# 2021 Twelve months
## Interim report

Consolidated interim report for the twelve-month period ended 31 December 2021 and the interim condensed consolidated and the interim condensed parent company's financial statements for the twelve-month period ended 31 December 2021, prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union

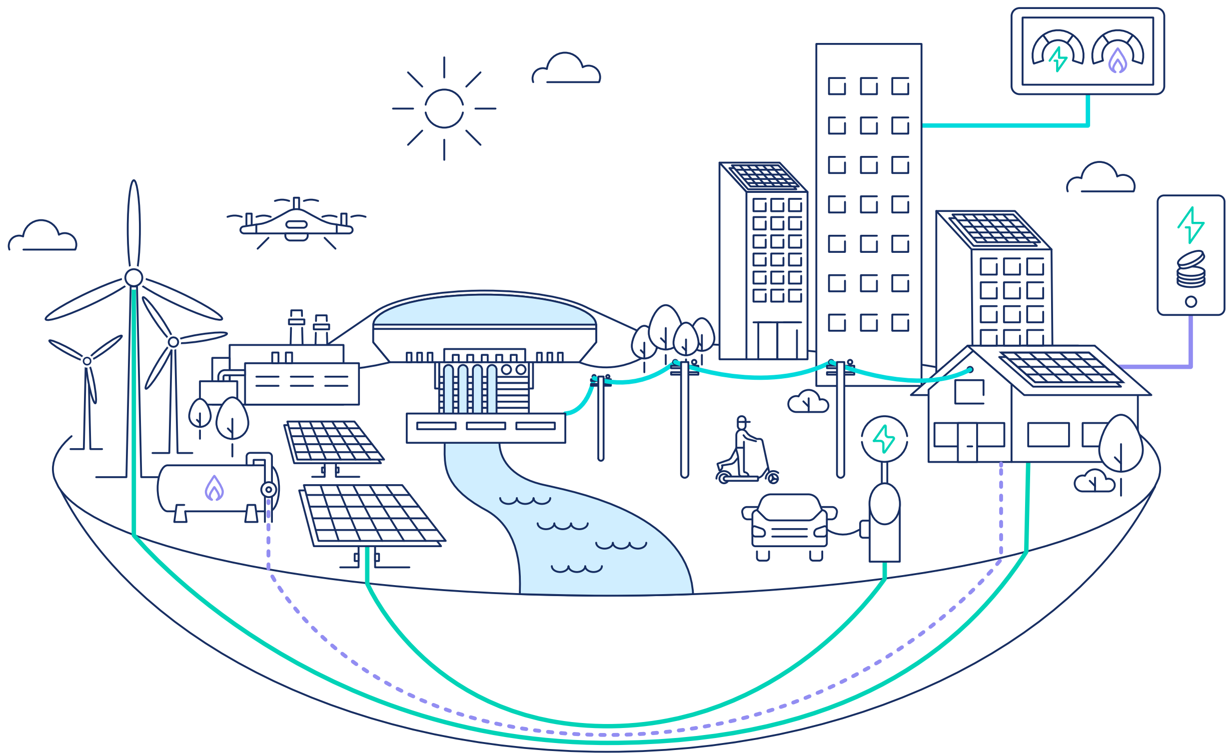
# Ignitis Group – creating an energy smart world

## Who we are

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

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

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



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

**Green Generation**
Focused, sustainable and profitable growth.

**Flexible Generation**
Reliable and flexible power system.

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

# Contents

# Overview

# 1.1 CEO's statement

## Highlights

**Financials**

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

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

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

**Business development**

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

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

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

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

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

**Targets for 2022–2025**

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

**Governance**

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

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

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

## Surpassed outlook driven by Green Generation, recognition of ESG excellence

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

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

## Performance

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

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

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

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

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

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

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

## Business development

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

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

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

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

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

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

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

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

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

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

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

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

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

**Sustainability**

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

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

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

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

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

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

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

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


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

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

**Targets for 2022–2025**

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

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

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

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

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

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

**Corporate changes**

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

**Looking ahead**

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

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

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

# 1.2 Business highlights

## Q1

### February

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

**Strategy:** Published the 2021–2024 Strategic Plan.

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

### March

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

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

**Governance:** Updated the Remuneration Policy.

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

## Q2

### April

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

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

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

### May

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

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

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

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

### June

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

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

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

## Q3

### July

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

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

### August

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

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

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

### September

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

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

Q4

## October

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

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

## November

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

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

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

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

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

## December

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

Fully formed the Audit and the Supervisory Board committees.

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

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

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

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

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

## After the reporting period

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

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

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

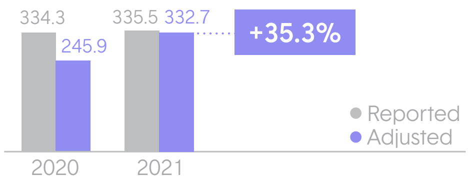
# Guidance exceeded

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

# 1.3 Performance highlights

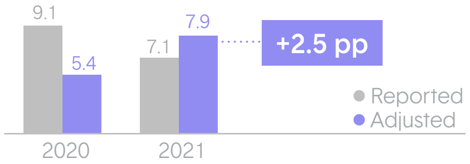
## Financial[1,2]

### EBITDA, Adjusted EBITDA APM
EURm



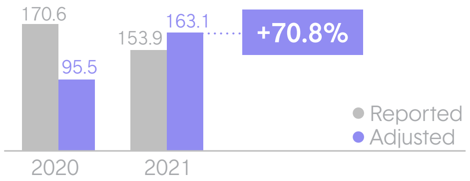

Adjusted EBITDA increased in all segments, but mostly in Green Generation. Green Generation increased more than twofold and reached EUR 107.5 million resulting from the launch of new assets: Vilnius CHP WtE unit, Kaunas CHP and Pomerania WF, and better results of operational units in Kaunas HPP and Kruonis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

### ROCE, Adjusted ROCE APM
%



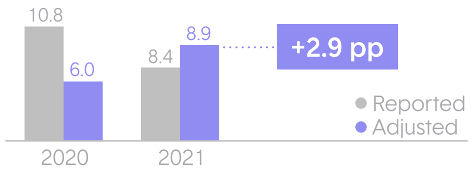

Adjusted ROCE increased to 7.9%, mostly due to an increase in Adjusted EBIT, which was mostly influenced by the same effects as Adjusted EBITDA.

### Net profit, Adjusted net profit APM
EURm



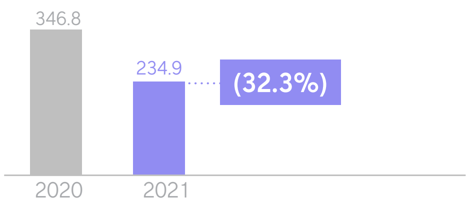

Adjusted Net Profit increase was driven by the growth in Adjusted EBITDA, which was partly offset by higher depreciation and amortisation and income tax expenses. Reported Net profit decreased mostly due to PPE revaluation in the Networks segment, Kaunas CHP option fair value change, which was partly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

### ROE, Adjusted ROE APM
%



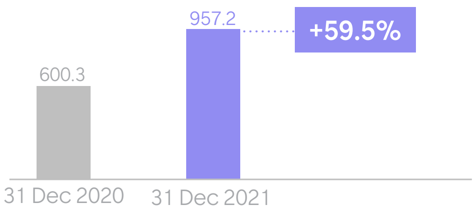

Adjusted ROE increased to 8.9%. An effect of increased Adjusted net profit was partly offset by an increase of capital during the IPO in Q4 2020.

### Investments APM
EURm



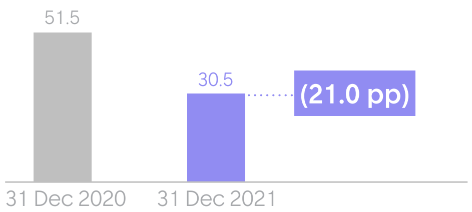

Investments decreased, mainly due to lower investments in Green Generation segment, as main investments of big projects were finished in 2020 or in the beginning of 2021 (Pomerania WF, Kaunas CHP and Vilnius CHP WtE unit) and new projects have not yet reached heavy investment phase. The decrease was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

### Net debt APM
EURm




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

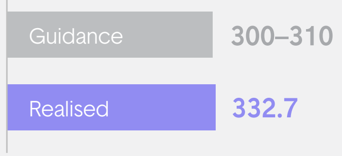
### FFO/Net debt APM
%




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

### Results comparison with the outlook for 2021

#### Adjusted EBITDA APM
EURm




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

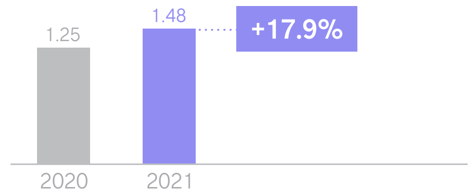
With Adjusted EBITDA of EUR 332.7 million, we exceeded the higher end of the guidance range guidance by more than 7.3%.

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

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

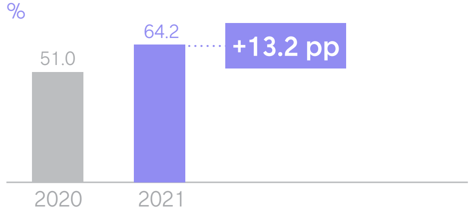
# Environment

### Green electricity generated (net)
TWh



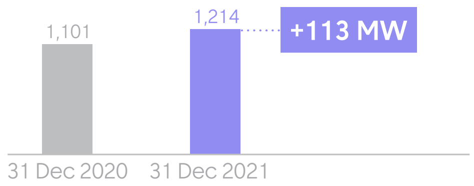

An increase in green electricity generated (net) by 17.9% was mainly driven by higher generation at Kaunas CHP, Vilnius CHP's WtE unit and Pomerania WF as well as increased generation at Kaunas HPP due to higher levels of water in the Nemunas river. This was partly offset by lower generation in Kruonis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

### Green share of generation
%



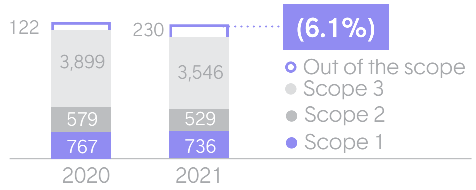

Green share of generation increased by 13.2 pp as a result of higher green electricity generated (net) and a decrease of electricity generated (net) by CCGT (Flexible Generation).

### Green Generation installed capacity
MW




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

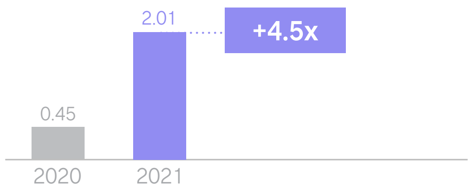
### Climate action
GHG emissions[1], thousand t CO2 eq




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

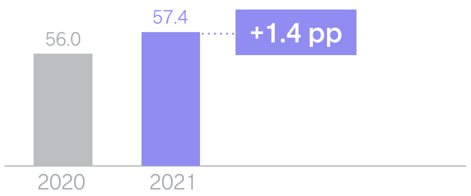
# Social

### Safety
TRIR, times




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

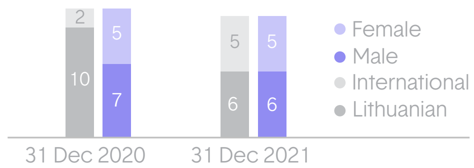
### Employee satisfaction
eNPS, % (1-100)




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

# Governance

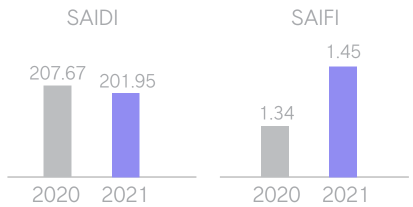
### Supervisory and Management Boards
Nationality and gender diversity




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

# Operational efficiency

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




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

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

# 1.4 Outlook

## Adjusted EBITDA guidance

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

**Networks – higher**

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

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

**Green Generation – higher**

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

**Flexible Generation – lower**

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

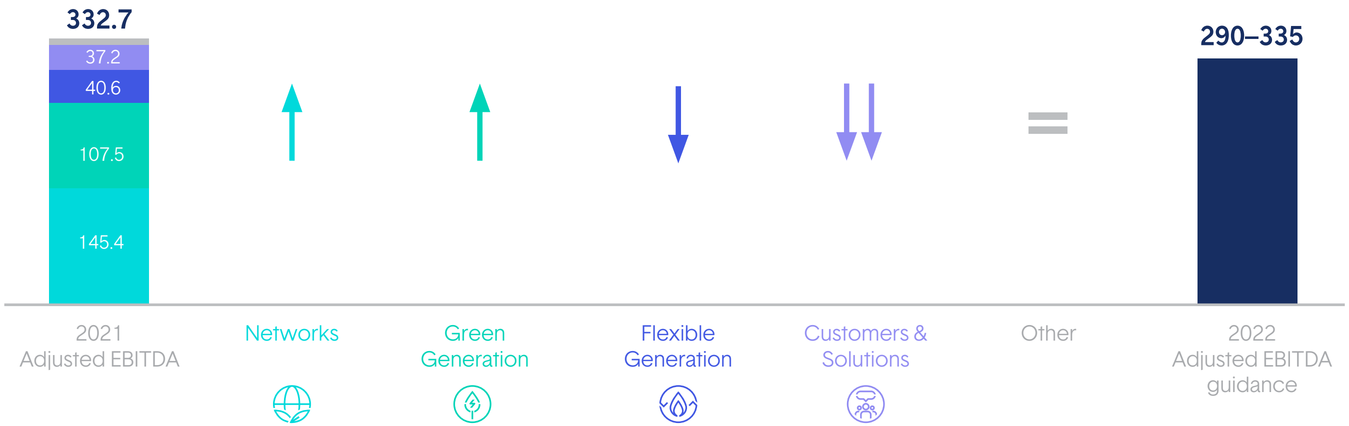
**Customers & Solutions – lower**

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

**Other – stable**

No material changes expected in other activities result for 2022.

**Adjusted EBITDA outlook for 2022**
EURm[1]




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

## Outlook sensitivity factors

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

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

## Forward-looking statements

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

# 1.5 Sustainability highlights

## Key achievements in 2021

Sustainability is at the core of the Group's strategy and strategic plan. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance and accountability. The most significant achievements of the Group in implementing the principles of sustainability in our activities are presented in the table below. For more in-depth information, see our Annual report 2021.

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

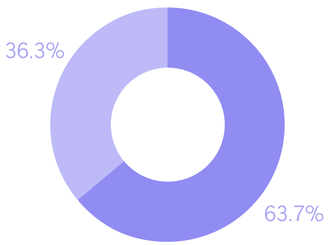
| | |
|---|---|
| SCIENCE BASED TARGETS – DRIVING AMBITIOUS CORPORATE CLIMATE ACTION | Validated GHG emissions targets for 2030 with the SBTi. Following net zero by 2050 trajectory. |
| TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES | Joined TCFD supporters list and expect to fully implement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

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

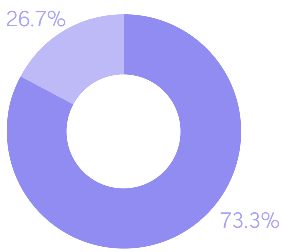
# Taxonomy overview

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

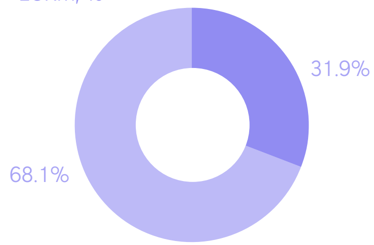
**Adjusted EBITDA** APM
EURm, %



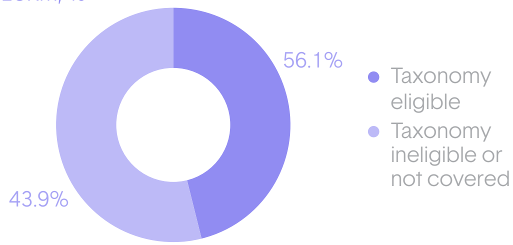

**Investments** APM
EURm, %




**Revenue**
EURm, %




**OPEX** APM
EURm, %




### Basis for disclosures

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

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

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

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

### Taxonomy-eligible Group activities

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

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

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

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

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

### Taxonomy outlook

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

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

At Group level, management of environmental impacts is ensured through certified environmental management systems and dedicated climate risk assessments. Similarly, minimum social safeguards are ensured through our robust compliance practices and numerous commitments regarding labour and human rights that go beyond legal compliance. For more information please see our Annual report 2021.

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

# 1.6 Investor information

## Overview

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

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

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

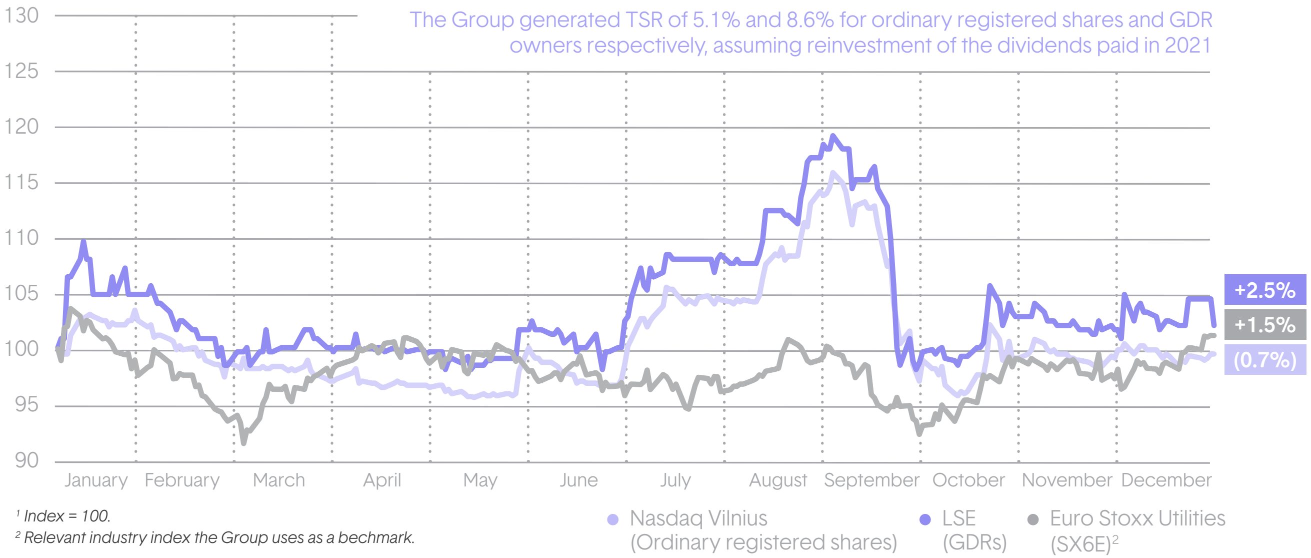
## Share capital

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

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

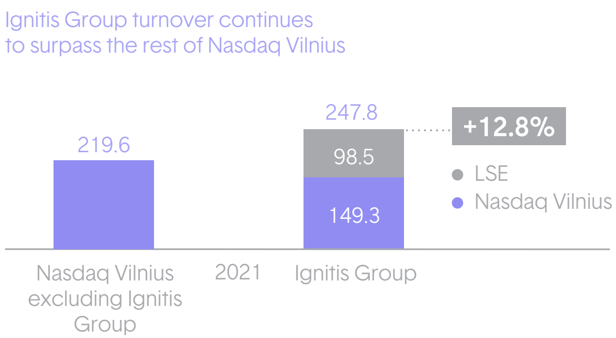
Acquired ordinary registered shares are expected to be annulled during 2022, hence reducing the share capital.

### Price development and return in 2021[1]

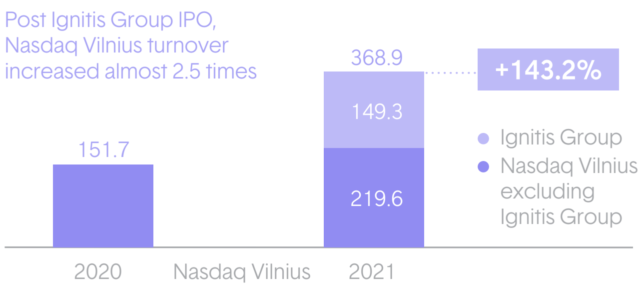



[1] Index = 100.
[2] Relevant industry index the Group uses as a bechmark.

### Turnover in 2021
EURm




### Nasdaq Vilnius turnover change
EURm



## Shareholder structure

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

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

## General shareholders' meetings

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

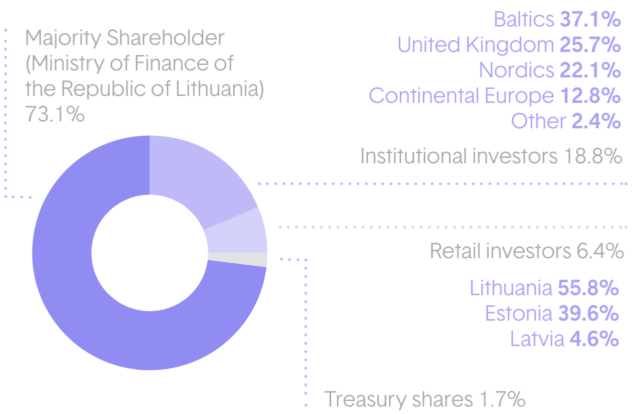
## Dividends

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

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

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

### Shareholders composition[1]




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

### Shareholder return KPI's[1,2]

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

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

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

## Credit rating

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

## Investor relations

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

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

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

### Price performance information in 2021

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

### Share information

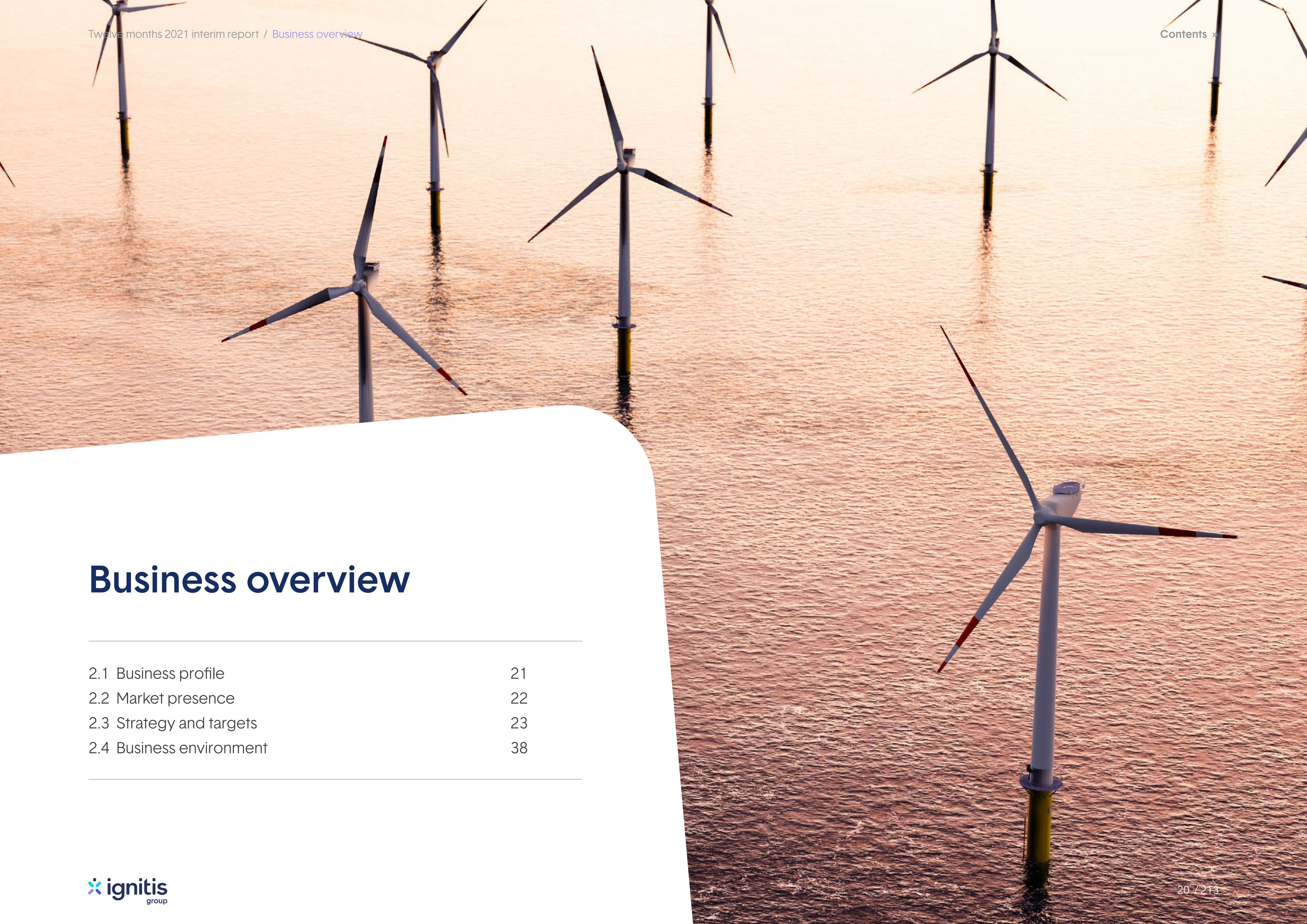
| | | | |
|---|---|---|---|
| Type | Shares | GDRs | - |
| ISIN-code | LT0000115768 | Reg S: US66981G2075;<br>Rule 144A:US66981G1085 | - |
| Ticker | IGN1L | IGN | - |
| Nominal value, EUR | - | - | 22.33 per share |
| Number of shares (share classes) | - | - | 74,283,757 (one share class) |
| Number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

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

### Financial calendar 2022

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

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



# Business overview

# 2.1 Business profile

## Creating an Energy Smart world

### Core businesses

#### Networks

Resilient and efficient energy distribution enabling the energy transition.

**Activities**

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

**Revenue model**

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

**$CO_2$ neutral strategy support**

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

**Network size[1]**

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

#### Green Generation

Focused, sustainable, and profitable growth.

**Activities**

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

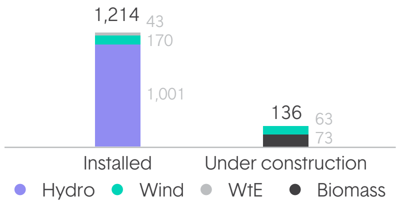
**Revenue model**

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

**$CO_2$ neutral strategy support**

Through development of zero carbon electricity generating assets.

**Electricity capacity, MW[1]**




1.48 TWh

**Electricity generated (net)**

### Complementary businesses

#### Flexible Generation

Reliable and flexible power system.

**Activities**

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

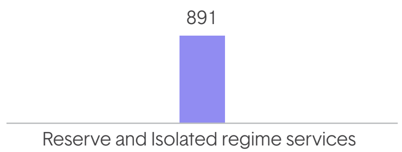
**Revenue model**

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

**$CO_2$ neutral strategy support**

Enabling the system to integrate more renewable energy capacities.

**Electricity capacity, MW[1]**




0.82 TWh

**Electricity generated (net)**

#### Customers & Solutions

Innovative solutions for easier life and energy evolution.

**Activities**

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

**Revenue model**

Regulated tariffs and commercial contracts.

**$CO_2$ neutral strategy support**

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

**Electricity and natural gas retail sales, TWh[1]**

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

15.70 TWh

**Total retail sales**

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

# 2.2 Market presence

## Regional leader exploring opportunities in the markets undergoing energy transition paths

### LITHUANIA

**Networks**

- Country-wide electricity and natural gas distribution

**Green Generation:**

**OPERATIONAL (1,141.8 MWe, 130 MWth)**

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

**UNDER CONSTRUCTION (136 MWe, 169 MWth)**

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

**UNDER DEVELOPMENT (ADVANCED STAGE) (110 MW)**

- Kruonis PSHP (110 MW)

**UNDER DEVELOPMENT (EARLY STAGE) (around 870 MW)**

- Lithuanian offshore WF I (700 MW)
- Greenfield portfolio (around 170 MW)

**Flexible Generation**

**OPERATIONAL(1,055 MW)**

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

**Customers & Solutions**

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

### FINLAND

**Customers & Solutions**

- B2B supply of natural gas

### ESTONIA

**Green Generation:**

**OPERATIONAL (18 MW)**

- Tuuleenergia WF (18 MW)

**Customers & Solutions**

- B2B supply of electricity

### LATVIA

**Green Generation**

**UNDER DEVELOPMENT (EARLY STAGE) (around 160 MW)**

- Latvian onshore WF portfolio I (around 160 MW)

**Customers & Solutions**

- B2B supply of electricity and natural gas

### POLAND

**Green Generation**

**OPERATIONAL (94 MW)**

- Pomerania WF (94 MW)

**UNDER DEVELOPMENT (ADVANCED STAGE) (up to 130 MW)**

- Polish solar portfolio II (up to 80 MW)
- Silesia WF (50 MW)

**Customers & Solutions**

- B2B supply of electricity

# 2.3 Strategy and targets

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

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

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

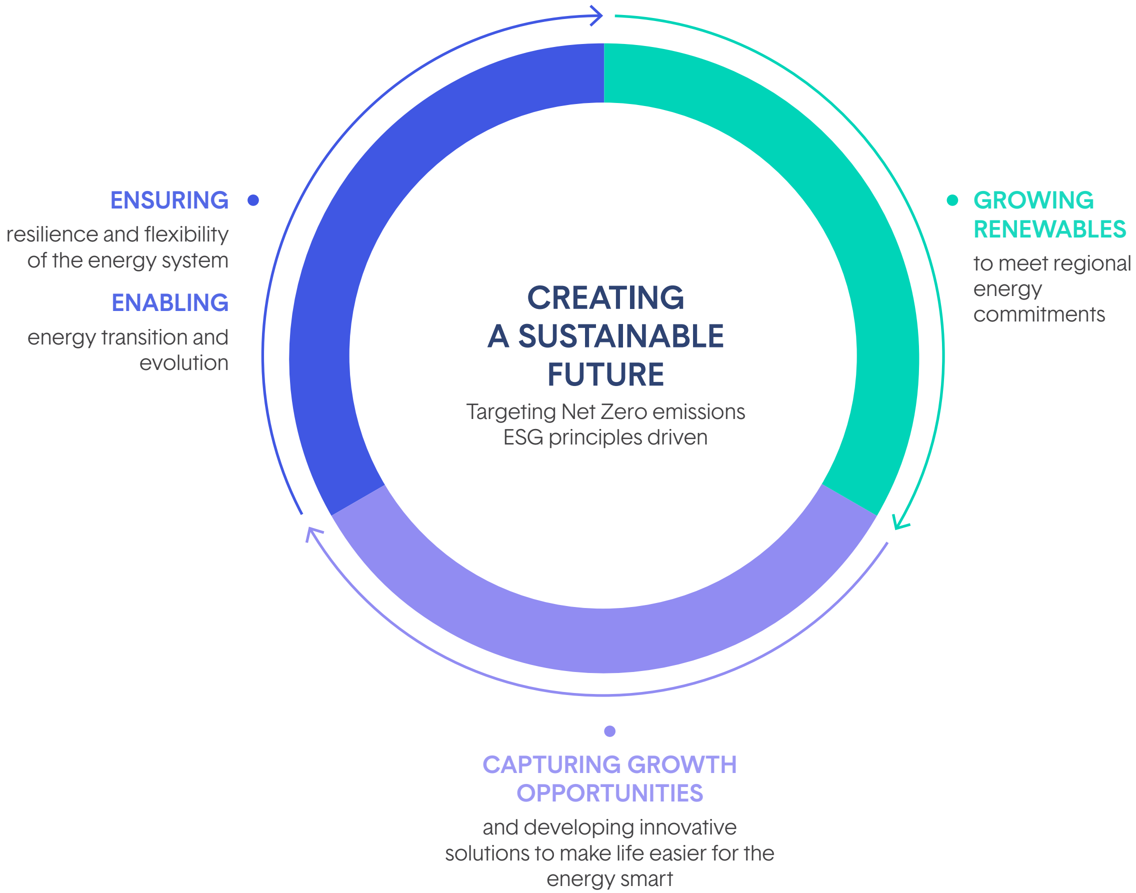
We pursue our strategic priorities with a strong focus on financial discipline. Our engaged people, agile teams, learning culture, organisation with strong governance model and digital approach are the integral parts of our strategy.

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

## Our values

| RESPONSIBILITY | PARTNERSHIPS | OPENNESS | GROWTH |
|---|---|---|---|
| Care. Do. For Earth. Starting with myself. | Diverse. Strong. Together. | See. Understand. Share. Open to the world. | Curious. Bold. Everyday. |

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




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

# Strategic directions in depth

## Networks

Resilient and efficient energy distribution enabling the energy transition.

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

## Green Generation

Focused, sustainable, and profitable growth.

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

## Flexible Generation

Reliable and flexible power system.

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

## Customers & Solutions

Innovative solutions for easier life and energy evolution.

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

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

Creating an **Energy Smart** world

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


## Our people and culture

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

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

## Our organisation

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

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

## Focus on financial discipline

Target returns, capital structure, dividends.

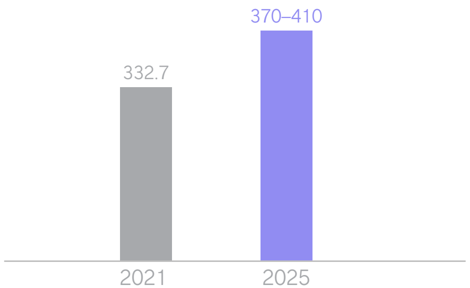
- We target high single-digit/low double-digit levered equity returns depending on the risk profile of the projects.
- Solid investment-grade rating: BBB and above. Net Debt to EBITDA < 5x.
- We aim to deliver dividends to our shareholders in line with our growth and at a minimum annual dividend growth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

# Our strategic targets and KPIs for 2022–2025

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

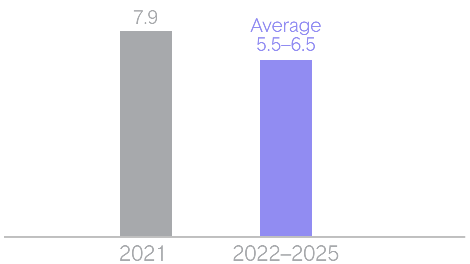
## Financial

### Adjusted EBITDA APM
EURm



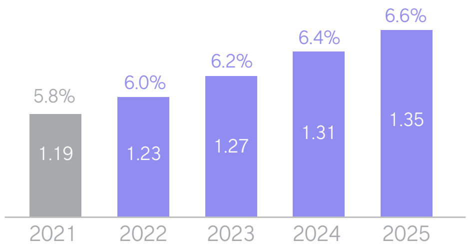

Adjusted EBITDA is expected to reach EUR 370–410 million in 2025 or up to 11–23% growth compared to 2021 driven by Green generation.

### Adjusted ROCE APM
%



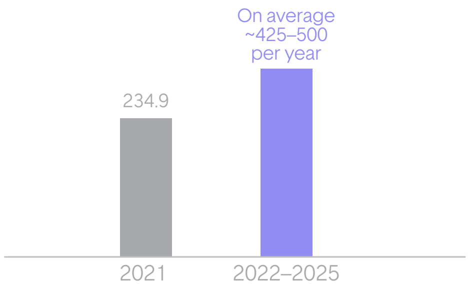

Average Adjusted ROCE during 2022-2025 is expected to be around 5.5–6.5%. Revised WACC in electricity DSO and better than usual results in 2021 for Flexible generation and Customers & Solutions segments are the key drivers for the lower 2022–2025 targeted level.

### Minimum DPS and dividend yield[1]
EUR/%



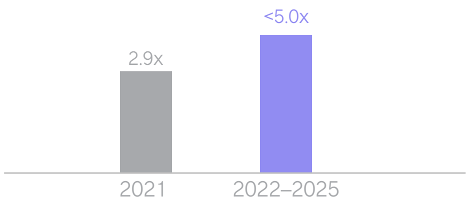

We aim to grow our dividends to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million and EUR 88 million declared for 2021. Implied dividend yield 2022–2025: 6.0–6.6%.

### Investments APM
EURm




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

### Net debt / Adjusted EBITDA APM
Times




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

### Credit rating
S&P

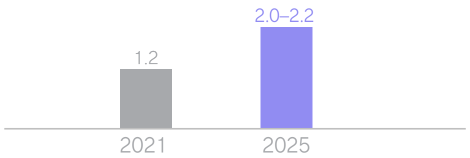

We are committed to solid investment–grade rating. We expect to keep BBB or above rating over the 2022–2025 period.

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

Contents »

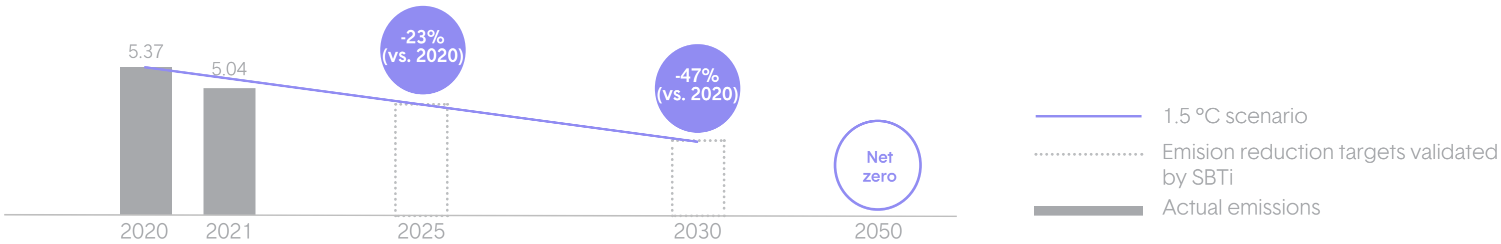
## Environment

### Green Generation capacity
GW




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

### GHG emissions
million t $CO_2$-eq

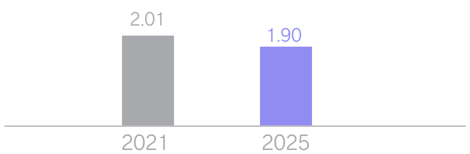



We plan to reduce our GHG emissions by 23% by 2025 and to halve it by 2030 (vs. 2020) based on GHG emission targets validated by SBTi in 2021.

## Social

### Safety at work
# of fatal accidents & TRIR[1]

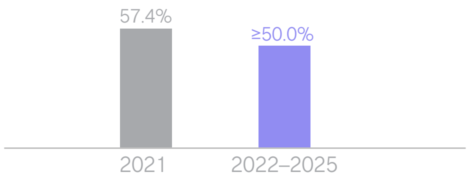
2025 target:
Fatal accidents = 0 (own emplyees and contractors) and TRIR[1] of:




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

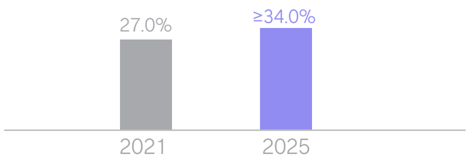
### Engaged employees
Employee NPS, %

We aim to retain eNPS level of ≥50%




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

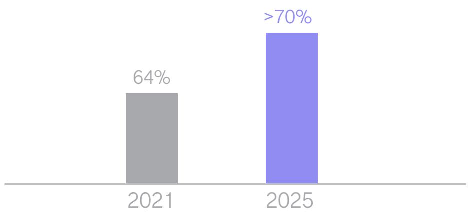
### Diverse and inclusive workplace
% of women in top management




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

## Governance

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

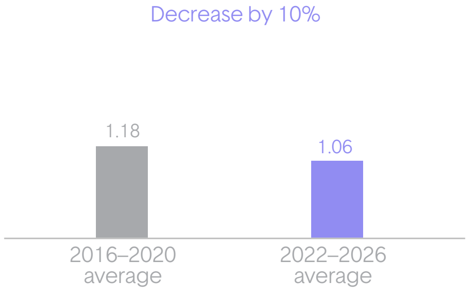



We plan to grow sustainable EBITDA share to 70% or above in 2025.

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

## Resilient Network

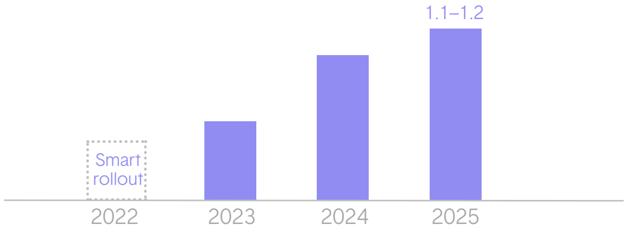
**Electricity SAIFI**[1]
Interruptions per customer




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

## Network Digitalisation

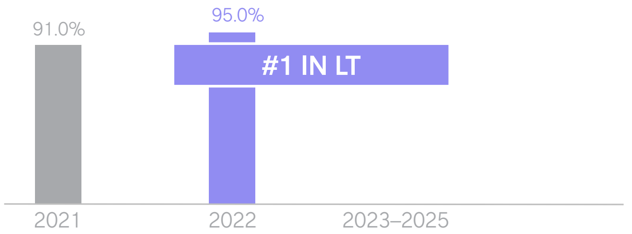
**# Smart meters**
m




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

## Flexible Energy System

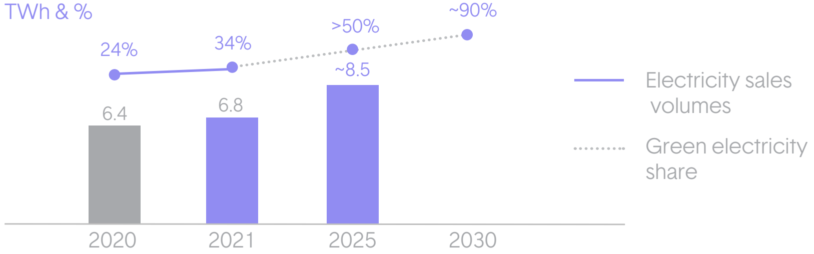
**Ancillary and power reserve services**
Market share & position




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

## Green Energy Supply

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

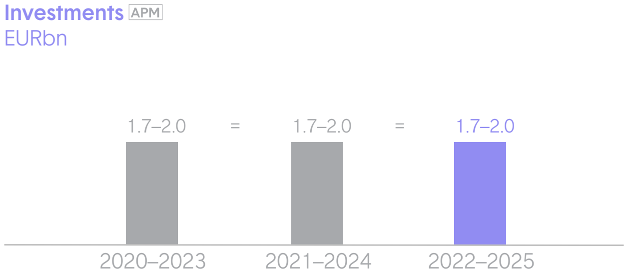


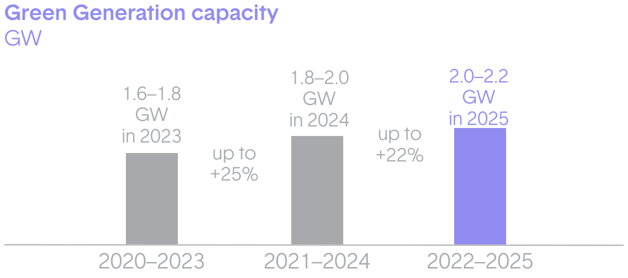

We aim to increase energy retail electricity sales volumes up to about 8.5 TWh in 2025 (implying a 5.8% CAGR for 2022–2025) and to grow share of green electricity supplied to customers to >50% in 2025 and >90% in 2030 by scaling core energy supply business in the region complemented with innovative energy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

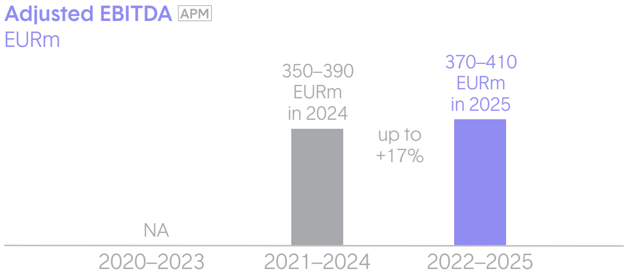
[1] *Excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.*

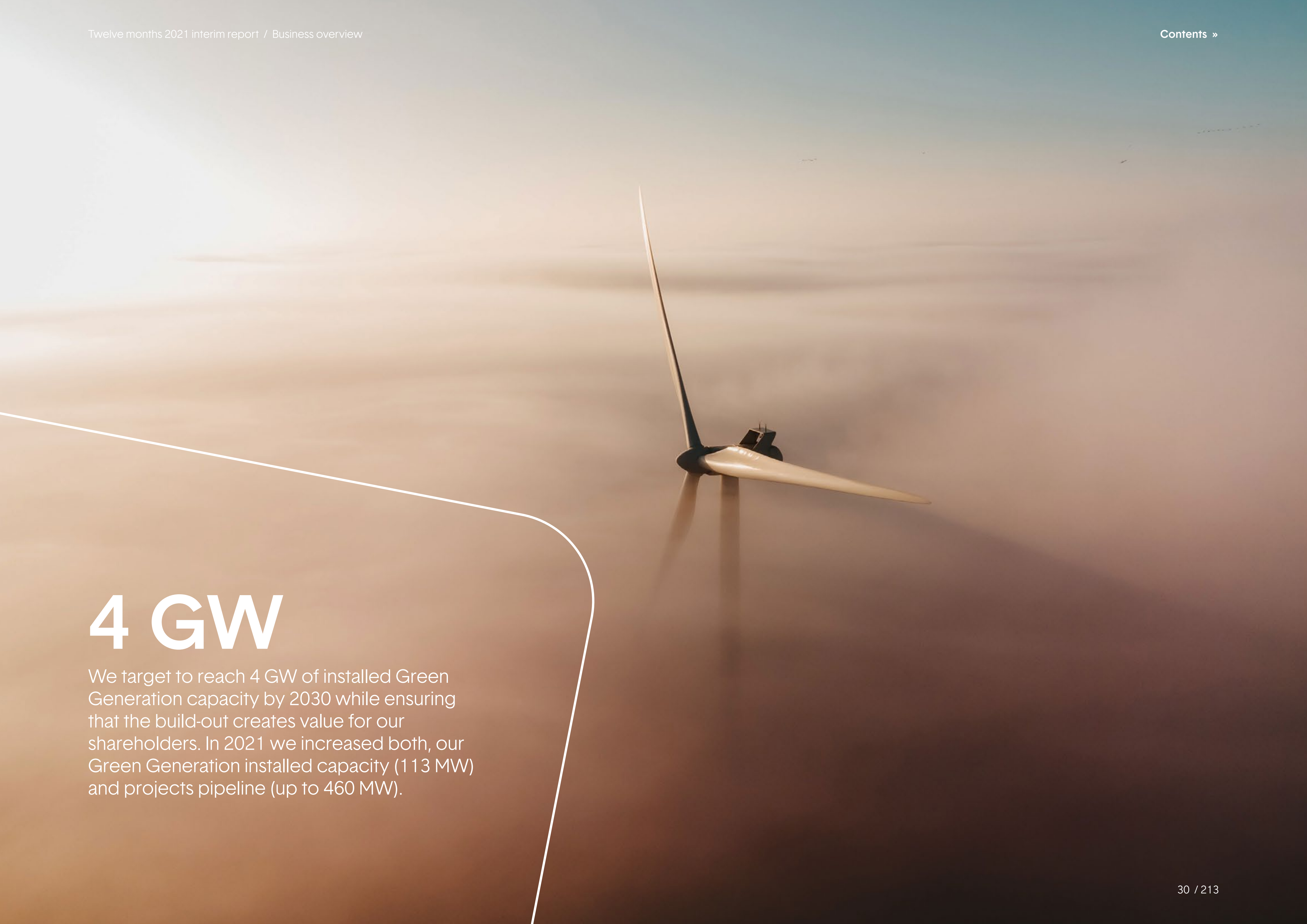
# Our strategic targets evolution

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



# 4 GW

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

# Investments

## Overview

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

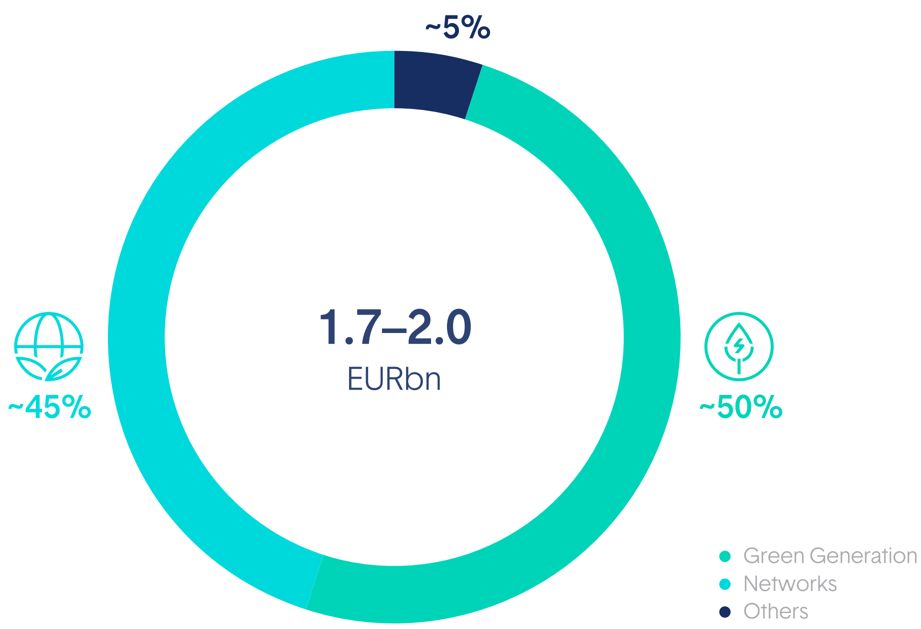
A large part or, around 50%, of the investments will be directed towards the expansion of Green Generation capacity. Based on current assumptions, we should reach 2.0–2.2 GW of installed renewables capacity by 2025, compared to currently operational portfolio of 1.2 GW.

