	689.9	114.3	160.1
Liabilities	898.7	1,097.9	272.4	62.9	123.1
Number of employees:	**84**	**2,424**	**359**	**13**	**38**

** On 7 July 2020 shares of UAB Duomenų Logistikos Centras owned by the parent company has been sold.*

UAB Vilniaus Kogeneracinė Jėgainė

Development and operation cogeneration power plant project

Company code: 303782367

Registered address: Jočionių str. 13, Vilnius

Effective ownership interest: 100%

Share capital: EUR 52,300,000

Website: www.vkj.lt

Performance (EUR million):

Revenue	0.1
Expenses	3.4
Adjusted EBITDA	(3.1)
Net profit	(2.8)
Investments	46.0
Assets	302.1
Liabilities	255.1

Number of employees: 86

Pomerania Wind Farm sp. z o. o.

Development and operation a renewable energy (wind) power plant project

Company code: 0000450928

Registered address: 82/368 Grunwaldzka St., 80-244 Gdańsk

Effective ownership interest: 100%

Share capital: PLN 44,500

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	0.0
Expenses	1.2
Adjusted EBITDA	(0.6)
Net profit	(1.4)
Investments	74.4
Assets	133.7
Liabilities	102.7

Number of employees: 4

Tuuleenergia Osaühing

Generation of renewable electricity

Company code: 10470014

Registered address: Keskus, Helmküla küla, Lääneranna vald, Pärnu maakond, 88208

Effective ownership interest: 100%

Share capital: EUR 499,488

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	3.8
Expenses	1.9
Adjusted EBITDA	3.2
Net profit	0.9
Investments	-
Assets	26.7
Liabilities	24.6

Number of employees: 1

UAB Eurakras

Generation of renewable electricity

Company code: 300576942

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 4,620,539.04

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	5.8
Expenses	2.5
Adjusted EBITDA	4.9
Net profit	2.7
Investments	-
Assets	26.5
Liabilities	18.2

Number of employees: 1

UAB Vėjo Gūsis

Generation of renewable electricity

Company code: 300149876

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 7,442,720

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	4.7
Expenses	2.5
Adjusted EBITDA	3.8
Net profit	1.7
Investments	-
Assets	18.4
Liabilities	8.8

Number of employees: 1

UAB Vėjo Vatas

Generation of renewable electricity

Company code: 110860444

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,896,000

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	3.4
Expenses	2.0
Adjusted EBITDA	2.8
Net profit	1.1
Investments	-
Assets	14.9
Liabilities	10.6

Number of employees: 1

UAB VVP Investment

Development of a renewable energy (wind) power plant project

Company code: 302661590

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 250,214.40

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	-
Expenses	0.3
Adjusted EBITDA	(0.2)
Net profit	(0.3)
Investments	1.5
Assets	3.6
Liabilities	3.4

Number of employees: 1

UAB Ignitis

Electricity and gas supply, trading, energy efficiency projects

Company code: 303383884

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 40,140,000

Website: www.ignitis.lt

Performance (EUR million):

Revenue	506.4
Expenses	457.2
Adjusted EBITDA	13.0
Net profit	42.1
Investments	1.2
Assets	224.3
Liabilities	141.5

Number of employees: 285

Ignitis Latvija SIA

Supply of electricity and gas

Company code: 40103642991

Registered address: Cēsu st. 31 k-2, LV-1012, Riga

Effective ownership interest: 100%

Share capital: EUR 11,500,000

Website: www.ignitis.lv

Performance (EUR million):

Revenue	40.0
Expenses	42.9
Adjusted EBITDA	(1.8)
Net profit	(2.9)
Investments	0.0
Assets	9.9
Liabilities	6.7

Number of employees: 11

Ignitis Eesti OÜ

Supply of electricity

Company code: 12433862

Registered address: Narva st. 5, 10117 Tallinn

Effective ownership interest: 100%

Share capital: EUR 35,000

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	1.1
Expenses	1.1
Adjusted EBITDA	(0.0)
Net profit	0.0
Investments	-
Assets	0.1
Liabilities	0.1

Number of employees: 0*

Ignitis Polska sp. z o.o.

Supply and trading of electricity

Company code: 0000681577

Registered address: Puławska 2-B, PL-02-566, Warsaw

Effective ownership interest: 100%

Share capital: PLN 10,000,000

Website: www.ignitis.pl

Performance (EUR million):

Revenue	4.1
Expenses	4.2
Adjusted EBITDA	(0.1)
Net profit	(0.0)
Investments	1.0
Assets	3.9
Liabilities	2.2

Number of employees: 14

UAB Ignitis Grupės Paslaugų Centras

Shared business support services

Company code: 303200016

Registered address: A.Juozapavičius st. 13, Vilnius

Effective ownership interest: 100%

Share capital: EUR 12,269,006.25

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	27.5
Expenses	26.5
Adjusted EBITDA	5.2
Net profit	0.9
Investments	4.2
Assets	21.8
Liabilities	8.0

Number of employees: 472

** There was no employment contract. A decision by the shareholder to appoint a manager has been done.*

UAB Gamybos Optimizavimas

Planning, optimization, forecasting, trading, brokering and other electricity related services

Company code: 304972024

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 350,000

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	0.6
Expenses	0.6
Adjusted EBITDA	0.0
Net profit	(0.0)
Investments	-
Assets	0.6
Liabilities	0.2

Number of employees: **7**

UAB Elektroninių Mokėjimų Agentūra

Payment aggregation

Company code: 136031358

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 958,000

Website: www.ignitisgrupe.lt

Performance (EUR million):

Revenue	0.8
Expenses	0.7
Adjusted EBITDA	0.2
Net profit	0.1
Investments	0.1
Assets	1.1
Liabilities	0.1

Number of employees: **5**

NT Valdos, UAB

Management and other related services of real estate

Company code: 300634954

Registered address: P. Lukšio st. 5B, Vilnius

Effective ownership interest: 100%

Share capital: EUR 5,000,001.9

Website: www.valdos.eu

Performance (EUR million):

Revenue	0.5
Expenses	1.0
Adjusted EBITDA	(0.5)
Net profit	(0.1)
Investments	0.0
Assets	5.7
Liabilities	0.2

Number of employees: **1**

UAB Transporto Valdymas

Vehicle rental, leasing, repair, maintenance, renewal and service

Company code: 304766704

Registered address: Kirtimų st. 47, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,359,371.20

Website: www.tpvaldymas.eu

Performance (EUR million):

Revenue	6.3
Expenses	4.2
Adjusted EBITDA	2.6
Net profit	1.6
Investments	3.3
Assets	25.9
Liabilities	19.1

Number of employees: **23**

UAB Energetikos Paslaugų ir Rangos Organizacija

Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures

Company code: 304132956

Registered address: Motorų st. 2, Vilnius

Effective ownership interest: 100%

Share capital: EUR 350,895.07

Website: www.enepro.lt

Performance (EUR million):

Revenue	0.8
Expenses	1.2
Adjusted EBITDA	(0.5)
Net profit	(0.2)
Investments	-
Assets	1.0
Liabilities	0.6

Number of employees: **5**

Lietuvos Energijos Paramos Fondas

No longer pursues any of its activities

Company code: 303416124

Registered address: Žvejų st. 14, Vilnius

Effective ownership interest: 100%

Share capital: EUR 3,000

Website: www.ignitisgrupe.lt

On 19 March 2018, the parent company made a decision that from 2018, the Group would not grant support and/or charity. As a result, the Group is in the process of closing the support foundation, Lietuvos Energijos Paramos Fondas.

Number of employees: **0***

** There was no employment contract. A decision by the shareholder to appoint a manager has been done.*

Further information

7.1 Bondholder and delisted companies information

Bonds

As of 31 December 2020, the Group had three bond issues outstanding (two of them being green bonds) listed on the Nasdaq Vilnius and Luxembourg stock exchanges. Total nominal value of these bonds is EUR 900 million.

The bond specific information and the composition of their holders are provided in the figures below. As of issue date, there has been 121 bondholders of 2017 bond issue, 115 bondholders of 2018 issue and 91 bondholders of 2020 bond issue.

Further information on the debt instruments and its related information can be found on the Group's website.

Outstanding bond issues

2017 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	14 July 2027
ISIN-code	XS1646530565
Credit rating	BBB+

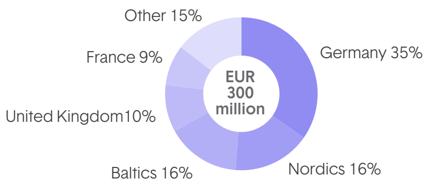
2018 issue

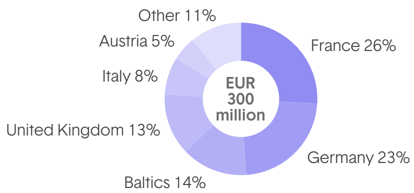
Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	1.875%
Maturity date	10 July 2028
ISIN-code	XS1853999313
Credit rating	BBB+

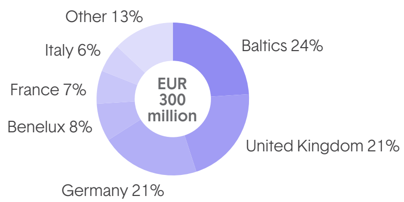
2020 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	21 May 2030
ISIN-code	XS2177349912
Credit rating	BBB+

Bondholder structure as of issue date







Credit rating

In May 2020, after annual review, credit rating agency S&P Global Ratings affirmed BBB+ (negative outlook) credit rating for the parent company. The conclusion of IPO in October had strengthened the capital structure of the parent company, which led to the event driven review of credit rating and outlook and improvement from 'negative' to 'stable' with BBB+ credit rating.

Information on the delisted subsidiaries

On 4 December 2019, the Extraordinary General Meetings of Ignitis Gamyba (ISIN-code LT0000128571) and ESO (ISIN-code: LT0000130023) took the decisions to delist the shares of these companies from trading on the Nasdaq Vilnius Stock Exchange and to approve the parent company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius decided to delist the shares of ESO and Ignitis Gamyba from trading on the Baltic Main List on 1 July 2020 (the last trading day on the Baltic Main list of shares was on 30 June 2020).

On 17 August 2020, the buy-out of Ignitis Gamyba shares has been finished, after which the parent company increased its holdings in Ignitis Gamyba to 98.20%. The buy-out of ESO shares ended on 3 November 2020, after which the parent company increased its holding in ESO to 98.53%. After the buy-out period, the parent company had made payments to the deposit accounts of Ignitis Gamyba and ESO shareholders who did not sell their shares, and applied to the court, requesting to oblige the managers of share accounts to make records on the transfer of ownership of shares to the parent company.

Further information on the transfer of ownership status can be found on the Group's website.

7.2 Material events of the parent company

During the reporting period (2020)

Date	Event
30 December	Regarding the updated Methodology on Rate of Return on Investments
30 December	Regarding the amendment of procedure description for determining the mandatory supply volume for the LNG terminal
30 December	Regarding AB Ignitis Gamyba agreement on isolated regime service
30 December	Preliminary financial data of Ignitis Group for 11 months of 2020
29 December	Update: Regarding the rebuttal of information provided about the long-term motivation with share option agreement programme of key executives of AB "Ignitis grupė" group of companies published by
29 December	Regarding the rebuttal of information provided about the long-term motivation with share option agreement programme of key executives of AB "Ignitis grupė" group of companies published by VšĮ "Lietuvos nacionalinis radijas ir televizija"
29 December	Regarding AB Ignitis Gamyba agreement on tertiary active power reserve
22 December	AB "Ignitis grupė" financial calendar 2021
18 December	Regarding the notices of concluded option agreements with the members of the Board of AB "Ignitis grupė"
18 December	Regarding the conclusion of option agreements with key executives of AB "Ignitis grupė" group of companies
15 December	Regarding the dividend policy update of companies owned by AB "Ignitis grupė"
9 December	Regarding the mandatory supply of liquefied natural gas
4 December	Decision made regarding the long-term promotion of the managers of AB "Ignitis grupė" group of companies with share options programme
30 November	Preliminary financial data of Ignitis Group for 10 months of 2020
27 November	Regarding AB Ignitis Grupė loan to UAB Ignitis Renewables
24 November	Regarding the agreement signed by Mažeikiai wind farm developer for the supply, construction and maintenance services
18 November	Ignitis Group presented first nine months of 2020 results on the earnings call
16 November	Ignitis Group to present first nine months of 2020 results on the earnings call
13 November	Interim report for the first nine months of 2020
12 November	S&P Global Ratings improved the credit rating outlook of AB Ignitis Grupė to stable
12 November	Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders
10 November	Ignitis Group to present first nine months of 2020 results on 17 November
5 November	Regarding the completed process of mandatory buyout of shares of AB Energijos Skirstymo Operatorius
5 November	Post-Stabilisation Period Announcement
30 October	Preliminary financial data of Ignitis Group for 9 months of 2020

Date	Event
30 October	Correction: Regarding court's decision to lift the temporary protection measures of mandatory buy-out of shares of AB Energijos skirstymo operatorius and resumption of the process of buy-out
30 October	The General Meeting of Shareholders of AB "Ignitis grupė" of 12 November 2020 will be held by written vote in advance
29 October	Regarding court's decision to lift the temporary protection measures of mandatory buy-out of shares of AB Energijos skirstymo operatorius and resumption of the process of buy-out
27 October	The Board of AB Ignitis grupė approved signing a new office lease agreement
26 October	Mid-Stabilisation Period Notice
22 October	Regarding the setting income caps for natural gas distribution for 2021
21 October	Notice convening the Extraordinary General Meeting of AB "Ignitis grupė"
16 October	Regarding the price-setting for electricity distribution price caps for 2021
15 October	Mid-Stabilisation Period Notice
14 October	An agreement with Nordic Investment Bank for the loan to Pomerania Wind Farm sp. Z o.o, part of AB Ignitis Grupė is signed
13 October	Correction: Regarding signing an agreement with Nordic Investment Bank for the loan to Pomerania Wind Farm sp. Z o.o, part of AB Ignitis Grupė
12 October	Regarding signing an agreement with Nordic Investment Bank for the loan to Pomerania Wind Farm sp. Z o.o, part of AB Ignitis Grupė
7 October	Admission to Trading on the Nasdaq Vilnius Stock Exchange and London Stock Exchange plc
6 October	AB Ignitis grupė stabilisation notice
6 October	Regarding the contract termination with AB "Ignitis grupė" subsidiary Vilnius CHP Plant's contractor Rafako S.A.
5 October	Regarding the increase of AB Ignitis Grupė authorised capital and registration of a new version of the Articles of Association
2 October	Correction: Announcement of the final Offer price
2 October	Announcement of the final Offer price
30 September	Preliminary financial data of Ignitis Group for 8 months of 2020
30 September	AB Ignitis grupė announcement on pricing guidance
29 September	Detailed information on the pre-emptive right of the former minority shareholders of ESO and Ignitis gamyba to acquire shares of Ignitis Group
23 September	Regarding entering into a contract for financing with the European Investment Bank
23 September	AB Ignitis Grupė reached the settlement agreement with V. Martikonis, a shareholder of its subsidiary AB Ignitis gamyba
22 September	Ignitis Group invites retail investors to the presentation of the company's IPO
21 September	Announcement of Price Range and Publication of Approved Prospectus of AB Ignitis Grupė
17 September	Regarding the approved rules for granting shares of AB Ignitis grupė
17 September	UAB Ignitis renewables concluded a transaction for the acquisition of a portfolio of solar parks which are being developed in Poland
16 September	Regarding the adopted order of the Ministry of Finance to increase share capital of AB "Ignitis grupė" and apply for listing of financial instruments
15 September	Regarding the decision of the Ministry of Finance to pay dividends for a period shorter than the financial year
14 September	Regarding a contract for financing
14 September	AB Ignitis Grupė selected strategic partner for the development of offshore wind farm projects

Date	Event
11 September	Regarding Confirmation of Intention to Float
10 September	Correction: Preliminary financial data of Ignitis Group for 7 months of 2020
8 September	Regarding the amendment of corporate governance guidelines of AB Ignitis Grupė group of companies
4 September	Regarding the decision to propose to pay dividends for a period shorter than the financial year
4 September	The renewed AB Ignitis Grupė dividend policy has entered into force
4 September	Correction: Announcement of Publication of Registration Document
4 September	Announcement of Publication of Registration Document
4 September	Announcement of Intention to Publish a Registration Document and Potential Intention to Launch an Initial Public Offering
3 September	Regarding the Extraordinary General Meeting of Shareholders of Ignitis Gamyba, AB
3 September	Regarding the decision to propose to pay dividends for a period shorter than the financial year
3 September	Regarding the renewal of AB Ignitis Grupė dividend policy
1 September	Regarding the amendment of the Articles of Association of AB Ignitis grupė
31 August	Preliminary financial data of Ignitis Group for 7 months of 2020
27 August	Regarding change of the nominal value and the number of the shares of AB Ignitis Grupė
26 August	Ignitis Group's sees significant increase in overseas revenue in first half of 2020
25 August	Correction: Correction: Reporting dates of Ignitis Group in 2020
24 August	The Ministry of Finance submitted draft resolutions to the Government regarding the amount of dividends of AB Ignitis Grupė
20 August	Regarding the decision to appeal the judgement
19 August	Regarding the completed process of mandatory buyout of shares of AB Ignitis Gamyba
13 August	Correction: Regarding UAB Ignitis grupė consolidated annual report for 2019, consolidated and separate financial statements and profit (loss) distribution project
12 August	Regarding the claim brought before the Court and the temporary protection measures applied
6 August	Regarding the pre-emptive right of the minority shareholders of AB Ignitis gamyba and AB Energijos skirstymo operatorius to acquire the shares of Ignitis Group during planned initial public offer
4 August	Regarding the claim brought before the Court
31 July	Preliminary financial data of Ignitis Group for 6 months of 2020
30 July	Selection for vacant positions of independent members of the Supervisory Board of AB Ignitis grupė is announced
28 July	UAB Ignitis Grupė is converted to AB Ignitis Grupė
23 July	The Ministry of Finance submitted for consideration draft resolutions regarding the amount of dividends of UAB Ignitis Grupė
14 July	Regarding the granting a loan from UAB Ignitis grupė to UAB Ignitis renewables
8 July	Regarding the granting a loan from UAB Ignitis grupė to UAB Ignitis
7 July	Regarding the completion of the sale of the shares of UAB Duomenų logistikos centras, a subsidiary of UAB Ignitis Grupė
1 July	Regarding the Investor's Letter of UAB Ignitis Grupė

Date	Event
30 June	UAB Ignitis Grupė will be converted into public limited liability company
30 June	Regarding the conclusion of a long-term financing agreement with AB Energijos Skirstymo Operatorius
30 June	Preliminary financial data of Ignitis Group for 5 months of 2020
19 June	Ignitis Group publishes an updated long-term corporate strategy and the 2020-2023 strategic plan
8 June	Regarding the sale of the shares of UAB Duomenų logistikos centras, a subsidiary of UAB Ignitis Grupė
29 May	Preliminary financial data of Ignitis Group for 4 months of 2020
29 May	The results of Ignitis Group in Q1 2020: adjusted EBITDA growth was driven by investments in distribution network; group's revenue from foreign countries increased by 39 percent
22 May	UAB Ignitis Grupė listed new bond emission on the AB Nasdaq Vilnius Stock Exchange
21 May	Regarding decisions to delist the shares of Energijos Skirstymo Operatorius AB and Ignitis Gamyba AB from the Nasdaq Vilnius Stock Exchange
18 May	Regarding the beginning of the processes of mandatory buyout of shares of AB Energijos Skirstymo Operatorius and AB Ignitis Gamyba
14 May	UAB Ignitis Grupė issued bonds of value EUR 300 million
11 May	UAB Ignitis Grupė plans an issue of bonds
11 May	UAB Ignitis Grupė retained BBB+ credit rating
8 May	Correction: UAB Ignitis Grupė annual information for the year 2019
8 May	Summary of Ignitis Group webinar
8 May	UAB Ignitis Grupė annual information for the year 2019
8 May	Regarding the resolutions of the Ordinary General Meeting of the Shareholders of Ignitis Grupė
7 May	Ignitis Group holds a Webinar regarding the financial results for the year 2019
7 May	Reminder of a Webinar regarding the financial results for the year 2019 of Ignitis Group
5 May	The Bank of Lithuania approved the prices at which Ignitis Grupė will offer the buy-out of ESO and Ignitis Gamyba shares
4 May	Ignitis Group will hold an Investor Conference Webinar to introduce the financial results for the year 2019
30 April	Preliminary financial data of Ignitis Group for 3 months of 2020
23 April	Regarding the end of Ignitis Grupė's official tender offers for shares of Energijos skirstymo operatorius, AB and Ignitis Gamyba, AB
22 April	Regarding UAB Ignitis grupė consolidated annual report for 2019, consolidated and separate financial statements and profit (loss) distribution project
20 April	Correction: Reporting dates of Ignitis Group in 2020
16 April	Regarding conclusion of a credit agreement with Swedbank, AB
10 April	Correction: Reporting dates of Ignitis Group in 2020
8 April	The number of members of the Supervisory Board is changed in UAB Ignitis Grupė
2 April	The start of the official tender offer for shares of ESO and Ignitis gamyba
31 March	Preliminary financial data of Ignitis Group for 2 months of 2020
31 March	Regarding approval of the official tender offer circulars of AB Energijos skirstymo operatorius and AB Ignitis Gamyba shares
27 March	The number of members of the Supervisory Board will be increased in UAB Ignitis Grupė

Date	Event
23 March	UAB Ignitis Grupė will start preparation for its initial public offering
19 March	Courts approved waivers of claims of minority shareholders of AB Energijos Skirstymo Operatorius and AB Ignitis Gamyba
18 March	The Government approved the conversion of UAB Ignitis Grupė and the increase of share capital
17 March	Ignitis Group and minority shareholders of its subsidiaries AB Energijos Skirstymo Operatorius and AB Ignitis Gamyba reached a settlement
10 March	Financing contract for the Pomerania wind farm project is signed
5 March	Correction: Reporting dates of Ignitis Group in 2020
28 February	Preliminary financial data of Ignitis Group for 1 month of 2020
28 February	In 2019 , the year of transformation, Ignitis Group improved its financial indicators
28 February	Regarding recommendation of the working group set up by the Ministry of Finance and the proposal to approve the actions authorizing to prepare for the initial public offering of shares of UAB Ignitis Grupė
25 February	Regarding financing contracts for the Pomerania wind farm project
31 January	Correction: Preliminary financial results of UAB Ignitis Grupė for 12 months of 2019
31 January	Preliminary financial results of UAB Ignitis Grupė for 12 months of 2019
10 January	Regarding the information submitted to the Bank of Lithuania about official tender circulars of subsidiaries shares
8 January	Regarding the decision to appeal the judgement
6 January	Regarding the decision to appeal the judgement
3 January	Regarding the decision of the Court

After the reporting period (2021)

Date	Event
25 February	AB "Ignitis gamyba" approved Kruonis Pumped Storage Hydroelectric Powerplant expansion plan
23 February	Ignitis Group to present full-year 2020 results and 2021-2024 Strategic Plan on 2 March
18 February	AB "Ignitis grupė" initiated coordination process to update remuneration policy
17 February	Regarding AB "Ignitis grupė" issue of guarantee to fulfil obligations of its owned company UAB "VVP Investment"
17 February	AB "Ignitis grupė" received the Letter of Expectations revised by the Ministry of Finance
11 February	Regarding the intent of UAB "Ignitis", managed by AB "Ignitis grupė", to establish a subsidiary company in Finland
9 February	ESO, subsidiary of AB "Ignitis grupė", established a tender ranking of the procurement of smart metering infrastructure
1 February	Regarding the AB "Ignitis grupė" intention to loan up to 293m euros to UAB "Ignitis renewables"
28 January	Correction: Preliminary financial data of Ignitis Group for 12 months of 2020
28 January	Preliminary financial data of Ignitis Group for 12 months of 2020
13 January	Correction: Decision made regarding the long-term promotion of the managers of AB "Ignitis grupė" group of companies with share options programme
8 January	Information regarding the long-term promotion programme of AB "Ignitis grupė" executives

7.3 Alternative performance measures

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted EBIT	Adjusted EBITDA - depreciation and amortisation expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items) - impairment and write-offs of current and non-current amounts receivables, loans, goods and others	Adjusted EBITDA less depreciation and amortization expenses.	Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT.
Adjusted EBIT margin	Adjusted EBIT / Total revenues and other income + management adjustments (for revenues)	Profitability ratio, which shows Adjusted EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Adjusted EBITDA	EBITDA + temporary regulatory differences + temporary fluctuations in fair value of derivatives + cash effect of new connection points and upgrades + impairment and write-offs of current and non-current amounts receivables, loans, goods and other-gains from disposal of non-current assets excluding result of asset rotation - other items which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group	EBITDA after eliminating items, which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA.
Adjusted EBITDA margin	Adjusted EBITDA / Total revenues and other income + management adjustments (for revenues)	Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency.
Adjusted net profit	Adjusted EBIT + financial income - financial expenses + results of the revaluation and closing of derivative financial instruments - current year income tax expenses - deferred income tax expenses - adjustments' impact on income tax	Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance.
Adjusted net profit margin	Adjusted net profit / Total revenues and other income + management adjustments (for revenues)	Profitability ratio, which shows Adjusted net profit as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted return on equity (Adjusted ROE)	$\frac{\text{Adjusted net profit}}{\text{Average equity at the beginning and end of the reporting period}}$	Profitability ratio of Adjusted net profit in relation to equity.	Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits.
Asset turnover	$\frac{\text{Total revenues and other income}}{\text{Average assets at the beginning and end of the reporting period}}$	Efficiency ratio, which measures revenues relative to total assets.	The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets.
Current ratio	$\frac{\text{Current assets at the end of the period}}{\text{Current liabilities at the end of the period}}$	Liquidity ratio, which shows how many times current assets cover current liabilities.	Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position.
Dividends per share (DPS)	$\frac{\text{Total proposed dividend}}{\text{Number of ordinary nominal shares at the end of the period}}$	Profitability ratio, which shows proposed dividends for the period attributable to one ordinary nominal share.	The higher the indicator value, the higher the profitability attributable to one ordinary nominal share for the period.
Gross debt	Non-current loans and bonds + non-current lease liabilities + current portion of non-current loans + current loans + current lease liabilities	Total debt of the Group.	Indicator shows the level of debt of the Group.
Gross debt/Equity	$\frac{\text{Gross debt}}{\text{Equity}}$	Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity.	The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy.
EBIT	Profit (loss) before tax - Financial income + Financial expenses	EBIT – earnings before interest and tax expenses are deducted.	Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortization expenses.
EBIT margin	$\frac{\text{EBIT}}{\text{Total revenues and other income}}$	Profitability ratio, which shows EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
EBITDA	EBIT - depreciation and amortisation expenses - revaluation of emission allowances - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	EBITDA - earnings before interest, taxes, depreciation, and amortization.	Profit measure used as a proxy for operating cash flow.
EBITDA margin	$\frac{\text{EBITDA}}{\text{Total revenues and other income}}$	Profitability ratio, which shows EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Leverage ratio, which shows the proportion of the total assets financed by equity.	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Free Cash Flow (FCF)	FFO - Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + proceeds from sale of property, plant and equipment + change in net working capital.	Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures.	The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations.
Funds from operations (FFO)	EBITDA + interest received - interest paid - income tax paid	FFO is the proxy for Group's cashflow after taking into account EBITDA, net interest, and income tax paid.	FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group.
Investments	Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property	Capital spent on acquiring non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries.	Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels.
Net debt	Gross debt - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option	Net debt is the total financial liabilities of the Group, net of cash and cash equivalents.	Net debt shows the level of indebtedness of the Group, if its cash and cash equivalents were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group.
Net debt/Adjusted EBITDA	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level.
Net debt/EBITDA	$\frac{\text{Net debt}}{\text{EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group.
OPEX	Salaries and related expenses + repair and maintenance expenses + other expenses - energy hedging - write-offs and impairments of short term and long-term receivables, inventories and other	Selling, general and administrative expense.	This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses.
Return on assets (ROA)	$\frac{\text{Net profit (loss)}}{\text{Average assets at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its total assets.	This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets.
Return on Capital Employed (ROCE)	$\frac{\text{EBIT}}{\text{Average net debt at the beginning and end of the reporting period + average equity at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its capital.	This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Return on equity (ROE)	Net profit (loss) / Average equity at the beginning and end of the reporting period	Profitability ratio of net profit in relation to equity.	ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits.
Net working capital	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option - other current financial assets - prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + prepayments for property, plant and equipment, - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + lease liabilities + payable income tax+ derivative financial instruments liabilities + current provision	Net working capital shows the amount of capital, other than that used for investing in non-current assets, tied in business operations.	Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds.
Net working capital/ Revenue	Net working capital / Total revenue and other income	Efficiency ratio, which shows Net working capital as proportion of revenue.	Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds.

