Twelve months 2022
Interim report

Consolidated interim report for the twelve-month period ended 31 December 2022 and the condensed consolidated and the condensed parent company's financial statements for the twelve-month period ended 31 December 2022, prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union

Ignitis Group – creating an energy smart world

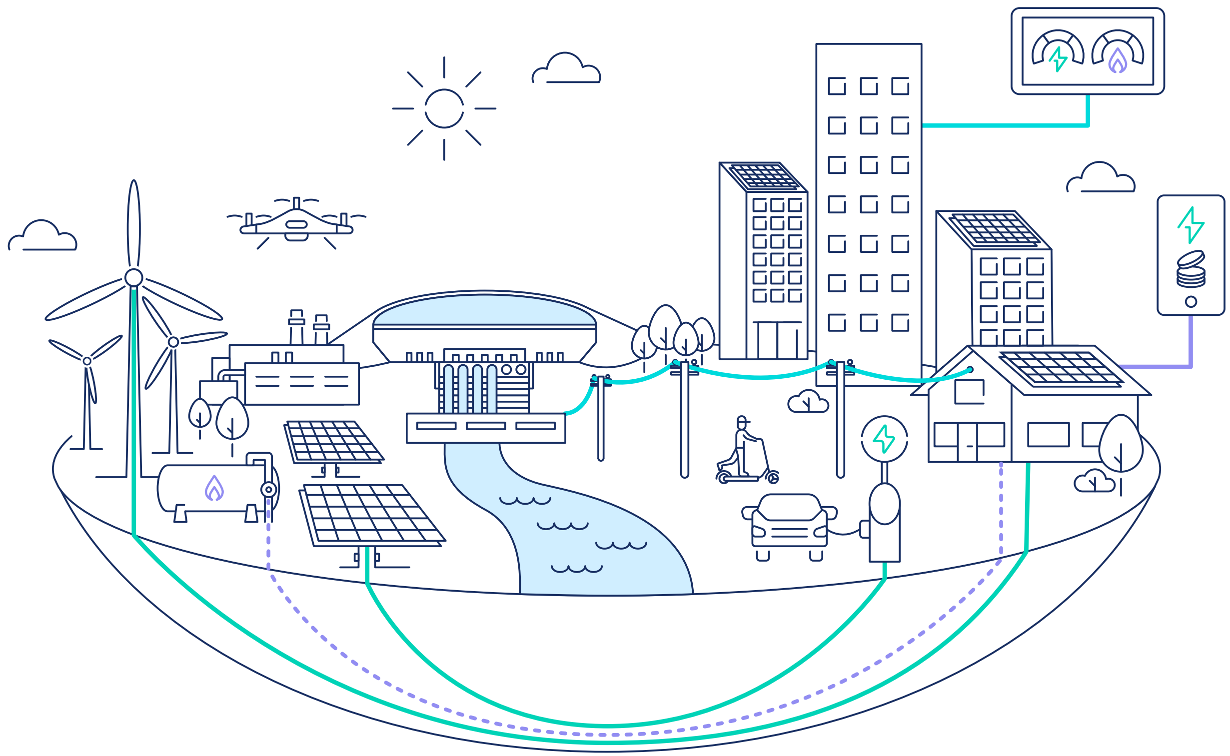
Who we are

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.

Our home markets



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

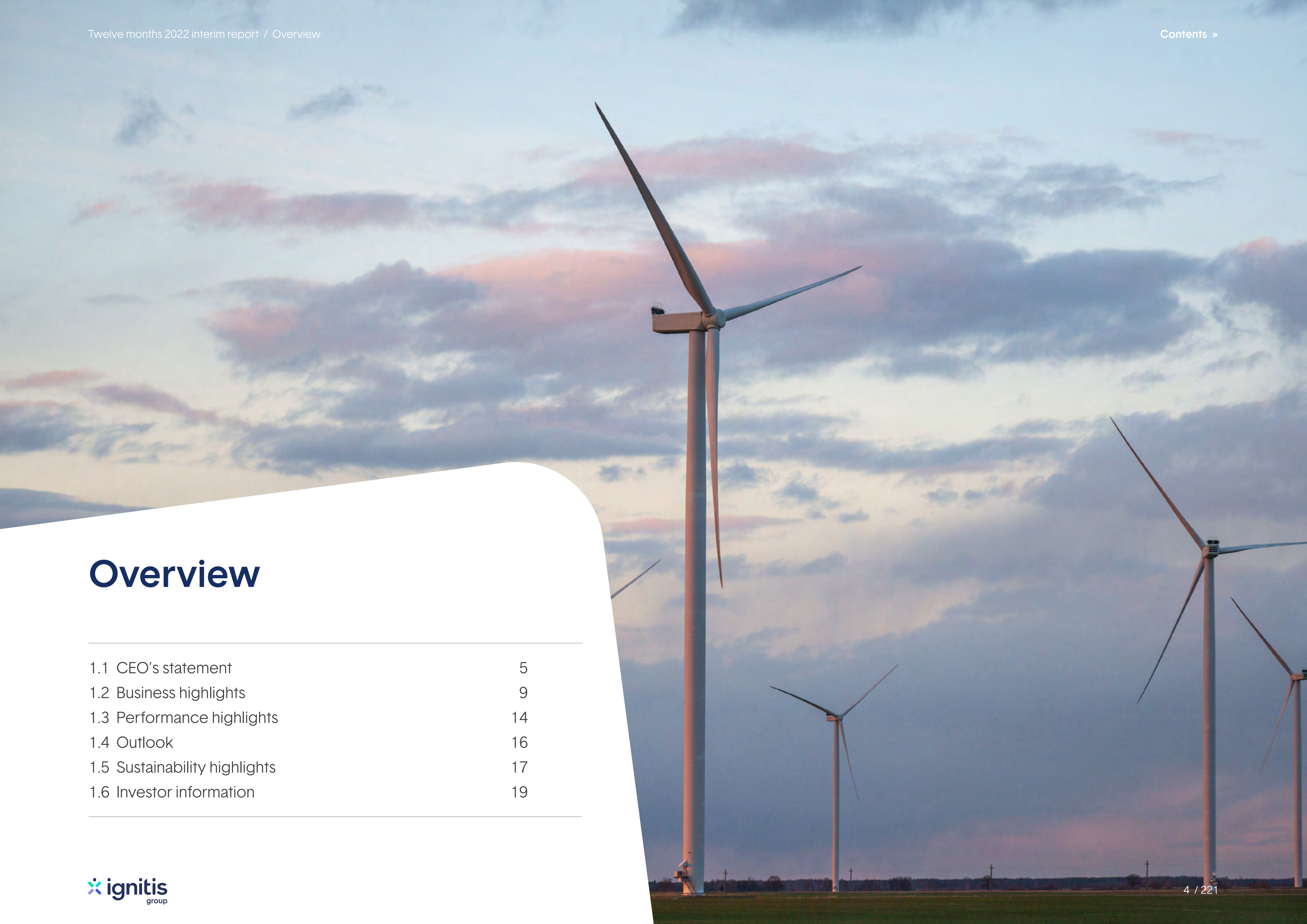
Green Generation
Focused, sustainable and profitable growth.

Flexible Generation
Reliable and flexible power system.

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

Contents

ignitis group



Overview

1.1 CEO's statement

Exceeded outlook driven by strong financial and strategic performance dominated by Green Generation growth

Highlights

Performance

Adjusted EBITDA amounted to EUR 469.3 million in 2022, exceeding the higher end of the full year guidance range (EUR 420–460 million) by 2.0%.

Strong result was mainly driven by the Green Generation segment due to the launch of Pomerania WF in Poland and better performance of our operating assets.

Green Generation Adjusted EBITDA increased more than twofold and accounts for more than half of the Group's total result. Green share of electricity generated increased by a third to 85.1%.

Record high Investments made, which more than doubled and reached EUR 521.8 million. Growth was mainly driven by the Investments in Green Generation projects, which increased more than seven times and reached EUR 226.2 million.

During Q4 2022, net working capital, net debt and in turn leverage metrics have stabilised. This was mainly the outcome of strong results and recovered temporary regulatory differences. However, Customers & Solutions segment had a challenging year, especially on a loss making electricity B2C (EUR -23.2 million) activities.

In line with the Dividend Policy, for 2022 we intend to distribute a dividend of EUR 1.248[1] per share, corresponding to EUR 90.3 million, and a yield of 6.6% both for ordinary registered shareholders and GDR holders (considering the year-end closing prices).

Additionally, the Group's management proposes to the Annual General Meeting of Shareholders to agree on the allocation of EUR 12.0 million of additional profit earned in 2022 from Green Generation as aid to recover and reconstruct energy infrastructure of Ukraine. Based on the Group's management assessment, additional profit earned in 2022 from Green Generation amounts to EUR 114.2 million, out of which EUR 12.0 million or around 10%, subject to the decision of the Annual General Meeting of Shareholders, could be allocated to Ukraine. The Group believes that the main cause of energy sector companies additional profits earned in 2022 is the war in Ukraine. Hence, companies should make their best efforts in supporting the country.

All the remaining additional profit earned in 2022 from Green Generation (EUR 102.2 million out of EUR 114.2 million), as committed in Q4 2022, will be reinvested into building new energy infrastructure in Lithuania to contribute to ensuring Lithuania's energy security and green transition.

For 2023 we expect Adjusted EBITDA to be in a range of EUR 430–480 million.

Business development

Since the beginning of 2022, our Green Generation Portfolio increased more than twofold to 5.3 GW (from 2.6 GW). Our projects Pipeline more than tripled to 4.1 GW (from 1.3 GW) with the largest share of growth captured by the accelerated expansion of greenfield projects, which increased more than eleven times to around 2.0 GW (from 170 MW) as of report announcement date.

Implementation of projects Portfolio is progressing as planned with a few exceptions. Our targets to generate the first energy on testing mode around Q1 2023 and commence full commercial operation of Vilnius CHP biomass unit (73 MWe, 169 MWth) in Lithuania during the next heating season remain unchanged. However, due to disruptions in supply chain and construction markets, there is a minor delay in the project's COD (postponed to Q3 2023 from Q2 2023). Also, regarding our Silesia WF I (50 MW) project under construction in Poland, we expect to supply the first power to the grid as planned in Q4 2023. However, due to some constrains in supply chain as well as weather risk challenges, the projects budget was revised to around EUR 75 million (from EUR 70 million) and COD postponed to Q1 2024 (from Q4 2023). Since 9M 2022, there were no significant changes in implementation of other projects.

On the Networks side, we started the mass smart meter roll-out at the beginning of Q3 2022. In 2022, we successfully achieved our smart meter target of 192,000 and installed over 210,000 smart meters. Our target of finalizing the mass roll-out process by the end of 2025 remains unchanged.

Sustainability

In Q4 2022, CDP rated the climate change mitigation and adaptation efforts of the Group by granting a score of 'A-' (on a 'D-' to 'A' scale). In 2021, the Group was rated 'B'. Also, in addition to MSCI ('AA', on a scale of 'CCC' to 'AAA') and Sustainalytics (a score of 20.4, on a scale of 100–0, from the highest to the lowest risk) ESG ratings, the Group was rated by an ESG corporate rating

agency ISS and received a rating of 'C' (on a scale of 'D-' to 'A+'). It places the Group in the 6th decile rank among utility peers in managing the most significant ESG risks.

[1] A dividend of EUR 1.248 per share comprises of a dividend of EUR 0.624 paid for H1 2022 and a dividend of EUR 0.624 for H2 2022, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023.

Our contribution to energy independence

The Group continues to condemn Russia's unprovoked invasion of Ukraine. It goes against our values, and we continue to take actions in supporting Ukraine and its people as well as human rights and energy independence.

However, this event has put energy independence topic on the spotlight and facilitated the revision of renewables targets and policies for easing and enhancing their expansion. For example, a Lithuanian legislation setting general offshore development framework for two offshore wind farms has been approved in 2022. Other countries of our home market have also taken steps to accelerate renewables capacity by easing the excess requirements for their development and construction, which we detail further in section '2.5 Business environment'.

From the Lithuania's energy independence perspective, let me remind that Lithuania stopped electricity import from Russia since fall 2021. However, as Lithuania is net electricity importer, our Group plays a significant role in ensuring its independence by expanding renewables capacity in the country. We are proud to have been substantially contributing in this respect since the beginning of 2022 (for further details see section '2.4 Investment program').

Regarding the natural gas, we were the first EU member State which suspended natural gas purchases from Gazprom and, since the beginning of April 2022,replaced it with LNG cargoes, mainly from the USA and Scandinavia. Also, in September 2022, we secured spots at Lithuanian LNG terminal in Klaipėda for 6 additional LNG cargoes (in addition to the existing 4) per year until the end of 2032. Thus, even though natural gas is not the core business of the Group, we actively participate in every possible way to reduce natural gas dependency on Russia while ensuring uninterrupted supply to our customers.

Despite our steps in supporting the energy independence within our region, we plan to allocate EUR 12.0 million as aid for the recovery and reconstruction of Ukraine's energy infrastructure, subject to the decision of the Annual General Meeting of Shareholders, to be held on 30 March 2023. We also encourage other energy sector companies to act now.

Having the right mindset, people and a common goal to ensure the energy independence within our region, we are committed to continue our efforts both within and outside the Group.

Performance

Our 2022 Adjusted EBITDA amounted to EUR 469.3 million and recorded YoY increase of 41.1%. Our strong result was mainly driven by the Green Generation segment due to the launch of Pomerania WF in Poland and better performance of the operating assets.

Green Generation Adjusted EBITDA alone increased more than twofold to EUR 252.4 million (from EUR 107.5 million) and accounted for more than half of the Group's total result compared to a one-third in 2021. Green share of electricity generated increased by a third to 85.1% (from 64.2%) compared to 2021.

This, together with better than previously expected Flexible Generation segment performance, led to surpassing the higher end of our latest full year guidance range (EUR 420–460 million) provided in the First nine months 2022 Interim report, which we exceeded by 2.0%.

2022 was also a record year in terms of Investments made. The Group's Investments more than doubled and reached EUR 521.8 million, out of which 79.0% were directed to Lithuania. Overall growth was mainly driven by the Investments made in Green Generation projects which increased more than seven times compared to 2021 and reached EUR 226.2 million. Main Investments in Green Generation segment were made onshore wind farms in Lithuania and Poland as well as into Vilnius CHP's biomass unit.

During Q4 2022, net working capital, net debt and in turn leverage metrics have stabilised. This was mainly the outcome of strong results and recovered temporary regulatory differences. Compared to the numbers reported in our First nine months 2022 Interim report, the Group's NWC level decreased more than half to EUR 443.3 million (from EUR 1,068.7 million), which led to a significant decrease in net debt level of EUR 986.9 million (from EUR 1,512.8 million). It also helped to improve FFO/Net debt ratio to 49.1% (from 23.9%).

However, Customers & Solutions segment had a challenging year, especially on a loss making electricity B2C (EUR -23.2 million) activities. This segment's Adjusted EBITDA deteriorated by 61.6% compared to 2021. The decline was partly offset by positive results from utilizing Lithuania's LNG terminal and securing profitable one-off deals with foreign B2B customers. Additionally, a positive inventory effect due to average accounting method has grown significantly, but towards the end of the year it was offset by natural gas inventory value write-down due to decreasing natural gas prices.

Finally, turning to our shareholders returns, in line with the Dividend Policy, for 2022 we intend to distribute a dividend of

Our Adjusted EBITDA amounted to EUR 469.3 million in 2022. Strong result was mainly driven by the Green Generation segment due to the launch of Pomerania WF in Poland and better performance of our operating assets.

EUR 1.248 per share, corresponding to EUR 90.3 million, and a yield of 6.6% both for ordinary registered shareholders and GDR holders (considering the year-end closing prices). It's important to highlight that a dividend of EUR 0.624 per share (out of EUR 1.248) for the second half of 2022 is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023.

Additionally, the Group's management proposes to the Annual General Meeting of Shareholders to agree on the allocation of EUR 12.0 million of additional profit earned in 2022 from Green Generation as aid to recover and reconstruct energy infrastructure of Ukraine. Based on the Group's management assessment, additional profit earned in 2022 from Green Generation amounts to EUR 114.2 million, out of which EUR 12.0 million or around 10%, subject to the decision of the Annual General Meeting of Shareholders, could be allocated to Ukraine. The Group believes that the main cause of energy sector companies additional profits earned in 2022 is the war in Ukraine. Hence, companies should make their best efforts in supporting the country.

All the remaining additional profit earned in 2022 from Green Generation (EUR 102.2 million out of EUR 114.2 million), as committed in Q4 2022, will be reinvested into building new energy infrastructure in Lithuania to contribute to ensuring Lithuania's energy security and green transition.

And regarding the future, for 2023 we expect our Adjusted EBITDA to be in the range of EUR 430–480 million. We assume the result of our largest segment Green Generation will be lower. We anticipate the negative effect of lower average price of sold electricity compared to 2022 to be the main driver, which will be partially offset by COD of Mažeikiai WF and Vilnius CHP's biomass unit as well as the implementation of asset rotation program. Additionally, we expect growth in our second largest segment – Networks, due to higher RAB as a result of continued investments in distribution network. Regarding the remaining our business segments, we expect Flexible Generation result to remain stable and Customers & Solutions result to increase compared to 2022.

Business development

Since the beginning of 2022, we made a significant progress in our Green Generation Portfolio build-out. In total, our Portfolio increased more than twofold to 5.3 GW (from 2.6 GW).

Our projects Pipeline more than tripled to 4.1 GW (from 1.3 GW) with the largest share of growth captured by the accelerated expansion of greenfield projects, which increased more than eleven times to around 2.0 GW (from 170 MW) as of report announcement date.

In addition to greenfield growth, our Pipeline also increased because of four acquisitions with a total capacity of up to 0.9 GW. In Q3 2022, we acquired a Latvian hybrid portfolio I (around 200 MW) and Silesia wind farm II (up to 137 MW) in Poland, which already reached the construction stage. Additionally, in Q4 2022, we acquired Plungė wind farm (up to 218 MW) in Lithuania and Latvian solar portfolio I (up to 300 MW).

Implementation of project Portfolio is progressing as planned with a few exceptions. Our targets to generate the first energy on testing mode around Q1 2023 and commence full commercial operation of Vilnius CHP biomass unit (73 MWe, 169 MWth) in Lithuania during the next heating season remain unchanged. However, due to disruptions in supply chain and construction markets, there is a minor delay in the project's COD (postponed to Q3 2023 from Q2 2023). Also, regarding our Silesia WF I (50 MW) project under construction in Poland, we expect to supply the first power to the grid as planned in Q4 2023. However, due to some constrains in supply chain as well as weather risk challenges, the projects budget was revised to around EUR 75 million (from EUR 70 million) and COD postponed to Q1 2024 (from Q4 2023). Since 9M 2022, there were no significant changes in implementation of other projects.

Turning to the Networks segment, since the beginning of 2022, we have successfully continued maintenance and expansion works, including the smart meter roll-out. The latter was started at the beginning of Q3 2022 and in 2022 we successfully achieved our target of 192,000 and installed over 210,000 smart meters. Our target of finalizing the mass roll-out process by the end of 2025 remains unchanged despite the global supply crisis potentially causing disruption in the production of smart meters and, thus, affecting the project by having the smart meters delivered in smaller quantities than planned and/or within a longer timeframe.

Sustainability

With sustainability being at the forefront of the Group's strategy and activities, we place a great emphasis on environmental, social and economic aspects while navigating the energy transition and working towards an energy smart world. We implement our strategy and build a resilient and robust organization by adhering to the highest ESG principles and committing to the principles of UN Global Compact thus making a significant contribution to the Sustainable Development Goals.

We are pleased to share the annual integrated Sustainability Report that adheres to the best practices and the GRI reporting guidelines. We remain committed to refining our disclosures to provide a wide set of stakeholders a clear view of our performance and progress.

In 2022, we explicitly focused on a few areas. One of them is occupational health and safety (OHS). Unfortunately, we had three fatal accidents in 2022. As such cases severely shock the Group, we are taking all the necessary steps based on our internal procedures in place to prevent such tragedies in the future. For this reason, we will pay special attention to the OHS in the coming years. We already started to implement measures and declared 2023 as the 'Year of Safety'. At the end of 2022 we also launched the OHS programme 'Is it safe?', which includes trainings, raising awareness and promoting cooperation among the Group employees and contractors, improving management, procedures, and communication within the Group on this topic.

After the reporting period, a fatal incident occurred – a teenager was electrocuted to death after climbing on top of an electrical transformer belonging to ESO (Networks). It is suspected that the teenager died after contact with high voltage cables (10 kV). High-voltage equipment is located inside the transformer station or at a safe height, in addition, transformer stations and all network elements where a risk of electric shock is, are marked with permanent warning signs warning of the danger of electric shock, but this did not help to avoid the tragedy. This incident induces further public education about possible dangers of being around such facilities and how to behave safely.

This year we also focused more on mental health and wellbeing of employees of the Group. COVID-19 pandemic, Russian invasion of Ukraine, energy crisis – all of this, together with other issues, affected our employees' emotions. We have taken steps to make the topic a priority and included it in our everyday life – we are promoting wellbeing and raising awareness around it at work to prevent burnout and make employees happier and safer. One of the most prominent initiatives is a Well-being Mentors project, launched at the beginning of 2022. The idea of a community of trained employees acting as volunteer mentors that provide emotional support to their colleagues was recognised nationally – it was recognised as the best practice of personnel management in 2022 in Lithuania.

In 2022, we worked a lot on the decarbonisation of the Group's activities – we identified priority areas, approved measures, calculated their expected effect, started implementing them, and are monitoring the effect. All these actions, together with the development of the Green Generation segment, contribute to our SBTi-approved targets. We seek to reduce our total GHG emissions by 47% by 2030 (vs. 2020 baseline).

In 2022, we started assessing for the first time how the Group's suppliers comply with the provisions of Group's Supplier Code of Ethics. By doing this we are not only collecting necessary information about sustainability in our supply chain, but also encouraging suppliers to strengthen aspects of sustainability in their business practices. The Group's Supplier Code of Ethics was approved in 2021, reflecting the Group's aspiration to strengthen sustainable cooperation with suppliers, promoting legal, professional and fair business practices, which include the goals of environmental protection, social responsibility, and business ethics and management.

Digitalisation and cybersecurity are amongst the most important topics for us too. We are pleased to share that the innovation implemented by ESO (Networks) – the modernization of the natural gas network's geoinformation systems and management tools – was included among the best projects worldwide at the international conference 'ESRI UC 2022'. Moreover, in September 2022, the Group's Computer Emergency Response Team – Ignitis CERT – was accredited by the international organization 'TF-CSIRT Trusted Introducer'. This confirms the high maturity of our digital security team's operational processes and compliance with global cybersecurity and incident management standards.

Moreover, a globally recognised environmental disclosure organisation CDP has rated climate change mitigation and adaptation efforts of the Group. In Q4 2022, CDP granted the Group a score of 'A-' (on a 'D-' to 'A' scale). In 2021, the Group was rated 'B'. Previously, in July 2022, in addition to MSCI ('AA', on a scale of 'CCC' to 'AAA') and Sustainalytics (a score of 20.4, on a scale of 100–0, from the highest to the lowest risk) ESG ratings, the Group was rated by an ESG corporate rating agency ISS and received a rating of 'C' (on a scale of 'D-' to 'A+'). It places the Group in the 6th decile of utility peers in managing the most significant ESG risks.

In Lithuania, for the fourth year in a row, we received the highest possible 'A+' rating and were recognized as leaders in the category of large SOEs in the Good Corporate Governance Index.

Finally, we are pleased to share that after the reporting period, for the second year in a row, we received the prestigious Top Employer 2023 Lithuania certificate from the Top Employers Institute, which demonstrates that the working conditions we offer to our employees are aligned with the highest international standards.

Over 2023, we will devote even more attention to our strategic sustainability priorities. We will focus on implementing GHG reduction measures and analysing their effect. We will also devote significant attention to Taxonomy alignment, improving biodiversity management to achieve net gain by 2025, implementing circularity in the Group's processes, strengthening employee and contractor safety culture, wellbeing of employees, and streamlining our efforts to increase diversity and inclusion.

Looking ahead

The Group's strong financial and strategic performance during such turbulent times is evidence of our robust business profile and commitment to create a more sustainable future. Despite potential uncertainty we might face in 2023, we continue working on enabling energy transition to increase the energy independence both in Lithuania and in our home market.

Darius Maikštėnas
Chair of the Management Board and CEO
Ignitis Group

1.2 Business highlights

January

Green Generation:
- A tender for acquisition and installation works of the 5th unit in Kruonis PSHP (a 110 MW increase to a total of 1,110 MW) was announced.

February

Governance:
- New members of the Management Board of Ignitis Group were elected by the Supervisory Board. The new Management Board compromises of five members. Three of them, including CEO, were re-elected.

Green Generation:
- Thierry Aelens, a well-respected executive with extensive experience in development of offshore wind projects in leading energy companies, was appointed as the new CEO of Ignitis Renewables.
- As no agreement regarding acceptable return level which would be in line with our target range was reached, the conditional SPA with the developer (Sun Investment Group) of Polish solar portfolio I (up to 170 MW) was terminated.

Strategy:
- 2022–2025 Strategic Plan was published.

March

Green Generation:
- Lithuanian legislation setting general offshore development framework for the 1st auction was approved.

April

Finance:
- A dividend of EUR 0.600 per share was paid for the second half of 2021.

Governance:
- An international Top Employer 2022 Lithuania Certificate was awarded to the Group for applying the highest HR management standards.
- Vilnius District Court dismissed the case on the incentive share options programme for employees of the Group.

Customers & Solutions:
- In relation to the Russian invasion of Ukraine, the Group suspended natural gas purchases from Gazprom and replaced it with LNG cargoes.

May

Green Generation:
- A contract was signed with Valmet for the installation of biomass boiler systems of Vilnius CHP biomass unit. Accordingly, due to a global supply chain disruption and workforce shortage, mainly affected by the Russian invasion of Ukraine, generation of first energy in Vilnius CHP biomass unit was rescheduled to around Q1 2023.
- Gary Bills, an executive with a vast experience in the development and construction of renewable energy projects gained while working at consultancy companies and leading manufacturers, was appointed as COO Wind and Solar development of Ignitis Renewables.

Customers & Solutions:
- The gas interconnection between Poland and Lithuania (GIPL) started commercial operation, allowing natural gas exchange between Lithuania and Poland, which strengthens the energy independence of the region and increases trading opportunities.
- The Baltic states stopped importing electricity from Russia after Europe's Nord Pool power market stopped Russian electricity trading. As a result, activity of Russian related market players such as AB "INTER RAO Lietuva" was stopped, which, in turn, opened opportunities to expand B2B customer portfolio.

June

Green Generation:
- Installation of wind turbines has been started in Mažeikiai WF (63 MW).
- The development of the first Lithuania's hybrid solar park (Tauragė solar project) with a capacity of 22 MW was initiated in the vicinity of an existing Vėjo Gūsis WF (19.1 MW). COD is expected at the end of 2024.

Innovations:
- A tender for a manager of a new Innovation Fund, focusing on investments into start-ups operating in the energy, e-mobility and climate technology sectors, with estimated resources of over EUR 50 million in total, was announced.

July

Finance:
- After the annual review, a credit rating agency S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating of the Group.

Green Generation:
- Construction of Silesia WF I (50 MW) has been started.

Networks:
- A mass smart meter roll-out has been started.

Customers & Solutions:
- Lithuanian Parliament amended legal acts related to providing customers with partial compensation due to increasing prices of energy resources. During H2 2022, increasing prices for all electricity and natural gas B2C customers as well as regulatory differences of regulated electricity and natural gas B2C supply customers accumulated throughout the 2021–H1 2022 have been partially compensated. Overall, it had a positive impact on the Group's net working capital, FCF, and leverage metrics. For further details, see section '2.5 Business environment'.

Sustainability:
- Ignitis (Customers & Solutions) received a platinum medal (it previously received a silver medal) for its sustainability practices from EcoVadis, and now falls among the top 1% of all companies assessed.
- Ilgnitis Group received a rating of 'C' (on a scale of 'D- to A+') in the ISS ESG corporate rating.