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

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

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

**Investments over 2022–2025,** EURm




SUSTAINABLE DEVELOPMENT GOALS

**85–95%**
**of investments are SDGs related**

**~90%**
**of investments are EU taxonomy aligned**

# Investment policy

## Green Generation

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

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

**Target markets**
Primarily the Baltics and Poland

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

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

**Financing**
60–75% leverage at the project level

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

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

## Networks

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

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

**Target markets**
Lithuania

**Technologies**
Electricity and natural gas distribution grid

**Type**
Maintenance, new customer connections and upgrades, digitalisation

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

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

# Update on key ongoing and planned investments

## Green Generation

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

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

### Status on key investment projects

#### Under construction

**Mažeikiai WF**

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

**Vilnius CHP (biomass unit)**

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

#### Under development (advanced)

**Polish solar portfolio II**

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

**Silesia WF**

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

**Moray West offshore wind project**

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

**Kruonis PSHP expansion**

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

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

On track | Time delay and / or budget deviation

## Under development (early stage)

### Greenfield portfolio

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

### Latvian onshore WF portfolio I

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

### Lithuanian offshore WF I

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

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

On track   Time delay and / or budget deviation

## Networks

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

## Status on key investment projects

### Maintenance

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

### Expansion *New customer connections and upgrades*

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

### Expansion *Smart meter roll-out*

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

### TOTAL

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

On track   Time delay and / or budget deviation

# Strategic enablers

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

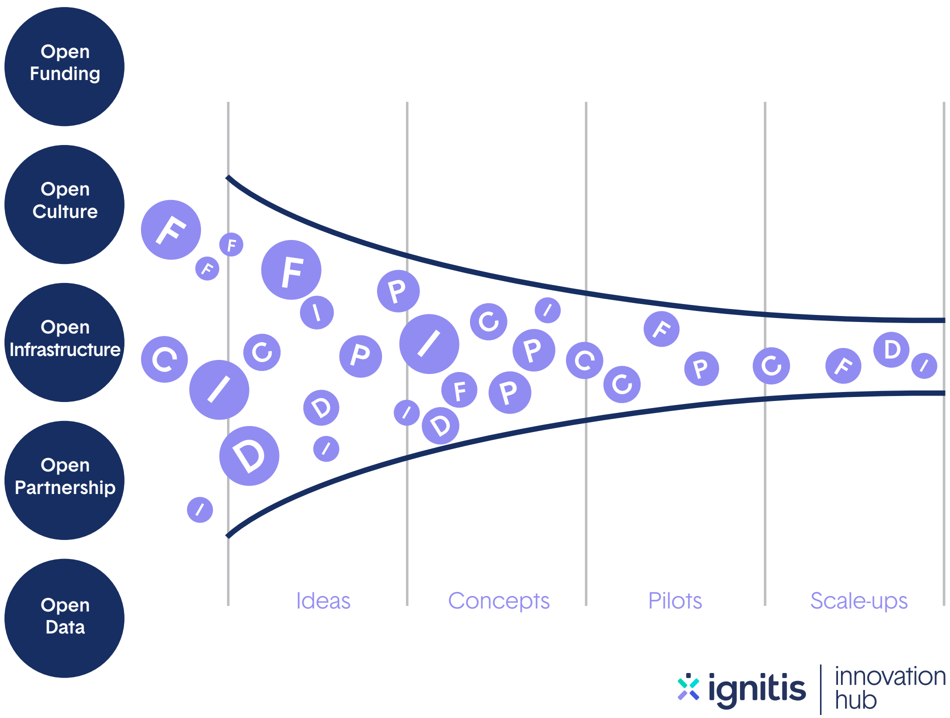
## Innovations

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

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

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

**Open-innovation pillars and the process of idea development**




**Smart Energy Fund powered by Ignitis Group**

Managed by: Contrarian Ventures

| Investments | Total investment asset value | Different companies | Countries | Investment partners |
| --- | --- | --- | --- | --- |
| EUR 9.3 million | EUR 25.3 million | 16 | 8 | 80 |

Featured start-ups: H2PRO, Inbalance grid, PVcase, zoomo

## Digitalisation

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

### Key initiatives

#### Hackathons

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

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

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

#### Process automation

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

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

#### Digital employee experience

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

### Plans ahead

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

# 2.4 Business environment

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

## Macroeconomic environment

### GDP

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

**GDP change, %**

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

*Source: Eurostat.*

### Inflation

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

**Annual inflation rate change measured by harmonized CPI, %**

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

*Source: Eurostat.*

## COVID-19

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

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

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

## Industry environment

### Commodity market overview

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

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

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

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

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

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

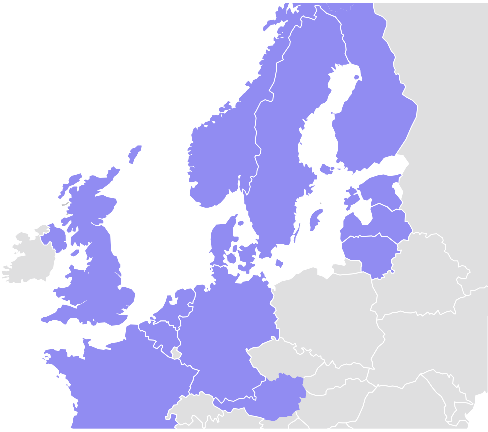
[1] Daily future price average for the year.

### Wholesale electricity market

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

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

### Nord Pool countries



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

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

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

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

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

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

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

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

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

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

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

### Electricity generation change in 2021, compared to 2020, TWh

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

### Electricity consumption change in 2021, compared to 2020, TWh

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

### Wholesale natural gas market

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

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

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

### Average natural gas price and its change, EUR/MWh

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

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

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

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

### Heat market

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

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

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

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

**Local heat price,** EUR/MWh

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

### Waste incineration market

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

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

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

**Gate fee of waste incineration, EUR/t**

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

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

# Regulatory and market environment

**Regional interconnections**

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

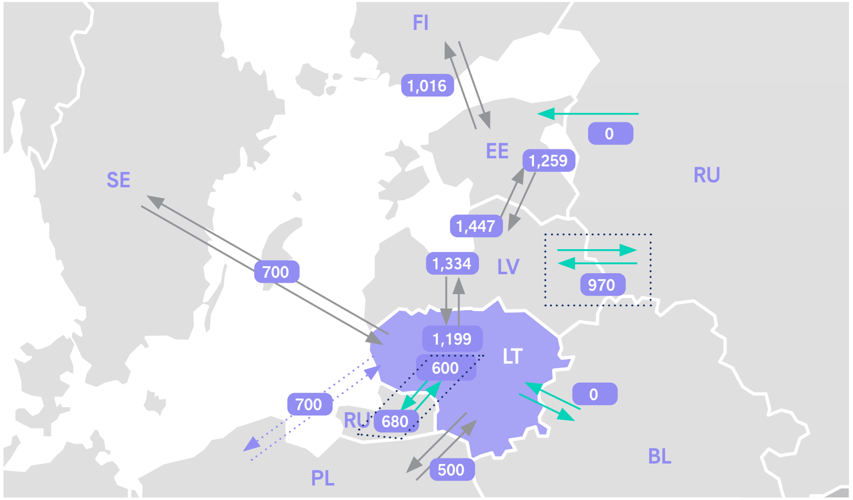
As harmonized principles of capacity allocation on interconnections with Russia were not established, the Government of the Republic of Lithuania took decisive action and imposed an obligation to set a reduced technical capacity for physical flows from Belarus across the Lithuania-Belarus border. This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

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

**Lithuanian energy market environment and the Group's contribution**

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

**Regional interconnections**




Interconnections with Russia and Belarus for trade

Other interconnections in place

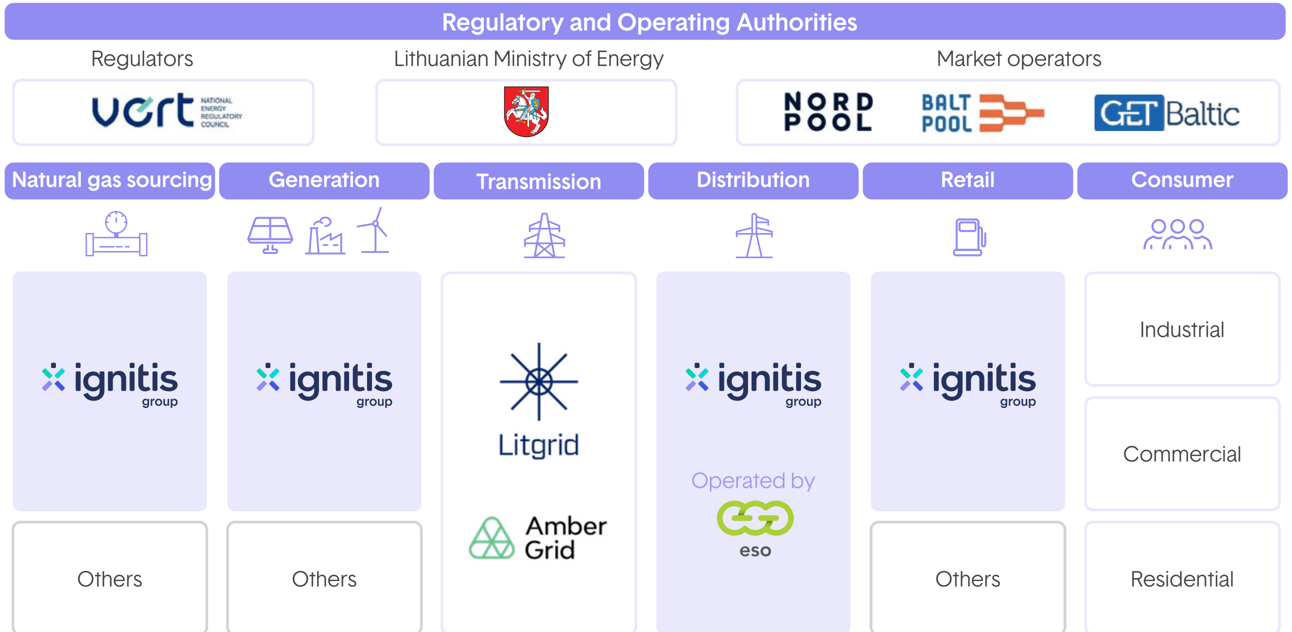
Interconnection under construction (Harmony Link)

xx Transmission capacity (MW)

Interconnection not to be used for power trading from 2025 onwards

*Source: Nord Pool.*

**Group's contribution to Lithuania's energy value chain**



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# Business segment relevant environment changes in 2021 and prospects

## Networks

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

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

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

## Green Generation

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

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

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

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

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

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

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

## Flexible Generation

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

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

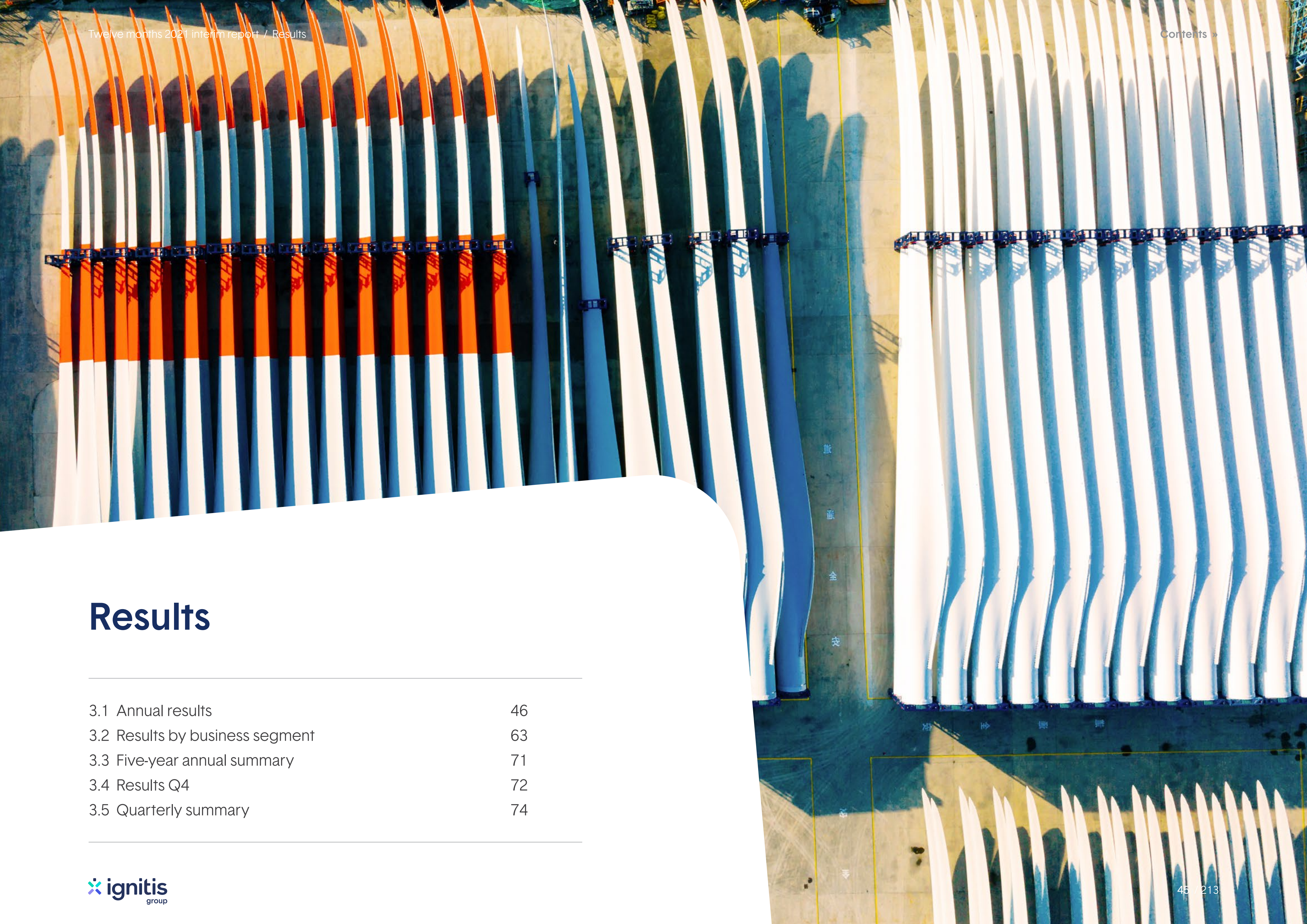
Looking to the near future, it is expected that the Flexible Generation assets managed by the Group will continue to provide various ancillary services to the Lithuanian TSO and this will contribute to the successful synchronisation of Lithuanian, Latvian and Estonian electricity power systems with the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

## Customers & Solutions

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

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

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



# Results

# 3.1 Annual results

## Key financial indicators[1]

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

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

# Highlights

### 2021 vs 2020

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

### Realised vs guidance

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

The outperformance was mainly driven by:

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

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

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

### Realised vs guidance 2021

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

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

# Significant changes in reporting period of 2021

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

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

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

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

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

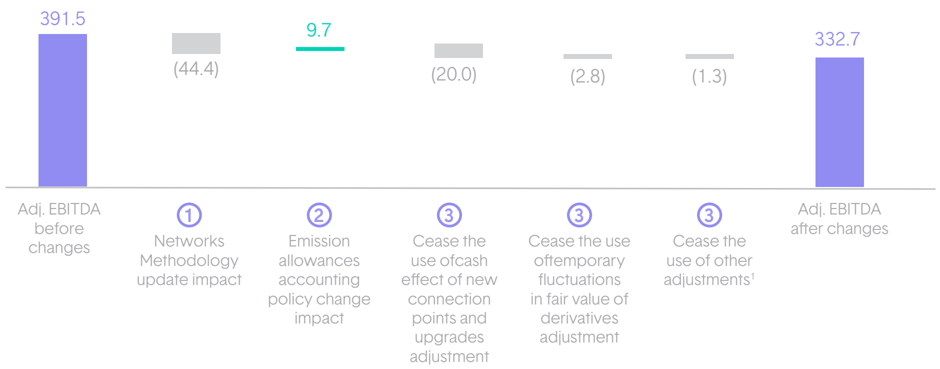
In management's view, the reduction of adjustments will help simplify interpretation of the results for intended users of Financial statements as well as align KPIs closer to reporting according to IFRS.

After the aforementioned changes management adjustments will include only:

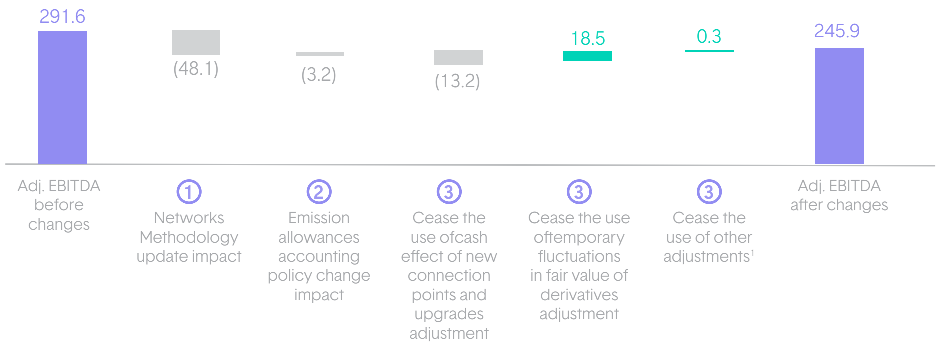
- temporary regulatory differences;
- asset rotation result;
- generation result before COD (applied only temporary – until the adoption of amendments to IAS 16 in 2022);
- significant one-off items.

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

**Impact of significant changes for Adjusted EBITDA of 2021,** EURm




**Impact of significant changes for Adjusted EBITDA of 2020,** EURm




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

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

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

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

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

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

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

Contents »

# Revenue

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

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

### Revenue by segment, EURm

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

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

### Revenue by country, EURm

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

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

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

### Revenue by type[3], EURm

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

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

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

# Expenses

### Purchase of electricity, natural gas and other services

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

### OPEX

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

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

### Other

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

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

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

**Expenses,** EURm

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

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

# EBITDA

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

The main reasons behind adjusted EBITDA change were as follows:

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

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

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

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

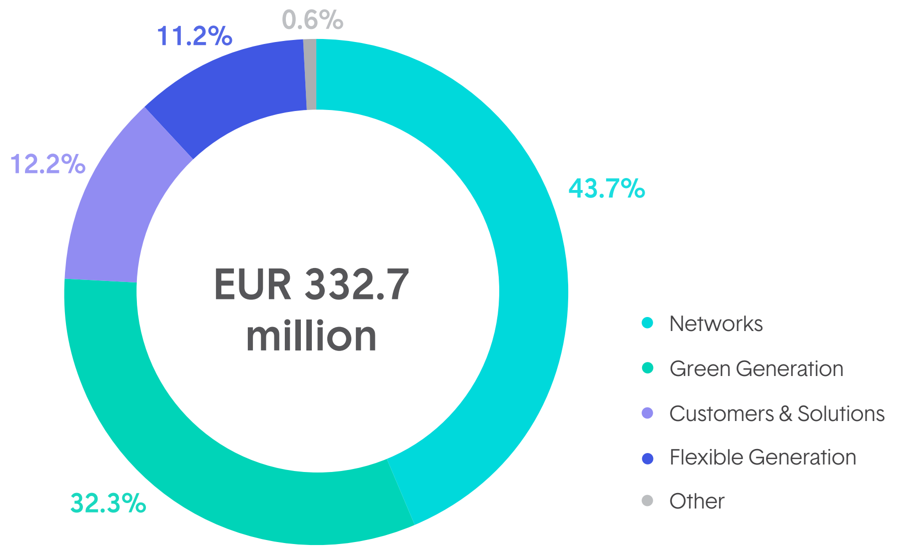
[1] *Networks RAB numbers are calculated estimating the impact of RAB correction after the Methodology update (for more information see 'Results by business segments' section 'Networks').*

### Adjusted EBITDA by segments, EURm

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

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

### Adjusted EBITDA 2021



# 2x

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

### Adjusted EBITDA by activity type

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

Regulated activities include:

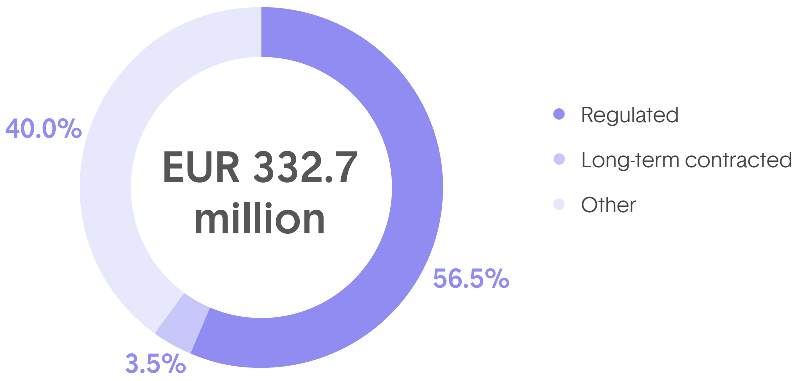
1. electricity and natural gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, natural gas supply to residents of Lithuania and designated LNG supplier services.

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

**Adjusted EBITDA by types of activities,** EURm

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

**Adjusted EBITDA by types of activities 2021,** %




**EBITDA adjustments,** EURm

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

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

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

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

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

# EBIT

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

### Adjusted EBIT by segments, EURm

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

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

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

### EBIT adjustments, EURm

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

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

# Net profit

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

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

### Net profit adjustments, EURm

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

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

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

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

# Investments

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

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

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

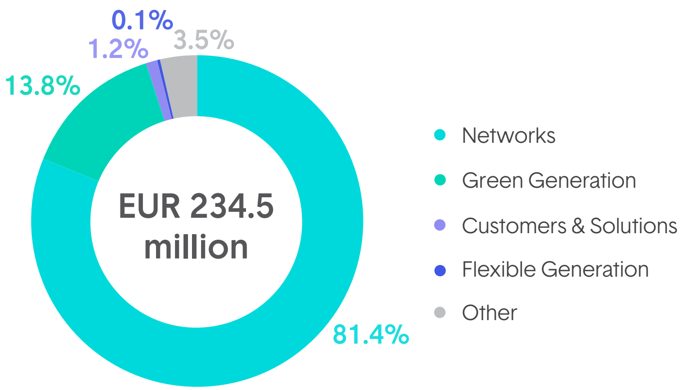
In 2021, Grants and Investments covered by customers and contractor guarantees amounted to EUR 49.4 million and accounted for 21.1% of total Investments. The Group received EUR 17.2 million in grants for Investments in 2021. It mainly contains grants related to maintenance of electricity and gas distribution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

**Investments by segment,** EURm

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

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

**Investments by segment, 2021,** %

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# Statement of financial position

### Assets

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

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

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

### Equity

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

### Liabilities

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

### Net working capital

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

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

**Balance sheet,** EURm

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

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

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# Financing

## Net debt

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

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

### Net debt, EURm

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

### Debt summary, EURm

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

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

## Bond issues and loans

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

### Outstanding bond issues

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

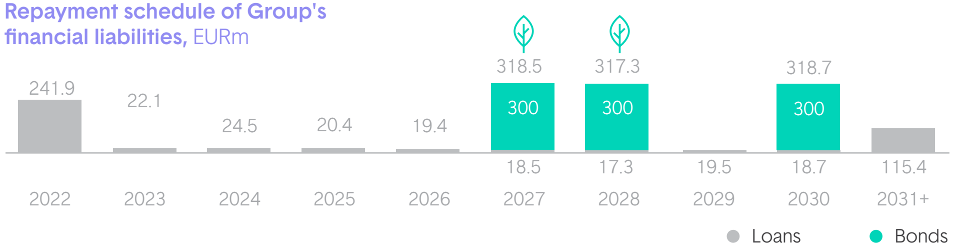
During the reporting period, there have been no material changes regarding bonds. Related information, including the structure of bondholders as of the issue date, is available in the section 7.1 'Further investor related information'.

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

## Maturities

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

### Repayment schedule of Group's financial liabilities, EURm




## Interest rate, currency, and liquidity risk

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

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

# Cash flows

### CFO

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

### CFI

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

### CFF

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

**Cash flows,** EURm

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

### FFO

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

**FFO,** EURm

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

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

### FCF

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

**FCF,** EURm

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

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

# Key operating indicators

### Electricity

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

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

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

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

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

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

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

### Heat

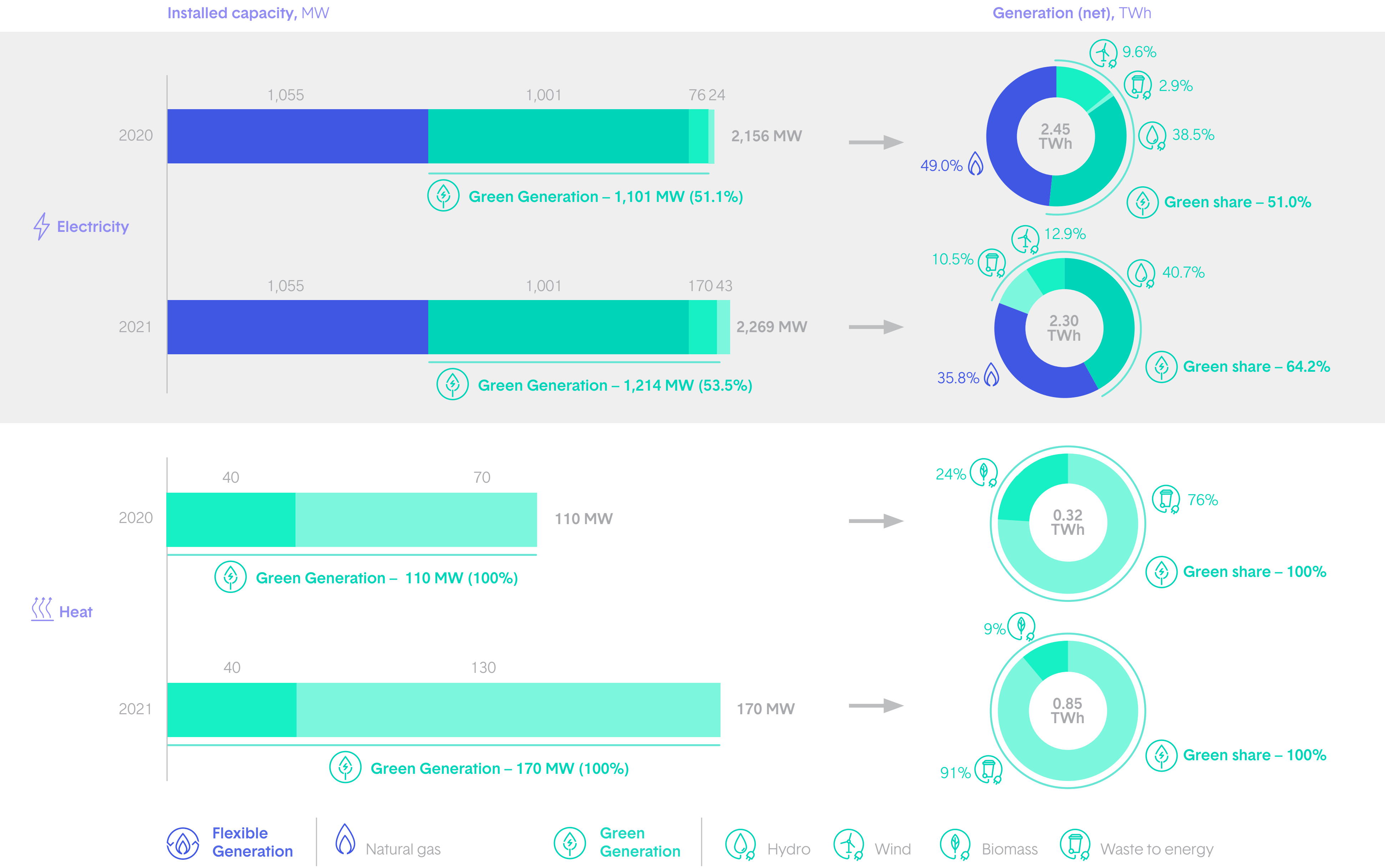
Heat generation (net) in 2021 increased more than 2 times compared to 2020 mainly due to the full year effect of heat generation by Kaunas CHP and Vilnius CHP's WtE unit.

### Natural gas

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

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

# Installed capacity and generation mix overview

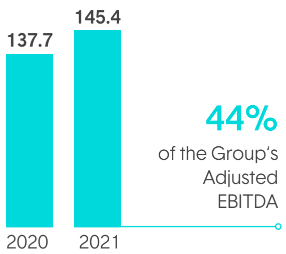


# 3.2 Results by business segment

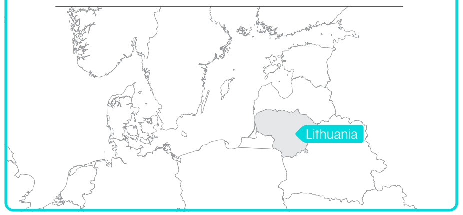
## Overview[1,2]

### Networks

Adjusted EBITDA, EURm

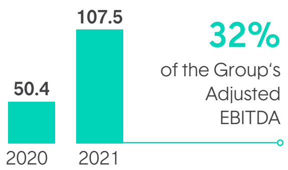



| | |
|---|---|
| Revenue, EURm | 532.7 |
| Adjusted EBIT, EURm | 58.5 |
| Investments, EURm | 191.2 |
| Net debt, EURm | 710.0 |




### Green Generation

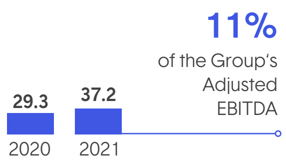
Adjusted EBITDA, EURm



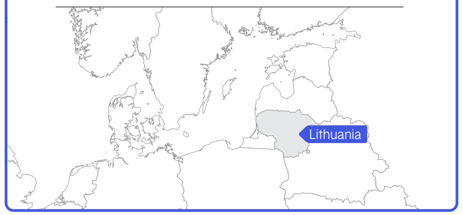

| | |
|---|---|
| Revenue, EURm | 209.1 |
| Adjusted EBIT, EURm | 86.4 |
| Investments, EURm | 32.3 |
| Net debt, EURm | 390.1 |


### Flexible Generation

Adjusted EBITDA, EURm

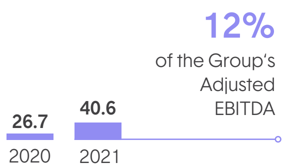



| | |
|---|---|
| Revenue, EURm | 153.5 |
| Adjusted EBIT, EURm | 25.8 |
| Investments, EURm | 0.2 |
| Net debt, EURm | (37.5) |

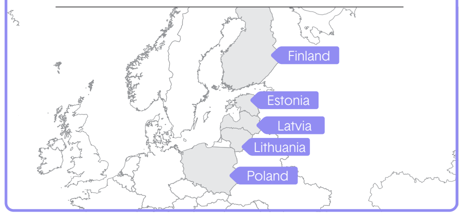



### Customers & Solutions

Adjusted EBITDA, EURm




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




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

Contents »

# Networks

## Highlights

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

## Financial results

### Revenue

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

### Adjusted EBITDA

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

### Investments

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

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

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

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

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# Operating performance

### Electricity distribution

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

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

### Natural gas distribution

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

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

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

# Green Generation

## Highlights

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

## Financial results

### Revenue

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

### Adjusted EBITDA

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

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

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

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

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

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

### Investments

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

## Operating performance

### Electricity generation

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

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

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

### Heat generation

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

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

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

# Flexible Generation

## Highlights

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

## Financial results

### Revenue

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

### Adjusted EBITDA

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

### PPE, intangible and right-of-use assets

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

## Operating performance

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

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

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

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

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

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

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

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

# Customers & Solutions

## Highlights

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

## Financial results

### Revenue

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

### Adjusted EBITDA

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

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

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

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

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

### Net debt

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

## Operating performance

### Electricity volume sales

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

### Natural gas volume sales

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

### Other

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

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

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

# 3.3 Five-year annual summary

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

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

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

# 3.4 Results Q4

## Financial results

### Revenue

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

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

### Adjusted EBITDA

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

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

### Adjusted net profit

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

### Investments

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

## Operating performance

### Electricity

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

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

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

### Heat

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

### Natural gas

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

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

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

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

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

# Results by business segments Q4[1]

## Networks

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

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

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

## Green Generation

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

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

## Flexible Generation

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

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

## Customers & Solutions

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

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

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

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

# 3.5 Quarterly summary

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

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

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

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

# Governance

# 4.1 Supervisory Board Chair's statement

## Newly elected Supervisory Board – same goal of governance excellence

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

**New Supervisory Board**

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

**Sustainable future perspective**

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

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

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

**Management Board selection**

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


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

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

**Alfonso Faubel**
Chair of the Supervisory Board
Ignitis Group

# 4.2 Governance framework

## Overview of the Group's corporate governance

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

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

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

### Key principles of corporate governance

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

### Corporate governance awards

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

**Ignitis Group – 2020/2021 Governance Index leaders**

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

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

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

# Governance

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

# Governance model

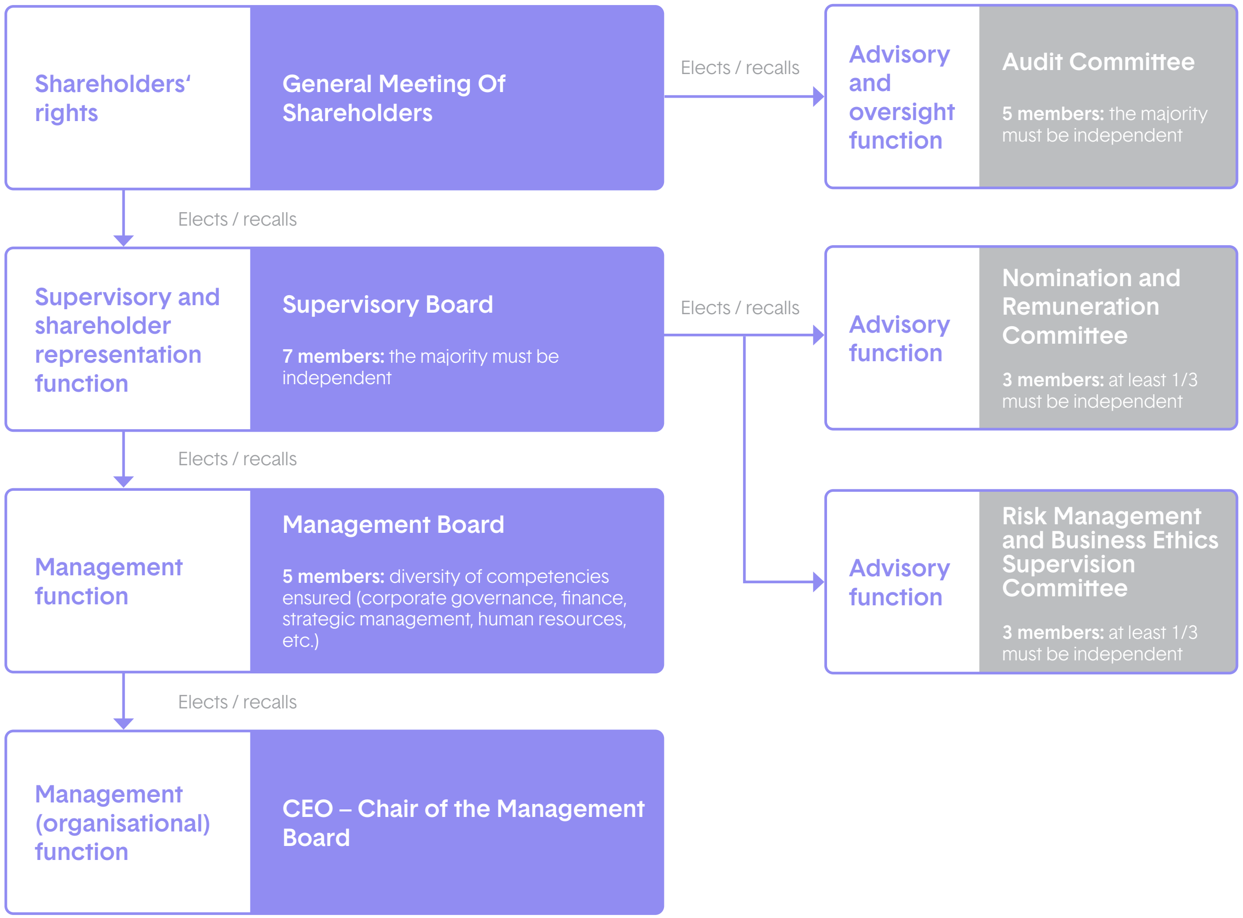
The parent company employs a corporate governance system designed to manage and control the Group as a whole, with a view to achieve common objectives. The corporate governance of the Group is exercised through the parent company's functions, e.g., by coordinating common Group areas such as finance,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

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

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

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

## Corporate governance model



## Key changes in collegial bodies

**Supervisory Board and committees**

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

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

**Audit Committee**

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

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

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

**Management Board, its Chair and CEO of the parent company**

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

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

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

# Shareholders' rights and general meetings

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

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

## Shareholders' competence

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

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

## General meetings

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

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

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

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

# Majority Shareholder

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

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

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

## Expectations of Majority Shareholder

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

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

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

# 4.3 Supervisory Board and committees

## Supervisory Board overview

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

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

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

The main functions and responsibilities of the Supervisory Board are:

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

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

**Information on selection criteria of the members**

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

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

**Information on remuneration of the members during the reporting period**

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

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

**Conflicts of interest**

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

**Activities of the committee during the reporting period**

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

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

**Performance evaluation**

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

### Changes in the composition of the Supervisory Board

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

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

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

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

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

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

## Committees of the Supervisory Board

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

The following committees of the Supervisory Board are operating:

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

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

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

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

# Members of the new Supervisory Board

## Alfonso Faubel

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

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

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

**Other current place of employment, position**
None.

**Number of shares in parent company**
None.

## Lorraine Wrafter

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

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

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

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

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

**Number of shares in parent company**
None.

## Judith Buss

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

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

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

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

**Number of shares in parent company**
None.

## Tim Brooks

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

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

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

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

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

**Number of shares in parent company**
None.

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

## Bent Christensen

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

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

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

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

**Number of shares in parent company**
None.

## Aušra Vičkačkienė

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

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

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

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

**Number of shares in parent company**
None.

## Ingrida Muckutė

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

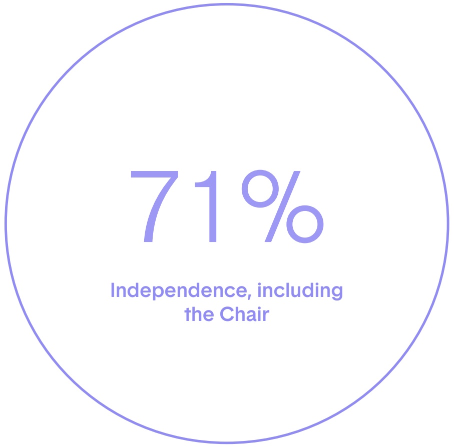
**Experience**
Ingrida is a highly experienced accounting and reporting, financial audit regulation professional with a career of 17 years working at the Ministry of Finance. She started her career in the Ministry of Finance as a Director of Accounting Methodology Department in 2004, where she initiated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

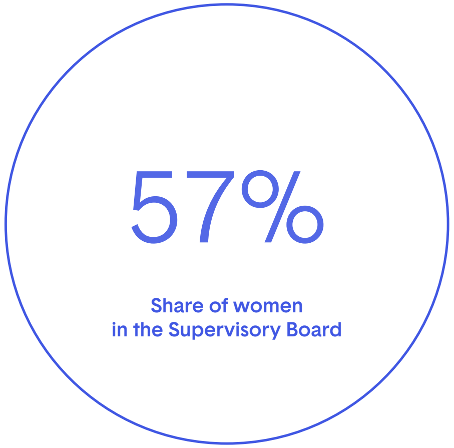
Before her career in the Ministry of Finance, she worked as a financial controller at Konica Minolta Baltija and as a senior auditor in Arthur Andersen, and later in Ernst & Young Baltic.

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

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

**Number of shares in parent company**
None.




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

# Nomination and Remuneration Committee overview

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

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

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

**Changes in the composition of the committee**

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

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

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

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

**Activities of the committee during the reporting period**

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

Key activities in 2021 covered the following areas:

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

## Members of the Nomination and Remuneration Committee

### Lorraine Wrafter

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

**Member of the Supervisory Board**
See pages 86–87

### Aušra Vičkačkienė

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

**Member of the Supervisory Board**
See pages 86–87

### Bent Christensen

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

**Member of the Supervisory Board**
See pages 86–87

67%
Independence

67%
Share of women in the Nomination and Remuneration Committee

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

# Risk Management and Business Ethics Supervision Committee overview

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

**The main functions of the committee:**

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

**Changes in the composition of the committee**

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

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

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

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

**Activities of the committee during the reporting period**

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

Key activities in 2021 covered the following areas:

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

# Members of the Risk Management and Business Ethics Supervision Committee

## Tim Brooks

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

**Member of the Supervisory Board**
See pages 86–87

## Alfonso Faubel

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

**Member of the Supervisory Board**
See pages 86–87

## Šarūnas Rameikis

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

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

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

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

**Number of shares in parent company**
None.

100%

Independence including the Chair

0%

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

# Information about activities of the former Supervisory Board and its committees

## Overview of the former Supervisory Board and its committees

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

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

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

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

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# Information about activities of the new Supervisory Board and its committees

## Overview of the new Supervisory Board and its committees

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

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

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

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

# 4.4 Audit Committee report

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

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

**Financial reporting**

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

**External audit**

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

**Internal audit**

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

**Internal control, risk management and governance**

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

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

The Audit Committee in 2022 will also:

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

**Irena Petruškevičienė**
Chair of the Audit Committee
Ignitis Group

# Audit Committee overview

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

**Audit Committee and internal audit function**

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

**The main functions of the Audit Committee are the following:**

**Financial reporting**

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

**External audit**

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

**Internal audit**

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

**Internal control and risk management**

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

**Governance**

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

**Changes in the composition of the committee**

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

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

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

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

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

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

### Activities of the former Audit Committee during the reporting period

## Overview of the former Audit Committee

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

## Overview of the meeting attendance of the former Audit Committee members

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

### Activities of the new Audit Committee during the reporting period

## Overview of the former Audit Committee

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

## Overview of the meeting attendance of the new Audit Committee members

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

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

# Members of the Audit Committee

## Irena Petruškevičienė

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

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

**Education**
Vilnius University, Diploma in Economics.

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

**Number of shares in parent company**
None.

## Saulius Bakas

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

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

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

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

**Number of shares in parent company**
1,800.

## Marius Pulkauninkas

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

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

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

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

**Number of shares in parent company**
None.

## Judith Buss

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

**Member of the Supervisory Board**
See pages 86–87

## Ingrida Muckutė

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

**Member of the Supervisory Board**
See pages 86–87

**80%**
Independence including the Chair

**60%**
Share of women in the Audit Committee

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

# 4.5 Management Board

## Management Board overview

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

**The main functions and responsibilities of the Management Board**

The main functions and responsibilities of the Management Board are:

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

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

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

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

**Information on the selection criteria of the Management Board members**

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

**Information on remuneration of the members during the reporting period**

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

**Changes in the composition of the Management Board**

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

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

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

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

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

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

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

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

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

## Meeting attendance and number of owned shares of the parent company

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

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

## Members of the Management Board

### Darius Maikštėnas

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

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

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

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

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

### Darius Kašauskas

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

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

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

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

**Owned shares of the parent company[4]**
250.

### Vidmantas Salietis

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

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

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

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

**Owned shares of the parent company[4]**
200.

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

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### Dr. Živilė Skibarkienė

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

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

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

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

**Owned shares of the parent company**[2]
300.

### Dominykas Tučkus

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

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

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

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

**Owned shares of the parent company**[5]
300.

### Conflicts of interest

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

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

# CEO overview

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

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

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

The main functions and responsibilities of the CEO are:

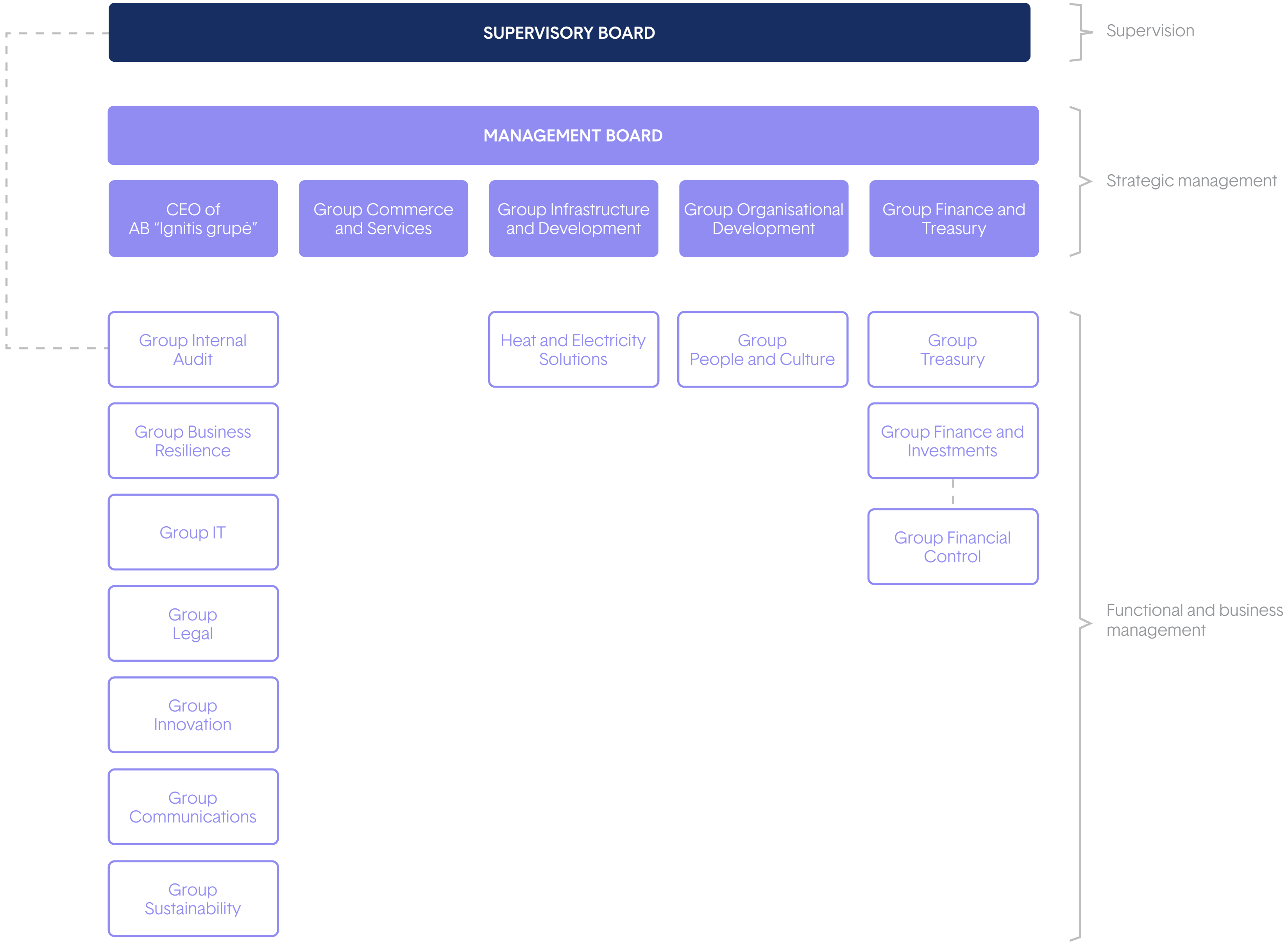
- ensuring implementation of the parent company's strategy and implementation of decisions of the Management Board;
- employment and dismissal of employees, promotions and imposing disciplinary measures;
- ensuring the security of the parent company's assets, appropriate working conditions, security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

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

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

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

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



# 4.6 Remuneration report

## Remuneration within the group

### Overview

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

**Key activities in 2021**

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

More information regarding HR policy and practices, is available in Annual report 2021.

### Remuneration-related decision-making process

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

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

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

#### Remuneration Policy-related decision-making process

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

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

## Remuneration Policy and structure

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

The Remuneration Policy defines the remuneration structure, FBS review and determination, payment of STI, remuneration of members of collegial bodies, guidelines and principals, etc. In order to be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys.

Overall, our Remuneration Policy is designed to attract, retain and motivate employees to ensure the achievement of the Group's targets. Thus, we aim to bring remuneration closer to the median of the market in which the Group companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower) than the median remuneration market may be set. In order to ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually, taking into account the data of an independent national salary survey and the remuneration market trends. Salary ranges are determined for each job level based on the median of the Salary Market.