For those indicators, which consist of a number from the Statement of financial position as a numerator and a number from the Statement of profit or loss and other comprehensive income or the statement of cash flows as a denominator (or vice versa), for interim period calculations LTM figures are used in order not to distort the comparability.

7.4 Compliance with the Guidelines for Ensuring the Transparency of State-Controlled Enterprises

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 March 2019)		Disclosure	Explanation
Section 2. Disclosure of information of a State-Owned company			
5. The following data and information must be published on the website of a State-owned company:			Information is published on www.ignitisgrupe.lt
5.1.	name;	Ongoing	
5.2.	code and register that collects and stores data on the enterprise;	Ongoing	
5.3.	registered office (address);	Ongoing	
5.4.	legal status if a State-owned company is being reformed, reorganized (the method of reorganization shall be specified), liquidated, is facing bankruptcy or is bankrupt;	Ongoing	
5.5.	name of the authority representing the State and a link to its website;	Ongoing	
5.6.	operational goals, vision and mission;	Ongoing	
5.7.	structure;	Ongoing	
5.8.	details of the Head;	Ongoing	
5.9.	details of the Chairman and of the members of the Board, if, according to the Articles of Association, the Board is formed	Ongoing	
5.10.	details of the Chairman and of the members of the Supervisory Board, if, according to the Articles of Association, the Supervisory Board is formed;	Ongoing	
5.11.	names of the committees, details of their chairmen and of the member, if committees are formed;	Ongoing	
5.12.	the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and share (percentage) in the authorized capital of a State-owned company;	Ongoing	
5.13.	special obligations being fulfilled, which are determined in accordance with the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations, the state budget appropriations allocated to their implementation in the current calendar year, and the legislation entrusting a State-owned company with the performance of a special obligation shall be indicated, the conditions for fulfilling a special obligation and/or regulated pricing shall be established;	Not relevant	
5.14.	information on social responsibility initiatives and measures, important ongoing or planned Investment projects.	Ongoing	
6. For publicity purposes in connection with the management and supervisory bodies set up in State-owned companies, as well as in connection with the professionalism of the members of the committees, the following data of the persons specified in sub-clauses 5.8–5.11 of the Description are published: forename, surname, date of commencement of the current position, other management posts held in other legal entities, educational background, qualification, professional experience. If the person specified in Sub-clauses 5.9–5.11 of the Description is elected or appointed as an independent member, this shall be additionally specified along with his/her details.		Ongoing	Information is published on www.ignitisgrupe.lt

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 March 2019)	Disclosure	Explanation
7. The following documents must be published on the website of a state-owned company:	Ongoing	Information is published on www.ignitisgrupe.lt
7.1. articles of Association;	Ongoing	
7.2. an official letter from an authority representing the State on the setting state goals and expectations in a State-owned company;	Ongoing	
7.3. operations strategy or its summary in cases where the operations strategy contains confidential information or information that is considered a commercial (industrial) secret;	Ongoing	
7.4. document that establishes the remuneration policy covering determining the salary of the Head of a State-owned company and the remuneration of the members of collegial bodies and committees formed in a State-owned company;	Ongoing	
7.5. annual and interim reports of a state-owned company, annual and interim activity reports of a State Enterprise for a period of at least 5 years;	Ongoing	
7.6. sets of annual and interim financial statements for a period of at least 5 years and reports of an auditor of annual financial statements.	Ongoing	
8. If a state-owned company is the parent company, the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of the subsidiaries and subsequent subsidiaries, website addresses, portion (percentage) of shares held by the parent company in their authorized capital, as well as annual consolidated financial statements and consolidated annual reports must be published on its website.	Ongoing	Information is published on www.ignitisgrupe.lt
9. If a state-owned company is a participant of legal entities other than those specified in Point 8 of the Description, the data referred to in Sub-clauses 5.1–5.3 of the Description of those legal entities and the addresses of their websites must be published on its website.	Ongoing	Information is published on www.ignitisgrupe.lt
10. Data, information and documents referred to in Points 5 and 6, Sub-clauses 7.1 to 7.4, and in Points 8 and 9 of the Description, that have changed or, in cases where incorrect data of this kind has been published, must be changed immediately on the website too.	Ongoing	Information and documents that have changed are updated immediately
11. A set of annual financial statements of a state-owned company, annual report of a state-owned company, annual activity report of a State Enterprise, as well as a report of an auditor of the annual financial statements of a state-owned company must be published on the website of a state-owned company within 10 working days from the approval of the set of annual financial statements of a state-owned company.	Ongoing	Documents are published on the website within the set deadline
12. The sets of interim financial statements of a State-owned company, the interim reports of a state-owned company and the interim activity reports of a State Enterprise must be published on the website of a State-owned company no later than 2 months after the end of the reporting period.	Ongoing	Documents are published on the website within the set deadline
13. The documents referred to in Point 7 of the Description shall be published in a PDF format and technical possibilities for their printing shall be ensured.	Ongoing	Published PDF documents
Section 3. Preparation of sets of financial statements, reports and activity reports		
14. State-owned companies shall keep their accounts in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Ongoing	The parent company keeps its accounts in accordance with IFRS
15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, while a State Company – sets of interim financial statements for 3, 6 and 9 months.	Ongoing	The parent company prepares sets of interim financial statements for 3, 6 and 9 months
16. A State-owned company, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest entity, in addition to the annual report, prepares a 6-month interim report. A State Enterprise, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest enterprise, in addition to the annual activity report, prepares a 6-month interim report.	Ongoing	The company prepares a 6-month interim report

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 March 2019)	Disclosure	Explanation
17. In addition to the Contents requirements established in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or in the Law on State and Municipal Enterprises of the Republic of Lithuania, in the annual report of a State-owned company or in the annual activity report of a State Enterprise additionally must be provided:	Ongoing	The company provides information in the annual report
17.1. a brief description of the business model of a state-owned company;	Ongoing	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) and which were essential to the operation of a state-owned company;	Ongoing	
17.3. results of the implementation of the objectives provided for in the operational strategy of a state-owned company;	Ongoing	
17.4. profitability, liquidity, asset turnover, debt indicators;	Ongoing	
17.5. fulfilment of special obligations;	Not relevant	
17.6. implementation of Investment policy, ongoing and planned Investment projects and Investments during the reporting year;	Ongoing	
17.7. implementation of the risk management policy applied in a state-owned company;	Ongoing	
17.8. implementation of dividend policy in state-owned companies;	Ongoing	
17.9. implementation of remuneration policy;	Ongoing	
17.10. total annual payroll fund, average monthly salary by current position and/or units;	Ongoing	
17.11. information on compliance with the provisions of Sections 2 and 3 of the Description: shall be specified how they are implemented, which provisions are not complied with, and explanation as to why they are not complied with shall be provided.	Ongoing	
18. State-Owned companies and State Enterprises, that are not required to prepare social responsibility reports, are recommended to provide in the annual report or in the annual activity report, as appropriate, information related to environmental, social and personnel, human rights, fight against corruption and bribery matters.	Not relevant	The company prepares a social responsibility report (integrated in the annual report)
19. If information referred to in Point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned company, a state-owned company may not disclose such information. However, it must be specified in the annual report of a state-owned company or in the annual activity report of a State Enterprise, as appropriate, that this information is not being disclosed and the reason for the non-disclosure must be specified.	Not relevant	The company provides information in the annual report
20. Other information not specified in this Description may also be specified in the annual report of a State-owned company or in the annual activity report of a State Enterprise.	Ongoing	Other information is also provided in the annual report
21. A state-owned company, which is the parent company, shall present in the consolidated annual report and, if it is not required by law to draw up a consolidated annual report, then in its annual report the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of each subsidiary, portion (percentage) of shares held in the authorized capital of a subsidiary, financial and non-financial performance for the financial year. If a State-owned company, which is the parent company, draws up a consolidated annual report, the requirements of Point 17 of the Description shall apply to it mutatis mutandis.	Ongoing	The company provides information in the annual report
22. The interim report of a state-wned company or the interim activity report of a State Enterprise presents a brief description of the business model of a State-owned company, analysis of financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their changes compared to the corresponding period of the previous year.	Ongoing	The company provides information in the interim report

7.5 Compliance with the Corporate Governance Code

Parent company, acting in compliance with Article 12(3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with are indicated and the reasons for such non-compliance are specified.

Summary of the Corporate Governance Report

The corporate governance model of the Group was implemented following the governance guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013. The guidelines were updated several times and the current version was approved on 7 September 2020.

Corporate governance activities are concentrated at the level of the parent company of the Group – the responsibilities which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities. Use this link for the description of the corporate governance principles and of the governance and control system. More information on the management bodies ant its members, committees etc. is provided in the annual report and in the table below, in which information on compliance with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius is disclosed.

The Corporate Governance Report was prepared in accordance with the current version of the Corporate Governance Code for the Companies listed on Nasdaq Vilnius, approved at the meeting of the Board of AB Nasdaq Vilnius on 15 January 2019 (Minutes No. 19-63), at the meeting of the Bank of Lithuania on 7 January 2019 (Decision No. 241-3).

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange Nasdaq Vilnius and on the website of the parent company. The place, date and time of the General Meeting of Shareholders convened by the parent company is determined in order to enable all shareholders to participate in the decision-making process where significant corporate matters are discussed.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The parent company's authorized share capital consists of EUR 22.33 nominal value ordinary shares, which provide their holders equal property and non-property rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights, provided by the shares are indicated in the parent company's Articles of Association, which are publicly available on the parent company's website.

Principles / recommendations	Yes / No / Not applicable	Commentary

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	The Articles of Association of the parent company provide that the General Meeting of Shareholders shall approve these particularly important decisions regarding:
		– the parent company becoming a founder, participant of other legal entities (except the decisions regarding becoming a founder, participant of associations);
		– the following of the companies of the Group of Companies of the parent company of strategic and significant importance to national security, which carry out manufacturing, distribution, supply activities in the energy sector, as well as of companies directly managed by the parent company which carry out activities in the electricity production sector:
		  – the transfer, pledge, other restriction or disposal of the shares or the rights attached thereto;
		  – the increase, decrease of the authorized capital or other actions that may alter the structure of the authorized capital (e.g. issue of convertible bonds);
		  – the reorganization, separation, restructuring, liquidation, reformation or other acts changing the status of these companies;
		  – the transfer of a business or a substantial part of it.

1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The parent company convenes General Meetings of Shareholders and implements other meeting-related procedures in accordance with the procedure established in the Law on Companies of the Republic of Lithuania and provides all shareholders with equal opportunities to participate in the meeting, get familiarised with the draft resolutions and materials necessary for adopting the decisions. The notice of General Meetings of Shareholders specifies that draft decisions could be submitted at any time before or during the General Meeting of Shareholders in accordance to Law on Companies of the Republic of Lithuania.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All documents and information related to the General Meeting of Shareholders including notices of the meetings, draft decisions, decisions of the meetings are publicly announced in Lithuanian and English via information system of Nasdaq Vilnius and London stock exchange and on the parent company's website.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	All shareholders may exercise their right to attend the General Meeting of Shareholders under the procedure laid down in the legal acts and this right is not restricted. The parent company provides information on how to implement this right in the notice of General Meeting of Shareholders.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	At the moment, the parent company does not comply with this recommendation as there are no means to ensure proper identification of the voting persons. Nevertheless, the parent company is actively looking for ways to address this issue.

Principles / recommendations	Yes / No / Not applicable	Commentary
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on candidates to a collegial body of a state-controlled company elected by the General Meeting of Shareholders is provided under the procedure established in the laws. The nominees are publicly announced as soon as the parent company receives nominations. The selection procedures and selection requirements are set by separate legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV) , their proposed remuneration and other documents specified in the legal acts are provided with the notice of General Meeting of Shareholders. The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a draft decision for the General Meeting of Shareholders.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	Prior to the date of publication of this report only one General Meeting of parent company's Shareholders was held (until October 2020, the parent company had a sole shareholder) which due to COVID-19 took place with shareholders voting in advance in writing. Nevertheless, the parent company intends that in the upcoming General Meetings of Shareholders members of the management bodies and other competent persons will be present in order to provide information to shareholders.
Principle 2: Supervisory board		
2.1. Functions and liability of the supervisory board The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	All members of the Supervisory Board act in good will with respect to the parent company, with due regard to the parent company's interests and public welfare. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	Collegial bodies of the parent company follow the prescribed recommendations. Before taking decisions, members of the collegial bodies discuss their influence to the parent company's performance and the shareholders. The parent company's Articles of Association oblige the collegial bodies of the parent company and also each of their members to act on behalf of the parent company and its shareholders. Communication with the shareholders and obligations for them are established in accordance with requirements of legal acts.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The parent company's Supervisory Board is independent from the parent company's management bodies and takes decisions that are significant to the parent company's activities and strategy, acts independently in accordance with requirements of legal acts.

[1] *For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.*

Principles / recommendations	Yes / No / Not applicable	Commentary
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	Members of the Supervisory Board have the right to express their opinion concerning all questions included to the agenda that according to work regulations of the Supervisory Board must be properly reflected in the protocol of the meeting. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	In exercising its competence to supervise the activities of the parent company's management bodies, the Supervisory Council performs the duties specified in the recommendation, and submits its opinion on tax planning issues.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The parent company ensures that the Supervisory Board is supplied with all of the resources required for its activities (monitors technical aspects of the Supervisory Board meetings, provides all the required information and performs other functions specified in the Supervisory Board's Work Regulations). Agreement of activities of a member of the supervisory board defines that the parent company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. The Articles of Association set out that the supervisory board has the right to apply to the board and chief executive officer asking for documents and information pertaining to the parent company's operations, and the board of directors. Chief executive officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board.
2.2. Formation of the supervisory board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	Pursuant to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and the qualification of its members is assessed at the general meeting of shareholders. The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Supervisory Board have experience in the field of corporate governance as well as experience in energy sector which is the sector that the parent company and its subsidiaries operate.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

Principles / recommendations	Yes / No / Not applicable	Commentary
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	The members of the Supervisory Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Supervisory Board and the whole Supervisory Board in corpore, without waiting for their mandates' terms to end. The members of the Supervisory Board (separate or the body itself) may be dismissed by the General Shareholder Meeting.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The Chairman of the parent company's Supervisory Board and the CEO of the parent company is not the same person. The members of the Supervisory Board and the Chairman have not been members of the Board of the parent company or the CEO of the parent company.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	Members of the Supervisory Board are active participants of the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body. In 2020, there were 24 (twenty four) Supervisory Board's meetings, and 22 of them were attended by all members of the Supervisory Board elected at the time, 1 was unattended by one member and another 1 was unattended by two members.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Information on the candidates to the parent company's Supervisory Board members (as well as information on the candidate's compliance with the independence requirements) is provided to the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania (see commentary on recommendation 1.9).
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The independent member of the Supervisory Board is remunerated for his/her activity in the Supervisory Board according to the procedure and terms established in the agreement signed with him/her on activity as an independent member of the Supervisory Board. The conditions of the agreement with the independent member of the Supervisory Board are approved by the General Meeting of Shareholders. According to the Corporate Governance Guidelines, the amount of remuneration to the independent member of the Supervisory Board has been limited to a maximum amount sum calculated in proportion to the remuneration of the CEO of the parent company (1/4 of the CEO's remuneration to an independent member of the Supervisory Board and 1/3 of the Independent Chairman of the Supervisory Board).
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	The Supervisory Board makes an assessment of its activity every year. The Supervisory Board assesses the organization of meetings, efficiency, the need for competences, mutual cooperation, and sufficiency of the information furnished by the management for decision-making. Information on the internal structure and working procedures of the Supervisory Board is published in the parent company's annual report.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 3: Management Board		
3.1. Functions and liability of the management board The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The parent company's Management Board carries out the duty of implementation of the parent company's strategy approved by the parent company's Supervisory Board.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	As there is a Supervisory Board formed at the parent company, the Management Board performs the functions of the parent company's collegial management body. The obligation to take into account the parent company, the shareholders, the employees and other interest groups is established in the agreement on performance in the Management Board signed by each member of the Management Board.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board of the parent company adheres to the aforementioned recommendation, approves and ensures compliance with internal policies.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board of the parent company follows the aforementioned recommendation.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the CEO of the parent company the Management Board takes into account the balance of his/her qualifications, experience and competence as well as the opinion of the parent company's Supervisory Board.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The Management Board of the parent company ensures the balance of its members' qualifications. The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Management Board have experience in the field of corporate governance as well as experience in energy sector which is the sector in which the parent company and its subsidiaries operate.

[3] *Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf*

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information on candidates to the Management Board of a state-controlled company is provided under the procedure established in the laws. The selection procedures and selection requirements are set by separate legal acts. An opinion on the suitability of candidates is submitted by the Selection Commission formed in accordance with the procedure established by legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV), declaration of interests and other documents specified in the legal acts are provided at the meeting of the parent company's Supervisory Board, which elects the Management Board or its individual members. Information on offices held by members of the Management Board or their involvement in activities of any other companies is constantly collected, accumulated, and published in the annual report, as well as on the parent company's website.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	The members of the Management Board after their election are acquainted with the parent company's activities, organizational and management structure, strategy, activities and financial plans.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the Management Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. Limitations concerning re-election of the members of the Management Board are not provided in the parent company's Articles of Association, nevertheless, limitations provided by valid legal acts are applied to candidates to members of the Management Board. The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Management Board and the whole collegial body in corpore, without waiting for their mandates' terms to end. The members of the Management Board (separate or the body itself) may be dismissed by the Supervisory Board.
3.2.5. Chair of the management board should be a person who's current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Current or past positions of the Chairman of the Management Board of the parent company do not create preconditions for possible impartiality. The Chairman at the Management Board of the parent company is a member of the Management Board and CEO of the parent company, but in this case the impartiality of its activities is ensured, as there is the Supervisory Board formed in the parent company.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	The members of the Management Board of the parent company actively participate in the meetings of the Management Board and devoted sufficient time to the performance of their duties as a member of the collegial body. In 2020, 83 (eighty-three) meetings of the Board of the parent company were held. In 2020, all elected members of the Management Board participated in 81 meetings of the Management Board, 4 members – in 2 meetings.

Principles / recommendations	Yes / No / Not applicable	Commentary
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	There is the Supervisory Board formed at the parent company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Not applicable	Since the parent company has a Supervisory Board that has the competence to elect and revoke the members of the Management Board, the remuneration of the Management Board members is also determined by the Supervisory Board.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	The members of the Management Board act in good faith towards the parent company and in accordance with the interests of the parent company and taking into account the welfare of the society.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Each year the members of the parent company's Management Board perform an assessment of their activities by completing the questionnaires, which include the evaluation of the work of the Management Board. Information on the internal structure and working procedures of the Management Board is published in the parent company's annual report.
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	Legal acts, Articles of Association and rules of procedure governing activities of the parent company's supervisory and management bodies lay down the principles and procedure of cooperation between supervisory and management bodies of the parent company and ensure that management and supervisory bodies cooperate to attain the greatest possible benefit to the parent company and its shareholders.

[4] *For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.*

Principles / recommendations	Yes / No / Not applicable	Commentary
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of collegial bodies proceed according to the pre-approved schedule. An annual plan of the meetings and their agendas are formed for the Supervisory Board which, with consideration to activities of the group of Companies and processes going on in them, is supplemented in the course of the year. Meetings of the Supervisory Board are held at least once a month and of the Management Board – once a week. Members of the Supervisory Board suggest issues to be discussed during meetings. Members of the Supervisory Board are familiarized with activities pursued not only by the parent company, but also those of subsidiary companies of the Group.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Members of the collegial body are informed on the agenda of a meeting in advance. The agenda of the future meeting is discussed at the end of the current meeting, and issues are included into the agenda of the future meeting by consensus. In the course of the meeting, the agenda is not usually changed. All members of collegial bodies receive the material necessary for decision-making on issues on the agenda in advance and have a possibility to familiarise with them, ask questions before the meeting and during the meeting; they have the right to suggest that materials of the issue discussed should be supplemented, or ask to specify it. All members of the collegial bodies are informed about any received comments or specification.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	Meetings of the Supervisory Board are also attended by the Management Board of the parent company. Dates and agenda of the meetings are coordinated in such a way that they could be attended by all members of collegial bodies. The Supervisory Board and the Management Board cooperate in forming agendas of the meetings by including relevant issues on activities of the parent company or the Group's companies.
Principle 5: Nomination, remuneration and audit committees		
5.1. Purpose and formation of committees The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.		

Principles / recommendations	Yes / No / Not applicable	Commentary
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Yes	There are three supervisory committees set up at the parent company - Risk Management and Business Ethics Supervision, Nomination and Remuneration and Audit committees that operate on the Group level.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Not applicable	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	See the comments for recommendation 5.1.1
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	Committees consist of at least 3 members by also involving independent members. Chairpersons of all committees are independent members.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	Committees are advisory bodies of the Supervisory Board. Their regulations are approved and members are appointed by the Supervisory Board. Committees prepare reports on their performance at least once every 6 (six) months. These reports are delivered at the meeting of the Supervisory Board. Information on composition of the committees, the number of meetings, attendance and main activities are disclosed in the parent company's annual report.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	All chairpersons of committees are independent members, there are members of the Supervisory Board in the composition of the committees. The members of the Supervisory Board have the right to attend meetings of committees. If necessary, at the invitation of committees, particular employees or experts attend the meetings.

[5] *The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).*

Principles / recommendations	Yes / No / Not applicable	Commentary
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment is expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession of planning.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, are not limited to, the functions laid down in this principle.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Yes	The Nomination and Remuneration Committee submits an opinion on candidatures to the management and supervision bodies of the Group's companies (if necessary, it may also submit an opinion regarding other candidatures). Decisions on the approval of such candidatures are adopted by the Supervisory Board. An opinion on the suitability of the mentioned candidatures is also submitted by the parent company's Management Board (including the CEO).
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and comply with, however, are not limited to, the functions listed in this principle. The Nomination and Remuneration Committee submits an opinion on the guidelines for the top-level management policy to the Supervisory Board. The Supervisory Board adopts decisions on the approval of such remuneration guidelines with consideration to the opinion of the Nomination and Remuneration Committee.
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The main functions of the Audit Committee are described in the Corporate Governance Guidelines and conform with the functions laid down in the legal acts regulating the activities of the audit committee.

[6] *Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.*

Principles / recommendations	Yes / No / Not applicable	Commentary
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	All members of the committee are provided with detailed information on specific issues of the parent company's accounting system.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	Meetings of the Audit Committee are attended by the Head of the Internal Audit Unit, and, if necessary, by other employees when discussing specific issues. The Audit Committee also cooperates with other committees, and, if necessary, joint meetings are organised. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee receives the information referred to in this paragraph, approves annual plans of internal audit. The Internal Audit Unit informs the Audit Committee on the implementation of internal audit plans and submits reports. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	Audit committee performs these functions.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee submits its performance reports to the Supervisory Board at least once every 6 months.
Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.		
6.1. Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The parent company does observe the recommendations. According to the parent company's Articles of Association, each candidate for a member of the collegial body is obliged to provide a declaration of interest to the body electing him/her, stating all of the circumstances that could lead to a conflict of interests between the candidate and the parent company. In the event where a new circumstance emerges that may rise to a conflict of interest between a member of the collegial body and the parent company, a member of the Supervisory Board must immediately inform the parent company and the Supervisory Board of such new circumstances in writing. Besides, according to the parent company's Articles of Association, members of the Management Board may not have any other job or hold any other office that would be incompatible with as part of their activity on the Management Board, including the holding at of management positions in other legal entities (except at the position and work in the company or the Group of companies) or work in civil service, statutory service. Members may hold any other position or have other jobs, except for the position held in the parent company and other legal entities. The member may also engage in educational, creative, or authorship activities only on receipt of prior consent from the Supervisory Board.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 7: Remuneration policy of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Remuneration Policy of the parent company governs the setting and payment of remuneration in the parent company. The parent company's remuneration policy is published on the parent company's website.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy defines remuneration components, their maximum amounts, the principles of allocation and payout, which are common for all companies of the Group. According to the provisions of the Remuneration Policy, the variable remuneration component is paid only in case the target achievement value is at least 70 percent. If criteria for the evaluation of performance results are not met, i.e. the goal achievement value is below 70 percent, the variable remuneration component is not paid.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The Remuneration Policy is aimed at defining the principles of employee remuneration. The published Guidelines for Corporate Governance of State-Controlled Energy Group, provide for the principles of remuneration of collegial bodies. The remuneration of members of collegial bodies carrying out supervisory functions does not depend on the performance of the parent company.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The parent company follows this recommendation in accordance with provisions of the Labor Code of the Republic of Lithuania, without exceeding the sums laid down therein.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Yes	On the 17th of September, 2020 Share Allocation Rules of AB "Ignitis grupė" were approved. These contain information about the retention period. According to the rules, the retention period shall mean the term of 3 years for employees specified in the option agreement and the term of 4 years for key executives, which starts from the date of signing the option agreement and upon which the right of ownership of shares may be exercised (for key executives the right of ownership of shares may be exercised not earlier than the Supervisory Board of the parent company makes a decision on adjustment of the number of shares) under the established conditions and procedure.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The parent company publishes information on the implementation of Remuneration Policy in the Annual Report.