Governance:
- The Group kicked off with 'Energy Smart START' scholarship programme, which will support and encourage students to choose energy engineering programmes.

August

Finance:
- In relation to the post-IPO stabilisation, share capital of the parent company was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of own ordinary registered shares with a nominal value of EUR 22.33 each, thus, reducing the free float to 25.01% (from 26.92% level during the IPO).

Green Generation:
- The Group received a favourable Stockholm Chamber of Commerce ruling in the legal dispute with Rafako S.A., confirming their fault for the unfinished Vilnius CHP biomass unit construction works.

Customers & Solutions:
- Because of skyrocketing power prices, an independent Lithuanian power supplier UAB "Perlas energija" announced that it is quitting the Lithuanian power retail business. UAB "Perlas energija", founded in 2020, had approximately 180,000 customers and was the only large power supplier in Lithuania without any production assets. Many customers of UAB "Perlas energija" instead chose Ignitis (Customers & Solutions).

Governance:
- A decision to replace a two-tier management model applied in the Group's main subsidiaries ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation) and Ignitis (Customers & Solutions) with a one-tier management model was made.

September

Green Generation:
- An onshore WF project (Silesia WF II) in Poland was acquired with a total capacity of up to 137 MW. The project is under construction (an agreement with Nordex was signed for wind turbines) with expected COD in H2 2024.
- A conditional agreement for an acquisition of a wind and solar project in Latvia (Latvian hybrid portfolio I) with targeted total capacity of around 200 MW was signed. The project is at early development stage with expected COD in around 2027–2028.
- The Group started a cooperation with Södra Group, Sweden's largest forest owners association and one of the largest forest owners in Latvia, after signing a long-term land lease agreement.

Customers & Solutions:
- The Group secured a spot for 6 additional LNG cargoes per year until the end of 2032 at the Lithuanian LNG terminal in Klaipėda.
- As expected by the Group, the European Commission initiated an in-depth investigation regarding the designated supplier (Ignitis) activities in terms of compensation for incurred costs in relation to application of state aid scheme during the period 2016–2018. The Group is working with the European commission closely in providing its stance and all the necessary information.

Governance:
- For the fourth year in a row, the parent company has received the highest possible 'A+' rating and was recognised as a leader in the category of large Lithuanian SOEs in the Good Corporate Governance Index.

October

Finance:
- A dividend of 0.624 EUR per share was paid for H1 2022.

Green Generation:
- Lithuanian government approved the document specifying eligibility requirements for offshore wind tender participants. These requirements will be included in the auction conditions, which will be announced by the national regulatory authority. The auction will take place in Q3 2023. For further details, see section '2.5 Business environment'.
- Kaunas WtE power plant received a permit to incinerate more waste per year. The limit was increased from 200,000 to 255,000 tonnes of waste per annum.

Flexible Generation:
- Lithuanian TSO informed market participants that it will stop procuring tertiary power reserve from the beginning of 2023. Instead of tertiary power reserve, TSO will be buying other ancillary services (isolated regime services). The financial effect of this change will not be material to the Group.

Customers & Solutions:
- The 3rd stage of B2C electricity market deregulation was postponed to the end of 2025 (from the end of 2022).

Green Generation, Flexible Generation, Customers & Solutions:
- The European Council adopted new short-term emergency measures in the power sector. One of the core measures of the emergency intervention is a temporary EU revenue cap of 180 EUR/MWh on the electricity produced from inframarginal technologies (including nuclear, lignite and renewable sources). Any revenue above this level will be collected by the Member State governments and redirected to energy consumers to alleviate the impact of high energy prices. As of report announcement date, a negative impact is expected. In addition, hydro-pumped storage power plants are not affected by this regulation. For further details, see section '2.5 Business environment'.

November

Strategy:
- A decision was made to reinvest all additional profit earned in 2022 from Green Generation into building new energy infrastructure in Lithuania. This means that 2022 additional profit from Green Generation will not be used to increase the dividends for 2022 (they will grow in line with our Dividend Policy) but will be reinvested in a way to ensure Lithuania's energy security and green transition.

Green Generation:
- An onshore WF project (Plungė WF) in Lithuania was acquired with potential total capacity of up to 218 MW. The project is at an early development stage with expected COD around 2026–2030.
- The Group launched the world's first wind farm rental service for B2C customers. A total of 4.5 MW out of 63 MW of Mažeikiai WF in Lithuania will be available to rent.

December

Green Generation:
- A conditional agreement was signed for an acquisition of a solar project (Latvian solar project I) in Latvia with a total capacity of up to 300 MW. The project is at an early development stage with expected COD in 2025.
- Silesia WF II (137 MW) secured a CfD support in the Polish auction system for renewables. Indexed yearly for inflation, a 274.99 PLN/MWh (~59 EUR/MWh) tariff has been secured for 35% of the total planned electricity production during a 15-year period, significantly reducing electricity price volatility risk.
- Lithuanian legislation setting an offshore development framework for the 2nd auction was approved.

Flexible Generation:
- For the first time, the Group was awarded in the Polish capacity mechanism auction to ensure the availability of a 250 MW capacity in the market in 2027 for around EUR 16 million.
- The Group concluded an agreement with a Lithuanian TSO to provide ancillary services for 2023 in the total capacity of 891 MW.

Customers & Solutions, Flexible Generation:
- The European Union agreed on temporary mechanism to limit excessive natural gas prices. The market correction mechanism will be automatically activated if the following 'market correction event' occurs: the month-ahead TTF price exceeds 180 EUR/MWh for three working days and the month-ahead TTF price is EUR 35 higher than a reference price for LNG on global markets for three working days. Regarding the impact to the Group, it resulted in lower NWC level, as a result of decreased prices of natural gas. For further details, see section '2.5 Business environment'.

Customers & Solutions, Networks:
- Throughout the Q4 2022, Lithuanian Government passed resolutions to continue the provision of partial compensation of electricity and natural gas prices to all B2C customers until the end of H1 2023 as well as regulatory differences of regulated electricity and natural gas B2C supply customers accumulated throughout the H2 2022. Additionally, technological losses, which accumulated due to the gap between the actual prices of electricity used for technological needs and tariffs set by the regulator, accumulated throughout of 2022 were recovered by DSO (Networks). Other than that, B2B customers are also being provided with a partial compensation for electricity bills over the period of Q4 2022 to Q1 2023. Overall, it had a positive impact on the Group's net working capital, net debt and in turn leverage metrics. For further details, see section '2.5 Business environment'.

Sustainability:
- The Group was listed among the leading companies and received a score of 'A-' (on a scale from 'D-' to 'A', where 'A' is the top score) by a globally recognised environmental disclosure organisation CDP for its management of environmental issues.

Finance:
- Due to the increase in electricity prices as well as to ensure market demand and uninterrupted natural gas supply, in 2022 the Group concluded additional short-term loan agreements to fund growing working capital needs with a total limit of EUR 719 million (out of which EUR 232 million was disbursed as of 31 December 2021).

After the reporting period

January

Governance:

- For the second year in a row, an international Top Employer 2023 Lithuania Certificate was awarded to the Group for applying the highest HR management standards.

Customers & Solutions, Flexible Generation, Green Generation:

- The European Commission initiated public Consultation on Revision of the EU's electricity market design with the goal to make the market more resilient and to reduce the impact of natural gas prices on electricity bills while supporting the energy transition. The Group is assessing potential limitations and omissions of present market design and shall provide its insights to the European Commission, however as of report announcement date, financial impact cannot be evaluated. For further details, see section '2.5 Business environment'.

Green Generation:

- The first power to the grid was supplied in our Mažeikiai WF (63 MW), in Lithuania. Since then the generated power is being sold on merchant basis.

February

Green Generation:

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

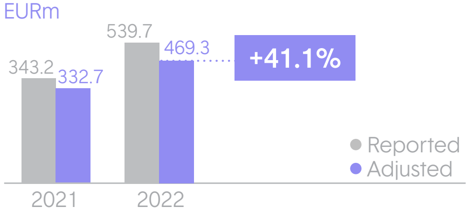
>2x

Green Generation Adjusted EBITDA increased more than two times and accounted for more than a half of the Group's total result in 2022 (EUR 252.4 million out of EUR 469.3 million).

1.3 Performance highlights

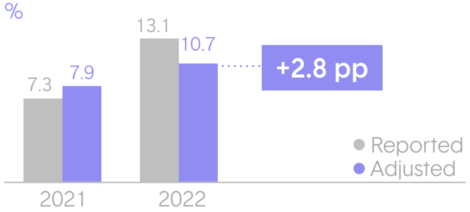
Financial[1]

EBITDA, Adjusted EBITDA APM
EURm



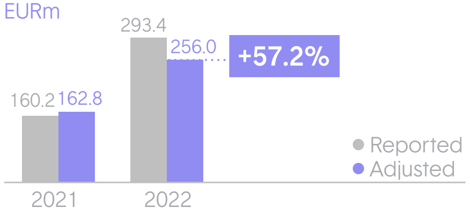
Adjusted EBITDA growth was driven by Green Generation segment, which more than doubled YoY (+134.8%) increasing to EUR 252.4 million, and accounted for 53.8% of total Adjusted EBITDA. Main contributors to the growth were the launch of Pomerania WF in Poland and better results of our operating Green Generation assets, mainly driven by higher electricity market price (+154.5% compared to 2021).

ROCE, Adjusted ROCE APM
%



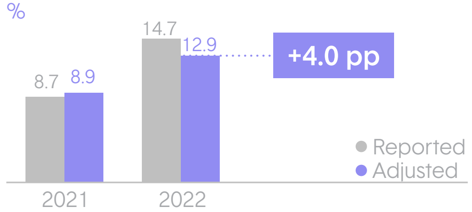
Adjusted ROCE increased to 10.7%, mostly impacted by an increase in Adjusted EBITDA.

Net profit, Adjusted net profit APM
EURm



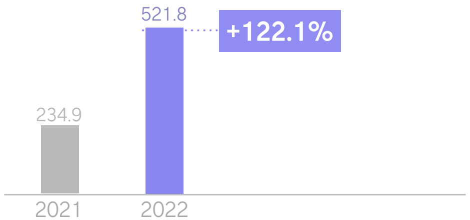
Adjusted Net Profit increase was driven by the growth in Adjusted EBITDA, which was partly offset by higher depreciation and amortisation, interest as well as income tax expenses.

ROE, Adjusted ROE APM
%



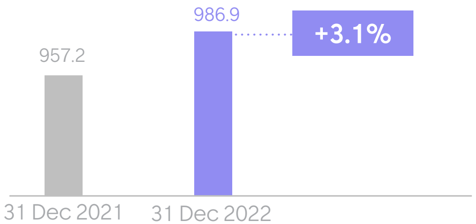
Adjusted ROE increased to 12.9%, mainly due to increased Adjusted net profit.

Investments APM
EURm



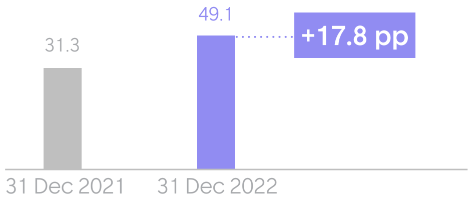
Investments increased, mainly due to new Green Generation segment projects, major investment were made in Lithuania's and Poland's wind farms. Additionally, higher Investments in electricity distribution network expansion and maintenance mainly as a result of increased contractors fees.

Net debt APM
EURm



Net debt increased by 3.1% mainly due to high Investments made especially in Green Generation segment. The increase was partly offset by positive FFO and a receivable from EPSO-G obtained.

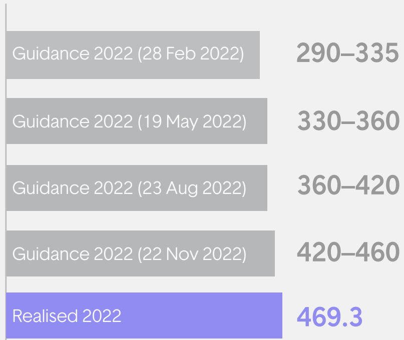
FFO/Net debt APM
%



FFO/Net debt ratio increased from 31.3% to 49.1% due to increased FFO driven by higher EBITDA which was partly offset by increased Net debt.

Net debt level and leverage metrics improved by the year end due to strong results and recovered temporary regulatory differences accumulated during 2021–2022.

Results comparison with the outlook for 2022 Adjusted EBITDA APM
EURm



In the outlook announced in the First nine months 2022 Interim report, we projected the Adjusted EBITDA to be in the range of EUR 420–460 million for 2022.

With Adjusted EBITDA of EUR 469.3 million, we exceeded the higher end of the guidance range by 2.0%.

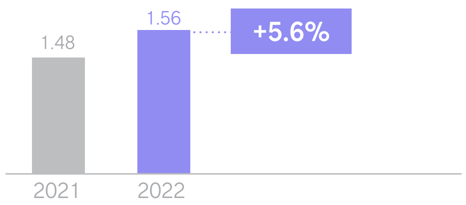
For more in-depth information, see section '3.1 Annual results'.

[1] Due to change in IAS part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' section '6 Restatement of comparative figures due to change of accounting policy').

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.

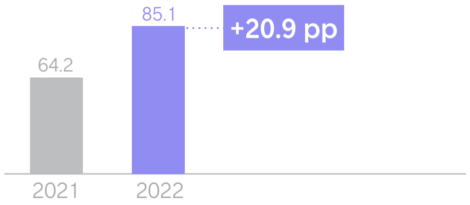
Environment

Green electricity generated (net)
TWh



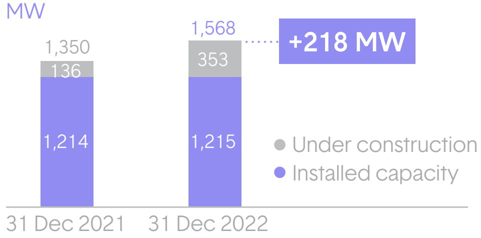
A 5.6% increase in green electricity generated (net) was driven by the higher generation of wind farms due to a full year generation by Pomerania WF. Kaunas HPP also generated more electricity due to higher levels of water in the Nemunas river. The increase was partly offset by lower Kruonis PSHP generation.

Green share of generation
%



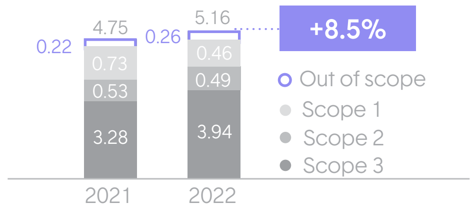
Green share of generation reached 85.1% as a result of increased green electricity generated (net) and a significant decline in electricity generated (net) by CCGT (Flexible Generation) due to high natural gas prices that negatively affected the clean spark spread.

Green Generation secured capacity
MW



Green Generation secured capacity increased by 218 MW as construction has started on Silesia WF II (+137 MW), Silesia WF I (+50 MW) and Polish solar portfolio II (+30 MW).

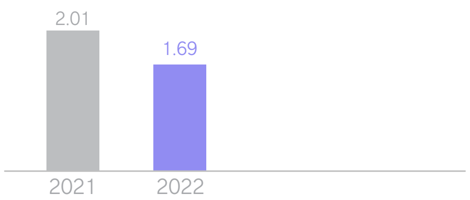
Climate action
GHG emissions[1], million t CO_2-eq



The Group's GHG emissions decreased by 36.7% in Scope 1 (due to lower generation in Elektrėnai Complex) and by 6.5% in Scope 2 (due to lower generation in Kruonis PSHP). Increased sales of electricity and natural gas (Scope 3) as well as higher heat generation in the biomass boiler in Elektrėnai (Out of scope) are responsible for the increase in total emissions by 8.5%.

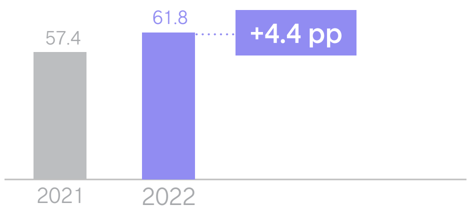
Social

Safety
TRIR, times



The total recordable injury rate improved to 1.69 as the number of safety incidents reduced from 14 in 2021 to 12 in 2022. Majority of the incidents were recorded during the first half of the year due to the challenging weather conditions in winter, resulting in slipping incidents, and failure to follow proper safety precautions. Unfortunately, three fatal accidents were recorded in 2022.
To prevent such accidents and to increase employees' awareness of occupational health and safety (OHS), the OHS programme 'Is it safe?' was launched and will be continued throughout 2023.

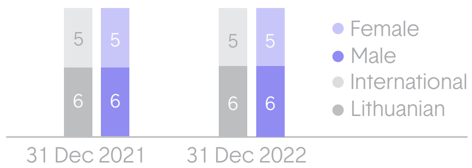
Employee satisfaction
eNPS, % (1-100)



During 2022, employee satisfaction has improved, which is indicated by an increase in eNPS of 4.4 pp to 61.8%.

Governance

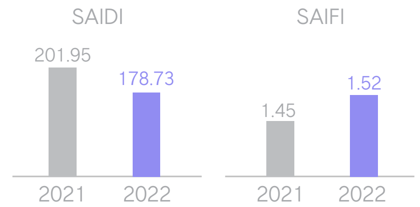
Supervisory and Management Boards
Nationality and gender diversity



As of 31 December 2022, the Management Board comprised one female and four male representatives. Additionally, four female and five international members were in the Supervisory Board, which resulted in 42% female and 42% international members representation in the main governing bodies.

Operational efficiency

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



Electricity quality indicators were affected by extreme conditions/natural disasters (that caused 4 mass disconnections through January–February 2022) and strong winds/local storms during the first and the last quarter of 2022. Increased number of installed automatic solutions as well as proactive management of staff levels based on weather forecast resulted in reduced average interruption duration.

[1] *The information for 2022 is preliminary. As of reporting date, Bureau Veritas was in the process of verifying the GHG data.*

1.4 Outlook

Adjusted EBITDA guidance

For 2023 we expect Adjusted EBITDA in the range of EUR 430–480 million. We assume the result of our largest segment Green Generation will be lower. We anticipate the negative effect of lower average price of sold electricity compared to 2022 to be the main driver, which will be partially offset by COD of Mažeikiai WF and Vilnius CHP's biomass unit as well as the implementation of asset rotation program. Additionally, we expect growth of our second largest segment – Networks, due to higher RAB as a result of continued investment program in distribution grid.

Green Generation - lower

Adjusted EBITDA for Green Generation segment is expected to rto be lower compared to 2022 as a result of expected lower average electricity sale price compared to 2022. This effect will be partially offset by:

- COD of Mažeikiai WF;
- COD of Vilnius CHP's biomass unit;
- implementation of asset rotation program.

Networks – higher

Adjusted EBITDA for the Networks segment is expected to increase as a result of continued investments program (higher RAB value).

Approved total RAB for 2023 amounts to EUR 1,429 million (EUR +84 million YoY). Weighted average WACC for 2023 is 4.14% (+0.01% YoY). Additional tariff component for electricity amounts to EUR 28 million for 2023 (same as for 2022).

Flexible Generation – stable

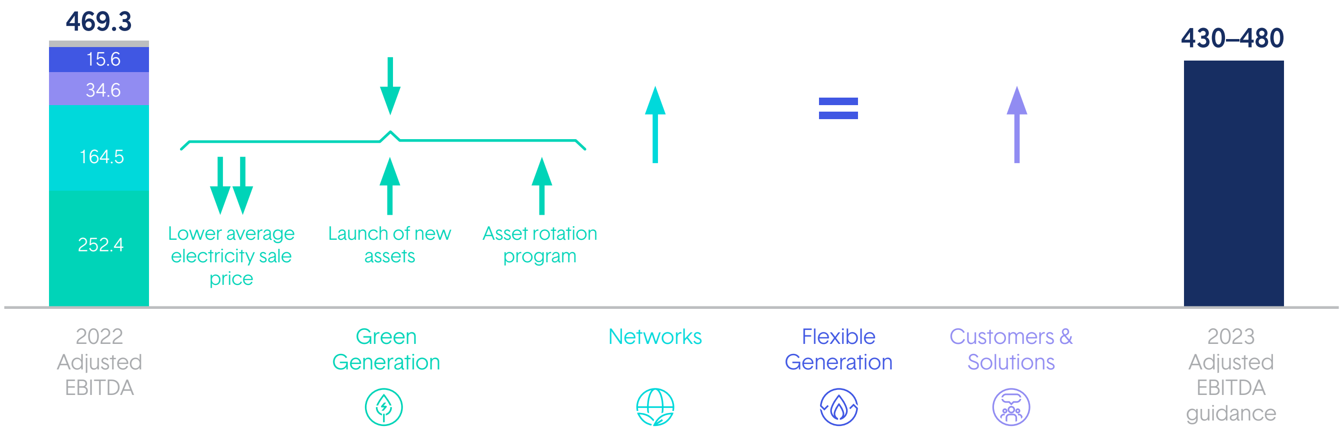
Adjusted EBITDA for Flexible Generation segment is expected to remain stable.

Customers & Solutions – higher

Segment's Adjusted EBITDA result is expected to increase mainly following the anticipated improvement of electricity B2C and B2B activities results due to more effective price hedging.

Forward-looking statements

The interim report contains forward-looking statements, which reflect current views and are, by nature, subject to risks and uncertainties. Because they relate to events and circumstances that will occur in the future, the actual development may differ materially from our expectations. We are unable to predict the impact of these events. For further information about the risks relevant to the Group activities, see section '4.7 Risk and risk management report'.



[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 2023 relative to the actual results for 2022.*

1.5 Sustainability highlights

Key achievements in 2022

Sustainability is at the core of the Group's strategy. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance and accountability. Over 2022, we made huge progress towards improving the existing ratings as well as obtaining new ones, representing our commitment towards sustainability excellence:

- the Group was listed among the leading companies and received a score of 'A-' (on a scale from 'D-' to 'A', where 'A' is the top score) on a climate questionnaire issued by a globally recognised environmental disclosure organisation CDP;
- the Group received a rating of 'C' in the ISS ESG corporate rating;
- Ignitis (Customers & Solutions) received a platinum medal for its sustainability practices from EcoVadis, a ratings platform that focuses on sustainable supply chain.

These changes are primarily a result of our initiatives applied across the Group, which we cover in detail in section '5. Sustainability report (Corporate social responsibility report)'.

	MSCI ESG	Sustainalytics	CDP climate	EcoVadis	ISS ESG
Rank compared to utility peers	Top 38%[1]	Top 15%	n/d	Top 3%[3]	6 decile
ignitis group	'AA'	20.4 (Medium Risk)	'A-'	78 (Platinum Medal)	'C'
Utiities average	'A'[1]	33.0[2]	'B'	N/A	N/A
Rating scale (worst to best)	'CCC' to 'AAA'	100 to 0	'D-' to 'A'	0-100	'D-' to 'A+'

Following globally recognised standards

GRI	Integrated reporting using globally recognised standards.
TCFD	Implemented TCFD recommendations on climate-related financial disclosure.
SCIENCE BASED TARGETS	Validated GHG emissions targets for 2030 with the SBTi. Following net zero by 2050 trajectory.

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

Taxonomy overview

The EU Taxonomy Regulation establishes a common classification system for sustainable economic activities and provides common language to describe what an environmentally sustainable activity is. The key role of this regulation is to help scale up sustainable investments, provide companies, investors and policymakers with appropriate definitions for economic activities which can be considered as environmentally sustainable. The Group supports the need to direct investments towards sustainable projects and activities in order to reach the objectives of the European Green Deal.

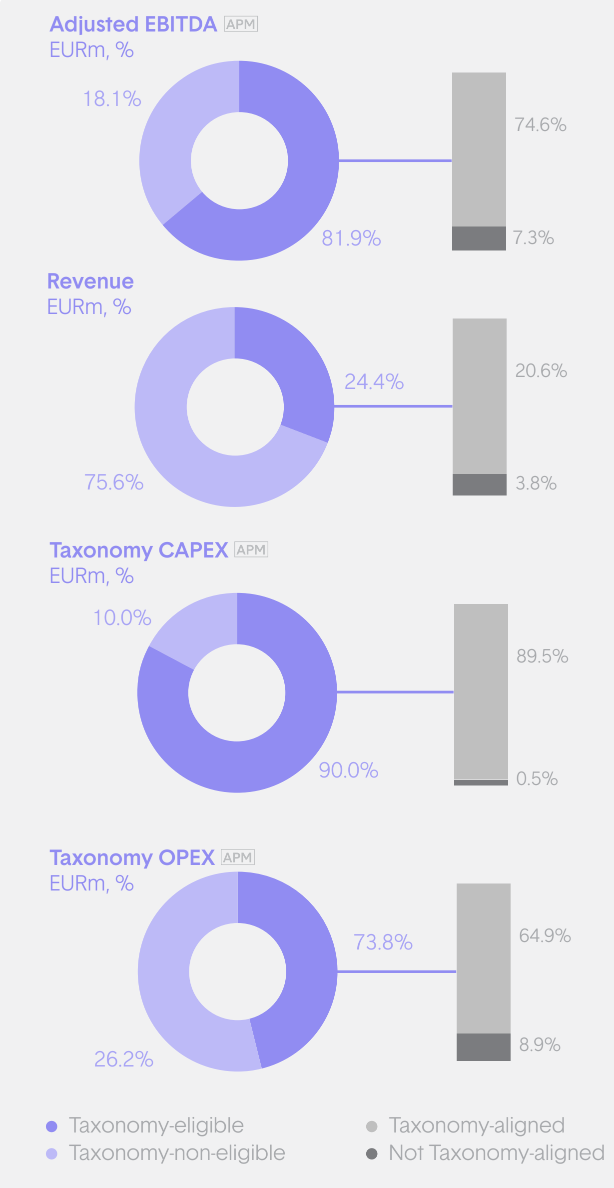
We report key performance indicators based on the EU Taxonomy Regulation (EU) 2020/852 and associated delegated acts. In our Annual report 2021, we disclosed financial information linked to Taxonomy-eligible and non-eligible activities for two environmental objectives: climate change mitigation and climate change adaptation. With the introduction of the requirement to disclose the information on Taxonomy-aligned activities for the 2022 fiscal year, the Group has taken the necessary steps to disclose such information.

Disclosures under the EU Taxonomy Regulation of KPIs and additional information is available in section '5.9 Sustainability governance and other disclosures' of this report.

The detailed Taxonomy Report, explaining the alignment of the Group's activities with the EU Taxonomy, is available here.

We follow a clear steps-based process in analysing the applicability of Taxonomy Regulation, which includes:

1. **identifying Taxonomy-eligible economic activities of the Group.** The Delegated Act on sustainable activities for climate change adaptation and mitigation and the Complementary Climate Delegated Act have been carefully reviewed and analysed and all the activities within the Group's portfolio have been identified. This process is constantly reviewed to have up-to-date information. The list of Taxonomy-eligible activities of the Group has been extended, adding activities which were missed in our Annual report 2021;
2. **examining substantial contribution criteria.** All Taxonomy-eligible activities identified previously are examined whether they meet the technical screening criteria and substantially contribute to the mitigation and/or adaptation objective. To verify the compliance with substantial contribution criteria, existing operational procedures are reviewed and, if necessary, specific technical criteria are analysed. Our detailed Taxonomy report discloses compliance of each activity in greater detail;
3. **examining the principle of doing no significant harm to other environmental objectives (DNSH).** It includes further assessment of technical screening criteria for Taxonomy-eligible activities. To verify the compliance, the existing environmental procedures, waste management processes and other relevant procedures are analysed to determine compliance with DNSH. Our detailed Taxonomy report discloses compliance of each activity in greater detail;
4. **verifying the compliance with minimum social safeguards.** It includes reviewing the alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights of the Group, including each Taxonomy-eligible activity;
5. **calculating financial KPIs.** We are calculating the financial metrics associated with the economic activities identified in this process based on the accounting policies described in section '5.9 Sustainability governance and other disclosures'.



1.6 Investor information

Overview

In 2022, the Group's securities outperformed it's benchmark Euro Stoxx Utilities (SX6E) index, despite the overall decrease in prices. The Group's shares and GDRs have generated TSR of (4.3%) and (4.8%) respectively. During the same period, the TSR of our benchmark index equalled to (7.9%).