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

### Remuneration structure[1]

| Element | Purpose | Description and performance measures | Description and performance measures |
|---|---|---|---|
| **Fixed base salary (FBS)** | Remuneration for job responsibilities, also reflects the skills, knowledge, and experience of the individual. | All Group employees. | Remuneration is determined by the employment contract, considering the level of the position and the level of competence of the employee required for the position. Base salary is paid on a monthly basis. Fixed base salary revision is performed during the annual remuneration review. |
| **Short-term incentives (STI)** | Remuneration for achieving the Group's annual financial, strategic and sustainability targets. | All Group employees. | This remuneration element is related to performance, i.e., for meeting objectives or indicators set for an individual position. STI proportion is determined as a percentage of FBS, up to 20% STI (of the annual FBS) is applied for the executives and positions with strategic responsibilities, other employees up to 10%. In order to achieve the flexibility of the remuneration system for specific job groups Specialized remunerations system can be set. |
| **Additional benefits** | Benefits for aligning with market practises and retaining current management. | All Group employees (excluding a company car). | All Group employees are covered by the health insurance schemes, unless they choose the contributions to the private pension funds and other benefits applied according to the internal legal acts. Benefits package for the Members of the parent company's and Group companies' Management Boards additionally includes the company's car. |
| **Remuneration of a member of the parent company's or Group companies' collegial body (RCB)** | Remuneration for the Management Board members' activities. | Members of the parent company's or Group companies' Management Boards. | RCB is fixed and paid on a monthly basis. RCB usually is reviewed before a 4-year tenure contract is signed. |

*[1] Currently, the legal proceeding on the compliance with national legal acts of long-term incentive share option plan for the key executives of the Group as well as employee stock ownership plan is undergoing. For this reason, the programmes were suspended. For further details please refer to the subsection 'Long-term incentives' below.*

Remuneration structure applicable to the Management Board is consistent with the structure for the remaining Group employees (except a company vehicle). It includes FBS, STI and other benefits described in the following table. Additionally, STI is detailed on the following pages.

Full Remuneration Policy and further information on human resources management are available on our website.

### Short-term incentives

STI is tied to the annual performance results, i.e., a percentage of the annual FBS is provided for a particular position or an employee for meeting their targets. The maximum STI level set for the parent company's Management Board as well as CEOs, members of management boards and top executives of the Group companies is 20% (starting in 2020,) of the annual FBS. For the remaining employees, except employees with strategic responsibilities, the maximum STI level is capped at 10%.

Composition of targets on which STI is based, depending on the employee's position withing the Group, is provided in the following table.

Detailed description of STI targets of members of the parent company's Management Board, including the CEO, and its performance outcomes are provided in the section 'Remuneration of the parent company's Management Board' of this report.

## Structure of STI targets depending on the employee position within the Group

| Position category | Maximum STI level of the annual FBS | Weights for objective types | | |
|---|---|---|---|---|
| | | Objectives of the parent company | Objectives of the Group company / Function | Team / individual objectives |
| Members of the Management Board of the parent company | 20% | 100% | - | - |
| CEOs (executives) / members of management boards at the Group companies | 20% | 30% | 70% | - |
| Heads of functions | 10% / 20%[1] | 50% | 50% | - |
| Heads of functional areas | 10% | 30% | - | 70% |
| Mid-level managers of the Group | 10% / 20%[1] | - | 30% | 70% |
| Other employees of the Group | 10% | - | - | 100% |

[1] *Maximum STI level is set 20% of the annual FBS for employees with strategic responsibilities.*

### Long-term incentives

While implementing the parent company's IPO in 2020, a long-term incentive share option plan for key executives of the Group as well as an employee stock ownership plan were introduced. However, because the Group is one of the first SOEs introducing such incentive schemes, it was challenged by the public prosecutor, questioning the programmes' compliance with national legal acts, and suspended by applying the interim measures on 3 May 2021. Currently, the legal proceeding is ongoing. The Group will announce about relevant material changes through the stock exchanges.

Detailed information on the former long-term incentive share option and employee stock ownership plans is available in our Annual report 2020.

# Remuneration of the parent company's management board

## Overview

After the reporting period, on 18 February 2022 the term of the former parent company's Management Board has ended. Accordingly, we provide the development of awarded remuneration to its members during its four-year term. More in-depth information about the former members of the Management Board is available on Annual report 2021, section 'Governance report', and about the newly elected members – on our website.

During the term of office, the remuneration awarded to the former parent company's Management Board was in line with the Group's Remuneration Policy and there were no one-off bonuses granted. However, during the reporting periods there have been a few changes both in our Remuneration Policy and taxation of employment-related income in Lithuania, reflecting the lack of comparability between different periods:

- starting in 2019, Lithuanian government introduced a reform to the individual tax system, shifting the largest part of social security contributions from employer to employee. As a result of this change, gross salaries were recalculated increasing it by 28.9% in 2019 compared to 2018;
- in 2020, the Group introduced Remuneration Policy changes to align STI structure within the Group companies. Thus, part of the parent company's Management Board's STI were transferred to the FBS, resulting in its increase (STI before transfer was 40%, after 20%).

Despite a turbulent year marked with uncertainty, the Group's overall results were strong, which resulted in exceeded guidance and, thus, achievement of STI targets. Additionally, FBS review for 2021 was temporarily suspended due to uncertainty related to COVID-19 impact to the Group.

### The parent company's Management Board's remuneration during 2018–2021, EUR (gross)

| | | 2021 | 2020[2] | 2019[3] | 2018[4] |
|---|---|---|---|---|---|
| FBS[1] | Darius Maikštėnas | 128,578 | 121,311 | 94,135 | 62,888 |
| | Darius Kašauskas | 108,049 | 101,617 | 78,573 | 56,853 |
| | Dr. Živilė Skibarkienė | 107,998 | 98,374 | 74,261 | 43,574 |
| | Vidmantas Salietis | 107,770 | 101,477 | 77,540 | 42,297 |
| | Dominykas Tučkus[5] | 59,528 | 101,742 | 79,534 | 56,887 |
| STI[2] | Darius Maikštėnas | 22,005 | 34,829 | 30,090 | - |
| | Darius Kašauskas | 18,315 | 29,008 | 32,330 | 16,361 |
| | Dr. Živilė Skibarkienė | 18,315 | 29,008 | 21,979 | - |
| | Vidmantas Salietis | 18,315 | 29,008 | 21,780 | 18,273 |
| | Dominykas Tučkus[5] | 26,184[6] | 29,008 | 32,104 | 15,660 |
| RCB | Darius Maikštėnas | 30,600 | 30,600 | 30,600 | 22,297 |
| | Darius Kašauskas | 21,780 | 21,780 | 21,780 | 12,168 |
| | Dr. Živilė Skibarkienė | 21,780 | 21,780 | 21,780 | 10,140 |
| | Vidmantas Salietis | 21,780 | 21,780 | 21,780 | 9,126 |
| | Dominykas Tučkus[5] | 10,631 | 21,780 | 21,780 | 12,168 |
| **TOTAL** | **Darius Maikštėnas** | **181,183** | **186,740** | **154,825** | **85,185** |
| | **Darius Kašauskas** | **148,144** | **152,405** | **132,683** | **85,382** |
| | **Dr. Živilė Skibarkienė** | **148,093** | **149,162** | **118,020** | **53,714** |
| | **Vidmantas Salietis** | **147,865** | **152,265** | **124,480** | **69,696** |
| | **Dominykas Tučkus[5]** | **96,343** | **152,530** | **133,418** | **84,715** |

*[1] FBS is the same for all former members (except CEO / Chair of the management board) of the parent company's Management Board. The differences appear due to sick leaves.*
*[2] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.*
*[3] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing it by 28.9% in 2019.*
*[4] The remuneration of Management Board members is different, because of different term-of-office start dates. Terms of office of Darius Maikštėnas, Dr. Živilė Skibarkienė and Vidmantas Salietis started on February 2018, so no STI for Management Board member duties was paid for the previous period. Additionally, STI for Vidmantas Salietis was paid for performance in the previous position.*
*[5] On 25 June 2021 Dominykas Tučkus resigned from the position of a Member of the parent company's Management Board.*
*[6] Dominykas Tučkus STI pay-out in 2021 includes STI for 2021 results (the job agreement terminated on 25 June 2021), whereas for other members of the Management Board includes STI for 2020 targets achieved.*

# Short-term incentives

**2021 STI targets and achievement overview**

Annual objectives of the CEO and the members of the parent company's Management Board are based on the Group's strategic plan and are aligned with the annual objectives of the parent company. The targets are approved and their achievement, which is related to the STI size, is assessed by the Group's Supervisory Board. The maximum STI size for the achievement of objectives is capped to 20% of annual FBS.

The criteria applicable to the STI of the members of the former parent company's Management Board, including the CEO, for 2021 and target achievements are available in the following table. The information on the STI targets and their achievement in the previous periods is available on our website.

## The parent company Management Board's STI targets and achievement in 2021

| Performance criteria | Weight | Targets | Access threshold (70%) | Threshold I (80%) | Threshold I (90%) | Target and maximum (100%) | Achieved performance | Target and maximum payout | Achieved payout |
|---|---|---|---|---|---|---|---|---|---|
| Financial targets | 30% | Group Adjusted EBITDA[1] | 292 EURm | 297 EURm | 302 EURm | 307 EURm | 332.7 EURm | 100% | **30%** |
| Strategic projects and key milestones | 50% | Vilnius CHP biomass unit project restart: according to the approved schedule and scope (10%) | Up to 3 months later | Up to 2 months later | Up to 1 month later | On time[2] | Up to 3 months later | 70% | **7%** |
| | | M&A: Green Generation development projects secured with planned CoD in 2021–2023, according to the approved scope (10%) | ≥120 MW | ≥150 MW | ≥180 MW | ≥220 MW | 130 MW | 70% | **7%** |
| | | Own development: Green Generation early development phase with planned CoD in 2024–2025, according to the approved scope (10%) | ≥100 MW | ≥130 MW | ≥170 MW | ≥200 MW | 166 MW | 80% | **8%** |
| | | Smart metering programme: according to the approved programme schedule and scope (10%) | Up to 3 months later | Up to 2 months later | Up to 1 month later | On time[3] | Up to 3 months later | 70% | **7%** |
| | | Networks regulation: to secure sustainable and long-term regulatory model for the new regulation period (10%) | Some negative impact | - | - | No material negative impact | Regulated asset base decline partly offset by additional tariff component. The impairment of Networks electricity non-current assets is EUR 53 million[4] | 85% | **8.5%** |
| Sustainability targets | 20% | Security at workplace: TRIR and 0 work-related fatal accidents of own employees (5%) | 2.59 and 0 fatal accidents | 2.49 and 0 fatal accidents | 2.39 and 0 fatal accidents | 2.29 and 0 fatal accidents | TRIR=2.01 and 0 fatal accidents | 100% | **5%** |
| | | Group sustainability programme: according to the approved programme schedule and scope (5%) | Up to 3 months later | Up to 2 months later | Up to 1 month later | On Time[5] | On Time | 100% | **5%** |
| | | Group employee NPS (10%) | eNPS >=70% vs. 2020 average | eNPS >=80% vs. 2020 average | eNPS >=90% vs. 2020 average | eNPS >=95% vs. 2020 average | eNPS = 103% vs. 2020 average[6] | 100% | **10%** |
| | | **STI, %** | - | - | - | - | - | - | **88%** |
| | | **STI, % of FBS (maximum STI level equal to 20% of annual FBS)** | - | - | - | - | - | - | **17.6%** |

*[1] Target is measured according to the achievement scale with linear interpolation between the thresholds. In the event of below-minimum achievement. no payment will accure for this target. [2] Team formed, procurement procedures initiated and planned activities carried out according to the approved project plan. [3] Contract signed with the main contractor of SMI and rollout started. [4] EUR 44.4 million - electricity related and EUR 8.9 million - gas related. [5] According to the approved programme schedule and scope for 2021: CO2 emissions measurements done, management targets set and validated by SBTi; Materiality assessment and Group sustainability targets defined. [6] Group employee NPS for 2020 – 56.0%, for 2021 – 57.4%.*

### 2022 STI targets overview

In the table below we illustrate the STI targets for 2022. Due to the market-sensitive information, detailed information on their performance and assessment will be provided in the Group's Annual report 2022.

Remuneration Policy is designed to attract, retain and motivate employees to ensure the achievement of the Group's targets.

### The parent company Management Board's STI targets for 2022

| Performance criteria | Weight | Targets |
|---|---|---|
| Financial targets | 35% | Group Adjusted EBITDA |
| Strategic projects and key milestones | 45% | M&A and Co-development projects / Green Generation (10%) |
| | | Greenfield development projects / Green Generation (10%) |
| | | Vilnius biomass power plant construction project (10%) |
| | | Offshore wind development (10%) |
| | | Asset rotation (5%) |
| Sustainability targets | 20% | Net-zero target alignment with science-based targets (5%) |
| | | Resilient Network: Electricity SAIDI (5%) |
| | | Group employee NPS (Employee Net Promoter Score) (5%) |
| | | Security at workplace: TRIR and 0 work-related fatal accidents of own employees (5%) |

## Further information on contractual terms of the members of the parent company's Management Board

### Severance payments

Members of the parent company's Management Board (who are also employees of the parent company) are entitled to the severance payments in accordance with the Labour Code acts upon termination of their contractual relationship. According to the Remuneration Policy, higher severance payments higher than provided for in the Labour Code could only be awarded to the Management Board members by the decision of the parent company's Supervisory Board.

### Non-compete agreements

Non-compete agreements with members of the Management Board may be concluded in accordance with the Labour Code. Group's Non-Compete Standard specifies in further detail the non-compete compensation limits applicable to the Group's employees:

- monthly compensation limits are 50%, 70% or 100% of the average monthly salary depending on the non-competition period which could be 6, 9 or 12 months respectively;
- non-compete compensation terms may be negotiated and concluded on a case-by-case basis but not exceed the above mentioned limits.

In 2021, the parent company did not enter into any non-compete agreements with members of the parent company's Management Board. The parent company's Management Board members may own stock of the parent company. Further details on the trading guidelines for the parent company's managers and persons closely associated with them is available in Annual report 2021 section 'Risk and Risk Management' (under 'Compliance programme').

### Overview of the CEO's contractual terms

In accordance with the Law on Companies, an employment agreement is concluded with the CEO of the parent company. The CEO may resign by a written notice addressed to the Management Board that elected him. The Management Board that elected the CEO shall make a decision to remove the CEO within 15 days from the date of receipt of the notice of resignation. Also, according to the Law on Companies, the CEO may be removed from office by the competent body without notice. A separate written non-compete agreement may be concluded with the CEO in accordance with the provisions of the Labour Code. As of the end of 2021, the parent company had had not entered into a non-compete agreement with the CEO. Clawback provisions are not allowed under the Lithuanian Labour Code and thus are not applicable to the parent company's CEO. Under the Labour Code and other legal acts of the Republic of Lithuania, severance payments may be applicable to the parent company's CEO depending on the grounds of termination of the employment agreement (up to two average monthly salaries).

# Remuneration of collegial bodies of the parent company

## Overview

Remuneration principles for members of collegial bodies are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Following the recommendations of the Governance Coordination Centre and best market practices, the principle of remuneration for members of collegial bodies of the parent company and the Group companies was changed from hourly to monthly in 2021. This principle came into force with the General Meeting of Shareholders' approval of the new Remuneration Policy on 27 September 2021. We expect this change to improve both, the remuneration transparency and clarity.

**Key principles of remuneration of collegial bodies**

- According to the Guidelines for Corporate Governance of State-Owned Energy Group, the maximum monthly remuneration paid for the activities in the Supervisory Board, its committees for those who are subject to remuneration shall not exceed one-quarter of the amount of the average monthly salary paid to the CEO of the parent company. The maximum monthly remuneration paid to the Chair of the Supervisory Board for the work in the Supervisory Board or its committees shall not exceed one-third of the monthly salary paid to the CEO of the parent company.
- The monthly remuneration of the independent Supervisory Board member of the parent company shall be determined by the General Meeting of Shareholders of the parent company, and this amount shall be used to calculate the monthly remuneration of other members of collegial bodies of the parent company and the Group companies.
- Remuneration for activities in collegial bodies shall be fixed and shall not depend on the results of the performance of the parent company or the Group companies.
- The remuneration of the members of the parent company's Supervisory Board for participating in the activities of the committees (including the Audit Committee) shall be included in their remuneration for their activities in the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees.
- Members of the Supervisory Board and Audit Committee members are not entitled to severance payments upon termination of their contractual relationship.

Remuneration for activities in the parent company's collegial bodies shall be paid to:
- independent members of Supervisory Board;
- independent members of the Supervisory Board committees and the Audit Committee;
- members of the Management Board.

More information about remuneration of collegial bodies of Group companies is available in our Remuneration Policy.

## Remuneration structure

The remuneration principles for members of the parent company's collegial bodies for their activities, established on 27 September 2021, are provided in the following table. The collegial bodies in Group companies will gradually move to the renewed remuneration system starting from their new term of offices.

### Remuneration for members of the parent company's collegial bodies for their activities

| Position in a collegial body | Remuneration ratio for activity[1] | Monthly remuneration, EUR |
|---|---|---|
| Independent Supervisory Board member of the parent company | 1.00 | 2,000 |
| Chair of the parent company's Supervisory Board | 1.30 | 2,600 |
| Chair of the parent company's Supervisory Board committees and the Audit Committee | 1.00 | 2,000 |
| Independent members of the parent company's Supervisory Board committees and the Audit Committee | 0.90 | 1,800 |
| Chair of the Management Board of the parent company | 1.30 | 2,600 |
| Members of the Management Board of the parent company | 0.90 | 1,800 |

*[1] Level of monthly remuneration of Supervisory Board of EUR 2,000 was set on 27 September 2021 during the parent company's General Meeting of Shareholders. The remuneration for other collegial bodies are calculated on the basis of Independent Supervisory Board member remuneration, multiplied by Remuneration ratio.*

**Remuneration of the members of the Supervisory Board, its committees and the Audit Committee**

During the reporting period, the term of the former Supervisory Board has ended. As a result, on 26 October 2021, new members of the Supervisory Board were elected by the General Meeting of Shareholders for a four-year term. Further on, new Supervisory Board committees were formed, and the candidates to the Audit Committee were elected by the General Meeting of Shareholders. As a result, we provide separately the development of awarded remuneration for former members of the Supervisory Board, its committees and the Audit Committee and the new members of the collegial bodies.

Further in-depth description about the election process of collegial bodies is available in Annual report 2021 section 'Governance report'.

## Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee, EUR (gross)

| Name (position) | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Supervisory Board | Committees[1] | Supervisory Board | Committees[1] | Supervisory Board | Committees[1] | Supervisory Board | Committees[1] | Supervisory Board | Committees[1] |
| **Darius Daubaras** (Chair of the Supervisory Board, member of the Risk Management and Business Ethics Supervision Committee) | 14,850 | - | 22,950 | - | 16,650 | - | 13,877 | - | 3,600 | - |
| **Andrius Pranckevičius** (Member of the Supervisory Board, chair of the Risk Management and Business Ethics Supervision Committee) | 23,881 | - | -[4] | - | 5,288 | - | 7,618 | - | -[4] | - |
| **Daiva Lubinskaitė – Trainauskienė** (Member of the Supervisory Board, chair of the Nomination and Remuneration Committee) | 6,750 | - | 6,263 | - | 5,070 | - | 3,929 | - | 537 | - |
| **Judith Buss**[2] (Member of the Supervisory Board) | 10,125 | - | 3,038 | - | - | - | - | - | - | - |
| **Bent Christensen**[2] (Member of the Supervisory Board) | 10,725 | - | 2,625 | - | - | - | - | - | - | - |
| **Aušra Vičkačkienė**[3] (Member of the Supervisory Board, member of the Audit Committee) | - | - | - | - | - | - | - | - | - | - |
| **Daiva Kamarauskienė**[3] (Member of the Supervisory Board, member of the Nomination and Remuneration Committee) | - | - | - | - | - | - | - | - | - | - |
| **Irena Petruškevičienė** (Chair of the Audit Committee) | - | 14,700 | - | 15,488 | - | 11,738 | - | 9,720 | - | 3,410 |
| **Danielius Merkinas** (Member of the Audit committee) | - | 10,763 | - | 11,888 | - | 10,590 | - | 6,780 | - | 2,029 |
| **Šarūnas Radavičius** (Member of the Audit Committee) | - | 9,787 | - | 9,750 | - | 8,258 | - | 3,180 | - | -[5] |
| **Ingrida Muckutė**[3] (Member of the Audit Committee) | - | - | - | - | - | - | - | - | - | - |
| **Lėda Turai – Petrauskienė** (Member of the Nomination and Remuneration Committee) | - | 7,650 | - | 4,125[4] | - | -[4] | - | 1,800 | - | -[5] |
| **Šarūnas Rameikis** (Member of the Risk Management and Business Ethics Supervision Committee) | - | 4,950 | - | - | - | 3,375 | - | 2,580 | - | -[6] |
| **Total remuneration** | **66,331** | **47,850** | **34,876** | **41,251** | **27,008** | **33,961** | **25,424** | **24,060** | **4,137** | **5,439** |

*[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees shall be included in their remuneration for the activities of the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees.*
*[2] Elected as members of the Supervisory Board since 12 November 2020.*
*[3] Members of the Supervisory Board, its committees or the Audit committee who are delegated by the Majority Shareholder do not receive any remuneration from the parent company for their activities in the Supervisory Board.*
*[4] Due to the late submission of hours worked, remuneration was paid out in the next periods thus appearing 0 in respective years.*
*[5] Lėda Turai – Petrauskienė and Šarūnas Radavičius respectively were elected as members of the Nomination and Remuneration Committee and the Audit Committee on 23 March 2018.*
*[6] Šarūnas Rameikis was elected as a member of the Risk Management and Business Ethics Supervision Committee on 20 April 2018.*

As described in the overview of the remuneration of collegial bodies of the parent company, on 27 September 2021, the remuneration principle was changed from hourly to monthly. New remuneration approach was applied starting new terms of the collegial bodies, thus it was not applicable for the former members of the Supervisory Board, its committees and the Audit Committee detailed in the table above.

### Remuneration development for activities in the parent company's new Supervisory Board, its committees and the Audit Committee, EUR (gross)

| Name (position) | 2021 | |
|---|---|---|
| | Supervisory Board | Committees[1] |
| **Alfonso Faubel** (Chair of the Supervisory Board, member of the Risk Management and Business Ethics Supervision Committee) | 5,645 | - |
| **Lorraine Wrafter** (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee) | 4,387 | - |
| **Tim Brooks** (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics Supervision Committee) | 4,387 | - |
| **Judith Buss** (Member of the Supervisory Board, member of the Audit Committee) | 4,387 | - |
| **Bent Christensen** (Member of the Supervisory Board, member of the Nomination and Remuneration Committee) | 4,387 | - |
| **Aušra Vičkačkienė**[2] (Member of the Supervisory Board, member of the Nomination and Remuneration Committee) | - | - |
| **Ingrida Muckutė**[2] (Member of the Supervisory Board, Member of the Audit Committee) | - | - |
| **Šarūnas Rameikis** (Member of the Risk Management and Business Ethics Supervision Committee) | - | -[3] |
| **Irena Petruškevičienė** (Chair of the Audit Committee) | - | 6,000 |
| **Saulius Bakas** (Member of the Audit Committee) | - | 5,400 |
| **Marius Pulkauninkas** (Member of the Audit Committee) | - | 5,400 |
| **Total remuneration** | **23,193** | **16,800** |

*[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees shall be included in their remuneration for the activities of the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees.*
*[2] Members of the Supervisory Board, its committees or the Audit committee who are delegated by the Majority Shareholder do not receive any remuneration from the parent company for their activities in the Supervisory Board.*
*[3] Šarūnas Rameikis was elected as a member of the Risk Management and Business Ethics Supervision Committee on 20 April 2018 and his term of office is until 19 April 2022, due to the fact that the monthly remuneration approach delineated in the new version of the Remuneration Policy is applicable only to collegial body members who were elected for a new term, Šarūnas Rameikis remuneration is based on hourly terms and remuneration warded to him is reflected in the table above 'Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee'*

# Additional information on remuneration of the group employees

The parent company's salary fund in 2021 amounted to EUR 4.9 million compared to EUR 5.4 million in 2020. Total Group salary fund in 2021 was EUR 97.3 million (in 2020 it was EUR 92.8 million). Average monthly salaries (FBS and STI) for the period of 2017–2021 are provided in the following tables. The formula for calculating the salary fund has changed, adding holiday, pension reserve and the capitalization of salaries in 2021, so 2020 data was recalculated.

## Average monthly remuneration and number of the parent company's employees, EUR (gross)

| Position category | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of employees[1] | Average salary | Number of employees | Average salary[2,3] | Number of employees | Average salary[4] | Number of employees | Average salary | Number of employees | Average salary |
| CEO | 1 | 12,549 | 1 | 13,011 | 1 | 9,725 | 1 | 6,234 | 1 | 7,508 |
| Top level managers | 9 | 9,431 | 10 | 9,783 | 11 | 7,342 | 9 | 5,358 | 8 | 5,381 |
| Middle managers | 16 | 6,044 | 23 | 6,413 | 21 | 6,320 | 20 | 3,774 | 14 | 3,671 |
| Experts / Specialists | 47 | 3,750 | 50 | 3,778 | 68 | 3,833 | 85 | 2,192 | 67 | 2,023 |
| Workers | - | - | - | - | - | - | - | - | - | - |
| **Total** | **73** | **5,102** | **84** | **4,281** | **101** | **4,281** | **115** | **2,784** | **90** | **2,659** |

*[1] Due to the Management Board decision in the parent company to keep only the strategic positions, other positions are moved to other Group companies thus constantly reducing number of employees.*
*[2] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.*
*[3] Average salary was recalculated including STI, thus data differs compared to reported in Annual report 2020.*
*[4] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing it by 28.9% in 2019.*

## Average monthly remuneration and number of the Group's employees[1, 2], EUR (gross)

| Position category | 2021 | | 2020 | | 2019[4] | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of employees | Average salary | Number of employees | Average salary[3] | Number of employees | Average salary[5] | Number of employees | Average salary | Number of employees | Average salary |
| CEO | 17 | 8,300 | 17 | 8,990 | 17 | 7,262 | 14 | 5,348 | 15 | 5,023 |
| Top level managers | 33 | 8,030 | 34 | 8,274 | 35 | 6,713 | 38 | 4,589 | 42 | 4,292 |
| Middle managers | 373 | 4,020 | 375 | 4,038 | 340 | 3,323 | 327 | 2,333 | 321 | 2,193 |
| Experts / Specialists | 2,728 | 2,247 | 2,670 | 2,102 | 2,560 | 1,906 | 2,548 | 1,309 | 2,857 | 1,179 |
| Workers | 733 | 1,758 | 736 | 1,670 | 767 | 1,475 | 767 | 979 | 1,094 | 862 |
| **Total** | **3,884** | **2,401** | **3,832** | **2,059** | **3,719** | **2,015** | **3,694** | **1,374** | **4,329** | **1,214** |

*[1] Excluding trainees: 7 in 2021,4 in 2020.*
*[2] The average salary of the employees of the Group companies operating in Poland is calculated using the official EUR / PLN exchange rate on the last day of each month during which the salary was paid.*
*[3] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.*
*[4] Excluding 23 employees from Group companies UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., "Pomerania Invall Sp. z o. o.", OÜ Tuuleenergia", UAB "VVP Investment", Ignitis Eesti OÜ.*
*[5] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing it by 28.9% in 2019.*

# 4.7 Risk and risk management

## Risk management framework

### Overview

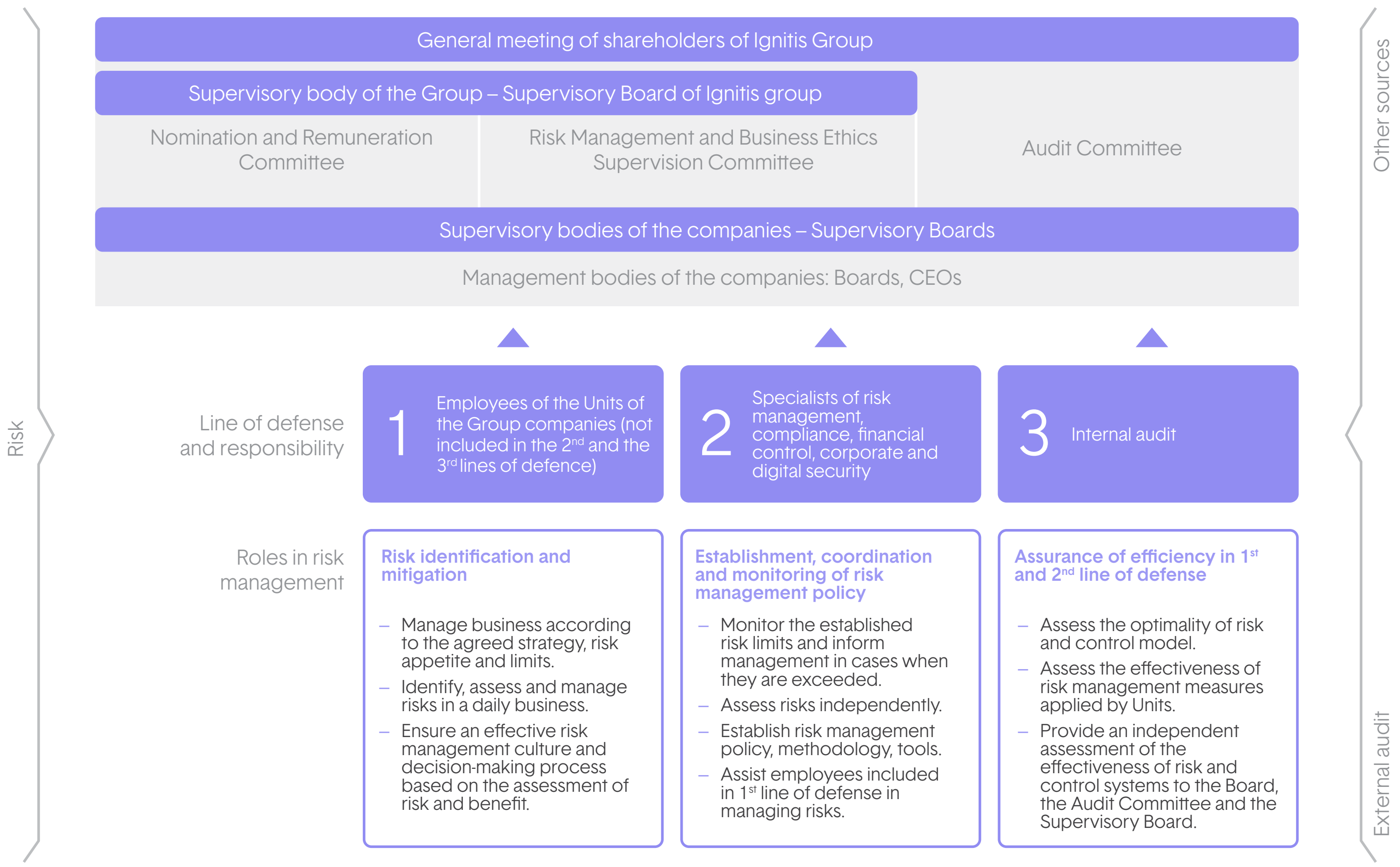
In order to effectively manage and control risks arising from its activities, the Group applies the "three lines of defence" principle by establishing a clear distribution of responsibilities for risk management and control between the management and supervisory bodies, structural units or functions of the Group or its subsidiaries (see figure on the right).

The Group is following the best risk management practices and using a risk management framework prepared in accordance with the main principles of Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines).

The effectiveness of the risk management plans is assessed by the parent company's Management Board, Risk Management and Business Ethics Supervision Committee elected by the Supervisory Board and Supervisory Board.

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

### "Three lines of defence" risk management framework



**The main risk management objectives are the following:**

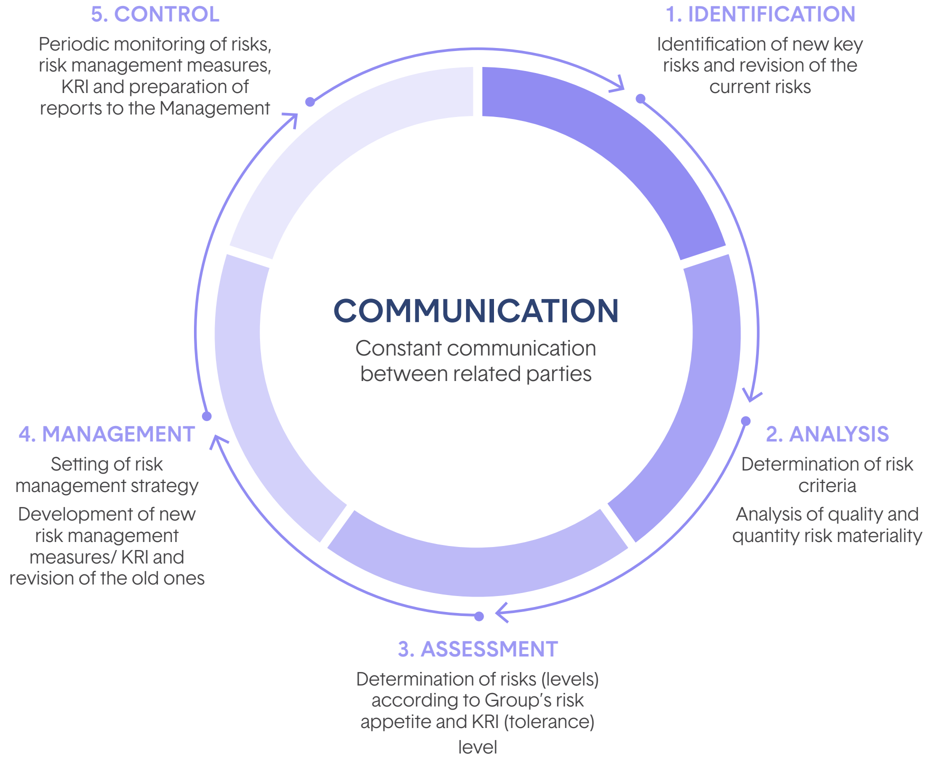
- to achieve the Group's performance objectives with controllable, yet, in principle, acceptable deviations from these objectives;
- to ensure uninterrupted performance of core activities of the Group in short- and long-term perspectives;
- to ensure a timely provision of information of the highest possible accuracy to decision-makers, shareholders and other stakeholders;
- to protect the Group's reputation and ensure reliability;
- to protect the Group's reputation and ensure resilience;
- to protect the interests of shareholders, employees, customers, stakeholders and the public;
- to ensure the stability (including financial) and sustainability of the Group's activities.

**Risk management process and key principles**

In order to ensure that risk management information and decisions are relevant to and reflect the changes in the Group, each year the Group initiates a risk management process (see on the right side) related to Group risks and Group strategic objectives, which includes all Group companies and functions. Throughout the risk management process, a constant communication between the related parties is ensured.

- **Identification stage** – identification of new key risks and revision of the current risks allows to form a comprehensive picture about the Group's risk.
- **Analysis stage** – risk criteria are determined according to the method established in the Group and quality and quantity risk materiality analysis is then performed.
- **Assessment stage** – here risk levels are determined. The risk level is determined by assessing the current control measures, probability of occurrence and potential impact of the risk (in the context of financial, reputational, compliance, corruption, human health and safety and business continuity aspects) and then multiplying them. Risk level can be low, medium, high, or very high (see risk assessment matrix). The Group's risk appetite and KRI (tolerance) thresholds are established and reviewed as needed by the parent company's Management Board . Risk appetite means the level and type of risk that the Group is ready to accept in order to implement strategic objectives. KRI threshold means the specific value of the occurrence of a particular risk factor, without threatening or creating the preconditions for a financial, reputational or other type of crisis to occur, expressed in qualitative or quantitative units. KRI is used to determine risks of all levels by distinguishing deviation thresholds (low, average, high), which would allow to identify risk tendency and, should there be deviations from the plan within the tolerance threshold, to initiate a more intensive monitoring by escalating the issue and planning additional steps to control it.
- **Management stage** – all risks are assigned a risk management strategy, such as 'accept', 'mitigate', 'avoid', or 'dispose'. Also every year new risk management measures, key risk indicators are developed, and the old ones are revised.
- **Control stage** – periodic monitoring of risks, risk management measures, key risk indicators and preparation of reports to the management (of separate companies, functions, at the Group level). Only those risks whose potential financial impact, assessed at the Group level, exceed the Group's risk appetite as well as systemic risks (i.e. risks that were identified in two or more companies) that exceed the Group's risk appetite are included into the consolidated risk register of the Group, which is approved by the parent company's Management Board and Supervisory Board.

## Risk management process



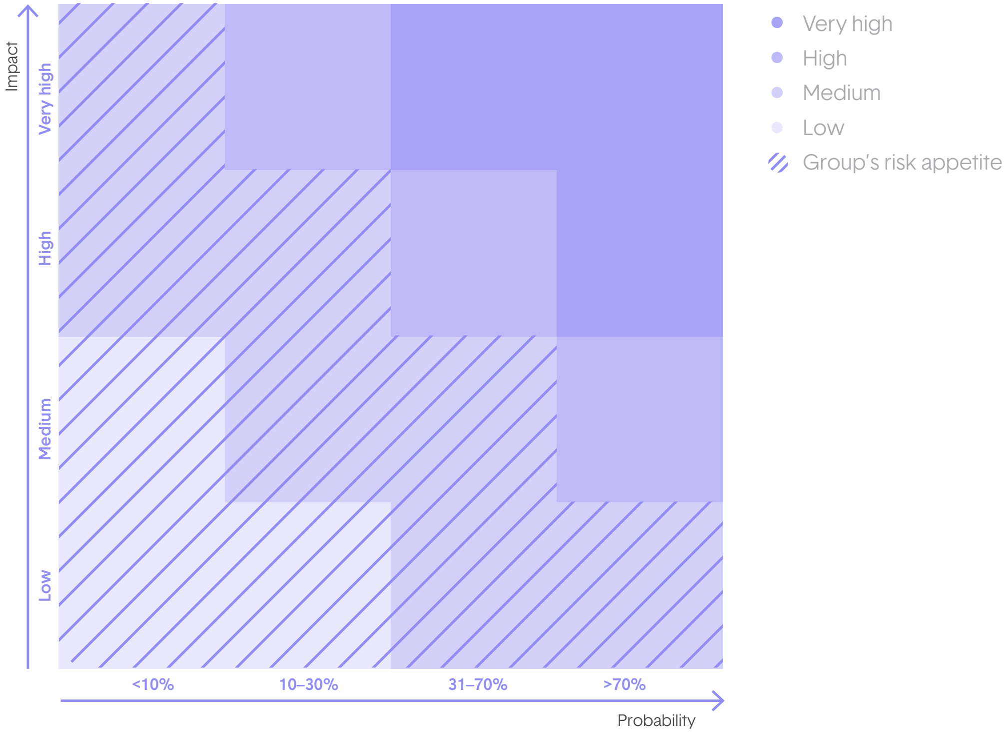
### Risk categories

The Group's risks are categorized into strategic, operational (activity), financial and external risks. Their descriptions are provided below.

## Risk categories

| Risk category | Strategic | Operational (activity) | Financial | External |
|---|---|---|---|---|
| Description | Risks that may impact the mission, strategic objectives of the Group/ subsidiaries/functions.<br><br>They can manifest due to unfavourable or erroneous business decisions, inadequate implementation of decisions or due to unfavourable reaction related to political, legislative changes. | Risks that manifest due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, poor business practices or development, employee errors and/or illegal activities, improper/insufficient management of IT operations, etc. | Risks that manifest from financial assets and/or obligations of the Group/its subsidiaries.<br><br>This category includes the following risks: credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc. | Risks manifesting due to changes in market conditions, regulatory and judicial changes (both planned and unplanned), natural resources, natural disasters, etc. |

## Risk assessment matrix



# Key risks and their control

**Starting 2022**

In Q4 2021, a periodic risk management process was initiated based on the updated risk assessment methodology. During the process, after evaluating all relevant risks in the context of the Group business segments and functions, and considering the strategic directions, a new consolidated risk register of the Group was compiled, where the most important risks for upcoming period for the Group were established. Risks 1–8 were included from the Group companies, and risk 9 – from a function. Compared to 2021, four new priority risks (1, 2, 3, 7) were identified for 2022, which are mostly related to the activities of the Green Generation segment. Five previous risks (4, 5, 6, 8, 9) remain relevant in the upcoming period. These key risks of the Group and their management plan have our greatest focus and attention. More information about these risks and their management plan is available below.

**2021**

Annual report 2020 contains an extensive list of the most important risk factors and management directions for 2021. Such risks as changes in the market and legislation, unsuccessful new projects/business activities and failure to ensure information security remained at high or very high risk level throughout the reporting period. Meanwhile, the following risks were successfully managed within the Group's risk appetite: risk of failure to achieve key commitments (including business continuity); risk of health and safety of employees, residents and contractors; risk of compliance; and risk of core services disruptions due to IT/OT incidents.

The main risk changes:

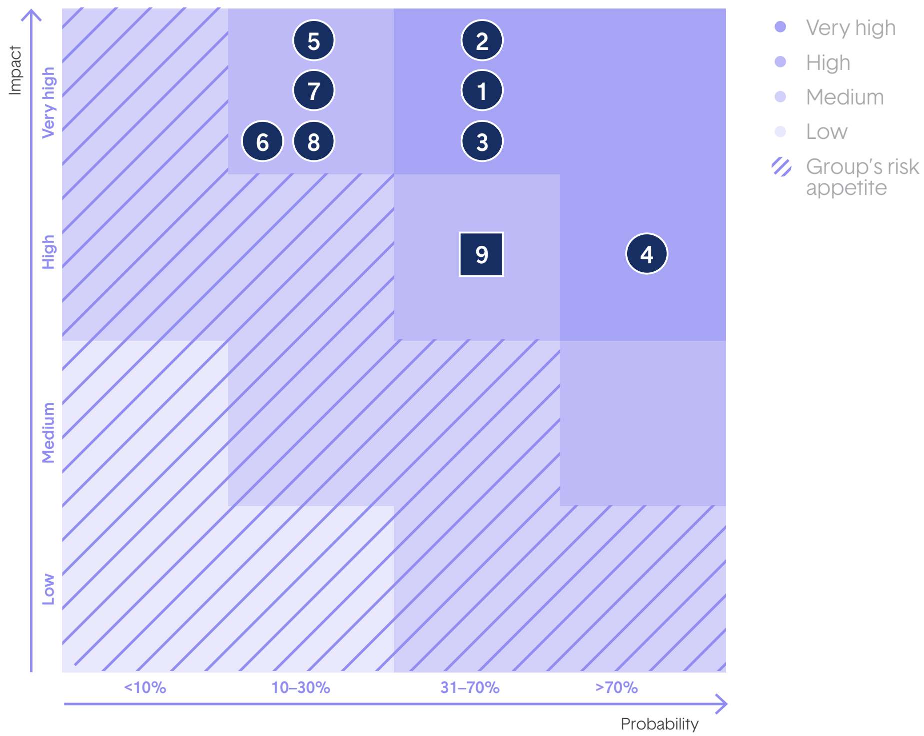
**Customers & Solutions:** In Q3 2021, the Group has successfully concluded negotiations with Equinor ASA – an amendment of the designated supply of liquefied natural gas (LNG) contract was signed, which ensured a more favorable LNG cargo supply structure. Additionally, the Government of the Republic of Lithuania approved the mandatory supply volume for the LNG terminal – 4 cargoes per year for the period of 2022–2024, which aligns with the mandatory supply volume set out in the contract with Equinor ASA. Considering this, the uncertainty related to the designated supply activities was reduced, so the level of the risk "Market and legislative changes" was reduced from very high to high (the probability was decreased from very high to high);

**Networks:**

- when assessing implementation of the smart meter roll-out project, a global chip shortage ('chip crisis') presented as another source of risk, potentially resulting in slower delivery of smart meters;
- risk of market and legislative changes had partially materialised because the National Energy Regulatory Council (NERC) approved (link in Lithuanian) the new wording of the Methodology for determining the price caps for electricity distribution by, in essence, making it similar to historical cost model (previously was Long-Run Average Incremental Cost (LRAIC) model). Fortunately, sustainable regulatory framework was ensured through the additional tariff component, which offsets the change in RAB calculation method (more information is available in section 'Results by business segment'). Respectively, the Adjusted EBITDA guidance for 2021, dividend policy and investment plans detailed in the Group strategic plan remained unchanged.

Risk changes in Q4 2021 are not separated because, starting from Q4 2021, an updated risk assessment methodology is being applied (with greater focus on specific risk factors rather than risk areas), based on which the risk factor and management plan, which is provided below, was updated.

**Key risks of the Group**




1. Employee attraction, development and retention risk (Green Generation)
2. Risk of not achieving Green Generation installed capacity on time (Green Generation)
3. Risk of not winning the Lithuanian offshore wind tender (Green Generation)
4. Risk of hedging deficit in the Lithuanian and Latvian electricity markets (Customers & Solutions)
5. Risk of failure to complete the Vilnius CHP biomass unit project properly and on time (Green Generation)
6. Risk of failing to notify the European Commission about the aid from the Government (Flexible Generation)
7. Risk of market changes (Flexible Generation)
8. Risk of unplanned and adverse regulatory changes (Networks)
9. Risk of cyberattacks using publicly known system vulnerabilities (the Group)

# Risk management plan 2022

## Strategic risks

### 1 Employee attraction, development and retention risk ESG

**Main source of risk:**
- Lack of experienced project managers in the green generation area
- High employee flow during the process of expansion of the company
- Employee replacement issues

**Key risk indicators** | Employee turnover

**Period** | Until 2030

**Impacted strategic area**
People and culture

**Potential impact**
Financial

**Risk level**
Very high

**Main risk management principles**
Creating a talent strategy for the company:
- ensuring employees in strategic positions;
- ensuring employees in supporting positions;
- preparing a human resources planning framework;
- preparing an employee rotation program in Lithuania and abroad (as necessary).

### 2 Risk of not achieving Green Generation installed capacity on time ESG

**Main source of risk:**
- Growing competition due to easier entry to the market
- Limited supply of land plots for project development which meet legal requirements

**Key risk indicators** | Installed capacity

**Period** | Until 2030

**Impacted strategic area**
Green Generation

**Potential impact**
Financial

**Risk level**
Very high

**Main risk management principles:**
- Take competitive advantage in large, more capital intensive projects
- Participate in consultations and working groups for formation of legislation
- Attract professionals with rich experience in green generation project development
- Utilize the existing electricity supply portfolio to structure off-take agreements

### 3 Risk of not winning the Lithuanian offshore wind tender

**Main source of risk:**
- Highly competitive environment
- Limited experience in offshore wind tenders
- Uncertainly due to normative legal acts to be approved

**Period** | Starting from 2023

**Impacted strategic area**
Green Generation

**Potential impact**
Financial

**Risk level**
Very high

**Main risk management principles:**
- Utilize the existing electricity supply portfolio to structure off-take agreements
- Partnership with Ocean Winds to strengthen the know-how in preparation for tender
- Enhance competencies by secondment to Moray West
- Attract professionals with rich experience in offshore wind projects
- Participate in consultations and working groups for formation of legislation.

ESG ESG-related risk

## Financial risks[1]

### 4 Risk of hedging deficit in the Lithuanian and Latvian electricity markets

**Main source of risk:**
- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states
- Reduction in the company's competitiveness in the retail sector

**Key risk indicators** | Share of hedged portfolio

**Period** | Constant

**Impacted strategic area**
Finance

**Potential impact**
Financial

**Risk level**
Very high

**Main risk management principles:**
- Daily monitoring of the hedging portfolio
- Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolio

### 5 Risk of failure to complete the Vilnius CHP biomass unit project properly and on time

**Main source of risk:**
- Legal measures limiting the construction capacity of contractors, subcontractors, the trustee in bankruptcy
- Violation of public procurement principles

**Key risk indicators** | Delay of critical guidelines

**Period** | Until 2024

**Impacted strategic area**
Green Generation

**Potential impact:**
- Financial
- Reputation

**Risk level**
High

**Main risk management principles:**
- Project work and schedule control as well as deviation adjustments
- Proper assurance of public procurement processes
- Constant collaboration with authorities

[1] *Other inherent financial risks of the Group (market, currency, interest rate, credit, liquidity), which do not exceed the Group's risk appetite and KRI tolerance thresholds, in accordance with the IFRS requirements are described in section 'Financial statements' of this report (Financial risk management part).*

## External risks

### 6 Risk of failing to notify the European Commission about the aid from the Government

**Main source of risk:**
The EC is yet to be notified about the aid granted by the Government to Ignitis Gamyba.

**Key risk indicators**
Periodic reporting of risk signals to the management.

**Period** | Constant

**Impacted strategic area**
Finance

**Potential impact:**
- Financial
- Reputation

**Risk level**
High

**Main risk management principles:**
- Continuous collaboration and provision of information to the authorities (the EC and the Ministry of Energy of the Republic of Lithuania)
- Centralized coordination of regulatory issues within the Group

### 7 Risk of market changes

**Main source of risk:**
- Regulatory changes in demand and ordering of reserve services (secondary and tertiary power reserve)
- Regulatory changes in demand and ordering of system services (isolated regime services)

**Key risk indicators**
Periodic reporting of risk signals to the management.

**Period** | From 2026

**Impacted strategic area**
Flexible Generation

**Potential impact**
- Financial

**Risk level**
High

**Main risk management principles:**
- Preparation for synchronization with electricity grid of the Continental Europe
- Consistent decommissioning of unused generation capacities
- Focused reduction of costs of regulated activities
- Revision and optimization of processes
- Active cooperation with the regulator
- Centralized coordination of regulatory issues within the Group

### 8 Risk of unplanned and adverse regulatory changes

**Main source of risk:**
Uncertainty of the regulatory environment.

**Key risk indicators**
Significant methodology changes/inspections carried out by regulatory authorities.

**Period** | Constant

**Impacted strategic area**
FInance

**Potential impact**
- Financial
- Reputation

**Risk level**
High

**Main risk management principles:**
- Active cooperation with regulatory authorities
- Participation in consultations and working groups
- Centralised coordination of regulatory issues within the Group

## Operational (activity) risks

### 9 Risk of cyberattacks using publicly known system vulnerabilities

**Main source of risk:**
- Cyberattacks
- Cases of social engineering, data theft
- Late or improperly patched publicly known exploitations

**Key risk indicators:**
- Critical vulnerabilities
- Solution duration

**Period** | Constant

**Impacted strategic area**
Organisation

**Potential impact:**
- Compliance
- Reputation

**Risk level**
High

**Main risk management principles:**
- Verification of publicly known vulnerabilities, critical system restriction/isolation in the internal network
- Preparation of periodic IT vulnerabilities reports and their submission to persons responsible for solving them
- Internal audit
- Cooperation with external institutions

## Other risks

The risks listed below (assessed at medium/low risk level and which fall within the Group's risk appetite and KRI tolerance thresholds) are also being actively monitored because of their natural relevance to the Group's operations.