Principles / recommendations	Yes / No / Not applicable	Commentary
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	Share Allocation Rules of the parent company were approved by the General Meeting of Shareholders in 2020. The parent company intends to provide Remuneration Policy for approval at the Annual General Meeting of Shareholders in 2021.
Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes: investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The parent company's management system provides protection for the rights of the stakeholders that are protected by law. The parent company pursues the maximum possible transparency in its relations with all stakeholders and the compliance with the highest ethical requirements and principles in its activities, because honest and open business activities are one of the key elements of impeccable business reputation. The parent company takes into account the changing customer needs, constantly improving its operational processes, empowering employees, taking care of the safety and health of its employees, seeking to maintain a close relationship with investors and ensure information accessible to all, continuously updating the information and posting it in the "Investors" section of its website.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The parent company observes these recommendations when establishing the general rules applied to the Group of companies. Interest holders (e.g. trade unions of employees of subsidiary companies) may participate in the management of subsidiary companies to the extent provided for by the law.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The parent company does observe the recommendations. The stakeholders are given access to the necessary information.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The parent company has a trust line, information can also be provided anonymously by e-mail: pasitikejimolinija@ignitis.lt.
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The parent company's operating and financial results are published each month, also in the parent company's interim and annual reports.
9.1.2. objectives and non-financial information of the company;	Yes	The parent company's business objectives and non-financial information is published in the parent company's interim and annual reports, the parent company's strategy and activity plans.

Principles / recommendations	Yes / No / Not applicable	Commentary
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.7. the company's transactions with related parties;	Yes	The information is published on the parent company's website.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.9. structure and strategy of corporate governance;	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned Investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	The information is published in the parent company's interim and annual reports, and on the parent company's website.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The parent company discloses the Group's consolidated results.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in Item 4 of the recommendation is published in the parent company's annual report and on the parent company's website. The parent company makes the salary to the parent company's CEO and other benefits associated with the functions as members of the management bodies public.

Principles / recommendations	Yes / No / Not applicable	Commentary
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The parent company discloses the information via the information disclosure system used by the Vilnius Stock Exchange in Lithuanian and English language simultaneously. The parent company observes the recommendation and announces its material events before or after a trading session on the Vilnius Stock Ex-change, except for the cases provided for by legal acts. The parent company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange.
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The parent company executes its annual financial statement audit. The audit firm also verifies the compliance of the parent company's annual report with its audited financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	Articles of association of the parent company state that Supervisory Board considers and submits proposals regarding the auditor or audit firm elected by the General Meeting and the terms of payment for the audit services.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	The parent company does observe the recommendations.

7.6 Other statutory information

The Interim report provides information to the shareholders, creditors and other stakeholders of AB "Ignitis grupė" (hereinafter AB "Ignitis grupė" or the "parent company") about the parent company's and its controlled companies, which altogether are called group of companies (hereinafter and the "Group" or "Ignitis Group") operations for the period of January-December, 2020.

The Interim report has been prepared by the parent company's administration in accordance with the Lithuanian Law on Companies, the Lithuanian Law on Consolidated Financial Reporting.

The parent company's management is responsible for the information contained in the Interim Report. The report and the documents, on the basis of which it was prepared, are available at the head office of the parent company (Žvejų st. 14, Vilnius), on working days Monday through Thursday from 7.30 a.m. to 4.30 p.m., and on Fridays from 7.30 a.m. to 3.15 p.m. (by prior arrangement).

All public announcements, which are required to be published by the parent company according to the effective legal acts of the Republic of Lithuania, are published on the parent company's website and the websites of Nasdaq Vilnius, London and Luxembourg stock exchanges.

Significant arrangements

The parent company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the parent company's control situation. There were no arrangements between the parent company and the members of its management bodies or its employees that would provide for payment of termination benefits in the event of their resignation or dismissal without a valid reason or in the event of termination of their employment as a result of changes in the parent company's control situation.

Detrimental transactions

No detrimental transactions were concluded during the reporting period on behalf of the parent company (transactions that are not consistent with the parent company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders etc.), which had or potentially may have a negative impact on the parent company's performance and/or results of operation, nor were any transactions concluded resulting in conflict of interests between the responsibilities of the parent company's management, majority shareholders or other related parties against the parent company and their own private interests and/or other responsibilities.

The main attributes of the internal control and risk management systems involved in the preparation of the consolidated financial statements

The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The employees of the company from which the company outsources the accounting functions, make sure that the financial statements are prepared properly, and that all data is collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Significant agreements

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. No significant agreements were concluded to which the parent company is a party and which would enter into force, change or terminate as a result of the changed control of the parent company, as well as their effect, except where because of the nature of the agreements their disclosure would cause significant harm to the parent company. 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.) or agreements concluded in the event of a conflict of interests between the parent company's managers, the controlling shareholders or other related parties obligations to the parent company and their private interests and/or other duties.

Glossary

Glossary

#	Number
%	Percent
'000/k	Thousand
AB	Joint stock company
B2B	Business to business
B2C	Business to consumer
BICG	Baltic Institute of Corporate Governance
bn	Billion
c.d.	Calendar days
CARG	Compound Annual Growth Rate
CCGT	Combined Cycle Gas Turbine Plant
CDP	Carbon Disclosure Project
CO_2	Carbon dioxide
CHP	Combined heat and power
Customers of independent suppliers	Electricity users who have selected an independent electricity supplier as their supplier
DPS	Dividends per share
E	Electricity
EA	Emission allowances
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Electricity generated	Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex
Electricity sales	Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia
Energijos Tiekimas	Energijos Tiekimas UAB

Enerpro	UAB Energetikos paslaugų ir rangos organizacija
eNPS	Employee Net Promoter Score
ESG	Environmental, social and corporate governance
EPS	Earnings per share
ESO	AB "Energijos skirstymo operatorius"
etc.	et cetera
EU	European Union
Eurakras	UAB "EURAKRAS"
FTE	Full-time equivalent
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
Government of the Republic of Lithuania	Government of the Republic of Lithuania
GPAIS	Unified Product, Packaging and Waste Record Keeping System
GPC	UAB "Ignitis grupės paslaugų centras"
Green electricity generated	Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant)
Green Generation capacity installed	Wind farms, solar power plants, biofuel plants, CHP plants and hydropower plants (including Kruonis pumped storage power plant) that have completed and have passed a final test
Green share of generation,%	Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group

GRI	Global Reporting Initiative
Group or Ignitis Group	AB "Ignitis grupė" and its controlled companies
GW	Gigawatt
Hydro power	Kaunas Algirdas Brazauskas' hydroelectric power plant and Kruonis pumped storage power plant
IFRS	International Financial Reporting Standards
IFRS	International Financial Reporting Standards
Ignitis	Ignitis UAB (former Lietuvos energijos tiekimas and Energijos tiekimas)
Ignitis Eesti	Ignitis Eesti OÜ
Ignitis Gamyba	AB "Ignitis gamyba"
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska sp. z o.o.
Ignitis Renewables	UAB "Ignitis renewables"
Installed capacity	Where all assets have been completed and have passed a final test
Investments	Acquisition of property, plant and equipment and intangible assets, acquisition of shareholdings
IPO	Initial Public Offering
ISO	International Organization for Standardization
Kaunas A. Brazauskas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant
Kaunas CHP	UAB Kauno kogeneracinė jėgainė
Kruonis PSHP	Kruonis Pumped Storage Hydroelectric Plant
KTU	Kaunas University of Technology
Lietuvos energija	"Lietuvos energija", UAB (current AB "Ignitis grupė")

Lietuvos Energijos Tiekimas	Lietuvos Energijos Tiekimas UAB
Litgas	Litgas UAB
Litgrid	Litgrid AB
LNG	Liquefied natural gas
LNGT	Liquefied natural gas terminal
LRAIC	Long-run average incremental cost
LTM	Last twelve months
LVPA	Lithuanian Business Support Agency
Mažeikiai	UAB "VVP Investment"
min.	Minimum
MLN / m	Million
mnth.	Month/months
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NEIS	National Energy Independence Strategy
NERC	The National Energy Regulatory Council
New connection points and upgrades	Number of new customers connected to the network and capacity upgrades of the existing connection points
NG	Natural gas
NPS	Net promoter score
NT Valdos	NT Valdos, UAB
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety Policy
OPEX	Operating expenses
Parent company	AB "Ignitis grupė" (former "Lietuvos energija", UAB)
Pomerania WF	Pomerania Wind Farm sp. z o. o.
PSO	Public service obligation
pp	Percentage point
PPE	Property, plant and equipment
Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence
Q	Quarter
RAB	Regulated asset base
RBM	Remuneration of the Board member
RE	Renewable energy
RES	Renewable energy sources
RPA	Robotic process automation
SAIDI	Average duration of unplanned interruptions in electricity or gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
SOE	State-owned company
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
TE-3	Vilnius Third Combined Heat and Power Plant
TCFD	Task Force on Climate-Related Financial Disclosures
TRIR	Total Recordable Incident Rate
Tuuleenergia	"Tuuleenergia osaühing"
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UN	United Nations
UNGC	United Nations Global Compact
Units	Units
Vėjo Gūsis	UAB "VĖJO GŪSIS"
Vėjo Vatas	UAB "VĖJO VATAS"
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
Visagino atominė elektrinė	Visagino atominė elektrinė UAB
vs.	Versus
WACC	Weighted average cost of capital
YoY	Year over year

AB "Ignitis grupė"

14 Žvejų st., LT-09310 Vilnius, Lithuania
Company code 301844044
Tel. +370 5 278 2998
E-mail grupe@ignitis.lt
www.ignitisgrupe.lt/en/

Investor relations
Ainė Riffel-Grinkevičienė
Tel. +370 643 14925
E-mail ir@ignitis.lt

Sustainability
Valentas Neviera
Tel. +370 670 25997
E-mail sustainability@ignitis.lt

Corporate communication
Artūras Ketlerius
Tel. +370 620 76076
E-mail media@ignitis.lt

Publication
26 February 2021

ignitis
group

Certification statement

26/02/2021

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 of AB "Ignitis grupė" and, Darius Kašauskas, Finance and Treasury Director of AB "Ignitis grupė", and Giedruolė Guobienė Head of Accounting department UAB "Ignitis grupės paslaugų centras" acting under Order No IS-185-20 of 18 December 2020, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" interim condensed consolidated and parent company's financial statements for the twelve month period ended 31 December 2020 prepared according to International financial reporting standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and parent company's assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" together with the description of the principle risks and uncertainties it faces.

Darius Maikštėnas
Chief Executive Officer

Darius Kašauskas
Finance and Treasury Director

Giedruolė Guobienė
UAB "Ignitis grupės paslaugų centras"
Head of Accounting Department acting under
Order No IS-185-20 of 18/12/2020

AB "Ignitis grupė"
Žvejų str. 14, LT-09310, Vilnius, Lithuania

+370 5 278 2998
grupe@ignitis.lt

www.ignitisgrupe.lt

Company code 301844044
VAT payer code LT100004278519

2020

Ignitis grupė AB unaudited interim condensed consolidated and the Company’s financial statements

Interim condensed consolidated financial and the Company’s statements for the twelve month period ended 31 December 2020, prepared according to International accounting standard 34 'Interim financial reporting' as adopted by the European Union (unaudited)

www.ignitisgrupe.lt/en

Ignitis grupė AB
Žvejų str. 14, 09310 Vilnius, Lithuania
E-mail: grupe@ignitis.lt
Company code 301844044

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Translation note:
These interim condensed consolidated and the Company's financial statements are a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of this document takes precedence over this translation.

Interim condensed consolidated and the Company's financial statements were prepared and signed by Ignitis grupė AB management for the twelve month period ended 31 December 2020 on 26 February 2021:

Darius Maikštėnas	Darius Kašauskas	Giedruolė Guobienė
Chief Executive Officer	Finance and Treasury Director	Ignitis grupės paslaugų centras UAB, Head of Accounting Department acting under Order No. IS-185-20 of 18/12/2020

INTERIM CONDENSED CONSOLIDATED AND THE COMPANY'S STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

All amounts in EUR thousands unless otherwise stated

	Notes	Group		Company	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
ASSETS					
Non-current assets					
Intangible assets	5	176,077	142,737	1,874	1,874
Property, plant and equipment	6	2,559,554	2,347,817	55	86
Right-of-use assets	7	63,879	61,044	520	838
Prepayments for non-current assets		40	27,809	-	144
Investment property		5,183	5,530	77	-
Investments in subsidiaries	8, 9	-	-	1,239,045	1,204,494
Non-current receivables	10	161,515	165,031	890,114	723,201
Other financial assets		7,269	3,735	4,912	3,474
Other non-current assets		2,788	5,087	19,050	-
Deferred tax assets		6,431	11,770	643	763
Total non-current assets		**2,982,736**	**2,770,560**	**2,156,290**	**1,934,874**
Current assets					
Inventories		33,110	46,621	-	-
Prepayments and deferred expenses	12	50,703	50,548	51	32
Trade receivables	13	128,423	117,867	313	-
Other receivables		47,468	31,780	14,754	380
Other current assets		67,365	5,796	45,000	-
Prepaid income tax		223	2,434	-	-
Current loans and interest receivable	11	-	-	73,956	270,949
Cash and cash equivalents	14	658,795	131,837	421,289	144
		986,087	**386,883**	**555,363**	**271,505**
Assets held for sale	15	473	40,643	-	7,141
Total current assets		**986,560**	**427,526**	**555,363**	**278,646**
TOTAL ASSETS		**3,969,296**	**3,198,086**	**2,711,653**	**2,213,520**
EQUITY AND LIABILITIES					
Equity					
Issued capital	16	1,658,756	1,212,156	1,658,756	1,212,156
Reserves		269,769	259,651	82,330	80,720
Retained earnings (deficit)		(86,164)	(172,188)	71,869	36,525
Equity attributable to equity holders of the parent		**1,842,361**	**1,299,619**	**1,812,955**	**1,329,401**
Non-controlling interests		1,470	49,001	-	-
Total equity		**1,843,831**	**1,348,620**	**1,812,955**	**1,329,401**
Liabilities					
Non-current liabilities					
Non-current loans and bonds	17	1,246,128	821,929	886,945	639,465
Non-current lease liabilities	18	29,128	33,818	267	563
Grants and subsidies		280,370	267,949	-	-
Deferred tax liabilities		52,174	38,408	-	-
Provisions	19	40,695	35,564	-	-
Deferred income	20	164,413	151,910	-	-
Other non-current amounts payable and liabilities		3,258	883	-	-
Total non-current liabilities		**1,816,166**	**1,350,461**	**887,212**	**640,028**
Current liabilities					
Current portion of non-current loans	17	6,333	37,454	-	32,901
Current loans	17	9,143	196,737	9,143	196,737
Lease liabilities	18	13,401	8,400	253	277
Trade payables		51,693	78,567	461	259
Advances received	20	42,644	51,745	50	52
Income tax payable		7,738	6,171	-	-
Provisions	19	30,399	19,818	-	-
Deferred income	20	8,579	9,749	-	-
Other current amounts payable and liabilities		139,369	85,042	1,579	13,865
		309,299	**493,683**	**11,486**	**244,091**
Liabilities directly associated with the assets held for sale		-	5,322	-	-
Total current liabilities		**309,299**	**499,005**	**11,486**	**244,091**
Total liabilities		**2,125,465**	**1,849,466**	**898,698**	**884,119**
TOTAL EQUITY AND LIABILITIES		**3,969,296**	**3,198,086**	**2,711,653**	**2,213,520**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for three and twelve month periods ended 31 December 2020

All amounts in EUR thousand unless otherwise stated

Group	Notes	2020	2020 IV qtr.	2019 (restated*)	2019 IV qtr. (restated*)
Revenue from contracts with customers	21	1,215,355	352,357	1,080,559	285,506
Other income		7,735	1,908	18,717	1,455
Total revenue and other income		**1,223,090**	**354,265**	**1,099,276**	**286,961**
Purchases of electricity, gas for trade, and related services		(667,982)	(191,742)	(703,662)	(182,783)
Purchases of gas		(34,609)	(11,305)	(22,987)	(5,674)
Depreciation and amortisation		(113,374)	(29,376)	(109,887)	(28,035)
Salaries and related expenses		(92,793)	(21,671)	(86,986)	(25,178)
Repair and maintenance expenses		(34,072)	(14,086)	(29,798)	(7,731)
Revaluation of property, plant and equipment		(142)	(30)	(816)	(374)
(Impairment) / reversal of impairment of amounts receivable and loans		(1,813)	(1,311)	172	(583)
(Impairment) / reversal of impairment of property, plant and equipment		(1,644)	(1,414)	(8,655)	(5,246)
Other expenses		(61,746)	(11,296)	(53,596)	(12,516)
Total		**(1,008,175)**	**(282,231)**	**(1,016,215)**	**(268,120)**
Operating profit (loss) (EBIT)		**214,915**	**72,034**	**83,061**	**18,841**
Finance income		2,414	1,179	1,910	670
Finance expenses		(22,659)	(5,999)	(18,818)	(4,966)
Profit (loss) before tax		**194,670**	**67,214**	**66,153**	**14,545**
Current year income tax (expenses)/benefit		(11,392)	(3,642)	(6,739)	(24)
Deferred tax (expenses)/benefit		(14,016)	(2,649)	(438)	723
Net profit for the year		**169,262**	**60,923**	**58,976**	**15,244**
Attributable to:					
Equity holders of the parent		169,816	60,715	56,665	15,018
Non-controlling interest		(554)	209	2,311	226
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss in subsequent periods					
Revaluation of property, plant and equipment, net of tax		90	(14)	(2)	(2)
Revaluation of emission allowances, net of tax		17,550	14,460	721	480
Recalculation of the defined benefit plan obligation, net of tax		208	(126)	(28)	134
Items that will not be reclassified to profit or loss in subsequent periods, total		**17,848**	**14,320**	**691**	**612**
Items that may be reclassified to profit or loss in subsequent periods					
Exchange differences on translation off foreign operations into the Group's presentation currency		(2,240)	37	(5)	(27)
Items that may be reclassified to profit or loss in subsequent periods, total		**(2,240)**	**37**	**(5)**	**(27)**
Total other comprehensive income (loss) for the year		**15,608**	**14,357**	**686**	**585**
Total comprehensive income (loss) for the year		**184,870**	**75,280**	**59,662**	**15,829**
Attributable to:					
Equity holders of the parent		185,084	74,819	57,351	15,603
Non-controlling interests		(214)	462	2,311	226
Basic earnings per share (in EUR)	22	**2.88**	**0.83**	**1.04**	**0.28**
Diluted earnings per share	22	**2.88**	**0.83**	**1.04**	**0.28**
Weighted average number of shares	22	**59,050,880**	**73,196,800**	**54,283,757**	**54,283,757**

**Certain amounts presented above do not correspond to the interim condensed consolidated financial statements prepared for the period of 2019 and 2019 IV qtr. and reflect restatement of comparative figures due to reclassification disclosed in Note 4.*

INTERIM CONDENSED COMPANY'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for three and twelve month periods ended 31 December 2020

All amounts in EUR thousand unless otherwise stated

Company	Notes	2020	2020 IV qtr.	2019	2019 IV qtr.
Revenue from contracts with customers	21	4,886	2,588	3,283	853
Other income		1,464	-	25	(1)
Dividend income	23	120,163	1,680	25,918	-
Total revenue and other income		**126,513**	**4,268**	**29,226**	**852**
Depreciation and amortisation		(274)	(69)	(273)	(72)
Salaries and related expenses		(5,437)	(1,418)	(5,582)	(1,251)
(Impairment) / reversal of impairment of investments in subsidiaries		(4,083)	(250)	13,047	12,834
(Impairment) / reversal of impairment of amounts receivable and loans		806	-	(1,394)	(1,394)
Other expenses		(4,309)	(555)	(1,891)	(126)
Total		**(13,297)**	**(2,292)**	**3,907**	**9,991**
Operating profit (loss) (EBIT)		**113,216**	**1,976**	**33,133**	**10,843**
Finance income		20,007	5,468	15,502	4,477
Finance expenses		(19,077)	(4,403)	(17,015)	(4,040)
Profit (loss) before tax		**114,146**	**3,041**	**31,620**	**11,280**
Current year income tax (expenses)/benefit		-	-	-	-
Deferred income tax (expenses)/benefit		441	(68)	583	56
Net profit for the year		**114,587**	**2,973**	**32,203**	**11,336**
Total other comprehensive income (loss) for the year		**-**	**-**	**-**	**-**
Total comprehensive income (loss) for the year		**114,587**	**2,973**	**32,203**	**11,336**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for twelve month period ended 31 December 2020

All amounts in EUR thousand unless otherwise stated

Group	Notes	Equity, attributed to equity holders of the parent							Non-controlling interest	Total
		Issued capital	Share premium	Legal reserve	Revaluation reserve	Other reserves	Retained earnings	Subtotal		
Balance as at 1 January 2019		**1,212,156**	**-**	**49,851**	**162,935**	**16**	**(169,994)**	**1,254,964**	**47,558**	**1,302,522**
Revaluation of non-current assets, net of tax		-	-	-	(2)	-	-	**(2)**	-	**(2)**
Revaluation of emission allowances		-	-	-	699	-	-	**699**	22	**721**
Exchange differences on translation of foreign operations into the Group's presentation currency		-	-	-	-	(5)	-	**(5)**	-	**(5)**
Result of change in actuarial assumptions		-	-	-	-	-	(26)	**(26)**	(2)	**(28)**
Total other comprehensive income (loss) for the year		**-**	**-**	**-**	**697**	**(5)**	**(26)**	**666**	**20**	**686**
Net profit for the year		-	-	-	-	-	56,665	**56,665**	2,311	**58,976**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**697**	**(5)**	**56,639**	**57,331**	**2,331**	**59,662**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(15,827)	-	15,827	**-**	-	**-**
Emission allowances utilised		-	-	-	(812)	-	812	**-**	-	**-**
Transfer to reserves and movement in reserves		-	-	62,796	-	-	(62,796)	**-**	-	**-**
Dividends	23	-	-	-	-	-	(13,000)	**(13,000)**	(896)	**(13,896)**
Ignitis grupės paslaugų centras UAB issued capital increase portion to non-controlling interest		-	-	-	-	-	-	**-**	8	**8**
Other changes in retained earnings		-	-	-	-	-	324	**324**	-	**324**
Balance as at 31 December 2019		**1,212,156**	**-**	**112,647**	**146,993**	**11**	**(172,188)**	**1,299,619**	**49,001**	**1,348,620**
Balance at 1 January 2020		**1,212,156**	**-**	**112,647**	**146,993**	**11**	**(172,188)**	**1,299,619**	**49,001**	**1,348,620**
Revaluation of non-current assets, net of tax		-	-	-	90	-	-	**90**	-	**90**
Revaluation of emission allowances		-	-	-	17,210	-	-	**17,210**	340	**17,550**
Exchange differences on translation of foreign operations into the Group's presentation currency		-	-	-	-	(2,240)	-	**(2,240)**	-	**(2,240)**
Result of change in actuarial assumptions		-	-	-	-	-	208	**208**	-	**208**
Total other comprehensive income (loss) for the year		**-**	**-**	**-**	**17,300**	**(2,240)**	**208**	**15,268**	**340**	**15,608**
Net profit for the year		-	-	-	-	-	169,816	**169,816**	(554)	**169,262**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**17,300**	**(2,240)**	**170,024**	**185,084**	**(214)**	**184,870**
Issue of share capital	16	446,600	3,400	-	-	-	-	**450,000**	-	**450,000**
Transaction costs	16	-	(3,400)	-	-	-	(7,632)	**(11,032)**	-	**(11,032)**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(15,747)	-	15,747	**-**	-	**-**
Emission allowances utilised		-	-	-	(294)	-	294	**-**	-	**-**
Transfer to reserves, movement in reserves		-	-	2,523	-	-	(2,523)	**-**	-	**-**
Dividends	23	-	-	-	-	-	(70,000)	**(70,000)**	(2,793)	**(72,793)**
Equity acquisition from non-controlling interest	9	-	-	1,207	7,717	-	(20,234)	**(11,310)**	(43,383)	**(54,693)**
Sale of disposal group		-	-	(348)	-	-	348	**-**	(1,141)	**(1,141)**
Balance at 31 December 2020		**1,658,756**	**-**	**116,029**	**155,969**	**(2,229)**	**(86,164)**	**1,842,361**	**1,470**	**1,843,831**

INTERIM CONDENSED COMPANY'S STATEMENT OF CHANGES IN EQUITY

for twelve month period ended 31 December 2020

All amounts in EUR thousand unless otherwise stated

Company	Notes	Issued capital	Share premium	Legal reserve	Retained earnings	Total
Balance at 1 January 2019		**1,212,156**	**-**	**19,811**	**78,231**	**1,310,198**
Other comprehensive income		-	-	-	-	-
Total other comprehensive income (loss) for the year		**-**	**-**	**-**	-	**-**
Net profit for the year		-	-	-	32,203	**32,203**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**32,203**	**32,203**
Dividends	23	-	-	-	(13,000)	**(13,000)**
Transfers to legal reserve		-	-	60,909	(60,909)	**-**
Balance as at 31 December 2019		**1,212,156**	**-**	**80,720**	**36,525**	**1,329,401**
Balance at 1 January 2020		**1,212,156**	**-**	**80,720**	**36,525**	**1,329,401**
Other comprehensive income		-	-	-	-	-
Total other comprehensive income (loss) for the year		**-**	**-**	**-**	-	**-**
Net profit for the year		-	-	-	114,587	**114,587**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**114,587**	**114,587**
Issue of share capital	16	446,600	3,400	-	-	**450,000**
Transaction costs	16	-	(3,400)	-	(7,633)	**(11,033)**
Transfers to legal reserve		-	-	1,610	(1,610)	**-**
Dividends	23	-	-	-	(70,000)	**(70,000)**
Balance as at 31 December 2020		**1,658,756**	**-**	**82,330**	**71,869**	**1,812,955**

INTERIM CONDENSED CONSOLIDATED AND COMPANY'S STATEMENT OF CASH FLOWS

for twelve months ended 31 December 2020

All amounts in EUR thousand unless otherwise stated

	Notes	Group		Company	
		2020	2019	2020	2019
Cash flows from operating activities					
Net profit for the year		169,262	58,976	114,587	32,203
Adjustments for non-monetary expenses (income):					
Depreciation and amortisation expenses		122,535	118,898	274	273
Impairment of property, plant and equipment, including held for sale		1,644	8,655	-	-
Revaluation of property, plant and equipment		30	787	-	-
Revaluation of investment property		112	-	-	-
Revaluation of derivatives		1,632	(730)	-	-
Fair value changes of derivatives		1,813	(172)	-	-
Impairment/(reversal of impairment) of financial assets		-	-	(806)	1,394
Income tax expenses		25,408	7,177	4,083	(13,047)
Amortisation of grants		(9,161)	(9,011)	(441)	(583)
Increase/(decrease) in provisions	19	12,359	5,010	-	(806)
Inventory write-off to net realizable value/(reversal)		315	(27)	-	-
Expenses/(income) of revaluation of emission allowances		3,223	367	-	-
Emission allowances utilised		(5,962)	880	-	-
Elimination of results of investing activities:					
Dividend income	23	-	-	(120,163)	(25,918)
Loss on disposal/write-off of property, plant and equipment		2,494	3,158	(1,445)	-
Elimination of results of financing activities:					
Interest income		(1,152)	(1,547)	(20,007)	(15,500)
Interest expenses		20,228	15,288	18,336	14,413
Other expenses of financing activities		1,169	2,899	741	2,600
Changes in working capital:					
(Increase)/decrease in trade receivables and other amounts receivable		(18,599)	10,429	5,182	(1,714)
(Increase)/decrease in inventories, prepayments and other current and non-current assets		(52,903)	(21,490)	(63,925)	702
Increase/(decrease) in amounts payable, deferred income and advance amounts received		17,618	(17,840)	(1,713)	(2,127)
Income tax paid		(9,591)	(4,552)	561	897
Net cash flows from operating activities		**282,474**	**177,155**	**(64,736)**	**(7,213)**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(303,377)	(428,160)	-	(45)
Proceeds from sale of property, plant and equipment and intangible assets		14,404	39,536	6,167	-
Loans granted		-	-	(234,250)	(191 876)
Loan repayments received		-	-	245,279	67 579
Acquisition of a subsidiary, net of cash acquired		-	(27,965)	(47,588)	(13 300)
Disposal of subsidiary		-	-	-	39 748
Grants received		25,757	64,048	-	-
Interest received		547	1,054	18,556	14 017
Dividends received			-	120,163	25 918
Finance lease payments received		2,359	3,543	-	-
Other increases/(decreases) in cash flows from investing activities		-	657	-	-
Net cash flows from investing activities		**(260,310)**	**(347,287)**	**108,327**	**(57,959)**
Cash flows from financing activities					
Issue of share capital	16	450,000	-	450,000	
Transaction costs	16	(11,033)	-	(11,033)	
Loans received	17	182,950	130,937	-	-
Issue of bonds	17	295,457	-	295,657	-
Repayments of borrowings		(86,798)	(70,394)	(82,246)	(57,401)
Lease payments		(10,351)	(7,379)	(261)	(238)
Interest paid		(15,885)	(14,146)	(13,272)	(13,306)
Dividends paid		(72,528)	(13,915)	(70,000)	(13,000)
Equity acquisition from non-controlling interest		(35,727)	-	-	-
Other increases (decreases) in cash flows from financing activities		-	-	-	(1)
Net cash flows from financing activities		**696,085**	**25,103**	**568,845**	**(83 946)**
Increase/(decrease) in cash and cash equivalents (including overdraft)		**718,249**	**(145,029)**	**612,436**	**(149,118)**
Cash and cash equivalents (including overdraft) at the beginning of the year	14	(59,454)	85,575	(191,147)	(42,029)
Cash and cash equivalents (including overdraft) at the end of the year	14	**658,795**	**(59,454)**	**421,289**	**(191,147)**

1 General information

Ignitis grupė AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. On 5 October 2020 the Company has increased its share and on 7 October 2020 the Company has executed initial public offering (hereinafter "IPO") distributing the increased share capital between private and institutional investors.