In 2022, the total (shares and GDRs) turnover was equal to EUR 105.84 million (EUR 78.20 million on Nasdaq Vilnius exchange and EUR 27.64 million on LSE), whereas the average daily turnover totalled to EUR 0.45 million (EUR 0.31 million on Nasdaq Vilnius exchange and EUR 0.14 million on LSE).

At the end of the reporting period, the Group's market capitalisation was EUR 1.4 billion.

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

Since the IPO, the Group's securities have been included in the MSCI Frontier Markets Index (since 30 November 2020), the Nasdaq OMX Baltic Benchmark Index (since 4 January 2021), and OMX Baltic 10 (since 1 July 2021).

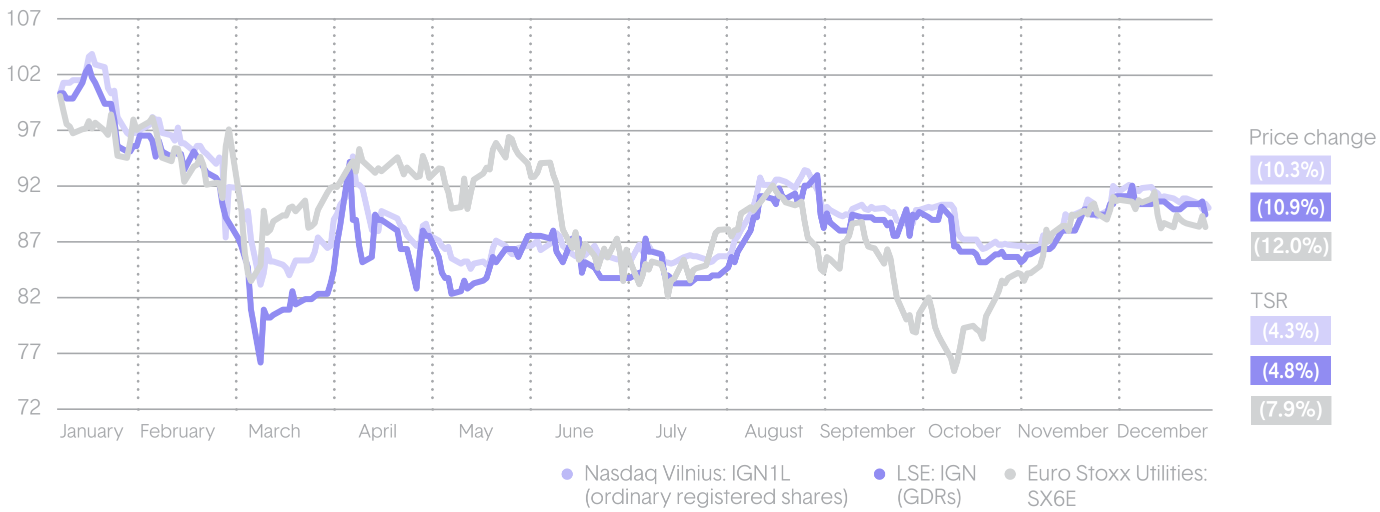
The Group's securities are constituents of the below indices

Benchmark index
MSCI Frontier Markets Index
MSCI

Benchmark index
OMX Baltic Benchmark
Nasdaq

Tradable index
OMX Baltic 10
Nasdaq

Price development in 2022[1], EUR



Shareholder return KPI's[2,3]

	2022	2021	Δ	Δ,%
Dividends declared, EURm	90.3	87.6	*2.7*	*3.1%*
EPS APM, EUR	4.04	2.16	*1.88*	*87.0%*
DPS APM, EUR	1.24	1.19	*0.05*	*4.2%*
Dividend pay-out APM, %	30.8	54.7	*(23.9 pp)*	-
Dividend yield[4] APM, %				
For ordinary registered shares owners	6.6	5.7	*0.9 pp*	-
For GDR owners	6.6	5.8	*0.8 pp*	-

[1] Indexed at 100.
[2] Data provided based on the dividends distributed or to be distributed for a specified period. A dividend of EUR 1.248 per share for 2022 comprises a dividend of EUR 0.624 paid for H1 2022 and a proposed dividend of EUR 0.624 for H2 2022, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023.
[3] DPS, EPS indicators for 2021 and 2022 were calculated using the weighted average number of nominal shares (before and after the parent company's acquisition of own shares).
[4] Dividend yield is calculated by dividing DPS by the year end price of the ordinary registered share or GDR for the respective period: (i) dividend yield for ordinary registered shares owners is calculated using EUR 21.00 and EUR 19.02 year end closing prices for 2021 and 2022 respectively; (ii) dividend yield for GDR owners is calculated using EUR 20.50 and EUR 18.80 year end prices for 2021 and 2022 respectively.

Share capital

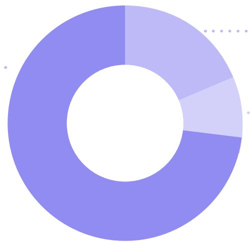
The parent company's share capital is divided into 72,338,960 ordinary registered shares registered in Lithuania. They are all the same class of shares, each entitled to equal voting and dividend rights, specifically – one vote at the General Meetings of Shareholders, and to equal dividend.

During 2022, there has been a change in the parent company's share capital. On 9 August 2022, in relation to the post-IPO stabilisation, share capital was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of the parent company's acquired own ordinary registered shares. As a result, a total number of ordinary registered shares decreased to 72,388,960 (from 74,283,757) causing a decrease in the free float to 25.01% (from 26.92% level during the IPO) and a proportional increase in each investor's shareholdings. Accordingly, a new wording of the Articles of Associations was approved.

Shareholder composition

At the end of 2022, the Group had 19,436 shareholders. Over the last year, our investor base increased by more than a third compared to the end of 2021 (14,265 shareholders) and almost tripled compared to the IPO in October 2020 (6,901 shareholders), mostly due to growing number of retail investors.

Shareholders composition (at the end of the reporting period)



Price performance information in 2022

	Nasdaq Vilnius	LSE	Combined
Year opening[1], EUR	21.20	21.10	-
Year high[1] (date), EUR	21.95 (13 Jan)	21.60 (13 Jan)	21.95
Year low[1] (date), EUR	17.56 (7 Mar)	16.00 (8 Mar)	16.00
Year VWAP[2], EUR	18.43	19.21	18.96
Year end[1], EUR	19.02	18.80	-
P/E (year-end), times	4.4	4.4	-
Annual turnover (average daily), EURm	78.20 (0.31)	27.64 (0.14)	105.84 (0.45)
Market capitalisation, year-end[1], EURbn	-	-	1.4

Parameters of the securities issues

Type	Ordinary registered shares	Global Depositary Receipt (GDR)	-
ISIN-code	LT0000115768	Reg S: US66981G2075; Rule 144A:US66981G1085	-
Ticker	IGN1L	IGN	-
Nominal value, EUR	-	-	22.33 per share
Number of shares[3] (share class)	-	-	72,338,960 (one share class)
Number of treasury shares[3] (%)	-	-	-
Free float, shares[3] (%)	-	-	18,105,203 (25.01%)
Ordinary registered shares vs GDRs split	66.7%	33.3%	100%

[1] *As of closing trading market price.*
[2] *Weighted average volume price.*
[3] *On 9 August 2022, in relation to the post-IPO stabilisation, share capital of the parent company was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of the parent company's acquired own ordinary registered shares (i.e. treasury shares). As a result, a total number of ordinary registered shares decreased to 72,388,960 (from 74,283,757) causing a decrease in the free float to 25.01% (from 26.96% level at IPO) and a proportional increase in each investor's shareholdings.*

The Republic of Lithuania (the authority implementing the shareholder's rights – the Ministry of Finance of the Republic of Lithuania, the Majority Shareholder) owns 74.99% of the parent company's share capital, with the remaining shares being held by the institutional (16.62%) and retail investors (8.39%). Worth mentioning that each of the investor's holdings proportionally increased after the reduction of the share capital in August 2022 (more information is provided in the section above), including the Majority Shareholder's, whose holdings previously were 73.08%. There are no other parties holding more than 5% of the parent company's share capital.

The composition of the parent company's shareholder structure by type and geography is provided In the pie chart on the left.

General shareholders' meetings

In 2022, three General Meetings of Shareholders were held, during which resolutions were passed on dividend distribution, acquisition of the parent company's own ordinary registered shares and respectively a reduction of share capital, approval of the updated Remuneration Policy, approval of the new wording of the Articles of Association, and other questions. Our next Annual General Meeting of Shareholders will be held on 30 March 2023. Further relevant information, including shareholders' rights, is available in '4. Governance report' section of this report and 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.

Following our dividend commitment, for 2022 we intend to distribute a dividend of EUR 1.248 per share, corresponding to EUR 90.3 million and a yield of 6.6% for both ordinary registered shareholders and GDR holders (considering the year-end closing prices). A dividend of EUR 0.624 per share for H2 2022, corresponding to EUR 45.2 million, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023. Before that, in Q3 2022 the Extraordinary General Meeting of Shareholders approved a dividend of EUR 0.624 per share, or a total of EUR 45.2 million, for the H1 2022, which were distributed in October 2022.

Looking at the dividend pay-out, it is expected to be equal to 30.8% for 2022, compared to 54.7% for 2021.

Additionally, the Group's management proposes to the Annual General Meeting of Shareholders to agree on the allocation of EUR 12.0 million of additional profit earned in 2022 from Green Generation as aid to recover and reconstruct energy infrastructure of Ukraine. Based on the Group's management assessment, additional profit earned in 2022 from Green Generation amounts to EUR 114.2 million, out of which EUR 12.0 million or around 10%, subject to the decision of the Annual General Meeting of Shareholders, could be allocated to Ukraine. The Group believes that the main cause of energy sector companies additional profits earned in 2022 is the war in Ukraine. Hence, companies should make their best efforts in supporting the country.

All the remaining additional profit earned in 2022 from Green Generation (EUR 102.2 million out of EUR 114.2 million), as committed in Q4 2022, will be reinvested into building new energy infrastructure in Lithuania to contribute to ensuring Lithuania's energy security and green transition.

Credit rating

On 5 July 2022, after an annual review, a credit rating agency S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating of the Group. Further information on the credit rating, including credit rating reports, is available on our website.

Investor relations

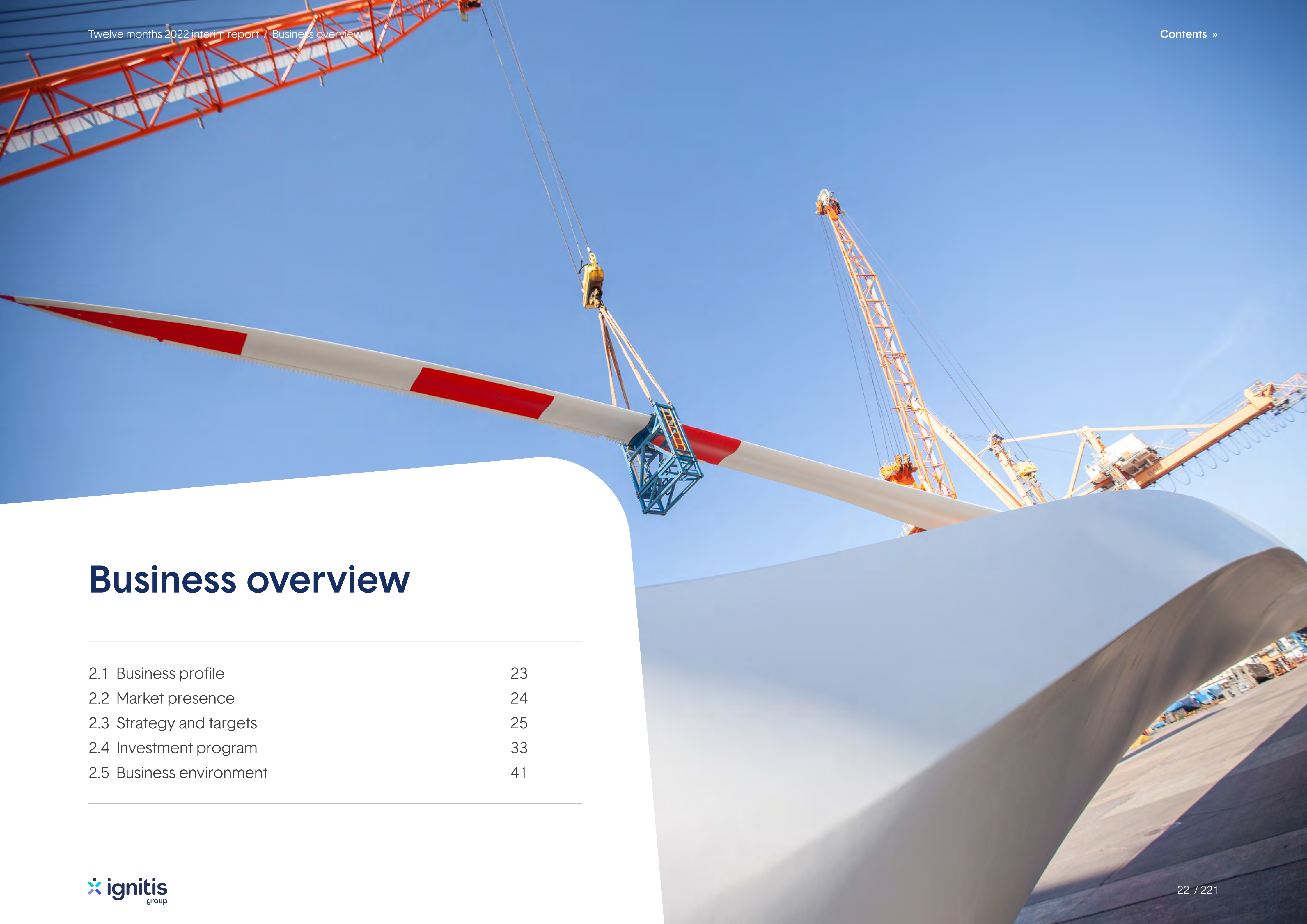
We strive to ensure the highest transparency and accountability standards in our stakeholder communication. On a continuous basis, we engage with the market through quarterly and ad hoc earning calls, non-deal roadshows, conferences and other types of meetings. Our dialogue with the investors and other 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, GDRs, and bonds is disclosed in section '7.1 Further investor related information' of this report.

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

Financial calendar 2023

30 March 2023	Annual General Meeting of Shareholders
13 April 2023	Expected Ex-Dividend Date (for ordinary registered shares)
14 April 2023	Expected Record Date for dividend payment (for ordinary registered shares)
23 May 2023	Interim report for the first three months of 2023
22 August 2023	Interim report for the first six months of 2023
21 September 2023	Extraordinary General Meeting of Shareholders (regarding the potential allocation of dividends for the six-month period ended 30 June 2023)
4 October 2023	Expected Ex-Dividend Date (for ordinary registered shares)
5 October 2023	Expected Record Date for dividend payment (for ordinary registered shares)
21 November 2023	Interim report for the first nine months of 2023



Business overview

2.1 Business profile

Creating an Energy Smart world

Core businesses

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.

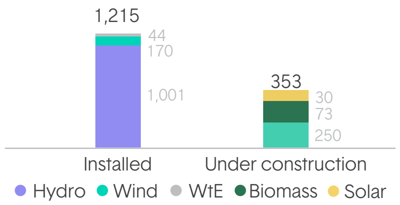
Revenue model

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

Net zero strategy support

Through development of zero carbon electricity generating assets.

Electricity capacity, MW[1]



1.56 TWh

Electricity generated (net)

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.

Net zero strategy support

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

Network size[1]

	Size	Volume
Electricity	127,504 km Whereof 66% overhead lines and 34% underground lines	10.01 TWh
Natural gas	9,644 km	6.68 TWh

[1] *Information reflects data for the full-year 2022.*

Complementary businesses

Flexible Generation

Reliable and flexible power system.

Activities

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

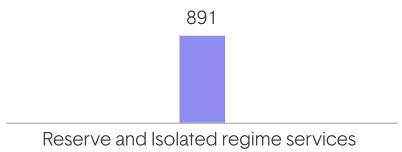
Revenue model

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

Net zero strategy support

Enabling the system to integrate more renewable energy capacities.

Electricity capacity, MW[1]



0.27 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.

Net zero 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 7.71 TWh	2.57 TWh	5.15 TWh
Natural gas retail sales 9.94 TWh	2.55 TWh	7.40 TWh

17.65 TWh

Total retail sales

2.2 Market presence

Regional leader exploring opportunities in the markets undergoing energy transition paths

GREEN GENERATION PORTFOLIO (5,265 MWe, 349 MWth)
- **Operational: 1,215 MWe, 180 MWth**
- **Under construction: 363 MWe, 169 MWth**
- **Advanced development pipeline: up to 702 MW**
- **Early development pipeline: up to 2,985 MW**

LITHUANIA

Networks
- Country-wide electricity and natural gas distribution

Green Generation:

OPERATIONAL (1,103 MWe, 180 MWth)
- Kruonis PSHP (900 MW)
- Kaunas HPP (101 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 (20 MWe, 70 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)

ADVANCED DEVELOPMENT PIPELINE (132 MW)
- Kruonis PSHP (110 MW)
- Tauragė solar park (22 MW)

EARLY DEVELOPMENT PIPELINE (up to 2,102 MW)
- Lithuanian offshore WF I (700 MW)
- Greenfield portfolio (around 1,184 MW)
- Plungė WF project (up to 218 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

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

ADVANCED DEVELOPMENT PIPELINE (up to 570 MW)
- Latvian solar portfolio I (up to 300 MW)
- Latvian onshore WF portfolio I: Project 1 (around 70 MW)
- Latvian hybrid portfolio I (around 200 MW)

EARLY DEVELOPMENT PIPELINE (around 763 MW)
- Latvian onshore WF portfolio I: Project 2 & 3 (around 90 MW)
- Greenfield portfolio (around 673 MW)

Customers & Solutions
- B2B supply of electricity and natural gas

POLAND

Green Generation

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

UNDER CONSTRUCTION (up to 227 MW)
- Silesia WF I (50 MW)
- Polish solar portfolio II (around 40 MW[2])
- Silesia WF II (up to 137 MW)

EARLY DEVELOPMENT PIPELINE (around 120 MW)
- Greenfield portfolio (around 120 MW)

Customers & Solutions
- B2B supply of electricity

[1] *Information reflects data as of report announcement date (28 February 2023).*
[2] *Out of which around 10 MW are still under development.*

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. 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 strive to align our businesses with science-based targets to a 1.5°C-compliant business model. Second, we are ensuring security, 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 is on the home markets – the Baltic countries, Poland, and Finland. We also explore new opportunities in countries on the energy transition path.

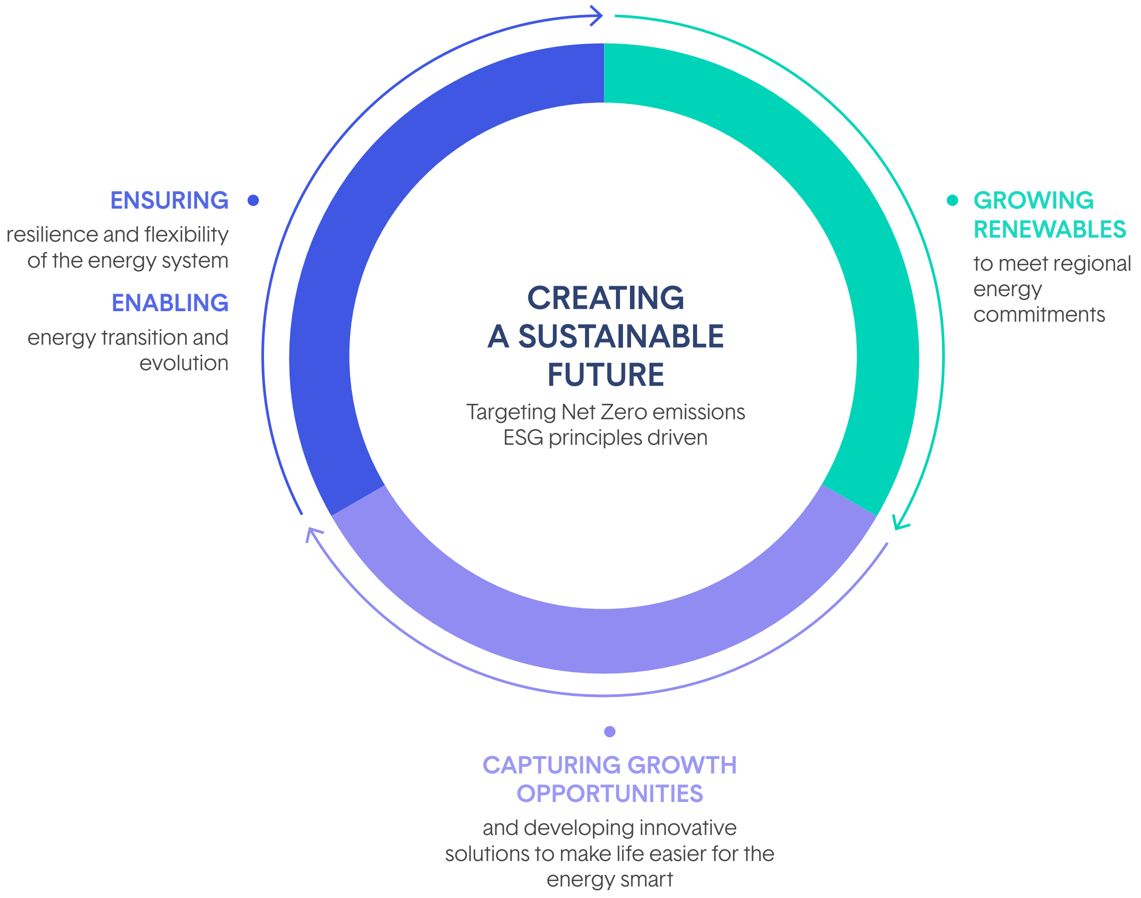
We pursue our strategic priorities with a strong focus on financial discipline. Our engaged people, agile teams, learning culture, organisation with strong governance model and digital approach are the integral parts of our strategy.

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 security, 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 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.

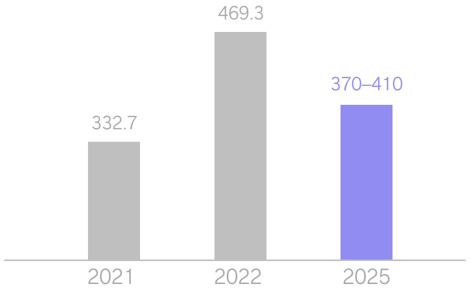
- We target high single-digit/low double-digit levered equity returns depending on the risk profile of the projects.
- Solid investment-grade rating: BBB and above. Net Debt to EBITDA < 5x.
- We aim to deliver dividends to our shareholders in line with our growth and at a minimum annual dividend growth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

Our strategic targets and KPIs for 2022–2025

With this report we present 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'.

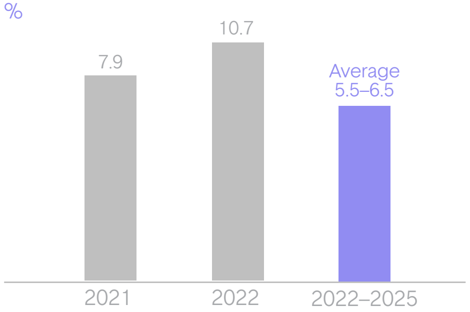
Financial

Adjusted EBITDA APM
EURm



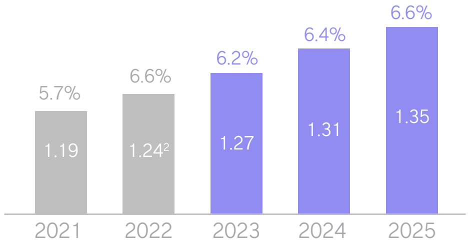
Adjusted EBITDA is expected to reach EUR 370–410 million in 2025 or up to 11–23% growth compared to 2021 driven by Green generation.

Adjusted ROCE APM
%



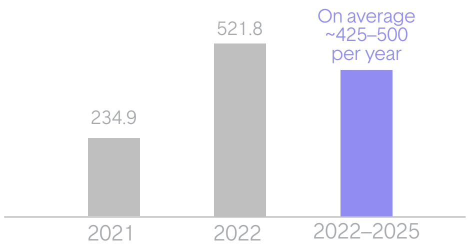
Average Adjusted ROCE during 2022-2025 is expected to be around 5.5–6.5%. Revised WACC in electricity DSO and better than usual results in 2021 for Flexible generation and Customers & Solutions segments are the key drivers for the lower 2022–2025 targeted level.

Minimum DPS and dividend yield[1]
EUR/%



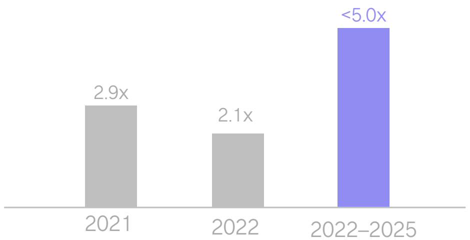
We aim to grow our dividends to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million with EUR 88 million declared for 2021 and EUR 90.3 million for 2022. Implied dividend yield 2022-2025: 6.0-6.6%.

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.

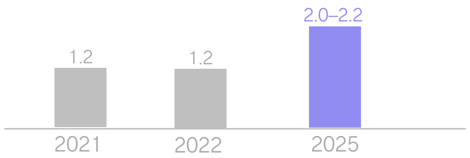
Credit rating
S&P

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 2023–2025 period. Implied dividend yield is calculated based on the Group's share price: 20.5 EUR/share.
[2] A dividend of EUR 1.248 per share comprises of a dividend of EUR 0.624 paid for H1 2022 and a dividend of EUR 0.624 for H2 2022, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023.

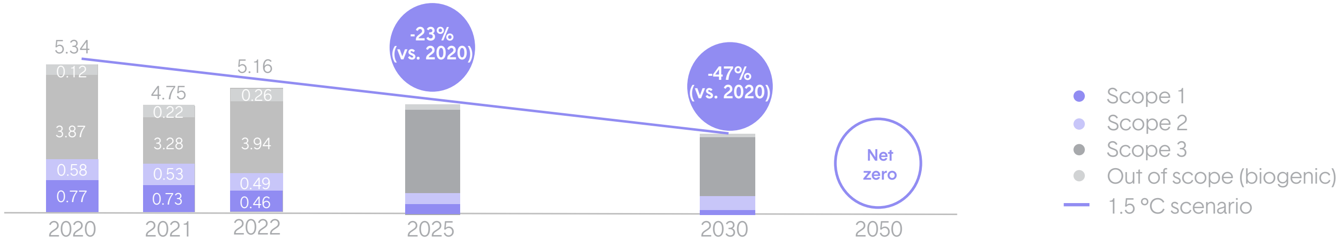
Environment

Green Generation installed 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

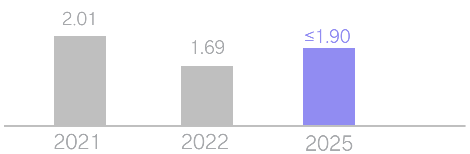


By 2030, we plan to reduce GHG emissions by halve, based on GHG emission management plan validated by SBTi in 2021.

Social

Safety at work
of fatal accidents & TRIR[1]

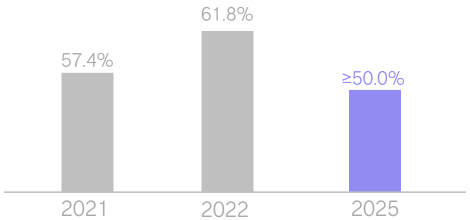
2025 target:
Fatal accidents = 0 (own emplyees and contractors) and TRIR[1] of:



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.

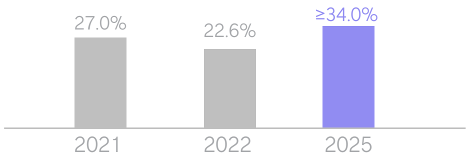
Engaged employees
Employee NPS, %

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.