### Strategic, external, operational risks | Physical climate risk

ESG

**Main source of risk:**
- Natural climate-related weather events (rains, droughts, snowfalls, storms, etc.) can damage infrastructure and halt operations (potential impact on distribution networks, hydropower, wind farms)
- Climate-related weather events can disrupt supply chains or unpredictably adjust commodity prices

**Key risk indicators:**
- SAIDI/SAIFI
- Availability of generation units

**Period** | Constant

**Impacted strategic area**
Sustainable Development

**Potential impact:**
- Financial
- Reputation

**Risk level**
Low

**Main risk management principles:**
- Investment in network and other asset resilience
- Updating plans for managing unforeseen operational interruptions, conducting field exercises

## Strategic, external, operational risks | Climate transition risk

ESG

**Main source of risk:**
- Tightening regulation and increasing requirements related to the European Green Deal
- Increasing prices and expanding potential scope of application related to the EU ETS; rising prices of other commodities
- Growing consumer, investor, public interest in climate change and other ESG issues
- Uncertainty regarding the EU Taxonomy criteria and the regulation's impact on the market
- Changing consumer and investor needs and expectations regarding fossil fuel phase-out

**Key risk indicators**
GHG emissions.

**Period** | Constant

**Impacted strategic area**
Sustainable Development

**Potential impact:**
- Financial
- Reputation

**Risk level**
Medium

**Main risk management principles**
GHG emission reduction that is pursued in the following ways:
- increasing RES capacity;
- increasing energy efficiency;
- optimising resource consumption;
- utilising new technologies and innovative solutions.

For more information see our Annual report 2021.

## Operational risk | Health and safety

ESG

**Main source of risk**
A natural risk may manifest due to:
- insufficient assessment of risks in a workplace, lack of practical skills, knowledge;
- failure to adhere to safety requirements;
- processes, tools that are not unified across the Group;
- failure to manage resources.

**Key risk indicators**
- Accidents
- Violations
- TRIR

**Period** | Constant

**Impacted strategic area**
Sustainable Development

**Potential impact**
People's health and safety

**Risk level**
Medium

**Main risk management principles:**
- Internal employee and contractor inspections
- Education, training of employees and contractors
- Improving processes

For more information see our Annual report 2021.

ESG ESG-related risk

## Operational risk | Corruption

ESG

**Main source of risk**

A natural risk may manifest due to:

- abuse of office powers;
- failure to declare conflicts of interest.

**Key risk indicators:**

- Conflicts of interest
- Corruption violations
- Declaration of interests
- Reports of corruption violations
- Declaration of gifts

**Period** | Constant

**Impacted strategic area**

Organisation

**Potential impact:**

- Compliance
- Reputation
- Financial

**Risk level**

Medium

**Main risk management principles:**

- Anti-corruption management system (ACMS) LST/ ISO 37001:2017.
- Standardised corruption risk assessment and management processes in the Group.
- Improving and automation of current control mechanisms.
- Trust line.
- Group's Code of Ethics.
- Periodic training courses.

For more information see our Annual report 2021.

## Operational, external risk | Compliance

**Main source of risk**

We must comply with:

- GDPR;
- MAR;
- REMIT, EMIR;
- Third energy package
- AML;
- And other requirements applicable to the activities of the Group.

**Key risk indicators:**

- Sanctions
- Incidents
- Claims

**Period** | Constant

**Impacted strategic area**

- Organisation
- Sustainable Development
- Customers & Solutions

**Potential impact:**

- Compliance
- Reputation
- Financial
-

**Risk level**

Medium

**Main risk management principles:**

- Centralised coordination of compliance issues within the Group.
- Mandatory employee education programmes.
- Total separation of supply and distribution activities.
- Improving processes and applying control mechanisms.

For more information see the end of this section and our Annual report 2021.

ESG ESG-related risk

**Operational risk | Business continuity**

**Main source of risk:**
- The Covid-19 pandemic and restrictions related to its management.
- Business uncertainty.
- Lack of resources.
- The launch of Astravets Nuclear Power Plant.

**Key risk indicators:**
- Significant disruptions of core activities.
- Post incident reviews.

**Period** | Constant

**Impacted strategic area**
Organisation

**Potential impact:**
- Compliance
- Reputation
- Financial

**Risk level**
Medium

**Main risk management principles:**
- Business continuity plans.
- Application of personal protection equipment.
- Hybrid working model.
- Contact restrictions (both to external customers and in the critical teams).
- Centre of internal IT competencies.

For more information see the end of this section and our Annual report 2021.

## Compliance Programme

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of the issuer's material information. Effective prevention of market abuse is one of our main priorities. The Group is listed both in London and Nasdaq Vilnius stock exchanges – it complies with all relevant EU, Lithuanian and UK laws and regulations.

The Group's own internal insider and transparency rules are regularly updated and made available to the public. The Group arranges periodic training on market abuse and insider rules. The coordination of market abuse prevention is one of the responsibilities of the Group's Business Resilience unit. Key market abuse prevention projects of 2021 include:

- approved trading guidelines for the parent company's managers and persons closely associated with them. The purpose of the guidelines is to detail the requirements set out in the Market Abuse Prevention Policy of the Group (link) for persons discharging managerial responsibilities (PDMR) and persons closely associated with them as well as to define the processes necessary for risk management related to the trading, reporting to and informing the supervisory authorities. Moreover, a specialized compliance training course in this area has been developed for the PDMR. Transactions of the PDMR and the persons closely associated with them must adhere to a specialized internal Closed Period calendar, which is prepared in accordance with the requirements of the Market abuse regulation (EU) No 596/2014. Notification threshold – EUR 5,000 within a calendar year;
- specialized inside information management training course, which was created to ensure that the persons who are on the insider list are able to identify, manage and disclose inside information and are familiar with the established prohibitions. In parallel, an Insider Management Committee (comprising 5 experts from finance, law, compliance, investor relations and communication areas), successfully continues its operations by dealing with complex insider management issues effectively while ensuring maximum transparency;
- Market Abuse Prevention Guidelines, which have been prepared in order to explain requirements and prohibitions that are related to unlawful market abuse activities: i) market manipulation or an attempt to engage in market manipulation; ii) insider dealing or an attempt to engage in insider dealing; iii) unlawful disclosure of inside information. Moreover, specialized market abuse prevention training has been successfully implemented this year.

In 2021, same as the previous year, the Group ensured the compliance with all MAR (Market Abuse Regulations) requirements successfully.

## Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania when conducting related party transactions. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and adopts decisions regarding the related party transactions of the parent company and the Group companies, if they are conducted in unusual market conditions and/or are not attributable to the usual economic activities, and/or have a significant impact to the parent company, its finances, assets and obligations, i.e., the value of such transaction is over 1/50 if the parent company's equity (excluding transactions that are necessary to ensure core activities of the Group companies and transactions which must be concluded under the requirement of the law).

We disclose information about the concluded related party transactions on our website and in accordance with the IFRS requirements in the section 'Financial statements' of this report.

# 4.8 Information about the Group

## Corporate structure

As of the end of the reporting period, the Group consisted of the parent company and 26 fully consolidated subsidiaries. The parent company of the Group is AB "Ignitis grupė" is responsible for the co-ordination of activities and transparent management of the Group. Further information, including financials about the parent company and its subsidiaries is available in the section below and on our website.

The companies presented in the figure on the next page are directly or indirectly controlled by the parent company. The Group applies the following governance system:

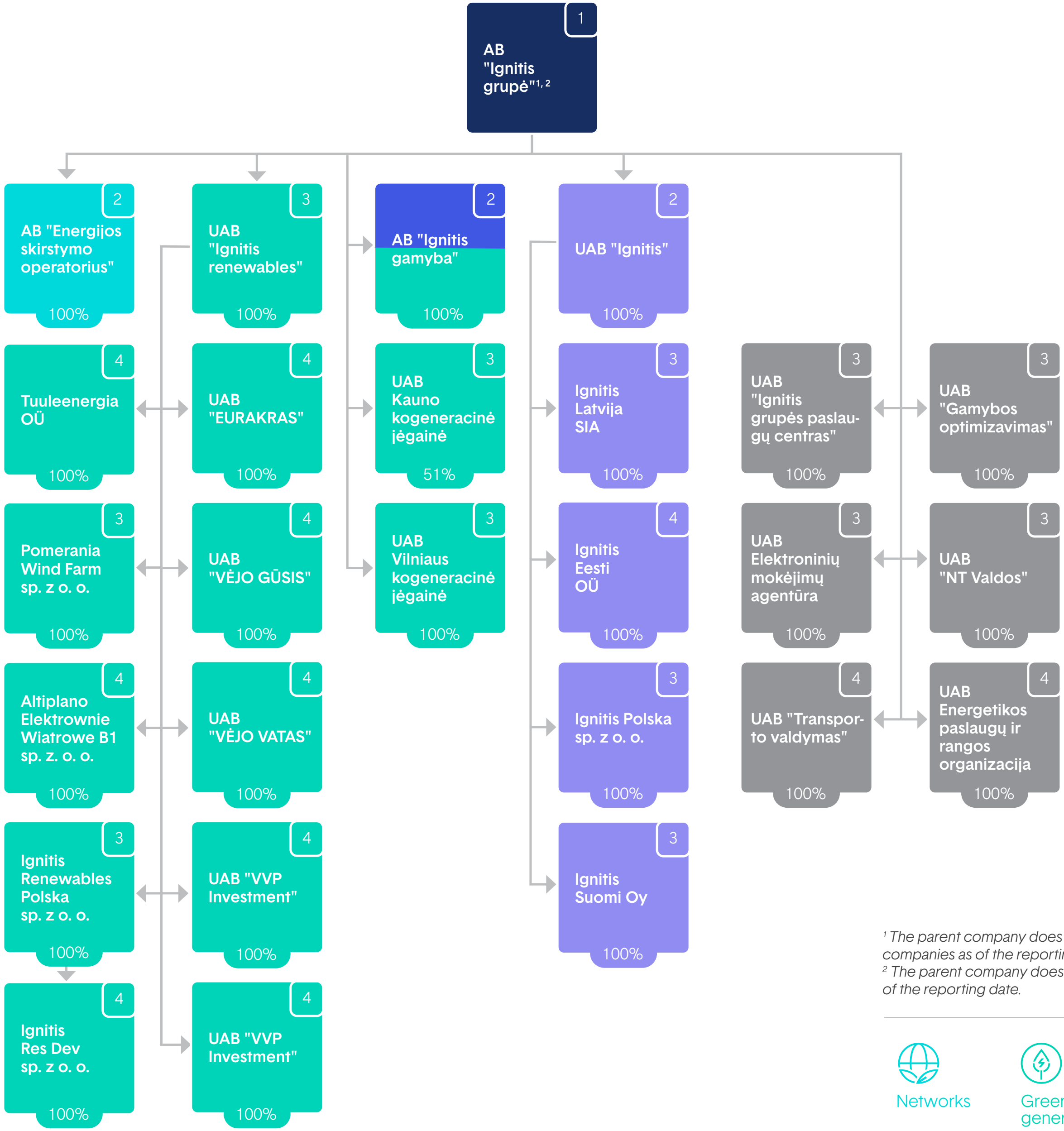
| | |
|---|---|
| 1 | **The Supervisory Board** is formed out of 7 non-executive members (2 shareholder's representatives, 5 independent).<br>**The Management Board** is formed out of 5 executive members.<br>**Chief Executive Officer** is also the Chair of the Management Board. |
| 2 | **The Supervisory Board** is formed out of 5 non-executive members[1] or 3 non-executive members (2 shareholder's representatives and 1 independent member).<br>**The Management Board** is formed out of 5 or 3 executive members.<br>**Chief Executive Officer** is also the Chair of the Management Board. |
| 3 | **The Management Board** is formed out of 3 non-executive members (2 shareholder's representatives and 1 independent member).<br>**The Management Board** structure might be different in some companies and it is not formed until the company starts its operations[2].<br>**Chief Executive Officer** is not a member of the Management Board. |
| 4 | **Chief Executive Officer** is a sole management body.<br>**The Management Board** is not formed. |

**Changes in the Group's structure during the reporting period:**
- UAB "Ignitis" established Ignitis Suomi Oy in Finland to enable more effective operations in Finnish supply markets;
- UAB "Ignitis renewables" acquired a company registered in Poland, which, prior to this, did not conduct any activities – Dolcetto Sp. z. o. o. Additionally, Dolcetto sp. z o. o. acquired Charbono Sp. z o.o., a company registered in Poland;
- name of Dolcetto Sp. z o.o. was changed to Ignitis Renewables Polska Sp. z o.o;
- name of Charbono Sp. z o. o. was changed to Ignitis Res Dev sp. z o.o;
- UAB "Ignitis renewables" established UAB "Ignitis renewables projektai" in Lithuania to develop wind and solar parks;
- UAB "Ignitis renewables" acquired Altiplano Elektrownie Wiatrowe B1 Sp. z o.o., a company developing a wind farm in Poland.

**Changes in the Group's structure after the reporting period:**
- an intention to establish a subsidiary of UAB "Ignitis renewables" in Latvia was announced.

[1] *At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.*
[2] *The Management Boards of Ignitis Latvija and Ignitis Polska are formed out of 1 member – CEO, the Supervisory Board of Ignitis Latvija is formed using the Majority shareholder's representatives, whilst the Supervisory Board of Ignitis Polska is formed from 2 Majority shareholder's representatives and 1 independent member. The Management Board of Ignitis Suomi Oy is formed out of 1 ordinary member and 1 deputy member. The Management Board of Ignitis Renewables Polska Sp. z o.o. is formed out of 2 non-executive members (Majority shareholder's representatives).*

## The Group's corporate structure (at the end of the reporting period)




[1] The parent company does not have any branches and representative companies as of the reporting date.
[2] The parent company does not carry out research and development activities as of the reporting date.

# The parent company, its subsidiaries and their performance during the reporting period (2021)[1]

## AB "Ignitis Grupė"

Parent company – management and coordination of activities of the Group companies

**Company code:** 301844044

**Legal form:** Public Limited Liability Company

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** NA

**Share capital:** EUR 1,658,756,293.81

**Website:** www.ignitisgrupe.lt

**Email:** grupe@ignitis.lt

**Establishment date and register:** 28 August 2008, Lithuanian Register of Legal Entities

**Performance: (EUR million):**

| | |
|---|---|
| Revenue | 228.8 |
| Expenses | 9.2 |
| Adjusted EBITDA | (3.2) |
| Net profit | 231.6 |
| Investments | 4.3 |
| Assets | 2,856.4 |
| Equity | 1,933.2 |
| Liabilities | 923.2 |

**Number of employees: 73**

## AB "Energijos Skirstymo Operatorius"

Distribution of electricity and natural gas, supply of last resort service

**Company code:** 304151376

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 259,442,796.57

**Website:** www.eso.lt

**Performance: (EUR million):**

| | |
|---|---|
| Revenue | 535.3 |
| Expenses | 363.9 |
| Adjusted EBITDA | 148.1 |
| Net profit | 50.0 |
| Investments | 185.6 |
| Assets | 1,819.5 |
| Equity | 627.7 |
| Liabilities | 1,191.8 |

**Number of employees: 2,427**

[1] *Unaudited results, except of AB „Ignitis grupė", AB "Energijos Skirstymo Operatorius", and UAB Elektroninių mokėjimų agentūra.*

### UAB "Ignitis Renewables"[1]

Coordination of operation, supervision and development of renewable energy projects

**Company code:** 304988904

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 21,910

**Website:** NA

| Performance (EUR million): | Consolidated[1] | Stand alone |
|---|---|---|
| Revenue | 14.4 | 5.6 |
| Expenses | 6.3 | 3.0 |
| Adjusted EBITDA | 12.0 | (2.7) |
| Net profit | 0.6 | (0.4) |
| Investments | 9.6 | 2.1 |
| Assets | 331.5 | 177.2 |
| Equity | 46.2 | 53.8 |
| Liabilities | 285.3 | 123.4 |
| **Number of employees:** | 45 | 17 |

### UAB „Ignitis renewables projektai"

Development of renewable energy projects

**Company code:** 305916135

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 3,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | - |
| Adjusted EBITDA | - |
| Net profit | - |
| Investments | - |
| Assets | 2.6 |
| Equity | 1.0 |
| Liabilities | 1.6 |

**Number of employees:** 1

### Ignitis Renewables Polska Sp. z o. o.

Development of renewable energy projects

**Company code:** 0000871214

**Registered address:** Warsaw, Poland

**Effective ownership interest:** 100%

**Share capital:** PLN 5,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | 0.14 |
| Adjusted EBITDA | (0.14) |
| Net profit | (0.15) |
| Investments | - |
| Assets | 4.47 |
| Equity | 4.31 |
| Liabilities | 0.16 |

**Number of employees:** 11

### Ignitis Res Dev Sp. z o. o.

Development of renewable energy projects

**Company code:** 0000873356

**Registered address:** Puławska 2 Building B, Varšuva 02-566, Poland

**Effective ownership interest:** 100%

**Share capital:** PLN 5,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | - |
| Adjusted EBITDA | - |
| Net profit | - |
| Investments | - |
| Assets | 0.02 |
| Equity | 0.00 |
| Liabilities | 0.02 |

**Number of employees:** 0[1]

### Pomerania Wind Farm Sp. z o. o.

Generation of renewable electricity

**Company code:** 0000450928

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

**Effective ownership interest:** 100%

**Share capital:** PLN 44,500

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | 2.0 |
| Expenses | (0.9) |
| Adjusted EBITDA | 5.1 |
| Net profit | 0.3 |
| Investments | 2.4 |
| Assets | 136.5 |
| Equity | 31.2 |
| Liabilities | 105.3 |

**Number of employees:** 11

### Tuuleenergia OÜ

Generation of renewable electricity

**Company code:** 10470014

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

**Effective ownership interest:** 100%

**Share capital:** EUR 499,488

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | 6.4 |
| Expenses | 0.7 |
| Adjusted EBITDA | 5.7 |
| Net profit | 3.9 |
| Investments | - |
| Assets | 29.6 |
| Equity | 5.1 |
| Liabilities | 24.5 |

**Number of employees:** 1

[1] *Ignitis Renewables Consolidated numbers includes UAB "Ignitis Renewables", UAB „Ignitis renewables projektai", Ignitis Renewables Polska Sp. z o. o., Ignitis Res Dev Sp. z o. o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "Eurakras", UAB "Vėjo gūsis", UAB "Vėjo vatas", UAB "VVP Investment" and Altiplano Elektrownie Wiatrowe B1 Sp. z o.o.*

### UAB "Eurakras"

Generation of renewable electricity

**Company code:** 300576942

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 4,620,539.04

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 5.5 |
| Expenses | 0.9 |
| Adjusted EBITDA | 4.6 |
| Net profit | 2.6 |
| Investments | - |
| Assets | 25.2 |
| Equity | 8.2 |
| Liabilities | 17.0 |

**Number of employees:** 1

### UAB "Vėjo gūsis"

Generation of renewable electricity

**Company code:** 300149876

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 7,442,720

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 4.0 |
| Expenses | 0.9 |
| Adjusted EBITDA | 3.1 |
| Net profit | 1.9 |
| Investments | - |
| Assets | 17.4 |
| Equity | 9.8 |
| Liabilities | 7.6 |

**Number of employees:** 1

### UAB "Vėjo vatas"

Generation of renewable electricity

**Company code:** 110860444

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 2,896,000

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 2.9 |
| Expenses | 0.7 |
| Adjusted EBITDA | 2.2 |
| Net profit | 1.1 |
| Investments | - |
| Assets | 14.6 |
| Equity | 4.3 |
| Liabilities | 10.3 |

**Number of employees:** 1

### UAB "VVP Investment"

Development and operation of a renewable energy (wind) project

**Company code:** 302661590

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 250,214.40

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | 0.2 |
| Adjusted EBITDA | (0.2) |
| Net profit | (0.2) |
| Investments | 3.5 |
| Assets | 18.4 |
| Equity | 0.1 |
| Liabilities | 18.3 |

**Number of employees:** 1

### Altiplano Elektrownie Wiatrowe B1 Sp. z o.o.

Development and operation of a renewable energy (wind) project

**Company code:** 0000531275

**Registered address:** Abrahama g. 1A, Gdansk 80-307, Poland

**Effective ownership interest:** 100%

**Share capital:** PLN 47,977,500

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | - |
| Adjusted EBITDA | - |
| Net profit | - |
| Investments | - |
| Assets | 13.3 |
| Equity | 1.0 |
| Liabilities | 12.3 |

**Number of employees:** 0[1]

### UAB Kauno Kogeneracinė Jėgainė

Electricity and heat production from waste

**Company code:** 303792888

**Registered address:** Jėgainės St. 6, Biruliškės, Karmėlava mun., Kaunas district

**Effective ownership interest:** 51%

**Share capital:** EUR 40,000,000

**Website:** www.kkj.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 29.1 |
| Expenses | 12.7 |
| Adjusted EBITDA | 13.1 |
| Net profit | 7.2 |
| Investments | 1.5 |
| Assets | 166.4 |
| Equity | 44.2 |
| Liabilities | 122.2 |

**Number of employees:** 39

### Vilniaus Kogeneracinė Jėgainė

Development and operation of cogeneration power plant project

**Company code:** 303782367

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 52,300,000.12

**Website:** www.vkj.lt

| Performance (EUR million): | |
|---|---|
| Revenue | 16.6 |
| Expenses | 7.8 |
| Adjusted EBITDA | 9.9 |
| Net profit | 9.5 |
| Investments | 20.5 |
| Assets | 313.5 |
| Equity | 56.5 |
| Liabilities | 257.0 |

**Number of employees:** **88**

### AB "Ignitis gamyba"

Generation and trading of electricity

**Company code:** 302648707

**Registered address:** Elektrinės St. 21, Elektrėnai

**Effective ownership share:** 100%

**Share capital:** EUR 187,920,762.41

**Website:** www.ignitisgamyba.lt

| Performance (EUR million): | |
|---|---|
| Revenue | 295.8 |
| Expenses | 179.8 |
| Adjusted EBITDA | 103.9 |
| Net profit | 74.8 |
| Investments | 0.9 |
| Assets | 707.2 |
| Equity | 342.2 |
| Liabilities | 365.0 |

**Number of employees:** **359**

### UAB "Ignitis"[1]

Electricity and natural gas supply, trading, energy efficiency projects

**Company code:** 303383884

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 40,140,000

**Website:** www.ignitis.lt

| Performance (EUR million): | Consolidated[1] | Stand alone |
|---|---|---|
| Revenue | 997.2 | 883.3 |
| Expenses | 981.0 | 862.0 |
| Adjusted EBITDA | 29.1 | 34.1 |
| Net profit | 6.6 | 11.4 |
| Investments | 2.0 | 1.7 |
| Assets | 825.4 | 813.3 |
| Equity | 77.6 | 76.5 |
| Liabilities | 747.8 | 736.8 |
| **Number of employees:** | **335** | **304** |

### Ignitis Polska Sp. z o. o.

Supply and trading of electricity

**Company code:** 0000681577

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

**Effective ownership interest:** 100%

**Share capital:** PLN 10,000,000

**Website:** www.ignitis.pl

| Performance (EUR million): | |
|---|---|
| Revenue | 16.2 |
| Expenses | 19.3 |
| Adjusted EBITDA | (3.1) |
| Net profit | (2.9) |
| Investments | (0.8) |
| Assets | 18.8 |
| Equity | (1.5) |
| Liabilities | 20.3 |

**Number of employees:** **16**

### Ignitis Latvija SIA

Supply of electricity and natural gas

**Company code:** 40103642991

**Registered address:** Cēsu St. 31 k-2, , LV-1012, Riga, Latvia

**Effective ownership interest:** 100%

**Share capital:** EUR 11,500,000

**Website:** www.ignitis.lv

| Performance (EUR million): | |
|---|---|
| Revenue | 106.2 |
| Expenses | 104.6 |
| Adjusted EBITDA | 1.6 |
| Net profit | 1.4 |
| Investments | 0.3 |
| Assets | 50.9 |
| Equity | 8.8 |
| Liabilities | 42.1 |

**Number of employees:** **13**

### Ignitis Eesti OÜ

Supply of electricity

**Company code:** 12433862

**Registered address:** Narva St. 5, 10117 Tallinn, Estonia

**Effective ownership interest:** 100%

**Share capital:** EUR 35,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | 0.7 |
| Expenses | 0.8 |
| Adjusted EBITDA | (0.1) |
| Net profit | (0.1) |
| Investments | - |
| Assets | 0.2 |
| Equity | 0.0 |
| Liabilities | 0.2 |

**Number of employees:** **0[2]**

[1] *Ignitis konsoliduoti skaičiai apima UAB "Ignitis", Ignitis Polska Sp. z o. o., Ignitis Latvija SIA, Ignitis Eesti OÜ ir Ignitis Suomi Oy.*

| Ignitis Suomi Oy | UAB "Ignitis grupės paslaugų Centras" | UAB "Gamybos optimizavimas" | UAB Elektroninių mokėjimų agentūra | UAB "Transporto valdymas" | NT Valdos, UAB[3] |
|---|---|---|---|---|---|
| Supply of natural gas | Shared business support services | Planning, optimization, forecasting, trading, brokering and other electricity related services | Payment aggregation | Vehicle rental, leasing, repair, maintenance, renewal and service | Management and other related services of real estate |
| **Company code:** 3202810-4 | **Company code:** 303200016 | **Company code:** 304972024 | **Company code:** 136031358 | **Company code:** 304766704 | **Company code:** 300634954 |
| **Registered address:** Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland | **Registered address:** Laisvės Ave. 10, Vilnius | **Registered address:** Laisvės Ave. 10, Vilnius | **Registered address:** Laisvės Ave. 10, Vilnius | **Registered address:** Kirtimų St. 47, Vilnius | **Registered address:** Laisvės Ave. 10, Vilnius |
| **Effective ownership interest:** 100% | **Effective ownership interest:** 100% | **Effective ownership interest:** 100% | **Effective ownership interest:** 100% | **Effective ownership interest:** 100% | **Effective ownership interest:** 100% |
| **Share capital:** EUR 200,000 | **Share capital:** EUR 12,269,006.25 | **Share capital:** EUR 350,000 | **Share capital:** EUR 958,000 | **Share capital:** EUR 2,359,371.20 | **Share capital:** EUR 2519.52 |
| **Website:** www.ignitis.fi | **Website:** NA | **Website:** NA | **Website:** NA | **Website:** www.tpvaldymas.eu | **Website:** NA |

**Performance (EUR million):**

| | Ignitis Suomi Oy | UAB "Ignitis grupės paslaugų Centras" | UAB "Gamybos optimizavimas" | UAB Elektroninių mokėjimų agentūra | UAB "Transporto valdymas" | NT Valdos, UAB |
|---|---|---|---|---|---|---|
| Revenue | - | 31.5 | 0.66 | 0.9 | 4.6 | - |
| Expenses | (0.12) | 25.3 | 0.55 | 0.5 | 2.2 | 0.1 |
| Adjusted EBITDA | (0.12) | 6.1 | 0.10 | 0.4 | 2.4 | (0.1) |
| Net profit | (0.14) | 0.9 | 0.07 | 0.2 | 1.3 | (0.1) |
| Investments | - | 10.0 | - | 0.1 | 0.1 | 0.0 |
| Assets | 0.14 | 26.6 | 0.62 | 1.4 | 20.0 | 0.4 |
| Equity | 0.07 | 14.0 | 0.46 | 1.3 | 7.2 | 0.4 |
| Liabilities | 0.07 | 12.6 | 0.16 | 0.1 | 12.8 | - |
| **Number of employees:** | **2** | **498** | **7** | **5** | **21** | **0[2]** |

**UAB Energetikos Paslaugų ir Rangos Organizacija**[4]

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

**Company code:**
304132956

**Registered address:**
Motorų St. 2, Vilnius

**Effective ownership interest:** 100%

**Share capital:**
EUR 350,895.07

**Website:**
http://www.enepro.lt/

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | 0.16 |
| Adjusted EBITDA | (0.16) |
| Net profit | (0.18) |
| Investments | - |
| Assets | 0.17 |
| Equity | 0.17 |
| Liabilities | - |

**Number of employees:**
0[4]

**Lietuvos Energijos Paramos Fondas**

Provision of support to projects, initiatives and activities, relevant to the society (no longer pursues any of its activities)

On 19 March 2018, the parent company, and on 13 March 2018, the Majority Shareholder, made a decision that from 2018, the Group would not grant support and/or charity (except for support to neighbourhood communities where the Group's Green Generation projects are located), in relation to changes in the Law on Charity and Support of the Republic of Lithuania. As a result, Lietuvos Energijos Paramos Fondas was dissolved on 30 August 2021.

*[1] There was no employment contract. A company is represented by elected board member.*
*[2] There was no employment contract. A decision by the Majority shareholder to appoint a manager has been adopted.*
*[3] On 7 December 2021, the Majority shareholder's decision was adopted to liquidate NT Valdos, UAB. The company does not have any employees. The Majority shareholder's decision was adopted to appoint a liquidator (employee of the parent company).*
*[4] On 10 May 2021 the Majority shareholder's decision was adopted to liquidate Energetikos Paslaugų ir Rangos Organizacija. The company does not have any employees. The Majority shareholder's decision was adopted to appoint a liquidator (employee of the parent company).*

# Financial statements

# 5.1 Consolidated financial statements

## Unaudited interim condensed consolidated financial statements for the twelve months period ended 31 December 2021, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union



The Group's interim condensed consolidated financial statements were prepared and signed by AB "Ignitis grupė" management on 24 February 2022:

**Darius Maikštėnas**
Chief Executive Officer

**Darius Kašauskas**
Chief Financial Officer

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras",
Head of Accounting acting under
Order No IS-11-22
(signed 14 February 2022)

# Interim Condensed Consolidated Statement of Financial Position

**As at 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 31 December 2021 | 31 December 2020 (restated)[1] | 1 January 2020 (restated)[1] |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 5 | 114,035 | 94,837 | 90,932 |
| Property, plant and equipment | 6 | 2,609,576 | 2,55,554 | 2,347,817 |
| Right-of-use assets | 7 | 57,543 | 63,879 | 61,044 |
| Prepayments for non-current assets | | 15,768 | 40 | 27,809 |
| Investment property | | 4,546 | 5,183 | 5,530 |
| Non-current receivables | 9 | 96,139 | 161,515 | 165,031 |
| Other financial assets | 10 | 30,094 | 7,269 | 3,735 |
| Other non-current assets | | 3,712 | 1 | 5,087 |
| Deferred tax assets | | 15,547 | 6,431 | 11,770 |
| **Total non-current assets** | | **2,946,960** | **2,898,709** | **2,718,755** |
| **Current assets** | | | | |
| Inventories | 11 | 185,606 | 65,988 | 72,496 |
| Prepayments and deferred expenses | 12 | 68,476 | 14,602 | 31,675 |
| Trade receivables | 13 | 274,897 | 128,423 | 117,867 |
| Other receivables | 14 | 292,529 | 83,569 | 50,653 |
| Other current assets | | 33,218 | 70,152 | 5,796 |
| Prepaid income tax | | 134 | 223 | 2,434 |
| Cash and cash equivalents | | 449,073 | 658,795 | 131,837 |
| | | **1,303,933** | **1,021,752** | **412,758** |
| Assets held for sale | | 360 | 473 | 40,643 |
| **Total current assets** | | **1,304,293** | **1,022,225** | **453,401** |
| **TOTAL ASSETS** | | **4,251,253** | **3,920,934** | **3,172,156** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Issued capital | 15.1 | 1,658,756 | 1,658,756 | 1,212,156 |
| Treasury shares | 15.2 | (23,000) | - | - |
| Reserves | | 248,861 | 232,932 | 240,364 |
| Retained earnings | | (35,636) | (79,864) | (166,763) |
| **Equity attributable to equity holders of the parent** | | **1,848,981** | **1,811,824** | **1,285,757** |
| Non-controlling interests | | - | 1,469 | 48,544 |
| **Total equity** | | **1,848,981** | **1,813,293** | **1,334,301** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Non-current loans and bonds | 17 | 1,118,077 | 1,246,128 | 821,929 |
| Non-current lease liabilities | | 46,275 | 29,128 | 33,818 |
| Grants and subsidies | | 279,134 | 277,109 | 260,332 |
| Deferred tax liabilities | | 47,187 | 45,735 | 34,892 |
| Provisions | 20 | 30,058 | 40,695 | 35,564 |
| Deferred income | 19.1 | 183,608 | 164,413 | 151,910 |
| Other non-current amounts payable and liabilities | | 420 | 471 | 883 |
| **Total non-current liabilities** | | **1,704,759** | **1,803,679** | **1,339,328** |
| **Current liabilities** | | | | |
| Loans | 17 | 237,274 | 15,476 | 234,191 |
| Lease liabilities | | 4,688 | 13,401 | 8,400 |
| Trade payables | | 100,183 | 51,693 | 78,567 |
| Advances received | 19.2 | 57,508 | 39,052 | 41,908 |
| Income tax payable | | 11,567 | 6,497 | 6,171 |
| Provisions | 20 | 41,561 | 23,516 | 19,340 |
| Deferred income | 19.1 | 18,046 | 12,171 | 19,586 |
| Other current amounts payable and liabilities | 21 | 226,686 | 142,156 | 85,042 |
| | | **697,513** | **303,962** | **493,205** |
| Liabilities directly associated with the assets held for sale | | - | - | 5,322 |
| **Total current liabilities** | | **697,513** | **303,962** | **498,527** |
| **Total liabilities** | | **2,402,272** | **2,107,641** | **1,837,855** |
| **TOTAL EQUITY AND LIABILITIES** | | **4,251,253** | **3,920,934** | **3,172,156** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to change in accounting policy and reclassifications. See more information disclosed in Note 4*

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

**For the three and twelve months periods ended 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | I-IV qtr. 2021 | IV qtr. 2021 | I-IV qtr. 2020 (restated)[1] | IV qtr. 2020 (restated)[1] |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 23 | 1,868,917 | 737,140 | 1,215,355 | 352,357 |
| Other income | | 21,482 | (12,149) | 7,735 | 1,908 |
| **Total revenue and other income** | | **1,890,399** | **724,991** | **1,223,090** | **354,265** |
| Purchases of electricity, natural gas and other services | | (1,379,955) | (592,683) | (705,729) | (205,983) |
| Salaries and related expenses | | (97,219) | (26,527) | (92,793) | (21,671) |
| Repair and maintenance expenses | | (31,744) | (10,819) | (34,072) | (14,086) |
| Other expenses | | (45,992) | (14,523) | (56,192) | (7,402) |
| **Total** | | **(1,554,910)** | **(644,552)** | **(888,786)** | **(249,142)** |
| **EBITDA**[2] | | **335,489** | **80,439** | **334,304** | **105,123** |
| Depreciation and amortisation | | (122,468) | (32,041) | (113,374) | (29,375) |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | | (28,467) | (26,378) | (5,930) | (3,118) |
| **Operating profit (loss) (EBIT)**[2] | | **184,554** | **22,020** | **215,000** | **72,496** |
| Finance income | | 17,567 | 2,212 | 2,414 | 1,178 |
| Finance expenses | | (33,664) | 10,060 | (22,659) | (5,998) |
| **Finance activity, net** | | **(16,097)** | **12,272** | **(20,245)** | **(4,820)** |
| **Profit (loss) before tax** | | **168,457** | **34,292** | **194,755** | **67,676** |
| Current period income tax (expenses)/benefit | | (19,396) | (10,750) | (10,151) | (3,314) |
| Deferred tax (expenses)/benefit | | 4,843 | 18,194 | (14,016) | (2,649) |
| **Net profit for the period** | | **153,904** | **41,736** | **170,588** | **61,713** |
| Attributable to: | | | | | |
| Equity holders of the parent | | 153,904 | 41,462 | 170,807 | 61,250 |
| Non-controlling interest | | - | 274 | (219) | 463 |
| **Other comprehensive income (loss)** | | | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | | | |
| Revaluation of property, plant and equipment | | (23,629) | (23,629) | 90 | (14) |
| Change in actuarial assumptions | | (303) | (68) | 208 | (126) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | | **(23,932)** | **(23,697)** | **298** | **(140)** |
| **Items that may be reclassified to profit or loss in subsequent periods (net of tax)** | | | | | |
| Cash flow hedges – effective portion of change in fair value | | 57,072 | 65,894 | - | - |
| Cash flow hedges – reclassified to profit or loss | | (38,433) | (20,550) | - | - |
| Exchange differences on translation of foreign operations into the Group's presentation currency | | (517) | 133 | (2,240) | 37 |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | **18,122** | **45,477** | **(2,240)** | **37** |
| **Total other comprehensive income (loss) for the period** | | **(5,810)** | **21,780** | **(1,942)** | **(103)** |
| **Total comprehensive income (loss) for the period** | | **148,094** | **63,516** | **168,646** | **61,610** |
| Attributable to: | | | | | |
| Equity holders of the parent | | 148,094 | 63,242 | 168,865 | 61,147 |
| Non-controlling interests | | - | 274 | (219) | 463 |
| | | | | | |
| **Basic earnings per share (in EUR)** | 24 | **2.07** | **0.56** | **2.89** | **0.87** |
| **Diluted earnings per share (in EUR)** | 24 | **2.07** | **0.56** | **2.89** | **0.87** |
| **Weighted average number of shares** | 24 | **74,232,665** | **74,232,665** | **59,037,855** | **59,037,855** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve month period ended 31 December 2020 due to accounting policy changes. See more information disclosed in Note 4.*

*[2] EBITDA – earnings before finance activity, taxes, depreciation, and amortization, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets. For more information on EBITDA as an alternative performance measure – see Note 28.*
*EBIT – earnings before finance activity, taxes. For more information on EBIT as an alternative performance measure – see Note 28.*

# Interim Condensed Consolidated Statement of Changes in Equity

**For the twelve months period ended 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | Equity, attributed to equity holders of the parent | | | | | | | | | | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital | Share premium | Treasury shares | Legal reserve | Revaluation reserve | Hedging reserve | Treasury shares reserve | Other reserves | Retained earnings | Subtotal | | |
| **Balance as at 1 January 2020** | | 1,212,156 | - | - | 112,647 | 146,993 | - | - | 11 | (172,188) | 1,299,619 | 49,001 | 1,348,620 |
| Change of accounting policy | 4 | - | - | - | - | (19,287) | - | - | - | 5,425 | (13,862) | (457) | (14,319) |
| **Recalculated balance as at 1 January 2020 after restatement**[1] | | 1,212,156 | - | - | 112,647 | 127,706 | - | - | 11 | (166,763) | 1,285,757 | 48,544 | 1,334,301 |
| Net profit for the period[1] | | - | - | - | - | - | - | - | - | 170,807 | 170,807 | (219) | 170,588 |
| Other comprehensive income (loss) for the period[1] | | - | - | - | - | 90 | - | - | (2,240) | 208 | (1,942) | - | (1,942) |
| **Total comprehensive income (loss) for the period (restated)**[1] | | - | - | - | - | 90 | - | - | (2,240) | 171,015 | 168,865 | (219) | 168,646 |
| Issue of share capital | | 446,600 | 3,400 | - | - | - | - | - | - | - | 450,000 | - | 450,000 |
| Transaction costs | | - | (3,400) | - | - | - | - | - | - | (7,633) | (11,033) | - | (11,033) |
| Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax) | | - | - | - | - | (15,747) | - | - | - | 15,747 | - | - | - |
| Transfers to legal reserve | | - | - | - | 2,523 | - | - | - | - | (2,523) | - | - | - |
| Dividends | 25 | - | - | - | - | - | - | - | - | (70,000) | (70,000) | (2,793) | (72,793) |
| Equity acquisition from non-controlling interest[1] | | - | - | - | 1,207 | 7,083 | - | - | - | (20,055) | (11,765) | (42,922) | (54,687) |
| Sale of disposal group | | - | - | - | (348) | - | - | - | - | 348 | - | (1,141) | (1,141) |
| **Balance as at 31 December 2020 (restated)**[1] | | 1,658,756 | - | - | 116,029 | 119,132 | - | - | (2,229) | (79,864) | 1,811,824 | 1,469 | 1,813,293 |
| **Balance as at 1 January 2021** | | 1,658,756 | - | - | 116,029 | 119,132 | - | - | (2,229) | (79,864) | 1,811,824 | 1,469 | 1,813,293 |
| Net profit for the period | | - | - | - | - | - | - | - | - | 153,904 | 153,904 | - | 153,904 |
| Other comprehensive income (loss) for the period | | - | - | - | - | (23,629) | 18,639 | - | (517) | (303) | (5,810) | - | (5,810) |
| **Total comprehensive income (loss) for the period** | | - | - | - | - | (23,629) | 18,639 | - | (517) | 153,601 | 148,094 | - | 148,094 |
| Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax) | | - | - | - | - | (11,355) | - | - | - | 11,355 | - | - | - |
| Transfers to legal reserve | | - | - | - | 9,791 | - | - | - | - | (9,791) | - | - | - |
| Transfer to reserves to acquire treasury shares | 15.2 | - | - | - | - | - | - | 23,000 | - | (23,000) | - | - | - |
| Treasury shares acquired | 15.2 | - | - | (23,000) | - | - | - | - | - | (3,674) | (26,674) | - | (26,674) |
| Dividends | 25 | - | - | - | - | - | - | - | - | (86,763) | (86,763) | - | (86,763) |
| Dividends paid to non-controlling interest | 25 | - | - | - | - | - | - | - | - | (1,152) | (1,152) | - | (1,152) |
| Other movement | | - | - | - | - | - | - | - | - | 3,493 | 3,493 | (1,469) | 1,970 |
| Share-based payments | 16 | - | - | - | - | - | - | - | - | 213 | 213 | - | 213 |
| **Balance as at 31 December 2021** | | 1,658,756 | - | (23,000) | 125,820 | 84,148 | 18,639 | 23,000 | (2,746) | (35,636) | 1,848,981 | - | 1,848,981 |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended 31 December 2020 due to accounting policy changes. See more information disclosed in Note 4.*

# Interim Condensed Consolidated Statement of Cash Flows

**For the twelve months period ended 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | I-IV qtr. 2021 | I-IV qtr. 2021 (restated)[1] |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | 153,905 | 170,588 |
| **Adjustments to reconcile net profit to net cash flows:** | | | |
| Depreciation and amortisation expenses | 5, 6, 7 | 133,248 | 122,535 |
| Impairment of property, plant and equipment, including held for sale | 6 | 8,842 | 1,644 |
| Revaluation of property, plant and equipment | 6 | 15,907 | 30 |
| Revaluation of investment property | | (1,204) | 112 |
| Fair value changes of derivatives | | 9,247 | 1,632 |
| Fair value change of financial instruments | | (9,524) | - |
| Impairment/(reversal of impairment) of financial assets | 9, 10, 13, 14 | 94 | 1,813 |
| Income tax expenses/(benefit) | | 14,553 | 24,167 |
| Depreciation and amortisation of grants | | (10,780) | (9,161) |
| Increase/(decrease) in provisions | 20 | 7,039 | 8,903 |
| Inventory write-off to net realizable value/(reversal) | | 575 | 315 |
| Expenses/(income) of revaluation of emission allowances | | - | 134 |
| Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment | | 4,616 | 2,494 |
| Share-based payments expenses | 16 | 213 | - |
| Other expenses of investing activities | | 627 | - |
| Interest income | | (808) | (1,152) |
| Interest expenses | | 23,638 | 20,228 |
| Other expenses of financing activities | | 2,791 | 1,169 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | | (294,587) | (54,700) |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | | (129,631) | (18,235) |
| Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities | | 186,572 | 17,618 |
| Income tax (paid)/received | | (18,284) | (9,591) |
| **Net cash flows from operating activities** | | **97,048** | **280,543** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (237,813) | (301,446) |
| Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets | | 2,374 | 14,404 |
| Acquisition of a subsidiary, net of cash acquired | 29 | (9,545) | - |
| Grants received | | 17,185 | 25,757 |
| Interest received | | 577 | 547 |
| Finance lease payments received | | 1,996 | 2,359 |
| Other increases/(decreases) in cash flows from investing activities | | (3,504) | - |
| **Net cash flows from investing activities** | | **(228,730)** | **(258,379)** |
| **Cash flows from financing activities** | | | |
| Increase of share capital | | - | 450,000 |
| Transaction cost | | - | (11,033) |
| Loans received | 18 | 104,000 | 182,950 |
| Issue of bonds | | - | 295,457 |
| Repayments of loans | 18 | (10,915) | (86,798) |
| Lease payments | 18 | (13,630) | (10,351) |
| Interest paid | 18 | (25,998) | (15,885) |
| Dividends paid | 25 | (87,769) | (72,528) |
| Dividends returned | 25 | 1,970 | - |
| Equity acquisition from non-controlling interest | | (19,024) | (35,727) |
| Treasury shares acquisition | 15 | (26,674) | - |
| **Net cash flows from financing activities** | | **(78,040)** | **696,085** |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | | **(209,722)** | **718,249** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | | 658,795 | (59,454) |
| **Cash and cash equivalents (including overdraft) at the end of the period** | | **449,073** | **658,795** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended 31 December 2020 due to accounting policy changes and reclassifications. See more information disclosed in Note 4.*

All amounts are in EUR thousand unless otherwise stated

# Explanatory Notes to the Interim Condensed Consolidated Financial Statements

**For the twelve months period ended 31 December 2021**

## 1 General information

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

The Company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The Company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044. The Company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. The Company has been founded for an indefinite period.

The Company and its subsidiaries are hereinafter collectively referred to as "the Group". The Group engages in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the electricity sector, management and coordination of activities. Information on the Group's structure is provided in Note 8.

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

| Shareholder of the Group | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Share capital, in EUR '000 | % | Share capital, in EUR '000 | % |
| Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania | 1,212,156 | 73.08 | 1,212,156 | 73.08 |
| Other shareholders | 418,838 | 25.25 | 446,600 | 26.92 |
| Own shares | 27,762 | 1.67 | - | - |
| | **1,658,756** | | **1,658,756** | |

These interim consolidated financial statements were prepared and signed by Group's management on 24 February 2022. These are interim condensed consolidated financial statements of the Group. The Company also prepares separate interim condensed financial statements in accordance with local requirements.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

These interim condensed consolidated financial statements are prepared for the twelve months period ended 31 December 2021 (hereinafter "interim financial statements") and have been prepared in accordance with 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 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter "IFRS").

The Group's interim financial statements as at and for the twelve months period ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment, investment property, and certain financial instruments measured at fair value.

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

During I-IV qtr. 2021 the Group made reclassifications related to figures of statement of financial position for the twelve months period ended 31 December 2020 – see Note 4 for detailed explanation.

During I-IV qtr. 2021 the Group made changes in accounting policy – see Note 2.2.1 and Note 4 for detailed explanation.

All amounts are in EUR thousand unless otherwise stated

## 2.2 New standards, amendments, interpretations and changes in accounting policy

### 2.2.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020, with the exception of the new standards which entered into force during 2021 and accounting policy for emission allowances (Note 2.3).

During I-IV qtr. of 2021 year the Group started application of the accounting policy to new transactions of effective portion of gain or loss on the hedging instruments recognition in other comprehensive income (Note 22).

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 2020, except for those which are presented in notes 3.1 – 3.4 and for derivative financial instruments as mentioned above.

#### 2.2.1.1 Emission allowances

During 2021 it was concluded that the current accounting policy for emission allowances does not present the profit or loss and other comprehensive income (hereinafter – SPLOCI) and the statement of financial position in the best interest of the users of the financial statements. Therefore, it was determined that there is a need for a voluntary change in accounting policy, which had impact on SPLOCI, statement of financial position, statement of cash flows and statement of changes in equity prepared for the period ended 31 December 2020. For detailed information on impact – see Note 4. Accounting policy for emission allowances is presented in Note 2.3.

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the twelve months period ended as at 31 December 2021. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

| **Standards or amendments that came into force during 2021** |
|---|
| COVID-19-Related Rent Concessions (Amendment to IFRS 16) |
| Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) |

### 2.2.2 Standards issued but not yet effective and not early adopted

The Group did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2021 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

#### Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead, an entity recognises those sales proceeds in profit or loss. The amendments are be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments. Amendments apply for annual reporting periods beginning on or after 1 January 2022. Amendments are endorsed for application in European Union.

The Group's management has assessed the impact of amendments on the acquisition value of property, plant and equipment items, which were made available for use in 2021 I-IV qtr., and determined that the acquisition value of these items should be increased by EUR 10,179 thousand.

#### Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. Amendments are endorsed for application in European Union.
The Group does not have significant onerous contracts therefore the Group's management determined that these amendments have no significant impact on the Group's financial statement.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in European Union (hereinafter – EU).

The management of the Group is currently assessing the impact of these amendments on the financial statements.