The Company's registered office address is Žvejų str. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-oriented entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044. The Company has been founded for an indefinite period. Reporting period is one year ended 31 December 2020.

The Company is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 9) engaged in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the electricity sector, management and coordination of activities. The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

The Company analyses the activities of group companies, represents the whole group, implements its shareholders' rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

The Company seeks to ensure effective operation of group companies, implementation of goals related to the Group's activities set forth in the National Energy Independence Strategy and other legal acts, ensuring that it builds a sustainable value in a socially responsible manner.

The Group's principal shareholder is the State of the Republic of Lithuania (73.08%).

Shareholder of the Group	31 December 2020		31 December 2019	
	Share capital, in EUR '000	%	Share capital, in EUR '000	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212,156	73.08	1,212,156	100
Other shareholders	446,600	26.92	-	-
	1,658,756		1,212,156	

2 Accounting principles

2.1 Basis of preparation

These interim condensed consolidated financial statements, prepared for the twelve months period ended 31 December 2020, cover interim condensed financial statements of the parent company Ignitis grupė AB and interim condensed consolidated financial statements of the Group (hereinafter "interim financial statements"). These interim financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (hereinafter "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 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

In year 2020 the management of the Group has made certain restatement of comparative figures due to reclassifications. Identified reclassifications are disclosed in Note 4. The originally issued and published interim financial statements for the twelve month period ended 31 December 2019 did not reflect these reclassifications. As the 2020 interim financial statements present comparative information for the previous reporting period, the Group presents figures for 2019 as restated as described in Note 4.

2.2 New standards, amendments and interpretations

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 and the Company's annual financial statements for the year ended 31 December 2019, with the exception of the new standards which entered into force as at 1 January 2020.

Preparing these interim financial statements, the Group and the Company did not adopt new standards, amendments and interpretations, the effective date of which is later than 1 January 2020 and early adoption is permitted. The following new standards and amendments to the standards that became effective as at 1 January 2020 and did not affect significantly these interim financial statements.

Conceptual Framework in IFRS standards

The International Accounting Standards Board (hereinafter "IASB") issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020

The management of the Group has assessed that these amendments have no impact on these financial statements.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

The management of the Group has assessed that these Amendments has no impact on these financial statements of the Group but may impact future periods if the Group enters to any business combinations.

International Accounting Standard (hereinafter "IAS") 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS standards.

The management of the Group has assessed that these amendments have no impact on the these financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the IASB issued Amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The Amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform (hereinafter "IBOR"), which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (hereinafter "RFR"). There are also Amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from IBOR. The Amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (Exposure draft - ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with RFR.

The management of the Group has assessed that these amendments have no impact on the these financial statements.

2.3 Standards issued but not yet effective and not early adopted

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2020 and have not been early adopted when preparing these financial statements are presented below:

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the IASB decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the European Union (hereinafter “EU”).

The Group’s management has assessed that this IFRS will not have any impact on the financial position or performance of the Group as insurance services are not provided.

IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
The amendments to IFRS 17 have not yet been endorsed by the EU.

The management of the Group has assessed that these amendments will have no impact on the financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

The management of the Group has assessed that adoption of these amendments may have an impact on the financial statements for future periods if the Group will enter into transactions of sale or contribution of assets for associate or joint venture.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the Covid-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These amendments have not yet been endorsed by the EU.

The management of the Group is currently assessing the impact of this amendment on the financial statements.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of profit or loss and other comprehensive income (hereinafter “SPLOCI”).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The amendments have not yet been endorsed by the EU. The management of the Group is currently assessing the impact of these amendments on the financial statements.

IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 (for more information about COVID-19 refer to the Note 3.1) related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

In the opinion of the Group's management, the application of these amendments does not have a material impact on the Group's financial statements as no significant concessions/discounts have been received during the reporting period and are not expected to be received in subsequent periods.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly RFR. In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of IBOR on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The management of the Group has assessed that these amendments will have no impact on the financial statements.

2.4 Derivative financial instruments and hedge presentation

During the 4th quarter of 2020 The Group changed presentation of derivatives in the SPLOCI. The Group reclassified profit and loss recognized on closed contracts of derivatives as well as profit and loss from changes in fair values of open contracts of derivates. The presentation of derivatives in 2019 was changed accordingly see in Note 4. The presentation of derivative financial instruments provided below.

Fair value of derivative financial instruments is presented In the Statement of financial position as "Other current assets" and "Other current amount payables and liabilities".

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in SPLOCI either as "Other income", if result for a period of such derivatives is profit, or "Other expenses" if result of such derivatives for a period is loss.

Changes in fair value and result of settled derivatives for hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

The change in the fair value of a hedging instrument that is related to electricity or gas prices is recognised in SPLOCI as "Purchases of electricity, gas for trade, and related services". The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the same line of SPLOCI.

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

Preparing these interim financial statements the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as used in preparing the annual financial statements for the year ended 31 December 2019, except those accounting estimates and judgements presented below:

3.1 Impact of COVID-19 on critical accounting estimates, management judgements and estimation uncertainties

Below there are presented accounting estimates and judgements the uncertainty of which is changed due to COVID-19 pandemic. The following key areas considered by the Group's and the Company's management in assessing the impact of COVID-19 are presented below:

The Group

Going concern

The Group's management assessed cash flows due to deferral of electricity and gas payments, reduction and slower recovery of electricity and gas consumption, as well as cash flows related to the risk of delays in major infrastructure projects, probability of bad debt growth, potential disruptions to funding sources, the risk of COVID-19 infection by workers performing critical functions. The assessment used all currently available information on the threats posed by COVID-19. The Group's management has not identified any significant threats to the Group's going concern when assessing the potential impact of key COVID-19 factors on the Group's results.

Residual value and useful life of property, plant and equipment

Management considered the effect of COVID-19 on the useful life and residual value of the non-current assets used in gas and electricity distribution, thermal, hydro, cogeneration, sun and wind power plants and, finding that there was no change in the expected nature and purpose of these assets, did not determine any effect of COVID-19 on the asset's residual value and useful life. The review of the nature and purpose of the use of non-current assets was based on foreseeable events and economic conditions that could result from a future COVID-19 pandemic. Management has not identified any disruptions in the use of property, plant and equipment neither in the short nor in the long term**.**

Assessment of expected credit losses

The Group's management has assessed past events, current and future economic conditions as at the date of issue of these financial statements in determining the expected credit losses due to impact of COVID-19. The Group's management has determined that the future economic situation due to COVID-19 does not significantly change the matrix of loss ratios used in the calculation of 31 December 2020 expected credit losses on the Group's financial assets comparing to the usual matrix of loss coefficients that is used for expected credit losses' calculation. Also the Group reviewed expected credit losses for financial assets, the assessment of which is performed individually, no significant impairment losses were identified due to COVID-19. It should also be noted that the part of the Group's business regulated by the NERC has a possible short-term impact in the near future due to the increased level of the COVID-19 pandemic in the end of 2020 and the introduction of second quarantine in the Republic of Lithuania and other neighbouring countries, but potential losses in the medium and long term due to the impact of COVID-19 will be compensated to the Group in accordance with the regulatory mechanism approved by NERC, including direct credit losses and potential additional short-term financing costs.

Fair value measurement and impairment of property, plant and equipment

Management has reviewed the key assumptions that are used to measure a fair value and in impairment tests of property, plant and equipment:

- due to COVID-19 there were no changes in the NERC legal regulatory framework that would have a significant effect on fair value of property, plants and equipment;
- due to COVID-19 NERC did not change any regulatory ratios that were previously approved, e.g. price caps, WACC (Weighted Average Capital Cost), return on investments;
- due to COVID-19 the Group did not realize any significant gap between budgeted and actual figures of expenses and revenues. Also, the management does not anticipate significant deviations in the future between the budget and the fact;
- due to COVID-19 the Group doesn't have any disruptions in investments' strategies that are forecasted 10 years forward;
- the management didn't identify any significant changes in discount rate used to calculate discounted cash flows.

After reviewing the key assumptions, the management has not identified any significant circumstances related to COVID-19 that would require to make fair value measurement (for assets recognised at revalued amount) and impairment tests (for assets recognised at acquisition cost less depreciation and impairment). Therefore, the management concluded that the carrying amount of property, plant and equipment, which is accounted at revalued value, corresponds to its fair value and the carrying amount of property, plant and equipment, which is accounted at acquisition cost less depreciation and impairment – not less than its recoverable value.

Impairment of goodwill

The management did not identify any COVID-19 related circumstances that would indicate impairment of goodwill.

Net realisable value of inventory

As the business activities were not disrupted due to COVID-19 the management evaluated that the carrying amount of inventory as at 31 December 2020 corresponds to at least its net realisable value.

All amounts in EUR thousand unless otherwise stated

Classification of financial instruments as current and non-current

Management has also reviewed the criteria for classifying received and issued loans and other financial debts, as well as other receivables / payables, into current and non-current, and has not identified any circumstances that would require a material adjustment in their classification.

Lease contracts: Revised lease term and discount rate (incremental borrowing rate)

The management assessed all relevant facts and circumstances that create an economic incentives for Group companies that are lessees to exercise the following options or not:
- to exercise an option to extend the term of the lease;
- to exercise an option to purchase the underlying asset at the end of the lease; or
- not to exercise an option to terminate the lease earlier.

The Group did not experience any significant disruptions due to COVID-19 in business activity, investments strategies and development of ongoing projects. COVID-19 had no impact on the Group's expectations to exercise or not options, stated above. Also, the Group did not receive any significant concessions due to COVID-19. The management has concluded that COVID-19 did not cause the need to remeasure the lease liability and right of use assets.

General information on the impact of COVID-19 on the Group's operations

In relation to the emergency situation the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping the people. On 16 March 2020 the Government took the decision and concluded a Plan for the economic stimulation and the implementation of measures directed to mitigate the spread of COVID-19 (hereinafter "the Plan"). One of the measures was to make possible to defer or arrange in portions the payments for the consumed electricity and natural gas to the Company's subsidiary Ignitis UAB. This means that the Company's subsidiary Ignitis UAB and accordingly other Company's subsidiary Energijos skirstymo operatorius AB directly experienced delays in customers' payments for services. Requests for payments' deferrals were approved only during the first wave of quarantine period 16 March 2020 – 16 June 2020. Payments were deferred for the following period: for household customers payments were deferred for the whole quarantine period and additional 1 month after the quarantine ended, business customers – for the whole quarantine period and additional 3 month. Insignificant part exclusively was deferred for up to 9 – 12 months from the end of quarantine. The management didn't identify any significant financing component.

Due to the increase in the number of COVID-19 diseases, a second quarantine has been announced throughout Lithuania since 7 November 2020 until 31 March 2021 (with a probability of being extended), but the restrictions on business were lower than during the first quarantine period until the additional precautionary restrictions were introduced on 15 December 2020.

The main factors affecting the Group's operations due to the situation described above in relation to COVID-19 are set out below:

Factors	Effect
Cash flows from electricity and gas payments, settlement delays, agreements on longer debt repayments and expected increase in bad debts	In accordance with the recommendations of the Government of the Republic of Lithuania, during the quarantine period from 16 March 2020 till 16 June 2020 the Group provided special payment deferrals to customers who have encountered financial difficulties due to announced quarantine. Requests from private and business customers for the distribution and supply of electricity and gas individually were accepted and analysed, and decisions were made within the prescribed amount. During the three-month quarantine period until the 30 June 2020 the total amount of overdue debts due to COVID-19 was EUR 7.2 million (including deferred payments - EUR 4.3 million). The level of overdue debts has returned to the pre-quarantine period level and deferred payments are repaid on an agreed schedule (over 99% of deferred payments are already collected as at reporting date). Following the announcement of the second quarantine in Lithuania, management has not identified increased risk in regards of overdue debts as at reporting date. However, the risk of late payments may increase depending on quarantine duration. Refer to the Note 13 for more information on total credit losses booked as at 31 December 2020.
Cash flow from declining electricity consumption during the quarantine period and slower recovery after it	The change in electricity consumption that took place during the quarantine period 16 March 2020 - 16 June 2020, when B2B* consumption decreased by around 8-9% and B2C* consumption increased by 5-6%, stabilized. It should be noted that, comparing to 2019 Ignitis UAB increased its customer portfolio, therefore the total yearly electricity consumption increased by 18.0% (from 5.40 to 6.37 TWh), of which B2C* increased by 5.0% (from 2.88 to 3.03 TWh), B2B* – 32,9% (from 2.51 to 3.34 TWh). Following the announcement of the second quarantine in Lithuania, depending on its duration, the risk of negative impact on electricity consumption in certain business segments increases (there are prohibited activities of health service centres, public catering establishments, restaurants, cafes, bars, night clubs, gambling salons, betting outlets, all commercial and non-commercial cultural, entertainment, sports events, celebrations, fairs, festivals and etc., but the electricity consumption will probably increase in the segment of private customers (due to the recommended working and education in distance, etc.)). Natural gas consumption. During the start of the quarantine period, no decrease in the amount of natural gas distributed in the network of Energijos skirstymo operatorius AB was observed, which could be directly related to the impact of quarantine. **B2B (abbr. of "business-to-business", i.e. business segment), B2C (abbr. of "business-to-customers", i.e. household segment)*
Cash flows related to the risk of delays in major infrastructure projects' development (construction and development of new power plants)	Due to impact of COVID-19 and the quarantine restrictions there appeared some delays in green generation development projects (Pomerania wind park, Kaunas and Vilnius combined heat and power plants) or their individual phases. The delay is approximately proportional to the duration of quarantine with some planned investments moved to the 2021.

Risk management of COVID-19 infection in employees

During the quarantine period, the Group strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. The Group has all the conditions for efficient work remotely (where it is feasible based on the type of work) and does not experience any disruption in the performance of direct functions of employees. The Group's management pays special attention to manage the risk of infection of employees whose functions are to ensure the smooth operation of electricity generation, stable operation of the electricity system, electricity and gas distribution network's and supply's equipment, as well who work on construction sites. These employees are provided with additional personal protection and personal hygiene measures, prepared and implemented actions to ensure their substitutability. Equipment control points are isolated (can only be accessed by authorized personnel), the seating arrangements for dispatchers have been changed to ensure the widest possible distribution of staff on the premises, shift transmission is performed over a distance, reducing potential contact, direct contact with customers is limited, non-critical work at customers' homes (e.g. meter write-offs) are stopped, customer flows are controlled in customers service centres, employees work in shifts that change every two weeks, areas are separated by partitions on construction sites, etc.

At the date of issue of these financial statements, the Group did not experience any significant issues with the functions performed by these employees due to COVID-19.

Management of Group's liquidity risk

The Group manages its liquidity risk by using these instruments:
- Short-term liquidity risk is managed by maintaining obligatory lines of credit and overdrafts, borrowing within the Group through the Cashpool platform. The period of these credit lines and overdrafts must be at least two years, and they must account for at least 20% of the Group's consolidated net debt (with certain exceptions). Non-obligatory credit lines can be used for maintaining extra liquidity, their extent is not limited. Liquidity is also maintained by means of the Group's investment in short-term debt instruments with a high credit rating (debt securities of states and corporations), short-term deposits or their certificates, and other money-market instruments that meet the requirements of liquidity and security of investments set forth in the Treasury Management Policy of the Group.
- Long-term liquidity risk is managed through continuous assurance by the Finance and Treasury Department of possibilities to finance the activities of the Group using at least two sources, i.e. debt securities, investment bank loans or commercial bank loans, and other means.

During the year 2020 the Group entered into the following new loan agreements, issued emission of bonds (for movement in borrowings refer to the Note 17):
- On 10 March 2020 the Group concluded an agreement with the European Investment Bank for PLN 258 million (EUR 56.4 million) loan for the implementation of the Pomerania wind farm project.
- On 16 April 2020 entered into the loan agreement with Swedbank AB bank for amount of EUR 100 million.
- On 14 May 2020, the Group placed a EUR 300 million issue of bonds with a 10-year term to maturity.
- On 14 October 2020 the Group company Pomerania Wind Farm sp. z o. o. signed an agreement with the Nordic Investment Bank for the loan of up to PLN 150 million (EUR 32.9 million) for the implementation of the Pomerania wind farm project.

Furthermore, refer to the Note 29 where events after reporting date which have a significant influence to the liquidity of the Group are presented (if any). At the date of issue of these financial statements, the Group did not experience any significant liquidity problems.

The Company

Going concern

The Company's management assessed cash flows, probability of bad debt growth, potential disruptions to funding sources, the risk of COVID-19 infection by workers performing critical functions. Assessment was based on all currently available information on the threats posed by COVID-19. The Company's management has not identified any threats to the Company's going concern when assessing the potential impact of key COVID-19 factors on the Company's results. The Company has taken steps to manage the risks:

Management of the Company's liquidity risk

The following measures are applied by the Company to manage liquidity risk:
- Short-term liquidity risk is managed by maintaining through banks' obligatory lines of credit and overdrafts. The duration of these credit lines is at least two years. Typically, unless the Group has accumulated significant balances in bank accounts, credit lines consist at least 20% of the Group's consolidated net debt. Non-obligatory credit lines can be used for maintaining extra liquidity, their extent is not limited.
- Long-term liquidity risk is managed through continuous assurance by the Treasury Department of the Partnership of possibilities to finance the activities of the Group using at least two sources, i.e. debt securities, investment bank loans or commercial bank loans, and other means.

During the year 2020, the Company:
- concluded a loan agreement with AB Swedbank for EUR 100 million (Note 17);
- issued bond emission for EUR 300 million (Note 17);
- On 23 September 2020 the Company signed an agreement with European investment bank of EUR 110 million. Loan will be used for the implementation of IT solutions for smart meters and their data collection and management. ;
- On 7 October 2020 during the initial public offering (IPO), the Company issued 20,000,000 ordinary registered shares at a price of EUR 22.50 per share. This allowed the Company to attract funds of EUR 450 million.

Also, refer to the Note 29 where events after reporting date which have a significant influence to the liquidity of the Company are presented (if any).

At the date of issue of these interim financial statements, the Company's liquidity risk is not significant.

Risk management of COVID-19 infection in employees

During the quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. All the conditions are in place for efficient teleworking without any disruptions in the performance of principal job.

Impact on the assessment of expected credit losses

The Company's management, having assessed the potential impact of COVID-19 factors on the impairment of amount receivables and loans granted (Note 10), has not identified any circumstances that would require the recognition of an impairment loss of non-trade receivables.

Classification of financial instruments as current and non-current

Management has also reviewed the criteria for classifying loans and borrowings, as well as other receivables/payables, as non-current or current, and has not identified any circumstances that would require a significant adjustment to this classification.

General information on the impact of COVID-19 on the Company's operations

The Company's management, having assessed the potential impact of COVID-19 factors on the Company's operations, did not identify any threats to the Company's operations

3.2 Revaluation of property, plant and equipment, used in electricity distribution

Major part of such assets presented in "Structures and machinery" are used in electricity distribution activities performed by subsidiary Energijos skirstymo operatorius AB. The carrying amount of the assessed assets in the Group accounts was EUR 1,206,394 thousand as at 31 December 2020 (EUR 1,180,953 thousand as at 31 December 2019).

In 2020 and 2019 given that no significant changes have taken place in the regulatory environment for electricity and having assessed relevant assumptions, the Group has identified that the carrying amount of property, plant and equipment attributed to the electricity distribution as at the reporting date of 31 December would increase immaterially (less than 5%), hence the management of the Group decided to withhold from making full revaluation to reflect the mentioned assets at new fair value. For more detailed information – see Note 6.

3.3 Impairment of property, plant and equipment, used in gas distribution

The carrying amount of assessed assets of "Gas distribution pipelines, gas technological equipment and installations" managed by the Group's company Energijos skirstymo operatorius AB and attributable to gas distribution CGU in the Group accounts was EUR 262,307 thousand as at 31 December 2020 (EUR 242,288 thousand as at 31 December 2019). This property, plant and equipment attributable to gas distribution CGU is accounted applying cost model and is stated at acquisition cost less accumulated depreciation and impairment.

As a result of the impairment test, it was determined that the assets' recoverable amount exceeded their carrying amount as of 31 December 2020. Accordingly, no additional impairment during 2020 was recognised. For more detailed information – see Note 6.

3.4 Review of power plants impairment

The carrying amount of assessed assets of "Assets of Hydro Power Plant, Pumped Storage Power Plant" and "Structures and machinery of Thermal Power Plant" managed by subsidiary Ignitis gamyba AB in the Group amounts to EUR 422,477 thousand as at 31 December 2020 (EUR 446,553 thousand as at 31 December 2019).

Thermal Power Plant consists of Elektrėnai Complex and Vilnius Thermal Power Plant No 3. Elektrėnai Complex consists of the Reserve Power Plant, Combined-Cycle Unit and new Biofuel and Steam Boiler Plants.

Power plants impairment

As at 31 December 2020 the Group's management determined that there are no indications of possible impairment related to above-mentioned assets. Thus, no impairment test was performed and no additional impairment during 2020 was recognised.

Previous review of power plants impairment

As at 31 December 2019, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. In view of this, it was decided to carry out an impairment test of the Elektrėnai Complex as a cash-generating unit. Following the Elektrėnai Complex impairment test and after deducting grants, the recoverable amount (value in use method) exceeded the carrying amount of Elektrėnai Complex. No impairment indications were identified for the remaining property, plant and equipment.

As a result of the impairment test in Elektrėnai Complex, it was determined that the assets' recoverable amount exceeded their carrying amount (less grants) as of 31 December 2019. Accordingly, no additional impairment during 2019 was recognised.

All amounts in EUR thousand unless otherwise stated

3.5 Impairment of goodwill in consolidated accounts

The Group performed an impairment test of EUR 1,461 thousand goodwill recognised on acquisition of subsidiary Eurakras UAB, an impairment test of EUR 2,150 thousand goodwill recognised on acquisition of subsidiary VVP Investment UAB and impairment test of EUR 1,316 thousand goodwill recognised on acquisition of subsidiary Pomerania Invall Sp. z o. o. and determined no impairment of goodwill as at 31 December 2020 (Note 5).

3.6 Provision for statutory servitudes and special conditions on land use (protection zones)

Provisions for rights to servitudes

On 1 November 2017 Amendments to the Law on Electricity of the Republic of Lithuania entered into force, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator. This law stipulates that when constructing transmission, distribution networks or installing other electrical equipment, one-time compensation for losses will be paid for the establishment of statutory servitudes (which entered into force before 10 July 2004). The servitudes payment methodology came into force in 31 July 2018. Based on this methodology, in 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it. At initial recognition, the Group recognised EUR 28,563 thousands of Intangible assets (assets are stated at cost less impairment, their useful lifetime is indefinite) and a provision for non-current liabilities in accordance with IAS 37, which amounted to EUR 28,725 thousand (provision calculated at discounted value). During period of 31 July 2018 – 31 December 2020 the amount of compensation paid amounted to EUR 1,933 thousand. Therefore, this amount reduced the initial provision for servitudes compensation, which amounted to EUR 27,318 thousand (part of assets) and EUR 27,642 thousand (liabilities side) before further changes in assumptions described below.

However, on 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of the Republic of Lithuania (due to the applied 0.1 coefficient and the principle of determining a value of the land plot, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine requests and apply the methodology where the methodology applied was deemed to be in conflict with Constitution, until the new methodology is set and approved. The ruling is only valid for the future and there is no need to recalculate previously paid compensation. The Group has assessed the following changes as adjusting events and, as appropriate, the Group has recalculated the provision for servitude benefits using new coefficient assumptions:

a) The area of land on which electrical installations were installed before 10 March 1990, a coefficient of 0.1 as specified in the methodology shall apply. Such installations account for 88.93% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.1 is applied to 89 percent of the area when calculating the total value of the payment. Assumption was made, that land with electricity distribution equipment installed before 10 March 1990, the land was acquired with an already installed network, so the ownership of the land was acquired with already established restrictions to the usage of the land, therefore the value and availability of this land has not changed and the servitudes payment coefficient of 0.1 should be used.

b) The area of land on which electrical installations have been installed after 11 March 1990 and until 10 July 2004 , a coefficient of 0.5 shall apply (the amount shall apply to the servitudes determined by contract). Such installations account for 11.07% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.5 is applied to calculate the total value of the payment for 11 percent of the area.