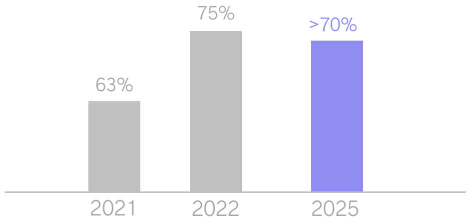
Diverse and inclusive workplace
% of women in top management



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

Governance

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

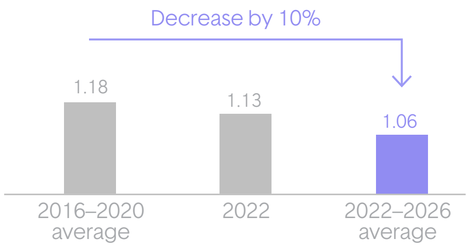


We plan to grow sustainable EBITDA share to 70% or above in 2025.

[1] Of own employees.
[2] 2021 and 2022 is updated Taxonomy-aligned Adjusted EBITDA share, whereas 2025 target is calculated based on the principles defined in the EU Taxonomy draft version 31 Dec 2021.

Resilient Network

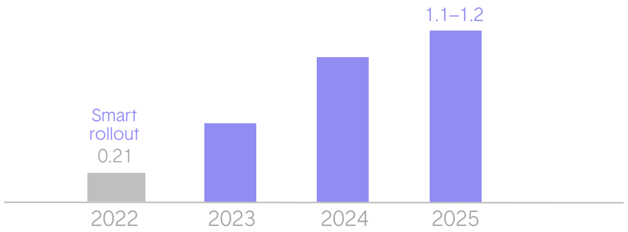
Electricity SAIFI[1]
Interruptions per customer



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

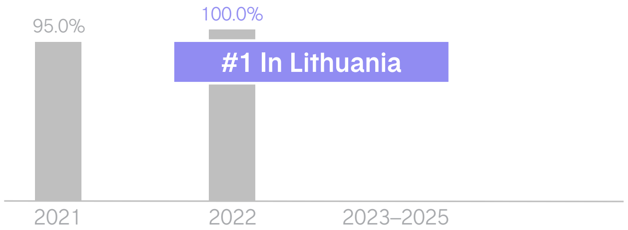
 # Smart meters
m



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

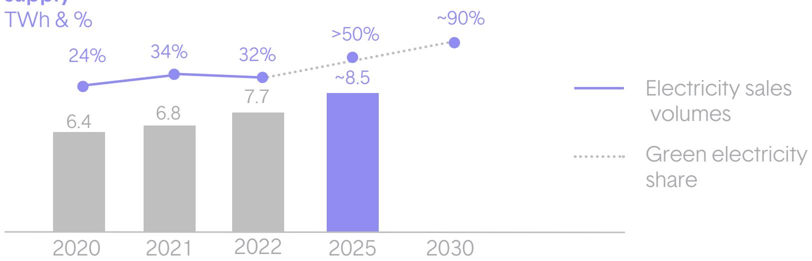
Ancillary and power reserve services
Market share & position



We aim to keep #1 market position of ancillary and power reserve services in Lithuania. In 2022, we continued providing tertiary (519 MW) power reserve services as well as isolated regime services (372 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.*

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.

Innovations

In 2018 we established Ignitis Innovation Hub, which combines internal and external initiatives of Ignitis Group, thereby promoting the development of energy technologies and attracting innovative ideas. The hub is an integral part of the Group, allowing other companies to receive and share open data and test their technologies, prototypes or business ideas utilizing the Group's infrastructure through the Sandbox programme. We cooperate with state institutions, universities and other companies to create new products and services, which we then apply in the Group's activities or offer to consumers. We aim to create and support the EnergyTech ecosystem based on the principles of open innovation.

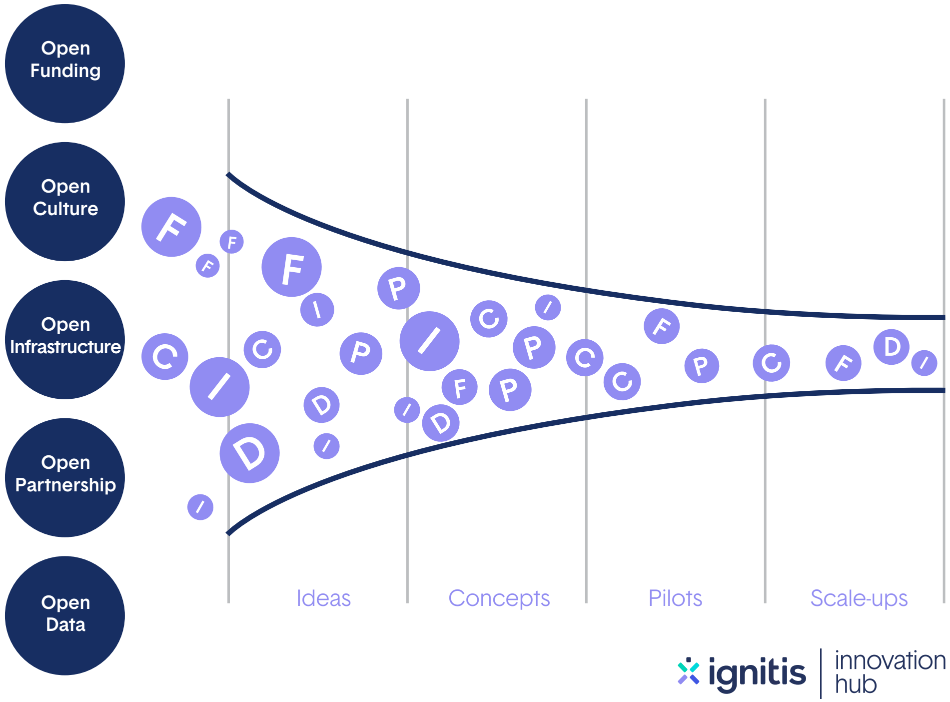
During 2020–2024 Ignitis Innovation Hub aims to develop at least 50 scenarios for the use of innovative solutions, and at least 35 pilot projects are expected to be implemented. In 2022, 12 concepts and 13 pilot projects were implemented, and 4 solutions were developed :

- the proven solutions implemented in the Group include the 'Ignitis EnergySmart' mobile application for analysing energy consumption data and promoting energy efficiency, a commercial option for private customers to rent a part of the wind farm through the eparkai.lt platform;
- an algorithm for dynamic control of EV charging has also been developed, enabling charging stations to be used for the demand response applications, and unique EV charging stations integrated in the existing street lighting infrastructure have been tested;
- concepts of employing promising technologies and new services were also developed. This includes other smart charging solutions for EVs and community wind power for consumers.

Additionally, the Group anchored the first energy-oriented venture capital fund in the Baltics in 2017 – the Smart Energy Fund powered by Ignitis Group (managed by Contrarian Ventures). So far Ignitis Group has invested in start-ups around EUR 10.7 million.

The main objectives of the Group's innovation team for 2023 are to begin the second stage of venture capital investments with the selection of a new investment manager, to enable Plexos, one of the most advanced modelling tools for the energy market, and to continue the search for new technologies that can be applied within the Group's business activities.

Open-innovation pillars and the process of idea development



In 2022	12 concepts implementet	13 pilot projects implementet	4 solutions developed

Smart Energy Fund powered by Ignitis Group

Investments	Total investment asset value	Different companies	Countries	Investment partners	Invested in start-ups
EUR 10.7 million	EUR 20.6 million	18	8	80+	SatelliteVu, Inbalance grid

Digitalisation

Digitalisation programme aims to improve the digital experience of employees, increase operational efficiency and help create the greatest possible added value for the organisation. We do this by taking into account the needs of different teams and the results of the Group employees' digital experience analysis. In 2022, we focused on applying and disseminating design thinking principles across the Group, organising hackathons, enhancing employees' digital skills, automating processes, improving employees' digital experience, and engaging employees in activities that build our Group's digital culture.

Key initiatives

Hackathons and other activities aimed at enhancing the Group's digital culture

To address internal and external challenges affecting the Group, we organised 2 internal hackathons in 2022. For the first time since Covid-19 started, it was held in a hybrid method: participants had a chance to contribute both online and in-person.

This year's hackathons moved away from the hybrid and remote working themes that often dominated before. The focus was on the topics that are of particular relevance, such as sustainability and employee safety, improving private customer experience and collaboration of international colleagues. The solutions developed during the hackathons helped digitise instructions for personal protective equipment and remind employees to periodically take care of their health - by being active, resting their eyes or drinking of water. Recreational excursions have also been launched to promote wind farms, educate the public and create additional benefits for local communities, while dispelling myths about wind farms. A map of generating consumers was developed and made publicly available. It allows all citizens to access open data and see where and how many solar farms are in Lithuania and how well they are performing in generating electricity.

Also, in order to involve colleagues in the activities that create the Group's digital culture and seek potential collaboration with other companies, we regularly organised presentations on digitalisation topics. These were delivered by internal colleagues and external experts or partners and anyone in the Group could join them.

Improving digital skills

In 2022, we ran a digital skills training programme for our colleagues. The programme was tailored based on the Group's digital experience analysis and the needs of different employee groups. The main objective of the programme is to upskill and reskill Group employees to increase efficiency and ensure sufficiency of digital skills for the future of our work. In total, more than 70% of the Group's employees participated in the digital skills development programme.

Reducing the volume of internal IT queries

In 2022, the Group focused on reducing the volume of internal queries, that are being solved by IT staff internally. This was done to free up IT staff's time by completely eliminating or transferring simple, repetitive queries to an internal contact centre. This enables IT staff to do more value-added work and use their knowledge more efficiently. As a result, in Q4 2022, IT staff had to deal with 23% fewer queries compared to the same period the last year.

Plans ahead

In 2023, we will continue to create a smart working environment, primarily by improving the digital experience. We plan to test and apply new digitalisation tools to increase efficiency and our Group's digital maturity. Additionally, we will plan to actively develop our digital skills programme, where we will focus on improving digital skills of managers and on digital skills pathways in order to ensure digital competences within the Group. Finally, we will continue solving the Group's challenges by applying the design thinking principles.

Contents »

2.4 Investment program

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.

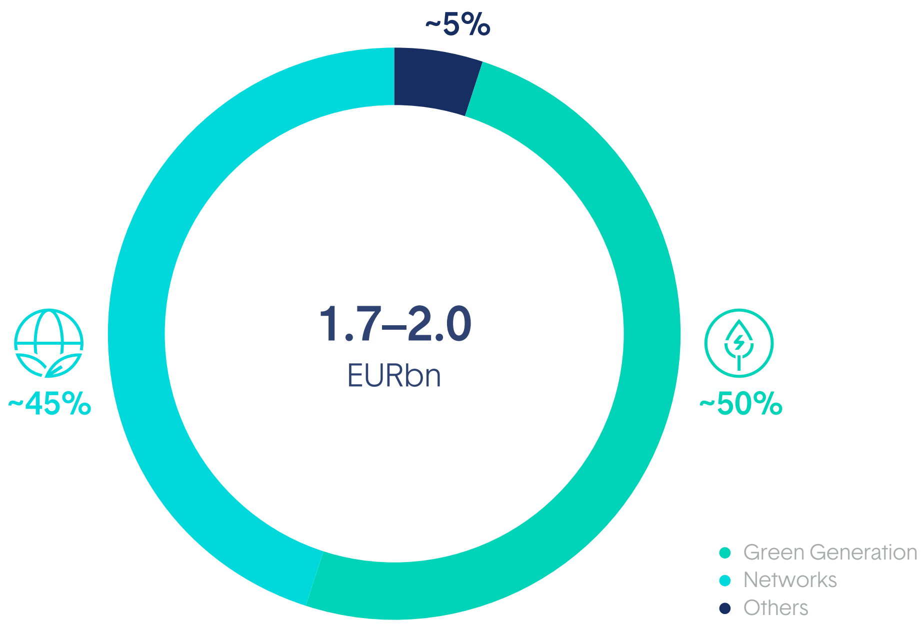
A large part or, around 50%, of the investments will be directed towards the expansion of Green Generation capacity. Based on current assumptions, we should reach 2.0–2.2 GW of installed renewables capacity by 2025, compared to currently operational portfolio of 1.2 GW.

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 (National Energy Regulatory Council, NERC) for a 10-year period. The last time investments of EUR 1.9 billion over 2021–2030 were aligned on 7 December 2021. We will direct these funds to improve reliability, resilience and digitalise the grid as well as to facilitate the market and customer experience.

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, on a regular basis (with interim and annual reporting) we disclose the updates on our key investment projects. More information on both matters is available in the following sections of this report.

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 returns to ensure value-creating growth. A disciplined investment policy targets high single-digit to low double-digit levered equity return depending on the risk profile on a project by project basis.

Based on envisaged 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, biomass, and energy storage

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, coordinated and approved by the regulator (National Energy Regulatory Council, 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
Expansion (new customer connections and upgrades, including prosumers and EV network, smart-meter roll-out) and maintenance

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

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

Update on key ongoing and planned Investments

Green Generation

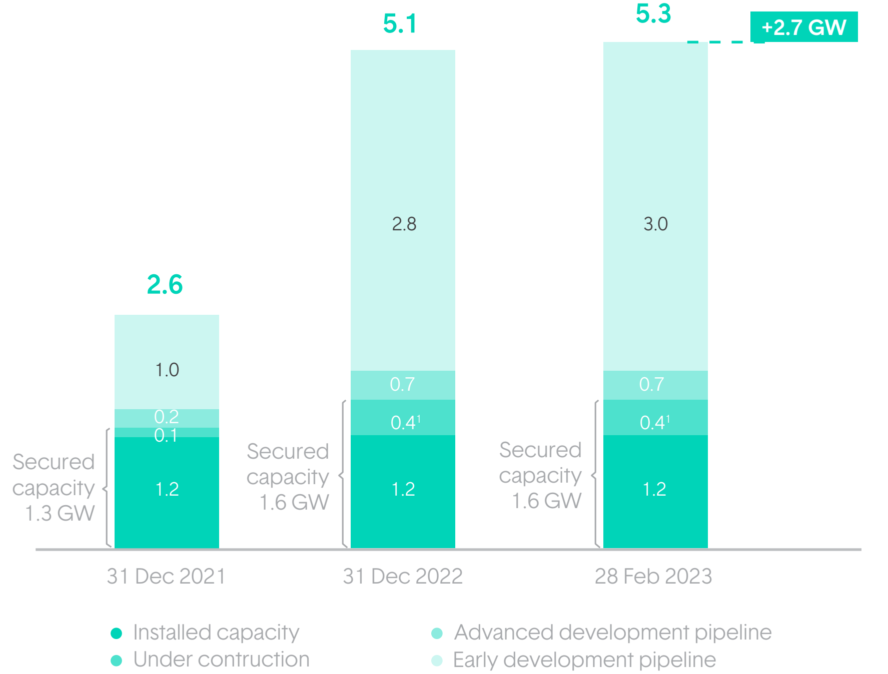
In 2022, our Green Generation Portfolio increased almost twofold to 5.1 GW (from 2.6 GW). Our projects Pipeline tripled to 3.9 GW (from 1.3 GW), out of which the largest share of growth was captured by accelerated greenfield projects expansion, which increased eleven times to around 1.8 GW (from 170 MW). After the reporting period, we secured land plots for further 0.2 GW and now our greenfield pipeline comprises a total of around 2.0 GW, resulting in our Portfolio further increase to 5.3 GW as of report announcement date.

In addition to greenfield growth, our Pipeline also increased because of four acquisitions with a total capacity of up to 0.9 GW. In Q3 2022, we acquired a Latvian hybrid portfolio I (around 200 MW) and Silesia WF II (up to 137 MW) in Poland, which already reached the construction stage. Additionally, in Q4 2022, we acquired Plungė WF (up to 218 MW) in Lithuania and Latvian solar portfolio I (up to 300 MW).

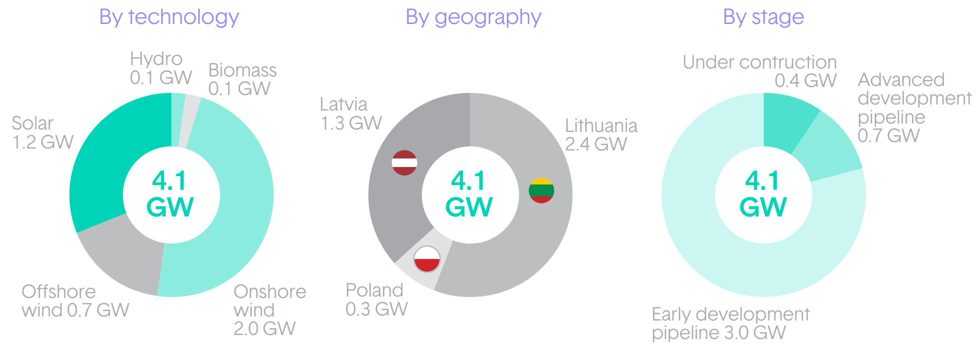
Implementation of project Portfolio is progressing as planned with a few exceptions. Our targets to generate the first energy on testing mode around Q1 2023 and commence full commercial operation of Vilnius CHP biomass unit (73 MWe, 169 MWth) in Lithuania during the next heating season remain unchanged. However, due to disruptions in supply chain and construction markets, there is a minor delay in the project's COD (postponed to Q3 2023 from Q2 2023). Also, regarding our Silesia WF I (50 MW) project under construction in Poland, we expect to supply the first power to the grid as planned in Q4 2023. However, due to some constrains in supply chain as well as weather risk challenges, the projects budget was revised to around EUR 75 million (from EUR 70 million) and COD postponed to Q1 2024 (from Q4 2023). Since 9M 2022, there were no significant changes in implementation of other projects.

Finally, a few our Portfolio projects reached significant milestones since the end of Q3 2022. In Q4 2022, Moray West offshore wind project, in which we own a minority stake of 5%, reached the construction phase. Additionally, in January 2023 the first power to the grid was supplied in our Mažeikiai WF (63 MW), in Lithuania. Since then the generated power is being sold on merchant basis.

Green Generation Portfolio



Green Generation Pipeline



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

Status on key investment projects / Under construction

Project	Mažeikiai WF	Vilnius CHP (biomass unit)	Silesia WF I	Polish solar portfolio II	Silesia WF II	Moray West offshore wind project[8]
Country	Lithuania	Lithuania	Poland	Poland	Poland	The United Kingdom
Technology	Onshore wind	Biomass	Onshore wind	Solar	Onshore wind	Offshore wind
Capacity	63 MW	73 MWe, 169 MWth	50 MW	~ 40 MW	Up to 137 MW	850–900 MW
Expected COD	Q2 2023	Q3 2023	Q1 2024	2023 – Q1 2024	H2 2024	2025
Investment	~ EUR 80–85 million	~ EUR 270 million[1]	~ EUR 75 million[2]	~ EUR 30 million	~ 240 EUR million[2]	Not disclosed
Revenue model	Merchant (PPA)	Merchant (PPA)	15-year indexed CfD at ~ 51 EUR/MWh[3]	15-year indexed CfD (partly secured at ~49–57 EUR/MWh[4]) / Merchant (PPA)	15-year indexed CfD at ~59 EUR/MWh[6] (for ~35% of expected output) / Merchant (PPA) (for ~65% of expected output)	15-year indexed CfD at ~52 EUR/MWh[7] (for ~33% of expected output) / Merchant (PPA) (for ~67% of expected output)
Ownership	100%	100% (49% to be divested post COD according to EU CAPEX grant rules)	100%	100%[5]	100%	5%[8] (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
Status	On track	Time delay and / or budget deviation	Time delay and / or budget deviation	On track	On track	On track
Progress	– All wind turbines were erected and connected to the internal grid. The process of wind turbines electrical completion in progress. – Undergoing final testing procedures of TSO substation, wind turbines, SCADA system with expected testing completion at Q2 2023. – The first power to the grid supplied in January 2023 and since then generated power is being sold on merchant basis. – As of report announcement date 4 wind turbines were connected to the grid.	– Cold tests has begun. – Start-up burner set has been delivered and installed. – Installation of boiler lining (heat-resistant concreting of the internal surfaces of the boiler) have been completed. – Our targets to generate the first energy on testing mode around Q1 2023 and commence full commercial operation during the next heating season remain unchanged. However, due to disruptions in supply chain and construction markets, there is a minor delay in the project's COD (postponed to Q3 2023 from Q2 2023).	– Delivery and installation of wind turbines and its components (Nordex) remains unchanged, i.e., are expected to start in Q2 2023 and finish by the end of Q3 2023. – Foundation's works of wind turbines completed. – Undergoing roads and crane pads constructions with expected completion in Q1 2023. – First power to the grid is expected to be supplied as planned in Q4 2023. However, due to some constrains in supply chain as well as weather risk challenges, the projects budget was revised to around EUR 75 million (from EUR 70 million) and COD postponed to Q1 2024 (from Q4 2023).	– 30 projects with a total capacity of around 30 MW have already secured CfD in the range of ~49–57 EUR/MWh[4]. – First portfolio batch of 21 MW is under construction, with expected COD by the end of 2023. Subsequent batch of 8 MW is expected to be commissioned by Q1 2024. The remaining around 10 MW are still under development.	– Wind turbine supply and installation (Nordex), BoP and owner's engineer agreements have been signed. – Project development and design works have been initiated. – The project has been awarded by the Polish auction system with a 15-year CfD for 35% of the total planned electricity production to sell the generated energy at a level of ~59 EUR/MWh[6].	– Siemens Gamesa has been awarded the order for the delivery of 60 wind turbines with capacity of 14.7 MW each. – European Commission confirmation received, confirming the project not falling within the scope of the merger regulation. – Project financing process at the final stage with expected signing and financial close in Q1 2023.

On track   Time delay and / or budget deviation

[1] *Includes EU CAPEX grant for Vilnius CHP (i.e., waste-to-energy (operational since Q1 2021) and biomass units) which in total amounts to ~EUR 140 million.*
[2] *Including project acquisition and construction works.*
[3] *237.5 PLN/MWh, applying inflation index and 4.6808 PLN/EUR rate as of 30 December 2022.*
[4] *228–268 PLN/MWh, applying inflation index and 4.6808 PLN/EUR rate as of 30 December 2022.*
[5] *After full completion of construction works.*
[6] *274.99 PLN/MWh, applying inflation index and 4.6808 PLN/EUR rate as of 30 December 2022.*
[7] *37.35 GBP/MWh (in 2012 prices), applying inflation index and 0.88693 GBP/EUR rate as of 30 December 2022.*
[8] *As the Group owns a minority stake of 5%, the project's capacity is not consolidated and is not reflected in the data of Green Generation portfolio.*

Status on key investment projects / Advanced development pipeline

Project	Tauragė solar project	Latvian solar portfolio I	Kruonis PSHP expansion	Latvian onshore WF portfolio I: Project 1	Latvian hybrid portfolio I
Country	Lithuania	Latvia	Lithuania	Latvia	Latvia
Technology	Solar	Solar	Hydro	Onshore wind	Onshore wind & solar
Capacity	22.1 MW	Up to 300 MW	110 MW	Around 70 MW	Around 200 MW
Expected COD	2024	2025	2025[3]	2025	2025-2027
Investment	~ EUR 16 million	~EUR 213 million[1]	TBU[4]	~EUR 90 million[1]	~EUR 270 million[1]
Revenue model	Merchant (PPA)	Merchant (PPA)	N/A	Merchant (PPA)	Merchant (PPA)
Ownership	100%	100%[2]	100%	100%[2]	100%[2]
Status	On track	On track	On track	On track	On track
Progress	– The solar project will be constructed in the vicinity of our existing Vėjo Gūsis WF (19.1 MW) in Tauragė, Lithuania, i.e. will be the first Group's onshore hybrid project. – FID decision has been taken. – Contracts with PV module and inverter suppliers has been signed. – Project design works in progress. – Contracting process of owner's engineer and DC contractor in progress.	– A conditional agreement for an acquisition of solar portfolio in Latvia signed in December 2022. – Grid secured for all 3 projects. – Building permitting process in progress with expected finalization in Q3 2023.	– Negotiations with potential suppliers of FIDIC Engineer services were finished and the suppliers were invited to submit the final proposals, which were received in January 2023. We expect to finalise service provider selection procedures by the end of March 2023. – In the main contract negotiations with potential suppliers were finished and the suppliers were invited to submit the final proposals, which were received in January 2023. We expect to finalise the main contractor selection procedures around Q1 2023. – A decision on FID is expected in Q1 2023.	– EIA is in progress. – Grid secured. – Permit from Ministry of Economics and technical conditions from TSO received.	– EIA is in progress. – Grid secured. – Permit from Ministry of Economics and technical conditions from TSO received.

On track   Time delay and / or budget deviation

[1] Including project acquisition and construction works.
[2] After construction permits are granted or prior grid deposit is paid.
[3] Tentative schedule is targeted to be aligned with Lithuania's synchronisation with the synchronous grid of Continental Europe project.
[4] Based on better than initially expected technical parameters of the 5th unit resulting in possibility to provide broader spectrum of services to TSO, and thus updated business model, as well as increased materials costs related to undergoing Russia's invasion of Ukraine and inflation, investment level is expected to be at a higher level compared to the preliminary expected value of tender offer (~ EUR 80 million) announced in January 2021. Despite that, the business case scenario remains unchanged with expected return being in line with the Group's target return range, i.e., high single-digit to low double-digit on a levered equity basis.

Status on key investment projects / Early development pipeline

Project	Greenfield portfolio	Latvian onshore WF portfolio I: Project 2 & 3	Plungė WF project	Lithuanian offshore WF I
Country	Lithuania, Poland, Latvia	Latvia	Lithuania	Lithuania
Technology	Onshore wind & solar	Onshore wind	Offshore wind	Offshore wind
Capacity	Around 2.0 GW[1]	Around 90 MW	Up to 218 MW	700 MW
Expected COD	2025–2030[2]	2026–2027	2026–2030	2028–2030
Investment	Not disclosed	~EUR 110 million[3]	~EUR 300 million[3]	Not disclosed
Revenue model	Merchant (PPA)	Merchant (PPA)	Merchant (PPA)	15-year CfD[5]
Ownership	100%	100%[4]	100%[4]	51% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
Status				
Progress	– In 2022, our greenfield portfolio increased by around 1.7 GW to a total of around 1.8 GW (from 170 MW). After the reporting period, we secured land plots for further around 0.2 GW and now our greenfield pipeline comprises a total of around 2.0 GW. – After securing the land necessary to build reasonable capacity, EIA, spatial planning and other procedures for the specific locations are usually initiated.	– EIA for 54 MW (out of 90 MW) has been received. For the remaining capacity – EIA procedures in progress.	– The project was acquired in November 2022. – Preparatory works for EIA procedures and further development started	– In Q2 and Q3 2022, seabed and metocean surveys in Lithuania have been started and the first results have been received by the contracting authority and published in Q4 2022. – In September 2022, a regulator (National Energy Regulatory Council, NERC) published a draft document that outlines tender procedures which are expected to be approved in Q1 2023. The tender will take place on 1 September 2023. – On 26 October 2022, the Government of Lithuania approved the requirements for the tender participants.

[1] Secured land lease agreements for the development of the indicated capacity.
[2] As the indicated capacity includes different projects, expected COD depends on the progress of individual projects. Additionally, Lithuanian projects should begin operations towards the end of the indicated time range.
[3] Including project acquisition and construction works.
[4] After construction permits are granted or prior grid deposit is paid.
*[5] According to the Law that was approved by the Parliament of Lithuania, a tender participant will have to provide: (i) CfD (EUR/MWh) and (ii) electricity production volume (MWh) for which CfD is asked. If the developers do not ask for any support from the state (indicates 0 (zero) MWh), they will have to indicate the 'development fee' which they are willing to pay to the state additionally (this fee will have to be included in the primary bid). If all tender participants will ask for support from the state, the winner will be selected according to the lowest 'support needed' that will be calculated according to the following formula: (CfD asked by the developer – Minimum CfD (set by the the regulator)) * Electricity production volume (MWh) for which CfD is asked. If support from the state is not requested, the winner will be selected according to the highest 'development fee' proposed.*

On track   Time delay and / or budget deviation

Networks

Since the end of 2021 we have successfully continued working on grid maintenance and expansion, including the smart meter roll-out. On the latter, we continued project implementation, which is on track with the launch of the IT system enabling the mass roll-out at the very beginning of Q3 2022. The smart meter roll-out is planned for all private and business consumers whose energy consumption exceeds 1,000 kWh a year, as well as all the new customers, electricity producers and remote producers. Nevertheless, people with disabilities may now request their smart meter to be installed regardless of the annual energy consumption volume. The roll-out plan is prepared and tasks are assigned to engineers based on priority, primarily including unscheduled work, such as failure of the current meter or new customer connection. Then, the system chooses the optimal route for smart meter replacement, including consumers scheduled according to the above-mentioned criteria and consumers near the ones with priority.