All amounts are in EUR thousand unless otherwise stated

### Other standards

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

| Other new standards or amendments | IASB Effective date | EU Endorsement status |
|---|---|---|
| Annual Improvements to IFRS Standards 2018–2020 | 1 January 2022 | Endorsed |
| Reference to Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 | Endorsed |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1) | 1 January 2023 | Not yet endorsed |
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts | 1 January 2023 | Endorsed |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 | Not yet endorsed |
| Definition of Accounting Estimates (Amendments to IAS 8) | 1 January 2023 | Not yet endorsed |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) | 1 January 2023 | Not yet endorsed |

## 2.3 Emission allowances

Based on the European Union (hereinafter EU) Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis.

The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan (hereinafter "NPP") to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). NPP determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (part of the allowances is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

### 2.3.1 Inventory

EU emission allowances are inventories that are dedicated by the state or are acquired by the Group. EU emission allowances acquired by the Group are recognized at cost. EU emission allowances dedicated by the state are recognized in the accounts at nominal (zero) value. The Group accounts for purchased and for free received emission allowances separately, write-down to net realisable value is calculated if the market price becomes lower than the acquisition price.

### 2.3.2 Provision for emission allowances used

When the Group emits pollutants into the environment, it is obliged to pay for the pollution using the state permits, the nominal value of which would correspond to the amount of emitted pollutants. This liability is a provision that is measured at the value which correspond to amount of expenses that Group will incur to cover this obligation as at the date of the statement of financial position. If the Group has acquired emission allowances, the value of the provision is equal to their carrying amount. If the actual amount of pollutants exceed the number of emission allowances available, an obligation to purchase additional emission allowances equal to the market value is accounted for.

The obligation can only be covered with inventories if the amount of pollutants is approved by the responsible regulatory authority.

Changes in the value of a liability related to insufficient emission allowances are recognized in the profit or loss in the SPLOCI.

All amounts are in EUR thousand unless otherwise stated

# 3 Critical accounting estimates and judgements used in preparation of the 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 2020 except the following:

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

Major part of such assets presented in “Electricity networks and their structures” are used in electricity distribution activities performed by subsidiary Energijos skirstymo operatorius AB and attributable to electricity distribution cash generating unit (hereinafter “CGU”) in the Group.

The Group has determined that the fair value of the electricity distribution CGU as at 31 December 2021 would decrease significantly (more than 5%) due to changes in regulated activity in electricity distribution for the new regulation period 2022- 2026:

a) additional tariff component which will increase electricity distribution income by EUR 28 million yearly;
b) recalculated the base of electricity distribution assets which decreased from EUR 1,414 to 1,097 million;
c) the difference of depreciation and investments return for the period 2018-2021, which comprise EUR 160 million, from which the part of 96% would be returned to the customers during 2032-2036 via distribution tariff after the Group management estimations.

The Group identified and recognised the negative revaluation result of EUR 48,570 thousand as a result of valuation of property, plant and equipment used in electricity distribution activities as at 31 December 2021. For more detailed information – see Note 6.

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

The group of property, plant and equipment *“Gas distribution pipelines, gas technological equipment and installations”* is managed by the Group‘s company Energijos skirstymo operatorius AB and attributable to gas distribution CGU in the Group. This property, plant and equipment is accounted applying cost model and is stated at acquisition cost less accumulated depreciation and impairment.

As at 31 December 2021, it was assessed whether there is any indication that the carrying amount of this CGU could be impaired. The management determined that planned investments to the gas business segment and its financing presumptions were changed in updated 10-year investment plan of the Group. Accordingly, regulated asset base from which asset return is calculated has decreased and it was determined that there are impairment indications.

The Group identified and recognised the impairment loss of EUR 9,392 thousand as a result of impairment test of property, plant and equipment used in gas distribution activities as at 31 December 2021. For more detailed information – see Note 6.

## 3.3 Provision for statutory servitudes and special conditions on land use (protection zones)

### 3.3.1 Provisions for rights to servitudes

On 1 November 2017 Amendments to the Law on Electricity of the Republic of Lithuania entered into force, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator. This law stipulates that when constructing transmission, distribution networks or installing other electrical equipment, one-time compensation for losses will be paid for the establishment of statutory servitudes (which entered into force before 10 July 2004). The servitudes payment methodology came into force in 31 July 2018. Based on this methodology, in 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it.

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of the Republic of Lithuania (due to the applied 0.1 coefficient and the principle of determining a value of the land plot, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine requests and apply the methodology where the methodology applied was deemed to be in conflict with Constitution, until the new methodology is set and approved. The ruling is only valid for the future and there is no need to recalculate previously paid compensation. The Group has assessed the following changes as adjusting events and, as appropriate, the Group has recalculated the provision for servitude benefits using new coefficient assumptions:

a) the area of land on which electrical installations were installed before 10 March 1990, a coefficient of 0.1 as specified in the methodology shall apply. Such installations account for 88.93% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.1 is applied to 89%of the area when calculating the total value of the payment. Assumption was made, that land with electricity distribution equipment installed before 10 March 1990, the land was acquired with an already installed network, so the ownership of the land was acquired with already established restrictions to the usage of the land, therefore the value and availability of this land has not changed and the servitudes payment coefficient of 0.1 should be used;
b) the area of land on which electrical installations have been installed after 11 March 1990 and until 10 July 2004 , a coefficient of 0.5 shall apply (the amount shall apply to the servitudes determined by contract). Such installations account for 11.07% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.5 is applied to calculate the total value of the payment for 11%of the area.

All amounts are in EUR thousand unless otherwise stated

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

- the discount rate for calculating the provision was selected based on a borrowing rate of 0.160% for similar liabilities (31 December 2020: 0.219%);
- the expected number of applicants was estimated on the basis of available actual historical two-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits - 65% (65% used as at 31 December 2020), which is based on management's assessment and the number of customers actually applying during 2018-2019, where, on average, only about 3% apply per year (Historical data of year 2021 and 2020 is not included in methodology calculations due to break of methodology, as described above, which would distort the total average);
- the period during which customers will apply for compensation has been set at 10 years starting in 2022, as the application of the methodology has been temporarily suspended (the updated methodology is expected to be approved in the year 2022). An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

After assessing the changed circumstances, the Group decided to adjust a provision decreasing the amount of the provision from EUR 14,679 thousand to EUR 14,376 thousand (Note 20).

It should be noted that the value of the provision may vary depending on the number of applicants. The sensitivity analysis is as follows:

| 31 December 2021 | Number of applicants, % | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 20% | 35% | 45% | 55% | 65% | 75% | 85% | 95% |
| Change in provision for compensations of servitudes, thousand EUR | -4,447 | - | +1,718 | +6,026 | +10,125 | +14,224 | +18,323 | +23,781 |

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

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

The amendment to the Real Estate Cadastre Regulations necessary for the implementation of the Law on Special Land Use Conditions of the Republic of Lithuania entered into force on 12 February 2020, which details the procedure for changing tags and cadastral provisions for development and for existing networks. This amendment provides for an alternative process for registering protection zones (avoiding the change of cadastral data and the hiring of land surveyors). According to the Law on Special Land Use Conditions of the Republic of Lithuania, the Government has an order to adopt an amendment to this legal act, although after the updating of the real estate register, which will enter into force in 2022. January 1, no provisions were made for how protection zones should be registered from 1 January 2023.

With the start of tag registration in 2021, the process was reviewed and the cost of communication and contact centre was reduced to take into account the reduction in the need for communication and the actual requests from landowners. Also, after estimating the projected registration volumes of markings in 2021, the need for the provision of projected markings (in territories and plots) for the following years has been updated accordingly.

After assessing the changed circumstances, the Group decided to adjust a provision for asset's security registration expenses for 2021-2024, decreasing the amount of the provision from EUR 15,069 thousand (for 2022-2024 year) to EUR 10,687 thousand (Note 20). Intangible assets related to this provision decreased from EUR 15,069 thousand to EUR 10,687 thousand.

## 3.4 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.

### 3.4.1 Natural gas supply to household customers

On 4 November 2021 amendments were established to Laws on Natural Gas and Electricity, which provide for price amortization mechanisms in the face of high gas and electricity market prices. The price amortization mechanism means that the gas or electricity supplier agrees to set a lower price for the product and to spread the return of the accumulated losses within 5 year period. If the Group will take an opportunity to set lower prices the losses (loss of revenue) caused by the lower gas price in the tariff will be returned to the Group through the additional component which is included in distribution service tariff. Losses will be reimbursed regardless of whether the Group continues to provide supply services in the future or not.

The Group did not take an opportunity to set lower prices applicable for period from 4 November 2021 till 31 December 2021 for household customers. Therefore with regard to these Law amendments the Group did not recognize any assets or liabilities of the difference to eliminate mismatches between the current period earnings and the regulated level.

All amounts are in EUR thousand unless otherwise stated

# 4 Restatement of comparative figures due to change of accounting policy and reclassifications

### Restatement of comparative figures due to change of accounting policy

The Group participates in the greenhouse gas emissions (hereinafter – European Union emission allowances or EUEA) trading system. In 2021 the management has concluded that the current accounting policy for emission allowances does not present the SPLOCI and the statement of financial position in the best interest of the users of the financial statements. Therefore, the management has determined that there is a need for a voluntary change in accounting policy. The new accounting policy is described in Note 2.3.

The main arguments for changing the accounting policy are:

1. Revaluation of provision for EUEA will no longer have impact to the SPLOCI of the future periods.
2. More fairly presentation of SPLOCI and better relationship with cash flows.
3. More fairly presentation of the statement of financial position as EUEAs are used in the Group's operations rather than for sale.

As IAS 8 requires that the users of financial statements need to be able to compare the financial statements of an entity over time to identify trends, the management presents the information regarding the accounting policy changes, that are performed retrospectively (see restatement 1).

### Restatement of comparative figures due to reclassifications

In 2021 the Group made several reclassifications in order to give more reliable information for the users of the financial statements. Reclassifications had no significant impact on the SPLOCI, statement of changes in equity. Accordingly, comparative amounts were reclassified:

- In 2021 the Group reclassified the guarantee from Prepayments and deferred expenses to Other receivables in order to better present the statement of financial position. Guarantee agreement is usually concluded for 12 month period, and later can be extended. The statements of financial position for as 31 December 2020 (EUR 2,900 thousand) and 1 January 2020 (EUR 2,900 thousand) were restated accordingly (see restatement 2).

- In 2021 the Group reclassified the deposits for derivative instruments from Prepayments and deferred expenses to Other receivables in order to better present the statement of financial position. Deposits are not a part of the initial net investment in a derivative, but are in a form of collateral for Commodities exchange or Commodity traders. Because of cash collateral moves on a daily basis the deposits are classified as current. The statements of financial position for as 31 December 2020 (EUR 33,201 thousand) and 1 January 2020 (EUR 15,973 thousand) were restated accordingly (see restatement 2).

  In 2021 the Group reclassified the liability representing the overdeclared quantity of electricity and natural gas from Advances received to Deferred income in order to better present the statement of financial position. Reclassification is based on the fact that invoices for over declared quantity are issued and payments are received and therefore should be recognized as deferred income. The statements of financial position for as 31 December 2020 (EUR 3,592 thousand) and 1 January 2020 (EUR 9,837 thousand) were restated accordingly (see restatement 2). Reclassifications had no significant impact on the statement of cash flows.

- In 2021 the Group reclassified the received guarantee from Other non-current assets to Other current assets and liabilities for the received guarantees (EUR 2,787 thousand) from Other non-current amounts payable and liabilities to Other current amounts payable and liabilities in order to better present the statement of financial position. Guarantee agreement is usually concluded for 12 month period, and later can be extended. The statement of financial position for as 31 December 2020 (EUR 2,787 thousand) were restated accordingly (see restatement 2). Reclassifications had no significant impact on the statement of cash flows.

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of financial position as at 1 January 2020:

| | 1 January 2020 before restatement | Restatement 1 | Restatement 2 | 1 January 2020 after restatement |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 142,737 | (51,805) | - | 90,932 |
| Property, plant and equipment | 2,347,817 | - | - | 2,347,817 |
| Right-of-use assets | 61,044 | - | - | 61,044 |
| Prepayments for non-current assets | 27,809 | - | - | 27,809 |
| Investment property | 5,530 | - | - | 5,530 |
| Non-current receivables | 165,031 | - | - | 165,031 |
| Other financial assets | 3,735 | - | - | 3,735 |
| Other non-current assets | 5,087 | - | - | 5,087 |
| Deferred tax assets | 11,770 | - | - | 11,770 |
| **Total non-current assets** | **2,770,560** | **(51,805)** | **-** | **2,718,755** |
| **Current assets** | | | | |
| Inventories | 46,621 | 25,875 | - | 72,496 |
| Prepayments and deferred expenses | 50,548 | - | (18,873) | 31,675 |
| Trade receivables | 117,867 | - | - | 117,867 |
| Other receivables | 31,780 | - | 18,873 | 50,653 |
| Other current assets | 5,796 | - | - | 5,796 |
| Prepaid income tax | 2,434 | - | - | 2,434 |
| Cash and cash equivalents | 131,837 | - | - | 131,837 |
| | **386,883** | **25,875** | **-** | **412,758** |
| Assets held for sale | 40,643 | - | - | 40,643 |
| **Total current assets** | **427,526** | **25,875** | **-** | **453,401** |
| **TOTAL ASSETS** | **3,198,086** | **(25,930)** | **-** | **3,172,156** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Issued capital | 1,212,156 | - | - | 1,212,156 |
| Reserves | 259,651 | (19,287) | - | 240,364 |
| Retained earnings | (172,188) | 5,425 | - | (166,763) |
| **Equity attributable to equity holders of the parent** | **1,299,619** | **(13,862)** | **-** | **1,285,757** |
| Non-controlling interests | 49,001 | (457) | - | 48,544 |
| **Total equity** | **1,348,620** | **(14,319)** | **-** | **1,334,301** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Non-current loans and bonds | 821,929 | - | - | 821,929 |
| Non-current lease liabilities | 33,818 | - | - | 33,818 |
| Grants and subsidies | 267,949 | (7,617) | - | 260,332 |
| Deferred tax liabilities | 38,408 | (3,516) | - | 34,892 |
| Provisions | 35,564 | - | - | 35,564 |
| Deferred income | 151,910 | - | - | 151,910 |
| Other non-current amounts payable and liabilities | 883 | - | - | 883 |
| **Total non-current liabilities** | **1,350,461** | **(11,133)** | **-** | **1,339,328** |
| **Current liabilities** | | | | |
| Loans | 234,191 | - | - | 234,191 |
| Lease liabilities | 8,400 | - | - | 8,400 |
| Trade payables | 78,567 | - | - | 78,567 |
| Advances received | 51,745 | - | (9,837) | 41,908 |
| Income tax payable | 6,171 | - | - | 6,171 |
| Provisions | 19,818 | (478) | - | 19,340 |
| Deferred income | 9,749 | - | 9,837 | 19,586 |
| Other current amounts payable and liabilities | 85,042 | - | - | 85,042 |
| | **493,683** | **(478)** | **-** | **493,205** |
| Liabilities directly associated with the assets held for sale | 5,322 | - | - | 5,322 |
| **Total current liabilities** | **499,005** | **(478)** | **-** | **498,527** |
| **Total liabilities** | **1,849,466** | **(11,611)** | **-** | **1,837,855** |
| **TOTAL EQUITY AND LIABILITIES** | **3,198,086** | **(25,930)** | **-** | **3,172,156** |

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of financial position as at 31 December 2020:

| | 31 December 2020 before restatement | Restatement 1 | Restatement 2 | 31 December 2020 after restatement |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 176,077 | (81,240) | - | 94,837 |
| Property, plant and equipment | 2,559,554 | - | - | 2,559,554 |
| Right-of-use assets | 63,879 | - | - | 63,879 |
| Prepayments for non-current assets | 40 | - | - | 40 |
| Investment property | 5,183 | - | - | 5,183 |
| Non-current receivables | 161,515 | - | - | 161,515 |
| Other financial assets | 7,269 | - | - | 7,269 |
| Other non-current assets | 2,788 | - | (2,787) | 1 |
| Deferred tax assets | 6,431 | - | - | 6,431 |
| **Total non-current assets** | **2,982,736** | **(81,240)** | **(2,787)** | **2,898,709** |
| **Current assets** | | | | |
| Inventories | 33,110 | 32,878 | - | 65,988 |
| Prepayments and deferred expenses | 50,703 | - | (36,101) | 14,602 |
| Trade receivables | 128,423 | - | - | 128,423 |
| Other receivables | 47,468 | - | 36,101 | 83,569 |
| Other current assets | 67,365 | - | 2,787 | 70,152 |
| Prepaid income tax | 223 | - | - | 223 |
| Cash and cash equivalents | 658,795 | - | - | 658,795 |
| | **986,087** | **32,878** | **2,787** | **1,021,752** |
| Assets held for sale | 473 | - | - | 473 |
| **Total current assets** | **986,560** | **32,878** | **2,787** | **1,022,225** |
| **TOTAL ASSETS** | **3,969,296** | **(48,362)** | **-** | **3,920,934** |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Issued capital | 1,658,756 | - | - | 1,658,756 |
| Reserves | 269,769 | (36,837) | - | 232,932 |
| Retained earnings | (86,164) | 6,300 | - | (79,864) |
| **Equity attributable to equity holders of the parent** | **1,842,361** | **(30,537)** | **-** | **1,811,824** |
| Non-controlling interests | 1,470 | (1) | - | 1,469 |
| **Total equity** | **1,843,831** | **(30,538)** | **-** | **1,813,293** |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Non-current loans and bonds | 1,246,128 | - | - | 1,246,128 |
| Non-current lease liabilities | 29,128 | - | - | 29,128 |
| Grants and subsidies | 280,370 | (3,261) | - | 277,109 |
| Deferred tax liabilities | 52,174 | (6,439) | - | 45,735 |
| Provisions | 40,695 | - | - | 40,695 |
| Deferred income | 164,413 | - | - | 164,413 |
| Other non-current amounts payable and liabilities | 3,258 | - | (2,787) | 471 |
| **Total non-current liabilities** | **1,816,166** | **(9,700)** | **(2,787)** | **1,803,679** |
| **Current liabilities** | | | | |
| Loans | 15,476 | - | - | 15,476 |
| Lease liabilities | 13,401 | - | - | 13,401 |
| Trade payables | 51,693 | - | - | 51,693 |
| Advances received | 42,644 | - | (3,592) | 39,052 |
| Income tax payable | 7,738 | (1,241) | - | 6,497 |
| Provisions | 30,399 | (6,883) | - | 23,516 |
| Deferred income | 8,579 | - | 3,592 | 12,171 |
| Other current amounts payable and liabilities | 139,369 | - | 2,787 | 142,156 |
| **Total current liabilities** | **309,299** | **(8,124)** | **2,787** | **303,962** |
| **Total liabilities** | **2,125,465** | **(17,824)** | **-** | **2,107,641** |
| **TOTAL EQUITY AND LIABILITIES** | **3,969,296** | **(48,362)** | **-** | **3,920,934** |

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated SPLOCI for twelve months period ended 31 December 2020:

| | I-IV qtr. 2020 before restatement | Restatement 1 | I-IV qtr. 2020 after restatement |
|---|---|---|---|
| Revenue from contracts with customers | 1,215,355 | - | 1,215,355 |
| Other income | 7,735 | - | 7,735 |
| **Total revenue and other income** | **1,223,090** | **-** | **1,223,090** |
| Purchases of electricity, natural gas and other services | (702,591) | (3,004) | (705,595) |
| Salaries and related expenses | (92,793) | - | (92,793) |
| Repair and maintenance expenses | (34,072) | - | (34,072) |
| Other expenses | (56,192) | - | (56,192) |
| **Total** | **(885,648)** | **(3,004)** | **(888,652)** |
| **EBITDA[1]** | **337,442** | **(3,004)** | **334,438** |
| Depreciation and amortisation | (113,374) | - | (113,374) |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (5,930) | - | (5,930) |
| Revaluation of emission allowances | (3,223) | 3,089 | (134) |
| **Operating profit (loss) (EBIT[1])** | **214,915** | **85** | **215,000** |
| Finance income | 2,414 | - | 2,414 |
| Finance expenses | (22,659) | - | (22,659) |
| **Finance activity, net** | **(20,245)** | **-** | **(20,245)** |
| **Profit (loss) before tax** | **194,670** | **85** | **194,755** |
| Current income tax (expenses)/benefit | (11,392) | 1,241 | (10,151) |
| Deferred tax (expenses)/benefit | (14,016) | - | (14,016) |
| **Net profit for the period** | **169,262** | **1,326** | **170,588** |
| Attributable to: | | | |
| Equity holders of the parent | 169,816 | 991 | 170,807 |
| Non-controlling interest | (554) | 335 | (219) |
| **Other comprehensive income (loss)** | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Revaluation of property, plant and equipment | 90 | - | 90 |
| Revaluation of emission allowances through other comprehensive income | 17,550 | (17,550) | - |
| Change in actuarial assumptions | 208 | - | 208 |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | **17,848** | **(17,550)** | **298** |
| **Items that may be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Exchange differences on translation of foreign operations into the Group's presentation currency | (2,240) | - | (2,240) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | **(2,240)** | **-** | **(2,240)** |
| **Total other comprehensive income (loss) for the period** | **15,608** | **(17,550)** | **(1,942)** |
| **Total comprehensive income (loss) for the period** | **184,870** | **(16,224)** | **168,646** |
| Attributable to: | | | |
| Equity holders of the parent | 185,084 | (16,219) | 168,865 |
| Non-controlling interests | (214) | (5) | (219) |
| **Basic earnings per share (in EUR)** | **2.88** | **0.01** | **2.89** |
| **Diluted earnings per share (in EUR)** | **2.88** | **0.01** | **2.89** |
| **Weighted average number of shares** | **59,037,855** | **-** | **59,037,855** |

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of cash flows for twelve months period ended 31 December 2020:

| | I-IV qtr. 2020 before restatement | Restatement 1 | Restatement 2 | I-IV qtr. 2020 after restatement |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net profit for the period | 169,262 | 1,326 | - | 170,588 |
| **Adjustments to reconcile net profit to net cash flows:** | | | | |
| Depreciation and amortisation expenses | 122,535 | - | - | 122,535 |
| Impairment of property, plant and equipment, including held for sale | 1,644 | - | - | 1,644 |
| Revaluation of property, plant and equipment | 30 | - | - | 30 |
| Revaluation of investment property | 112 | - | - | 112 |
| Fair value changes of derivatives | 1,632 | - | - | 1,632 |
| Impairment/(reversal of impairment) of financial assets | 1,813 | - | - | 1,813 |
| Income tax expenses/(benefit) | 25,408 | (1,241) | - | 24,167 |
| Depreciation and amortisation of grants | (9,161) | - | - | (9,161) |
| Increase/(decrease) in provisions | 12,359 | (3,456) | - | 8,903 |
| Inventory write-off to net realizable value/(reversal) | 315 | - | - | 315 |
| Expenses/(income) of revaluation of emission allowances | 3,223 | (3,089) | - | 134 |
| Emission allowances utilised | (5,962) | 5,962 | - | - |
| Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment | 2,494 | - | - | 2,494 |
| Interest income | (1,152) | - | - | (1,152) |
| Interest expenses | 20,228 | - | - | 20,228 |
| Other expenses of financing activities | 1,169 | - | - | 1,169 |
| **Changes in working capital:** | | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | (18,599) | - | (36,101) | (54,700) |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | (52,903) | (1,433) | 36,101 | (18,235) |
| Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities | 17,618 | - | - | 17,618 |
| Income tax (paid)/received | (9,591) | - | - | (9,591) |
| **Net cash flows from operating activities** | **282,474** | **(1,931)** | **-** | **280,543** |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment and intangible assets | (303,377) | 1,931 | - | (301,446) |
| Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets | 14,404 | - | - | 14,404 |
| Grants received | 25,757 | - | - | 25,757 |
| Interest received | 547 | - | - | 547 |
| Finance lease payments received | 2,359 | - | - | 2,359 |
| Other increases/(decreases) in cash flows from investing activities | **(260,310)** | **1,931** | **-** | **(258,379)** |
| **Net cash flows from investing activities** | (303,377) | 1,931 | - | (301,446) |
| **Cash flows from financing activities** | | | | |
| Increase of share capital | 450,000 | - | - | 450,000 |
| Transaction cost | (11,033) | - | - | (11,033) |
| Loans received | 182,950 | - | - | 182,950 |
| Issue of bonds | 295,457 | - | - | 295,457 |
| Repayments of loans | (86,798) | - | - | (86,798) |
| Lease payments | (10,351) | - | - | (10,351) |
| Interest paid | (15,885) | - | - | (15,885) |
| Dividends paid | (72,528) | - | - | (72,528) |
| Equity acquisition from non-controlling interest | (35,727) | - | - | (35,727) |
| **Net cash flows from financing activities** | **696,085** | **-** | **-** | **696,085** |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | **718,249** | **-** | **-** | **718,249** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | (59,454) | - | - | (59,454) |
| **Cash and cash equivalents (including overdraft) at the end of the period** | **658,795** | **-** | **-** | **658,795** |

All amounts are in EUR thousand unless otherwise stated

# 5 Intangible assets

Movement on the Group's account of intangible assets is presented below:

| | Patents and licences | Computer software | Other intangible assets | Goodwill | Servitudes and security zones | In total |
|---|---|---|---|---|---|---|
| **As at 31 December 2020 (restated)** [1] | | | | | | |
| Acquisition cost | 312 | 30,182 | 56,679 | 4,927 | 34,634 | **126,734** |
| Accumulated amortisation | (249) | (19,596) | (12,052) | - | - | **(31,897)** |
| **Carrying amount (restated)**[1] | **63** | **10,586** | **44,627** | **4,927** | **34,634** | **94,837** |
| **Carrying amount at 1 January 2021** | **63** | **10,586** | **44,627** | **4,927** | **34,634** | **94,837** |
| Additions | 4 | 228 | 14,786 | - | 3,560 | **18,578** |
| Reclassified (to) from property plant and equipment | - | 3,483 | 138 | - | - | **3,621** |
| Reclassifications (to)/from inventories | - | - | (981) | - | - | **(981)** |
| Write-offs | - | - | (2) | - | - | **(2)** |
| Reclassifications between categories | - | 7,963 | (7,963) | - | - | **-** |
| Re-measurement of provision related to Rights to servitudes and security zones | - | - | - | - | (4,627) | **(4,627)** |
| Disposals | - | (4) | - | - | - | **(4)** |
| Acquisition through business combination (Note 29) | - | - | 10,030 | - | - | **10,030** |
| Amortisation | (24) | (4,800) | (2,593) | - | - | **(7,417)** |
| **Carrying amount at 31 December 2021** | **43** | **17,456** | **58,042** | **4,927** | **33,567** | **114,035** |
| **As at 31 December 2021** | | | | | | |
| Acquisition cost | 310 | 40,702 | 72,588 | 4,927 | 33,567 | **152,094** |
| Accumulated amortisation | (267) | (23,246) | (14,546) | - | - | **(38,059)** |
| **Carrying amount** | **43** | **17,456** | **58,042** | **4,927** | **33,567** | **114,035** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended 31 December 2020 due to accounting policy changes. See more information disclosed in Note 4.*

As at 31 December 2021 and 2020 other intangible assets mainly comprise of rights to produce electricity with an incentive rate. During the I-IV qtr. of 2021 the Group acquired a wind/solar farm developing company Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. (Note 29) and as at 31 December 2021 the carrying amount of its right to produce electricity with an incentive rate with was EUR 10,030 thousand.

As at 31 December 2021 goodwill comprises from acquisition of subsidiaries in previous periods:
- VVP Investment UAB – EUR 2,150 thousand;
- Eurakras UAB – EUR 1,461 thousand;
- Pomerania Wind Farm Sp. z o. o. – EUR 1,316 thousand.

As at 31 December 2021 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2021.

The Group has significant acquisition commitments of intangible assets which will have to be fulfilled during the later years. Group's acquisition commitments amounted to EUR 2,310 thousand as at 31 December 2021 (EUR 6,469 thousand as at 31 December 2020).

All amounts are 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:

| | Land | Buildings | Electricity networks and their structures | Gas distribution pipelines, gas technological equipment and installations | Assets of Hydro Power Plant, Pumped Storage Power Plant | Wind power plants and their installations | Combined Cycle Unit and Reserve Power Plant | Cogeneration plants | Other property, plant and equipment | Construction-in-progress | In total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 32,682 | 1,473,664 | 314,756 | 211,264 | 65,833 | 776,152 | 137,956 | 70,144 | 414,206 | **3,500,028** |
| Accumulated depreciation | - | (9,157) | (267,270) | (52,448) | (113,222) | (18,703) | (410,309) | (2,270) | (25,687) | - | **(899,066)** |
| Accumulated impairment | - | - | - | - | - | - | (41,408) | - | - | - | **(41,408)** |
| **Carrying amount** | **3,371** | **23,525** | **1,206,394** | **262,308** | **98,042** | **47,130** | **324,435** | **135,686** | **44,457** | **414,206** | **2,559,554** |
| **Carrying amount at 1 January 2021** | **3,371** | **23,525** | **1,206,394** | **262,308** | **98,042** | **47,130** | **324,435** | **135,686** | **44,457** | **414,206** | **2,559,554** |
| Additions | - | 2 | 517 | - | 24 | - | 103 | 108 | 5,770 | 202,697 | **209,221** |
| Sales | - | (1) | (38) | (36) | - | - | - | - | (440) | - | **(515)** |
| Write-offs | - | (2) | (3,626) | (174) | - | - | (1,063) | (2) | (44) | (44) | **(4,955)** |
| Revaluation | - | 22,167 | (69,406) | - | - | - | - | - | (812) | - | **(48,051)** |
| Impairment losses | - | - | - | (9,392) | - | - | - | - | - | - | **(9,392)** |
| Reverse of impairment | - | - | - | - | - | - | - | - | - | 550 | **550** |
| Reclassifications between categories | - | 1,752 | 92,516 | 17,592 | 772 | 101,369 | (282) | 120,765 | 31,334 | (365,818) | **-** |
| Reclassified from (to) intangible assets | - | - | - | - | - | - | - | - | (91) | (3,530) | **(3,621)** |
| Reclassified from (to) finance lease | - | - | - | - | - | - | - | - | 747 | - | **747** |
| Reclassified from (to) assets held for sale | - | - | - | - | - | - | - | - | (1,382) | - | **(1,382)** |
| Reclassified from (to) investment property | - | - | - | - | - | - | 1,836 | - | - | - | **1,836** |
| Reclassified from (to) inventories | - | - | - | - | 56 | - | 6 | - | (122) | 653 | **593** |
| Reclassified from (to) right-of-use assets | - | - | - | - | - | 23,002 | - | - | - | - | **23,002** |
| Depreciation | - | (5,204) | (59,941) | (7,160) | (5,400) | (3,591) | (19,619) | (8,551) | (10,897) | - | **(120,363)** |
| Acquisition though business combination (Note 29) | - | - | - | - | - | - | - | - | - | 2,785 | **2,785** |
| Foreign currency exchange difference | - | - | - | - | - | - | - | - | - | (433) | **(433)** |
| **Carrying amount at 31 December 2021** | **3,371** | **42,239** | **1,166,416** | **263,138** | **93,494** | **167,910** | **305,416** | **248,006** | **68,520** | **251,066** | **2,609,576** |
| **As at 31 December 2021** | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 42,629 | 1,166,416 | 285,812 | 212,108 | 194,973 | 772,490 | 258,827 | 96,650 | 251,289 | **3,284,565** |
| Accumulated depreciation | - | (390) | - | (13,282) | (118,614) | (27,063) | (441,451) | (10,821) | (28,130) | - | **(639,751)** |
| Accumulated impairment | - | - | - | (9,392) | - | - | (25,623) | - | - | (223) | **(35,238)** |
| **Carrying amount** | **3,371** | **42,239** | **1,166,416** | **263,138** | **93,494** | **167,910** | **305,416** | **248,006** | **68,520** | **251,066** | **2,609,576** |

Acquisitions of property, plant and equipment during I-IV qtr. of 2021 include the following major acquisitions to the construction in progress:

- acquisitions for the construction of new high-efficiency waste-fired cogeneration power plants, the final exploitation and start of commercial activities of which started in 2021 (except biofuel unit);
- acquisitions related to the development of the electricity distribution network;
- acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 175,462 thousand as at 31 December 2021 (31 December 2020: EUR 112,075 thousand).

All amounts are in EUR thousand unless otherwise stated

## 6.1 Impairment and revaluation of property, plant and equipment

### 6.1.1 Impairment of property, plant and equipment used in gas distribution activities

The Group reviewed the carrying amount of its property, plant and equipment which are recognised at acquisition cost less depreciation and impairment to determine whether there are any indications that those assets have suffered an impairment loss. Assets attributable to gas distribution CGU showed some indications (see Note 3.2) and impairment test was performed.

The following key assumptions were used by the Group in making impairment test:

1. discount rate - 3.81% (4.48% - before taxes) (31 December 2020 - 4.33% (5.09% - before taxes))
2. WACC (rate of return set by the regulator) for 2022-2023 - 3.98%, 4.48% from 2024 (equal to pre-tax discount rate). (31 December 2020 respectively: 2021-2023 – 3.90% (Regulator set for 2021), 5.09% from 2024 (equal to pre-tax discount rate));
3. applied long-term investment forecast and financing of gas CGU according to updated Group’s 10-year investment plan;
4. the determination of the recoverable amount of the assets was performed applying income model by forecasting cash flows until 2036. (the test for 2020 was performed with cash flow planning until 2075). Cash flows for future periods were included using terminal value, which was calculated by discounting the regulated asset base (RAB) value at the end of the last forecasted period.

The Group identified that the recoverable amount of property, plant and equipment (construction-in-progress included) used in gas CGU is less than value in use and an additional impairment for EUR 9,392 thousand was recognised as at 31 December 2021. The table below shows the carrying amount of gas CGU (EUR million):

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Net book value of CGU (with attributable construction-in-progress) | 282.2 | 277.6 |
| Deferred income from new customers | (18.6) | (8.2) |
| Government grant | (4.8) | (3.8) |
| **Carrying amount of CGU** | **258.8** | **265.6** |

#### Sensitivity analysis

The Group exercised the fair value assessment analysis or unobservable inputs variation relying on sensitivity of variation of investment return rate (WACC) (starting from the regulation period 2024) and discount rate. Th possible fair value changes due to variation of these inputs disclosed in table below (EUR million):

| | | | WACC[1] (pre-tax) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 3.14% | 3.58% | 3.98%[1] | 4.48% | 4.97% | 5.38% | 5.82% |
| | | Δ | (30)% | (20)% | (11)% | 0% | 11% | 10% | 30% |
| Discount rate (pre-tax) | 3.58% | (20)% | (8) | 5 | 16 | 29 | 43 | 54 | 66 |
| | 4.04% | (10)% | (22) | (10) | 1 | 14 | 27 | 38 | 50 |
| | 4.48% | 0% | (35) | (23) | (13) | - | 13 | 23 | 35 |
| | 4.93% | 10% | (47) | (36) | (26) | (13) | (1) | 9 | 20 |
| | 5.38% | 20% | (59) | (48) | (38) | (26) | (14) | (4) | 6 |

[1]*WACC confirmed by Regulator for Group’s gas distribution activity for 2022*

### 6.1.2 Revaluation of property, plant and equipment used in electricity distribution

Under the circumstances described in Note 3.1, the Group's management decided asses the fair value of property, plant and equipment used in electricity distribution. The assessment was performed by independent valuator Ernst & Young Baltic UAB by applying income and cost methods. The Group identified that the fair value of property, plant and equipment (construction-in-progress included) amounts to EUR 1,257 million. The valuated fair value of property, plant and equipment is less than carrying amount (before revaluation) as at 31 December 2021 for EUR 48.6 million.

The Group used the following key assumptions for income model:

1. discount rate - 3.78% (4.45% - before taxes) (31 December 2020 - 4.33% (5.09% - before taxes));
2. WACC (rate of return set by the regulator) 2022-2026 - 4.16%, 4.45% from 2027 (equal to pre-tax discount rate. (31 December 2020 respectively: 2021 – 5.34 (Regulator set), 2022-2029 – 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09% from 2027);
3. additional tariff component which would increase electricity distribution income by EUR 28 million yearly. The management forecasts that additional tariff component will endure through the whole forecast period of 2022-2036, however, it was not included due to conserve estimations ;
4. an updated forecast of long-term investments in electricity CGU and their financing was used in accordance with the Group's updated 10-year investment plan;
5. the calculated return adjustment for 2018-2020 for an amount of EUR 116 million and forecasted adjustment for an amount of EUR 44 million will reduce income of the subsidiary by an amount of EUR 6.5 million for the period of 2022-2026 and 154 million for the period of 2032-2036 with additional interest for the pending portion;
6. cash flows were planned until 2036.

All amounts are in EUR thousand unless otherwise stated

## Sensitivity analysis

The Group exercised the fair value assessment analysis of unobservable inputs variation relying on following scenarios:

sensitivity of variation of investment return rate (WACC) (starting from the regulation period 2027) and discount rate. The possible fair value changes due to variation of these inputs disclosed in table below (EUR million):

| | | | WACC[1] (pre-tax) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 3.56% | 4.01% | 4.16%[1] | 4.45% | 4.76% | 4.90% | 5.34% |
| | | Δ | (20)% | (10)% | (7)% | 0% | 7% | 10% | 20% |
| Discount rate (pre-tax) | 3.56% | (20)% | 55 | 116 | 136 | 175 | 217 | 236 | 296 |
| | 4.01% | (10)% | (32) | 27 | 46 | 84 | 124 | 142 | 200 |
| | 4.45% | 0% | (112) | (55) | (36) | - | 39 | 56 | 112 |
| | 4.90% | 10% | (190) | (135) | (117) | (82) | (45) | (28) | 25 |
| | 5.34% | 20% | (261) | (209) | (191) | (158) | (121) | (105) | (54) |

[1]*WACC confirmed by Regulator for Group's electricity distribution activity for 2022*

if Regulator took the decision not to allocate EUR 28 million of additional component annually for the investment financing:

a. after the end of the regulation period 2022-2026. Group revenue would reduce bye EUR 280 million for the period 2027-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 195 million;
b. after the end of the regulation periods 2022-2026 and 2027-2031. Group revenue would reduce bye EUR 140 million for the period 2032-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 90 million.

All amounts are in EUR thousand unless otherwise stated

# 7 Right-of-use assets

Movement on Group's account of right-of-use asset is presented below:

| | Land | Buildings | Structures and machinery | Wind power plants and their installations | Vehicles | Other property, plant and equipment | In total |
|---|---|---|---|---|---|---|---|
| **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 at 1 January 2021** | **22,243** | **11,804** | **6,818** | **22,798** | **89** | **127** | **63,879** |
| Additions | 1,999 | 18,495 | - | - | 257 | 160 | **20,911** |
| Write-offs | (27) | (2,081) | (18) | - | (8) | (43) | **(2,177)** |
| Reclassifications between categories | - | 58 | (5,927) | 5,927 | (5) | (53) | **-** |
| Reclassified from / (to) property, plant & equipment | - | - | (847) | (22,155) | - | - | **(23,002)** |
| Acquisition through business combination (Note 29) | 3,216 | - | - | - | - | - | **3,216** |
| Depreciation | (706) | (4,091) | (15) | (469) | (122) | (66) | **(5,469)** |
| Foreign currency exchange difference | 185 | - | - | - | - | - | **185** |
| **Carrying amount at 31 December 2021** | **26,910** | **24,185** | **11** | **6,101** | **211** | **125** | **57,543** |
| **31 December 2021** | | | | | | | |
| Acquisition cost | 28,319 | 31,321 | 78 | 7,753 | 354 | 170 | **67,995** |
| Accumulated depreciation | (1,409) | (7,136) | (67) | (1,652) | (143) | (45) | **(10,452)** |
| **Carrying amount as at 31 December 2021** | **26,910** | **24,185** | **11** | **6,101** | **211** | **125** | **57,543** |

The Group concluded a new lease agreement for office premises and car parking spaces with the lease term 10 years and carrying amount of EUR 17,536 thousand as at 31 December 2021.

During I-IV qtr. of 2021 the Group acquired a company Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. (Note 29) and through the business combinations the Group acquired rights of use assets related to land servitudes and land lease contracts for amount EUR 3,216 thousand.

The Group reviewed the carrying amount of its right-of-use-assets to determine whether there are any indications that those assets have suffered an impairment loss. Right-of-use-assets have not showed any indications of impairment.

All amounts are in EUR thousand unless otherwise stated

# 8 Structure of the group

The Group's structure as at 31 December 2021:

| Company name | Country of business | Group's effective ownership interest, % | Non-controlling interest's effective ownership interest, % | Profile of activities |
|---|---|---|---|---|
| Ignitis grupė AB | Lithuania | - | - | Parent company - management and coordination of activities of the Group companies |
| **Subsidiaries of the Group:** | | | | |
| Energijos skirstymo operatorius AB | Lithuania | 100.00 | - | Distribution of electricity and gas, supply of last resort service |
| Ignitis gamyba AB | Lithuania | 100.00 | - | Generation and trading of electricity |
| NT Valdos UAB | Lithuania | 100.00 | - | Management and other related services of real estate |
| Energetikos paslaugų ir rangos organizacija UAB | Lithuania | 100.00 | - | Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures |
| Elektroninių mokėjimų agentūra UAB | Lithuania | 100.00 | - | Payment aggregation |
| Ignitis UAB | Lithuania | 100.00 | - | Electricity and gas supply, trading, energy efficiency projects |
| Ignitis Eesti, OÜ | Estonia | 100.00 | - | Supply of electricity |
| Ignitis Latvija SIA | Latvia | 100.00 | - | Supply of electricity and gas |
| Ignitis Polska Sp. z o. o. | Poland | 100.00 | - | Supply and trading of electricity and gas |
| Ignitis Suomi OY | Finland | 100.00 | - | Supply of gas |
| Ignitis grupės paslaugų centras UAB | Lithuania | 100.00 | - | Shared business support services |
| Vilniaus Kogeneracinė Jėgainė UAB | Lithuania | 100.00 | - | Development and operation of cogeneration power plant project |
| Kauno Kogeneracinė Jėgainė UAB | Lithuania | 51.00 | 49.00 | Electricity and heat production from waste |
| Tuuleenergia OÜ | Lithuania | 100.00 | - | Generation of renewable electricity |
| Transporto valdymas UAB | Lithuania | 100.00 | - | Vehicle rental, leasing, repair, maintenance, renewal and service |
| Gamybos optimizavimas UAB | Lithuania | 100.00 | - | Planning, optimization, forecasting, trading, brokering and other electricity related services |
| Ignitis renewables UAB | Lithuania | 100.00 | - | Coordination of operation, supervision and development of renewable energy projects |
| Eurakras UAB | Lithuania | 100.00 | - | Generation of renewable electricity |
| Vėjo Vatas UAB | Lithuania | 100.00 | - | Generation of renewable electricity |
| Vėjo Gūsis UAB | Lithuania | 100.00 | - | Generation of renewable electricity |
| VVP Investment UAB | Lithuania | 100.00 | - | Development of a renewable energy (wind) power plant project |
| Pomerania Wind Farm Sp. z o. o. | Poland | 100.00 | - | Generation of renewable electricity |
| Ignitis Renewables Polska Sp. z o. o. | Poland | 100.00 | - | Sub-holding controlling wind/solar assets |
| Ignitis RES DEV Sp. z o. o. | Poland | 100.00 | - | Development of wind/solar projects |
| Ignitis renewables projektai, UAB | Lithuania | 100.00 | - | Development of wind/solar projects |
| Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. | Poland | 100.00 | - | Development of wind/solar projects |

## 8.1 Acquisition of shares from non-controlling interest

In 2021 the Group has acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (13,118,175 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (11,688,245 shares for the price of 0.64 EUR per share). Acquisition lead to increased ownership by 1.47 in Energijos skirstymo operatorius AB and 1.80 percentage point in Ignitis gamyba AB. After this acquisition the Group owns 100% of Energijos skirstymo operatorius AB and Ignitis gamyba AB shares as at 31 December 2021.

Total consideration paid for the acquired Energijos skirstymo operatorius AB and Ignitis gamyba AB shares equal to EUR 19,024 thousand.

## 8.2 Acquisition of shares in business combinations

On 21 December 2021 the Group Management Board approved the conclusion of the shares purchase agreement whereby its subsidiary Ignitis renewables UAB acquired 100% of the shares of the Polish company developing a wind farm in Poland – Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. Total consideration paid for the acquired subsidiary equal to EUR 9,545 thousand (Note 29).

All amounts are in EUR thousand unless otherwise stated

# 9 Non-current receivables

Amounts receivable after one year comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Non-current receivables** | | |
| Accrued revenue related to regulatory activity of the public electricity supply | 86,520 | 12,324 |
| Finance lease | 7,600 | 8,860 |
| Loans granted | 87 | 1,908 |
| Amount receivable on sale of LitGrid AB | - | 136,212 |
| Other non-current amounts receivable | 1,932 | 2,211 |
| **Total:** | **96,139** | **161,515** |
| Less: allowance | - | - |
| **Carrying amount** | **96,139** | **161,515** |

Amount receivable on sale of LitGrid AB is presented in other receivables (Note 14) as the period during which EPSO-G UAB must repay the shares of AB LitGrid is 30 September 2022.

Total amount of the accrued revenue related to regulatory activity of the public electricity supply has increased comparing to 31 December 2020. Increase related to discrepancies between the Group's forecasted and actual costs incurred in providing public electricity supply services during the reporting period. For more information – see Note 14.

# 10 Other financial assets

The Group's other financial assets comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 25,094 | 4,912 |
| Moray West Holdings Limited deferred consideration | 5,000 | - |
| Sun Investment Group | - | 2,357 |
| Platform for Financing Energy Efficiency | - | 379 |
| **In total** | **30,094** | **7,648** |
| Less: impairment | - | (379) |
| **Carrying amount** | **30,094** | **7,269** |

## 10.1 Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB

Total amount of the investment to Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB increased for an amount EUR 20,182 thousand during the I-IV qtr. of 2021.

The fair value gain of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB recognised for an amount EUR 15,868 thousand and is presented as "Finance income" in SPLOCI during I-IV qtr. of 2021. The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 30).

Remaining change is related to new investments made during the I-IV qtr. of 2021 for an amount EUR 3,504 thousand and reclassification from non-current receivables EUR 810 thousand.

## 10.2 Moray West Holdings Limited deferred consideration

On 14 September 2020 the Group's subsidiary Ignitis renewables UAB concluded share purchase agreement with Delphis Holdings Limited and acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Other conditions in the share purchase agreement were: to refinance shareholder's loans (Note 14) and EUR 5,000 thousand deferred consideration which is payable if two conditions specified in the shares purchase agreement are met. The deferred consideration recognized in accordance with IAS 37 as there is a present obligation from a past event, the probability of outflow became more likely than not and reliable estimate can be made – the amount specified in the agreement (Note 20).

## 10.3 Sun Investment Group

On 16 September 2020 the Group's subsidiary Ignitis renewables UAB signed preliminary share purchase agreement with UAB "SIG Poland 3" having the intention to purchase all the shares in all project companies – "Sun Investment Group" (hereinafter "SIG") once the photovoltaic installations become operational. Carrying amount of investment into SIG as of 31 December 2020 represented payments to SIG for development of the photovoltaic projects as per the preliminary share purchase agreement.

Due to the fact that there were no operational projects started in 2020 and 2021, share purchase agreement was not signed. Management is of an opinion, that the development will not continue and whole investment should be returned as to the agreement. Accordingly, total carrying amount was reclassified to "Other receivables" (Note 14) as it will be recovered through collecting cash flows.

All amounts are in EUR thousand unless otherwise stated

# 11 Inventories

The Group's inventories comprised as follows:

| | 31 December 2021 | 31 December 2020 (restated)[1] |
|---|---|---|
| Natural gas | 149,112 | 25,063 |
| Emission allowances | 30,865 | 32,878 |
| Consumables, raw materials and spare parts | 5,307 | 6,361 |
| Other | 3,488 | 4,687 |
| **In total** | **188,772** | **68,989** |
| Less: write down to net realisable value | (3,166) | (3,001) |
| **Carrying amount** | **185,606** | **65,988** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to change in accounting policy. See more information disclosed in Note 4.*

# 12 Prepayments and deferred expenses

The Group's current prepayments and deferred expenses were as follows:

| | 31 December 2021 | 31 December 2020 (restated)[2] |
|---|---|---|
| Prepayments for natural gas | 61,930 | 7,710 |
| Deferred expenses | 3,785 | 1,499 |
| Prepayments for other goods and services | 1,168 | 949 |
| Prepayments for emission allowance related derivatives | 877 | - |
| Deposits related to Power exchange | 65 | 1,330 |
| Other prepayments | 651 | 3,114 |
| **Carrying amount** | **68,476** | **14,602** |

*[2] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

# 13 Trade receivables

The Group's trade receivables comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Amounts receivable under contracts with customers** | | |
| Receivables from electricity related sales | 170,167 | 96,523 |
| Receivables from gas related - non-household | 102,182 | 30,311 |
| Receivables from gas related - household | 4,309 | 2,881 |
| Other receivables | 8,109 | 8,575 |
| **Amounts receivable under other contracts** | | |
| Receivables for lease of assets | 50 | 7 |
| **In total** | **284,817** | **138,297** |
| Less: impairment of trade receivables | (9,920) | (9,874) |
| **Carrying amount** | **274,897** | **128,423** |

As at 31 December 2021 and 2020, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components.