The Group also reviewed other assumptions used in the calculation of the provision, specifically the expected number of applicants, the period over which all benefits will be paid, and the discount rate.
The discount rate for calculating the provision was selected based on a borrowing rate of 0.219% for similar liabilities (31 December 2019: 0.559%).

The expected number of applicants was estimated on the basis of available actual historical two-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits - 65% (15% used as at 31 December 2019), which is based on management's assessment and the number of customers actually applying during 2018-2019, where, on average, only about 3% apply per year (Historical data of year 2020 is not included in methodology calculations due to break of methodology, as described above, which would distort the total average).
The period during which customers will apply for compensation has been set at 10 years starting in 2020, as the application of the methodology has been temporarily suspended (the updated methodology is expected to be approved in the year 2021) An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

After assessing the changed circumstances, the Group decided to adjust a provision decreasing the amount of the provision (which was recognised as at 31 December 2019) from EUR 26,952 thousand to EUR 14,679 thousand.

It should be noted that the value of the provision may vary depending on the number of applicants. The sensitivity analysis is as follows:

31 December 2020	Number of applicants, %							
	20%	35%	45%	55%	65%	75%	85%	95%
Change in provision for compensations of servitudes, thousand EUR	-5,192	-	+4,822	+9,829	+14,837	+19,844	+24,851	+29,858

Provision for servitudes of real estate

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of The Republic of Lithuania not only for the land plots, but also for real estate (due to the applied 0.1 coefficient, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine the requests and apply the methodology in the part in which the conflict of the methodology with the Constitution is recognised until the new provisions are approved according to the Governments of the Republic of Lithuania resolution taken on 25 July 2018 No.725 "On the Approval of the Methodology for Determining the Maximum Amount of One-Time Compensation to be Paid for the Use of a Land Easement Established by Law or a Contract for the Benefit of Network Operators" (hereinafter "the Methodology") provisions.

As the application of the Methodology is suspended and it is not clear how it will be applied in the future and what coefficient will be applied, as no servitude benefit has been paid prior to the Constitutional Court decision, it is not possible to reliably estimate the amount of provision due to:

a) as no compensations have been paid before the decision of Constitutional Court, it is not possible to estimate how many persons would apply for an servitude payment of real estate.
b) it is not clear what coefficient should be applied to statutory servitudes in real estate until the Methodology is updated.

Accordingly, with the requirements of IAS 37, the said obligation does not qualify for provision recognition and is therefore not recognised in the financial statements. Also, the Group does not have sufficient information to estimate financial effect or possibility of any reimbursement of this obligation.

Provision for special conditions on land use (protection zones)

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

The amendment to the Real Estate Cadastre Regulations necessary for the implementation of the Law on Special Land Use Conditions of the Republic of Lithuania entered into force on 12 February 2020, which details the procedure for changing tags and cadastral provisions for development and for existing networks. This amendment provides for an alternative process for registering protection zones (avoiding the change of cadastral data and the hiring of land surveyors). According to the Law on Special Land Use Conditions of the Republic of Lithuania, the Government has an order to adopt an amendment to this legal act by 1 January 2022 at the latest.

According to the management, the implementation of the obligation provided for in the Law on Special Land Use Conditions of the Republic of Lithuania to register special protection conditions (protection zones) and related provisions for the existing electricity and natural gas distribution network will be subject to a simpler procedure than in 2019. According to the Group, the simplified procedure will lead to lower surveyor costs, as it is expected that only a part of the plots will need to adjust the measurements, which will significantly reduce protection zone's registration costs. The planned amount of expenses related to the registration of protection zones for 2021-2024 is – EUR 15,069 thousand (i.e. for the 4 years period, change compared to 1 year period used for calculation as at 31 December 2019, which in turn increased the amount of the provision).

After assessing the changed circumstances, the Group decided to adjust a provision for asset's security registration expenses for 2021-2024, increasing the amount of the provision (which was recognised as at 31 December 2019) from EUR 8,328 thousand to EUR 15,069 thousand.

In addition to the above, the Ministry of Environment has prepared a methodology for the calculation and payment of Compensation for the application of special land use conditions in the territories specified in the Law on Special Land Use Conditions of the Republic of Lithuania, established in the public interest, which entered into force in 8 April 2020. In the light of the letter of the Ministry of Energy of the Republic of Lithuania issued on 18 June 2020 , which explains that the provisions of the Methodology apply to both the existing network and the newly built network. According to the provisions of the Methodology, compensation for protection zones would be paid upon registration of protection zones, i.e. under the simplified procedure, this would happen after 2023, and the amount of compensation is of an evaluative nature, taking into account the main purpose of the plot, the scope of restrictions, the specific losses incurred and / or incurred by the plot owners based on supporting documents. In view of these Methodological requirements and the data available to the Group, the Group cannot reliably estimate future compensation for registered Special Land Use Conditions (Protected Areas), therefore, in accordance with IAS 37 this liability does not qualify for recognition and is therefore not recognised in the financial statements. In addition, management is not able to provide a quantitative assessment of a possible contingency without having all the necessary information.

3.7 Regulated activity: Accrual of income and regulatory provisions from regulated activities

Profitability of the Group is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

Actual costs incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, the actual earnings of the Group may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

Services ensuring isolated operation of the power system and capacity reserve

On 14 November 2019, NERC adopted a resolution No O3E–715 'On approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system'. This resolution stipulates that Companies that discontinue capacity reserve ensuring services or services ensuring isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator if the costs actually incurred by the Group were less than the revenues received from the transmission system operator. If the actual costs incurred by the Group were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Group.

With regard to the resolution above, the Group recognises assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

As at 31 December 2020 the management of the Group accounted for EUR 16,390 thousand to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the caption "Provisions" in the statement of financial position (Note 19). The current portion of provision for isolated power system operation services for amount EUR 871 thousand was accounted in the current liabilities under the caption "Provisions" (Note 19).

As at 31 December 2019 the amount EUR 7,630 to be refunded for tertiary capacity reserve, isolated power system operation and reactive power and voltage management services was accounted in the non-current liabilities under the caption "Provisions" (Note 19), while EUR 475 thousand of receivables related to secondary active capacity reserve were accounted for in the Non-current receivables (Note 10). As at 31 December 2019, EUR 5,060 thousand of funds receivable for isolated power system operation services were accounted for in the Other receivables.

Public electricity supply

On 25 September 2020, NERC adopted a resolution No O3E-879 "On approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap". The resolution includes the methodology of determination of the additional component for distribution services to household consumers to compensate the difference between the actual and forecasted reasonable costs of a public supplier. The additional component is paid by household customers through the electricity distribution service price which is included as one of the components of public electricity tariff applied to the consumed electricity by household customers. This component is collected by distribution system operator (Group company) from all electricity suppliers that sell electricity to household customers. The calculation of the difference includes the difference resulting from the discrepancy between the forecast electricity purchase price and the actual electricity purchase price, as well as the amount of costs resulting from the difference between the public supplier's public electricity price cap and the actual electricity distribution service price caps. If the difference is negative a loss is compensated through the increased price of additional component applied in the next year and accordingly, if the difference is positive a gain is reduced through the decreased price additional component.

This resolution also stipulates for the first time that if the Group discontinues public supply services, the Group must refund raised discrepancies between the forecasted and actual costs of providing these services if the costs actually incurred by the Group were less than the income received. The amount must be refunded to the Group if the costs actually incurred by the Group were higher than the income of the transmission system operator. Before the resolution mentioned above the Group did not recognise this difference as an asset or liability. The difference shall be reimbursed till the 31 December 2025..

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

As at 31 December 2020 the current part of a receivable EUR 3,114 thousand to be refunded within the one year to the Group for a public supply services was accounted for in the Other receivables and non-current part of receivable EUR 12,324 thousand was accounted for in the Non-current receivables (Note 10).

All amounts in EUR thousand unless otherwise stated

4 Restatement of comparative figures due to reclassifications

Restatement related to 2019

	2019 before restatement	Restatement	2019 after restatement
Revenue from contracts with customers	1,079,347	1,212	1,080,559
Other income	11,280	7,437	18,717
Revenue and other income	**1,090,627**	**8,649**	**1,099,276**
Operating expenses			
Purchases of electricity, gas for trade and related services	(711,669)	8,007	(703,662)
Purchases of gas	(22,987)	-	(22,987)
Depreciation and amortisation	(109,887)	-	(109,887)
Salaries and related expenses	(86,986)	-	(86,986)
Repair and maintenance expenses	(29,798)	-	(29,798)
Revaluation of property, plant and equipment	(816)	-	(816)
(Impairment) / reversal of impairment of amounts receivable and loans	172	-	172
(Impairment) / reversal of impairment of property, plant and equipment	(8,655)	-	(8,655)
Other expenses	(37,208)	(16,388)	(53,596)
Total operating expenses	**(1,007,834)**	**(8,381)**	**(1,016,215)**
Finance income	2,193	(283)	1,910
Finance expenses	(18,833)	15	(18,818)
Profit (loss) before tax	**66,153**	**-**	**66,153**
Current year income tax (expenses)/benefit	(6,739)	-	(6,739)
Deferred income tax (expenses)/benefit	(438)	-	(438)
Net profit (loss)	**58,976**	**-**	**58,976**
Attributable to:			
Equity holders of the parent	56,665	-	56,665
Non-controlling interests	2,311	-	2,311
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss in subsequent periods			
Revaluation of property, plant and equipment	(2)		(2)
Revaluation of Emission allowances	721	-	721
Recalculation of the defined benefit plan obligation, net of deferred income tax	(28)	-	(28)
Items that will not be reclassified to profit or loss in subsequent periods, total	**691**	**-**	**691**
Items that may be reclassified to profit or loss in subsequent periods, total			
Exchange differences on translation of foreign operations into the Group's presentation currency	(5)	-	(5)
Items that may be reclassified to profit or loss in subsequent periods, total	**(5)**	**-**	**(5)**
Total other comprehensive income (loss)	**686**	**-**	**686**
Total comprehensive income (loss) for the period	**59,662**	**-**	**59,662**
Attributable to:			
Equity holders of the parent	57,351	-	57,351
Non-controlling interests	2,311	-	2,311

In preparing these financial statements, the Group has changed presentation of financial derivative-related operations in SPLOCI. The change has impact on the previous financial year, consequently reclassifications have been reflected in the comparative financial information of 2019. The information regarding reclassifications is presented below:

The Group changed presentation of financial derivative-related operations in the SPLOCI. After thorough analysis of the previous presentation of derivatives the management determined that reclassifications should be made to give more reliable information for the users of the financial statements. The Group reclassified profit and loss recognised on closed contracts of derivatives as well as profit and loss from changes in fair values of open contracts of derivates. The reclassification was made from other lines of SPLOCI to Other expenses (as the total net result for the period from all transactions related to derivatives is loss). Such presentation clarifies the total impact of financial derivatives in the SPLOCI in a more conventional way. The new accounting policy of the derivatives is fully disclosed in Note 2.3.

This restatement did not materially affect the figures presented in the statements of financial position, changes in equity and cash flows for 2019.

All amounts in EUR thousand unless otherwise stated

5 Intangible assets

Movement on the Group's account of intangible assets is presented below:

Group	Patents and licences	Computer software	Emission allowances	Other intangible assets	Goodwill	Servitudes and protection zones	In total
As at 31 December 2019							
Cost or revaluated amount	4,665	25,958	51,805	50,861	3,611	38,303	**175,203**
Accumulated amortisation	(2,435)	(20,207)	-	(9,824)	-	-	**(32,466)**
Carrying amount	**2,230**	**5,751**	**51,805**	**41,037**	**3,611**	**38,303**	**142,737**
Carrying amount at 1 January 2020	**2,230**	**5,751**	**51,805**	**41,037**	**3,611**	**38,303**	**142,737**
Additions	-	114	1,931	9,917	-	1,169	**13,131**
Revaluation	-	-	20,811	-	-	-	**20,811**
Reclassified (to) / from property plant and equipment	-	37	-	2,219	1,316	-	**3,572**
Reclassified (to) / from assets held for sale	-	-	-	11	-	-	**11**
Reclassifications between categories	(2,144)	8,126	-	(5,982)	-	-	**-**
Emission allowances utilised	-	-	(386)	-	-	-	**(386)**
Lent emission allowances received	-	-	5,087	-	-	-	**5,087**
Re-measurement of provision related to Rights to servitudes and security zones	-	-	-	-	-	(4,838)	**(4,838)**
Grant received on emission allowances	-	-	1,992	-	-	-	**1,992**
Amortisation change	(23)	(3,442)	-	(2,575)	-	-	**(6,040)**
Carrying amount at 31 December 2020	**63**	**10,586**	**81,240**	**44,627**	**4,927**	**34,634**	**176,077**
As at 31 December 2020							
Cost or revaluated amount	312	30,182	81,240	56,680	4,927	34,634	**207,974**
Accumulated amortisation	(249)	(19,596)	-	(12,052)	-	-	**(31,897)**
Carrying amount	**63**	**10,586**	**81,240**	**44,627**	**4,927**	**34,634**	**176,077**

The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. At the end of each reporting period, emission allowances are measured with reference to year-end market prices. No amortisation is recorded in respect of the emissions allowances.

Market price of emission allowances increased from EUR 24.93 per unit as at 31 December 2019 to EUR 32.04 per unit as at 31 December 2020.

As at 31 December 2020 goodwill comprises from acquisition of subsidiaries in previous period:
- VVP Investment UAB – EUR 2,150 thousand;
- Eurakras UAB – EUR 1,461 thousand;
- Pomerania Wind Farm sp. z o. o. – EUR 1,316 thousand.

As at 31 December 2020 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2020. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2045-2052, with reference to the typical operational period of 30 years.
2. The production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. The price of electricity is set at the agreed tariff and a third-party electricity price forecast after the tariff expiration (Eurakras UAB, Pomerania Wind Farm sp. z. o. o.). For VVP Investment UAB the price of electricity is set at a third-party electricity price forecast.
4. Discount rate of 4.7-5.6% after tax (5.5-6.9% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

The Group has significant acquisition commitments of intangible assets which will have to be fulfilled during the later years. Group's acquisition commitments amounted to EUR 6,469 thousand as at 31 December 2020. As at 31 December 2019 there were no significant acquisition commitments of intangible assets

All amounts in EUR thousand unless otherwise stated

6 Property, plant and equipment

Movement on the Group's account of property, plant and equipment is presented below:

Group	Land	Buildings	Structures and machinery	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Wind power plants and their installations	Structures and machinery of Thermal Power Plant	Cogeneration plants	IT and telecommunication equipment	Other property, plant and equipment	Construction in progress	In total
As at 31 December 2019												
Cost or revalued amount	3,371	30,981	1,390,318	290,446	210,729	65,234	776,583	-	22,827	16,192	374,248	**3,180,929**
Accumulated depreciation	-	(4,561)	(209,365)	(48,158)	(107,520)	(15,319)	(370,974)	-	(11,341)	(3,274)	-	**(770,512)**
Accumulated impairment	-	-	-	-	-	-	(62,265)	-	-	-	(335)	**(62,600)**
Carrying amount	**3,371**	**26,420**	**1,180,953**	**242,288**	**103,209**	**49,915**	**343,344**	**-**	**11,486**	**12,918**	**373,913**	**2,347,817**
Carrying amount at 1 January 2020	**3,371**	**26,420**	**1,180,953**	**242,288**	**103,209**	**49,915**	**343,344**	**-**	**11,486**	**12,918**	**373,913**	**2,347,817**
Additions	-	6	463	(24)	28	-	123	-	1,957	2,245	309,499	**314,297**
Sales	-	(92)	(86)	(6)	-	-	-	-	(3)	(371)	-	**(558)**
Write-offs	-	(3)	(3,743)	(219)	(19)	-	(29)	-	(12)	(35)	(84)	**(4,144)**
Revaluation	-	-	-	-	-	-	-	-	-	76	-	**76**
Impairment losses	-	-	-	-	-	-	-	-	-	(61)	(696)	**(757)**
Reverse of impairment	-	-	-	-	-	-	-	-	-	-	56	**56**
Reclassifications between categories	-	1,841	87,491	25,087	453	599	113	137,956	6,206	4,294	(264,040)	**-**
Reclassified from / (to) intangible assets	-	-	-	-	-	-	-	-	(37)	-	(3,535)	**(3,572)**
Reclassified from / (to) finance lease	-	-	-	-	-	-	-	-	-	(378)	-	**(378)**
Reclassified from / (to) assets held for sale (Note 15)	-	62	(42)	-	-	-	-	-	(18)	16,044	3	**16,049**
Reclassified from / (to) investment property	-	(62)	(17)	-	-	-	314	-	-	-	-	**235**
Reclassified from / (to) inventories	-	-	-	-	116	-	19	-	(1)	(4)	(910)	**(780)**
Reclassified from / (to) right-of-use assets	-	-	-	-	-	-	356	-	-	-	-	**356**
Reclassified from (to) other current assets	-	-	-	-	-	-	-	-	-	(119)	-	**(119)**
Depreciation change	-	(4,647)	(58,625)	(4,818)	(5,745)	(3,384)	(19,805)	(2,270)	(4,021)	(5,709)	-	**(109,024)**
Carrying amount at 31 December 2020	**3,371**	**23,525**	**1,206,394**	**262,308**	**98,042**	**47,130**	**324,435**	**135,686**	**15,557**	**28,900**	**414,206**	**2,559,554**
As at 31 December 2020												
Cost or revalued amount	3,371	32,682	1,473,664	314,756	211,264	65,833	776,152	137,956	29,903	40,241	414,206	**3,500,028**
Accumulated depreciation	-	(9,157)	(267,270)	(52,448)	(113,222)	(18,703)	(410,309)	(2,270)	(14,346)	(11,341)	-	**(899,066)**
Accumulated impairment	-	-	-	-	-	-	(41,408)	-	-	-	-	**(41,408)**
Carrying amount	**3,371**	**23,525**	**1,206,394**	**262,308**	**98,042**	**47,130**	**324,435**	**135,686**	**15,557**	**28,900**	**414,206**	**2,559,554**

Impairment of property, plant and equipment used in gas distribution activities

The Group reviewed the carrying amount of its property, plant and equipment which are recognised at acquisition cost less depreciation and impairment to determine whether there are any indications that those assets have suffered an impairment loss. Assets with carrying amount of EUR 262,308 thousand (attributable to gas distribution CGU) showed some indications (see Note 3.3) and impairment test was performed. The impairment test showed that there is no need for additional impairment loss as at 31 December 2020. The following key assumptions were used by the Group in making impairment test:

(1) Depreciation expenses from the share of new customers for the assets, which were entered into operation before 2020, will be included into the income (regulated tariffs) of gas distribution; Depreciation expenses from the share of new customers for the assets, which were entered into operation after 2020, will not be included into the income of gas distribution;
(2) WACC (rate of return set by the regulator) – 3.90% for years 2021-2023, 5.09% from 2024 (equal to pre-tax discount rate) as at 31 December 2020 (respectively 3.84% for 2020-2023, 5.96% from 2024 as at 31 December 2019);
(3) Discount rate pre-tax – 5.09% (5.96% a at 31 December 2019);
(4) the test was performed with cash flow planning until 2075, as distribution activities are regulated on the basis of a regulated base of fixed assets, which consists mainly of long-lived assets - pipelines (55 years).
(5) Updated long-term investment forecast of gas segment CGU and its financing in accordance with the Group's updated 10-year investment plan: 1) based on cost-benefit analysis, the decision was made not to install smart meters (recommendation to update cost-benefit analysis every 4 years); 2) increase investments into new customers, increase financing of new customers.

No reasonable change in key assumptions would result in impairment being recognized.

Revaluation of property, plant and equipment used in electricity distribution

The Group has reviewed the carrying amounts of property, plant and equipment that are recognised at revalued amount less depreciation and impairment to determine whether the key assumptions used in calculating the fair value of this CGU have changed significantly since 2018 valuation. Assets with a carrying amount of EUR 1,206,394 thousand. Eur (attributable to electricity distribution CGU, including construction in progress). The Group has determined that the fair value of the electricity distribution CGU as at 31 December 2020 would increase insignificantly (up to 5%) and the Group's management decided not to make fair value adjustments. The Group used the following key assumptions in performing the test:

1) discount rate - 4.33% after taxes (5.09% - before taxes) in 2020. 31 December (31 December 2019 - 5.07% (5.96% - before taxes))
2) WACC (Regulator Return) 2021. - 5.34%, 2022-2026 - 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09%;), from 2027. 5.09% (equal to the pre-tax discount rate) (31 December 2019 Respectively: 5.28% in 2020, 4.78% in 2021-2025, 5.96% from 2027)
3) the fair value test of the assets was performed by planning the cash flow until 2060, because the distribution activity is regulated on the basis of the fixed assets, which mainly consist of long-term assets (40 years)
4) an updated forecast of long-term investments in electricity CGU and their financing was used in accordance with the Group's updated 10-year investment plan.
5) The valuation model provides for the setting price limits of distribution services in average and low voltage networks in 2019-2020 there is estimated difference in income level of EUR 53 million (and interest expenses of EUR 0.567 million), reducing revenues of the subsidiary, will be returned (as part of distribution price limits) in the next regulatory period (from 2021).Therefore, value of assets will not change due to council Resolution no. O3E-334 "Due to the recalculation of the average price caps for distribution services of AB Energijos skirstymo operatorius at the average and lowest voltage network in 2019".

As at 31 December 2020 the Group has performed a sensitivity analysis of the fair value test to changes in unobservable inputs:

1) The NERC would continue to calculate the return on investment on the basis of the historical cost of property, plant and equipment and apply only limited adjustments to the long-run average incremental cost (LRAIC) model (as adjusted for 2019-2020 prices) rather than the full LRAIC model. the value of the Groups property, plant and equipment would decrease by about EUR 450 million.
2) If the NERC does not repay the amount by which the Group's distribution income was reduced in 2019-2020 by 53 million EUR amount and additionally calculated interest expenses of EUR 0.5 million. The Group's revenue in the forecasted period (2021-2060) would decrease by the above-mentioned EUR 53 million. EUR and 0.5 million. and the fair value of property, plant and equipment would decrease by EUR 49 million.
3) Sensitivity to changes in the rate of return on investment (WACC) (from the regulatory period starting in 2027) and the discount rate, which means a possible decrease or increase in the value of assets due to a change in these assumptions. An increase of 0.25% in the pre-tax WACC rate would increase the value by EUR 83 million, while a decrease of 0.25% would reduce the value EUR 83 million. A 0.51% increase in the discount rate would reduce the value by EUR 180 million, while a decrease of 0.51% in a discount rate would increase the value by EUR 207 million.

The Group also did not identify any other assets which could have indications of impairment.

Acquisitions of property, plant and equipment during 2020 include the following major acquisitions to the construction in progress:
- acquisitions for the construction of new high-efficiency waste-fired cogeneration power plants, the final exploitation and start of commercial activities of which started in the end of 2020,
- acquisitions related to the development of the electricity distribution network,
- acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 112,075 thousand as at 31 December 2020 (31 December 2019: EUR 128,504 thousand).

All amounts in EUR thousand unless otherwise stated

7 Right-of-use assets

Movement on Group's account of right-of-use asset is presented below:

Group	Land	Buildings	Structures and machinery	Wind power plants and their installations	Vehicles	Other property, plant and equipment	In total
31 December 2019							
Acquisition cost	16,143	13,874	8,232	27,290	823	317	**66,679**
Accumulated depreciation	(123)	(2,114)	(726)	(2,246)	(345)	(81)	**(5,635)**
Carrying amount at 1 January 2020	**16,020**	**11,760**	**7,506**	**25,044**	**478**	**236**	**61,044**
Additions	7,055	4,561	5	-	19	259	**11,899**
Write-offs	(157)	(1,087)	-	-	-	(233)	**(1,477)**
Reclassifications between categories	-	15	(15)	-	-	-	**-**
Reclassified from / (to) tangible assets	-	-	-	-	(356)	-	**(356)**
Reclassified from / (to) assets held for sale	-	144	96	-	-	-	**240**
Depreciation	(675)	(3,589)	(774)	(2,246)	(52)	(135)	**(7,471)**
Carrying amount at 31 December 2020	**22,243**	**11,804**	**6,818**	**22,798**	**89**	**127**	**63,879**
As at 31 December 2020							
Acquisition cost	22,947	16,398	8,329	27,290	124	343	**75,431**
Accumulated depreciation	(704)	(4,594)	(1,511)	(4,492)	(35)	(216)	**(11,552)**
Carrying amount as at 31 December 2020	**22,243**	**11,804**	**6,818**	**22,798**	**89**	**127**	**63,879**

8 Investments into subsidiaries

Information on the Company's investments in subsidiaries as at 31 December 2020 provided below:

Company name	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries					
Energijos skirstymo operatorius AB	738,877	-	738,877	98.53	98.53
Ignitis gamyba AB	313,720	-	313,720	98.20	98.20
Vilniaus kogeneracinė jėgainė UAB	52,300	-	52,300	100.00	100.00
Ignitis UAB	47,136	-	47,136	100.00	100.00
Ignitis renewables UAB	44,700	-	44,700	100.00	100.00
Kauno kogeneracinė jėgainė UAB	20,400	-	20,400	51.00	51.00
Tuuleenergia OÜ	6,659	-	6,659	100.00	100.00
Ignitis grupės paslaugų centras UAB	5,975	-	5,975	50.47	99.22
NT Valdos UAB	8,958	(3,833)	5,125	100.00	100.00
Transporto valdymas UAB	2,359	-	2,359	100.00	100.00
Elektroninių mokėjimų agentūra UAB	1,428	-	1,428	100.00	100.00
Gamybos optimizavimas UAB	350	-	350	100.00	100.00
Lietuvos energijos paramos fondas	16	-	16	100.00	100.00
Energetikos paslaugų ir rangos organizacija UAB	22,961	(22,961)	-	100.00	100.00
	1,265,839	**(26,794)**	**1,239,045**		

Information on the Company's investments in subsidiaries as at 31 December 2019 provided below:

Company name	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries					
Energijos skirstymo operatorius AB	710,921	-	710,921	94.98	94.98
Ignitis gamyba AB	307,997	-	307,997	96.82	96.82
NT Valdos UAB	8,823	-	8,823	100.00	100.00
Vilniaus kogeneracinė jėgainė UAB	52,300	-	52,300	100.00	100.00
Kauno kogeneracinė jėgainė UAB	20,400	-	20,400	51.00	51.00
Ignitis UAB	47,136	-	47,136	100.00	100.00
Tuuleenergia OÜ	6,659	-	6,659	100.00	100.00
Ignitis grupės paslaugų centras UAB	3,479	-	3,479	50.04	97.94
Elektroninių mokėjimų agentūra UAB	1,428	-	1,428	100.00	100.00
Verslo aptarnavimo centras UAB	298	-	298	51.50	98.41
Energetikos paslaugų ir rangos organizacija UAB	22,711	(22,711)	-	100.00	100.00
Lietuvos energijos paramos fondas	3	-	3	100.00	100.00
Gamybos optimizavimas UAB	350	-	350	100.00	100.00
Ignitis renewables UAB	44,700	-	44,700	100.00	100.00
	1,227,205	**(22,711)**	**1,204,494**		

All amounts in EUR thousand unless otherwise stated

Movement of the Company's investments:

	2020	2019
Carrying amount at 1 January	**1,204,494**	**1,206,921**
Increase in issued capital of subsidiaries	2,197	15,960
Establishment of subsidiaries	-	44,700
Decrease in issued capital of subsidiaries	-	(36,386)
Buyout of shares in subsidiaries	33,680	-
Disposal of investments	-	(39,747)
Coverage of losses	398	-
Reclassification from assets held for sale	2,359	-
(Impairment) / reversal of impairment of investments in subsidiaries	(4,083)	13,046
Carrying amount at 31 December	**1,239,045**	**1,204,494**

During the year 2020 total cash payments for acquisition of investment to subsidiaries and coverage of losses amount to EUR 47,588 thousand including EUR 11,313 thousand payment for share capital of the Company's subsidiary Vilniaus kogeneracinė jėgainė UAB which was increased in 2019 year.