In 2022, we successfully achieved and exceeded smart meter installation target of 192,000. In total, 210,439 smart meters were installed (out of total 1,200,000 to be installed) during the reporting period. With that, our target of finalizing the mass roll-out process by the end of 2025 remains unchanged, despite the global supply crisis potentially causing disruption in the production of smart meters and, thus, affecting the project by having the smart meters delivered in smaller quantities than planned and/or within a longer timeframe.

Status on key investment projects

Project	Maintenance	Expansion *New customer connections and upgrades*	Expansion *Smart meter roll-out*	TOTAL
Country		Lithuania		
Investments 2021–2030 (10-year investment plan)	~ EUR 1 billion	~ EUR 750 million	~ EUR 150 million	**~ EUR 1.9 billion**
Investments 2022–2025 (Strategic plan)	~ EUR 390–410 million	~ EUR 320–340 million	~ EUR 100–120 million[1]	**~ EUR 0.8–0.9 billion**
Revenue model	Partially covered by EU funds (on a project-by-project basis)	Partially covered by customers' fees	NA	**NA**
Ownership		100%		
Status				
Progress	– In 2022, over 1,136 km of electricity lines were reconstructed (out of which 345 km in Q4 2022). Over 95% of the lines are underground cables.	– In 2022, over 37,824 new electricity customers and almost 26,177 capacity upgrades were connected and upgraded respectively. It resulted in around 726 km of new electricity lines (out of which 208 km in Q4 2022).	– Shortly after Q2 2022, a mass meter roll-out was successfully started. – By the end of 2022, a total of 210,439 smart meters were installed. – Additionally, in Q4 2022 the second phase of smart metering IT systems' deployment project was started with detailed analysis of new functionalities and deployment planning.	

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

On track   Time delay and / or budget deviation

~ 5.3 GW

Since the beginning of 2022, our Green Generation Portfolio increased more than twofold to 5.3 GW (from 2.6 GW).

2.5 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, including key regulatory framework changes below.

Macroeconomic environment

GDP

The pandemic's logistical and supply challenges were made worse by Russia's invasion of Ukraine, which disrupted the flow of materials necessary for industrial processes. In 2022, growth across the euro area was 1.9% compared to previous year, with forecasted full-year GDP growth of 0.9% and 1.5% in 2023 and 2024, respectively. In Lithuania, GDP slightly declined by 0.4% compare to the same time last year and is anticipated to grow by 0.3% and 2.5% in 2023 and 2024, respectively. Our home countries' projected GDP growth for 2023 is forecasted to be less than that of the EU and the euro area, while higher growth is projected in 2024, according to the Eurostat Winter Forecast.

GDP change, %

	2022 vs 2021	2023F	2024F
Lithuania	(0.4)	+0.3	+2.5
Latvia	+0.1	+0.1	+2.7
Estonia	-[1]	+0.1	+2.8
Finland	-[1]	+0.2	+1.4
Poland	-[1]	+0.4	+2.5
Euro area	**+1.9**	**+0.9**	**+1.5**
EU	**+1.8**	**+0.8**	**+1.6**

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

Inflation

The euro area's harmonised CPI slightly decreased in Q4 2022, reaching +9.2% in December 2022, with the energy sector still accounting for the majority of the increase (25.5%). With the exception of Finland, the inflation rate in our home markets was higher than in the euro area and the EU in 2022. Furthermore, inflation in our home countries is likely to remain higher than in the EU and eurozone in 2023, but harmonized CPI is expected to approach similar levels in 2024.

Inflation rate change measured by harmonised CPI, %

	2022	2023F	2024F
Lithuania	+20.0	+8.7	+2.1
Latvia	+20.7	+7.9	+1.5
Estonia	+17.5	+6.2	+2.2
Finland	+8.8	+4.2	+2.0
Poland	+15.3	+11.7	+4.4
Euro area	**+9.2**	**+5.6**	**+2.5**
EU	**+10.4**	**+6.4**	**+2.8**

Source: Eurostat.

Industry environment

Overview of key changes

- Unpredictability of natural gas flows and halt of its imports through Nord Stream I caused a 3x average YoY natural gas price growth across our home market. Moreover, a premium had to be paid to attract flows and ensure necessary storage level.
- High natural gas and CO2 (EU ETS) prices as well as lower hydro generation in Scandinavia resulted in a 2x average YoY wholesale electricity price increase within our home market. Repair works of an interregional transmission line, reducing cross-border electricity flow, also contributed to this increase.
- Electricity generation levels increased across all home market countries with the largest growth captured in Estonia due to increased generation from oil-shale fired plants, with an exception in Latvia, whose generation levels decreased due to reduced generation levels of fossil fuel power plants and increased production costs.
- We continue to observe a significant decrease in natural gas consumption levels across all home market countries. However, decrease is not that significant when comparing electricity consumption changes.

Electricity

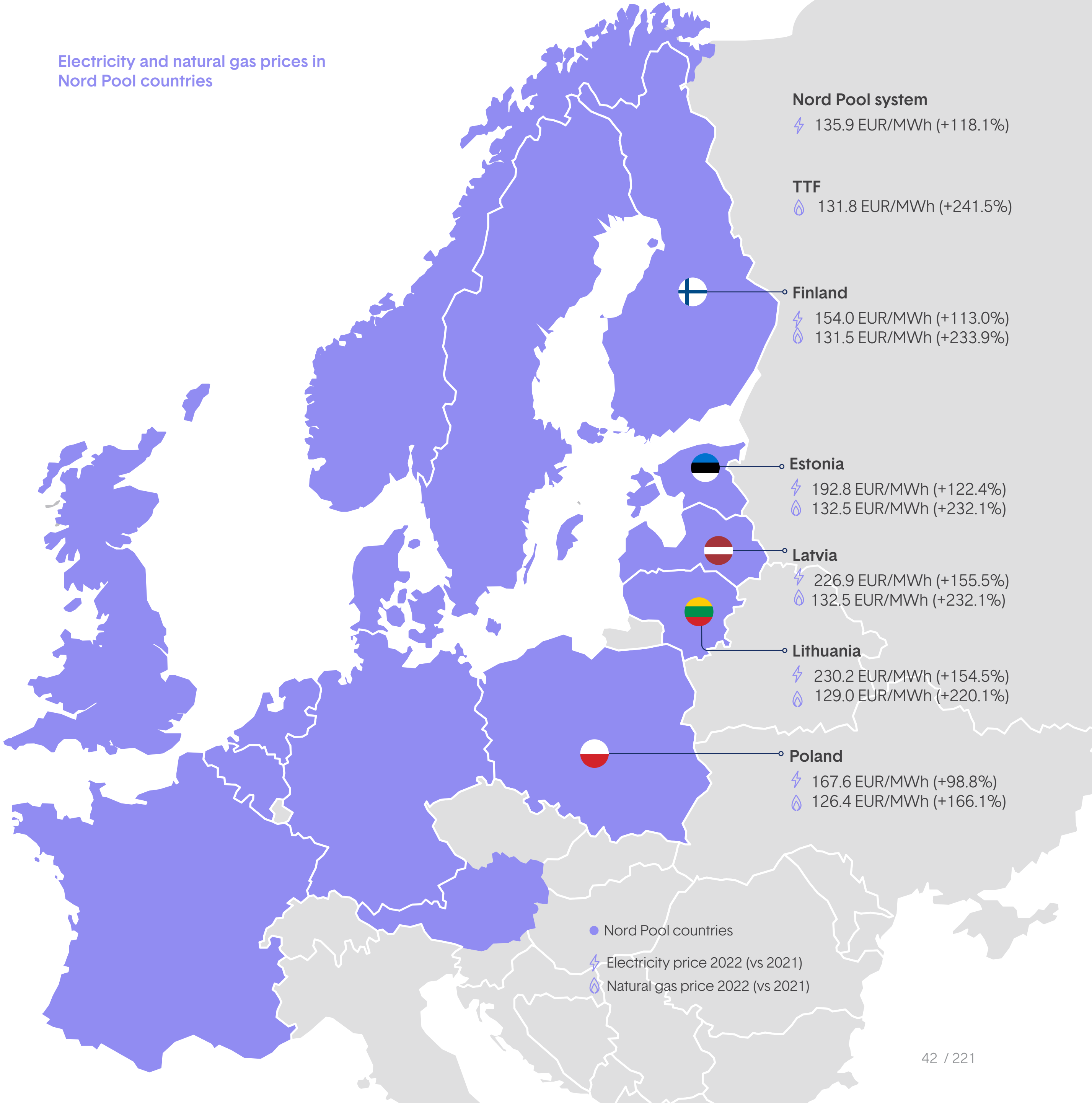
	Consumption, TWh 2022	Consumption, TWh 2021	Δ, %	Generation, TWh 2022	Generation, TWh 2021	Δ, %
Lithuania	12.2	12.4	*(1.6%)*	4.6	4.2	*9.5%*
Latvia	6.8	7.3	*(6.8%)*	4.5	5.6	*(19.6%)*
Estonia	8.2	8.4	*(2.4%)*	7.1	5.9	*20.3%*
Finland	79.2	84.7	*(6.5%)*	63.6	63.7	*(0.2%)*
Poland	172.9	174.9	*(1.1%)*	176.0	175.0	*0.6%*

Natural gas

Consumption, TWh

	2022	2021	Δ, %
Lithuania	15.7	24.3	*(35.4%)*
Latvia	8.8	12.5	*(29.6%)*
Estonia	3.7	4.9	*(24.6%)*
Finland	11.4	24.8	*(53.6%)*
Poland	177.6	216.5	*(18.0%)*

Electricity and natural gas prices in Nord Pool countries

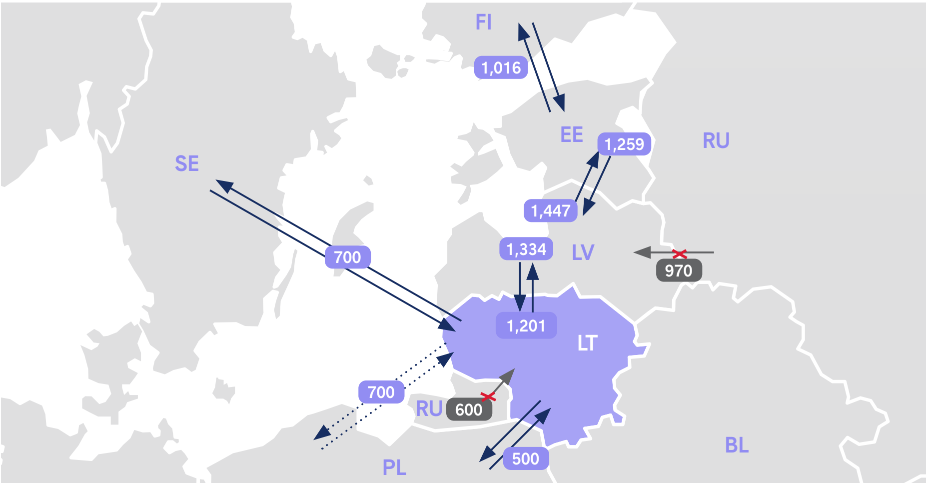


Regional interconnections and infrastructure

Over the last couple of years, there has been significant changes in terms of power and natural gas flows in our region. Electricity imports from Russia and Belarus to Lithuania have been stopped since autumn 2021 as a result of the launch of the Belarusian Astravyets Nuclear Power Plant (Belarusian ANPP). Even though the trade of electricity across the Lithuanian-Belarusian border was not possible, the physical power flow was still present. However, it was finally stopped completely in Q2 2022, after Europe's Nord Pool power market stopped Russian electricity trading. Since then, all Baltic countries have stopped importing electricity from Russia. It's important to note that Lithuania is one of the most interconnected countries in Europe, which allows it to cover its electricity demand despite the reduction in flows, and its electricity system's resilience and reliability is expected to increase even further after the project of synchronization with the Continental Europe is completed in 2025.

Regarding the natural gas, Lithuania was the first EU member state which suspended its purchases from Gazprom in the beginning of Q2 2022 by replacing it with LNG cargoes, mainly from the USA and Scandinavia. Furthermore, on 1 July 2022, a law prohibiting natural gas imports from Russia and other countries posing threat to the country's national security has entered into force. Finally, in autumn 2022, we secured a spot for 6 additional LNG cargoes (in addition to the existing 4) per year until the end of 2032 at the Lithuanian LNG terminal in Klaipėda. Thus, even though natural gas is not the core business of the Group, we actively participate in every way possible to reduce natural gas dependency on Russia while ensuring uninterrupted supply to our customers.

Power interconnections[1]: enough to cover the demand despite the stopped Russian power imports



xx Transmission capacity (MW)

Interconnections in place

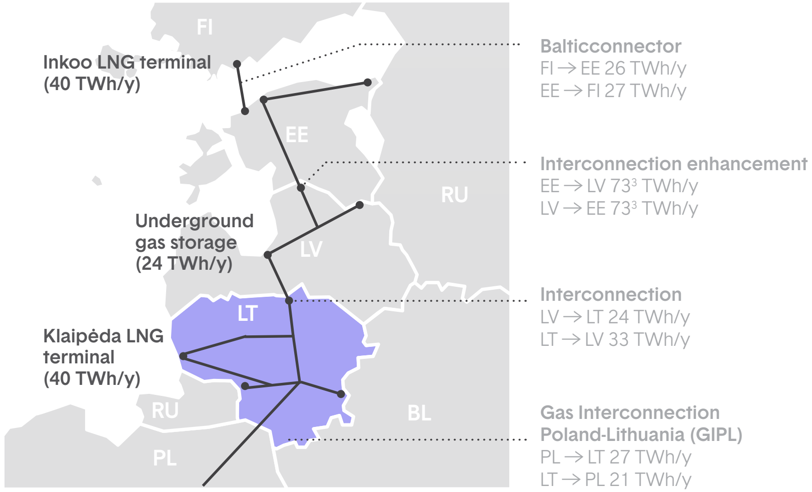
Interconnection under construction (Harmony Link, expected to be operational around 2025)

Interconnections with Russia and Belarus no longer in use

Lithuanian power capacity

Pre-war	Current	In 2027	Peak demand
4.1 GW	2.5 GW	3.2 GW	2.0 GW

Natural gas infrastructure[2]: supply ensured by imports through LNG terminals and inventory in underground storage



	Annual demand 2022, TWh/y	*Consumption change 2022 vs 2021, %*
Poland	177.6	*(18.0%)*
Lithuania	15.7	*(35.4%)*
Finland	11.5	*(53.6%)*
Latvia	8.8	*(29.6%)*
Estonia	3.7	*(24.6%)*
Total	**217.3**	***(23.2%)***

[1] Source: Nord Pool, IEA.
[2] Source: publicly available data.
[3] Source: based on the Group's data.

The Group's role in home market countries

As the Group operates across the Baltic countries, Poland, and Finland, its role differs depending on the country. We play a critical role in Lithuania's energy value chain by participating in all energy related activities, except the transmission services. In comparison, in other countries we either own and operate power generation assets, manage retail business, or both. For further details, see the figure below.

The Group's contribution to the energy market's value chain

Regulatory and Operating Authorities

Regulator	Lithuanian Ministry of Energy	Market operators
VERT National Energy Regulatory Council		Nord Pool; GET Baltic

	Natural gas imports	Generation	Transmission	Distribution	Retail
Lithuania	Ignitis group – Designated LNG importer; Others	Ignitis group – Including reserve capacity; Others	Litgrid; Amber Grid	Ignitis group – Operated by eso	Ignitis group; Others
Other markets	NA	Ignitis group	NA	NA	Ignitis group

Regulatory environment

EU-wide

REPowerEU

The European Commission (EC) continues implementing the Green Deal agenda by proposing substantial legislative and policy packages. On 18 May 2022, EC proposed the REPowerEU plan outlining the EU's path to energy independence from Russian fossil fuels by 2027 as well as securing long-term sustainability, cost-effectiveness, and energy supply to the EU energy system. The timeframe and scale of ambition call for far faster and wider-ranging action than the already-ambitious proposals announced so far, e.g., under the 'Fit for 55 Package' and the 'Hydrogen and Decarbonised Gas Market Package'. To achieve the abovementioned goals, the following three pillars will need to be covered by a combination of short-, mid-, and long-term goals and measures:

- demand reduction (e.g., increasing the binding 'Energy Efficiency Directive' target to 13% from 9%);
- diversification of suppliers for conventional (fossil) fuel imports whilst future-proofing the corresponding infrastructure (e.g., introducing a platform for voluntary common purchase of pipeline fossil gas, LNG, and hydrogen; establishing the obligation to fill gas storage facilities to 80% by 1 November each year; acceleration of construction of key interconnection points in the electricity grid, including within the Baltic region);
- acceleration of transition to renewable energy sources (e.g., increasing the target in the 'Renewable Energy Directive' to 45% by 2030 (from 40%) under the 'Fit for 55 Package'; increasing the 320 GW target of installed solar capacity by 2025 to 600 GW by 2030; setting the target of 10,000,000 tonnes of green hydrogen production in the EU and the same quantity of imports by 2030; setting the target of 35 billion cubic metres of biomethane production by 2030; introducing the 'European Solar Rooftop Initiative', which aims to make rooftop solar infrastructure mandatory for commercial and public buildings by 2025, and residential buildings by 2029).

Date of adoption:	Undergoing (except for the new natural gas storage rules, adopted on 27 June 2022)
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

European Gas Demand Reduction Plan

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

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

In any case, Member States are free to choose the appropriate measures to reduce demand and should prioritise measures affecting non-protected customers, considering their economic importance.

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

The Marienborg declaration

On 30 August 2022, The President of Republic of Lithuania and the Heads of Governments from Denmark, Germany, Estonia, Latvia, Poland, Finland and Sweden (Member States) signed the Marienborg Declaration in which they set combined ambitions for offshore wind in the Baltic Sea region of at least 19.6 GW by 2030, or seven times the current capacity, and recognized the substantial potential for offshore wind power in the Baltic Sea basin, reaching up to 93 GW. The Heads of Member States agreed to pursue faster permitting processes and strive for a balanced coexistence of economic and ecological needs, to explore joint cross-border renewable energy projects and identify infrastructure needs to enable the integration of renewable energy needed to ensure security of supply and affordable energy in homes and businesses, while respecting Member States' national energy policy priorities and their choices of energy mix. To achieve this, it was agreed to strengthen cooperation at the political level among the Member States around the Baltic Sea regarding energy security, including the acceleration of renewable energy supply.

Date of adoption:	30 August 2022
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Icons represent to which business segments regulatory changes are relevant.

Emergency Regulation

On 6 October 2022, the EU Council adopted Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices. The regulation introduces common measures to reduce electricity demand and to collect the energy sector's surplus revenue and redistribute it to households and small and medium-sized enterprises. In this regard, the regulation establishes these temporary and extraordinary measures:

- electricity demand reduction: overall reduction target of 10% of gross electricity consumption and a mandatory reduction target of 5% of the electricity consumption during peak hours are set. Member states will need to identify 10% of their peak hours between 1 December 2022 and 31 March 2023 when they will reduce the demand and to implement appropriate measures for that;
- cap on market revenues for inframarginal assets: introduced a cap to market revenues at 180 EUR/MWh for electricity producers, including intermediaries, that use so-called inframarginal technologies to produce electricity, such as renewables, nuclear and lignite. Member states are required to implement measures of their choice to collect and redirect the surplus revenues towards supporting and protecting end electricity customers;
- solidarity levy for the fossil fuel sector: mandatory temporary solidarity contribution of the profits of businesses active in the crude petroleum, natural gas, coal, and refinery sectors. The solidarity contribution will be calculated on taxable profits, as determined under national tax rules in the fiscal year starting in 2022 and/or in 2023, which are above a 20% increase of the average yearly taxable profits since 2018. Proceeds from the solidarity contribution will be used to provide financial support to households and companies and to mitigate the effects of high retail electricity prices;
- retail measures: member states may temporarily set a price for the supply of electricity to medium-sized enterprises to further mitigate their struggles with high energy prices. Member states may also set a price for the supply of electricity which would be below the cost.

Temporary mechanism to limit excessive natural gas prices

On 19 December 2022, the EU energy ministers agreed on temporary mechanism to limit excessive natural gas prices. The proposal for a Council regulation establishing a market correction mechanism to protect citizens and the economy against excessively high prices aims to limit episodes of excessive natural gas prices in the EU that do not reflect world market prices. The market correction mechanism will be automatically activated if the following 'market correction event' occurs:

- the month-ahead price on the Title Transfer Facility (TTF) exceeds 180 EUR/MWh for three working days;
- the month-ahead TTF price is EUR 35 higher than a reference price for LNG on global markets for three working days.

The mechanism will apply as of 15 February 2023. While the mechanism is active, transactions concerning gas futures that are within the scope of the MCM above a so-called 'dynamic bidding limit' will not be allowed to take place. The 'dynamic bidding limit' is the reference price for LNG on global markets (based on an international basket of LNG transaction hubs) plus 35 EUR/MWh. If the reference price for LNG is below EUR 145, the dynamic bidding limit will remain at the sum of EUR 145 and EUR 35. Once activated, the dynamic bidding limit will apply for at least 20 working days. If the dynamic bidding limit is below 180 EUR/MWh for last three consecutive working days, it will be automatically deactivated. The regulation also includes a suspension mechanism, if risks to security of energy supply, financial stability, intra-EU flows of gas, or risks of increased gas demand are identified.

Consultation on Revision of the EU's electricity market design

On 23 January 2023, the European Commission initiated public Consultation on Revision of the EU's electricity market design. During these consultations, the aim is to identify regulatory measures aimed at eliminating the shortcomings of the EU electricity market model that emerged during the energy crisis. The consultation document focuses on possible measures to create a more resilient market that would add value to European citizens and industry as a whole, not only in the current crisis. These measures must be implemented quickly and be permanent, taking into account the overall structure of the electricity market and its long-term evolution, as well as the changing needs of the energy transition.

Date of adoption:	6 October 2022	Date of adoption:	Undergoing	Date of adoption:	23 January 2023
Relevance to the Group's business segments:		Relevance to the Group's business segments:		Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, a negative impact is expected.	Impact to the Group:	Lower NWC level, as a result of decreased prices of natural gas.	Impact to the Group:	As of report announcement date, financial impact cannot be evaluated.

Icons represent to which business segments regulatory changes are relevant.

Lithuania

Transposition of Clean Energy Package into Lithuanian energy law

On 11 November 2021, the Parliament of the Republic of Lithuania adopted legislative amendments that transposed the EU's Clean Energy Package requirements into national law, which came into force in 1 January 2022. The main purpose of the Clean Energy Package was to establish new regulatory framework suitable to sustain energy transition from fossil fuels to greener energy, and, more specifically, to fulfil the Paris Agreement goals by reducing greenhouse gas emissions. The indicated legislative amendments target to establish new customer-oriented electricity network design, suitable for green transition (e.g. introducing new actors and services to the energy sector (active customers, energy communities, aggregators, storage facilities, ancillary and flexibility services), establish regulatory framework facilitating the deployment of smart-metering systems in Lithuania), renew the regulatory framework for energy generation from renewable sources, ensure compliance with the EU electricity network (grid) codes, and update energy efficiency goals.

Lithuanian offshore wind legislation framework for the first offshore wind farm

On 31 March 2022, the Parliament of the Republic of Lithuania adopted amendments to the Law on Energy from Renewable Sources and the Law on Electricity, which introduced the rules and the support scheme for the development of offshore wind in the Baltic Sea. These amendments foresee that the support shall be granted to the developers that have the right to use a part/parts of the Baltic Sea. It shall be granted by obtaining the Development and Operation Permit. The holder of the permit shall be selected via a competitive tender procedure. The winner of the tender shall be determined by the lowest amount of support requested from the state or by the highest development fee that the tenderer is willing to pay to the state, if the tenderer is not asking for any state support. The support for the development of offshore wind is based on the Contract for Difference (CfD) subsidy model and shall be granted to the winner of the tender for 15 years from the date of issue of the electricity production permit. For the development and operation of the infrastructure required to connect offshore wind farms to the onshore transmission grid, a 'Developer Build' model was selected, i.e., the developer will build, own, and operate connection assets.

On 19 October 2022, the Government of the Republic of Lithuania approved the criteria and requirements for the developers to participate in the tender. Tender participants will have to comply with European and transatlantic integration criteria and have financial capacity and experience in offshore wind projects. The winner of the tender will be obliged to involve small and medium-sized enterprises in the implementation of the project, to choose environmentally friendly means of transport during the construction of an offshore wind farm, to additionally allocate at least EUR 5 million to be used for environmental protection in the Lithuanian territorial waters and to annually contribute 1 EUR/MWh of electricity generated to the well-being of the coastal communities. The amendments and the resolution of the Government shall come into force 2 months after the European Commission's approval in accordance with Article 108(3) of the Treaty on the Functioning of the European Union is obtained.

The tender for the first offshore wind farm in Lithuania is planned to take place on 1 September 2023 if all the necessary surveys and preparational works are completed on time. The first offshore wind farm is expected to be operational in 2028-2030 with a total capacity of around 700 MW.

Date of adoption:	11 November 2021
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Date of adoption:	31 March 2022, 19 October 2022
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Icons represent to which business segments regulatory changes are relevant.

National 'Breakthrough Package'

On 28 June 2022, the Parliament of the Republic of Lithuania adopted a package of legislative amendments called 'Breakthrough Package', which entered into force on 8 July 2022. The 'Breakthrough Package' aims at implementing efficient and rapid development of renewable energy projects, reducing red tape and unnecessary restrictions for solar and wind power plants, creating favourable conditions for the growth of prosumers, encouraging the development of energy communities. Some of the key changes under the 'Breakthrough Package' include:

- sanitary protection zones being removed for wind farms, and a safety distance for wind farms with 30 kW and greater installed capacity was introduced instead. The wind farms now must stand four mast heights away from buildings, premises and sites defined in the law;
- a concept of hybrid power plant was introduced, allowing different renewable energy power plants (e.g., solar and wind) and storage devices (batteries) to be connected at the same grid connection point;
- renewable energy producers will have to pay a production fee calculated by multiplying the amount of electricity produced and fed into the electricity grid in the previous calendar year by 0.0013 EUR/kWh. The funds from the production fee shall be allocated for the implementation of projects of local communities. Active producers, offshore wind producers, communities developing renewable energy and private energy communities and others defined in the law shall be exempted from the fee;
- reservation fee for the connection to the grid was increased from 15 EUR/kW to 50 EUR/kW;
- when a power plant is connected to the grid, the permitted generation capacity limit will be assessed instead of the total installed capacity of all installed generation sources, which will allow capacity expansion without expanding the grid. The permitted generation capacity limit must not be exceeded. Network users who exceed the permitted generation capacity limit for longer and/or by a greater amount of power generated than the limit set by the network operator shall pay a fine to the network operator;
- the amendments also established new rules of priority for reserving electricity grid capacity. System operators are obliged to allocate their grid capacity for network users, according to their priority status set in the law;
- solar power generating capacities are capped at 2 GW. Although, the limitation does not apply to capacities developed by prosumers, communities developing renewable energy and private energy communities.