## 13.1 Impairment of amounts receivable (lifetime expected credit losses)

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2021 that are assessed on a collective basis using the loss ratio matrix:

| | Loss ratio | Trade receivables | Impairment |
|---|---|---|---|
| Not past due | 0.68 | 235,264 | 1,590 |
| Up to 30 days | 2.32 | 8,008 | 186 |
| 30–60 days | 6.85 | 1,474 | 101 |
| 60-90 days | 9.98 | 471 | 47 |
| 90-120 days | 16.23 | 308 | 50 |
| More than 120 days | 72.75 | 9,247 | 6,727 |
| **As at 31 December 2021** | **3.42** | **254,772** | **8,701** |

The table below presents information on the Group's trade receivables under contracts with customers that are assessed on an individual basis:

| | 31 December 2021 | |
|---|---|---|
| | Trade receivables | Impairment |
| Not past due | 28,300 | - |
| Up to 30 days | 417 | - |
| 30–60 days | 67 | 3 |
| 60-90 days | 19 | 2 |
| 90-120 days | 7 | 2 |
| More than 120 days | 1,235 | 1,212 |
| **Carrying amount** | **30,045** | **1,219** |

All amounts are in EUR thousand unless otherwise stated

# 14 Other receivables

The Group's other receivables comprised as follows:

| | 31 December 2021 | 31 December 2020 (restated)[1] |
|---|---|---|
| Receivable on sale of LitGrid AB (Note 14.1) | 84,128 | 14,481 |
| Deposits for electricity related derivatives in electricity market (Note 14.3) | 60,210 | 33,201 |
| Deposits for gas related derivatives to commodity traders (Note 14.3) | 39,210 | - |
| Accrued revenue related to regulatory activity of the public electricity supply (Note 14.2) | 39,024 | 3,114 |
| Unbilled accrued revenue from electricity sales | 26,254 | 6,787 |
| Value added tax | 14,612 | 16,654 |
| Receivable payments made to SIG (Note 10.3) | 3,782 | - |
| Cash reserved for guarantees | 3,648 | 2,900 |
| Granted current loans (Note 10.2) | 3,578 | - |
| Current portion of finance lease | 2,517 | 2,634 |
| Accrued amounts receivable for natural gas | 1,416 | 400 |
| Other receivables | 15,027 | 4,129 |
| **In total** | **293,406** | **84,300** |
| Less: impairment of other receivables | (877) | (731) |
| **Carrying amount** | **292,529** | **83,569** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

Line items "Accrued revenue from electricity sales (including related VAT)", "Accrued revenue from natural gas sales" and "Accrued revenue related to regulatory activity of the public electricity supply" represent contract assets (Note 23.2).

The fair values of other receivables as at 31 December 2021 and 2020 approximated their carrying amounts.

## 14.1 Receivable on sale of LitGrid AB

According to the agreement EPSO-G UAB must repay the debt to the Group for the shares of AB LitGrid acquired in 30 September 2012 until 30 September 2022, therefore amount receivable was reclassified from line item "Non-current receivables" to "Other receivables" of the statement of Financial position. During the I-IV qtr. 2021 EPSO-G UAB has repaid a debt by EUR 64,481 thousand (during 2020: EUR 7,965 thousand). On December 2021 The Group and EPSO-G UAB came to an agreement that the negative premium price is for amount EUR 17,961 thousand. Accordingly, the Group recognized EUR 2,084 thousand change of fair value in its profit and loss of SPLOCI.

## 14.2 Accrued revenue related to regulatory activity of the public electricity supply

Line item "Accrued revenue related to regulatory activity of the public electricity supply" has increased because discrepancies between the Group's forecasted and actual costs incurred in providing public electricity supply services during the reporting period are recognized as assets or liabilities of regulated activities.

During 2021 electricity prices in the market increased significantly, especially in second half-year of 2021. As at 31 December 2021 amount of regulatory difference is almost EUR 125 million (for non-current part see Note 9), EUR 113 million is related to services provided during the I-IV qtr. of 2021 (to equalize the current period's profit to the regulated level, regardless of whether the services will be provided in the future). Full amount will have to be returned to the Group through the electricity distribution system operator (Group company) in future periods (not later than 31 December 2027).

As to decision of the National Energy Regulatory Council during the year 2022 EUR 39 million have to be returned to the Group through the electricity distribution system and therefore are recognised as current portion of accrued revenue related to regulatory activity of the public electricity supply as at 31 December 2021.

## 14.3 Deposits related to derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading of derivatives linked to electricity and gas market prices. Deposits are in a form of cash collateral and the value moves on a daily basis, i.e. depends on market prices. The Group estimates that the whole amount of cash collateral will be recovered as the amounts payable are related to the realization of the future hedge and the sales contracts will be realized together with the hedge, thus invoices for derivative instruments will be covered with sales income and after this payment cash collateral will be returned.

All amounts are in EUR thousand unless otherwise stated

# 15 Equity

## 15.1 Issued capital

Issued capital of the Group consisted of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Authorised shares** | | |
| Ordinary shares, EUR | 1,658,756,294 | 1,658,756,294 |
| **Ordinary shares issued and fully paid, EUR** | **1,658,756,294** | **1,658,756,294** |

As at 31 December 2021 and 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.

At the ordinary general meeting of shareholders held on 25 March 2021 it was decided to form a reserve of EUR 23,000 thousand for the acquisition of treasury shares (Note 15.2).

## 15.2 Treasury shares

Treasury shares of the Group consisted of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Acquired treasury shares | 23,000 | - |
| **Carrying amount** | **26,674** | **-** |

On 2 December 2021 the Management Board of the Group, according to the resolution of the General Meeting of Shareholders of 29 July 2021, adopted a decision to execute the acquisition of ordinary registered shares of the Group.

The Group on 6–14 December 2021 has conducted an acquisition of the Group's ordinary registered shares – treasury shares through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with AB SEB bankas acting as an intermediary. Treasury shares acquired by the Group on 16 December 2021, when the right of ownership transferred to the Group. Shares purchase price EUR 18.50 per share, number of shares acquired 1,243,243 and total value of treasury shares acquired EUR 23,000 thousand.

Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 3,674 thousand which was recognised in retained earnings. A settlement was made as detailed in Company‘s IPO prospectus (Part 17, starting paragraph 10, page 330): as the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the Group has paid the difference to the Stabilization Manager.

# 16 Share-based payments

On 18 December 2020 share option agreements of the long-term promotion of key executives of the Group companies programme have been concluded with key executives of the Group.

On 12 May 2021 the Supervisory Board of the Group approved the suggestions of key executives of the Group to terminate executives' option agreements.

During the I-IV qtr. of 2021 share based payments costs accounted in SPLOCI salaries and related expenses amounted to EUR 213 thousand and reflects the share-based payments agreements concluded with key executives. As share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

All amounts are in EUR thousand unless otherwise stated

# 17 Loans and bonds

Borrowings of the Group consisted of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 888,524 | 886,945 |
| Bank loans | 229,553 | 359,183 |
| **Current** | | |
| Current portion of non-current loans | 13,857 | 6,333 |
| Bank loans | 214,100 | - |
| Accrued interest | 9,317 | 9,143 |
| **In total** | **1,355,351** | **1,261,604** |

Non-current borrowings by maturity:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| From 1 to 2 years | 18,880 | 128,720 |
| From 2 to 5 years | 73,793 | 44,396 |
| After 5 years | 1,025,404 | 1,073,012 |
| **In total** | **1,118,077** | **1,246,128** |

## 17.1 Movement of borrowings

Movement of borrowings during the I-IV qtr. 2021 mainly consisted of the following:

The repayment term of loan contract signed between Swedbank AB and the Group's subsidiary Kauno kogeneracinė jėgainė UAB on 31 May 2017 is 31 May 2022, therefore the loan was reclassified from non-current to current loans due to short maturity term. The balance of loan as at 31 December 2021 is EUR 110,000 thousand (31 December 2020: EUR 114,709 thousand).

On 13 October 2021 the Group's subsidiary Ignitis UAB signed a short-term loan contract with SEB Bankas AB for maximum amount EUR 104 thousand. The loan is used to finance the increased working capital needs of Ignitis UAB and its subsidiaries. The need for working capital was due to high natural gas and electricity market prices, financial trading and the difference between the actual price of raw materials on the stock exchange and the electricity and natural gas tariffs for household consumers approved for 2021. The balance of loan as at 31 December 2021 is EUR 104,000 thousand.

## 17.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2021 and 2020.

As at 31 December 2021, the Group's unwithdrawn balance of loans and bank overdrafts amounted to EUR 115,291 thousand (31 December 2020: EUR 344,504 thousand).

All amounts are in EUR thousand unless otherwise stated

# 18 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. Management is monitoring net debt metric as a part of risk-management strategy. For the purpose of net debt calculation, borrowings comprise only debts to financial institutions, issued bonds and related interest payables. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash and cash equivalents | (449,073) | (658,795) |
| Deposit in escrow account | - | (45,000) |
| Non-current borrowings payable after one year | 1,118,077 | 1,246,128 |
| Current borrowings payable within one financial year (including overdraft and accrued interest) | 237,274 | 15,476 |
| Lease liabilities | 50,963 | 42,529 |
| **Net debt** | **957,241** | **600,338** |

Reconciliation of the Group's net debt balances and cash flows from financing activities:

| | Assets | | Lease liabilities | | Borrowings | | |
|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Deposit in escrow account | Non-current | Current | Non-current | Current | Total |
| **Net debt at 1 January 2021** | **(658,795)** | **(45,000)** | **29,128** | **13,401** | **1,246,128** | **15,476** | **600,338** |
| **Cash changes** | | | | | | | |
| (Increase) decrease in cash and cash equivalents | 209,722 | - | - | - | - | - | **209,722** |
| Proceeds from borrowings | - | - | - | - | - | 104,000 | **104,000** |
| Repayments of borrowings | - | - | - | - | - | (10,915) | **(10,915)** |
| Lease payments | - | - | (2) | (13,628) | - | - | **(13,630)** |
| Interest paid | - | - | - | (845) | - | (25,153) | **(25,998)** |
| Deposit in escrow account utilised | - | 28,763 | - | - | - | - | **28,763** |
| **Non-cash changes** | | | | | | | |
| Lease contracts concluded | - | - | 19,125 | 1,786 | - | - | **20,911** |
| Accrual of interest payable | - | - | - | 862 | 1,579 | 25,152 | **27,593** |
| Reclassification of interest payable from (to) trade and other payables | - | - | - | - | - | 11 | **11** |
| Lease liabilities written-off | - | - | (634) | (1,467) | - | - | **(2,101)** |
| Reclassifications between items | - | - | (4,251) | 4,251 | (128,880) | 128,880 | **-** |
| Assumed through business combination (Note 29) | - | - | 2,697 | 71 | - | - | **2,768** |
| Change in foreign currency | - | - | 212 | 257 | (750) | (177) | **(458)** |
| Other non-cash changes[1] | - | 16,237 | - | - | - | - | **16,237** |
| **Net debt at 31 December 2021** | **(449,073)** | **-** | **46,275** | **4,688** | **1,118,077** | **237,274** | **957,241** |

*[1] As at 31 December 2020 deposit in escrow account was treated as part of net debt as it was unclear whether it will be used to acquire treasury shares or will be recovered as cash. As during I-IV qtr. 2021 decisions were made to acquire treasury shares, the deposit is no longer treated as part of net debt.*

All amounts are in EUR thousand unless otherwise stated

# 19 Deferred income and advances received

## 19.1 Deferred income

Deferred income of the Group consisted of:

| | 31 December 2021 | | 31 December 2020 (restated)[1] | |
|---|---|---|---|---|
| | Current portion | Non-current portion | Current portion | Non-current portion |
| **Deferred income under contracts with customers** | | | | |
| Deferred income related to new customers fees | 9,347 | 183,608 | 8,579 | 164,413 |
| Deferred income related to electricity over declaration | 1,502 | - | 1,595 | - |
| Deferred income related to gas over declaration | 7,197 | - | 1,997 | - |
| **In total** | **18,046** | **183,608** | **12,171** | **164,413** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

Movement in the Group's deferred income:

| | I-IV qtr. 2021 | |
|---|---|---|
| | Current portion | Non-current portion |
| **Balance as at 1 January (restated)[2]** | **12,171** | **164,413** |
| Increase during the period | 8,514 | 27,372 |
| Recognised as revenue | (10,816) | - |
| Reclassified from (to) other current amounts payable | - | - |
| Reclassifications between items | 8,177 | (8,177) |
| **Balance as at 31 December** | **18,046** | **183,608** |

*[2] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

Revenue from new customers fees is recognised over the average useful life of related items of property, plant and equipment.

## 19.2 Advances received

The Group's advances received were as follows:

| | 31 December 2021 | 31 December 2020 (restated)[3] |
|---|---|---|
| Current prepayments under contracts with customers (contract liabilities) | 54,970 | 37,025 |
| Current prepayments under other contracts | 2,538 | 2,027 |
| **In total** | **57,508** | **39,052** |

*[3] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

All amounts are in EUR thousand unless otherwise stated

# 20 Provisions

The Group's provisions were as follows:

| | 31 December 2021 | 31 December 2020 (restated)[1] |
|---|---|---|
| Non-current | 30,058 | 40,695 |
| Current | 41,561 | 23,516 |
| **Total** | **71,619** | **64,211** |

Movement of the Group's provisions was as follows:

| | Emission allowance liabilities | Provisions for employee benefits | Provisions for servitudes | Provisions for registration of protection zones | Provision for isolated power system operations' and system services | Other provisions | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021 (restated)[1]** | **10,346** | **3,649** | **14,679** | **15,069** | **17,261** | **3,207** | **64,211** |
| Increase during the period | 12,304 | 1,756 | - | - | 5,878 | 6,666 | **26,604** |
| Utilised during the period | (10,443) | (127) | - | - | (871) | (3,479) | **(14,920)** |
| Result of change in assumptions | - | 369 | (244) | (4,382) | - | - | **(4,257)** |
| Discount effect | - | - | (19) | - | - | - | **(19)** |
| Reclassifications between categories | - | (126) | (40) | - | - | 166 | **-** |
| **Balance as at 31 December 2021** | **12,207** | **5,521** | **14,376** | **10,687** | **22,268** | **6,560** | **71,619** |
| Non-current | - | 4,902 | 13,397 | 4,511 | 7,107 | 141 | **30,058** |
| Current | 12,207 | 619 | 979 | 6,176 | 15,161 | 6,419 | **41,561** |
| **Balance as at 31 December 2021** | **12,207** | **5,521** | **14,376** | **10,687** | **22,268** | **6,560** | **71,619** |

[1] *Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to change in accounting policy. See more information disclosed in Note 4.*

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 provision for servitudes relates to the compensation of easements to third parties when the distribution operator (the Group company) installs electricity networks on land belonging to them. A one-time compensation for the use of statutory easements is paid to compensate for losses when a third party applies the request for compensation. The Group's management estimated (Note 3.3.1) that the period during which third parties will apply for compensation is 10 years starting from 2022, as the application is temporarily suspended (the updated methodology is expected to be approved in the year 2022), plus 1 year for the payment of compensation from the date of submission.

The provision for registration of protection zones relates to the Group's obligation to register special protection conditions (protection zones) for land near the Group's infrastructure objects. According to the Group's management plans the registration of protection zones should last till the end of 2024 (Note 3.3.2).

The provision for isolated power system operation and system services relates to regulatory activities that give rise to regulatory differences which are reimbursed during the next years. Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter the period of reimbursement is 2022-2023 year.

The item of "Other provisions" mainly consists of provision related to deferred consideration (EUR 5,000 thousand) defined in Moray West Holdings Limited share purchase agreement (Note 10.2). The period of provision depends on when certain conditions defined in contract are met. According to the Group's management estimation the conditions will be met in 2022 year.

All amounts are in EUR thousand unless otherwise stated

# 21 Other current amounts payable and liabilities

The Group's other current amounts payable and liabilities were as follows:

| | 31 December 2021 | 31 December 2020 (restated)[1] |
|---|---|---|
| Derivative financial instruments | 71,431 | 2,202 |
| Accrued expenses | 48,046 | 37,937 |
| Taxes (other than income tax) | 30,600 | 15,271 |
| Amounts payable for property, plant and equipment | 23,263 | 26,583 |
| Put option redemption liability | 20,919 | 16,660 |
| Payroll related liabilities | 19,157 | 16,268 |
| Irrevocable commitment to acquire a minority interest | 3,751 | 19,025 |
| Non-controlling interest dividends | 3,358 | 3,212 |
| Other amounts payable and liabilities | 6,160 | 4,998 |
| **Carrying amount** | **226,685** | **142,156** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

# 22 Derivative financial instruments

The Group's derivative financial instruments mainly comprises of:
Contracts related to electricity and natural gas commodities (hedge accounting)
Contracts made directly with other parties – over-the-counter (OTC)
Contracts made through "Nasdaq Commodities" market – Nasdaq
Other contracts (non-hedge accounting)
Other contracts – derivative financial instruments

From 1 July 2021, the Group started application of the hedge accounting policy to OTC and Nasdaq contracts. Accordingly, effective portion of gain or loss of such contracts is recognized through OCI. Fair value change up to 30 June 2021 and ineffective portion of such contracts is recognized in Other income of SPLOCI.

Fair value of Nasdaq contracts are being set-off with cash on day-to-day basis. Accordingly no financial assets or liabilities are being recognized in statement of financial position. Gain or loss of such transactions is recognized same as all derivative financial instruments.

## 22.1 Derivative financial instruments included in the statement of financial position

Movement of assets and liabilities related to the Group's agreements on derivative financial instruments were as follows:

| | Note | Movement during I-IV qtr. 2021 |
|---|---|---|
| **Derivative financial instruments** | | |
| Other current assets | | 3,311 |
| Other current amounts payable and liabilities | 21 | (2,202) |
| **Carrying amount as at 31 December 2020** | | **1,109** |
| **Change in the value** | | |
| Fair value change of derivative financial instruments recognised in Other income | | 1,056 |
| Fair value change of OTC recognised in Other income | | (16,667) |
| Fair value change of OTC recognised in OCI | | (43,467) |
| **Total change during 2021** | | **(59,078)** |
| **Derivative financial instruments** | | |
| **Carrying amount as at 31 December 2021** | | **(57,969)** |
| Other non-current assets | | 3,624 |
| Other current assets | | 9,859 |
| Other non-current amounts payable and liabilities | | (21) |
| Other current amounts payable and liabilities | 21 | (71,431) |

Liability from derivative financial instruments has increased significantly comparing to prior period mainly due to increased gas prices in the market, moreover more hedging transactions were executed.

All amounts are in EUR thousand unless otherwise stated

### 22.2 Derivative financial instruments included in SPLOCI

Derivative financial instruments included in SPLOCI:

| | Note | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|---|
| Fair value change of derivative financial instruments | 22.1 | 1,056 | - |
| Fair value change of OTC | 22.1 | (16,667) | (2,322) |
| Fair value change of Nasdaq | | 10,665 | 19,875 |
| Hedge ineffectiveness recognised - OTC | | 2,035 | (3,140) |
| Hedge ineffectiveness recognised - Nasdaq | | 18,347 | (28,519) |
| **Total recognised in Other income/ (Other expenses)** | | **15,436** | **(14,106)** |
| Effective hedges reclassified from Hedging reserve to SPLOCI | | **45,215** | **-** |
| **In total** | | **60,651** | **(14,106)** |

# 23 Revenue from contracts with customers

### 23.1 Disaggregated revenue information

The Group's revenue from contracts with customers were as follows:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| **Electricity related revenue** | | |
| Revenue from electricity transmission and distribution | 442,814 | 412,371 |
| Revenue from the sale of electricity | 403,339 | 177,324 |
| Revenue from sale of produced electricity | 278,175 | 121,188 |
| Revenue from public electricity supply | 214,087 | 165,134 |
| Revenue from services ensuring the isolated operation of power system and capacity reserve | 50,129 | 55,554 |
| Revenue from PSO | 4,158 | 10,189 |
| **Gas related revenue** | | |
| Revenue from gas sales | 341,328 | 179,492 |
| Revenue from gas distribution | 45,460 | 36,344 |
| Revenue of LNGT security component | 35,956 | 27,636 |
| **Other revenue** | | |
| Revenue from sale of heat energy | 14,063 | 3,997 |
| Revenue from new customers' connection fees | 8,177 | 7,429 |
| Other revenue from contracts with customers | 31,231 | 18,697 |
| **In total** | **1,868,917** | **1,215,355** |

The Group's revenue based on the timing of transfer of goods or services:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Performance obligation settled over time | 1,854,368 | 1,205,701 |
| Performance obligation settled at a specific point in time | 14,549 | 9,654 |
| **In total** | **1,868,917** | **1,215,355** |

### 23.2 Contract balances

Balances arising from contracts with customers as at the end of the period are as follows:

| | Notes | 31 December 2021 | 31 December 2020 (restated)[2] |
|---|---|---|---|
| **Trade receivables[1]** | 13 | **274,847** | **128,416** |
| **Contract assets** | | **27,670** | **7,187** |
| Accrued revenue from electricity related sales | 14 | 26,254 | 6,787 |
| Accrued revenue from gas sales | 14 | 1,416 | 400 |
| **Contract liabilities** | | **256,624** | **213,609** |
| Advances received | 19.2 | 54,970 | 37,025 |
| Deferred income | 19.1 | 201,654 | 176,584 |

*[1] Trade receivables related to lease contracts are excluded.*
*[2] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

All amounts are in EUR thousand unless otherwise stated

### 23.3 Rights to returned goods assets and refund liabilities

The Group does not have any significant contracts with the customers' right to return goods.

### 23.4 Performance obligations

The remaining performance obligations expected to be recognised after the end of the reporting period relate to new customers' connection fees:

| | 31 December 2021 | 31 December 2020 (restated)[3] |
|---|---|---|
| More than one year | 183,608 | 164,413 |
| Within one year | 18,046 | 12,171 |
| **Total liability under connection contracts** | **201,654** | **176,584** |

*[3] Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to reclassifications. See more information disclosed in Note 4.*

## 24 Earnings per share

The Group's earnings per share and diluted earnings per share were as follows:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| **Net profit (loss)** | **153,904** | **170,588** |
| Attributable to: | | |
| Equity holders of the parent | 153,904 | 170,807 |
| Non-controlling interests | - | (219) |
| Weighted average number of nominal shares | 74,232,665 | 59,037,855 |
| Basic earnings/(loss) per share attributable to shareholders of the parent company | 2.07 | 2.89 |
| Diluted earnings/(loss) per share attributable to shareholders of the parent company | 2.07 | 2.89 |

Basic and diluted earnings per share indicators have been calculated based on 74,232,665, a weighted average number of ordinary shares for I-IV qtr. of 2021 as Ignitis grupė AB reacquired its own ordinary shares (treasury shares) as at 16 December 2021 (Note 15.2). Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by Ignitis grupė AB.

Basic and diluted earnings per share indicators have been calculated based on 59,037,855, a weighted average number of ordinary shares for I-IV qtr. of 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.

## 25 Dividends

Dividends declared by the Company during the I-IV qtr.:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Ignitis grupė AB | 86,763 | 70,000 |

During I-IV qtr. of 2020, the Group applied an accounting policy of derecognising the non-controlling interest (subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB). Only in the III qtr. of 2021 the Group have acquired all 100% of Ignitis gamyba AB shares and only in the II qtr. of 2021 the Group have acquired all 100% Energijos skirstymo operatorius AB shares, thus dividends were declared for non-controlling interest.

During the I-IV qtr. of 2021 dividends declared for the former non-controlling interest were EUR 1,152 thousand (during 2020 – Eur 2,793 thousand) until the acquisition of shares from non-controlling interest (see Note 8.1).

EUR 43.010 million dividends for the second half of 2020 was approved at the Annual General Meeting on 25 March 2021.

EUR 43.753 million dividends for the first half of 2021 was approved at the Annual General Meeting on 27 September 2021.

Dividends received by IPO Stabilisation Manager (Swedbank AB) in connection with acquired Stabilisation Shares according True up agreement, were returned back to the Group for an amount EUR 1,970 thousand after withholding tax deduction.

All amounts are in EUR thousand unless otherwise stated

# 26 Contingent liabilities and commitments

## 26.1 Litigations

During I-IV qtr. of 2021 there were no significant changes in litigations reported in annual financial statements for 2020 or new significant litigations except for mentioned below.

### Litigation with a minority shareholder of Energijos skirstymo operatorius AB (hereinafter ESO)

On 10 August 2020, the Group received a claim from minority shareholder of subsidiary ESO regarding buyout of shares. The claim requires to determine the correct price of ESO shares, which must be paid by the Group to the shareholders during the mandatory redemption of shares.

On 31 March 2021 the claim of plaintiff was rejected by the court decision. On 20 May 2021 the plaintiff lodged an appeal to the Court of Appeal of Lithuania.

On 14 June 2021 the Group and ESO provided response for the Court of Appeal regarding the appeal. A hearing at the Lithuanian Court of Appeal is scheduled on 1 March 2022.

### Buy-out of shares of subsidiary ESO

On 2 April 2021 Vilnius District court approved Group's statement on the establishment and recognition of a fact of legal significance that the right of ownership of all unsold minority shareholders shares of its subsidiary ESO during the mandatory buyout must be transferred to the parent company and obliged the shares account managers to make records of the transfer of the rights of ownership to the Group. Shares were transferred on 15 April 2021 for the price offered during mandatory shares buy-out – 0.88 EUR per share. After the enforcement of the Court decision, the Group owns 100% of ESO shares. On 19 April 2021 the plaintiff filed an appeal to the court.

On 7 September 2021 Vilnius District Court applied order, which rejected ESO minority shareholders appeal regarding decision of the Vilnius District Court approving the Group's order regarding the transfer of the rights of ESO shares ownership to the Group. Vilnius District Court's order came into effect immediately, i. e. on 7 September 2021.

### Buy-out of shares of subsidiary Ignitis gamyba AB

On 30 April 2021 the Vilnius District Court made a decision to approve the Group's statement on the establishment and recognition of a fact of legal significance that the right of ownership of 11,113,442 out of 11,688,245 unsold minority shareholders shares of its subsidiary Ignitis gamyba AB (hereinafter – "Ignitis gamyba") during the mandatory buyout must be transferred to the Group and obliged the shares account managers to make records of the transfer of the rights of ownership to the Group.

On 27 August 2021 the Vilnius District Court has taken decision to approve the Group's statement on the establishment and recognition of a fact of legal significance that the right of ownership of ordinary nominal shares of its subsidiary Ignitis Gamyba, which belonged to the deceased shareholders of Ignitis gamyba (outstanding 574,803 shares from the abovementioned) and which were not transferred during the mandatory buyout, must be transferred to the Group and obliged the shares accounts managers to make records of the transfer of the rights of ownership to the Group.

After the enforcement of the Court decision since 9 September 2021, the Group owns 100% of Ignitis gamyba's shares.

### On received court claim and adopted interim measures, termination of option agreements concluded by the key management personnel of Ignitis Group and interim measures sought to be revoked in a separate complaint

Interim measures were applied by the Court order on 3 May 2021, which, in principle, has suspended the employee stock ownership plan as well as executive long-term incentive with share options plan until the Court decision in respect of this case takes effect.

Nine key executives of the Group on their own initiative have terminated the concluded option agreements with the aim to implement the employee share-based payment plan successfully. The Group also submitted a standalone claim to Vilnius District Court with a request to dismiss the interim measures applied by the Court order of 3 May 2021.

On 19 May 2021 the Group submitted a response to the Vilnius City District Court regarding the claim of the prosecutor of the Vilnius Regional Prosecutor's Office, in which disagreed with the claim and requested to terminate the civil case, if the case is refused to be terminated, limitation period should be applied, and if the case is not terminated and limitation period not applied, the claim shall be rejected.

On the same day, the nine key executives of the Group of companies also submitted their responses to the claim, requesting to terminate the civil case against each of them, and to reject the claim if they refused to terminate it.

On 9 June 2021 Vilnius District Court confirmed part of the claim refusal provided by the Vilnius District Prosecutor's Office in relation to invalidation of the Group nine key executives option agreements.

On 22 June 2021 by the Vilnius City District Court ruling the nine key executives of the Group were removed from the civil case.

On 8 July 2021 the Vilnius Regional Court dismissed the separate complaint of Ignitis grupė AB, requested the annulment of the order of the Vilnius City District Court of 3 May 2021 on the imposition of interim protective measures.

Next court hearing is set for 19 April 2022.

### Litigation with Šiaulių energija AB

Šiaulių energija AB filed a claim against the Group's subsidiary ESO for indemnification of losses incurred due to a failure in LitGrid AB networks on 25 March 2019.

On 6 April 2021 the Vilnius Regional Court has ruled to dismiss the claim of AB Šiaulių energija against ESO. On 11 May 2021 Šiaulių energija AB and LITGRID AB filed appeals against the decision. On 30 May 2021, ESO filed its replies to the appeals. A hearing of the Lithuanian Court of Appeal is scheduled on 22 February 2022.

The Group believes that it will defend its interests in these proceedings successfully and has not made provisions for these proceedings.

All amounts are in EUR thousand unless otherwise stated

### Litigation with Vilniaus energija UAB

The plaintiff Vilniaus energija UAB has filed a claim with Vilnius Regional Court regarding the award of EUR 9,284 thousand from ESO. The plaintiff claims to have incurred EUR 9,284 thousand losses due to the fact that ESO during the year 2014 purchased only the electricity produced by the Plaintiff's cogeneration plants in the technical minimum regime. On 17 March 2017, the Plaintiff updated the subject-matter of the claim and requested the court to award damages in the amount of EUR 10,712 thousand.

By 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 25 May 2021, the Supreme Court of Lithuania annulled the part of the ruling of the Lithuanian Court of Appeal of 11 June 2020, which rejected the claim of Vilniaus energija UAB to declare that Vilniaus energija UAB had been discriminated against in relation to other cogeneration plants, and remitted the part of the case concerning the damages of EUR 1 724,6 thousand incurred in 2014 and EUR 535 incurred in 2015, back to the Lithuanian Court of Appeal for a new hearing. The other part of the claim brought by Vilnius energija UAB against ESO was finally rejected.

On 28 September 2021 the Lithuanian Court of Appeal appointed an expert examination, and the case was suspended.

The Group's management expects the claims of Vilniaus energija UAB will be rejected as unfounded.

### Litigation concerning the designated supplier state aid scheme and LNG price component

Following the General Court on the European Union (the General Court) on 8 September 2021 judgement in case T-193/19, AB Achema initiated the reopening of the previously suspended proceedings in the administrative courts of the Republic of Lithuania in respect of the complaints it has lodged against the National Energy Regulatory Council (the Council) regarding the Council's decisions of the setting of the LNG price supplement. The Group's subsidiary Ignitis UAB in these cases is intervened as a third party.

The General Court on 8 September 2021 in case T-193/19 decided to partially annul on procedural grounds the European Commission decision in case SA.44678 (2018/N) (hereinafter "Decision"). The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme which have been valid for a period from 2016 to 2018 and annulled Decision on that part, however maintained the validity of the remainder of the Decision i.e. the designated supplier state aid scheme valid from 2019.

Till this day, neither AB Achema, nor the European Commission has not lodged an appeal to the Court of Justice of the European Union. The Group is aware of the fact, the European Commission informed the Ministry of Energy of Republic of Lithuania that the European Commission will implement the Court's conclusion through the opening of a formal investigation procedure, limited to the points of doubt raised by the General Court. The investigation procedure should lead to the adoption of a final and complete decision of the European Commission which is expected to be adopted in 2022.

The Group considers that there is too much uncertainty in assessing the actual financial impact for the Group at this stage.

## 26.2 Regulatory assets and liabilities

### Natural gas distribution to household customers

Natural gas supply to household customers activity is regulated by NERC. The NERC regulates natural gas tariff paid by customers. Regulatory differences defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price are not recognized in the financial statements as Company has no guarantee for this difference will be returned in future according to the legislation base and returning depends on the future performance of the activity. The uncollected amount of EUR 64 million as of 31 December, 2021 will be included in the future tariffs (overcollected amount of EUR 7 million as of 31 December 2020).

### Designated supply of natural gas

Designated supply activity is also regulated by NERC. When the actual costs differ from those estimated Company recognize them as regulatory differences but does not account a regulated asset or liability in the financial statements as the difference will be refunded by providing the services in the future. The overcollected amount of  EUR 53 million as of 31 December, 2021 will be included in the LNGT security component in the future (uncollected amount of EUR 9 million as of 31 December 2020).

### Electricity distribution

By the resolution No. O3E-1309 taken on 15 October 2021 NERC established the price caps for the electricity distribution service for the year 2022 on the basis of certificate No.O5E-1226 issued on 15 October 2020.

When setting the limits of electricity distribution prices for 2022, the return on investment for 2018 - 2020 year was assessed and the amount of return on investment was exceeding the set allowable amount for EUR 167,500 thousand, of which:

- EUR 116,058 thousand the difference between the level of depreciation and return on investment of the optimized and non-optimized key network elements of the limited adjustments to the long-run average incremental cost (hereinafter LRAIC) model and the actual level of depreciation and return on investment;
- EUR 51,442 thousand the difference between the forecasts for operating expenses, technological losses and other costs compared to the costs actually incurred.

The evaluation of the return on investment for 2021 will be performed in 2022, when setting the price limits for electricity distribution in 2023.

All amounts are in EUR thousand unless otherwise stated

Natural gas distribution

By the resolution No.O3E-1390 taken on 29 October 2021 NERC set the upper limit of the natural gas distribution price for the 2022 on the basis of certificate No.O5E-1280 issued on 26 October 2021 and stated that the 2022 year level of income from natural gas distribution activities is reduced by EUR 9,961 thousand, of which:

- EUR 7,622 thousand the size of the deviation of the return on investment formed in 2014-2018 year;
- EUR 2,339 thousand the size of the deviation of the return on investment formed in 2019-2020 year.

The level of natural gas distribution income in 2022 is additionally reduced by the amount of accrued interest (taking into account the effect of the price of money over time) for EUR 447 thousand.

The remaining EUR 6,641 thousand was calculated in 2014-2020 and compensated in 2022 return on investment exceeding the set allowable amount:

- EUR 5,081 thousand (formed in 2014-2018);
- EUR 1,560 thousand (formed in 2019-2020), will be assessed when determining the price of the natural gas distribution service for subsequent periods.

The evaluation of the return on investment for 2021 will be performed in 2023, when setting the gas distribution price limits in 2024.

# 27 Related-party transactions

The Group transactions with related parties and period-end balances arising on these transactions are presented below:

| | Accounts Receivable 31 December 2021 | Accounts Payable 31 December 2021 | Sales I-IV qtr. 2021 | Purchases I-IV qtr. 2021 | Finance income (expenses) I-IV qtr. 2021 |
|---|---|---|---|---|---|
| EPSO-G UAB | 84,131 | 78 | 28 | - | 335 |
| LitGrid AB | 19,520 | 38,727 | 87,314 | 194,363 | - |
| Amber Grid AB | 8,146 | 5,009 | 43,166 | 47,448 | - |
| Baltpool UAB | 788 | 33,587 | 15,523 | 104,593 | - |
| GET Baltic UAB | 7,304 | - | 30,677 | 69,374 | - |
| Other related parties | 701 | 2,760 | 671 | 4,241 | 2 |
| **Total** | **120,590** | **80,161** | **177,379** | **420,019** | **337** |

| | Accounts Receivable 31 December 2020 | Accounts Payable 31 December 2020 | Sales I-IV qtr. 2020 | Purchases I-IV qtr. 2020 | Finance income (expenses) I-IV qtr. 2020 |
|---|---|---|---|---|---|
| EPSO-G UAB | 150,842 | - | 28 | - | 747 |
| LitGrid AB | 9,407 | 18,900 | 84,638 | 165,659 | - |
| Amber Grid AB | 4,217 | 5,227 | 30,380 | 45,443 | - |
| Baltpool UAB | 10,334 | 11,353 | 122,297 | 85,517 | - |
| TETAS UAB | 51 | 1,276 | 440 | 8,143 | - |
| GET Baltic UAB | 2,903 | 1 | 24,928 | 28,507 | - |
| Other related parties | 30 | 280 | 182 | 524 | - |
| **Total** | **177,784** | **37,037** | **262,893** | **333,793** | **747** |

## 27.1 Compensation to key management personnel

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Wages and salaries and other short-term benefits to key management personnel | 956 | 780 |
| Whereof: | - | - |
| *Short-term employee benefits* | *792* | *780* |
| *Termination benefits* | *8* | - |
| *Share-based payment expenses* | *157* | - |
| Number of key management personnel | 11 | 12 |

In 2021 only members of Board, Supervisory board and Chief Executive Officer are assigned to the Company's key management personnel. Consequently, disclosure for comparative period was adjusted.

For share-based payments related to key management personnel – see Note 16.

All amounts are in EUR thousand unless otherwise stated

# 28 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions.

Management follows performance by operating segments that are consistent with the lines of business specified in the Group's strategy:

- Networks segment includes the activities carried out by Energijos skirstymo operatorius AB;
- Green generation segment includes activities carried out by Ignitis gamyba AB (Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler), Vilniaus kogeneracinė jėgainė UAB, Kauno kogeneracinė jėgainė UAB, Eurakras UAB, Tuuleenergia OU, Vėjo gūsis UAB, Vėjo vatas UAB, VVP Investment UAB, Ignitis renewables UAB, Pomerania Wind Farm sp. z o. o., Altiplano Elektrownie Wiatrowe B1 Sp. z o. o., Ignitis Renewables Polska Sp. z o. o., Ignitis RES DEV Sp. z o. o., Ignitis renewables projektai, UAB;
- Flexible generation segment includes activities carried out by Ignitis gamyba AB (except Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler).
- Customers and solutions segment includes activities carried out by Ignitis UAB, Ignitis Eesti OÜ, Ignitis Latvija SIA, Ignitis Polska Sp. z o. o., Ignitis Suomi OY.

Other activities and eliminations include:

- support service company (Ignitis grupės paslaugų centras UAB);
- non-core activities companies (Energetikos paslaugų ir rangos organizacija UAB, Duomenų logistikos centras (until 7July 2020) UAB, NT Valdos UAB, Transporto valdymas UAB);
- additional service entities (Elektroninių mokėjimų agentūra UAB, Gamybos optimizavimas UAB);
- parent company Ignitis grupė AB;
- consolidation corrections and eliminations of intercompany transactions.

The Group has a single geographical segment – the Republic of Lithuania. Electricity sales in Latvia, Estonia and Poland are not significant for the Group. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements, i.e. information on profit or loss, including the reported amounts of revenue and expenses. The primary performance measure is adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (adjusted EBITDA – a non-IFRS alternative performance measure). Another performance measure is adjusted Earnings Before Interest and Taxes (adjusted EBIT – a non-IFRS alternative performance measure). Both measures are calculated starting from the data presented in the financial statements as adjusted by management for selected items which are not defined by IFRS. Additionally to adjusted EBITDA and adjusted EBIT management also analyses Investments and Net debt of each individual segment.

The Group management calculates EBITDA as follows:

Total revenue and other income -
Purchases of electricity, gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses

EBITDA

The Group management calculates adjusted EBITDA as follows:

EBITDA +
Management adjustments

Adjusted EBITDA

The Group management calculates EBIT as follows:

Total revenue and other income -
Purchases of electricity, gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses -
Depreciation and amortisation -
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets -
Revaluation of emission allowances

EBIT

The Group management calculates adjusted EBIT as follows:

EBIT +
Management adjustments -
Significant one-off revaluation and impairment losses of property, plant and equipment and intangible assets

Adjusted EBIT

The Group management calculates adjusted EBITDA margin as follows:

Adjusted EBITDA ÷
(Total revenue and other income +
Management adjustments)

Adjusted EBITDA margin

The Group management calculates Investments as follows:

Additions of property, plant and equipment +
Additions of intangible assets +
Assets acquired through the acquisition of subsidiaries +
Additions of other financial assets +
Additions of investment property

Investments

The Group management calculates Net debt as indicated in Note 18.

All amounts are in EUR thousand unless otherwise stated

## 28.1 Management's adjustments, adjusted EBITDA and adjusted EBIT

Management's adjustments include:

- temporary regulatory differences;
- result from generation before COD;
- significant one-off gains or losses (revenue related to GDRs in 2020, revaluation and impairment losses of property, plant and equipment in 2021)

In 2021, to simplify the reporting the management have decided to cease the use of management's adjustments for:

- cash effect of new connection points and upgrades;
- temporary fluctuations in fair value of derivatives;
- result of disposal of non-current assets;
- impairment and write-offs of current and non-current amounts receivables, loans, goods and others.

In management's view, the reduction of adjustments will help simplify interpretation of the results for intended users of financial statements as well as align main KPI's closer to reporting according to IFRS. For more detailed information on reduction of management's adjustments see Annual report section *'Results'*.

Adjusted EBITDA is EBITDA further adjusted by adding management's adjustments. Management's adjustments all may have both positive and negative impact on the reporting period results. Adjusted EBIT is EBIT further adjusted by adding management's adjustments and eliminating the result of significant one-off revaluation and impairment losses of property, plant and equipment and intangible assets related to electricity and gas assets of Networks segment in 2021.

Management's adjustments used in calculating adjusted EBITDA and adjusted EBIT:

| Segment / Management's adjustments | I-IV qtr. 2021 | I-IV qtr. 2020 (restated)[1] |
|---|---|---|
| **Networks** | | |
| Temporary regulatory differences of Energijos skirstymo operatorius AB | (23,191) | (43,438) |
| **Green generation** | | |
| Temporary regulatory differences of Ignitis gamyba AB | 346 | 566 |
| Property, plant & equipment capitalised positive testing result | 7,589 | - |
| **Flexible generation** | | |
| Temporary regulatory differences of Ignitis gamyba AB | (1,724) | (409) |
| **Customers and Solutions** | | |
| Temporary regulatory differences of Ignitis UAB | 14,162 | (43,306) |
| **Other segments and consolidation adjustment** | | |
| Revenue related to GDRs | - | (1,782) |
| **Total Management's adjustments for Adjusted EBITDA** | **(2,818)** | **(88,369)** |
| **Networks** | | |
| Revaluation and impairment losses of property, plant and equipment | 24,843 | - |
| **Total Management's adjustments for Adjusted EBIT** | **22,025** | **(88,369)** |

*Part of the amounts do not agree with the interim condensed financial statements issued for twelve months period ended as at 31 December 2020 due to change in accounting policy and reclassifications (see more information disclosed in Note 4) and Alternative performance measurement (hereinafter – APM) calculation changes as disclosed in Annual report section 'Results'.*

Adjusted EBIT is presented, for each period, as adjusted EBITDA less depreciation and amortisation expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets and impairment and write-offs of current and non-current amounts receivables, loans, goods and others except significant one-off items (if any).

In managements view, adjusted EBITDA and adjusted EBIT more accurately present results of operations and enable to better compare results between the periods as it indicate the amount that was actually earned by the Group in the reporting period by:

- eliminating differences between the permitted return set by the NERC and the actual return for the period;
- adjusting for effects not related to the main activities of the Group or related to other periods.

## 28.2 Networks segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management that comprise the impact of temporary regulatory differences resulting from the NERC resolutions and by deducting the current period difference arising between the return on investments permitted by the NERC and estimated by management. For I-IV qtr. of 2021 the adjustment amounted to EUR (23,191) thousand (EUR (43,438) thousand for I-IV qtr. 2020). This adjustment includes:

- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 27,560 thousand for 2021 (EUR 60,876 thousand during I-IV qtr. of 2020). These amounts are based on resolutions published by the NERC;
- new amounts of temporary regulatory differences formed during the reporting period – EUR (50,751) thousand (EUR (104,314) thousand during I-IV qtr. of 2020). The amounts for the period are based on management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by management using actual financial and operating data for the current period. These temporary regulatory differences also include additional amount calculated after update of regulatory Methodology for determining price caps for electricity transmission, distributionand public supply services by the NERC in October 2021.

Adjusted EBIT result for I-IV qtr. of 2021 is reported after the adjustment that comprise significant one-off effect of revaluation and impairment losses of property, plant and equipment recognized in SPLOCI:

- revaluation effect of electricity related property, plant and equipment of EUR 15,906 thousand;
- impairment effect of gas related property, plant and equipment of EUR 9,077 thousand.

## 28.3 Green generation segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, adjusted EBITDA and adjusted EBIT) from Kruonis pumped storage power plant regulated services provided by Ignitis gamyba AB, if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR 346 thousand for I-IV qtr. of 2021 (EUR 566 thousand for I-IV qtr. of 2020).

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management that comprise the result from generation before COD (and possible formal completion procedures after COD) of Vilnius CHP's WtE unit (EUR 3,616 thousand) and Pomerania WF (EUR 3,973 thousand). It reflects the result which was capitalised in the Statement of Financial Position according to applicable IAS 16 requirements for the reporting period of I-IV qtr. of 2021. However, amendments to IAS 16 Property, Plant and Equipment to be implemented from 2022 will prohibit a company from deducting from the cost of PPE amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in the SPLOCI. In order to better compare the main financial KPIs in

All amounts are in EUR thousand unless otherwise stated

the future (after implementation of IAS 16 amendments) the Management have decided to add an additional adjustment for I-IV qtr. of 2021 figures.

### 28.4 Flexible generation segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, adjusted EBITDA and EBIT) from Elektrėnai Complex regulated services provided by Ignitis gamyba AB, if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR (1,724) thousand for I-IV qtr. of 2021 (EUR (409) thousand for I-IV qtr. of 2020.

### 28.5 Customers and Solutions segment

Adjusted EBITDA and adjusted EBIT are reported after the adjustments made by the management eliminating deviations arising in the regulated activities of gas and electricity supply due to the variance between actual and projected prices for the acquisition prices and other components established in the calculation methodology used by the NERC. During I-IV qtr. of 2021 the effect in electricity public supply activities according to management estimate amounted to EUR (3,446) thousand (EUR (43,811) thousand for I-IV qtr. of 2020). During I-IV qtr. of 2021 the effect in gas supply activities according to management estimate amounted to EUR 17,608 thousand (EUR 505 thousand for I-IV qtr. of 2020).

### 28.6 Other activities and eliminations segment

Adjusted EBITDA and adjusted EBIT for I-IV qtr. of 2020 are adjusted for the amount of revenue related to GDRs (EUR 1,782 thousand) which was collected from GDR holders during IPO process as this was a one-off transaction not related to continued operations of the Group.

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group's information on segments for the I-IV qtr. of 2021:

| | Networks | Green generation | Flexible generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| *IFRS*[1] | | | | | | |
| Sales revenue from external customers | 535,917 | 208,787 | 153,205 | 990,008 | 2,482 | **1,890,399** |
| Inter-segment revenue (less dividend) | (3,246) | 281 | 267 | 19,386 | (16,688) | **-** |
| **Total revenue and other income** | **532,671** | **209,068** | **153,472** | **1,009,394** | **(14,206)** | **1,890,399** |
| Purchases of electricity, gas and other services | (255,680) | (82,266) | (86,005) | (955,012) | (992) | **(1,379,955)** |
| Salaries and related expenses | (53,085) | (8,313) | (7,722) | (10,678) | (17,421) | **(97,219)** |
| Repair and maintenance expenses | (22,102) | (3,661) | (5,966) | (5) | (10) | **(31,744)** |
| Other expenses | (33,197) | (15,306) | (14,815) | (17,293) | 34,620 | **(45,991)** |
| **EBITDA** | **168,607** | **99,522** | **38,964** | **26,406** | **1,991** | **335,490** |
| Depreciation and amortization | (83,177) | (21,047) | (11,357) | (1,746) | (5,141) | **(122,468)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (28,598) | (36) | (82) | - | 249 | **(28,467)** |
| **Operating profit (loss) (EBIT)** | **56,832** | **78,439** | **27,525** | **24,660** | **(2,902)** | **184,554** |
| *Adjusted*[2] | | | | | | |
| **EBITDA** | **168,607** | **99,522** | **38,964** | **26,406** | **1,991** | **335,490** |
| Management adjustments | (23,191) | 7,935 | (1,724) | 14,162 | - | **(2,818)** |
| **Adjusted EBITDA*** ** | **145,416** | **107,457** | **37,240** | **40,568** | **1,990** | **332,671** |
| *Adjusted EBITDA margin* | *28.5%* | *49.5%* | *24.5%* | *4.0%* | *(23.9)%* | ***17.6%*** |
| Depreciation and amortisation | (83,177) | (21,047) | (11,357) | (1,746) | (5,141) | **(122,468)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (28,598) | (36) | (82) | - | 249 | **(28,467)** |
| Management adjustments | 24,843 | - | - | - | - | **24,843** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **58,484** | **86,374** | **25,801** | **38,822** | **(2,902)** | **206,579** |
| Property, plant and equipment, intangible and right-of-use assets | 1,654,637 | 773,091 | 307,380 | 6,475 | 39,571 | **2,781,154** |
| Investments | 187,667 | 32,251 | 219 | 2,000 | 12,386 | **234,523** |
| Net debt | 709,951 | 390,094 | (37,520) | 474,368 | (579,652) | **957,241** |

*[1] Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*

*[2] The indicators of Adjusted EBITDA and adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods*

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group's information on segments for the I-IV qtr. of 2020[1]:

| | Networks | Green generation | Flexible generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| *IFRS[2]* | | | | | | |
| Sales revenue from external customers | 481,300 | 89,552 | 109,171 | 533,245 | 9,822 | **1,223,090** |
| Inter-segment revenue (less dividend) | 906 | 321 | 1,706 | 15,287 | (18,220) | **-** |
| **Total revenue and other income** | **482,206** | **89,873** | **110,877** | **548,532** | **(8,398)** | **1,223,090** |
| Purchases of electricity, gas and other services | (194,475) | (22,641) | (64,241) | (437,356) | 12,984 | **(705,729)** |
| Salaries and related expenses | (51,368) | (6,310) | (7,129) | (9,876) | (18,110) | **(92,793)** |
| Repair and maintenance expenses | (24,842) | (2,845) | (6,269) | (5) | (111) | **(34,072)** |
| Other expenses | (30,422) | (8,200) | (3,489) | (31,278) | 17,197 | **(56,192)** |
| **EBITDA** | **181,099** | **49,877** | **29,749** | **70,017** | **3,562** | **334,304** |
| Depreciation and amortization | (78,283) | (17,453) | (11,550) | (1,551) | (4,537) | **(113,374)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (4,699) | (19) | (157) | (49) | (1,006) | **(5,930)** |
| **Operating profit (loss) (EBIT)** | **98,117** | **32,405** | **18,042** | **68,417** | **(1,981)** | **215,000** |
| *Adjusted[3]* | | | | | | |
| **EBITDA** | **181,099** | **49,877** | **29,749** | **70,017** | **3,562** | **334,304** |
| Management adjustments | (43,438) | 566 | (409) | (43,306) | (1,782) | **(88,369)** |
| **Adjusted EBITDA****** | **137,661** | **50,443** | **29,340** | **26,711** | **1,780** | **245,935** |
| *Adjusted EBITDA margin* | *31.4%* | *55.8%* | *26.6%* | *5.3%* | *(67.7)%* | ***21.7%*** |
| Depreciation and amortisation | (78,283) | (17,453) | (11,550) | (1,551) | (4,537) | **(113,374)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (4,699) | (19) | (157) | (49) | (1,006) | **(5,930)** |
| Revaluation of emission allowances | - | (134) | - | - | - | **(134)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **54,679** | **32,971** | **17,633** | **25,111** | **(3,763)** | **126,631** |
| Property, plant and equipment, intangible and right-of-use assets | 1,616,944 | 748,811 | 326,318 | 6,633 | 19,564 | **2,718,270** |
| Investments | 140,607 | 197,045 | 1,521 | 2,187 | 5,433 | **346,793** |
| Net debt | 680,701 | 349,948 | (37,732) | 29,365 | (376,944) | **645,338** |

*[1] Certain amounts presented above do not correspond to the consolidated financial statements prepared for twelve months period ended as at 31 December 2020 due to change in accounting policy (see more information disclosed in Note 4) and APM calculation changes as disclosed in Annual report section 'Results'.*
*[2] Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*
*[3] The indicators of Adjusted EBITDA and adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods*

All amounts are in EUR thousand unless otherwise stated

# 29 Business combinations

One of the Group's development directions is investments in renewable energy sources, therefore company engaged in the development of wind parks was acquired in 2021.