The changes in the Company's investments in subsidiaries during the year 2020 were covered by the following events:

Reorganisation of subsidiaries

The proceedings of reorganisation of the Company's subsidiaries Ignitis grupės paslaugų centras UAB and Verslo aptarnavimo centras UAB were finalised on 1 January 2020. During the reorganisation Verslo aptarnavimo centras UAB, which ceased its activities without the liquidation procedure, was merged with Ignitis grupės paslaugų centras UAB which continues its activities. All the assets, rights and obligations, including issued capital, of Verslo aptarnavimo centras UAB were taken over by Ignitis grupės paslaugų centras UAB which continues its activities. The Company's carrying amount of investment to Ignitis grupės paslaugų centras UAB increased by EUR 298 thousand and the Company's investment to Verslo aptarnavimo centras UAB of the same carrying amount was written off.

Change in issued capital of subsidiaries

During 2020 m., the issued capital of the following subsidiaries of the Company was increased:

Subsidiary	Issue date	Number of newly issued shares*	Issue price per share, EUR	Total issue price	Amount paid up	Amount not paid up	Date of amendment to Articles of Association
Ignitis grupės paslaugų centras UAB	25/05/2020	7,577,391	0.29	2,197	2,197	-	25/05/2020
Total:				**2,197**	**2,197**	**-**	

**The number of shares owned by the Company.*

On 4 June 2020, the Company and its subsidiaries Ignitis gamyba AB, Ignitis UAB and Energijos skirstymo operatorius AB decided to increase the issued capital of Ignitis grupės paslaugų centras to EUR 12,269,066 through the issue of 15,015,247 shares with the par value of EUR 0.29 each. The Company acquired 7,577,391 shares for EUR 2,197 thousand by making a cash contribution. On 14 July 2020, the new version of the Articles of Association of the Group's company Ignitis grupės paslaugų centras UAB related to increase in issued capital was registered with the Register of Legal Entities.

During the year 2020, the issued capital of the Company's subsidiaries was not reduced.

On 16 January 2020, the increase of the issued capital of the Company's subsidiary Vilniaus kogeneracinė jėgainė UAB was paid by the Company in the amount of EUR 11,313 thousand (the increase in the issued capital was registered with the Register of Legal Entities on 30 January 2019).

Reclassification from assets held for sale

On 1 June 2020, the Board of the Company decided to terminate the sales process of shares of Transporto valdymas UAB and to initiate the termination of the transport management business by gradually reducing the activity of Transporto valdymas UAB, i.e. to the extent necessary to fulfil the existing agreements, and to initiate the procedure for the termination of the activities of Transporto valdymas UAB after the expiry of the vehicle lease agreements with Transporto valdymas UAB.

The Company's investment into Transporto valdymas UAB in the amount of EUR 2,359 thousand, which was accounted for under the line item 'Non-current assets held for sale' was reclassified to 'Investments in subsidiaries'.

Contributions against losses

Contributions against losses of the Group companies and impairment of investments in the subsidiaries in year 2020:

Subsidiary	Carrying amount at 31 December 2019	Increase in share capital	Coverage of losses	(Impairment) / reversal of impairment	Carrying amount at 31 December 2020
Energetikos paslaugų ir rangos organizacija UAB	-	-	250	(250)	**-**
NT Valdos UAB	8,823	-	135	(3,833)	**5,125**
Lietuvos energijos paramos fondas	3	-	13	-	**16**
	8,826	**-**	**398**	**(4,083)**	**5,141**

Buyout of shares in subsidiaries

During 2020 the Company have acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (31,768,397 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (8,941,615 shares for the price of 0.64 EUR per share). Acquisition lead to increased percentage of ownership by 3.55% in Energijos skirstymo operatorius AB and 1.38% in Ignitis gamyba AB. Total consideration paid for the acquired shares equal to EUR 35,727 thousand, including premium equal to dividends for year 2019 (EUR 2,048 thousand – Note 23).

As at 18 May 2020, when the Company has exercised its right as the majority shareholder of Energijos skirstymo operatorius AB and Ignitis gamyba AB and has initiated the process of mandatory shares buyout from minority shareholders of these companies. The price of shares during mandatory buyout was agreed with the Bank of Lithuania and was set at same level as during the non-competitive tender offers (EUR 0.88 per share for Energijos skirstymo operatorius AB and EUR 0.64 per share for Ignitis gamyba AB).

On 21 May 2020 Nasdaq Vilnius AB has made a decision to remove the shares of the Company's subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB from the Official Trading List. The shares of Energijos skirstymo operatorius AB and Ignitis gamyba AB were removed on 1 July 2020 (the last day of trading on the Nasdaq Vilnius shares was 30 June 2020).

Mandatory buyout of Ignitis gamyba AB was finished as at 17 August 2020. Mandatory buyout of Energijos skirstymo operatorius AB was finished as at 3 November 2020. Upon finalisation of mandatory shares buyout of Ignitis gamyba AB and Energijos skirstymo operatorius AB, the Company applied to the court regarding the transfer of ownership rights to the remaining minority shares of the abovementioned companies.

The management of the Company determined, that as at 31 December 2020 ownership of the shares Ignitis gamyba AB and Energijos skirstymo operatorius AB has not passed to the Company, the shareholders can still exercise voting rights and are eligible for dividends. Thus, the liability and increase in investment in subsidiaries are not recognised as at 31 December 2020. The Company has accounted for the mandatory buyout offers as derivative financial instruments at FVPL. As at 31 December 2020, the fair value of the derivatives is not significant as the offers are exercisable at amounts that approximate fair value of the underlying shares at the date of exercise.

Impairment test for investments into subsidiaries

Having identified impairment indications for investments in subsidiaries and receivables as at 31 December 2020, the Company performed impairment tests for the following subsidiaries: UAB Ignitis, Tuuleenergia OÜ, NT Valdos UAB.

Ignitis UAB

As at 31 December 2020, the Company performed an impairment test for investment into subsidiary Ignitis UAB and determined no impairment for investments into Ignitis UAB as at 31 December 2020.

As at 31 December , the Company tested for impairment its investment in subsidiary Ignitis UAB using the discounted cash flow method (post-tax) and by applying the following key assumptions:
1. The cash flow forecast covered the period until 2030;
2. In the period of terminal year (after 2030), cash flow growth is forecasted at 2%
3. Discount rate of 6.1% (post-tax) was used to calculate discounted cash flows.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the carrying amount of investments into Ignitis UAB.

Tuuleenergia OÜ

As at 31 December 2020, the Company performed an impairment test for investment into subsidiary Tuuleenergia OÜ and determined no impairment for investments into Tuuleenergia OÜ as at 31 December 2020.
The impairment test was performed using the discounted cash flow method and using the following key assumptions:
1. The cash flow forecast covered the period until 2043, with reference to the typical operational period of 30 years;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. During the first twelve years of operation, the price of electricity is the market price plus 53.7 EUR/MWh feed-in premium;
4. Discount rate of 4.7% (post-tax) was used to calculate discounted cash flows.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the value of investments into Tuuleenergia OÜ.

NT Valdos UAB

As at 31 December 2020, the Company tested for impairment indications for investment into subsidiary NT Valdos UAB and recognised impairment loss of EUR 3,833 thousand as at 31 December 2020. Impairment test was carried out, taking into account dividends paid by NT Valdos UAB – the carrying amount was decreased to the carrying fair value of net assets of the subsidiary.

The Company's other investments in subsidiaries

Apart from the above and the impairment already recognized previously, as at 31 December 2020, there were no indications of impairment in respect of other investments in the subsidiaries of the Company.

All amounts in EUR thousand unless otherwise stated

9 The structure of the Group

The Group's structure as at 31 December 2020:

Company name	Country of business	Company type	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Ignitis grupė AB	Lithuania	Parent company	-	-	Parent company - management and coordination of activities of the Group companies
Subsidiaries of the Group:					
Energijos skirstymo operatorius AB	Lithuania	Subsidiary	98.5299	1.4701	Distribution of electricity and gas, supply of last resort service
Ignitis gamyba AB	Lithuania	Subsidiary	98.1961	1.8039	Generation and trading of electricity
NT Valdos UAB	Lithuania	Subsidiary	100.0000	-	Management and other related services of real estate
Energetikos paslaugų ir rangos organizacija UAB	Lithuania	Subsidiary	100.0000	-	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures
Elektroninių mokėjimų agentūra UAB	Lithuania	Subsidiary	100.0000	-	Payment aggregation
Ignitis Eesti, OÜ	Estonia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Ignitis Latvija SIA	Latvia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity and gas
Ignitis Polska Sp. z o.o.	Poland	Indirectly controlled subsidiary	100.0000	-	Supply and trading of electricity and gas
Ignitis grupės paslaugų centras UAB	Lithuania	Subsidiary	99.2250	0.7750	Shared business support services
Ignitis UAB	Lithuania	Subsidiary	100.0000	-	Electricity and gas supply, trading, energy efficiency projects
Ignitis paramos fondas	Lithuania	Subsidiary	100.0000	-	Provision of support to projects, initiatives and activities, relevant to the society (no longer pursues any of its activities)
Vilniaus Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	100.0000	-	Development and operation of cogeneration power plant project
Kauno Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	51.0000	49.0000	Electricity and heat production from waste
Tuuleenergia OÜ	Lithuania	Subsidiary	100.0000	-	Generation of renewable electricity
Eurakras UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Generation of renewable electricity
Transporto valdymas UAB	Lithuania	Subsidiary	100.0000	-	Vehicle rental, leasing, repair, maintenance, renewal and service
Vėjo Vatas UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Generation of renewable electricity
Vėjo Gūsis UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Generation of renewable electricity
Gamybos optimizavimas UAB	Lithuania	Subsidiary	100.0000	-	Planning, optimization, forecasting, trading, brokering and other electricity related services
VVP Investment UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Development of a renewable energy (wind) power plant project
Ignitis renewables UAB	Lithuania	Subsidiary	100.0000	-	Coordination of operation, supervision and development of renewable energy projects
Pomerania Wind Farm Sp. z o. o.	Poland	Indirectly controlled subsidiary	100.0000	-	Development and operation of a renewable energy (wind) power plant project

During 2020 the Group have acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (31,768,397 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (8,941,615 shares for the price of 0.64 EUR per share). Acquisition lead to increased percentage of ownership by 3.55% in Energijos skirstymo operatorius AB and 1.38% in Ignitis gamyba AB. Total consideration paid for the acquired shares equal to EUR 35,727 thousand, including premium equal to dividends for year 2019 of EUR 2,048 thousand.

As at 18 May 2020, the parent company of the Group has exercised its right as the majority shareholder of Energijos skirstymo operatorius AB and Ignitis gamyba AB and has initiated the process of mandatory shares buy out from minority shareholders of these companies. The price of shares during mandatory buyout was agreed with the Bank of Lithuania and was set at same level as during the non-competitive tender offers (EUR 0.88 per share for Energijos skirstymo operatorius AB and EUR 0.64 per share for Ignitis gamyba AB).

On 21 May 2020 Nasdaq Vilnius AB has made a decision to remove the shares of the Group companies Energijos skirstymo operatorius AB and Ignitis gamyba AB from the Official Trading List. The shares of Energijos skirstymo operatorius AB and Ignitis gamyba AB were removed on 1 July 2020 (the last day of trading on the Nasdaq Vilnius shares is 30 June 2020).

Mandatory buyout of Ignitis gamyba AB was finished as at 17 August 2020. Mandatory buyout of Energijos skirstymo operatorius AB was finished as at 3 November 2020. Upon finalisation of mandatory shares buyout of Ignitis gamyba AB and Energijos skirstymo operatorius AB, the parent company of the Group applied to the court regarding the transfer of ownership rights to the remaining minority shares of the abovementioned Group's companies.

All amounts in EUR thousand unless otherwise stated

The management of the Group determined, that the Group has a plan and contractual obligation to buy out all the shares of the abovementioned subsidiaries. Consequently, the liability of EUR 19,025 thousand was recognised under the statement of financial position caption "Other current amounts payable and liabilities" as at 31 December 2020. The Group applied an accounting policy of derecognising the non-controlling interest. The difference between the liability of EUR 19,025 thousand and the non-controlling interest derecognised was recognised in equity, using above mentioned agreed prices of EUR 0.88 for 13,118,175 shares of Energijos skirstymo operatorius AB and EUR 0.64 for 11,688,245 shares of Ignitis gamyba AB. The price per share was determined using a recommendation from the Bank of Lithuania and was based on 6 months weighted average price of shares. The Group believes that the price for shares will not significantly change.

The Group's structure as at 31 December 2019:

Company name	Country of business	Company type	Group's effective ownership interest, %	Non-controlling interest's effective ownership interest, %	Profile of activities
Ignitis grupė UAB	Lithuania	Parent company	-	-	Parent company - management and coordination of activities of the Group companies
Subsidiaries of the Group:					
Energijos skirstymo operatorius AB	Lithuania	Subsidiary	94.9827	5.0173	Distribution of electricity and gas, supply of last resort service
Ignitis gamyba, AB	Lithuania	Subsidiary	96.8164	3.1836	Generation and trading of electricity
NT Valdos UAB	Lithuania	Subsidiary	100.0000	-	Management and other related services of real estate
Duomenų logistikos centras, UAB	Lithuania	Subsidiary	79.6360	20.3640	Information technology and telecommunication services
Energetikos paslaugų ir rangos organizacija UAB	Lithuania	Subsidiary	100.0000	-	Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures
Elektroninių mokėjimų agentūra UAB	Lithuania	Subsidiary	100.0000	-	Payment aggregation
Ignitis Eesti, OÜ	Estonia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity
Ignitis Latvija SIA	Latvia	Indirectly controlled subsidiary	100.0000	-	Supply of electricity and gas
Ignitis Polska sp. z o.o.	Poland	Indirectly controlled subsidiary	100.0000	-	Supply and trading of electricity and gas
Ignitis grupės paslaugų centras, UAB	Lithuania	Subsidiary	97.9447	2.0553	Shared business support services
Verslo aptarnavimo centras, UAB	Lithuania	Subsidiary	98.4061	1.5939	Organisation and execution of public procurement, accounting, legal, personnel administration services
Ignitis UAB	Lithuania	Subsidiary	100.0000	-	Electricity and gas supply, trading, energy efficiency projects
Ignitis paramos fondas	Lithuania	Subsidiary	100.0000	-	Provision of support to projects, initiatives and activities, relevant to the society
Vilniaus Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	100.0000	-	Development and operation of cogeneration power plant project
Kauno Kogeneracinė Jėgainė UAB	Lithuania	Subsidiary	51.0000	49.0000	Electricity and heat production from waste
Tuuleenergia OÜ	Lithuania	Subsidiary	100.0000	-	Generation of renewable electricity
Eurakras UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Generation of renewable electricity
Transporto valdymas UAB	Lithuania	Subsidiary	100.0000	-	Vehicle rental, leasing, repair, maintenance, renewal and service
Vėjo Vatas UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Generation of renewable electricity
Vėjo Gūsis UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Generation of renewable electricity
Gamybos optimizavimas UAB	Lithuania	Subsidiary	100.0000	-	Planning, optimization, forecasting, trading, brokering and other electricity related services
VVP Investment UAB	Lithuania	Indirectly controlled subsidiary	100.0000	-	Development of a renewable energy (wind) power plant project
Ignitis renewables, UAB	Lithuania	Subsidiary	100.0000	-	Coordination of operation, supervision and development of renewable energy projects
Pomerania Wind Farm Sp. z o. o.	Poland	Indirectly controlled subsidiary	100.0000	-	Development and operation of a renewable energy (wind) power plant project

All amounts in EUR thousand unless otherwise stated

10 Non-current receivables

Non-current receivables comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current receivables				
Amount receivable on disposal of LitGrid AB	136,212	158,658	136,212	158,658
Accrued revenue related to regulatory activity of the public electricity supply	12,324	-	-	-
Finance lease	8,860	3,043	-	-
Accrued Kaunas cogeneration plant infrastructure installation cost compensation	-	606	-	-
Accrued revenue related to the system services	-	475	-	-
Loans granted	1,908	211	753,092	564,543
Other non-current amounts receivable	2,211	2,126	810	88
Total:	**161,515**	**165,119**	**890,114**	**723,289**
Less: allowance	-	(88)	-	(88)
Carrying amount	**161,515**	**165,031**	**890,114**	**723,201**

According to the agreement EPSO-G UAB during the period until 2022 must repay the debt to the Group for the shares of AB Litgrid acquired in 30 September 2012. Amount of the estimated final price premium during the year 2020 has not changed. The amount receivable from EPSO-G UAB for shares is treated as a financial asset measured at FVPL.

Expected credit losses of loans granted

As at 31 December 2020, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted.

Loans granted by the Company

The Company's loans granted as at 31 December 2020 comprised of loans granted to the following subsidiaries:

	Interest rate type	Within one year	After one year	Total
Energijos skirstymo operatorius AB	Fixed interest	-	616,288	**616,288**
Energijos skirstymo operatorius AB (loans taken over)	Variable interest	7,901	41,444	**49,345**
Tuuleenergia OÜ	Fixed interest	-	19,119	**19,119**
Eurakras UAB	Fixed interest	-	17,555	**17,555**
Ignitis UAB	Variable interest	-	27,000	**27,000**
Ignitis UAB	Fixed interest	77	11,800	**11,877**
Transporto valdymas UAB	Variable interest	-	17,236	**17,236**
Ignitis renewables UAB	Fixed interest	56,922	2,650	**59,572**
Carrying amount		**64,900**	**753,092**	**817,992**

On 30 June 2020, the Company signed a long-term loan agreement with Energijos skirstymo operatorius AB, under which EUR 200 million loan is granted to ensure reliability and efficiency of distribution network, and to refinance outstanding liabilities. The repayment date of the loan is 21 May 2030. The fixed interest rate under the agreement coincides with the effective interest rate on the bonds issued on 14 May 2020 (Note 17) and is set as 2.17%. The essential terms and conditions of the agreement coincide with the terms and conditions of the bonds issue. The agreement does not provide for any other additional obligations (guarantees, warranties, pledges, etc.) to enforce obligations. Under this agreement, the loan was disbursed as at 1 July 2020.

As well during the year 2020 the Company granted new non-current loan to subsidiary Ignitis UAB for an amount of EUR 8,300 thousand with a fixed interest rate 2.97% and to subsidiary Ignitis renewables UAB for amount of EUR 2,650 thousand with a fixed rate 2.28%, the maturity of these loans is 10 July 2028.

The Company's loans granted as at 31 December 2019 comprised loans granted to the following subsidiaries:

	Interest rate type	Within one year	After one year	Total
Energijos skirstymo operatorius AB	Fixed interest		416,288	**416,288**
Energijos skirstymo operatorius AB (loans taken over)	Variable interest		49,345	**82,247**
Tuuleenergia OÜ	Fixed interest	-	19,119	**19,119**
Eurakras UAB	Fixed interest	-	24,355	**24,355**
Ignitis UAB	Variable interest	60,255	30,500	**90,755**
Transporto valdymas UAB	Variable interest	-	24,936	**24,936**
Vėjo vatas UAB	Fixed interest	2,547	-	**2,547**
Energetikos paslaugų ir rangos organizacija UAB	Variable interest	1,480	-	**1,480**
Ignitis grupės paslaugų centras UAB	Variable interest	1,473	-	**1,473**
Ignitis renewables UAB	Fixed interest	56,922	-	**56,922**
VVP investment UAB	Variable interest	400	-	**400**
Energijos skirstymo operatorius AB	Variable interest	105,164	-	**105,164**
Vilniaus kogeneracinė jėgainė UAB	Variable interest	3,336	-	**3,336**
Carrying amount		**264,479**	**564,543**	**829,022**

All amounts in EUR thousand unless otherwise stated

11 Current loans and interests receivable

The Company's current loans and interests receivable include:

Company	31 December 2020	31 December 2019
Current portion of non-current loans	7,901	35,449
Cash-pool loans	77	171,708
Current loans	56,922	57,322
Interest receivable	9,056	7,276
Total:	**73,956**	**271,755**
Less: impairment of loans	-	(806)
Carrying amount	**73,956**	**270,949**

During the year the Company reversed an impairment loss related to a cash pool loan granted to one subsidiary for an amount of EUR 806 thousand. No additional impairment was calculated or accounted for.

12 Prepayments and deferred expenses

The Group's current prepayments and deferred expenses were as follows:

Group	31 December 2020	31 December 2019
Prepayments for natural gas	7,710	8,880
Deposits related to Power Exchange	37,431	19,195
Deferred expenses	1,499	1,306
Prepayments for other goods and services	949	13,693
Prepayments for electricity due to over-declaration by customers	-	5,194
Other prepayments	3,114	2,280
Carrying amount	**50,703**	**50,548**

13 Trade receivables

The Group's trade receivables consist of:

Group	31 December 2020	31 December 2019
Amounts receivable under contracts with customers		
Receivables from electricity related sales	96,523	81,537
Receivables from gas related - non-household	30,311	31,990
Receivables from gas related - household	2,881	3,479
Other receivables	8,575	8,916
Trade receivables from other contracts		
Receivables for lease of assets	7	722
In total	**138,297**	**126,644**
Less: impairment of trade receivables	(9,874)	(8,777)
Carrying amount	**128,423**	**117,867**

As at 31 December 2020 and 31 December 2019, the Group had no pledged the claim rights to trade receivables.

Under the contracts with customers, no interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlement between related parties see Note 24.

As at 31 December 2020 the outstanding amount of payments deferred in respect of the first quarantine due to COVID-19 disease (Note 3.1) is less than EUR 100 thousand from total satisfied requests that as at 16 June 2020 amounted to EUR 4.3 million. During the second quarantine (Note 3.1) no payment deferrals are provided.

All amounts in EUR thousand unless otherwise stated

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2020 that are assessed on a collective basis using the loss ratio matrix.

Group	Loss ratio	Trade receivables	Impairment
Not past due	0.56	54,994	308
Up to 30 days	2.81	3,632	102
30–60 days	5.69	843	48
60-90 days	10.49	467	49
90-120 days	15.02	333	50
More than 120 days	75.87	8,277	6,280
As at 31 December 2020	**9.97**	**68,546**	**6,837**

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2019 that are assessed on a collective basis using the loss ratio matrix.

Group	Loss ratio	Trade receivables	Impairment
Not past due	0.19	46,329	86
Up to 30 days	4.22	8,337	352
30–60 days	7.44	833	62
60-90 days	17.24	609	105
90-120 days	23.16	354	82
More than 120 days	49.88	13,018	6,494
As at 31 December 2019	**10.34**	**69,480**	**7,181**

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

Group	31 December 2020		31 December 2019	
	Trade receivables	Decrease in value	Trade receivables	Impairment
Not past due	66,098	743	53,824	437
Up to 30 days	830	77	550	35
30–60 days	169	18	214	28
60-90 days	173	93	78	21
90-120 days	209	87	109	7
More than 120 days	2,272	2,019	2,389	1,068
Total	**69,751**	**3,037**	**57,164**	**1,596**

14 Cash and cash equivalents

Cash, cash equivalents and a bank overdraft include the following for the purposes of the interim condensed consolidated cash flow statement:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash and cash equivalents	657,314	130,686	421,289	144
Restricted cash	1,481	1,151	-	-
Bank overdraft	-	(191,291)	-	(191,291)
Carrying amount	**658,795**	**(59,454)**	**421,289**	**(191,147)**

The fair values of cash and cash equivalents as at 31 December 2020 and 2019 approximated their carrying amounts.

Restricted cash is held with banks in accordance with certain agreements requirements, for example deposits related to guarantee of performance of the contract. These deposits are not available to finance the Group's day-to-day operations.

Under the loan agreements signed with the banks, the Group has pledged current and future cash inflows. As at 31 December 2020, the balance of cash pledged amounted to EUR 16,024 thousand (31 December 2019: EUR 256 thousand).

All amounts in EUR thousand unless otherwise stated

15 Assets held for sale

The Group's and the Company's non-current assets held for sale comprised as follows:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Property, plant and equipment and investment property	473	4,753	-	77
Disposal group	-	35,890	-	-
Investments in subsidiaries	-	-	-	7,064
Carrying amount	**473**	**40,643**	**-**	**7,141**

Movement of the Group and the Company's non-current assets held-for-sale during the 2020 were as follows:

	Group	Company
Carrying amount as at 1 January 2020	**40,643**	**7,141**
Disposals	(13,337)	(4,705)
Increase (decrease) in property, plant and equipment and investment property	(943)	-
Reclassified (to) from:		
Intangible assets	*(11)*	-
Property, plant, and equipment (Note 6)	*(16,049)*	-
Investments in subsidiaries	-	*(2,359)*
Investment property	-	*(77)*
Right-of-use assets	*(240)*	-
Finance lease receivables	*(8,564)*	-
Non-current receivables	*(1,026)*	-
Carrying amount as at 31 December 2020	**473**	**-**

As at 31 December 2019 the line item 'Disposal group' includes assets of subsidiaries Transporto valdymas UAB and Duomenų logistikos centras UAB amounting to EUR 35,890 thousand, which were intended to be disposed by the Group. During 2020 the management changed its decision to sell a subsidiary Transporto valdymas UAB. A subsidiary Duomenų logistikos centras UAB was sold as at 7 July 2020.

During 2020 the Group sold property classified as held for sale of EUR 13,322 thousand carrying value for EUR 14,398 thousand consideration.