Date of adoption:	28 June 2022
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

A tender by the Klaipėda LNG Terminal for Long-term Capacity Allocation Procedure

On 5 September 2022, AB „Klaipėdos nafta" (terminal operatort) announced a public invitation to participate in the Klaipėda LNG Terminal Long-term Capacity Allocation Procedure to ensure efficient allocation of the terminal's capacity and to grant market participants the right to acquire the LNG terminal's capacity on a long-term basis. Four LNG terminal's customers from Lithuania, Latvia and Poland have been granted capacity packages of 6 TWh/year (24 TWh in total) for a period of ten years (from 1 January 2023 until 31 December 2032) out of the total LNG terminal capacity of 39 TWh. Ignitis (Customers & Solutions) is one of the four companies which have secured this capacity, with a capacity allocation limit of up to 6 TWh per year. This contract with the terminal's operator will contribute to ensuring reliable and uninterrupted natural gas supply in the region, will allow us to manage our supply contracts more easily and to procure natural gas in advance, thus, securing the most favourable price on the market. Additionally, securing long-term capacity does not limit the possibility of purchasing more LNG cargoes in the future. Should the need and opportunity arise to purchase more LNG cargoes, additional capacity will be available for purchase through the Annual Terminal Capacity Allocation process. In case the allocated LNG Terminal capacity is no longer needed, it can be sold on a secondary market for the price approved by the regulator (National Energy Regulatory Council, NERC) (the price set for 2023 is 1.41 EUR/MWh) or in case allocated capacity is not sold on a secondary market or the booked LNG cargo is cancelled and LNG capacity allocated is not used by other LNG Terminal users, then the fine up to EUR 1.4 million per LNG cargo shall be paid to terminal's operator and damages, if any, incurred by other LNG terminal users shall be compensated.

Finally, it should be noted that Ignitis (Customers & Solutions) has an effective agreement with Equinor ASA for the purchase of 4 LNG cargoes per year until the end of 2024 and with additional 6 LNG cargoes capacity ensured in total the Group can now ensure 10 LNG vessels per year.

Date of adoption:	5 September 2022
Relevance to the Group's business segments:	
Impact to the Group:	A positive impact due to the predictable capacity and supply sources planning, potential savings.

Icons represent to which business segments regulatory changes are relevant.

The third stage of liberalisation of the electricity market has been postponed for three years

As a result of the current energy crisis and considering one of the independent electricity suppliers to B2C customers in Lithuania – UAB „Perlas Energija", which had a major share in the local market, has suspended their activities, on 10 October 2022, the Parliament of the Republic of Lithuania adopted amendments to the Law on Electricity of the Republic of Lithuania. Based on those, the legal regulation of the public and independent supply of electricity to B2C customers was changed to ensure safety measures are in place for protecting the smallest and the most vulnerable customers from the increasing electricity prices. Also, a deadline of the 3rd stage of B2C electricity market liberalisation was postponed for 3 years, until the end of 2025 (from the end of 2022). As the customers included in the 3rd stage of liberalisation are the most sensitive and vulnerable, they will have an obligation to choose an independent electricity supplier by the end of 2025, i.e., to make decisions in line with their interests over a longer period.

Changes in ancillary services and balancing market

Legislative amendments in Lithuania in 2022 have led to a significant change in ancillary services and balancing market. The changes of the Law on Electricity and the Rules on Electricity Network aim at adapting these market segments to the requirements of EU legislation and creating more market products, which would be based on free market principles. In this regard, the services purchased by transmission system operator (AB "Litgrid", TSO) from market participants were clearly separated into non-frequency ancillary services (i.e., voltage control, inertia stability, black start, short-circuit current, isolated operation of the electricity system) and balancing services (balancing energy and balancing capacities, i.e., frequency containment reserve (FCR), frequency restoration reserve (FRR), replacement reserve (RR). The existing Baltic balancing model and balancing energy market will be changed at the point of time when Baltic TSOs will join the common European platform for exchange of mFRR energy (Manually Activated Reserve Initiative - MARI), which is foreseen in period from beginning of 2024 until second half of 2024, and introduction of the frequency restoration reserve product with automatic activation (aFRR) which will be aligned with the requirements of common European platform for exchange of aFRR energy (Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation – PICASSO) until the end of 2024. At the same time, the implementation of 15 min. trading, control and settlement period will take place and will lead additional processes for trading and upgrade of existing trading and control systems at power plants it order to meet all necessary technical requirements for participation at the balancing services market.

The technical requirements for non-frequency ancillary services were determined by the TSO and approved by the regulator (National Energy Regulatory Council, NERC) on 25 November 2022. It is also important to note that TSO no longer orders tertiary active power reserve from 2023.

In addition, taking into account the geopolitical situation and until the project of synchronisation of the electricity system of the Republic of Lithuania with the electricity grid of Continental Europe is completed (expected to be finished by the end of 2025), the TSO has acquired the right to issue orders to electricity producers providing the service of availability of electricity generation facilities to ensure the readiness for isolated operation of the electricity system and the amount of electricity production necessary for this purpose for up to 60 calendar days per calendar year. If the order is accepted, the producers will be obliged to estimate and procure the amount of fuel required for that purpose in advance to ensure that the service of the isolated operation of the electricity system is provided in an efficient, safe, and reliable manner. Due to the above, Ignitis Gamyba (Flexible Generation) has acquired the amount of natural gas necessary to execute the potential TSO's order.

Date of adoption:	10 October 2022
Relevance to the Group's business segments:	
Impact to the Group:	Neutral. Additional obligations and reporting, set by the regulation of Public supply activity, remains in force until the end of 2025. The activity is performed at regulated profit margins.

Date of adoption:	Over the course of 2022
Relevance to the Group's business segments:	
Impact to the Group:	Natural gas reserve of 1.1TWh has been acquired according to a supplementary agreement to the isolated regime services contract. The acquisition caused an increase in working capital level. The regulatory mechanism is supposed to ensure compensation for additional costs incurred via the isolated regime services tariff.

Icons represent to which business segments regulatory changes are relevant.

Foreseen developments and changes until 2025[1]

LFC reserves prequalification

Joining MARI (earliest possible)

Joining PICASSO

Baltic capacity market (FRR)

15 min ISP

LFC block operation

2022 — Q1 Q2 Q3 Q4

2023 — Q1 Q2 Q3 Q4

2024 — Q1 Q2 Q3 Q4

2025 — Q1 Q2 Q3 Q4

BALTIC CoBA balancing model

Market period	**1 hour**
Control period	**1 hour**
Settlement period	**1 hour**

Integration with **MARI**

Market period	**15 min**
Control period	**1 hour**
Settlement period	**1 hour**

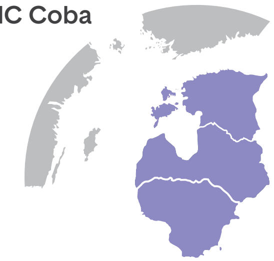
Integration with **PICASSO**

Market period	**15 min**
Control period	**15 min**
Settlement period	**15 min**

Synchronisation with **CESA**

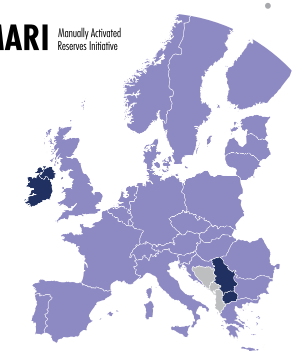
FCR procurement

BALTIC Coba



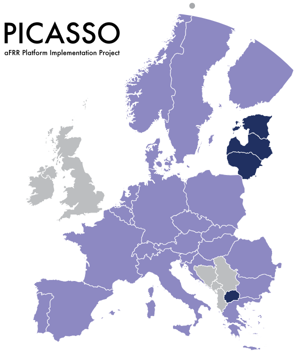
CoBA members

MARI Manually Activated Reserves Initiative



MARI member
MARI observer

PICASSO aFRR Platform Implementation Project



PICASSO member
PICASSO observer

Source: Ligrid AB.

[1] The above milestones and deadlines indicate the best estimate of dates and are elaborated in the Baltic balancing roadmap text.

AST Litgrid elering

Partial compensation of increased energy prices

For B2C customers

Compensation in 2022

The Parliament of the Republic of Lithuania adopted amendments to the Law on Energy of the Republic of Lithuania, the Law on Electricity of the Republic of Lithuania and the Law on Natural Gas of the Republic of Lithuania related to providing all B2C customers with partial compensation due to increasing prices of energy resources.

For H2 2022, EUR 205 million was allocated from the State budget to partially compensate increase in energy prices to all B2C customers of public, independent supply and supply of last resort through their electricity supplier and/or natural gas supply company, the electricity supplier of last resort and/or the DSO conducting the natural gas supply of last resort. All B2C electricity customers received a compensation if their electricity price exceeded 0.24 EUR/kWh (including VAT). However, the compensation size was capped at 0.09 EUR/kWh (including VAT). B2C natural gas customers received a compensation of 0.54 EUR/m^3 (including VAT).

Resolutions of the recovery of the regulatory differences, mainly caused by lower energy prices included in regulated customer tariffs compared to actual market prices, accumulated throughout the 2021–2022 by the public supplier (Ignitis, Customers & Solutions) and technological losses, which accumulated due to the gap between the actual prices of electricity used for technological needs and tariffs set by the regulator, accumulated over 2022 by DSO (ESO, Networks) were passed as well. Pursuant to the resolutions, the regulatory differences of public supply electricity and natural gas customers accumulated during 2021–H1 2022 (EUR 368 million (excluding VAT)) and during H2 2022 (EUR 64 million (excluding VAT)) were recovered by the end of 2022. Regarding the recovery of electricity related technological losses accumulated by DSO over 2022, EUR 44.6 million (excluding VAT) was recovered in December 2022.

Compensation in 2023

For 2023, up to EUR 714 million was allocated from the State budget to partially compensate increase in energy prices to all B2C customers.

On 14 December 2022, the Government of the Republic of Lithuania passed a resolution determining the mechanism, whose principle is the same as the one applied for H2 2022, establishing a partial compensation of electricity and natural gas prices for all B2C customers in H1 2023. The Government's resolution stipulates that all B2C electricity customers will receive the compensation if their electricity price exceeds 0.28 EUR/kWh (including VAT). However, the electricity compensation size shall not exceed 0.285 EUR/kWh (including VAT). The compensated natural gas part, which is related to natural gas acquisition costs, for B2C customers using natural gas for heating purpose is capped at 0.99 EUR/m^3 (including VAT), and 1.40 EUR/m^3 (including VAT) for using natural gas for cooking purpose. In addition over H1 2023, EUR 146.4 million (including VAT) to be allocated to electricity and natural gas B2C customers directly through their bills to compensate consumers' debt accrued by the independent suppliers (including Ignitis, Customers & Solutions) in H2 2022.

For B2B customers

Compensation in 2022 – Q1 2023

B2B customers are also provided with partial compensations for electricity bills within the period from Q4 2022 to Q1 2023. The Government's procedure for a partial compensation for B2B customers has been adopted with up to EUR 212 million allocated for compensations in Q4 2022 and up to EUR 234 million for Q1 2023. The compensation amounts to up to 50% of the monthly electricity price, which exceeds the minimum thresholds of 0.24 EUR/kWh within the period from Q4 2022 to Q1 2023 and 0.28 EUR/kWh within the period from Q1 2023 to Q2 2023 set by the Government which will be provided to B2B customers of independent supply and supply of last resort directly through their independent electricity supplier or supplier of last resort. B2B customers acquiring electricity from the exchange for their own consumption (not for the purposes of sale or resale) will be also provided with partial compensation.

In addition, resolutions of the recovery of electricity related technological losses accumulated over 2022 by DSO (ESO, Networks) were passed as well. In total, EUR 75.5 million (excluding VAT) were recovered by DSO in December 2022.

Implementation of Regulation (EU) 2022/1854

On 15 December 2022, the Parliament of the Republic of Lithuania adopted a law 'On the implementation of Regulation (EU) 2022/1854' and a law amending the Law on Corporate Income Tax of the Republic of Lithuania which introduce the Regulation (EU) 2022/1854 into national law and determine specific implementation of the mandatory cap of 180 EUR/MWh on market revenues and application model of this regulation. According to the law, the revenue surplus shall be collected from producers who generate electricity from the sources referred to in Article 7(1) of Regulation (EU) 2022/1854, i.e., wind energy, solar energy (solar thermal and solar photovoltaic), geothermal energy, hydropower without reservoir, biomass fuel (solid or gaseous biomass fuels), excluding biomethane, waste, nuclear energy, lignite, crude petroleum products, peat. The cap on market revenues shall only apply to 90 % of the market revenues exceeding the cap of 180 EUR/MWh. The law also details the main principles for determining and calculating revenue surplus as well as other principles. This law stipulate a temporary legal regulation, which will apply only while the Regulation (EU) 2022/1854 is in effect – until 30 June 2023 with an option to extend the regulation until 31 December 2023 (with exceptions). In addition, the DSO provides the TSO with information regarding network users connected to the distribution networks.

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

Date of adoption:	15 December 2022
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, a negative but not significant impact is expected on the Group level.

Icons represent to which business segments regulatory changes are relevant.

Lithuanian offshore wind legislation framework for the second offshore wind farm

On 20 December 2022, the Parliament of the Republic of Lithuania adopted an amendment to the Law on Renewable Energy Resources of the Republic of Lithuania, which sets out new rules for the development of the second offshore wind park in the Lithuanian territory of the Baltic Sea. The amendment creates an opportunity for further development of offshore wind farms without any State support and ensures that potential projects in the maritime area can be implemented as quickly as possible. For this purpose, the organization of the tender has been accelerated and a real-time bidding concept has been introduced in which the bidders will compete by offering the highest development fee to be paid to the State for the development of power plants in the maritime area. The winner of the tender will be the tenderer who offers the highest development fee. However, it will have to conduct and finance an environmental impact assessment, other necessary research including surveys. Additionally, the winner will need to build, own, and operate connection assets. The date of the second tender is still not known and will be announced by the Government of the Republic of Lithuania.

Setting a cap on the rate per tonne for the incineration of municipal waste

On 30 December 2022, the regulator (National Energy Regulatory Council, NERC) adopted the Methodology for setting the cap on the rate per tonne for the incineration of municipal waste with an energy value not suitable for recycling and reuse after sorting. As the incineration of municipal waste with an energy value not suitable for recycling and reuse after sorting is considered regulated service, the methodology sets the duty to the operator of a co-incineration plant and/ or waste incineration plant to calculate (recalculate) and prepare a draft of the cap on the rate per tonne for the incineration of municipal waste (or the draft of recalculated cap on the rate per tonne for the incineration of municipal waste). The draft shall be provided to the NERC for coordination and approval. According to the methodology, the cap on the rate of regulated services is set for a minimum period of 3 years and is recalculated once a year. When setting the cap on the rate per tonne for the incineration of municipal waste, the necessary costs of providing this regulated service and a reasonable return on investment shall be assessed.

The development of onshore wind and solar photovoltaic plants in Lithuania

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

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

Date of adoption:	20 October 2022
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Date of adoption:	30 December 2022
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, financial impact cannot be evaluated but expected not to have a significant impact on the Group level.

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

Icons represent to which business segments regulatory changes are relevant.

Latvia

Ease of new renewable capacity development

On 14 July 2022, the Parliament of Latvia adopted the Amendments to the Electricity Market Law implementing a new regulation, easing the greenfield development process:

- no obligation to obtain a permit from the Ministry of Economics for the installation of a new generator (including wind) with the capacity of up to 500 kW. New by-law will be adopted with regards to this permitting process and conditions;
- a security deposit for grid capacity reservation will apply to new installations of 50 kW and greater. The amount is to be defined in the by-law;
- payments to local communities will be introduced starting from 1 January 2023. The amount is to be defined in the by-law;
- the right was granted to developers to construct internal grid lines (within a solar park or wind farm) at their own efforts.

Additionally, the new law that aims to simplify the procedure for the construction of energy supply structures, including wind farms, was adopted by the Parliament of Latvia on 29 September 2022. The law stipulates a simplified procedure for the construction of wind farms with a total capacity of at least 50 MW, as well as installation of the external utility networks and the construction of related structures required for the functioning of solar panels (installations) if the total capacity per one single object is at least 10 MW. Specifically, the law sets that the construction of wind farms is allowed outside towns and villages on industrial land, technical constructions, or farming areas, as defined by the territorial plan of the local municipality. A distance of at least 800 metres must be ensured between residential and public buildings and the nearest border of the wind turbine and wind farm. The law also stipulates that the construction of wind farms with a capacity exceeding 50 megawatts may qualify for the status of a structure of national interest. In addition, until now, the developer was always required to perform the full environmental impact assessment of the planned activity to construct a wind farm with capacity exceeding 50 MW. Additionally, an initial environmental impact assessment procedure may be applied to wind power plants if the project complies with the established special criteria.

Electricity transmission and distribution system capacity reservation fee

On 16 December 2022, the Public Utilities Commission of the Republic of Latvia adopted the amendments to the system connection rules for electricity producers. The new rules introduce the transmission and distribution grid reservation fee for the new generators with the capacity >50 kW. The fee is expected to be around EUR 20,000 per MW and capped at the value of the project with 100 MW. The fee would be payable either by the means of deposit payment or providing the respective EU/EEA bank guarantee. For projects already having technical conditions the fee must be paid within three months.

Latvia and Estonia offshore wind project

A joint offshore wind project

The governments of Latvia and Estonia have selected the locations in their respective parts of the Baltic Sea where a joint offshore wind energy project – ELWIND – will be built. An offshore wind farm is planned to be built there approximately 15 to 20 km from the coastline in the sea. ELWIND with a total capacity of between 700 MW and 1,000 MW has been listed on the first list of renewable energy cross-border projects under the EU Connecting Europe Facility. The deadline for completion of the project is planned for 2030. In addition, legislation related to the development of offshore wind projects, which was initially adopted in Latvia in 2014, is currently under review to set bidding pre-qualification criterions, bidding process and obligations of the bid-winner

Date of adoption:	14 July 2022
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Date of adoption:	16 December 2022
Relevance to the Group's business segments:	
Impact to the Group:	As of report announcement date, no significant financial impact is expected on the Group level.

Date of adoption:	28 October 2022
Relevance to the Group's business segments:	
Impact to the Group:	Neutral.

Icons represent to which business segments regulatory changes are relevant.

Contents »

Poland

Potential ease of onshore wind farm construction

On 5 July 2022 the Council of Ministers approved the draft amendment of the Act on Investments in Wind Power Plants dated 20 May 2016 aiming to ease the so-called 10H rule, according to which onshore wind turbines can be built at a distance of no less than ten times the height of the wind turbine (counting to the top of the rotor) from existing residential buildings. The 10H rule, obviously, significantly limited the possibilities for new investments in wind power plants - in fact, the rule covered about 98% of Poland's territory and made it virtually impossible to develop new onshore wind projects.

The main idea of the adopted draft amendment is to maintain the basic principle of locating new wind power plants, according to which it will be necessary to maintain a minimum absolute distance from residential buildings. In general, the 10H rule would still apply, but municipalities would have the right to reduce this distance to the minimum of 500 meters from residential buildings, but only in a local spatial development plan (LSDP). Moreover, new onshore wind power plants could be located only on the basis of LSDP, so if given land was not covered by LSDP, it wouldn't be possible a wind power plant there. The basis for determining the distance of a wind power plant from residential buildings in LSDP would be, among other things, the results of an environmental impact assessment. Such an assessment should analyse, among other things, the impact of noise emissions on the surrounding area and the health of residents.

However, despite the bill being submitted, the formal legislative process still have not been initiated. The main reason for this is the differing positions of the parties that form the ruling coalition.

Implementation of Regulation (EU) 2022/1854

On 8 November 2022 the Regulation of the Council of Ministers of Poland was adopted regarding renewable energy sources price cap calculations.

The price caps for the electricity producers are set as following:

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

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

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

Date of adoption:	5 July 2022
Relevance to the Group's business segments:	
Impact to the Group:	Overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

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

Icons represent to which business segments regulatory changes are relevant.

Results

3.1 Annual results[1]

Key financial indicators

		2022	2021[2]	Δ	Δ,%
Revenue	EURm	4,386.9	1,898.7	*2,488.2*	*131.0%*
EBITDA APM	EURm	539.7	343.2	*196.5*	*57.3%*
Adjusted EBITDA APM	EURm	469.3	332.7	*136.6*	*41.1%*
Green Generation	EURm	252.4	107.5	*144.9*	*134.8%*
Networks	EURm	164.5	145.4	*19.1*	*13.1%*
Flexible Generation	EURm	34.6	37.2	*(2.6)*	*(7.0%)*
Customers & Solutions	EURm	15.6	40.6	*(25.0)*	*(61.6%)*
Other[3]	EURm	2.2	2.0	*0.2*	*10.0%*
Adjusted EBITDA margin APM	%	10.9%	17.6%	*(6.7 pp)*	*n/a*
EBIT APM	EURm	387.8	192.1	*195.7*	*101.9%*
Adjusted EBIT APM	EURm	317.4	206.4	*111.0*	*53.8%*
Net profit	EURm	293.4	160.2	*133.2*	*83.1%*
Adjusted net profit APM	EURm	256.0	162.8	*93.2*	*57.2%*
Investments[4] APM	EURm	521.8	234.9	*286.9*	*122.1%*
FFO APM	EURm	484.1	299.4	*184.7*	*61.7%*
FCF APM	EURm	17.3	(240.6)	*257.9*	*n/a*
ROE APM	%	14.7%	8.7%	*6.0 pp*	*n/a*
Adjusted ROE APM	%	12.9%	8.9%	*4.0 pp*	*n/a*
ROCE APM	%	13.1%	7.3%	*5.8 pp*	*n/a*
Adjusted ROCE APM	%	10.7%	7.9%	*2.8 pp*	*n/a*
EPS (Basic) APM	EUR	4.04	2.16	*1.88*	*87.0%*
DPS APM	EUR	1.24	1.19	*0.05*	*4.2%*
		31 Dec 2022	**31 Dec 2021**	**Δ**	**Δ,%**
Total assets	EURm	5,271.6	4,258.1	*1,013.5*	*23.8%*
Equity	EURm	2,125.6	1,855.9	*269.7*	*14.5%*
Net debt APM	EURm	986.9	957.2	*29.7*	*3.1%*
Net working capital APM	EURm	443.3	438.7	*4.6*	*1.0%*
Net debt/EBITDA APM	times	1.83	2.79	*(0.96)*	*(34.4%)*
Net debt/Adjusted EBITDA APM	times	2.10	2.88	*(0.78)*	*(27.1%)*
FFO/Net debt APM	%	49.1%	31.3%	*17.8pp*	*n/a*

[1] Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
[2] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').
[3] 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'.
[4] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy projects pipeline. For updated formula, see section '7.3 Alternative performance measures' or our website.

Highlights

2022 vs 2021

In 2022, Adjusted EBITDA grew by 41.1% compared to 2021 and amounted to EUR 469.3 million. Adjusted EBITDA growth was driven by Green Generation segment, which more than doubled YoY (+134.8%), increased to EUR 252.4 million, and accounted for 53.8% of total Adjusted EBITDA. Main contributors to the growth were the launch of Pomerania WF in Poland and better results of our operating Green Generation assets, driven by higher electricity market price (+154.5% compared to 2021). The result of the other three segments combined remained flat YoY (EUR -8.5 million, or a decrease of -3.8%), with Networks growing by 13.1%, and Customers & Solutions and Flexible Generation declining by 61.6% and 7.0% respectively.

Realised vs guidance

Adjusted EBITDA surpassed the higher end of our guidance range (EUR 420–460 million) for 2022 by 2.0%.

The outperformance of our latest guidance provided on 22 November 2022 was influenced by:

- better results of the Green Generation segment, mainly Kruonis PSHP, due to higher spread between peak and off-peak market prices;
- better performance of the Flexible Generation segment due to a more favorable clean spark spread, especially in December 2022;
- it was partly offset by lower Customers & Solutions result, driven by a more negative than expected B2C activities result.

	Green Generation	Networks	Flexible Generation	Customers & Solutions	Other[1]	Total Adjusted	Adjustments	IFRS
2022			Adjusted					Reported
Revenue	**457.6**	**697.5**	**237.4**	**3,001.2**	**(77.2)**	**4,316.5**	**70.4**	**4,386.9**
Purchase of electricity, natural gas and other services	(153.4)	(398.7)	(126.9)	(2,947.8)	18.0	(3,608.7)	-	(3,608.7)
Wages and salaries and related expenses	(11.9)	(64.5)	(8.7)	(13.0)	(17.7)	(115.8)	-	(115.8)
Repair and maintenance expenses	(5.5)	(30.7)	(4.4)	-	-	(40.6)	-	(40.6)
Other expenses	(34.3)	(39.2)	(62.8)	(24.7)	79.0	(82.1)	-	(82.1)
EBITDA APM	**252.4**	**164.5**	**34.6**	**15.6**	**2.2**	**469.3**	**70.4**	**539.7**
Depreciation and amortisation	(28.0)	(90.1)	(11.7)	(2.2)	(5.8)	(137.7)	-	(137.7)
Write-offs, revaluation and impairment losses of PPE and intangible assets	(2.8)	(11.8)	0.2	-	0.3	(14.2)	-	(14.2)
EBIT APM	**221.7**	**62.6**	**23.1**	**13.4**	**(3.4)**	**317.4**	**70.4**	**387.8**
Finance activity, net						(27.1)	(23.4)	(50.5)
Income tax expenses						(34.3)	(9.6)	(43.9)
Net profit						**256.0**	**37.4**	**293.4**
2021[2]			Adjusted					Reported
Revenue	**217.7**	**509.5**	**151.7**	**1,023.6**	**(14.2)**	**1,888.3**	**10.4**	**1,898.7**
Purchase of electricity, natural gas and other services	(83.2)	(255.7)	(86.0)	(955.0)	(1.0)	(1,380.9)	-	(1,380.9)
Wages and salaries and related expenses	(8.3)	(53.1)	(7.7)	(10.7)	(17.4)	(97.2)	-	(97.2)
Repair and maintenance expenses	(3.7)	(22.1)	(6.0)	-	-	(31.7)	-	(31.7)
Other expenses	(15.0)	(33.2)	(14.8)	(17.3)	34.6	(45.7)	-	(45.7)
EBITDA APM	**107.5**	**145.4**	**37.2**	**40.6**	**2.0**	**332.7**	**10.4**	**343.2**
Depreciation and amortisation	(21.2)	(83.2)	(11.3)	(1.8)	(5.1)	(122.6)	-	(122.6)
Write-offs, revaluation and impairment losses of PPE and intangible assets	-	(3.7)	(0.1)	-	0.2	(3.6)	(24.8)	(28.5)
EBIT APM	**86.2**	**58.5**	**25.8**	**38.8**	**(2.9)**	**206.4**	**(14.4)**	**192.1**
Finance activity, net						(25.6)	9.5	(16.1)
Income tax expenses						(18.0)	2.2	(15.8)
Net profit						**162.8**	**(2.7)**	**160.2**

Realised vs guidance 2022

	2021 realised	28 Feb guidance	19 May guidance	23 Aug guidance	22 Nov guidance	2022 realised
Adjusted EBITDA APM	**332.7**	**290–335**	**330–360**	**360–420**	**420–460**	**469.3**
Green Generation	107.5	Higher	Higher	Higher	Higher	252.4
Networks	145.4	Higher	Higher	Higher	Higher	164.5
Flexible Generation	37.2	Lower	Lower	Lower	Lower	34.6
Customers & Solutions	40.6	Lower	Lower	Lower	Stable	15.6
Other	2.0	Stable	Stable	Stable	Stable	2.2

[1] Other – other activities and eliminations (consolidation adjustments and related party transactions)
[2] Due to changes in IAS, part of financial indicators of Green Generation segment were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').

Overview and impact of partial compensation of energy prices

The below we summarise the measures applied in Lithuania providing customers with partial compensation due to increasing prices of energy resources and its impact to the Group. Over the course of 2022 as well as post reporting period, increasing prices as well as regulatory differences have been partially compensated. Overall, it had a positive impact on the Group's net working capital, net debt and in turn leverage metrics. For further details, see part 'Partial compensation of increased energy prices' of section '2.5 Business environment'.