On 21 December 2021, the Group acquired a 100% shareholding in Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. from the legal persons. As at 31 December 2021, ownership rights of shares were held by the Group. The total consideration paid for Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. amounted to EUR 9,545 thousand. As at 31 December 2021, the investment was fully paid and paid in cash.

The Group applied the acquisition accounting method to account for these business combinations according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the businesses and the fair value of the net assets acquired represents other intangible assets identified during business combination.

As at 31 December 2021, the Group's management carried out the preliminary assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

| | Note | |
|---|---|---|
| **Assets acquired** | | |
| Property, plant and equipment | 6 | 2,785 |
| Right-of-use assets | 7 | 3,216 |
| Prepayments for non-current assets | | 653 |
| Current receivables | | 1,068 |
| Other intangible assets identified during business combination | 5 | 10,030 |
| **Liabilities assumed** | | |
| Non-current lease liabilities | | (2,697) |
| Current lease liabilities | | (71) |
| Deferred tax liabilities | | (1,915) |
| Trade payables | | (3,524) |
| **Total identifiable net assets acquired** | | **9,545** |
| **Net cash flows from acquisition of subsidiary** | | |
| Cash paid to sellers of shares | | (9,545) |
| **Net cash flows** | | **(9,545)** |

The Group incurred acquisition-related costs for an amount of EUR 383 thousand on transfer tax, legal fees and due diligence costs. These costs have been included in SPLOCI Other expenses.

Other intangible assets identified during business combination comprise the right to produce electricity with an incentive rate. Multi-period excess earnings method was used measuring fair value of other intangible assets: It considers the present value of net cash flows expected to be generated by the production of electricity with an incentive rate, by excluding any cash flows related to contributory assets.

# 30 Fair values of financial instruments

## 30.1 Financial instruments, measured at fair value

The Group's derivative financial instruments (Level 2 of the fair value hierarchy), amounts receivable for sale of LitGrid AB shares (Level 3 of the fair value hierarchy), the Group's option right to acquire shares in subsidiary (Level 2 of the fair value hierarchy) are measured at fair value.

As at 31 December 2021 and 2020, the Group accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2020 – 0.298%).

As at 31 December 2021 and 2020, the Group accounted for the option to acquire all the shares of Kauno kogeneracinė jėgainė UAB held by Gren Lietuva UAB (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to Gren Lietuva UAB for the redeemable Gren Lietuva UAB owned Kauno kogeneracinė jėgainė UAB shares, if they choose to sell them, equals the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of market value). Fair value corresponds to level 2 in the fair value hierarchy.

As at 31 December 2021 and 2020, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 2.31 in annual financial statements prepared for the year 2020. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange.

As at 31 December 2021 and 2020, the Group has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The Group accounts for financial asset at fair value and their accounting policies are set out in Note 10.1. Fair value corresponds to level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on investment rounds (Note 10.1). Fair value of this financial asset will change depending on future investment rounds or other significant events.

All amounts are in EUR thousand unless otherwise stated

### 30.2 Financial instruments for which fair value is disclosed

The Group's fair value of loans granted is approximately equal to carrying amount. The measurement of financial assets related to the loans issued is attributed to Level 3 of the fair value hierarchy.

The Group's bond issue debt (Note 17) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.90% as at 31 December 2021 (31 December 2020 – 2.186%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that are similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities to commercial banks and state-owned investment banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76% as at 31 December 2021 (31 December 2020 – 2.56%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

### 30.3 Financial instruments' fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2021:

| | | | Level 1 | Level 2 | Level 3 | |
|---|---|---|---|---|---|---|
| | Note | Carrying amount | Quoted prices in active markets | Other directly or indirectly observable inputs | Unobservable inputs | In total |
| **Financial instruments measured at fair value through profit (loss) or other comprehensive income** | | | | | | |
| **Assets** | | | | | | |
| Receivable for the sale of LitGrid AB | 14 | **84,128** | - | - | 84,128 | **84,128** |
| Derivative financial instruments | | **13,483** | - | 13,483 | - | **13,483** |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 10.1 | **25,094** | - | - | 25,094 | **25,094** |
| **Liabilities** | | | | | | |
| Put option redemption liability | 21 | **20,919** | - | 20,919 | - | **20,919** |
| Derivative financial instruments | 22 | **71,452** | - | 71,452 | - | **71,452** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Loans granted | 9, 14 | **3,742** | - | - | 3,742 | **3,742** |
| **Liabilities** | | | | | | |
| Bonds issued | 17 | **897,667** | - | 856,215 | - | **856,215** |
| Debt liabilities to commercial banks | 17 | **230,992** | - | 230,049 | - | **230,049** |
| Debt liabilities to state-owned investment banks | 17 | **226,692** | - | 191,393 | - | **191,393** |

# 31 Events after the reporting period

### 31.1 Events related to litigation and claims

#### Litigations with subcontractors regarding the Vilniaus kogeneracinė jėgainė UAB construction works

In one of the claims mentioned in Note 43.2.6 of annual financial statements, for the year ended 31 December 2020, between Vilniaus kogeneracinė jėgainė UAB and its subcontractors (Ulava UAB), on 1 February 2022 Vilnius Regional Court dismissed all subcontractor's claims as unfounded.

### 31.2 Other events

#### Intent to establish a subsidiary in Latvia

On 25 January 2022 the Management Board of the Group approved the decision to establish a new subsidiary of UAB "Ignitis renewables" (hereinafter – Ignitis Renewables) in Latvia. On 13 August 2021 the Group announced about the acquisition of three wind farm projects in Latvia. Ignitis Renewables would own 100% of shares of the company established in Latvia.

#### Termination of agreement to acquire portfolio of solar PV projects under development in Poland

On 21 February 2022 Group's company Ignitis Renewables terminated the conditional SPA agreement to acquire up to 170 MW portfolio of solar PV projects under development in Poland (Note 10.3). Advance payments paid to the developer (around EUR 3,800 thousand) will be fully returned to Ignitis renewables. The Group and Ignitis renewables will suffer no loss in respect of this transaction.

There were no other significant events after the reporting period till the issue of these financial statements.

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# 5.2 Parent company's financial statements

## Unaudited parent company's interim condensed financial statements for the twelve months period ended 31 December 2021, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union




The parent company's interim condensed financial statements were prepared and signed by AB "Ignitis grupė" management on 24 February 2022:

**Darius Maikštėnas**
Chief Executive Officer

**Darius Kašauskas**
Chief Financial Officer

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras",
Head of Accounting acting under
Order No IS-11-22
(signed 14 February 2022)

# Interim Condensed Statement of Financial Position

**As at 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | 1,839 | 1,874 |
| Property, plant and equipment | | 64 | 55 |
| Right-of-use assets | 4 | 17,602 | 520 |
| Investment property | | 77 | 77 |
| Investments in subsidiaries | 5 | 1,255,858 | 1,239,045 |
| Non-current receivables | 6 | 1,088,397 | 890,114 |
| Other financial assets | 9 | 25,094 | 4,912 |
| Other non-current assets | | - | 19,050 |
| Deferred tax assets | | 513 | 643 |
| **Total non-current assets** | | **2,389,444** | **2,156,290** |
| **Current assets** | | | |
| Prepayments and deferred expenses | | 80 | 51 |
| Trade receivables | | 494 | 313 |
| Other receivables | 7 | 184,597 | 14,754 |
| Other current assets | | 20,014 | 45,000 |
| Current loans and interest receivable | 8 | 136,452 | 73,956 |
| Cash and cash equivalents | | 125,323 | 421,289 |
| | | **466,960** | **555,363** |
| Assets held for sale | | - | - |
| **Total current assets** | | **466,960** | **555,363** |
| **TOTAL ASSETS** | | **2,856,404** | **2,711,653** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 10 | 1,658,756 | 1,658,756 |
| Treasury shares acquired | 10 | (26,674) | - |
| Reserves | | 88,059 | 82,330 |
| Reserve for treasury shares | 10 | 23,000 | - |
| Retained earnings (deficit) | | 190,067 | 71,869 |
| **Total equity** | | **1,933,208** | **1,812,955** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current loans and bonds | 12 | 888,524 | 886,945 |
| Non-current lease liabilities | | 15,994 | 267 |
| Other non-current amounts payable and liabilities | | 9 | - |
| **Total non-current liabilities** | | **904,527** | **887,212** |
| **Current liabilities** | | | |
| Loans | 12 | 9,143 | 9,143 |
| Lease liabilities | | 1,755 | 253 |
| Trade payables | | 976 | 461 |
| Advances received | | 99 | 50 |
| Other current amounts payable and liabilities | | 6,696 | 1,579 |
| **Total current liabilities** | | **18,669** | **11,486** |
| **Total liabilities** | | **923,196** | **898,698** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,856,404** | **2,711,653** |

# Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

**For the three and twelve months periods ended 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | I-IV qtr. 2021 | I IV qtr. 2021 | I-IV qtr. 2020 | I IV qtr. 2020 |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 14 | 3,201 | 979 | 4,886 | 2,588 |
| Other income | | 2,798 | 2,796 | 1,464 | - |
| Dividend income | 15 | 222,760 | 100,440 | 120,163 | 1,680 |
| **Total revenue and other income** | | **228,759** | **104,215** | **126,513** | **4,268** |
| Salaries and related expenses | | (4,918) | (1,230) | (5,437) | (1,414) |
| Depreciation and amortisation | | (716) | (482) | (274) | (69) |
| (Impairment)/reversal of impairment of investments in subsidiaries | | - | - | (4,083) | (250) |
| (Impairment)/reversal of impairment of amounts receivable and loans | | - | - | 806 | - |
| Other expenses | | (4,271) | (1,408) | (4,309) | (559) |
| **Total expenses** | | **(9,905)** | **(3,120)** | **(13,297)** | **(2,292)** |
| **Operating profit (loss)** | | **218,854** | **101,095** | **113,216** | **1,976** |
| Finance income | 16 | 38,561 | 7,847 | 20,007 | 5,468 |
| Finance expenses | 17 | (26,166) | (8,217) | (19,077) | (4,403) |
| **Finance activity, net** | | **12,395** | **(370)** | **930** | **1,065** |
| **Profit (loss) before tax** | | **231,249** | **100,725** | **114,146** | **3,041** |
| Current period income tax (expenses)/benefit | | (51) | (9) | - | - |
| Deferred tax (expenses)/benefit | | 360 | 38 | 441 | (68) |
| **Net profit for the period** | | **231,558** | **100,754** | **114,587** | **2,973** |
| **Total other comprehensive income (loss) for the period** | | - | - | - | - |
| **Total comprehensive income (loss) for the period** | | **231,558** | **100,754** | **114,587** | **2,973** |
| **Basic earnings per share (in EUR)** | | **2.07** | **0.56** | **2.89** | **0.87** |
| **Diluted earnings per share (in EUR)** | | **2.07** | **0.56** | **2.89** | **0.87** |
| **Weighted average number of shares** | | **74,232,665** | **74,232,665** | **59,037,855** | **59,037,855** |

# Interim Condensed Statement of Changes in Equity

**For the twelve months period ended 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | Issued capital | Treasury shares | Share premium | Legal reserve | Treasury shares reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | | **1,212,156** | **-** | **-** | **80,720** | **-** | **36,525** | **1,329,401** |
| Net profit for the period | | - | - | - | - | - | 114,587 | **114,587** |
| Other comprehensive income (loss) for the period | | - | - | - | - | - | - | **-** |
| **Total comprehensive income (loss) for the period** | | **-** | **-** | **-** | **-** | **-** | **114,587** | **368,967** |
| Issue of share capital | | 446,600 | - | 3,400 | - | - | - | **450,000** |
| Transaction costs | | - | - | (3,400) | - | - | (7,633) | **(11,033)** |
| Dividends | 15 | - | - | - | - | - | (70,000) | **(70,000)** |
| Transfers to legal reserve | | - | - | - | 1,610 | - | (1,610) | **-** |
| **Balance as at 31 December 2020** | | **1,658,756** | **-** | **-** | **82,330** | **-** | **71,869** | **1,812,955** |
| **Balance as at 1 January 2021** | | **1,658,756** | **-** | **-** | **82,330** | **-** | **71,869** | **1,812,955** |
| Net profit for the period | | - | - | - | - | - | **231,558** | **231,558** |
| Other comprehensive income (loss) for the period | | - | - | - | - | - | - | **-** |
| **Total comprehensive income (loss) for the period** | | **-** | **-** | **-** | **-** | **-** | **231,558** | **231,558** |
| Transfer to reserves to acquire treasury shares | 10 | - | - | - | - | 23,000 | (23,000) | **-** |
| Treasury shares acquired | 10 | - | (23,000) | - | - | - | (3,674) | **(26,674)** |
| Transfers to legal reserve | | - | - | - | 5,729 | - | (5,729) | **-** |
| Dividends | 15 | - | - | - | - | - | (86,763) | **(86,763)** |
| Share-based payments | 11 | - | - | - | - | - | 162 | **162** |
| Other movement | 15.1 | - | - | - | - | - | 1,970 | **1,970** |
| **Balance as at 31 December 2021** | | **1,658,756** | **(23,000)** | **-** | **88,059** | **23,000** | **186,393** | **1,933,208** |

# Interim Condensed Statement of Cash Flows

**For the twelve months period ended 31 December 2021**
All amounts are in EUR thousand unless otherwise stated

| | Notes | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | 231,558 | 114,587 |
| **Adjustments to reconcile net profit to net cash flows:** | | | |
| Depreciation and amortisation expenses | | 716 | 274 |
| Fair value changes of financial instruments | | (13,784) | - |
| Impairment/(reversal of impairment) of financial assets | | - | (806) |
| Impairment/(reversal of impairment) of investments in subsidiaries | | - | 4,083 |
| Income tax expenses/(income) | | (309) | (441) |
| Increase/(decrease) in provisions | | - | (806) |
| Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment | | (2,793) | (1,445) |
| Share-based payments expenses | 11 | 157 | - |
| Other expenses of investing activities | | 23 | - |
| Interest income | 16 | (22,692) | (20,007) |
| Interest expenses | 17 | 20,923 | 18,336 |
| Dividends | 15 | (222,760) | (120,163) |
| Other expenses of financing activities | | 3,157 | 741 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other receivables | | 59,009 | 5,182 |
| (Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets | | 44,007 | (63,925) |
| Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities | | 447 | (1,713) |
| Income tax (paid)/received | | 490 | 561 |
| **Net cash flows from (to) operating activities** | | **98,149** | **(64,736)** |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (34) | - |
| Proceeds from sale of assets held for sale | | - | 6,167 |
| Loans granted | | (487,378) | (234,250) |
| Loan repayments received | | 92,060 | 245,279 |
| Acquisition of a subsidiary | 5 | (19,031) | (47,588) |
| Interest received | 16 | 20,770 | 18,556 |
| Dividends received | 15 | 122,320 | 120,163 |
| Return of capital from subsidiaries | 5.4 | 4,997 | - |
| Other increases/(decreases) in cash flows from investing activities | | 3.504 | - |
| **Net cash flows from investing activities** | | **(262,792)** | **108,327** |
| **Cash flows from financing activities** | | | |
| Issue of share capital | | - | 450,000 |
| Transaction costs | | - | (11,033) |
| Issue of bonds | | - | 295,657 |
| Repayments of loans | | - | (82,246) |
| Lease payments | 13 | (512) | (261) |
| Interest paid | 17 | (19,344) | (13,272) |
| Dividends paid | 15 | (86,763) | (70,000) |
| Dividends returned | 15 | 1,970 | - |
| Repurchase of treasury shares | 10 | (26,674) | - |
| **Net cash flows from financing activities** | | **(131,323)** | **568,845** |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | | **295,966** | **612,436** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | | 421,289 | (191,147) |
| **Cash and cash equivalents (including overdraft) at the end of the period** | | **125,323** | **421,289** |

All amounts are in EUR thousand unless otherwise stated

# Explanatory Notes to the Interim Condensed Financial Statements

**For the twelve months period ended 31 December 2021**

## 1 General information

Ignitis grupė AB (hereinafter "the Company" or "the parent company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. On 5 October 2020 the Company has increased its share capital and on 7 October 2020 the Company has executed initial public offering (hereinafter "IPO") distributing the increased share capital between private and institutional investors. Acquisition of own shares was performed by Ignitis grupė AB during December 2021.

The Company's registered office address is Laisvės pr 10, LT-04215, Vilnius, Lithuania. The Company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company's code 301844044. The Company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. The Company has been founded for an indefinite period.

The Company is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 5) 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 power system, management and coordination of activities. The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

The Company analyses the activities of the Group companies, represents the whole group, implements its shareholders' rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

The Company seeks to ensure effective operation of group companies, implementation of goals related to the Group's activities set forth in the National Energy Independence Strategy and other legal acts, ensuring that it builds a sustainable value in a socially responsible manner.

The Company's principal shareholder is the Republic of Lithuania (73.08%).

| Shareholder of the Company | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Share capital, in EUR '000 | % | Share capital, in EUR '000 | % |
| Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania | 1,212,156 | 73.08 | 1,212,156 | 73.08 |
| Other shareholders | 418,838 | 25.25 | 446,600 | 26.92 |
| Own shares | 27,762 | 1.67 | | |
| | **1,658,756** | | **1,658,756** | |

These interim condensed financial statements were prepared and signed by Company's management on 24 February 2022. These are interim condensed separate financial statements of the Company which are prepared in accordance with local law requirements. The Group also prepares consolidated interim condensed financial statements.

## 2 Summary of significant accounting

### 2.1 Basis of preparation

These interim condensed financial statements are prepared for the twelve months period ended 31 December 2021 (hereinafter "interim financial statements") and have been prepared in accordance with 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 2020, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter – IFRS).

The Company's interim financial statements as at and for the twelve months period ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical cost (hereinafter "acquisition cost"), except for certain financial instruments measured at fair value.

These interim financial statements are presented in euros and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated. The Company's financial year coincides with a calendar year. These interim financial statements provide comparative information in respect of the previous period

### 2.2 New standards, amendments, interpretations and changes in accounting policy

#### 2.2.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Company's annual financial statements for the year ended 31 December 2020, with the exception of the new standards which entered into force during 2021.

##### 2.2.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the twelve months period ended as at 31 December 2021. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

| Standards or amendments that came into force during 2021 |
|---|
| COVID-19-Related Rent Concessions (Amendment to IFRS 16) |
| Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) |

All amounts are in EUR thousand unless otherwise stated

### 2.2.2 Standards issued but not yet effective and not early adopted

The Company did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2021 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

#### Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. Amendments are endorsed for application in European Union.

The Company does not have significant onerous contracts therefore the Company's management determined that these amendments have no significant impact on the Company's financial statement.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in European Union (hereinafter – EU).

The management of the Company is currently assessing the impact of these amendments on the financial statements.

#### Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

| Other new standards or amendments | IASB Effective date | EU Endorsement status |
|---|---|---|
| Annual Improvements to IFRS Standards 2018–2020 | 1 January 2022 | Endorsed |
| Property, Plant and Equipment: Proceeds before they are capable of operating in the manner intended by management (Amendments to IAS 16) | 1 January 2022 | Endorsed |
| Reference to Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 | Endorsed |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1) | 1 January 2023 | Not yet endorsed |
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts | 1 January 2023 | Endorsed |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 | Not yet endorsed |
| Definition of Accounting Estimates (Amendments to IAS 8) | 1 January 2023 | Not yet endorsed |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) | 1 January 2023 | Not yet endorsed |

All amounts are in EUR thousand unless otherwise stated

# 3 Critical accounting estimates and judgements used in the preparation of the 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 2020 except the following:

## 3.1 Impairment of investments

On 31 December 2021, the Company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. During the period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate, and such changes are unlikely to occur soon. The Company considered other information from external and internal sources.

For the purpose to determine impairment indications it is assessed whether at least one of the following conditions exists (except for early stage companies):

1. actual adjusted EBITDA (Earnings Before Interests Taxes Depreciations and Amortizations) is less than budgeted adjusted EBITDA;
2. the actual adjusted net profit is less than the actual dividends paid;
3. carrying amount of investment is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications.

Having identified impairment indications for investments in subsidiaries, the Company estimated the recoverable amount. The estimation showed that no additional impairment nor impairment reversal is needed for investments into subsidiaries as at 31 December 2021 (Note 5).

# 4 Right-of-use assets

Movement on Company's account of right-of-use asset is presented below:

| | Buildings | Vehicles | In total |
|---|---|---|---|
| **31 December 2020** | | | |
| Acquisition cost | 432 | 168 | **600** |
| Accumulated depreciation | (17) | (63) | **(80)** |
| **Carrying amount** | **415** | **105** | **520** |
| **Carrying amount at 1 January 2021** | **415** | **105** | **520** |
| Additions | 17,986 | 14 | **18,000** |
| Write-offs | (259) | - | **(259)** |
| Depreciation | (606) | (53) | **(659)** |
| **Carrying amount** | **17,536** | **66** | **17,602** |
| **31 December 2021** | | | |
| Acquisition cost | 17,986 | 135 | **18,121** |
| Accumulated depreciation | (450) | (69) | **(519)** |
| **Carrying amount** | **17,536** | **66** | **17,602** |

During the I-IV qtr. of 2021 the Company concluded a new lease agreement for office premises and car parking spaces with the lease term 10 years and carrying amount of EUR 17,536 thousand as at 31 December 2021.

All amounts are in EUR thousand unless otherwise stated

# 5 Investments in subsidiaries

Information on the Company's investments in subsidiaries as at 31 December 2021 provided below:

| | Acquisition cost | Impairment | Carrying amount | Company's ownership interest, % | Group's effective ownership interest, % |
|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | |
| Energijos skirstymo operatorius AB | 750,422 | - | 750,422 | 100.00 | 100.00 |
| Ignitis gamyba AB | 321,202 | - | 321,202 | 100.00 | 100,00 |
| Ignitis renewables UAB | 54,156 | - | 54,156 | 100.00 | 100.00 |
| Vilniaus kogeneracinė jėgainė UAB | 52,300 | - | 52,300 | 100.00 | 100.00 |
| Ignitis UAB | 47,138 | - | 47,138 | 100.00 | 100.00 |
| Kauno kogeneracinė jėgainė UAB | 20,400 | - | 20,400 | 51.00 | 51.00 |
| Ignitis grupės paslaugų centras UAB | 5,975 | - | 5,975 | 50.47 | 100.00 |
| Transporto valdymas UAB | 2,359 | - | 2,359 | 100.00 | 100.00 |
| Elektroninių mokėjimų agentūra UAB | 1,428 | - | 1,428 | 100.00 | 100.00 |
| Gamybos optimizavimas UAB | 350 | - | 350 | 100.00 | 100.00 |
| NT Valdos UAB | 3,961 | (3,833) | 128 | 100.00 | 100.00 |
| Energetikos paslaugų ir rangos organizacija UAB | 22,961 | (22,961) | - | 100.00 | 100.00 |
| | **1,282,652** | **(26,794)** | **1,255,858** | | |

Movement of the Company's investments were as follows:

| | I-IV qtr. 2021 |
|---|---|
| **Carrying amount at 1 January** | **1,239,045** |
| Acquisition of shares from non-controlling interest (Note 5.1) | 19,024 |
| Share capital and share premium increase in subsidiaries (Note 5.3) | 9,455 |
| Coverage of losses | 7 |
| Increase in investments due to share based payments | 6 |
| Investments write-off | (23) |
| Share capital decrease in subsidiaries (Note 5.4) | (4,997) |
| Reclassification (to)/from assets held for sale (Note 5.2) | (6,659) |
| **Carrying amount at 31 December 2021** | **1,255,858** |

During the I-IV qtr. of 2021 total cash payments for acquisition of investment to subsidiaries and coverage of losses amount to EUR 19,031 thousand.

The changes in the Company's investments in subsidiaries during the I-IV qtr. of 2021 were covered by the following events:

## 5.1 Acquisition of shares from non-controlling interest

The Company has acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (13,118,175 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (11,688,245 shares for the price of 0.64 EUR per share) during the I-IV qtr. 2021. Acquisition lead to increased ownership by 1.47 in Energijos skirstymo operatorius AB and 1.80 percentage point in Ignitis gamyba AB. Total consideration paid for the acquired Energijos skirstymo operatorius AB and Ignitis gamyba AB shares equal to EUR 19,024 thousand.

As at 31 December 2020 the Company had a contractual obligation to buy out all the shares of the subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB. In accordance with buy out procedures, the Company made deposit in a bank account to cover the price of shares (which was presented in „Other non-current assets"). As mentioned above, during the I-IV qtr. 2021 the Company acquired part of the shares which had main impact on cashflows caption „(Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets".

## 5.2 Reclassification to assets held for sale and the transfer of shares

During the I-IV qtr. 2021 the Company's Management Board approved the initiation of the consolidation project of renewable energy companies of the Company's group of companies. The project proposed to consolidate the operating and under-development wind energy (onshore and offshore), solar energy, waste and biofuel projects and competences of Ignitis Group in a single entity while directing their further development and to choose Ignitis renewables UAB, 100% of shares whereof is owned by the Company, for such purpose. It is planned that after receiving all the necessary consents and performing the arrangements, the shares of Kauno kogeneracinė jėgainė, UAB, Vilniaus kogeneracinė jėgainė UAB and Tuuleenergia OÜ will be transferred to Ignitis renewables UAB.

On 16 December 2021 the Company accomplished the transfer of shares of Tuuleenergia OÜ to Ignitis renewables UAB. The Company increased share premium and share capital of Ignitis renewables UAB by amount equal to the fair value of Tuuleenergia OÜ shares by paying a non-monetary contribution, i.e. by transferring the shares of Tuuleenergia OÜ to Ignitis renewables UAB. The fair value was determined by independent valuators. Consequently EUR 6,659 thousand of non-current assets held for sale related to Tuuleenergia OÜ shares were written off and the remaining difference between the carrying amount and fair value EUR 2,796 thousand was recognized in statement of profit or loss and other comprehensive income (hereinafter – SPLOCI) under the line item "Other income".

Regarding the investments in subsidiaries Kauno kogeneracinė jėgainė UAB and Vilniaus kogeneracinė jėgainė UAB the Company's management did not reclassified them to assets held for sale as relevant decisions have not been made and, consequently, all criteria listed in IFRS 5 for classification a non-current asset as held for sale were not met as at 31 December 2021.

## 5.3 Change in issued capital

During the I-IV qtr. 2021 the issued capital of the following subsidiaries of the Company was increased:

| Subsidiary | Issue date | Number of newly issued shares[1] | Issue price per share, EUR | Total issue price | Amount paid up | Amount not paid up | Date of amendment to Articles of Association |
|---|---|---|---|---|---|---|---|
| Ignitis renewables UAB | 24/11/2021 | 18,910 | 500 | 9,455 | 9,455 | - | 31/12/2021 |
| **Total:** | | | | **9,455** | **9,455** | | |

*[1]The number of shares owned by the Company.*

On 24 November 2021, the Management Board of the Company, as the sole shareholder of the Company has adopted the following decision: the Company's subsidiary Ignitis renewables UAB issues 18,910 ordinary registered uncertified shares, each with a nominal value of EUR 1.00. The issue price of the shares will consist of EUR 18,910 of the aggregate amount of the nominal values of shares and EUR 9,436,090 of share premium. Issue price of all newly issued shares is EUR 9,455 thousand. Ignitis renewables UAB authorised capital is increased by issuing additional shares, paid for by the Company by a non-monetary contribution: transfer of 100 percent shares of Company's subsidiary Tuuleenergia OÜ (Note 5.2). The shares of Tuuleenergia OÜ was valued at EUR 9,455 thousand by the independent asset evaluator.

All amounts are in EUR thousand unless otherwise stated

### 5.4 Other changes

Share capital of the subsidiary NT Valdos UAB was decreased for an amount EUR 4,997 thousand during the I-IV qtr. 2021. The decrease of subsidiaries share capital accounted by reducing the Company's acquisition cost of investment.

On 13 April 2018, the board of the Company made a decision to start minimizing activities of Energetikos paslaugų ir rangos organizacija UAB. On 10 May 2021 the shareholders of the Company made a decision to liquidate Energetikos paslaugų ir rangos organizacija UAB. On 21 May 2021 the legal status of this subsidiary changed to "currently in liquidation".

### 5.5 Impairment test for investments into subsidiaries

Having identified impairment indications for investments in subsidiaries and receivables as at 31 December 2021, the Company performed impairment tests for the following subsidiaries: Energijos skirstymo operatorius AB and Ignitis UAB.

*Energijos skirstymo operatorius AB*

As at 31 December 2021, the Company performed an impairment test for investment into subsidiary Energijos skirstymo operatorius AB and determined no impairment for investment into Energijos skirstymo operatorius AB as at 31 December 2021.

The following key assumptions were used:
1. the cash flow forecast covered the period until 2036 for electricity and gas distribution activities;
2. applied long-term investment forecast and financing of electricity and gas distribution activities according to updated Group's 10-year investment plan;
3. discount rates used to calculate discounted cash flows:
    - 3.1 3.78% (post-tax) (4.45% pre-tax) for electricity distribution activities (31 December 2020 - 4.33% (5.09% - pre-tax));
    - 3.2 3.81% (post-tax) (4.48% pre-tax) for gas distribution activities (31 December 2020 - 4.33% (5.09% - pre-tax));
4. WACC (rate of return set by the regulator) used:
    - 4.1 for gas distribution activities for 2022-2023 - 3.98%, 4.48% from 2024 (equal to pre-tax discount rate). (31 December 2020 respectively: 2021-2023 – 3.90% (Regulator set for 2021), 5.09% from 2024 (equal to pre-tax discount rate));
    - 4.2 for electricity distribution activities for 2022-2026 - 4.16%, 4.45% from 2027 (equal to pre-tax discount rate. (31 December 2020 respectively: 2021 – 5.34 (Regulator set), 2022-2029 – 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09% from 2027);
5. for electricity distribution activities additional tariff component which would increase electricity distribution income by EUR 28 million yearly. The management forecasts that additional tariff component will endure through the whole forecast period of 2022-2036, however, it was not included due to conserve estimations;
6. for electricity distribution activities the calculated return adjustment for 2018-2020 for an amount of EUR 116 million and forecasted adjustment for an amount of EUR 44 million will reduce income of the subsidiary by an amount of EUR 6.5 million for the period of 2022-2026 and 154 million for the period of 2032-2036 with additional interest for the pending portion.

As to the Company's management significant assumptions and their sensitivity are as named below:

- if Regulator took the decision not to allocate EUR 28 million of additional component annually for the investment financing:

a. after the end of the regulation period 2022-2026. Group revenue would reduce by EUR 280 million for the period 2027-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 195 million;
b. after the end of the regulation periods 2022-2026 and 2027-2031. Group revenue would reduce by EUR 140 million for the period 2032-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 90 million.

*Ignitis UAB*

As at 31 December 2021, the Company performed an impairment test for investment into subsidiary Ignitis UAB and determined no impairment for investment into Ignitis UAB as at 31 December 2021.

The following key assumptions were used:
1. the cash flow forecast covered the period until 2031;
2. discount rate of 5.7% (post-tax) (6.7% pre-tax) was used to calculate discounted cash flows.

*The Company's other investments in subsidiaries*

Apart from the above and the impairment already recognised in previous years, as at 31 December 2021, there were no indications of impairment in respect of other investments in the subsidiaries of the Company.

All amounts are in EUR thousand unless otherwise stated

# 6 Non-current receivables

Amounts receivable after one year comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Non-current receivables** | | |
| Amount receivable on sale of LitGrid AB | - | 136,212 |
| Loans granted | 1,088,254 | 753,092 |
| Other non-current amounts receivable | 143 | 810 |
| **Total** | **1,088,397** | **890,114** |
| Less: impairment | - | - |
| **Carrying amount** | **1,088,397** | **890,114** |

Amount receivable on sale of LitGrid AB is presented in other receivables (Note 7) as the period during which EPSO-G UAB must repay the shares of AB LitGrid is 30 September 2022.

## 6.1 Expected credit losses of loans granted

As at 31 December 2021, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 6.2).

## 6.2 Loans granted

The Company's loans granted as at 31 December 2021 comprised loans granted to the following subsidiaries:

| | Interest rate type | Within one year | After one year | Total |
|---|---|---|---|---|
| **Non-current loans** | | | | |
| Energijos skirstymo operatorius AB (green bonds) | Fixed interest | - | 616,288 | **616,288** |
| Energijos skirstymo operatorius AB (loans taken over) | Variable interest | 7,901 | 33,542 | **41,443** |
| Ignitis UAB | Fixed interest | - | 250,000 | **250,000** |
| Ignitis UAB | Variable interest | - | 27,000 | **27,000** |
| Ignitis UAB | Fixed interest | - | 11,800 | **11,800** |
| Ignitis renewables UAB | Fixed interest | - | 95,000 | **95,000** |
| Ignitis renewables UAB | Fixed interest | - | 18,950 | **18,950** |
| Tuuleenergia OÜ | Fixed interest | - | 19,119 | **19,119** |
| Eurakras UAB | Fixed interest | - | 16,555 | **16,555** |
| **Current loans** | | | | |
| Transporto valdymas UAB | Variable interest | 11,000 | - | **11,000** |
| Ignitis grupės paslaugų centras UAB (cash-pool) | Fixed interest | 1,925 | - | **1,925** |
| Ignitis UAB (cash-pool) | Fixed interest | 73,861 | - | **73,861** |
| Energijos skirstymo operatorius AB (cash-pool) | Fixed interest | 28,728 | - | **28,728** |
| Ignitis renewables UAB (cash-pool) | Fixed interest | 1,641 | - | **1,641** |
| **Total loans** | | **125,056** | **1,088,254** | **1,213,310** |

On 1 February 2021 the Company issued a long term loan to subsidiary Ignitis renewables UAB with maximum withdrawal amount EUR 293 million and a fixed interest rate 1.9%. The loan is used as needed for the acquisition, development and refinancing of existing loans for renewable energy projects. The loan is provided using the Company's green bond funds and equity. As at 31 December 2021 the balance of this loan is EUR 95 million, final repayment date is 1 February 2031.

As well during the I-IV qtr. 2021 the Company granted additional amount to long term loan to subsidiary Ignitis renewables UAB for amount of EUR 16,300 thousand with a fixed interest rate 2.28%, the maturity of this loan is 10 July 2028. The balance of this loan increased by EUR 16,300 thousand and as at 31 December 2021 is EUR 18,950 thousand (31 December 2020: EUR 2,650 thousand).

On 23 November 2021 the Company issued a long term loan to its subsidiary Ignitis UAB with maximum withdrawal amount EUR 300 million and fixed interest rate 2.61%. The purpose of this loan is to finance the differences that have occurred in period from January 2021 till the end of 2021 between the actual purchase prices of gas and electricity and the approved tariffs which are applied to household customers. The maturity term of this loan is 24 November 2027.

The long term loan granted on 1 January 2018 to subsidiary Transporto valdymas UAB was reclassified to current loans as the final repayment date is 11 August 2022.

Fair values of loans granted are presented in Note 20.

Loans after one year by maturity:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| From 1 to 2 years | 6,708 | 6,907 |
| From 2 to 5 years | 47,125 | 64,958 |
| After 5 years | 1,034,421 | 681,227 |
| **Carrying amount** | **1,088,254** | **753,092** |

All amounts are in EUR thousand unless otherwise stated

# 7 Other receivables

The Company's other receivables comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Dividends receivable | 100,440 | - |
| Amount receivable on disposal of LitGrid AB | 84,128 | 14,481 |
| Other receivables | 29 | 273 |
| **Total** | **184 597** | **14 754** |
| Less: impairment | - | - |
| **Carrying amount** | **184,597** | **14,754** |

## 7.1 Amount receivable on sale of shares of LitGrid AB

According to the agreement EPSO-G UAB until 30 September 2022 must repay the debt to the Company for the shares of AB LitGrid acquired in 30 September 2012, therefore amount receivable was reclassified from line item “Non-current receivables” to “Other receivables” of the statement of Financial position. During I-IV qtr. of 2021 the Company received EUR 64,481 thousand payment from EPSO-G UAB (during 2020: EUR 7,965 thousand). Amount of the estimated final price negative premium during I-IV qtr. of 2021 has changed and as at 31 December 2021 amounted to EUR 17,961 thousand (31 December 2020: EUR 15,877 thousand). Accordingly, the Company recognized EUR 2,084 thousand change of fair value as financial expenses in profit and loss of SPLOCI (see Note 17).

As at 31 December 2021 total amount of a receivable on sale of LitGrid AB was EUR 84,128 thousand (31 December 2020: EUR 150,693 thousand).

# 8 Current loans and interests receivable

The Company's current loans comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash-pool loans | 106,155 | 77 |
| Interest receivable on loans and issued guarantees | 11,396 | 9,056 |
| Current loans | 11,000 | 56,922 |
| Current portion of non-current loans | 7,901 | 7,901 |
| **Total** | **136,452** | **73,956** |
| Less: impairment | - | - |
| **Carrying amount** | **136,452** | **73,956** |

As at 31 December 2021, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (from here on further - ECL) was recognized.

# 9 Other financial assets

The Company's other financial assets comprised as follows:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 25,094 | 4,912 |
| **Carrying amount** | **25,094** | **4,912** |

## 9.1 Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB

On 26 July 2017 the Company signed the establishment agreement of the limited partnership “Smart Energy Fund powered by Ignitis Group” (hereinafter – the Partnership) with UAB Contrarian Ventures. Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (hereinafter – “SEF”) invests in start-ups that are developing new technologies in the energy technology field and other fields. According to the Partnership there is one full member - UAB Contrarian Ventures, which acts on behalf of the SEF, has the right to manage SEF, makes decisions on the management of SEF affairs, concludes transactions on behalf of the SEF. All other SEF members (including the Company) acts under the Partnership Participant Agreement. Investment decisions are made and approved by the Investment Committee, which is made up solely of Key-men that are shareholders of Contrarian Ventures UAB.

Total amount of the investment to Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB increased for an amount EUR 20,182 thousand during I-IV qtr. of 2021.

The fair value gain of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB recognised for an amount EUR 15,868 thousand and is presented as “Finance income” in SPLOCI during I-IV qtr. of 2021. The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 20).

Remaining change is related to new investments made during I-IV qtr. of 2021 for an amount EUR 3,504 thousand and reclassification from non-current receivables EUR 810 thousand.

All amounts are in EUR thousand unless otherwise stated

# 10 Equity

## 10.1 Issued capital

Issued capital of the Company consisted of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Authorised shares** | | |
| Ordinary shares, EUR | 1,658,756,294 | 1,658,756,294 |
| **Ordinary shares issued and fully paid, EUR** | **1,658,756,294** | **1,658,756,294** |

As at 31 December 2021 and 2020 the Company's issued capital comprised EUR 1,658,756,294 and was divided into 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share.

At the ordinary general meeting of shareholders held on 25 March 2021 it was decided to form a reserve of EUR 23,000 thousand for the acquisition of treasury shares.

As at 25 March 2021 the Company transferred EUR 5,729 thousand to the legal reserve. The Company's legal reserve as at 31 December 2021 and 2020 was not fully formed.

## 10.2 Treasury shares

Treasury shares of the Company consisted of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Acquired treasury shares | 23,000 | - |
| **Carrying amount** | **23,000** | **-** |

On 2 December 2021 the Management Board of the Company, according to the resolution of the General Meeting of Shareholders of 29 July 2021, adopted a decision to execute the acquisition of ordinary registered shares of the Company.

The Company on 6–14 December 2021 has conducted an acquisition of the Company's ordinary registered shares – treasury shares through the auction for tender offers of Nasdaq Vilnius AB stock exchange, with AB SEB bankas acting as an intermediary. Treasury shares acquired by the Company on 16 December 2021, when the right of ownership transferred to the Company. Shares purchase price 18.50 per treasury share, number of shares acquired 1,243,243 and total amount of treasury shares acquired EUR 23,000 thousand.

Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 3,674 thousand which was recognised in retained earnings. A settlement was made as detailed in Company's IPO prospectus (Part 17, starting paragraph 10, page 330): as the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the difference to the Stabilization Manager was paid.

## 10.3 Earnings per share

The Company's earnings per share and diluted earnings per share were as follows:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| **Net profit (loss)** | **231,558** | **114,587** |
| Attributable to: | | |
| Equity holders of the parent | 231,558 | 114,587 |
| Non-controlling interests | - | - |
| Weighted average number of nominal shares | 74,232,665 | 59,037,855 |
| Basic earnings/(loss) per share attributable to shareholders of the Parent Company | 3.12 | 1.94 |
| Diluted earnings/(loss) per share attributable to shareholders of the Parent Company | 3.12 | 1.94 |

Basic and diluted earnings per share indicators have been calculated based on 74,232,665, a weighted average number of ordinary shares for I-IV qtr. 2021 as Ignitis grupė AB reacquired its own ordinary shares (treasury shares) as at 16 December 2021 (Note 21.2). Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by Ignitis grupė AB.

Basic and diluted earnings per share indicators have been calculated based on 59,037,855, a weighted average number of ordinary shares for I-IV qtr. 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.

All amounts are in EUR thousand unless otherwise stated

# 11 Share-based payments

On 18 December 2020 share option agreements of the long-term promotion of key executives of the Company and its subsidiaries' programme have been concluded with key executives of the Company and subsidiaries.

On 12 May 2021 the Supervisory Board of the Company approved the suggestions of key executives of the Company and subsidiaries to terminate executives' option agreements.

During the I-IV qtr. of 2021 share based payments costs accounted in SPLOCI "Salaries and related expenses" for an amount of EUR 157 thousand and reflects the share-based payments agreements concluded with key executives. As share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus they have been accounted for as accelerated vesting of share based payments and therefore full expense and related increase in equity recognised immediately.

# 12 Loans and bonds

Loans and bonds of the Company consisted of:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 888,524 | 886,945 |
| **Current** | | |
| Accrued interest | 9,143 | 9,143 |
| **Total loans and bonds** | **897,667** | **896,088** |

For I-IV qtr. of 2021 expenses related to interest on the issued bonds totalled EUR 19,205 thousand (I-IV qtr. of 2020: EUR 16,689 thousand).

Bonds by maturity:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| From 1 to 2 years | - | - |
| From 2 to 5 years | - | - |
| After 5 years | 888,524 | 886,945 |
| **In total** | **888,524** | **886,945** |

Loans and bonds are denominated in euros.

During I-IV qtr. of 2021 The Company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current liabilities could be changed.

As at 31 December 2021, the Company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 110,000 thousand (31 December 2020: EUR 267,896 thousand).

All amounts are in EUR thousand unless otherwise stated

# 13 Net debt

Net debt is a non-IFRS liquidity measure used to determine the value of debt against highly liquid assets owned by the Company. Management is monitoring net debt metric as a part of risk-management strategy.

For the purpose of net debt calculation, borrowings comprise only debts to financial institutions and other related interest payables.

This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Cash and cash equivalents | (125,323) | (421,289) |
| Deposit in escrow account | - | (45,000) |
| Non-current borrowings payable after one year | 888,524 | 886,945 |
| Current borrowings payable within one year (including overdraft and accrued interest) | 9,143 | 9,143 |
| Lease liabilities | 17,749 | 520 |
| **Net debt** | **790,093** | **430,319** |

Reconciliation of the Company's net debt balances cash flows from financing activities:

| | Assets | | Lease liabilities | | Borrowings | | Total |
|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Deposit in escrow account | Non-current | Current | Non-current | Current | |
| **Net debt at 1 January 2021** | **(421,289)** | **(45,000)** | **267** | **253** | **886,945** | **9,143** | **430,319** |
| **Cash changes** | | | | | | | |
| (Increase) decrease in cash and cash equivalents | 295,966 | - | - | - | - | - | **295,966** |
| Lease payments | - | - | - | (512) | - | - | **(512)** |
| Interest paid | (1,511) | - | - | (84) | - | (17,749) | **(19,344)** |
| Deposit in escrow account utilised | - | 28,763 | - | - | - | - | **28,763** |
| **Non-cash changes** | | | | | | | |
| Lease contracts concluded | - | - | 16,551 | 1,449 | - | - | **18,000** |
| Lease liabilities write-off | - | - | (120) | (139) | - | - | **(259)** |
| Accrual of interest payable | 1,511 | - | - | 84 | 1,579 | 17,749 | **20,923** |
| Reclassifications between items | - | - | (704) | 704 | - | - | **-** |
| Other non-cash changes[1] | | 16,237 | - | - | - | - | **16,237** |
| **Net debt at 31 December 2021** | **(125,323)** | **-** | **15,994** | **1,755** | **888,524** | **9,143** | **790,093** |

*[1] As at 31 December 2020 deposit in escrow account was treated as part of net debt as it was unclear whether it will be used to acquire treasury shares or will be recovered as cash. As during I-IV qtr. of 2021 decisions were made to acquire treasury shares, the deposit is no longer treated as part of net debt*

All amounts are in EUR thousand unless otherwise stated

# 14 Revenue from contracts with customers

The Company's revenue from contracts with customers are as follows:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Management fee income | 2,844 | 3,104 |
| Other revenue from contracts with customers | 357 | 1,782 |
| **Total** | **3,201** | **4,886** |

The Company's revenue from contracts with customers during I-IV qtr. of 2021 and 2020 mainly comprised the revenue from advisory and management services provided to subsidiaries.

Also, the Company did not present any segment information as there is only one segment.

The Company's balances under the contracts with customers:

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Trade receivables | 494 | 313 |

# 15 Dividends

## 15.1 Dividends declared by the Company

Dividends declared by the Company:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Ignitis grupė AB | 86,763 | 70,000 |

EUR 43.010 million dividends for the second half of 2020 were approved at the Annual General Meeting on 25 March 2021.

EUR 43.753 million dividends for the first half of 2021 was approved at the Annual General Meeting on 27 September 2021.

Dividends received by IPO Stabilisation Manager (Swedbank AB) in connection with acquired Stabilisation Shares according True up agreement, were returned back to the Company for an amount EUR 1,970 thousand after withholding tax deduction.