16 Equity

Issued capital of the Company and Group consisted of:

	31 December 2020	31 December 2019
Share capital		
Ordinary shares, EUR	1,658,756,294	1,212,156,294
Ordinary shares issued and fully paid, EUR	**1,658,756,294**	**1,212,156,294**

As at 31 December 2019 the Group's issued capital comprised EUR 1,212,156,294 and was divided in to 4,179,849,289 registered ordinary shares with par value is EUR 0.29 of each.

As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Group. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Group is changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Group was divided into 54,283,757 ordinary registered shares.

On 7 October 2020 the Group's whole newly issued capital consisting of 20,000,000 ordinary registered shares has been admitted to the Main Trading List of Nasdaq Vilnius, as well the global depositary receipts (hereinafter "GDR") representing the shares have been admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority (FCA) and to trading on the Main Market of the London Stock Exchange. The IPO solely was comprised of 20,000,000 shares newly issued on 5 October 2020. The IPO consists of two tranches: 1) securities in the form of shares and GDR offered to institutional investors, and 2) securities in the form of shares offered to retail investors who are residents of Lithuania, Latvia and Estonia. During the IPO, institutional investors subscribed for 18,130,699 shares in the form of shares and GDRs. Retail investors subscribed for 1,869,301 shares during the IPO.

As at 31 December 2020 the Group's issued capital comprised EUR 1,658,756,294 and was divided in to 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share, emission price EUR 22.50 value for a share.

On 7 October 2020 the Group's share premium comprised EUR 3,400 thousand.

The attributable costs of the issuance of the shares of EUR 11,033 thousand have been charged directly to equity as a reduction in share premium EUR 3,400 thousand and EUR 7,633 thousand as a reduction in retained earnings. Transaction costs directly attributable to issuing new shares of EUR 11,033 thousand comprised mainly of fees to syndicate banks of the IPO.

All amounts in EUR thousand unless otherwise stated

17 Loans and bonds

Borrowings of the Group and the Company consisted of:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current				
Bonds issued	886,945	590,120	886,945	590,120
Bank borrowings	359,183	231,809	-	49,345
Current				
Current portion of non-current loans	6,333	37,454	-	32,901
Bank overdrafts	-	191,291	-	191,291
Accrued interest	9,143	5,446	9,143	5,446
In total	**1,261,604**	**1,056,120**	**896,088**	**869,103**

On 14 October 2020 the Group company Pomerania Wind Farm Sp. z o. o. signed an agreement with the Nordic Investment Bank (hereinafter "NIB") for the loan of up to PLN 150 million (EUR 32.9 million) for the implementation of the Pomerania wind farm project which is being developed in Poland. As at 31 December 2020 the loan was disbursed in the amount of EUR 32.572 thousand. Under this loan agreement all shares for a 100% of the Group's subsidiary Pomerania Wind Farm Sp. z o. o. were secondary pledged to the NIB. The date of loan repayment is 31 December 2035.

During the year 2020 the Group has withdrawn a credit of EUR 42,958 thousand according to the agreement with Swedbank AB signed on 31 May 2017 for the loan of EUR 120 million. By this agreement a funding to the subsidiary Kauno kogeneracinė jėgainė UAB for the construction of a co-generation power plant in Kaunas was designated. As at 31 December 2020 total credit withdrawn amounts to EUR 114,709 thousand (31 December 2019: EUR 61,029 thousand), repayment term of the credit is 31 May 2022 paying the full amount.

On 14 May 2020, the Group placed a EUR 300 million issue of bonds with a 10-year term to maturity. Annual interest of 2.00% will be payable for bonds. As at 31 December 2020 net cash inflows from bond emission comprise 98.564% of the par value of the bond issue or EUR 295,694 thousand.

On 7 April 2020 the Group received a fourth tranche EUR 40 million of funding from the European Investment Bank under the agreement signed on 5 December 2016 for the loan of EUR 190 million. By this agreement a funding to the subsidiary Vilniaus kogeneracinė jėgainė UAB for the construction of a co-generation power plant in Vilnius was designated. During the period 2018-2020 total fundings were received in amount of EUR 140 million and the repayment term of them is 2035-2037 year. The outstanding debt as at 31 December 2020 is EUR 139,984 thousand (31 December 2019: EUR 99,796 thousand).

On 10 March 2020 the Group concluded an agreement with the European Investment Bank (hereinafter "EIB") for PLN 258 million (EUR 56.4 million) loan for the implementation of its wind farm project. As at 31 December 2020 the loan was fully disbursed. Under this loan agreement all shares for a 100% of the Group's subsidiary Pomerania Wind Farm Sp. z o. o. were pledged to the EIB. The date of loan repayment is 31 December 2035.

During the year 2020 the Group fully repaid loans that were refinanced by OP Corporate Bank Plc and SEB Bankas AB according to trilateral agreements signed on 8 November 2017 on the transfer of debt and rights and obligations of Group's subsidiary (as at 31 December 2019 the outstanding debt amounted to 82,246 thousand).

During the year 2020 the Group repaid overdrafts taken from banks Swedbank AB and SEB Bankas AB, the outstanding balance of which on 31 December 2019 was EUR 191,291 thousand.

For the year of 2020 expenses related to interest on the issued bonds totalled EUR 16,689 thousand (2019: EUR 12,731 thousand). The accrued amount of coupon payable as at 31 December 2020 amounted to EUR 9,143 thousand (31 December 2019: EUR 5,446 thousand).

For the year of 2020 expenses related to interest on the loans and overdrafts totalled EUR 2,578 thousand (2019: EUR 1,934 thousand).

Non-current borrowings by maturity:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
From 1 to 2 years	128,720	32,104	-	7,049
From 2 to 5 years	44,396	95,719	-	21,148
After 5 years	1,073,012	694,106	886,945	611,268
Total	**1,246,128**	**821,929**	**886,945**	**639,465**

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2020 and 2019.

All amounts in EUR thousand unless otherwise stated

The weighted average interest rates (%) on the Group's and the Company's borrowings payable with fixed and variable interest rates:

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current borrowings				
Fixed interest rate	1.920	2.069	1.886	2.054
Variable interest rate	0.789	0.958	0.765	0.911
Current borrowings				
Variable interest rate	0.446	0.446	0.446	0.410

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

Group	Assets		Lease liabilities		Borrowings			
	Cash and cash equivalents	Term deposits and deposit into an escrow account	Non-current lease liabilities	Current lease liabilities	Non-current portion of non-current borrowings	Current portion of non-current borrowings	Current borrowings	Total
Net debt at 1 January 2020	**(131,837)**	**-**	**33,818**	**8,400**	**821,929**	**37,454**	**196,737**	**966,501**
Cash changes								
(Increase) decrease in cash and cash equivalents	(526,958)	-	-	-	-	-	-	**(526,958)**
Issued bonds	-	-	-	-	295,457	-	-	**295,457**
Proceeds from borrowings	-	-	-	-	182,950	-	-	**182,950**
(Repayments) of borrowings	-	-	-	-	(43,553)	(43,245)	-	**(86,798)**
Lease payments (principal portion)	-	-	(2,120)	(8,231)	-	-	-	**(10,351)**
Interest paid	-	-	-	(960)	(1,095)	(12,522)	(1,308)	**(15,885)**
(Repayments) of overdraft	-	-	-	-	-	-	(191,291)	**(191,291)**
Deposit into an escrow account		(45,000)						**(45,000)**
Non-cash changes								
Lease contracts concluded	-	-	9,915	506	-	-	-	**10,421**
Accrual of interest payable	-	-	10	950	8,684	10,495	2,879	**23,018**
Reclassification of interest payable from (to) trade payables	-	-	-	-	103	(566)	389	**(74)**
Reclassifications to liabilities attributable to assets held for sale	-	-	126	115	-	-	-	**241**
Reclassifications between items	-	-	(12,621)	12,621	(18,347)	14,717	3,630	**-**
VAT on interest payable	-	-	-	-	-	-	(1,893)	**(1,893)**
Net debt at 31 December 2020	**(658,795**	**(45,000)**	**29,128**	**13,401**	**1,246,128**	**6,333**	**9,143**	**600,338**

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

	Assets		Lease liabilities		Borrowings			
	Cash and cash equivalents	Deposit into an escrow account	Non-current lease liabilities	Current lease liabilities	Non-current portion of non-current borrowings	Current portion of non-current borrowings	Current borrowin gs	Total
Net debt at 1 January 2020	**(144)**	**-**	**563**	**277**	**639,465**	**32,901**	**196,737**	**869,799**
Cash changes								
(Increase)decrease in cash and cash equivalents	(421,145)	-	-	-	-	-	-	**(421 145)**
Issue of bonds	-	-	-	-	295,657	-	-	**295 657**
(Repayments) of borrowings (including overdraft)	-	-	-	-	(43,418) -	(38,828)	(191 291)	**(273 537)**
Lease payments (principal portion)	-	-	-	(261)	-	-	-	**(261)**
Interest paid	(275)	-	-	-	-	(12,220)	(777)	**(13,272)**
Deposit into an escrow account	-	(45,000)	-	-	-	-	-	**(45,000)**
Non-cash changes								
Lease contracts concluded	-	-	(60)	2	-	-	-	**(58)**
Accrual of interest payable	275	-	(1)	-	7,375	9,910	777	**18,336**
Reclassifications between items	-	-	(235)	235	(11,934)	8,237	3,697	**-**
Cost of issue of bond correction	-	-	-	-	(200)	-	-	**(200)**
Net debt at 31 December 2020	**(421,289)**	**(45,000)**	**267**	**253**	**886,945**	**-**	**9,143**	**430,319**

All amounts in EUR thousand unless otherwise stated

18 Lease liabilities

The Group minimum payments under leases are as follows:

	31 December 2020	31 December 2019
Minimum payments		
Within the first year	14,022	8,927
From two to five years	11,835	19,466
More than five years	38,484	29,497
In total	**64,341**	**57,890**
Future finance costs		
Within the first year	(621)	(527)
From two to five years	(2,416)	(1,348)
More than five years	(18,775)	(13,797)
In total	**(21,812)**	**(15,672)**
Carrying amount	**42,529**	**42,218**

19 Provisions

The Group's provisions were as follows:

Group	31 December 2020	31 December 2019
Non-current	40,695	35,564
Current	30,399	19,818
Total	**71,094**	**55,382**

Movement of the Group's provisions during the 2020 was as follows:

	Emission allowance liabilities	Provisions for employee benefits	Provisions for servitudes (Note 3.6)	Provisions for registration of protection zones (Note 3.6)	Provision for isolated power system operations' and system services (Note 3.7)	Other provisions	Total
Balance as at 1 January 2020	**479**	**3,540**	**26,952**	**8,328**	**12,718**	**3,365**	**55,382**
Increase during the year	14,010	161	-	-	7,592	503	**22,266**
Utilised during the year	(826)	(125)	(258)	-	(3,049)	(143)	**(4,401)**
Revaluation of emission allowances utilised	3,561	-	,	,	-	-	**3,561**
Result of change in assumptions	-	73	(12,015)	6,741	-	(513)	**(5,714)**
Balance as at 31 December 2020	**17,224**	**3,649**	**14,679**	**15,069**	**17,261**	**3,212**	**71,094**

Provision for servitudes is the provision for one-off compensations to third parties for damages related to the establishment of statutory servitudes (effective until 10 July 2004). Significant change in provisions for rights to servitudes and protection zones were caused by change in management's key assumptions used to estimate the period-end balance (Note 3.6).

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees. The balance of provisions at the reporting date is reviewed with reference to actuarial calculations to ensure that estimation of retirement benefit liabilities is as much accurate as possible. The liabilities are recognised at discounted value using the market interest rate.

The item of "Other provisions" mainly consists of provision related to dismantling of units in Elektrenai Complex.

All amounts in EUR thousand unless otherwise stated

20 Deferred income and advances received

Deferred income

Movements in the Group deferred income during 2020 :

Group	Current portion	Non-current portion
Balance at 1 January 2020	**9,749**	**151,910**
Increase during the year	668	19,994
Recognised as revenue	(7,429)	-
Reclassified from (to) other current amounts payable	(1,900)	-
Reclassifications between items	7,491	(7,491)
Balance at 31 December 2020	**8,579**	**164,413**

As at 31 December 2020 and 2019 deferred income mainly represents an income from connection of new customers to natural gas system and to the electricity grid under the contracts with customers. Revenue from connection of new customers to natural gas system and to electricity grid is recognised over the average useful life of related items of property, plant and equipment.

Advances received

The Group's advances received were as follows:

Group	31 December 2020	31 December 2019
Current prepayments under contracts with customers (contract liabilities)	40,617	51,665
Current prepayments under other contracts	2,027	80
In total	**42,644**	**51,745**

21 Revenue from contracts with customers

The Group's revenue from contracts with customers consisted of:

	2020	2019 (restated) *
Electricity related revenue		
Revenue from the sale of electricity*	177,324	156,611
Revenue from public electricity supply	165,134	137,190
Revenue from sale of produced electricity	121,188	69,290
Income from services ensuring the isolated operation of power system and capacity reserve	55,554	62,258
Revenue from electricity transmission and distribution*	412,371	331,625
Revenue from PSO	10,189	13,855
Gas related revenue		
Revenue from gas sales	179,492	210,857
LNGT security component income	27,636	29,372
Revenue from gas transmission and distribution	36,344	34,870
Other revenue		
Revenue from new customers' connection fees	7,429	5,294
Proceeds from the sale of heat energy	3,997	3,631
Other revenue from contracts with customers	18,698	25,706
Total	**1,215,355**	**1,080,559**

The line item "Revenue from the sale of electricity" was increased by EUR 1,212 thousands for the year 2019 due to restatement of comparative figures due to reclassified results related to derivatives as disclosed in the Note 4

** the revenue from the guaranteed electricity supply services amounting to EUR 17,930 thousand (2019: EUR 27,954 thousand) was reclassified from the line item "Revenue from electricity transmission and distribution" to the line item "Revenue from the sale of electricity"*

The Company's revenue from contracts with customers for 2020 consisted of management fee income amounted to EUR 3,104 thousand (2019: EUR 3,283 thousand) and other revenue amounted to EUR 1,782 thousand (2019 none).

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

Group	2020	2019
Performance obligation settled over time	1,205,701	1,074,219
Performance obligation settled at a specific point in time	9,654	6,340
In total	**1,215,355**	**1,080,559**

All amounts in EUR thousand unless otherwise stated

The timing when the Company satisfies its performance obligations:

Company	2020	2019
Performance obligation settled over time	3,104	3,283
Performance obligation settled at a specific point in time	1,782	-
In total	**4,886**	**3,283**

Balances under contracts with customers

Group	Notes	31 December 2020	31 December 2019
Trade receivables*	13	**128,416**	**117,145**
Contract assets		**7,187**	**5,016**
Accrued revenue from electricity energy sales		6,787	4,943
Accrued revenue from gas sales		400	73
Contract liabilities		**213,609**	**213,324**
Prepayments received	21	40,617	51,665
Deferred revenue	21	172,992	161,659

** Trade receivables related to lease contracts are excluded*

Company	Notes	31 December 2020	31 December 2019
Trade receivables	13	**313**	**380**

Rights to returned good assets and refund liabilities

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

Performance obligations

The remaining performance obligations expected to be recognised after the end of the financial year relate to new customers connection fees:

Group	31 December 2020	31 December 2019
More than one year	164,413	151,910
Within one year	8,579	9,749
Total liability under connection contracts	**172,992**	**161,659**

22 Earnings per share

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

	2020	2019
Net profit (loss)	169,262	58,976
Attributable to:		
Equity holders of the parent	169,816	56,665
Non-controlling interests	(554)	2,311
Weighted average number of nominal shares	59,050,880	54,283,757
Basic earnings/(loss) per share attributable to shareholders of the Parent Company	2,88	1,04
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company	2,88	1,04

Basic and diluted earnings per share indicators have been calculated based on 59,050,880, a weighted average number of ordinary shares for 2020 as Ignitis grupė AB authorised capital has been increased by twenty million ordinary nominal shares on 5 October 2020 in relation with the IPO.

As at 31 December 2019 the Company's issued capital was divided in to 4,179,849,289 registered ordinary shares with par value of EUR 0.29 per each. As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Company. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Company was changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Company was divided into 54,283,757 ordinary registered shares. In order to ensure comparability of EPS figures between the periods weighted average number of shares used in calculation for 2019 was adjusted to 54,283,757.

Share-based options for employee's were excluded from calculations in year 2020, but could potentially affect diluted EPS in future periods.

All amounts in EUR thousand unless otherwise stated

23 Dividends

Dividends announced by the Group and the Company

The Group's and the Company's declared dividends during the year:

	2020	2019
Ignitis grupė AB	70,000	13,000

A dividend of Eur 28 million for the year of 2019 was declared in May 2020. A dividend of EUR 42 million for the first half of 2020 was declared in September 2020 and paid prior to the IPO. A remaining part of EUR 43 million for the second half of 2020 is subject to approval at the Annual General Meeting on 25 March 2021. Declared dividend for the year of 2020 will amount EUR 85 million according to approved dividend policy.

Dividends received by Stabilisation Manager („Swedbank“, AB) in connection with Stabilisation Shares, shall be transferred back to the Company.

Dividends received by the Company

Dividends received by the Company from subsidiaries during 2020:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the Company	Non-controlling interest dividends
30/04/2020	Energijos skirstymo operatorius AB	2019	0.0760	67,992	66,399	1,593
27/04/2020	NT valdos UAB	2019	21.7901	3,762	3,762	-
22/04/2020	Ignitis grupės paslaugų centras UAB	2019	0.0175	739	374	4
30/04/2020	Ignitis gamyba AB	2019	0.0560	36,288	35,361	927
28/09/2020	Ignitis gamyba AB	2020 I half-year	0.0230	14,904	14,635	269
26/10/2020	Tuuleenergia OÜ	2019	1,680	1,680	1,680	-
05/2020	Energijos skirstymo operatorius AB*				(1,819)	
05/2020	Ignitis gamyba AB*				(229)	
Total				**125,365**	**120,163**	**2,793**

**For the purpose of SPLOCI, 2020 dividend income was reduced by the amount of dividends paid as premium to the former shareholders of Energijos skirstymo operatorius AB and Ignitis gamyba AB (see below the paragraph „Additional bonus equal to the amount of dividends“).*

Dividends received by the Company from subsidiaries during 2019:

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
05/03/2019	Duomenų logistikos centras UAB	2018	0.0290	405	324	82
30/04/2019	Ignitis grupės paslaugų centras, UAB	2018	0.0150	327	164	7
30/04/2019	Verslo aptarnavimo centras UAB	2018	0.2100	123	63	2
30/04/2019	Tuuleenergia OÜ	2018	1.8000	899	899	-
29/04/2019	Eurakras UAB	2018	11.7200	1,870	-	-
12/04/2019	Ignitis gamyba AB	2nd half of 2018	0.0100	6,480	6,274	206
27/09/2019	Ignitis gamyba AB	1st half of 2018	0.0290	18,792	18,194	599
				28,896	**25,918**	**896**

Additional bonus equal to the amount of dividends

The Tender Offer Circular approved by the Bank of Lithuania on 30 March 2020 indicates that if the Ordinary Meetings of Shareholders of Ignitis gamyba AB and Energijos skirstymo operatorius AB held on 30 April 2020 have adopted the resolution to pay dividends to the shareholders of these companies for the year 2019, to the persons who are not the shareholders of the Company on the rights accounting day as a result of selling their shares to the Company, the Company will pay an additional bonus equal to the amount of dividends that a shareholder would have received in proportion to the shares he/she held and sold to the offeror at the time of the official tender offer, if he had been a shareholder of the Company on the rights accounting day.

In line with the resolution of the General Meeting of Shareholders of Ignitis gamyba AB on 30 April 2020 to pay dividends (EUR 0.056 per share), the Company paid additional bonuses equal to the amount of dividends to the former shareholders of Ignitis gamyba AB in May 2020 in the amount of EUR 229 thousand.

In line with the resolution of the General Meeting of Shareholders of Energijos skirstymo operatorius AB on 30 April 2020 to pay dividends (EUR 0.076 per share), the Company paid additional bonuses equal to the amount of dividends to the former shareholders of Energijos skirstymo operatorius AB in May 2020 in the amount of EUR 1,819 thousand.

All amounts in EUR thousand unless otherwise stated

24 Related-party transactions

As at 31 December 2020 and 31 December 2019, the Company's controlling party was the Government of the Republic of Lithuania represented by the Lithuanian Ministry of Finance. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The below disclosures comprise transactions and balances with the shareholder, subsidiaries (the Company's transactions) and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

The Group's transactions with related parties are presented below:

Related party	2020			2019		
	Sales	Purchases	Finance income (expenses)	Sales	Purchases	Finance income (expenses)
EPSO-G UAB	28	-	747	32	-	1,017
Litgrid AB	84,638	165,659	-	75,474	134,833	-
Amber Grid AB	30,380	45,443	-	32,575	62,409	1
Baltpool UAB	122,297	85,517	-	39,300	36,980	-
Tetas UAB	440	8,143	-	555	6,115	6
GET Baltic UAB	24,928	28,507	-	26,050	2,110	-
Associates and other related parties of the Group	182	524	-	62	1,217	-
Total	**262,893**	**333,793**	**747**	**174,048**	**243,664**	**1,024**

The Group's balances with related parties are presented below:

Related party	31 December 2020		31 December 2019	
	Amounts receivable	Amounts payable	Amounts receivable	Amounts payable
EPSO-G UAB	150,842	-	158,943	-
Litgrid AB	9,407	18,900	10,297	14,749
Amber Grid AB	4,217	5,227	4,203	6,329
Baltpool UAB	10,334	11,353	11,682	10,177
Tetas UAB	51	1,276	84	869
GET Baltic UAB	2,903	1	754	-
Associates and other related parties of the Group	30	280	116	217
Total	**177,784**	**37,037**	**186,079**	**32,341**

The Company's related party transactions conducted and balances arising on these transactions are presented below:

Related parties	Amounts receivable	Loans receivable	Amounts payable	Sales	Purchases	Finance income (cost)
	31 December 2020	31 December 2020	31 December 2020	2020	2020	2020
Subsidiaries						
Energijos skirstymo operatorius AB	88	673,281	-	1,055	(37)	12,404
Ignitis gamyba AB	34	-	-	440	(6)	-
Energetikos paslaugų ir rangos organizacija UAB	-	2	-	-	-	22
Elektroninių mokėjimų agentūra UAB	3	-	-	51	-	-
Transporto valdymas UAB	-	17,260	9	-	97	289
Ignitis grupės paslaugų centras UAB	55	1	444	293	1,801	10
Ignitis UAB	66	39,135	-	682	(17)	1,282
Vilniaus kogeneracinė jėgainė UAB	23	192	-	144	-	1,728
Eurakras UAB	-	17,660	-	-	-	621
Tuuleenergia OÜ	-	19,402	-	-	-	583
Kauno kogeneracinė jėgainė UAB	6	194	-	92	(21)	540
Vėjo gūsis UAB	-	5	-	-	-	57
Vėjo vatas UAB	-	11	-	-	-	117
Gamybos optimizavimas UAB	2	-	50	16	-	17
VVP investment UAB	-	2	-	-	-	21
Ignitis renewables UAB	36	59,689	-	332	(72)	1,415
Pomerania Wind Farm sp. z o.	-	69	-	-	-	154
Other related parties						
EPSO-G UAB	150,839	-	-	-	-	747
Total	**151,152**	**826,903**	**503**	**3,105**	**1,745**	**20,007**

All amounts in EUR thousand unless otherwise stated

Related parties	Amounts receivable	Loans receivable	Amounts payable	Sales	Purchases	Finance income (cost)
	31 December 2019	31 December 2019	31 December 2019	2019	2019	2019
Subsidiaries						
Energijos skirstymo operatorius AB	159	608,690	-	1,446	-	9,708
Ignitis gamyba AB	42	-	-	478	-	-
Energetikos paslaugų ir rangos organizacija UAB	-	1,484	-	4	-	45
Elektroninių mokėjimų agentūra UAB	4	-	-	21	-	-
Energijos tiekimas UAB	-	-	-	96	-	91
Duomenų logistikos centras UAB	-	-	1	5	-	-
NT valdos UAB	-	-	-	30	-	3
Transporto valdymas UAB	-	25,539	10	-	100	359
Ignitis grupės paslaugų centras UAB	8	1,474	41	126	407	10
Ignitis UAB	51	90,913	-	424	-	911
Verslo aptarnavimo centras UAB	49	-	166	228	971	2
Vilniaus kogeneracinė jėgainė UAB	11	3,473	11,314	125	20	683
EURAKRAS UAB	-	24,754	-	10	-	709
Tuuleenergia OŪ	-	19,403	-	1	-	655
Kauno kogeneracinė jėgainė UAB	21	104	-	166	-	236
Vėjo gūsis UAB	-	7	-	-	-	75
Vėjo vatas UAB	-	2,766	-	-	1	133
Gamybos optimizavimas UAB	1	-	-	7	-	-
VVP Investment UAB	-	403	-	-	-	14
Ignitis renewables UAB	9	57,087	-	59	-	805
Other related parties						
UAB „EPSO-G“	158,739	201	-	-	-	1,017
Total	**159,094**	**836,298**	**11,532**	**3,226**	**1,499**	**15,456**

Compensation to key management personnel:

	2020	2019
Wages and salaries and other short-term benefits to key management personnel	5,034	4,967
Whereof: termination benefits and benefits to Board Members	453	434
Number of key management personnel	55	62

25 Operating segments

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

Management follows performance by operating segments that are consistent with the lines of business specified in the Group's strategy:
Networks segment includes the activities carried out by Energijos skirstymo operatorius AB;
Green generation segment includes activities carried out by Ignitis gamyba AB (Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler), Vilniaus kogeneracinė jėgainė UAB, Kauno kogeneracinė jėgainė UAB, Eurakras UAB, Tuuleenergia OU, Vėjo gūsis UAB, Vėjo vatas UAB, VVP Investment UAB, Ignitis renewables UAB, Pomerania Wind Farm sp. z o. o.;
Flexible generation segment includes activities carried out by Ignitis gamyba AB (except Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler).
Customers and solutions segment includes activities carried out by Ignitis UAB, Energijos Tiekimas UAB (until 31 May 2019), Ignitis Eesti OÜ, Ignitis Latvija SIA, Ignitis Polska Sp. z o. o.

Other activities and eliminations include:
support services companies (Ignitis grupės paslaugų centras UAB, Verslo aptarnavimo centras UAB (until 31 December 2019));
non-core activities companies (Energetikos paslaugų ir rangos organizacija UAB, Duomenų logistikos centras (until 7July 2020) UAB, NT Valdos UAB, Transporto valdymas UAB);
additional service entities (Elektroninių mokėjimų agentūra UAB, Gamybos optimizavimas UAB);
parent company Ignitis grupė AB;
consolidation corrections and eliminations of intercompany transactions.

In 2020 operating segments were changed - parent company does not constitute a separate operating segment and for clarity and easier information for readers is no longer disclosed separately, but is combined with other companies included in other activities, consolidation adjustments and eliminations of intercompany transactions.