	State budget measures					
	In 2022				In 2023[1]	
	< 1.2 EURbn				< 1 EURbn	
Amount dedicated (including VAT)	523 EURm	145 EURm	205 EURm	< 212 EURm	< 714 EURm	< 234 EURm
Amount to the Group customers (excluding VAT)	432 EURm	120 EURm	115 EURm	8 EURm	-	-
Compensation period	2021–2022	2022	H2 2022	Q4 2022	2023	Q1 2023
Purpose	Regulatory differences compensation	Regulatory differences compensation	Price subsidies for customers	Price subsidies for customers	Price subsidies for customers	Price subsidies for customers
Product	Electricity and natural gas	Electricity	Electricity and natural gas	Electricity	Electricity and natural gas	Electricity
Segment	Regulated B2C	All B2C & B2B	All B2C	All B2B	All B2C	All B2B
	Impact to the Group					
	Recovery of regulatory differences had a positive impact on the Group's net working capital, net debt and in turn leverage metrics		No direct impact			

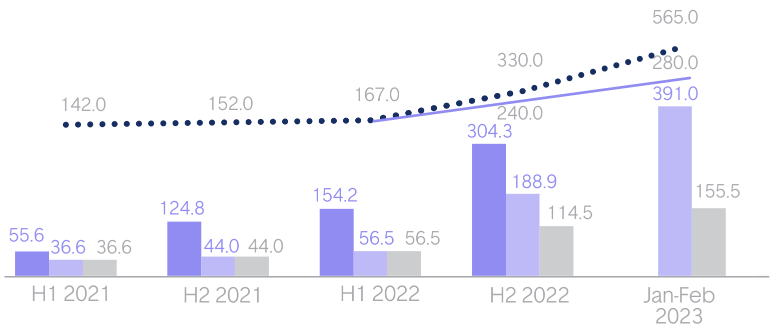
Icons represent to which business segments regulatory changes are relevant:

Customers & Solutions *Networks.*

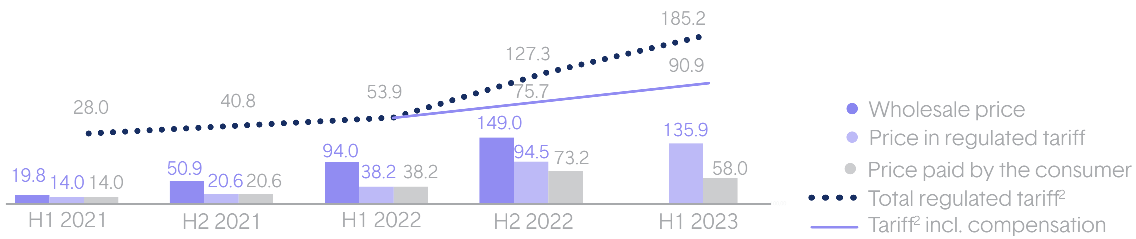
[1]Based on publicly available information as of interim report announcement date.

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

Electricity prices and regulated tariffs, EUR/MWh



Natural gas prices and regulated tariffs, EUR/MWh



Revenue

In 2022, revenue increased by 131.0% compared to 2021 totalling EUR 4,386.9 million. The main reasons causing revenue changes in our business segments were as follows:

1. **Customers & Solutions (EUR +2,074.4 million).** Revenue grew significantly (+205.5%), however, higher sales did not translate into better results. Higher revenue from electricity business (EUR +563.9 million) was due to higher market prices (+154.4% on average) and higher retail volume sold (+14.0%). Natural gas business related income increased (EUR +1,500.2 million), mainly due to higher average TTF gas price index (+239.2%), which is reflected in the company's natural gas supply, and due to higher volume (+10.8%) from utilizing Lithuania's LNG terminal and securing profitable transactions with foreign customers.
2. **Networks (EUR +148.4 million).** The increase was mainly driven by higher revenue from electricity distribution, which was influenced by recovery of technological losses expenses at the end of 2022 (accumulated during 2022). Increase in technological losses expenses (+103.7%, EUR +62.7 million) resulted from higher electricity prices. Additionally, revenue from the supply of last resort grew by EUR 45.4 million due to 154.4% higher electricity market price.
3. **Green Generation (EUR +241.1 million).** The growth has been recorded throughout all technologies (Wind, Hydro, Waste-to-Energy) and was driven by higher electricity market prices, new PPAs signed and Pomerania WF, due to COD reached in December 2021. Even though electricity market price increased significantly, the Green Generation segment did not observe the full effect of increased electricity market prices due to the secured part of the Green Generation portfolio. The realized electricity sale price of operating facilities (excl. Kruonis PSHP) amounted to 149.8 EUR/MWh, while the average electricity market price in Lithuania was 230.2 EUR/MWh, in Poland – 167.6 EUR/MWh and in Estonia – 192.8 EUR/MWh.
4. **Flexible Generation (EUR +87.2 million).** The increase was mainly driven by power reserve (isolated regime) services, specifically, revenue (EUR +64.6 million) for covering the expenses related to the natural gas reserve, which was acquired in order to comply with new requirements issued by TSO for the isolated regime services. Additionally, the increase was supported by higher revenue from CCGT commercial activities (EUR +19.3 million) due to better market conditions in Q4 2022.

Revenue by segment, EURm

	2022	2021[1]	Δ	Δ, %
Customers & Solutions	3,083.8	1,009.4	*2,074.4*	*205.5%*
Networks	681.1	532.7	*148.4*	*27.9%*
Green Generation	458.4	217.3	*241.1*	*111.0%*
Flexible Generation	240.7	153.5	*87.2*	*56.8%*
Other[2]	(77.1)	(14.2)	*(62.9)*	*443.0%*
Revenue	**4,386.9**	**1,898.7**	***2,488.2***	***131.0%***

Revenue by country, EURm

	2022	2021[1]	Δ	Δ, %	2022, %	2021,%
Lithuania	3,430.1	1,617.4	*1,812.7*	*112.1%*	*78.2%*	*85.2%*
Other[3]	956.8	281.3	*675.5*	*240.1%*	*21.8%*	*14.8%*
Revenue	**4,386.9**	**1,898.7**	***2,488.2***	***131.0%***	***100.0%***	***100.0%***

In 2022, the Group earned 78.2% (85.2% in 2021) of its revenue in Lithuania (EUR 3,430.1 million). The Group's revenue from foreign countries increased by 240.1%, mostly in Finland and Latvia, and reached EUR 956.8 million (EUR 281.3 million in 2021), mainly due to higher natural gas prices.

Revenue by type[4], EURm

	2022	2021[1]	Δ	Δ, %	2022, %	2021, %
Electricity related	2,717.3	1,397.7	*1,319.6*	*94.4%*	*61.9%*	*73.6%*
Natural gas related	1,574.1	422.7	*1,151.4*	*272.4%*	*35.9%*	*22.3%*
Other	95.5	78.3	*17.2*	*22.0%*	*2.2%*	*4.1%*
Revenue	**4,386.9**	**1,898.7**	***2,488.2***	***131.0%***	***100.0%***	***100.0%***

In 2022, electricity related revenue increased by EUR 1,319.6 million compared to 2021, mostly due to higher revenue from sale of electricity (EUR +912.6 million), higher revenue from sale of produced electricity (EUR +209.7 million) and higher revenue from public electricity supply (EUR +25.3 million). Natural gas related revenue increased by EUR 1,151.4 million compared to 2021 due to higher revenue from natural gas sales (EUR +1,171.9 million).

[1] *Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').*
[2] *Other – other activities and eliminations (consolidation adjustments and related party transactions).*
[3] *Other – Latvia, Estonia, Poland and Finland.*
[4] *A more detailed description is presented in Annual Consolidated Financial Statements of 2022, Note 8 'Revenue from contracts with customers'.*

Expenses

Purchase of electricity, natural gas, and other services

The Group's purchase of electricity and natural gas amounted to EUR 3,608.7 million in 2022 and increased by 161.3% compared to 2021. The increase was caused by higher electricity (EUR +1,129.2 million) and natural gas (EUR +1,085.7 million) purchases, mostly impacted by higher market prices.

OPEX

In 2022, OPEX totalled EUR 220.0 million and increased by 26.0% (EUR +45.4 million). This change was driven by increased salaries and related expenses (EUR +18.6 million or +19.1%), mainly due to the growth in the number of employees at the Group, average salary, and increased overtime from restoring the electricity distribution network after heavy storms in 2022. Other expenses increased by EUR 17.9 million, mostly due to higher customer service, IT, tax, transport, and utilities expenses.

Other

Energy hedging expenses from ineffective hedging in 2022 were mainly related to the Customers & Solutions segment's result, mainly due to ineffective electricity 'proxy' hedges as the correlation of chosen hedge products deteriorated. In 2021 the result was positive and accounted as other income (EUR 23.9 million from settled derivatives).

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

Depreciation and amortisation increased due to higher expenses of the Networks segment (EUR +6.9 million), mostly due to Investments made, as well as Pomerania WF (EUR +3.6 million), as it reached COD in December 2021, and Vilnius CHP's WtE unit (EUR +2.3 million), as it reached COD in March 2021.

In 2022, write-off, revaluation and impairment losses of PPE and intangible assets mainly included the impairment of old metering equipment due to the smart meter roll-out launched in July 2022. In 2021, expenses were related to changes in the Networks Methodology and the electricity related PPE revaluation effect of EUR 44.4 million (including grants). EUR 15.9 million was recognised in Statement of Profit or Loss, and EUR 28.5 million in revaluation reserve. Additionally, impairment of gas related PPE of EUR 8.9 million was recognised in 2021.

Expenses, EURm

	2022	2021[1]	Δ	Δ, %
Purchase of electricity, natural gas, and other services	**3,608.7**	**1,380.9**	***2,227.8***	***161.3%***
Purchase of electricity and related services	2,082.1	952.9	*1,129.2*	*118.5%*
Purchase of natural gas and related services	1,501.3	415.6	*1,085.7*	*261.2%*
Other purchases	25.3	12.4	*12.9*	*104.0%*
OPEX APM	**220.0**	**174.6**	***45.4***	***26.0%***
Salaries and related expenses	115.8	97.2	*18.6*	*19.1%*
Repair and maintenance expenses	40.6	31.7	*8.9*	*28.1%*
Other OPEX	63.6	45.7	*17.9*	*39.2%*
Other	**170.4**	**151.1**	***19.3***	***12.8%***
Depreciation and amortisation	137.7	122.6	*15.1*	*12.3%*
Energy hedging[2]	18.5	-	*18.5*	*n/a*
Write-offs, revaluation and impairment losses of PPE and intangible assets	14.2	28.5	*(14.3)*	*(50.2%)*
Total	**3,999.1**	**1,706.6**	***2,292.5***	***134.3%***

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').
[2] Energy hedging expenses are accounted in the Statement of Profit or Loss under 'Other expenses'.

EBITDA

Adjusted EBITDA amounted to EUR 469.3 million in 2022 and was 41.1%, or EUR 136.6 million, higher than in 2021. The growth was driven by the Green Generation segment's results, which more than doubled YoY (+134.8%), increased to EUR 252.4 million, and accounted for 53.8% of total Adjusted EBITDA. The main contributors to the growth were the launch of Pomerania WF in Poland and better results of our operating Green Generation assets, driven by higher electricity market price (+154.5% compared to 2021). The result of the other three segments combined remained nearly flat YoY (EUR -8.5 million, or a decrease of -3.8%), with Networks growing by 13.1%, and Customers & Solutions and Flexible Generation declining by 61.6% and 7.0% respectively.

The main reasons behind Adjusted EBITDA changes were as follows:

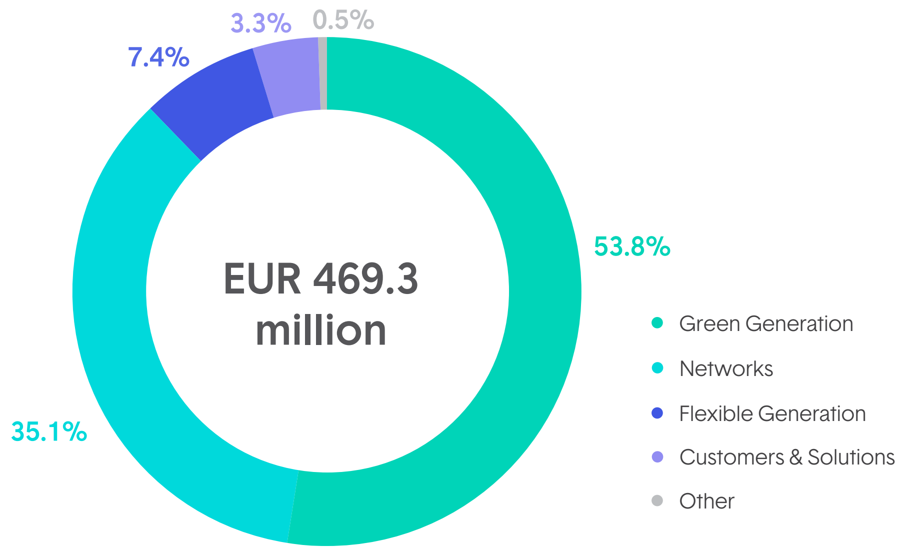
1. **Green Generation (EUR +144.9 million).** The increase recorded throughout all technologies (Wind, Hydro, Waste-to-Energy) was mainly driven by higher electricity market prices, new PPAs signed and Pomerania WF, due to COD reached in December 2021. Even though electricity market price increased significantly, the Green Generation segment did not observe the full effect of increased electricity market prices due to the secured part of the Green Generation portfolio. The realized electricity sale price of operating facilities (excl. Kruonis PSHP) amounted to 149.8 EUR/MWh, while average electricity market price in Lithuania was 230.2 EUR/MWh, in Poland – 167.6 EUR/MWh and in Estonia – 192.8 EUR/MWh.
2. **Networks (EUR +19.1 million).** The increase was driven by an introduction of an additional tariff component (EUR +28.0 million) and higher RAB (EUR + 3.6 million). The increase was partly offset (EUR -12.6 million) by lower electricity WACC (4.16% in 2022 vs 5.34% in 2021) as a result of the updated WACC methodology for the new regulatory period started in 2022.
3. **Flexible Generation (EUR -2.6 million).** The decrease was driven by lower results of both regulated activities (EUR -1.7 million) and commercial activities (EUR -1.0 million). Due to a more favourable clean spark spread in Q4 2022, the adjusted EBITDA of CCGT was similar (EUR -0.9 million, or -4.0%) compared to the previous year even with lower volumes generated (-548 GWh, or -66.9%).
4. **Customers & Solutions (EUR -25.0 million).** The decrease in Adjusted EBITDA was due to losses in electricity supply activities (EUR -45.1 million), mostly in B2B supply (EUR -25.1 million) mainly driven by open derivative positions of partly ineffective hedging solutions, and in B2C supply (EUR -15.1 million), partly due to new customers who moved from the bankrupted competitor supplier and were offered the same attractive prices as they have had previously, although the electricity market prices have increased by that time. The decline was partly offset by positive natural gas activities results (EUR + 21.2 million) mainly from utilizing Lithuania's LNG terminal and securing profitable one-off deals with foreign customers. The inventory effect has grown significantly (EUR +106.5 million) due to the average accounting method, but the value of stored natural gas inventory was written-down to net realisable value at the end of the year (EUR -102.9 million) due to decreasing natural gas prices.

Adjusted EBITDA by segments, EURm

	2022	2021	Δ	Δ, %
Green Generation	252.4	107.5	*144.9*	*134.8%*
Networks	164.5	145.4	*19.1*	*13.1%*
Flexible Generation	34.6	37.2	*(2.6)*	*(7.0%)*
Customers & Solutions	15.6	40.6	*(25.0)*	*(61.6%)*
Other[1]	2.2	2.0	*0.2*	*10.0%*
Adjusted EBITDA APM	**469.3**	**332.7**	***136.6***	***41.1%***

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

Adjusted EBITDA 2022, EURm



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The Group's Investments more than doubled and reached EUR 521.8 million in 2022, mainly due to the Investments made in Green Generation projects.

Adjusted EBITDA by activity type

In 2022, Adjusted EBITDA from regulated and long-term contracted activities comprised 34.7% of the total Adjusted EBITDA (2021: 56.3%). The proportion of such activities decreased due to significantly higher Adjusted EBITDA from Green Generation merchant activities, mainly due to high electricity market prices.

Regulated activities include:

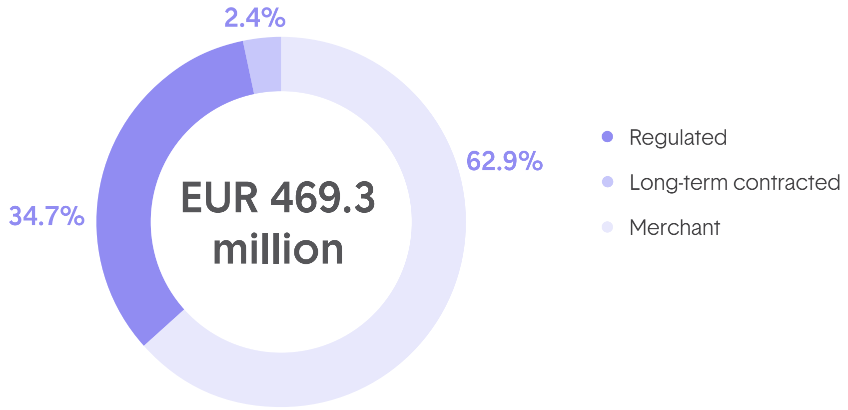
1. electricity and natural gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, natural gas supply to residents of Lithuania and the designated LNG supplier services.

Long-term contracted activities include operating capacities with support schemes, i.e., feed-in and feed-in premium tariffs and with PPA contracts with more than 1 year of maturity remaining.

Adjusted EBITDA by types of activities, EURm

	2022	2021	Δ	Δ, %
Regulated	162.9	187.4	*(24.5)*	*(13.1%)*
Long-term contracted	11.1	11.6	*(0.5)*	*(4.3%)*
Merchant	295.2	133.7	*161.5*	*120.8%*
Adjusted EBITDA APM	**469.3**	**332.7**	***136.6***	***41.1%***

Adjusted EBITDA by types of activities 2022, %



EBITDA adjustments

EBITDA adjustments, EURm

	2022	2021[1]	Δ	Δ, %
EBITDA APM	**539.7**	**343.2**	***196.5***	***57.3%***
Adjustments[2]				
Temporary regulatory differences (1)	(70.4)	(10.4)	*(60.0)*	*n/a*
Total EBITDA adjustments	**(70.4)**	**(10.4)**	***(60.0)***	***n/a***
Adjusted EBITDA APM	**469.3**	**332.7**	***136.6***	***41.1%***
Adjusted EBITDA margin APM	10.9%	17.6%	*(6.7 pp)*	*n/a*

(1) Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator. The 2022 adjustment includes:

- elimination of higher Customers & Solutions segment's profit earned from natural gas public supply activities (EUR -79.5 million) due to the 2021 regulatory differences being compensated through the tariff during the 2022;
- add-back of lower Networks segment's profit earned from regulated activities (EUR +16.5 million), out of which: EUR +31.7 million is related to previous periods and is realized through the tariffs for the current period; EUR -15.2 million elimination of higher current year profit, which will be returned during the future periods and which resulted from discrepancies between planned and actual expenses and revenues.
- elimination of higher Customers & Solutions segment's profit earned from natural gas designated supply activities (EUR -5.5 million), mainly due to cheaper actual natural gas acquisition price compared to the price included in the tariff by the regulator;
- add-back of lower Customers & Solutions segment's profit earned from electricity public supply activities (EUR +2.4 million) due to over-declared consumption by B2C consumers;
- elimination of higher Flexible Generation and Green Generation segment's profit earned from regulated activities (EUR -4.2 million) due to the NERC approved correction of the result of regulated activities to account for the difference between the income received and the costs incurred in 2021.

The 2021 adjustment includes elimination of retrospective adjustments made after the changes in Networks RAB methodology, specifically, EUR -44.4 million for 2021. Additionally, the 2021 adjustment includes the add-back 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 the prices set by the regulator.

[1] *Due to changes in IAS, EBITDA was recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').*
[2] *A more detailed description of the management adjustments is presented in the Annual Consolidated Financial Statements of 2022, Note 7 'Operating segments'.*

EBIT

In 2022, Adjusted EBIT amounted to EUR 317.4 million, which is 53.8% (or EUR +111.0 million) higher than in 2021. The main effect of the change was higher Adjusted EBITDA (EUR +136.6 million) (the reasons behind the increase are described in the 'EBITDA' section), which was partly offset by higher depreciation and amortisation expenses (EUR -15.1 million). Additionally, it was offset by higher write-off and impairment expenses (EUR -10.6 million), mainly due to the replacement of old metering equipment while carrying out the roll-out of smart meters.

Adjusted EBIT by segments, EURm

	2022	2021[1]	Δ	Δ, %
Green Generation	221.7	86.2	*135.5*	*157.2%*
Networks	62.6	58.5	*4.1*	*7.0%*
Flexible Generation	23.1	25.8	*(2.7)*	*(10.5%)*
Customers & Solutions	13.4	38.8	*(25.4)*	*(65.5%)*
Other[2]	(3.4)	(2.9)	*(0.5)*	*17.2%*
Adjusted EBIT APM	**317.4**	**206.4**	***111.0***	***53.8%***
Adjusted EBIT margin APM	7.4%	10.9%	*-3.5 pp*	*n/a*

EBIT adjustments, EURm

	2022	2021[1]	Δ	Δ, %
EBIT APM	**387.8**	**192.1**	***195.7***	***101.9%***
Adjustments				
Total EBITDA adjustments	(70.4)	(10.4)	*(60.0)*	*n/a*
One-off PPE revaluation and impairment adjustments (2)	-	24.8	*(24.8)*	*(100.0%)*
Total EBIT adjustments	**(70.4)**	**14.4**	***(84.8)***	***n/a***
Adjusted EBIT APM	**317.4**	**206.4**	***111.0***	***53.8%***
Adjusted ROCE APM	10.7%	7.9%	*2.8 pp*	*n/a*
ROCE APM	13.1%	7.3%	*5.7 pp*	*n/a*

Net profit

Adjusted net profit amounted to EUR 256.0 million in 2022 and was 57.2% higher than in 2021. The Adjusted EBIT's positive impact (EUR +111.0 million) was partly offset by higher income tax (EUR -16.3 million) and increased interest expenses (EUR -5.3 million).

Reported net profit in 2022 increased to EUR 293.4 million compared to EUR 160.2 million in 2021. Reported net profit increase was higher compared to the increase in Adjusted net profit, mainly due to the impact of temporary regulatory differences (EUR +60.0 million).

Net profit adjustments, EURm

	2022	2021[1]	Δ	Δ, %
Net profit	**293.4**	**160.2**	***133.2***	***83.1%***
Adjustments				
Total EBITDA adjustments	(70.4)	(10.4)	*(60.0)*	*n/a*
One-off PPE revaluation and impairment adjustments (2)	-	24.8	*(24.8)*	*(100.0%)*
One-off financial activity adjustments (3)	23.4	(9.5)	*32.9*	*n/a*
Adjustments' impact on income tax (4)	9.6	(2.2)	*11.8*	*n/a*
Total net profit adjustments	**(37.4)**	**2.7**	***(40.1)***	***n/a***
Adjusted net profit APM	**256.0**	**162.8**	***93.2***	***57.2%***
Adjusted ROE APM	12.9%	8.9%	*4 pp*	*n/a*
ROE APM	14.7%	8.7%	*6 pp*	*n/a*

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

(3) One-off financial activity adjustments in 2022 include the elimination of the value decrease in Smart Energy Fund's investments (EUR -6.3 million) and Kaunas CHP's option fair value increase (added to expenses in the Statement of Profit or Loss) (EUR -17.1 million). 2021 one-off financial activity adjustments include the elimination of the value increase in Smart Energy Fund's investments (EUR +15.9 million), Kaunas CHP's option fair value increase (EUR -4.2 million) and a decrease in the variable part of the EPSO-G receivable (EUR -2.1 million)

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

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').
[2] Other – other activities and eliminations (consolidation adjustments and related party transactions).

Investments

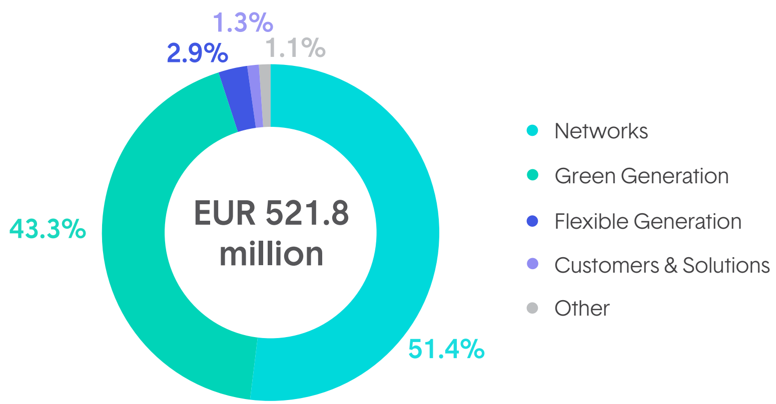
In 2022, Investments amounted to EUR 521.8 million and were EUR 286.9 million higher compared to 2021. The largest contributor to the growth was the Green Generation segment, where investments increased by EUR 193.9 million and reached EUR 226.2 million. The largest share of investments made was in the Networks segment (51.4% of total Investments) and the Green Generation segment (43.3% of total Investments).

Investments in the Green Generation segment amounted to EUR 226.2 million in 2022 and were EUR 193.9 million higher compared to 2021. The Investments were mostly directed towards onshore wind farms in Lithuania and Poland (EUR 130.7 million), mainly to Silesia WF II (EUR 66.6 million) and Mažeikiai WF (EUR 52.5 million), as well as biomass/WtE technologies (EUR 63.8 million), mainly in Vilnius CHP's biomass unit.

Investments in the Networks segment amounted to EUR 268.1 million and were 40.2%, or EUR 76.9 million, higher compared to 2021. The main reasons behind the increase were higher contractors prices as fees for new connections and upgrades increased on average by 56% per customer and contractor fees for maintenance increased on average by 55% per object. Investments in expansion of the electricity distribution network increased by EUR 55.7 million, or +85.2%, and amounted to EUR 121.1 million. Additionally, the increase in expansion Investments is related to the smart meter roll-out. Smart meter Investments amounted to EUR 23.7 million. Investments in the maintenance of electricity distribution network increased by EUR +8.4 million, or +9.3%, and amounted to EUR 99.0 million. The increase was caused by higher contractor fees, which were amortised by lower number of objects renovated.

In 2022, Investments covered by customers or grants amounted to EUR 71.2 million and accounted for 13.6% of total Investments. The Group received EUR 29.0 million in grants for Investments during 2022, which were related to Vilnius CHP project (EUR 15.1 million) and maintenance of electricity and natural gas distribution networks (EUR 13.9 million). Also, a share of investments into Networks related to new customer connections, upgrades and infrastructure equipment transfers was covered by the customers (EUR 42.2 million).

Investments by segment, 2022, %



Investments by segment, EURm

	2022[1]	2021	Δ	Δ, %
Green Generation	226.2	32.3	*193.9*	*600.3%*
Onshore wind	130.7	8.7	*122.0*	*n/a*
Biomass / WtE	63.8	21.9	*41.9*	*191.3%*
Offshore Wind	20.8	-	*20.8*	*100.0%*
Solar	9.4	0.9	*8.5*	*944.4%*
Other	1.5	0.7	*0.8*	*114.3%*
Networks	268.1	191.2	*76.9*	*40.2%*
Total electricity network investments :	243.8	162.3	*81.5*	*50.2%*
Expansion of the electricity distribution network	121.1	65.4	*55.7*	*85.2%*
Expansion of electricity distribution network (smart meters)	23.7	6.2	*17.5*	*282.3%*
Maintenance of the electricity distribution network	99.0	90.6	*8.4*	*9.3%*
Total gas network investments:	14.7	24.1	*(9.4)*	*(39.0%)*
Expansion of gas distribution network	8.3	13.9	*(5.6)*	*(40.3%)*
Maintenance of the gas distribution network	6.4	10.2	*(3.8)*	*(37.3%)*
Other	9.6	4.9	*4.7*	*95.9%*
Customers & Solutions	6.8	2.9	*3.9*	*134.5%*
Flexible Generation	15.0	0.2	*14.8*	*n/a*
Other[2]	5.7	8.3	*(2.6)*	*(31.3%)*
Investments APM	**521.8**	**234.9**	***286.9***	***122.1%***
Total Grants and covered by customers:	(71.2)	(49.3)	*(21.9)*	*44.4%*
Grants	(29.0)	(17.2)	*(11.8)*	*68.6%*
Investments covered by customers[3]	(42.2)	(32.2)	*(10.0)*	*31.1%*
Investments (excl. grants and investments covered by customers)	**450.6**	**185.5**	***265.1***	***142.9%***

In 2022, EUR 412.1 million of Investments made were in Lithuania. The amount represents 79.0% of total Investments. The second largest share of Investments (EUR 86.4 million) made was in Poland, mainly in solar and wind farm development.