## 15.2 Dividends received by the Company

Dividends received by the Company from Group companies during the I-IV qtr. of 2021 are the following:

| Declared at | Dividends declared by | Period for which dividends are allocated | Dividends per share, in EUR | Amount of dividends declared | Dividend income attributable to the Company | Non-controlling interest dividends |
|---|---|---|---|---|---|---|
| 30/03/2021 | Energijos skirstymo operatorius AB | 2020 | 0.0620 | 55,467 | 54,654 | 813 |
| 25/03/2021 | Ignitis UAB | 2020 | 0.2869 | 39,715 | 39,715 | - |
| 30/03/2021 | Ignitis grupės paslaugų centras UAB | 2020 | 0.0176 | 745 | 376 | - |
| 31/03/2021 | Ignitis gamyba AB | II half-year 2020 | 0.0290 | 18,792 | 18,453 | 339 |
| 21/12/2021 | Ignitis gamyba AB | I-III qtr. 2021 | 0.1550 | 100,440 | 100,440 | - |
| 30/03/2021 | Tuuleenergia OÜ | 2020 | 928,000 | 928 | 928 | - |
| 30/03/2021 | Transporto valdymas,UAB | 2020 | 16.1532 | 1,316 | 1,316 | - |
| 04/05/2021 | Ignitis renewables UAB | 2019-2020 | 2,218 | 6,655 | 6,655 | - |
| 27/04/2021 | Energetikos paslaugų ir rangos organizacija UAB | 2020 | 0.1835 | 223 | 223 | - |
| **Total** | | | | **224,281** | **222,760** | **1,152** |

All amounts are in EUR thousand unless otherwise stated

# 16 Finance income

The Company's finance income are as follows:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Interest income at the effective interest rate | 22,692 | 20,007 |
| The fair value of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 9) | 15,869 | - |
| **In total** | **38,561** | **20,007** |

The Company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 6.2, 8). During the I-IV qtr. of 2021, the Company received EUR 20,770 thousand (I-IV qtr. of 2020: EUR 18,556 thousand) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

# 17 Finance expenses

The Company's finance expenses are as follows:

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Interest expenses | 20,839 | 18,337 |
| Fair value change of consideration from EPSO-G (Note 7) | 2,084 | - |
| Interest and discount expense on lease liabilities | 84 | (1) |
| Negative effect of changes in exchange rates | 7 | 9 |
| Other expenses of financing activities | 3,152 | 732 |
| **In total** | **26,166** | **19,077** |

# 18 Contingent liabilities and commitments

## 18.1 Guarantees issued and received by the Company

### 18.1.1 Issued guarantees related to loans

The Company's guarantees issued in respect of loans received by subsidiaries were as follows:

| Name of the subsidiary | Beneficiary of the guarantee | Issue at | Maturity | Maximum amount of the guarantee | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|---|---|
| Vilniaus kogeneracinė jėgainė UAB | European Investment Bank | 05/12/2016 | 07/04/2037 | 190,000 | 139,649 | 139,984 |
| Kauno kogeneracinė jėgainė UAB | Swedbank AB | 31/05/2017 | 18/10/2022 | 59,000 | 56,100 | 58,502 |
| Pomerania Wind Farm sp. z o. o. | European Investment Bank | 09/03/2020 | 31/12/2035 | 67,350 | 55,311 | 56,560 |
| Pomerania Wind Farm sp. z o. o. | Nordic Investment Bank | 14/10/2020 | 31/12/2035 | 32,157 | 32,157 | 32,920 |
| Group companies | Group companies | 25/05/2021 | 24/05/2022 | - | 67,973 | 12,459 |
| Vėjo gūsis UAB | Swedbank lizingas, UAB | 29/01/2019 | 28/02/2022 | 9,258 | 258 | 4,327 |
| Vėjo vatas UAB | Swedbank lizingas, UAB | 29/01/2019 | 28/02/2021 | 9,687 | - | 5,125 |
| | | | | **367,452** | **351,448** | **309,877** |

On 31 May 2017, the Company's subsidiary Kauno kogeneracinė jėgainė UAB and Swedbank AB signed the credit agreement for the amount of EUR 120,000 thousand. The loan is designated for the financing of construction works of the co-generation power plant complex in Kaunas and the financing of the following construction-related expenses of the project being implemented: financing of payments under the agreements on construction, supply of equipment, electrification, general construction works, general systems, installation of automation systems, insurance, management of the construction site, project management, as well as the financing of advance payments (credit funds cannot be used for the financing of interest and unforeseen expenditure), excl. VAT. As at 31 December 2021, amounts withdrawn from the loan provided totalled EUR 110,000 thousand (31 December 2020: EUR 114,709 thousand). Monetary liabilities of Kauno kogeneracinė jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Luxembourg Investment Company 414 S.A R.L. in proportion to the number of shares of Kauno kogeneracinė jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by Gren Lietuva UAB.

All amounts are in EUR thousand unless otherwise stated

### 18.1.2 Other issued guarantees

The Company has provided the following other guarantees::

| Name of the subsidiary | Beneficiary of the guarantee | Issue at | Maturity | Maximum amount of the guarantee | 31 December 2021 | 31 December 2020 |
|---|---|---|---|---|---|---|
| Ignitis UAB | NASDAQ Clearing AB | 24/05/2021 | termless | 110,000 | 3,494 | - |
| Pomerania Wind Farm sp. z o. o. | Nordex Polska sp. z o.o. | 31/05/2019 | termless | 83,354 | 874 | - |
| VVP Investments UAB | Nordex Polska sp.z o.o. | 17/02/2021 | termless | 55,097 | - | - |
| Gamybos optimizavimas UAB | Ignitis gamyba AB | 01/01/2020 | 30/06/2023 | 5,000 | - | 5,000 |
| Moray Offshore Windfarm (West) Limited | Engie UK Markets Limited | 21/04/2021 | termless | 1,270 | - | - |
| Moray Offshore Windfarm (West) Limited | Siemens Gamesa Renewables Energy Limited | 08/09/2021 | 31/12/2025 | 2,079 | - | - |
| VVP Investments UAB | Swedbank AB | 11/10/2019 | 01/08/2023 | 945 | 945 | 945 |
| Energetikos paslaugų ir rangos organizacija UAB | SEB bankas AB | 04/07/2018 | 08/10/2023 | - | - | 405 |
| | | | | **257,745** | **5,313** | **6,350** |

The Company has issued guarantee for its subsidiary Pomerania Wind Farm sp. z o. o. as Pomerania Wind Farm sp. z o. o. entered into supply and installation agreement with Nordex Polska sp.z o.o. for the supply and installation of wind turbine equipment for a wind farm. The Company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

The Company has issued guarantee for its subsidiary VVP Investments UAB as VVP Investments UAB entered into supply and installation agreement with Nordex Polska sp.z o.o. for the supply and installation of wind turbine equipment for a wind farm. The Company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

### 18.2 Litigations

During I-IV qtr. of 2021 there were no significant changes in litigations reported in annual financial statements for 2020 or new significant litigations.

### 18.3 Comfort letter provided to Kauno kogeneracinė jėgainė UAB

As at 20 January 2021 the Group has provided comfort letter to Kauno kogeneracinė jėgainė, UAB (hereinafter – KKJ), where it is stated that the Group will undertake to continue to provide such financial and other support as necessary to KKJ at least for the next twelve months from the date of this letter, to enable KKJ to continue to trade and to meet its obligations (31 December 2021 KKJ short term liabilities exceeded short term assets by EUR 95,170 thousand). The Company does not expect that there will be need of material support to KKJ or that loss will be incurred by the Company due to activities of KKJ.

# 19 Related-party transactions

The Company's transactions with related parties during the I-IV qtr. of 2021 and period-end balances arising on these transactions as at 31 December 2021 are presented below:

| Related parties | Accounts Receivable | Loans receivable | Accounts Payable | Sales | Purchases | Finance income / (cost) |
|---|---|---|---|---|---|---|
| Subsidiaries | 100,947 | 1,224,689 | 699 | 3,203 | 1,874 | 22,339 |
| EPSO-G UAB | 84,128 | - | 78 | - | - | 335 |
| **Total** | **185,075** | **1,224,689** | **777** | **3,203** | **1,874** | **22,674** |

The Company's dividend income received from subsidiaries during the I-IV qtr. of 2021 and 2020 is disclosed in Note 15.

As at 31 December 2021 the Company has issued guarantees for financial loans to its subsidiaries (Note 18.1)

### 19.1 Compensation to key management personnel

| | I-IV qtr. 2021 | I-IV qtr. 2020 |
|---|---|---|
| Wages and salaries and other short-term benefits to key management personnel | 957 | 780 |
| Whereof: | | |
| *Short-term benefits* | *792* | *780* |
| *Termination benefits* | *8* | *-* |
| *Share-based payment expenses* | *157* | *-* |
| Number of key management personnel | 11 | 12 |

Only members of Board, Supervisory board and Chief Executive Officer are assigned to the Company's key management personnel.

For share-based payments related to key management personnel – see Note 11.

All amounts are in EUR thousand unless otherwise stated

# 20 Fair values of financial instruments

*Financial instruments, measured at fair value*

The Company's amounts receivable for sale of LitGrid AB shares (Level 3) and investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" (Level 3) are measured at fair value.

As at 31 December 2021 and 2020, the Company accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2020 – 0.298%).

As at 31 December 2021 and 2020, the Company has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The Company accounts for financial asset at fair value and their accounting policies are set out in Note 9. Fair value corresponds to Level 3 in the fair value hierarchy.

*Financial instruments for which fair value is disclosed*

The carrying amount of the Company's short-term financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts and loans granted. The measurement of financial instruments related to the loans and bonds issued is attributed to Level 2, of the fair value hierarchy.

As at 31 December 2021 and 2020, the fair value of the Company's amounts receivable related to loans receivable from the subsidiary Energijos skirstymo operatorius AB is estimated by discounting cash flows with market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The cash flows were discounted using an average discount rate of 2.90% (31 December 2020: 2.186%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

The Company's fair value of loans granted is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2,76% as at 31 December 2020 (31 December 2020 – 2,56%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The Company's bond issue debt (Note 12) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.90% as at 31 December 2021 (31 December 2020 – 2.186%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2021:

| | Note | Carrying amount | Level 1 | Level 2 | Level 3 | In total |
|---|---|---|---|---|---|---|
| | | | Quoted prices in active markets | Other directly or indirectly observable inputs | Unobservable inputs | |
| **Financial instruments measured at fair value through profit (loss)** | | | | | | |
| **Assets** | | | | | | |
| Receivable for the sale of LitGrid AB | 7 | **84,128** | - | - | 84,128 | **84,128** |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 9 | **25,094** | - | - | 25,094 | **25,094** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Bond receivables from subsidiary Energijos skirstymo operatorius AB | 6 | **624,644** | - | 596,129 | - | **596,129** |
| Loans granted | 6, 8 | **599,447** | - | 587,893 | - | **587,893** |
| **Liabilities** | | | | | | |
| Bonds issued | 12 | **897,667** | - | 856,215 | - | **856,215** |

# 21 Events after the reporting period

There were no significant events after the reporting period till the issue of these financial statements.

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# 5.3 Information on the auditor

## Independent auditor selection

There has been a change in the Group's independent auditor in 2021. Due to increased workload and needs of the Group, the agreement of financial audit services, which was concluded on 4 March 2019 with UAB Ernst & Young Baltic for 2019–2021 audit of the parent and the Group companies, has not been extended. After signing the annex to the initial agreement of 26 March 2019 with UAB "Ernst & Young Baltic" on 4 March 2021 to provide audit services for the period of the first six months of 2021, the parent company initiated a new tender for the provision of audit services. As a result, "KPMG Baltics", UAB has been appointed as the new auditor by the General Meeting of Shareholders of the parent company on 27 September 2021. Based on the concluded agreement, "KPMG Baltics", UAB will provide audit services of financial statements of the parent company and the consolidated financial statements of the Group for the full years of 2021 and 2022.

Before concluding an agreement with UAB "Ernst & Young Baltic" for the audit services for the financial period of 2019–H1 2021, the Group's financials have been audited by UAB "PricewaterhouseCoopers" for the financial period of 2008–2018.

Worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. The whole selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of the Shareholders of the parent company.

### Independent auditors and financial period during which audit services have been provided

| 2021–2022 | 2019–H1 2021 | 2008–2018 |
|---|---|---|
| UAB "KPMG Baltics" (KPMG)<br>Lvovo St. 101<br>LT-08104, Vilnius<br>The Republic of Lithuania | UAB "Ernst & Young Baltic" (EY)<br>Aukštaičių St. 7<br>LT-11341, Vilnius<br>The Republic of Lithuania | UAB "PricewaterhouseCoopers"<br>J. Jasinskio St. 16B<br>LT-03163, Vilnius<br>The Republic of Lithuania |

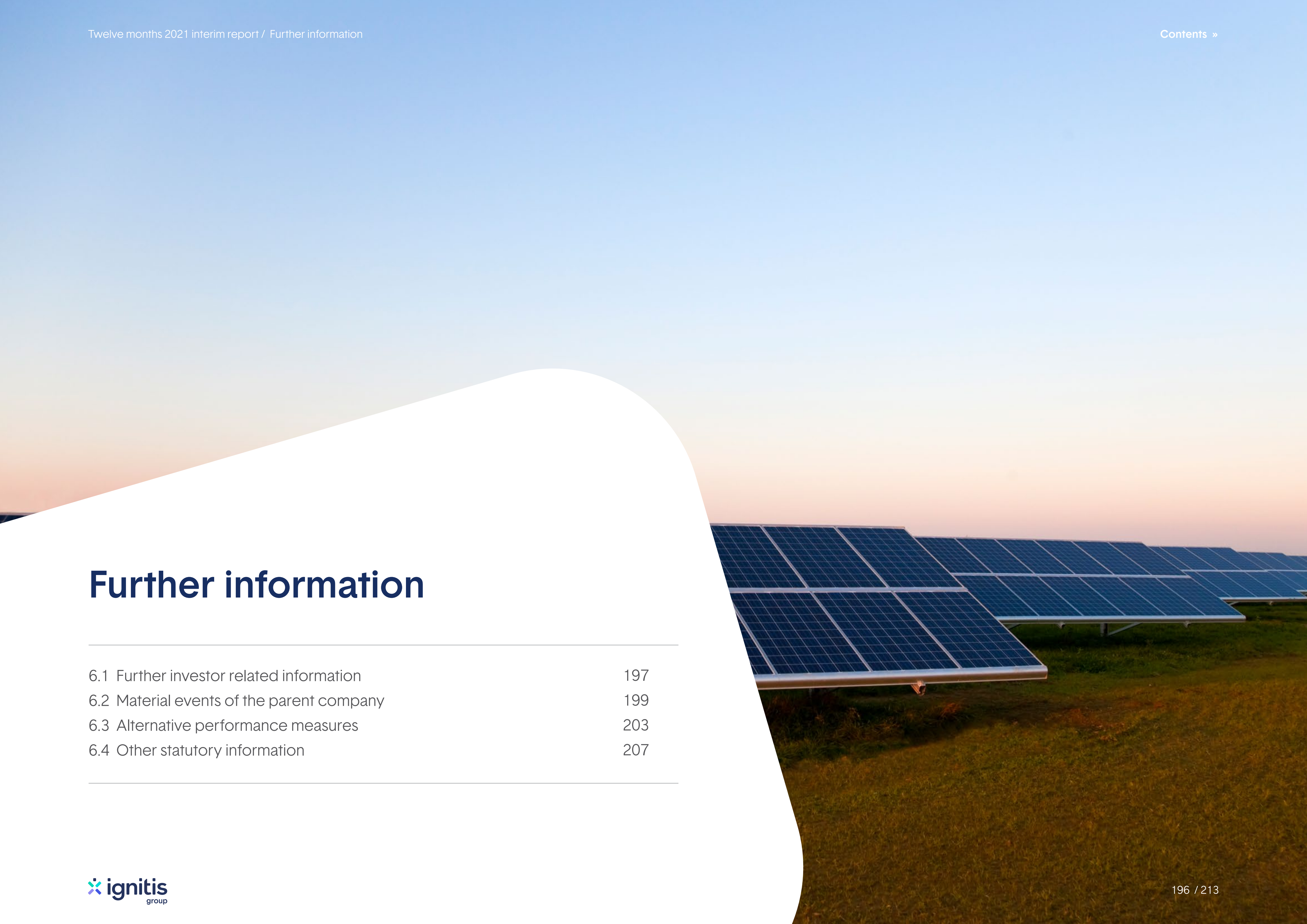
## Independent auditor's services and fees

During the period of 2020–2021, the following services have been provided to the Group by the independent auditor and its international partners.

### Independent auditor's services and expenses incurred for the indicated period, EUR

| | 2021 (KPMG) | 2021 (EY) | 2020 (EY) |
|---|---|---|---|
| Statutory audit | 515 | 40 | 419 |
| Interim financial statement audits | 33 | 21 | 84 |
| Tax advisory services | - | - | - |
| Assurance services | - | - | 2 |
| IPO related services | - | - | 204[1] |
| Bond related services | - | - | - |
| Other | 93 | - | - |
| **Total** | **641** | **61** | **754** |

*[1] Including fee for services provided by UAB „PricewaterhouseCoopers" suteiktas paslaugas.*



# Further information

# 6.1 Further investor related information

In addition to the information provided in section 'Investor information', we provide further details about our ordinary shares, GDRs and bonds below.

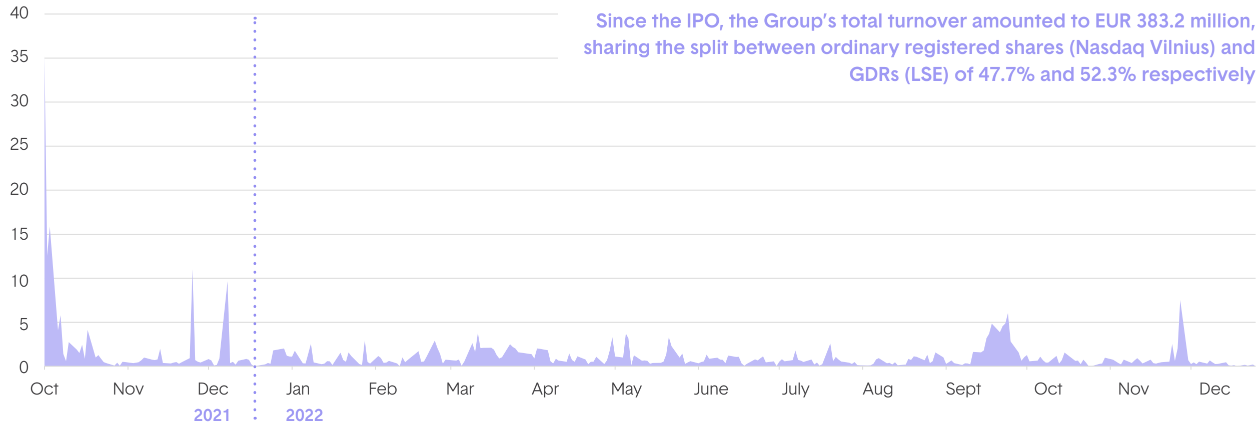
On this page the overview of ordinary registered shares and GDRs trading data is provided during the period sin the Group's IPO on 7 October 2020 till the end of the reporting period on 31 December 2021.

## Price performance information since the admission on 7 October 2020

| | Nasdaq | London Stock Exchange | Combined |
|---|---|---|---|
| Period opening, EUR | 22.70 | 20.00 | - |
| Period high[1] (date), EUR | 25.35 (3 Sep 2021) | 24.80 (3 Sep 2021) | 25.35 |
| Period low[1] (date), EUR | 19.50 (13 Nov 2020, 16 Nov 2020) | 18.50 (23 Oct 2020, 6 Nov 2020) | 18.50 |
| Period VWAP[2], EUR | 21.16 | 20.50 | 20.87 |
| Period end[1], EUR | 21.00 | 20.50 | - |
| Annual turnover (average daily), EURm | 149.3 (0.6) | 98.5 (0.4) | 247.8 (1.0) |

## Price development in since the admission on 7 October 2020[3], EUR


## Average daily turnover since the admission on 7 October 2020[4], mln. EUR




**Since the IPO, the Group's total turnover amounted to EUR 383.2 million, sharing the split between ordinary registered shares (Nasdaq Vilnius) and GDRs (LSE) of 47.7% and 52.3% respectively**

[1] *As of closing trading market price.*
[2] *Weighted average volume price.*
[3] *Index = 100.*
[4] *Combined data of ordinary registered shares and GDR.*

# Bonds

As of 31 December 2021, the Group had three bond issues outstanding (two of them being green bonds ) listed on the Nasdaq Vilnius and Luxembourg stock exchanges. Total nominal value of these bonds is EUR 900 million.

The bond specific information and the composition of their holders are provided in the figures below. As of issue date, there has been 121 bondholders of 2017 bond issue, 115 bondholders of 2018 issue and 91 bondholders of 2020 bond issue.

Further information on the debt instruments and its related information can be found on the Group's website.

## Outstanding bond issues

### 2017 issue

| | |
|---|---|
| Issuer | Ignitis Group |
| Issued amount | EUR 300,000,000 |
| Coupon | 2.000% |
| Maturity date | 14 July 2027 |
| ISIN-code | XS1646530565 |
| Credit rating | BBB+ |

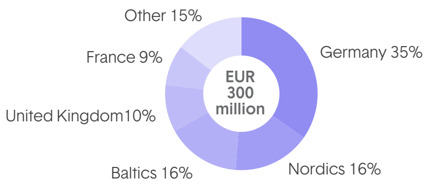
### 2018 issue

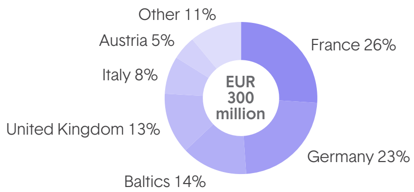
| | |
|---|---|
| Issuer | Ignitis Group |
| Issued amount | EUR 300,000,000 |
| Coupon | 1.875% |
| Maturity date | 10 July 2028 |
| ISIN-code | XS1853999313 |
| Credit rating | BBB+ |

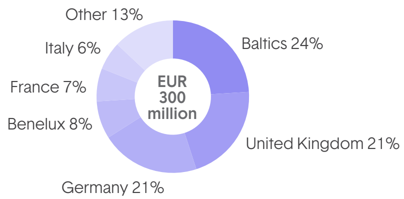
### 2020 issue

| | |
|---|---|
| Issuer | Ignitis Group |
| Issued amount | EUR 300,000,000 |
| Coupon | 2.000% |
| Maturity date | 21 May 2030 |
| ISIN-code | XS2177349912 |
| Credit rating | BBB+ |

## Bondholder structure as of issue date




# Information on the delisted subsidiaries

On 4 December 2019, the Extraordinary General Meetings of Ignitis Gamyba (ISIN-code LT0000128571) and ESO (ISIN-code: LT0000130023) took the decisions to delist the shares of these companies from trading on the Nasdaq Vilnius Stock Exchange and to approve the parent company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius decided to delist the shares of ESO and Ignitis Gamyba from trading on the Baltic Main List on 1 July 2020 (the last trading day on the Baltic Main list of shares was on 30 June 2020).

Following the mandatory buy-out procedures of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) shares, on 15 April 2021 the parent company became a 100% shareholder of ESO and on 9 September 2021 – of Ignitis Gamyba. The decisions have been enforced on 7 September 2021 (regarding ESO) and 27 September 2021 (regarding Ignitis Gamyba).

Information related to the delisted companies, including the guidance of payment for shares, is available on our website.

# 6.2 Material events of the parent company

## During the reporting period (2021)

| Date | Event |
|---|---|
| **29 December** | Notification on the transaction regarding AB "Ignitis grupė" financial instruments concluded by the person discharging managerial responsibilities |
| **29 December** | On the reserve services of Flexible Generation segment and contract concluded regarding isolated regime services for 2022 |
| **28 December** | Correction: AB "Ignitis grupė" financial calendar 2021 |
| **27 December** | Regarding AB „Ignitis grupė" intention to issue a guarantee and to conclude a guarantee service agreement |
| **22 December** | AB "Ignitis grupė" financial calendar 2022 |
| **21 December** | On the acquiring a wind farm project in Poland |
| **15 December** | Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **14 December** | AB "Ignitis grupė" completed an acquisition of its own shares |
| **14 December** | Sustainalytics upgrades Ignitis Group's ESG risk rating; a score of 'B' received from CDP in its first-ever rating of the Group |
| **8 December** | Notification on the transaction regarding AB "Ignitis grupė" financial instruments concluded by the person discharging managerial responsibilities |
| **7 December** | Updated 10-year investment plan of the Networks segment |
| **7 December** | Pomerania wind farm started commercial operation |
| **2 December** | On the decision of AB "Ignitis grupė" Management Board regarding the acquisition of own shares |
| **30 November** | Preliminary financial data of Ignitis Group for 10 months of 2021 |
| **30 November** | Interim report for the first nine months of 2021: Green Generation in the spotlight |
| **29 November** | The selection of the new Management Board of AB "Ignitis grupė" has been launched |
| **26 November** | The Science-Based Target initiative validated ambitious GHG reduction targets of Ignitis Group |
| **24 November** | Notice on convening the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė" |
| **23 November** | Ignitis Group to present 9M 2021 results on 30 November |
| **22 November** | Regarding the AB "Ignitis grupė" intention to loan up to EUR 300m to UAB "Ignitis" |
| **17 November** | On the determined mandatory supply volume for the LNG terminal for 2022–2024 relevant to Customers & Solutions segment |
| **16 November** | On the initiated selections of independent Supervisory Board members of AB "Energijos skirstymo operatorius" and AB "Ignitis gamyba", subsidiaries of AB "Ignitis grupė" |
| **15 November** | Regarding the conditional agreement to acquire a solar projects portfolio under development in Poland |
| **10 November** | On the conclusion of EUR 35 million credit agreement by UAB "Ignitis", a subsidiary of AB "Ignitis grupė" |
| **8 November** | The General Manager is leaving Ignitis Renewables, a subsidiary of Ignitis Group |
| **4 November** | On the legislation amendments relevant to the Customers & Solutions segment |
| **3 November** | On members elected to the Supervisory Board committees of AB "Ignitis grupė" |
| **29 October** | Elected a new Chair of the Supervisory Board of AB "Ignitis grupė" |
| **28 October** | Regarding Networks segment income level of natural gas distribution for 2022 |

| Date | Event |
|---|---|
| **28 October** | Preliminary financial data of Ignitis Group for 9 months of 2021 |
| **26 October** | Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **20 October** | Information on Networks Methodology update: sustainable regulation ensured |
| **20 October** | Notification on Ignitis Group conference call to be held on 20 October 2021 |
| **18 October** | Regarding Networks segment income level of electricity distribution for 2022 |
| **12 October** | Regarding the intention of AB "Ignitis grupė" subsidiary UAB "Ignitis" to loan up to EUR 104 million |
| **1 October** | NERC approved the updated methodology for determining the price caps for electricity services |
| **30 September** | Preliminary financial data of Ignitis Group for 8 months of 2021 |
| **28 September** | Notice on convening the Extraordinary General Meeting of Shareholders |
| **27 September** | Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **17 September** | Regarding the public consultation on the methodology of the Networks segment for the new regulatory period |
| **9 September** | Ownership rights of all Ignitis Gamyba shares have been transferred to Ignitis Group |
| **9 September** | On the decision of General Court of the European Union to annul the decision of European Commission to coordinate the designated supplier scheme in Lithuania |
| **31 August** | Preliminary financial data of Ignitis Group for 7 months of 2021 |
| **31 August** | Notice on convening the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė" |
| **31 August** | Interim report for the first half-year 2021: Green Generation driven growth |
| **27 August** | The court allowed to transfer the remaining shares of Ignitis Gamyba to Ignitis Group |
| **27 August** | On the rescheduling of smart meter roll-out programme in the Networks segment |
| **27 August** | On the statement of the majority shareholder of AB "Ignitis grupė" with a proposal to distribute dividends for the first half of 2021 |
| **27 August** | On the designated supply contract of liquefied natural gas with Equinor ASA |
| **26 August** | Due to consolidation of green energy companies of Ignitis Group, a selection for the position of Chief Executive Officer of UAB "Ignitis renewables" has been announced |
| **23 August** | Ignitis Group to present H1 2021 results on 31 August |
| **17 August** | Regarding the letter from the majority shareholder received by AB "Ignitis grupė" concerning the selection of candidates for the positions of the members of the Supervisory Board |
| **13 August** | On the intention to acquire three wind farms developed in Latvia |
| **3 August** | On the established rate of return on investments for 2022 |
| **29 July** | Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **29 July** | Preliminary financial data of Ignitis Group for 6 months of 2021 |
| **12 July** | AB "Ignitis grupė" receives ESG risk rating upgrade from MSCI |
| **7 July** | Notice convening the Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **7 July** | Concerning the decision of the Management Board of AB Ignitis grupė to extend the Long Stop Date of Stabilized securities |
| **2 July** | On the amendment of the procedure for forming the Audit Committee of AB "Ignitis grupė" |
| **29 June** | Preliminary financial data of Ignitis Group for 5 months of 2021 |
| **23 June** | Regarding the Investor's Letter of AB Ignitis Grupė |

| Date | Event |
|---|---|
| **23 June** | Concerning the appointment of the General Manager and the Chairman of the Board of UAB Ignitis, a subsidiary of AB Ignitis grupė |
| **18 June** | On updated areas of activities supervised by Management Board members of AB “Ignitis grupė” |
| **15 June** | Initiated selection process for the positions of independent members of AB “Ignitis grupė” Supervisory Board |
| **10 June** | The Management Board of AB “Ignitis grupė” approved the consolidation project of renewable energy companies |
| **4 June** | On the resignation of Dominykas Tučkus, Management Board Member of AB “Ignitis grupė” |
| **31 May** | Notice on the contract concluded by the person discharging managerial responsibilities regarding AB “Ignitis grupė” financial instruments |
| **27 May** | Preliminary financial data of Ignitis Group for 4 months of 2021 |
| **27 May** | Interim report for the first quarter of 2021: robust growth and full-year guidance reiteration supported by strategy delivery |
| **26 May** | AB “Ignitis grupė” has retained BBB+ credit rating after annual review |
| **21 May** | On the conclusion of the guarantee service agreement of AB “Ignitis grupė” |
| **21 May** | Ownership rights of part of Ignitis Gamyba's shares have been transferred to Ignitis Group |
| **18 May** | Correction: AB “Ignitis grupė” intends to sign a guarantee with NASDAQ Clearing AB |
| **18 May** | AB “Ignitis grupė” intends to sign a guarantee with NASDAQ Clearing AB |
| **17 May** | Ignitis Group to present Q1 2021 results on 27 May |
| **14 May** | Regarding the ownership rights of part of Ignitis Gamyba's shares and transfer of money for shareholders |
| **13 May** | On termination of concluded option agreements by Ignitis Group key executives and a standalone claim requesting to dismiss interim measures |
| **10 May** | On the liquidation of UAB “Energetikos paslaugų ir rangos organizacija”, a subsidiary of AB “Ignitis grupė” |
| **7 May** | Regarding the stabilized securities |
| **5 May** | On the decision of General Court of the European Union to annul the decision of European Commission to coordinate aid scheme for renewable energy projects |
| **4 May** | Approved acquisition of a company by UAB “Ignitis renewables” to develop green energy projects in Poland |
| **4 May** | On received court claim and adopted interim measures |
| **30 April** | The Court allowed to transfer Ignitis Gamyba shares to Ignitis Grupė |
| **29 April** | Preliminary financial data of Ignitis Group for 3 months of 2021 |
| **27 April** | On the information distributed via media sources regarding the incentive with stock ownership plan of key executives and employees of companies of AB “Ignitis grupė” |
| **20 April** | Enlight Research coverage on Ignitis Group |
| **15 April** | Ownership rights of all ESO shares have been transferred to Ignitis Group |
| **14 April** | After the successful proof of concept, the decision was made by ESO, a subsidiary company of AB “Ignitis grupė”, to conclude the contract with the supplier for the procurement of smart metering |
| **2 April** | The Court allowed to transfer ESO shares to Ignitis Grupė |
| **1 April** | Regarding the establishment of a subsidiary company in Finland by UAB “Ignitis”, managed by AB “Ignitis grupė” |
| **30 March** | Preliminary financial data of Ignitis Group for 2 months of 2021 |
| **25 March** | Resolutions of Ordinary General Meeting of AB “Ignitis grupė“ shareholders |
| **22 March** | AB “Ignitis grupė” approved the strategic objectives and their indicators of long-term incentive plan for the period of 2021-2024 |

| Date | Event |
|---|---|
| 12 March | Regarding the resolutions of AB "Ignitis grupė" Supervisory Board |
| 8 March | A selection for the position of CEO and Member of the Management Board of UAB "Ignitis", a subsidiary of AB "Ignitis grupė", has been announced |
| 5 March | Notice on the contract concluded by the person discharging managerial responsibilities regarding AB "Ignitis grupė" financial instruments |
| 1 March | EBITDA outlook for Pomerania Wind Farm has been released |
| 26 February | AB Ignitis grupė will announce a tender for the provision of financial statement audit services |
| 26 February | Preliminary financial data of Ignitis Group for 1 month of 2021 |
| 26 February | 2021–2024 Strategic Plan of AB "Ignitis grupė" group of companies has been approved |
| 26 February | Notice convening the Ordinary General Meeting of AB "Ignitis grupė" shareholders |
| 26 February | Ignitis Group grew in all segments in 2020 leading to 10% higher adjusted EBITDA than previously forecasted |
| 26 February | 12-month interim results of Ignitis Group for 2020 |
| 25 February | AB "Ignitis gamyba" approved Kruonis Pumped Storage Hydroelectric Powerplant expansion plan |
| 23 February | Ignitis Group to present full-year 2020 results and 2021-2024 Strategic Plan on 2 March |
| 18 February | AB "Ignitis grupė" initiated coordination process to update remuneration policy |
| 17 February | Regarding AB "Ignitis grupė" issue of guarantee to fulfil obligations of its owned company UAB "VVP Investment" |
| 17 February | AB "Ignitis grupė" received the Letter of Expectations revised by the Ministry of Finance |
| 11 February | Regarding the intent of UAB "Ignitis", managed by AB "Ignitis grupė", to establish a subsidiary company in Finland |
| 9 February | ESO, subsidiary of AB "Ignitis grupė", established a tender ranking of the procurement of smart metering infrastructure |
| 1 February | Regarding the AB "Ignitis grupė" intention to loan up to 293m euros to UAB "Ignitis renewables" |
| 28 January | Correction: Preliminary financial data of Ignitis Group for 12 months of 2020 |
| 28 January | Preliminary financial data of Ignitis Group for 12 months of 2020 |
| 13 January | Correction: Decision made regarding the long-term promotion of the managers of AB "Ignitis grupė" group of companies with share options programme |
| 8 January | Information regarding the long-term promotion programme of AB "Ignitis grupė" executives |

## After the reporting period[1]

| Date | Event |
|---|---|
| 22 February | Chief Executive Officer of Ignitis Renewables has been appointed |
| 21 February | Ignitis Group to present full-year 2021 results and 2022–2025 Strategic Plan on 28 February |
| 21 February | Ignitis renewables terminated agreement to acquire portfolio of solar PV projects under development in Poland |
| 18 February | The Management Board, its Chair and CEO of the Group have been elected |
| 9 February | Correction: On the supplementary agreement to the isolated regime services contract of Flexible Generation segment |
| 8 February | On the supplementary agreement to the isolated regime services contract of Flexible Generation segment |
| 1 February | The Supervisory Board of AB "Ignitis grupė" approved the candidates for the new term of the Management Board and the CEO |
| 25 January | On the intent to establish a subsidiary of UAB "Ignitis renewables" in Latvia |
| 21 January | On the intention of AB "Ignitis grupė" to amend key conditions of the internal loan agreement with UAB "Ignitis renewables" |

[1] *From 1 January 2022 to the certification statement signing date.*

# 6.3 Alternative performance measures

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Adjusted EBIT | Adjusted EBITDA - depreciation and amortisation expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items) | Adjusted EBITDA less depreciation and amortisation expenses. | Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT. |
| Adjusted EBIT margin | $\frac{\text{Adjusted EBIT}}{\text{Total revenues and other income + management adjustments}}$ | Profitability ratio, which shows Adjusted EBIT as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. |
| Adjusted EBITDA | EBITDA + temporary regulatory differences + result of asset rotation + gain earned from testing of units under development - other significant gains or losses which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group | EBITDA after eliminating or adding back temporary regulatory differences, result of asset rotation, gain earned from testing of units under development, other significant gains or losses which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, to more accurately reflect main activities result of the current period. | Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA. |
| Adjusted EBITDA margin | $\frac{\text{Adjusted EBITDA}}{\text{Total revenues and other income + management adjustments}}$ | Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue. | TThe higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency. |
| Adjusted net profit | Adjusted EBIT + financial income - financial expenses - significant one-off financial activity items - current year income tax expenses - deferred income tax expenses - adjustments' impact on income tax | Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, to more accurately reflect main activities result of the current period. | This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance. |
| Adjusted net profit margin | $\frac{\text{Adjusted net profit}}{\text{Total revenues and other income + management adjustments}}$ | Profitability ratio, which shows Adjusted net profit as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. |
| Adjusted return on equity (Adjusted ROE) | $\frac{\text{Adjusted net profit}}{\text{Average equity at the beginning and end of the reporting period}}$ | 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. |

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Capital employed | Net debt + Equity | Value of all the assets used by the Group to generate earnings. | The indicator is used to determine the return on the Group's assets as well as how effective management is at employing capital. |
| Current ratio | Current assets at the end of the period / Current liabilities at the end of the period | Liquidity ratio, which shows how many times current assets cover current liabilities. | Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position. |
| Dividend pay-out | Total proposed dividend for the reporting period / Net profit for the period attributable to equity holders if the parent company | The ratio of the total amount of dividends to be paid out to shareholders relative to the net income of the parent company. | The indicator shows the percentage of earnings to be paid to shareholders via dividends. |
| Dividends per share (DPS) | Total proposed dividend for the reporting period / Number of ordinary nominal shares at the end of dividends pay-out period | Profitability ratio, which shows proposed dividends for the period attributable to one security at the end of dividends pay-out period. | The higher the indicator value, the higher the profitability attributable to one security for the period. |
| Dividend yield | DPS / Ordinary registered share *or* GDR price at the end of reporting period | Profitability ratio, which shows how much a company pays out in dividends each year relative to its security price. | The dividend yield is an estimate of the dividend-only return of a security investment. |
| Gross debt | Non-current loans and bonds + non-current lease liabilities + current portion of non-current loans + current loans + current lease liabilities | Total debt of the Group. | Indicator shows the level of debt of the Group. |
| Gross debt/Equity | Gross debt / Equity | Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity. | The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy. |
| Earnings per share (EPS) | Net profit for the period attributable to equity holders of the parent company / Weighted average number of nominal shares for the reporting period | Profitability ratio, which shows net profit for the period attributable to equity holders of the parent to one security at the end of reporting period. | The higher the indicator value, the higher the profitability attributable to one security for the period. |
| EBIT | Profit (loss) before tax - Financial income + Financial expenses | EBIT – earnings before interest and tax | Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortisation expenses. |
| EBIT margin | EBIT / Total revenues and other income | Profitability ratio, which shows EBIT as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. |
| EBITDA | EBIT - depreciation and amortisation expenses - revaluation of emission allowances - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | EBITDA - earnings before interest, taxes, depreciation, and amortisation. | Profit measure used as a proxy for operating cash flow. |
| EBITDA margin | EBITDA / Total revenues and other income | Profitability ratio, which shows EBITDA as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. |

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Equity ratio | $\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$ | Leverage ratio, which shows the proportion of the total assets financed by equity. | This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities. |
| Free Cash Flow (FCF) | FFO - Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + cash inflow of proceeds from sale of property, plant and equipment less gain or loss + change in net working capital. | Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures. | The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations. |
| Funds from operations (FFO) | EBITDA + interest received - interest paid - income tax paid | FFO is the proxy for Group's cashflow after taking into account EBITDA, net interest, and income tax paid. | FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group. |
| Investments | Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property | Capital spent on acquiring non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. | Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels. |
| Net debt | Gross debt - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option (applicable for 2020) | Net debt is the total financial liabilities of the Group, net of cash and cash equivalents. | Net debt shows the level of indebtedness of the Group, if its cash and cash equivalents were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group. |
| Net debt/Adjusted EBITDA | $\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$ | Leverage ratio, which shows the Group's ability to repay its debt from the profit earned. | The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level. |
| Net debt/EBITDA | $\frac{\text{Net debt}}{\text{EBITDA}}$ | Leverage ratio, which shows the Group's ability to repay its debt from the profit earned. | The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group. |
| OPEX | Salaries and related expenses + repair and maintenance expenses + other expenses - energy hedging - write-offs and impairments of short term and long-term receivables, inventories and other | Selling, general and administrative expense. | This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses. |
| Return on assets (ROA) | $\frac{\text{Net profit (loss)}}{\text{Average assets at the beginning and end of the reporting period}}$ | Profitability ratio, which shows how well the Group employs its total assets. | This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets. |

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Return on Capital Employed (ROCE) | EBIT / (Average net debt at the beginning and end of the reporting period + average equity at the beginning and end of the reporting period) | Profitability ratio, which shows how well the Group employs its capital. | This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed. |
| Return on equity (ROE) | Net profit (loss) / Average equity at the beginning and end of the reporting period | Profitability ratio of net profit in relation to equity. | ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits. |
| Net working capital | Current assets (excluding non-current assets held for sale) - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option (applicable for 2020) - other current financial assets - short term interest receivables - prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + prepayments for property, plant and equipment +non-current receivables (excluding Epso-G) - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + lease liabilities + payable income tax + deferred revenue + derivative financial instruments liabilities + current provision + dividends payable | Net working capital shows the amount of capital, other than that used for investing in non-current assets, tied in business operations. | Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds. |
| Net working capital/ Revenue | Net working capital / Total revenue and other income | Efficiency ratio, which shows Net working capital as proportion of revenue. | Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds. |

*For those indicators, which consist of a number from the Statement of financial position as a numerator and a number from the Statement of profit or loss and other comprehensive income or the statement of cash flows as a denominator (or vice versa), for interim period calculations LTM figures are used in order not to distort the comparability.*

# 6.4 Other statutory information

The interim report provides information to the shareholders, creditors and other stakeholders of AB "Ignitis grupė" (hereinafter – the parent company) about the parent company's and its controlled companies', which together are called group of companies (hereinafter – the "Group" or "Ignitis Group"), operations for the period of January–December 2021.

The interim report has been prepared by the parent company's administration in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian) and the Law on Consolidated Financial Reporting of the Republic of Lithuania (link in Lithuanian).

The parent company's management is responsible for the information contained in the 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 (Laisvės av. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

All public announcements, which are required to be published by the parent company according to the effective legal acts of the Republic of Lithuania, are published on our website and the websites of Nasdaq Vilnius, London and Luxembourg stock exchanges.

### Significant arrangements

The parent company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the parent company's control situation.

During the reporting period, the parent company did not conclude any harmful agreements (which do not correspond to the parent company's objectives, current market conditions, violate the interests of shareholders or other groups of persons, etc.) which had or potentially may have a negative impact on the parent company's performance and/or results of operation nor there were any agreements concluded in the event of a conflict of interests between the obligations of the parent company's managers, the controlling shareholders or other related parties to the parent company and their private interests and/or other duties.

There are no agreements concluded between the parent company and the members of the management bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.

### Internal control and risk management systems involved in the preparation of the consolidated financial statements

The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company providing accounting services to the parent company ensure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

### Notice on the language

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

# Glossary

# Glossary

| | |
|---|---|
| **#** | Number |
| **%** | Per cent |
| **'000 / k** | Thousand |
| **AB** | Joint stock company |
| **APM** | Alternative performance measure |
| **B2B** | Business to business |
| **B2C** | Business to consumer |
| **BICG** | Baltic Institute of Corporate Governance |
| **bn** | Billion |
| **CCGT** | Combined Cycle Gas Turbine Plant |
| **CDP** | Carbon Disclosure Project |
| **CfD** | Contract for difference |
| **CHP** | Combined heat and power |
| **Clean spark spread** | Indicative prices giving the difference between the combined cost of natural gas and emissions, and the equivalent price of electricity |
| **$CO_2$** | Carbon dioxide |
| **COD (commercial operation date) / commissioned** | The start of energy generation after the test on completion |
| **CPI** | Consumer Price Index |
| **DPS** | Dividends per share |
| **E** | Electricity |
| **EBIT** | Earnings before interest and tax |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation |
| **Electricity generated (net)** | Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex |
| **Electricity sales** | Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia |
| **Enerpro** | UAB Energetikos paslaugų ir rangos organizacija |
| **eNPS** | Employee Net Promoter Score |
| **EPS** | Earnings per share |
| **ESG** | Environmental, social and corporate governance |
| **ESO** | AB „ Energijos skirstymo operatorius " |
| **etc.** | et cetera |
| **EURbn** | billion EUR |
| **EURm** | million EUR |
| **EU** | European Union |
| **Eurakras** | UAB „EURAKRAS" |
| **FBS** | Fixed base salary |
| **FCF** | Free Cash Flow |
| **FFO** | Funds from operations |
| **FiT** | Feed-in Tariff |
| **FTE** | Full-time equivalent |
| **Full completion** | Taking over certificate obtained implying the transfer of operational responsibility of the power plant to the Group |
| **GDP** | Gross domestic product |
| **GDR** | Global depositary receipt |
| **GHG** | Greenhouse Gas |
| **GPC** | UAB „Ignitis grupės paslaugų centras" |
| **Green electricity generated (net)** | Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant) |
| **Green Generation capacity installed** | Wind farms, solar power plants, biofuel plants, CHP plants and hydropower plants (including Kruonis pumped storage power plant) that have completed and have passed a final test |
| **Green share of generation,%** | Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group |
| **GRI** | Global Reporting Initiative |
| **Group or Ignitis Group** | AB „Ignitis grupė" and its controlled companies |
| **GW** | Gigawatt |
| **Heat generated (net)** | Heat sold in CHP plants, biofuel plants |
| **Hydro power** | Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant |
| **IFRS** | International Financial Reporting Standards |
| **Ignitis** | UAB „Ignitis" |
| **Ignitis Eesti** | Ignitis Eesti OÜ |
| **Ignitis Gamyba** | AB „Ignitis gamyba" |
| **Ignitis Latvija** | Ignitis Latvija SIA |
| **Ignitis Polska** | Ignitis Polska sp. z o.o. |
| **Ignitis Renewables** | UAB „Ignitis renewables" |
| **Installed capacity** | Where all assets have been completed and have passed a final test |
| **ISIN** | International Securities Identification Number |
| **YoY** | Year over year |
| **IPO** | Initial Public Offering |
| **ISO** | International Organization for Standardization |

| | |
|---|---|
| **Kaunas CHP** | UAB Kauno kogeneracinė jėgainė |
| **Kaunas HPP** | Kaunas Algirdas Brazauskas Hydroelectric Power Plant |
| **Kruonis PSHP** | Kruonis Pumped Storage Hydroelectric Plant |
| **Lietuvos energija** | „Lietuvos energija", UAB (current AB „Ignitis grupė") |
| **Litgas** | Litgas UAB |
| **Litgrid** | Litgrid AB |
| **LNG** | Liquefied natural gas |
| **LNGT** | Liquefied natural gas terminal |
| **LRAIC** | Long-run average incremental cost |
| **LTIP** | Long-Term Incentive Programme |
| **LTM** | Last twelve months |
| **m** | Million |
| **Mažeikiai** | UAB „VVP Investment" |
| **min** | Minimum |
| **MW** | Megawatt |
| **MWh** | Megawatt hour |
| **n/a** | Not applicable |
| **NERC** | The National Energy Regulatory Council |
| **New connection points and upgrades** | Number of new customers connected to the network and capacity upgrades of the existing connection points |
| **NPS** | Net promoter score |
| **NT Valdos** | NT Valdos, UAB |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OPEX** | Operating expenses |
| **Parent company** | AB „Ignitis grupė" |
| **PBM** | Payment of the activities of Board member |
| **Pomerania** | Pomerania Wind Farm sp. z o. o. |
| **pp** | Percentage point |
| **PPE** | Property, plant and equipment |
| **PSO** | Public service obligation |
| **Public supply** | Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence |
| **Q** | Quarter |
| **RAB** | Regulated asset base |
| **Regulated monopolistic activities** | Electricity and natural gas distribution, electricity supply of last resort, public supply of electricity, natural gas supply to residents of Lithuania and designated LNG supplier service, secondary reserve (till the end of 2020). |
| **RES** | Renewable energy sources |
| **ROA** | Return on Assets |
| **ROCE** | Return on Capital Employed |
| **ROE** | Return on Equity |
| **ROI** | Return on Investment |
| **SAIDI** | Average duration of unplanned interruptions in electricity or natural gas transmission |
| **SAIFI** | Average number of unplanned long interruptions per customer |
| **SBTi** | Science Based Targets initiative |
| **SDG** | Sustainable Development Goal |
| **SOE** | State-owned company |
| **STI** | Short-Term Incentives |
| **Supply of last resort** | Supply of electricity in order to meet electricity demand of customers who have not selected an independent supplier under the established procedure, or an independent supplier selected by them does not fulfil its obligations, terminates activities or the agreement on the purchase and sale of electricity |
| **TCFD** | Task Force on Climate-Related Financial Disclosures |
| **TE-3** | Vilnius Third Combined Heat and Power Plant |
| **TRIR** | Total Recordable Injury Rate |
| **Tuuleenergia** | „Tuuleenergia osaühing" |
| **TWh** | Terawatt-hour |
| **UAB** | Private Limited Liability Company |
| **UN** | United Nations |
| **UNGC** | United Nations Global Compact |
| **Units** | Units |
| **Vėjo Gūsis** | UAB „VĖJO GŪSIS" |
| **Vėjo Vatas** | UAB „VĖJO VATAS" |
| **Vilnius CHP** | UAB Vilniaus kogeneracinė jėgainė |
| **vs.** | Versus |
| **WACC** | Weighted average cost of capital |
| **WF** | Wind farm |
| **WtE** | Waste-to-energy |

# Certification statement

# Certification statement

## 24 February 2022

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB "Ignitis grupė", Darius Kašauskas, Chief Financial Officer at AB "Ignitis grupė", and Giedruolė Guobienė, Head of Accounting at UAB "Ignitis grupės paslaugų centras", acting under Order No. IS-11-22 of 14 February 2022, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" interim condensed consolidated and stand-alone financial statements for the twelve-month period ended 31 December 2021 prepared according to International accounting standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and stand-alone assets, liabilities, financial position, profit or loss and cash flows for the period, the Interim Report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

**Darius Maikštėnas**
Chief Executive Officer

**Darius Kašauskas**
Chief Financial Officer

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras",
Head of Accounting,
acting under Order No IS-11-22
(signed 14 February 2022)

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ignitis group