The Group has a single geographical segment – the Republic of Lithuania, electricity sales in Latvia, Estonia and Poland are not significant for the Group. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of revenue and expenses. The primary performance measure is adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (adjusted EBITDA – a non-IFRS alternative performance measure). Another performance measure is adjusted Earnings Before Interest and Taxes (adjusted EBIT – a non-IFRS alternative performance measure). Both measures are calculated starting from the data presented in the financial statements prepared in accordance with IFRS as adjusted by management for selected items which are not defined by IFRS. Additionally to adjusted EBITDA and adjusted EBIT management also analyses Investments and Net debt of each individual segment.

The Group management calculates EBITDA as follows:

Total revenue and other income -
Purchases of electricity, gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses

EBITDA

The Group management calculates adjusted EBITDA as follows:

EBITDA +
Management adjustments (for revenues) +
Management adjustments (for expenses)

Adjusted EBITDA

The Group management calculates EBIT as follows:

Total revenue and other income -
Purchases of electricity, gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses -
Depreciation and amortisation -
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets -
Revaluation of emission allowances

EBIT

The Group management calculates adjusted EBIT as follows:

EBIT +
Management adjustments (for revenues) +
Revaluation of emission allowances

Adjusted EBIT

The Group management calculates adjusted EBITDA margin as follows:

Adjusted EBITDA ÷
(Total revenue and other income +
Management adjustments (for revenues))

Adjusted EBITDA margin

The Group management calculates Investments as follows:

Additions of property, plant and equipment +
Additions of intangible assets +
Assets acquired through the acquisition of subsidiaries +
Additions of other financial assets +
Additions of investment property

Investments

The Group's management calculates Net debt as disclosed in Note 17.

All amounts in EUR thousand unless otherwise stated

Management's adjustments, adjusted EBITDA and EBIT

Management's adjustments for revenues and expenses used Management's adjustments used in calculating adjusted EBITDA and adjusted EBIT:

Segment / Management's adjustments	2020	2019
Networks		
Temporary regulatory differences of Energijos skirstymo operatorius AB	4,687	36,905
Cash effect restatement of new connection points and upgrades of Energijos skirstymo operatorius AB	13,224	16,105
Result of disposal of non-current assets	(732)	(609)
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	696	502
Compensation received for the previous periods	-	(2,613)
Green generation		
Temporary regulatory differences of Ignitis gamyba AB	566	544
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	-	(3)
Flexible generation		
Temporary regulatory differences of Ignitis gamyba AB	(409)	(6,279)
Temporary fluctuations in fair value of derivatives	(431)	431
Result of disposal of non-current assets	(7)	-
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	70	(1,054)
Received compensation related to carried out projects in previous periods	-	(9,276)
Customers and Solutions		
Temporary regulatory differences of Ignitis UAB	(43,306)	564
Temporary fluctuations in fair value of electricity and gas derivatives of Ignitis UAB and Energijos tiekimas", UAB (until 31 May 2019)	(18,085)	16,373
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	2,418	3,808
Other segments and consolidation adjustment		
Revenue related to GDRs	(1,782)	-
Result of disposal of non-current assets	(2,986)	(595)
Impairment and write-offs of current and non-current amounts receivables, loans, goods and others	258	(1,968)
Total Management's adjustments for Adjusted EBITDA	**(45,819)**	**52,835**
Total Management's adjustments for Adjusted EBIT	**(49,261)**	**51,550**

Group information about operating segments for 2020 is provided below:

	Networks	Green generation	Flexible generation	Customers and Solutions	Other activities and eliminations	Total Group
*IFRS**						
Sales revenue from external customers	481,300	88,701	110,022	533,245	9,822	**1,223,090**
Inter-segment revenue (less dividend)	906	321	1,706	15,287	(18,220)	**-**
Total revenue and other income	**482,206**	**89,022**	**111,728**	**548,532**	**(8,398)**	**1,223,090**
Purchases of electricity, gas and other services	(194,475)	(21,405)	(62,339)	(437,356)	12,984	**(702,591)**
Salaries and related expenses	(51,368)	(6,437)	(7,002)	(9,876)	(18,110)	**(92,793)**
Repair and maintenance expenses	(24,842)	(2,857)	(6,257)	(5)	(111)	**(34,072)**
Other expenses	(30,422)	(8,141)	(3,549)	(31,278)	17,198	**(56,192)**
EBITDA	**181,099**	**50,182**	**32,581**	**70,017**	**3,563**	**337,442**
Depreciation and amortization	(78,283)	(17,633)	(11,370)	(1,551)	(4,537)	**(113,374)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(4,699)	(19)	(157)	(49)	(1,006)	**(5,930)**
Revaluation of emission allowances	-	(558)	(2,665)	-	-	**(3,223)**
Operating profit (loss) (EBIT)	**98,117**	**31,972**	**18,389**	**68,417**	**(1,980)**	**214,915**
*Adjusted***						
EBITDA	**181,099**	**50,182**	**32,581**	**70,017**	**3,563**	**337,442**
Management adjustments (for revenues)	17,179	566	(847)	(61,391)	(4,768)	**(49,261)**
Management adjustments (for expenses)	696	-	70	2,418	258	**3,442**
Adjusted EBITDA	**198,974**	**50,748**	**31,804**	**11,044**	**(947)**	**291,623**
Adjusted EBITDA margin	*39.8%*	*56.6%*	*28.7%*	*2.3%*	*(7.2%)*	***24.8%***
Depreciation and amortisation	(78,283)	(17,633)	(11,370)	(1,551)	(4,537)	**(113,374)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(4,699)	(19)	(157)	(49)	(1,006)	**(5,930)**
Write-offs and impairment of non-current and current receivables, inventories and other write-offs	(696)	-	(70)	(2,418)	(258)	**(3,442)**
Adjusted operating profit (loss) (adjusted EBIT)	**115,296**	**33,096**	**20,207**	**7,026**	**(6,748)**	**168,877**
Property, plant and equipment, intangible and right-of-use assets	1,616,944	755,387	400,982	6,633	19,564	**2,799,510**
Investments	140,607	197,017	1,520	2,187	5,432	**346,763**
Net debt	680,701	352,413	(40,197)	29,365	(421,944)	**600,338**

** Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*

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

All amounts in EUR thousand unless otherwise stated

Group information about operating segments for 2019 is provided below*:

	Networks	Green generation	Flexible generation	Customers and Solutions	Other activities and eliminations	Total Group
*IFRS***						
Sales revenue from external customers	413,793	83,269	80,130	511,146	10,938	**1,099,276**
Inter-segment revenue (less dividend)	1,187	(234)	689	11,103	(12,745)	**-**
Total revenue and other income	**414,980**	**83,035**	**80,819**	**522,249**	**(1,807)**	**1,099,276**
Purchases of electricity, gas and other services	(183,335)	(27,698)	(28,391)	(493,745)	6,520	**(726,649)**
Salaries and related expenses	(46,000)	(4,391)	(6,305)	(4,925)	(25,365)	**(86,986)**
Repair and maintenance expenses	(21,745)	(2,367)	(4,885)	(3)	(798)	**(29,798)**
Other expenses	(33,702)	(5,678)	(3,028)	(33,396)	27,028	**(48,776)**
EBITDA	**130,198**	**42,901**	**38,210**	**(9,820)**	**5,578**	**207,067**
Depreciation and amortization	(80,957)	(15,346)	(11,592)	(412)	(1,581)	**(109,888)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(8,210)	-	(275)	-	(5,202)	**(13,687)**
Revaluation of emission allowances	-	-	(431)	-	-	**(431)**
Operating profit (loss) (EBIT)	**41,031**	**27,555**	**25,912**	**(10,232)**	**(1,205)**	**83,061**
*Adjusted****						
EBITDA	**130,198**	**42,901**	**38,210**	**(9,820)**	**5,578**	**207,067**
Management adjustments (for revenues)	49,788	544	(15,124)	16,937	(595)	**51,550**
Management adjustments (for expenses)	502	(3)	(1,054)	3,808	(1,968)	**1,285**
Adjusted EBITDA	**180,488**	**43,442**	**22,032**	**10,925**	**3,015**	**259,902**
Adjusted EBITDA margin	*38.8%*	*52.0%*	*33.5%*	*2.0%*	*(125.5)%*	***22.6%***
Depreciation and amortisation	(80,957)	(15,346)	(11,592)	(412)	(1,581)	**(109,888)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(8,210)	-	(275)	-	(5,202)	**(13,687)**
Write-offs and impairment of non-current and current receivables, inventories and other write-offs	(502)	3	1,054	(3,808)	1,968	**(1,285)**
Adjusted operating profit (loss) (adjusted EBIT)	**90,819**	**28,099**	**11,219**	**6,705**	**(1,800)**	**135,042**
Property, plant and equipment, intangible and right-of-use assets	1,565,350	585,296	392,012	4,234	4,706	**2,551,598**
Investments	178,954	253,866	551	3,166	16,701	**453,238**
Net debt	657,710	278,479	(43,151)	91,188	(17,725)	**966,501**

**Certain amounts presented above do not correspond to the interim condensed consolidated financial statements prepared for the period of 2019 due to restatement of comparative figures due to reclassified results related to derivatives as disclosed in the Note 4.*
*** Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*
**** The indicators of Adjusted EBITDA and adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods*

26 Fair values of financial instruments

Financial instruments, measured at fair value

The Group's derivative financial instruments (Level 2 of the fair value hierarchy), the Group's price premium payable and amounts receivable for disposal of Litgrid AB shares (Level 3 of the fair value hierarchy), the Group's option right to acquire shares in subsidiary (Level 2 of the fair value hierarchy) are measured at fair value.

As at 31 December 2020 and 2019, the Group and Company accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2019 – 0.614%).

As at 31 December 2020 and 2019, the Group accounted for the option to acquire all the shares of Kauno kogeneracinė jėgainė UAB held by FORTUM HEAT LIETUVA UAB (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to FORTUM HEAT LIETUVA UAB for the redeemable FORTUM HEAT LIETUVA UAB owned Kauno kogeneracinė jėgainė UAB shares, if they choose to sell them, equals the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of market value). Fair value corresponds to level 2 in the fair value hierarchy. The fair value was approximately equal to the carrying amount.

As at 31 December 2020 and 2019, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 2.3. Fair value corresponds to level 2 in the fair value hierarchy.

As at 31 December 2020 and 2019, the Group and Company has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The Group accounts for financial asset at fair value. Fair value corresponds to level 3 in the fair value hierarchy.

Financial instruments for which fair value is disclosed

The Group's and Company's fair value of loans granted is approximately equal to carrying amount as disclosed in Note 10. The measurement of financial assets related to the loans issued is attributed to Level 2 of the fair value hierarchy.

The Group's and Company's bond issue debt (Note 17) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.186% as at 31 December 2020 (31 December 2019 – 1.29%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that are similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group's and Company's fair value of financial liabilities related to the debt liabilities to commercial banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.56% as at 31 December 2020 (31 December 2019 – 2.39%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The Group's and Company's fair value of financial liabilities related to the debt liabilities to state-owned investment banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.56% as at 31 December 2020 (31 December 2019 – 4.04%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

All amounts in EUR thousand unless otherwise stated

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2020:

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at fair value through profit (loss)						
Assets						
Receivable for the sale of LitGrid AB	11	150,693	-	-	150,693	150,693
Derivative financial instruments		3,311	-	3,311	-	3,311
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB		4,912	-	-	4,912	4,912
Liabilities						
Put option redemption liability		16,660	-	16,660	-	16,660
Derivative financial instruments		2,202	-	2,202	-	2,202
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	11,12	1,908	-	1,908	-	1,908
Liabilities						
Bonds issued	19	896,088	-	894,158	-	894,158
Debt liabilities to commercial banks	19	136,262	-	130,808	-	130,808
Debt liabilities to state-owned investment banks	19	229,254	-	196,045	-	196,045

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2020 (refer to Note 2.30 of 2019 annual financial statements for the description of the fair value hierarchy levels):

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at fair value through profit (loss)						
Assets						
Receivable for the sale of LitGrid AB	10	150,693	-	-	150,693	150,693
Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB		4,912	-	-	4,912	4,912
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary Energijos skirstymo operatorius AB		616,288	-	614,862	-	614,862
Loans granted	10,11	210,760	-	199,204	-	199,204
Liabilities						
Bonds issued	18	896,088	-	894,158	-	894,158

All amounts in EUR thousand unless otherwise stated

27 Contingent liabilities and commitments

27.1 Guarantees issued and received by the Company

Issued guarantees related to loans

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

Name of the subsidiary	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2020	31 December 2019
Vilniaus kogeneracinė jėgainė UAB	European Investment Bank	30/12/2016	07/04/2034	190,000	139,984	99,881
Kauno kogeneracinė jėgainė UAB	Swedbank AB	18/10/2017	18/10/2022	68,000	58,502	31,125
Vėjo gūsis UAB	Swedbank lizingas, UAB	29/01/2019	28/02/2022	9,258	4,327	6,797
Vėjo vatas UAB	Swedbank lizingas, UAB	29/01/2019	28/02/2021	9,687	5,125	7,413
Pomerania Wind Farm sp. z o. o.	European Investment Bank	09/03/2020	31/12/2035	67,872	56,560	-
Pomerania Wind Farm sp. z o. o.	Nordic Investment Group	14/10/2020	31/12/2035	32,920	32,920	-
Ignitis grupė UAB Group companies	Ignitis grupė UAB Group companies	12/03/2020	11/03/2021	-	12,459	54,106
In total				**377,737**	**309,877**	**199,322**

The Group companies can lend each other their funds by virtually transferring them to the Group's corporate account (cashpool) opened at the bank Swedbank AB. The Company guarantees that funds borrowed by the subsidiaries at the cashpool account are timely repaid to the subsidiaries that have lent funds. As at 31 December 2020, the amount lent and borrowed by the subsidiaries at the Group's cashpool account totalled EUR 12,536 thousand (31 December 2019: EUR 225,783 thousand), including the amount of EUR 77 thousand (31 December 2019: EUR 171,708 thousand) lent by the Company.

Pomerania Wind Farm Sp. z o. o., part of the group of companies owned by the Company, has entered into an agreement with the European Investment Bank (hereinafter "EIB") by which the loan of PLN 258 million (approx. EUR 56.6 million) was disbursed to the company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and EIB. The guarantee amounts to 120% of loan amount – i.e. PLN 309.6 million (approx. EUR 67.9 million). The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm Sp. z o. o. signed an agreement with EIB for pledging 100% of the shares of Pomerania Wind Farm Sp. z o. o. in favour of the lender. The repayment date of the loan is 31 December 2035.

On 5 December 2016, the Company and the EIB (Luxembourg) signed a guarantee and indemnity agreement under which the Company secured fulfilment of all current and future obligations of subsidiary Vilniaus kogeneracinė jėgainė UAB in the amount of EUR 190,000 thousand under the credit agreement signed on 5 December 2016 with the EIB for the term of 17 years. The guarantee cover the repayment of all types of payables related to the usage of the provided loan to the EIB. As at 31 December 2020, amounts withdrawn by Vilniaus kogeneracinė jėgainė UAB from the loan provided by the EIB totalled EUR 139,984 thousand (31 December 2019: EUR 99,881 thousand).
On 31 May 2017, the Company's subsidiary Kauno kogeneracinė jėgainė UAB and Swedbank AB signed the credit agreement for the amount of EUR 120,000 thousand. The loan is designated for the financing of construction works of the co-generation power plant complex in Kaunas and the financing of the following construction-related expenses of the project being implemented: financing of payments under the agreements on construction, supply of equipment, electrification, general construction works, general systems, installation of automation systems, insurance, management of the construction site, project management, as well as the financing of advance payments (credit funds cannot be used for the financing of interest and unforeseen expenditure), excl. VAT. As at 31 December 2020, amounts withdrawn from the loan provided totalled EUR 114,709 thousand (31 December 2019: EUR 61,029 thousand). Monetary liabilities of Kauno kogeneracinė jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Fortum OYJ (Finland) in proportion to the number of shares of Kauno kogeneracinė jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by FORTUM HEAT LIETUVA UAB.

Pomerania Wind Farm Sp. z o. o., part of the group of companies owned by the Company, has entered into an agreement with the Nordic Investment Group (hereinafter "NIB") by which the loan of PLN 150 million (approx. EUR 32.9 million) was disbursed to the company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and NIB. The guarantee amounts to 100% of loan amount. The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm Sp. z o. o. signed an agreement with NIB for secondary pledging 100% of the shares of Pomerania Wind Farm Sp. z o. o. in favour of the lender.

All amounts in EUR thousand unless otherwise stated

Other issued guarantees

The Company has provided the following other guarantees for its subsidiaries:

Name of the subsidiary	Beneficiary of the guarantee	Issue at	Maturity	31 December 2020	31 December 2019
Energetikos paslaugų ir rangos organizacija UAB	SEB bankas AB	04/07/2018	30/12/2021	405	871
VVP Investments UAB	Swedbank AB	11/10/2019	01/08/2023	945	945
Ignitis UAB	NASDAQ Clearing AB	01/01/2020	termless	55,000	-
Gamybos optimizavimas UAB	Ignitis gamyba AB	01/01/2020	30/06/2022	5,000	-
In total				**61,350**	**1,816**

On 1 January 2020 the Company has issued guarantee for it’s subsidiary Ignitis UAB for the market risk exposure related to trading activities performed on NASDAQ platform. Subsidiary performs electricity-related trading of financial derivatives for hedge accounting purposes. Guarantee was issued due to increased trading activity on NASDAQ platform.

27.2 Litgations

Below there are described most significant litigations as at 31 December 2020:

Litigation with Šiaulių energija AB

Šiaulių energija AB filed a claim against the Group’s subsidiary Energijos skirstymo operatorius AB (hereinafter “ESO”) for indemnification of losses incurred due to a failure in LitGrid AB networks on 25 March 2019, which caused a short circuit and overvoltage in ESO networks and the electrical equipment of the Šiaulių energija AB power plant connected to them. This claim seeks joint and several damages from ESO and LitGrid AB in the amount of EUR 1,272 thousand.

Due to this incident, an investigation was carried out by the NERC, during which ESO's liability for failure of the plaintiff's electrical equipment was not established. The Group’s management does not agree with the claim, as ESO did not violate the contract or other legal acts, and is of the opinion that Šiaulių energija AB is responsible for the losses incurred during the accident. Next hearing in case is scheduled on 1 March 2021. The Group believes that it will defend its interests these proceedings successfully and has not made provisions for these proceedings.

Litigation with Vilniaus energija UAB

The plaintiff Vilniaus energija UAB has filed a claim with the Vilnius Regional Court regarding the award of EUR 9,284 thousand from Energijos skirstymo operatorius AB. The plaintiff claims to have incurred EUR 9,284 thousand losses due to the fact that Energijos skirstymo operatorius AB during the year 2014 purchased only the electricity produced by the Plaintiff’s cogeneration plants in the technical minimum regime. On 17 March 2017, the Plaintiff updated the subject-matter of the claim and requested the court to award damages in the amount of EUR 10,712 thousand.

By its decision of 28 January 2020, the Vilnius Regional Court partially satisfied the claim of Vilniaus energija UAB and
1) acknowledged that Vilniaus energija UAB was discriminated against in relation to other cogeneration plants;
2) awarded Vilniaus energija UAB from ESO EUR 1,725 thousand in damages incurred in year 2014. And EUR 535 thousand in damages incurred in year 2015. (in total EUR 2,260 thousand);
3) awarded annual procedural interest in the amount of 6 per cent for the awarded amount of damages from the day of instituting proceedings in court in 24 May 2014 until the date of full execution of the judgment.
The part of the claim, in which Vilniaus energija UAB requested to be recognised as having discriminated by the balancing energy supplier AB Ignitis gamyba against it, and ordered ESO to pay EUR 4,615 thousand as damages incurred in year 2014 and EUR 3,837 thousand as damages incurred in year 2015 was rejected.

On 27 February 2020 ESO filed an appeal against the part of the decision of the Vilnius Regional Court of 28 January 2020, which satisfied the claim of Vilniaus energija UAB: ESO did not agree with the conclusion of the Vilnius Regional Court that it discriminated against Vilniaus energija UAB in purchasing eligible electricity. In the absence of a violation of competition law in ESO's actions, ESO is not obliged to compensate Vilniaus energija UAB for the losses it allegedly incurred.

By a ruling of 11 June 2020, the Lithuanian Court of Appeal reversed the decision of the Vilnius Regional Court of 28 January 2020 and completely rejected the claim of Vilniaus energija UAB.

By its ruling of 22 September 2020, the Supreme Court of Lithuania accepted the cassation appeal of Vilniaus energija UAB. ESO's response to the cassation appeal of Vilniaus energija UAB was filed on 21 October 2020. A hearing of the Supreme Court of Lithuania has been scheduled on 31 March 2021.

The Group’s management expects that the cassation appeal of Vilniaus energija UAB will be rejected as unfounded.

Litigation with a minority shareholder of Energijos skirstymo operatorius AB

On 10 August 2020, the Group received a claim from minority shareholder of subsidiary ESO regarding buyout of shares (Note 9). The claim requires to determine the correct price of ESO shares, which must be paid by the Company to the shareholders during the mandatory redemption of shares. On 15 February 2021 the plaintiff specified that the price, which must be paid by the Company to him is 22,57 Eur per 1 share . In the opinion of the management, there should be no significant impact on the Group’s financial position or results because the price noted by the plaintiff has no legal and finance ground.

Litigation with Rafako S.A.

On 10 July 2020 Rafako S.A. filed a claim in Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter "Arbitration Court") concerning the construction contract. On 22 January 2021, Rafako S.A. filed full Statement of Claim and mandates its requests after assessing the termination of the contract on 6 October 2020. The hearings of the Arbitration Court shall be held and other proceedings of the parties shall be conducted in accordance with the schedule approved by the Arbitral Court. The Group considers the claimant's claim to be unfounded.

According to the Group's management, the position of the company in this dispute is strong, so it is expected to win the dispute. According to the management, this dispute will not have significant financial consequences for the implementation of the project.

Litigation with Kauno termofikacijos elektrinė UAB

The Group as at 17 December 2018 applied to the Vilnius Commercial Arbitration Court for compensation of EUR 1,677 thousand for losses incurred due to the Kauno termofikacijos elektrinė UAB failure to acquire the entire required LNG quantity allocated for 2015 year and for the award of EUR 123 thousand in default interest. On 21 May 2021 a written hearing is scheduled. The case is still pending.

Litigation with subcontractors regarding the Vilniaus kogeneracinė jėgainė construction works

As at 31 December 2020 the Group, as a defendant or a third party, has been involved in litigation with subcontractors regarding possible liabilities, although it has fully settled the contract with the main contractor and the work performed by it. The outcome of litigation should not create additional obligations for the Group in relation to subcontractors.

Investigation by European Commission

Based on a press release of the European Commission, the Group informs that on 3 June 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Group in the context of a strategic reserve measure. The Group's management is not aware of any circumstances that could result in potential significant liabilities for the Group in this respect, so therefore no provisions are recognized.

27.3 Contract with Equinor ASA due to the required purchase of liquefied gas at the LNGT

On 10 February 2014 the Minister of Energy appointed the Group to carry out the activities of the designated supplier for a period of 10 years, i.e. until 2024. In 2014 having received all the necessary approvals of the Government of the Republic of Lithuania (hereinafter "GRL") and the sole shareholder and based on the legislation in force at that time, the Group selected the LNG supplier Equinor ASA (formerly Statoil ASA) by tender and entered into a 5-year LNG supply contract. With the market price of natural gas falling significantly and gas demand in the Lithuanian energy sector declining, the agreement with Equinor ASA was renegotiated and on 19 February 2016 was signed with the conditions approved by GRL: the annual contracted natural gas supply was reduced from 5.98 TWh to 3.87 TWh per year (or from 6 to 4 standard LNG ships per year), the contract term was extended from 2019 to 2024.

The required LNG quantity at LNGT is coordinated with NERC and approved by the GLR. LNGT Operator in accordance with the established procedure on 8 April 2019 submitted to GRL the required LNG quantity, which was coordinated with the Group and approved by NERC resolution No. O3E-95 on 1 April 2019, for all 5 years, i.e. from 1 January 2020 till 1 January 2025, – from 3.87 TWh to 5.98 TWh per year. According to the resolutions by GRL, the required quantity was approved for 2014-2019 and 2020.

GLR was looking for ways to reduce LNGT required quantity for 2021 year and on 2 December 2020 registered a draft resolution where is proposed to set the LNGT quantity 1.9 TWh per year (or 2 standard LNG ships per year). A lower minimum required quantity of the LNGT could lead to possible losses to the Group, as the Group is contractually obliged to purchase 4 standard LNG ships from Equinor ASA. The LNG price per MWh stipulated in the Equinor ASA contract is about EUR 5-7 higher than the market price, and this price difference is compensated to the Group through the regulatory model of the designated supply. Therefore, in the opinion of the Group's management, after the adoption of the said draft resolution, the Group would suffer from 9.8 to 13.8 million. Eur loss.

On 30 December 2020 GLR adopted the resolution No. 1482, which approved the LNGT required quantity for 2021 year – 3.87 TWh (or 4 standard LNG ships). The Group is committed by GLR to find ways to optimize the cost of the designated supply and is currently in negotiations with Equinor ASA. As the required quantity is approved only for the year 2021, the risk of significant losses to the Group remains if the required quantity of less than 4 standard size LNG ships will be approved for the years 2022 - 2024. The Group considers that such risk is minimal, as both the LNGT Operator and NERC declared the required LNG quantity from 3.87 TWh to 5.98 TWh per year for the period 2021 – 2024.

28 Events after the reporting period

28.1 Events related to litigation and claims

On 26 January 2021 UAB "AXIS Tech" filed a lawsuit with the Vilnius Regional Court regarding EUR 5,284 thousand debt, unjust enrichment for construction works, materials. The Group considers the claimant's claim to be unfounded.

28.2 Other events

Loan agreement with UAB "Ignitis renewables"

On 1 February 2021 Supervisory Board of the Company approved the loan agreement, which would not exceed EUR 293 million, with the subsidiary UAB "Ignitis renewables". The funds from the loan will be used, if needed, to acquire and develop renewable energy projects and refinance the current loans. Actual scope and use of the funds will depend in large part on the situation in the market and the supply of investment projects meeting the returns expectations. The lending complies with the green generation development priorities and goals set out in the Company's strategy. The loan will be allocated from the green bond funds raised by the Company and its equity. The loan repayment period – no longer than 10 years from the moment of the money transfer.

Kruonis Pumped Storage Hydroelectric Powerplant expansion plan

On 24 February 2021 the Supervisory Board of its subsidiary AB "Ignitis gamyba" approved the decision of the Management Board of AB "Ignitis gamyba" to approve the expansion plan of the Kruonis Pumped Storage Hydroelectric Powerplant (hereinafter – Kruonis PSHP) and initiate the first stage of the development – a tender for technical consultation services.

According to the preliminary assessment, the 5th hydropower unit of Kruonis PSHP will commence operations in 2025.

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

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