Investments by geographical region, EURm

	2022[1]	2021	Δ	Δ, %
Lithuania	412.1	220.9	*191.2*	*86.5%*
Poland	86.4	13.7	*72.8*	*532.6%*
Other[4]	23.3	0.3	*23.0*	*n/a*
Total Investments:	**521.8**	**234.9**	***286.9***	***122.1%***

[1] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy projects pipeline. For updated formula, see section '7.3 Alternative performance measures' or our website.
[2] Other – other activities and eliminations (consolidation adjustments and related party transactions).
[3] Investments covered by customers include new customer connections and upgrades, and infrastructure equipment transfers.
[4] Other geographical regions mainly represent Investments in the United Kingdom and Latvia.

Statement of financial position

Assets

As of 31 December 2022, total assets reached EUR 5,271.6 million (23.8% increase from 31 December 2021).

Non-current assets increased by EUR 295.8 million, or 10.0%, compared to 31 December 2021. The growth was mainly influenced by an increase in property, plant and equipment (EUR +193.0 million) and in prepayments for non-current assets (EUR +110.0 million), mainly for the construction of Mažeikiai WF, Silesia WF I and Silesia WF II due to Investments made during 2022.

Current assets increased by EUR 717.7 million, or 55.0%, compared to 31 December 2021, mainly due to an increase in working capital items (for more information see section 'Net working capital' below). The increase was partly offset by repaid receivable from EPSO-G for the shares of AB „Litgrid" (EUR 84.1 million).

Equity

As of 31 December 2022, equity amounted to EUR 2,125.6 million and increased by EUR 269.7 million, or 14.5%, compared to 31 December 2021, mostly due to net profit earned in 2022 (EUR +293.4 million) and due to an increase in hedging reserve (EUR +82.0 million), which represents changes in the fair value of effective hedges that meet the qualifying criteria for hedge accounting. It was partly offset by paid dividends (EUR -89.0 million).

Liabilities

Total liabilities increased by 31.0%, or EUR 743.8 million, during 2022. The increase was related to higher amount of bank loans (EUR +315.8 million), mainly for financing NWC and Investments. Additionally, increase in liabilities was also related to the increase in working capital items (for more information, see section 'Net working capital' below).

Net working capital

As of 31 December 2022, net working capital amounted to EUR 443.3 million and increased by EUR 4.6 million compared to 31 December 2021, mainly driven by high energy prices. The drivers of the change are the following:

- growth in total inventory by EUR +384.8 million, mainly in Customers & Solutions (EUR +228.4 million), due to increased volume and value of stored gas, and Flexible Generation (EUR +142.9 million), due to the acquisition of an additional natural gas reserve, both impacted by ceased gas purchases from Gazprom while substituting them with LNG cargo shipments.
- increase in trade receivables (EUR +149.5 million), mainly in Customers & Solutions;

Partly offset by:

- decrease in accrued regulatory debt (EUR -145.4 million) related to the regulated activities of the public supply of electricity (Customers & Solutions) due to received compensations from the State for regulatory debt accrued during 2021 and 2022;
- higher VAT payables (EUR -92.4 million) and trade payables (EUR -77.0 million), mainly due to higher energy prices;
- increase in current portion of deferred revenue (EUR -89.0 million) mainly related to natural gas sales in Finland;
- decrease in derivative trading deposits (EUR -73.7 million) due to decreased market prices and due to active management decisions (Customers & Solutions);
- Increase of payables for fixed assets (EUR -32.6 million) mainly in Networks segment;
- increase in mark-to-market (MtM) related to Nasdaq commodities market (cash part of all open derivatives positions[1]) (EUR -6.8 million).

Balance sheet, EURm

	31 Dec 2022	31 Dec 2021[2]	Δ	Δ, %
Non-current assets	3,249.5	2,953.7	*295.8*	*10.0%*
Current assets	2,022.1	1,304.4	*717.7*	*55.0%*
TOTAL ASSETS	**5,271.6**	**4,258.1**	***1,013.5***	***23.8%***
Equity	2,125.6	1,855.9	*269.7*	*14.5%*
Total liabilities	3,146.0	2,402.2	*743.8*	*31.0%*
Non-current liabilities	2,064.2	1,704.8	*359.4*	*21.1%*
Current liabilities	1,081.8	697.4	*384.4*	*55.1%*
TOTAL EQUITY AND LIABILITIES	**5,271.6**	**4,258.1**	***1,013.5***	***23.8%***
Capital employed APM	3,112.5	2,813.2	*299.3*	*10.6%*
Net working capital APM	443.3	438.7	*4.6*	*1.0%*
Net working capital/Revenue APM	11.8%	23.2%	*-11.4 pp*	*n/a*
Current ratio APM	1.87	1.87	-	-%
Asset turnover APM	0.92	0.46	*0.46*	*100.0%*
ROA APM	6.2%	3.9%	*2.3 pp*	*n/a*

[1] Mark-to-market (MtM) cash part is a sum of financial derivatives related cash flows, covering all payments that are settled in full each business day between counterparties. The daily cash settlement corresponds to the amount of fair value movement for futures product traded on Nasdaq Commodities market.
2 Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').

Financing

Net debt

As of 31 December 2022, Net debt amounted to EUR 986.9 million, an increase of 3.1%, or EUR 29.7 million, compared to 31 December 2021, mainly due to high Investments made especially in Green Generation segment. It was partly offset by positive FFO and a receivable obtained from EPSO-G (for more information see section 'Statement of financial position'). FFO/Net debt increased to 49.1%, mainly due to increased FFO. Net debt level and leverage metrics improved by the end of the year due to strong results and recovered temporary regulatory differences accumulated during 2021–2022.

Net debt, EURm

	31 Dec 2022	31 Dec 2021	Δ	Δ, %
Total non-current financial liabilities	**1,468.3**	**1,164.4**	***303.9***	***26.1%***
Non-current loans	383.1	229.6	*153.5*	*66.9%*
Credit lines	150.0	-	*150.0*	*n/a*
Bonds	890.1	888.5	*1.6*	*0.2%*
Interests payable (including accrued)	-	-	-	*n/a*
Lease liabilities (IFRS 16)	45.1	46.3	*(1.2)*	*(2.6%)*
Total current financial liabilities	**212.6**	**242.0**	***(29.4)***	***(12.1%)***
Current portion of non-current loans	26.1	13.9	*12.2*	*87.8%*
Current loans	-	214.1	*(214.1)*	*(100.0%)*
Banks overdrafts	172.9	-	*172.9*	*100.0%*
Interests payable (including accrued)	10.0	9.3	*0.7*	*7.5%*
Lease liabilities (IFRS 16)	3.6	4.7	*(1.1)*	*(23.4%)*
Gross debt APM	**1,680.9**	**1,406.4**	***274.5***	***19.5%***
Cash, cash equiv. and cash in escrow acc.	**694.1**	**449.1**	***245.0***	***54.6%***
Net debt APM	**986.9**	**957.2**	***29.7***	***3.1%***
Net debt / Adjusted EBITDA APM	2.10	2.88	*(0.78)*	*(27.1%)*
Net debt / EBITDA APM	1.83	2.79	*(0.96)*	*(34.4%)*
FFO / Net debt APM	49.1%	31.3%	*17.8 pp*	*n/a*
Gross debt/Equity APM	0.79	0.76	*0.03*	*3.9%*
Equity ratio APM	0.40	0.44	*(0.04)*	*(9.1%)*

Debt summary, EURm

	Outstanding as of 31 Dec 2022	Effective interest rate (%)	Average time to maturity (years)	Fixed interest rate	Euro currency
Bonds (incl. interest)	909.1[1]	*1.96%*	6.3	*100.0%*	*100.0%*
Non-current loans[2]	409.8	*1.85%*	7.6	*97.0%*	*80.3%*
Bank overdrafts, Credit lines and Current loans	322.9	*2.82%*	0.8	*0.0%*	*100.0%*
Lease liabilities	48.6	-	6.7	-	*100.0%*
Total	**1,690.4**	***2.1%***	**5.7**	***77.3%***	***95.2%***

[1] Nominal value of issued bonds amounts to EUR 900 million. As of 31 December 2022, bonds accounted for EUR 890.1 million in the consolidated balance sheet as the nominal remaining capital will be capitalised until maturity according to IFRS.
[2] As of 31 December 2022, one loan with a floating interest rate (with a residual value of EUR 110 million) was classified as fixed interest rate loan because an interest rate swap was carried out for this loan.

Bond issues and loans

The Group has 3 bond issues with a total EUR 900.0 million nominal outstanding amount, 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+

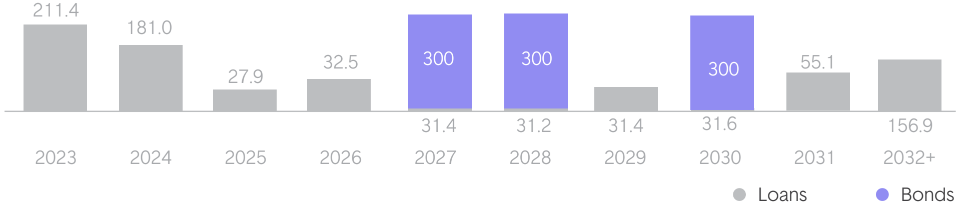
During the reporting period, there have been no material changes regarding bonds. Related information, including the structure of bondholders as of the issue date, is available in the section '7.1 Further investor related information'.

As of 31 December 2022, the outstanding amount of bank loans, credit lines and overdrafts was EUR 732.2 million, out of which 44.3% is related to the Green Generation segment's projects, 44.1% was dedicated to the working capital needs of the Customers & Solutions segment, and 10.0% – to the smart meter roll-out in the Networks segment.

Maturities

Bonds maturing in 2027 (EUR 300.0 million, green), in 2028 (EUR 300.0 million, green) and in 2030 (EUR 300.0 million) make the largest portion of the Group's financial liabilities. Average maturity of the financial liabilities as of 31 December 2022 was 5.7 years (6.4 years in 31 December 2021).

Repayment schedule of Group's financial liabilities, EURm



Interest rate, currency, and liquidity risk

As of 31 December 2022, financial liabilities amounting to EUR 1,306.4 million were subject to fixed interest rate (77.3% of loans[1], credit lines, overdrafts, bonds, and interests payable) and the remaining amount of financial liabilities were subject to floating interest rate. As of 31 December 2022, effective interest rate was 2.1%. 95.2% of the total debt is in EUR, and 4.8% – in PLN.

The Group manages liquidity risks by entering in credit line and overdraft agreements with banks. As of 31 December 2022, there were six credit line facilities available in four separate banks with a total limit of EUR 719 million. The disbursed amount was EUR 323 million. The credit line facilities are committed, i.e., funds must be paid by the bank upon request.

[1] As of 31 December 2022, one loan with a floating interest rate (with a residual value of EUR 110 million) was classified as fixed interest rate loan because an interest rate swap was carried out for this loan.

Cash flows

CFO

Net cash flows from operating activities (CFO) amounted to EUR 563.9 million in 2022. Compared to 2021, CFO increased by EUR 458.5 million, mainly due to an increase in net profit (EUR +133.2 million) and relatively low cash outflow for working capital changes (EUR -25.4 million in 2022 and EUR -236.7 million in 2021).

CFI

Net cash flows from investing activities (CFI) amounted to EUR -455.7 million in 2022. CFI was more negative by EUR -221.2 million, mainly due to higher payments for acquisition of PPE and intangible assets (EUR +194.0 million) compared to 2021.

CFF

Net cash flows from financing activities (CFF) amounted to EUR 136.8 million in 2022. CFF was positive due to the overdraft of EUR 172.9 million and additional loans received in the amount of EUR 223.0 million. These effects were partly offset by repaid loans (EUR -119.7 million), dividends paid (EUR -89.0 million), interest paid (EUR -28.8 million) and the treasury shares acquired (EUR -14.3 million). In comparison, CFF in 2021 was negative due to the dividends paid (EUR -87.8 million), treasury shares acquired (EUR -26.7 million), interest paid (EUR -26.0 million) and equity acquired from non-controlling interest (EUR -19.0 million).

Cash flows, EURm

	2022	2021[1]	Δ	Δ, %
Cash and cash equiv. at the beginning of the period	**449.1**	**658.8**	***(209.7)***	***(31.8%)***
CFO	563.9	105.4	*458.5*	*435.0%*
CFI	(455.7)	(234.5)	*(221.2)*	*94.3%*
CFF	136.8	(80.6)	*217.4*	*n/a*
Increase (decrease) in cash and cash equiv.	**245.0**	**(209.7)**	***454.7***	***n/a***
Cash and cash equiv. at the end of period	**694.1**	**449.1**	***245.0***	***54.6%***

FFO

In 2022, the Group's FFO increased by 61.7% (EUR +184.7 million) and amounted to EUR 484.1 million. The main reason for the growth was higher EBITDA, partly offset by more income tax paid.

FFO, EURm

	2022	2021[1]	Δ	Δ,%
EBITDA APM	539.7	343.2	*196.5*	*57.3%*
Interest received	0.6	0.6	*-*	*-%*
Interest paid	(28.8)	(26.0)	*(2.8)*	*10.8%*
Income tax paid	(27.4)	(18.3)	*(9.1)*	*49.7%*
FFO APM	**484.1**	**299.4**	***184.7***	***61.7%***

FCF

In 2022, the Group's FCF amounted to EUR 17.3 million. Positive FFO effect was partly offset by Net Investments (Investments excl. grants and investments covered by customers) made.

FCF, EURm

	2022	2021[1]	Δ	Δ, %
FFO APM	484.1	299.4	*184.7*	*61.7%*
Investments	(521.8)	(234.9)	*(286.9)*	*122.1%*
Grants received	29.0	17.2	*11.8*	*68.6%*
Cash effect of new connection points and upgrades	28.2	20.0	*8.2*	*41.0%*
Proceeds from sale of PPE and intangible assets[2]	2.4	2.0	*0.4*	*20.0%*
Change in net working capital	(4.6)	(344.3)	*339.7*	*(98.7%)*
FCF APM	**17.3**	**(240.6)**	***257.9***	***n/a***

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').
[2] Cash inflow indicated in CF statement line 'Proceeds from sale of PPE and intangible assets', excluding gain or loss, which is already included in FFO.

Key operating indicators

Electricity

The Green Generation secured capacity increased by 218 MW as three projects: Silesia WF II (+137 MW), Silesia WF I (+50 MW) and Polish solar portfolio II (+30 MW) reached the construction phase.

The total distributed electricity volume decreased by 3.5% compared to the year prior. The decrease was mainly driven by the B2C segment. High energy prices are driving the fall in energy consumption.

Electricity generation (net) decreased by 20.4%, or 0.47 TWh, compared to 2021 and amounted to 1.83 TWh in 2022. The decrease in electricity generated (net) was mainly driven by lower generation at CCGT in Elektrėnai Complex (-0.55 TWh) due to high natural gas prices, which negatively affected the clean spark spread, and lower generation at Kruonis PSHP (-0.18 TWh). The decrease was offset by higher generation of Pomerania WF (+0.19 TWh) and Kaunas HPP (+0.07 TWh). A contributing positive impact of Pomerania WF was due to a full year of generation and the Kaunas HPP increase was driven by around 25% higher water levels in the Nemunas river.

An increase in electricity sales (12.2% higher compared to 2021) was mainly driven by higher B2B sales in Lithuania, Latvia, and Poland due to a significant increase in the number of B2B customers. The increase was offset by a decrease in B2C sales due to ongoing electricity market deregulation in Lithuania.

Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, increased compared to the previous year and was 1.52 interruptions (1.45 interruptions in 2021). Electricity SAIDI indicator, which shows the average duration of unplanned interruptions, improved to 178.73 minutes (compared to 201.95 minutes in 2021). 2022 quality indicators were negatively affected by extreme weather conditions/natural disasters (that caused 4 mass disconnections in January and February 2022) and strong winds/local storms during the first and the last quarter of 2022. Higher number of installed automatic solutions as well as proactive management of staff levels based on the weather forecast resulted in reduced average interruption duration (SAIDI).

Key operating indicators

		2022	2021	Δ	Δ, %
Electricity					
Green Generation secured capacity	MW	1,568	1,350	*218*	*16.1%*
Green Generation installed capacity	MW	1,215	1,214	*1*	*0.1%*
Green Generation projects under construction	MW	353	136	*217*	*159.6%*
Electricity distributed	TWh	10.01	10.37	*(0.36)*	*(3.5%)*
Electricity generated (net)	TWh	1.83	2.30	*(0.47)*	*(20.4%)*
Green electricity generated (net)	TWh	1.56	1.48	*0.08*	*5.6%*
Green share of generation	%	85.1%	64.2%	*20.9 pp*	*n/a*
Electricity sales	TWh	7.98	7.11	*0.87*	*12.2%*
SAIFI	units	1.52	1.45	*0.07*	*4.9%*
SAIDI	min	178.73	201.95	*(23.22)*	*(11.5%)*
Heat					
Green Generation secured capacity	MW	349	339	*10*	*2.9%*
Green Generation installed capacity	MW	180	170	*10*	*5.9%*
Green Generation projects under construction	MW	169	169	*-*	*-%*
Heat generated (net)	TWh	0.89	0.85	*0.03*	*4.0%*
Natural gas					
Natural gas distributed	TWh	6.68	8.49	*(1.81)*	*(21.3%)*
Natural gas sales	TWh	12.80	11.55	*1.25*	*10.8%*
SAIFI	units	0.003	0.006	*(0.002)*	*(43.3%)*
SAIDI	min	0.27	0.47	*(0.20)*	*(41.7%)*

Heat

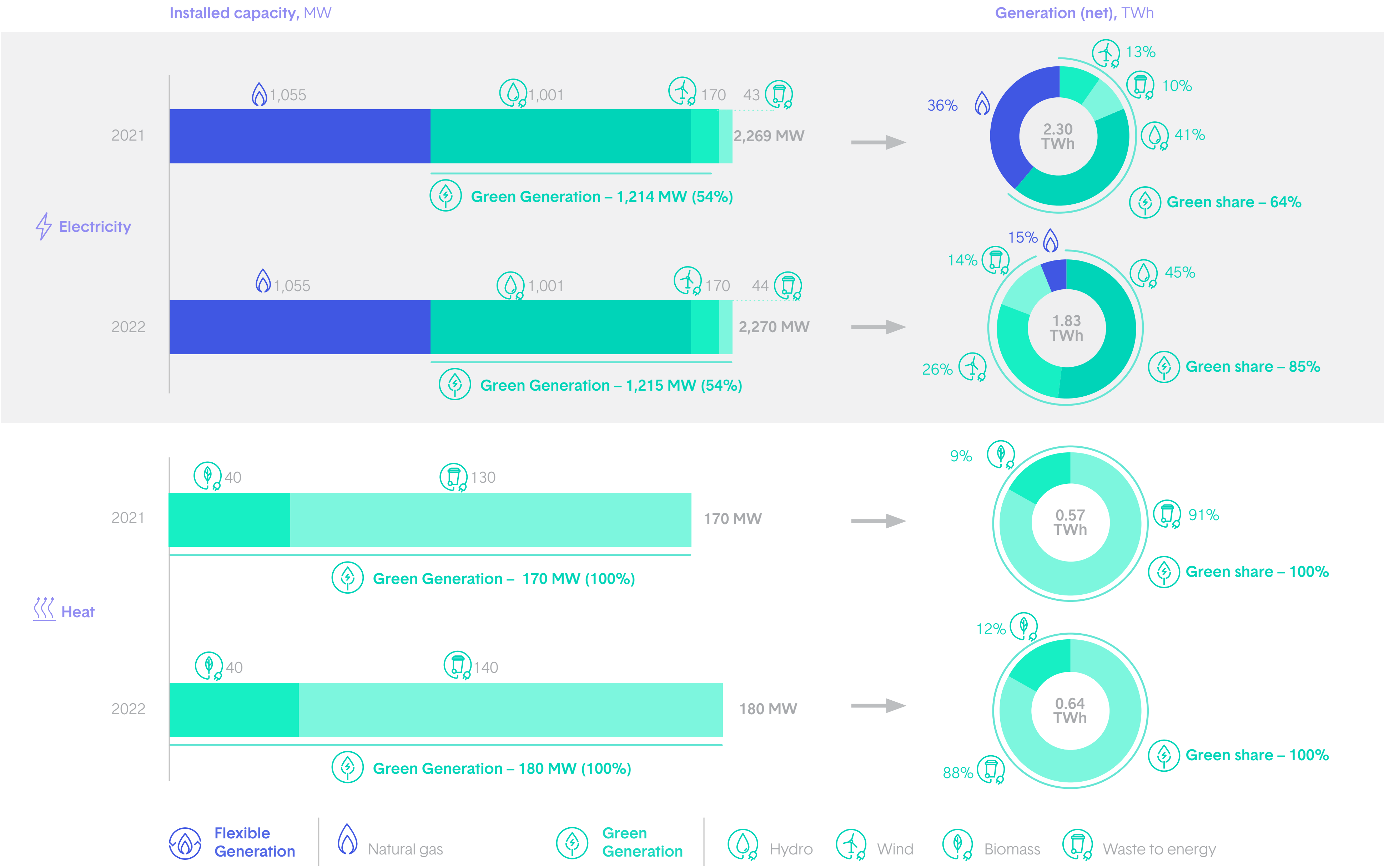
In 2022, heat generated (net) amounted to 0.89 TWh and was 4.0% higher compared to 2021. This increase was mainly driven by the heat produced in Elektrėnai biomass boiler.

Natural gas

High natural gas prices pushed B2B customers to reduce gas consumption, halt production or switch to alternative fuels, therefore, this had an impact on natural gas distribution volumes, which decreased by 21.3% compared to the year prior. The volume of natural gas sold in 2022 increased by 10.8%, mainly from utilizing Lithuania's LNG terminal and securing profitable transactions with foreign B2B customers.

Natural gas distribution SAIFI and SAIDI indicators improved in 2022 compared to the 2021 as there were no significant disruptions. Natural gas SAIFI improved to 0.003 interruptions from 0.006 interruptions in 2021. SAIDI indicator also decreased and was 0.27 minutes compared to 0.47 minutes in 2021.

Installed capacity and generation mix overview

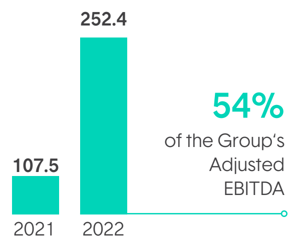


3.2 Results by business segment

Overview[1]

Green Generation

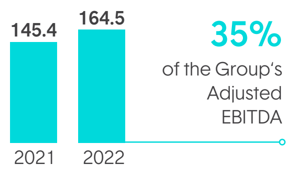
Adjusted EBITDA, EURm



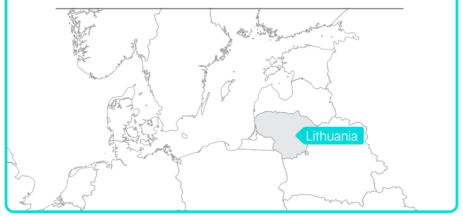
Revenue, EURm	458.4
Adjusted EBIT, EURm	221.7
Investments, EURm	226.2
Net debt, EURm	758.8

Networks

Adjusted EBITDA, EURm

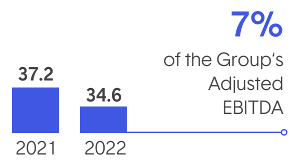


Revenue, EURm	681.1
Adjusted EBIT, EURm	62.6
Investments, EURm	268.1
Net debt, EURm	776.1

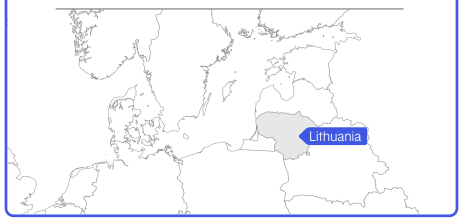


Flexible Generation

Adjusted EBITDA, EURm

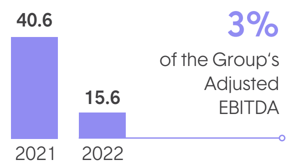


Revenue, EURm	240.7
Adjusted EBIT, EURm	23.1
Investments, EURm	15.0
Net debt, EURm	71.9

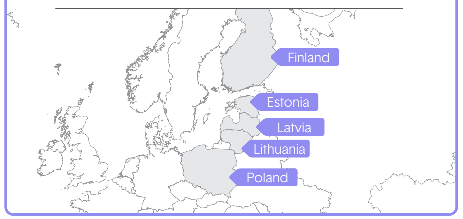


Customers & Solutions

Adjusted EBITDA, EURm



Revenue, EURm	3,083.8
Adjusted EBIT, EURm	13.4
Investments, EURm	6.8
Net debt, EURm	418.3



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

[1] *Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').*

Green Generation

Highlights

- **Since the beginning of 2022, our Green Generation Portfolio increased more than twofold to 5.3 GW (from 2.6 GW). Our projects Pipeline more than tripled to 4.1 GW (from 1.3 GW) with the largest share of growth captured in the accelerated expansion of greenfield projects, which increased more than eleven times to around 2.0 GW (from 170 MW) as of report announcement date. For detailed status of our projects Pipeline see section '2.4 Investment program'.**
- **Seven times higher investments compared to the previous year, mainly in onshore wind farms in Lithuania and Poland and Vilnius CHP's biomass unit.**
- **More than twofold increase (+134.8%) in Adjusted EBITDA, which reached EUR 252.4 million in 2022 and was driven by the launch of Pomerania WF in Poland and better results of the operating assets, driven by higher electricity market price.**
- **Green electricity generated volume increased by 5.6% compared to 2021 and was mainly driven by the Pomerania WF's full year of generation and increased generation at Kaunas HPP due to higher levels of water in the Nemunas river.**
- **The European Council adopted a temporary EU revenue cap of 180 EUR/MWh on the electricity produced from inframarginal technologies, which affects all technologies of Green Generation segment except hydro-pumped storage power plants. As of report announcement date, a negative impact is expected.**
- **During 2022, Power Purchase Agreements (PPA) were signed for the majority of the Green Generation's (excl. Kruonis PSHP) electricity production capacities. Weighted average electricity sale price secured in 2023 (via PPAs, tariffs and hedge agreements) is 140.2 EUR/MWh, and weighted average agreements' maturity is 7.6 years (ranging from 1 to 13 years).**
- **Received a favourable Stockholm Chamber of Commerce ruling in the legal dispute with Rafako S.A., confirming their fault for the unfinished Vilnius CHP biomass unit's construction works.**
- **Ran 'cold tests' of Vilnius CHP's biomass unit with COD expected in Q3 2023.**
- **After the reporting date, in January 2023, the first power was generated and supplied to the grid by Mažeikiai WF (63 MW) in Lithuania.**

Financial results

Revenue

In 2022, Green Generation revenue amounted to EUR 458.4 million and was 111.0%, or EUR 241.1 million, higher than in 2021. The increase of revenue in all Green Generation technologies was driven by higher electricity market prices and Pomerania WF, due to COD reached in December 2021.

Even though electricity market price increased significantly, Green Generation segment did not observe the full effect of increased electricity market prices due to the secured part of Green Generation portfolio. The realized electricity sale price of operating facilities (excl. Kruonis PSHP) amounted to 149.8 EUR/MWh, while the average electricity market price in Lithuania was 230.2 EUR/MWh, in Poland – 167.6 EUR/MWh and in Estonia – 192.8 EUR/MWh.

Key financial indicators, EURm

	2022	2021[1]	Δ	Δ,%
Revenue	458.4	217.3	*241.1*	*111.0%*
Adjusted EBITDA APM	252.4	107.5	*144.9*	*134.8%*
EBITDA APM	253.2	107.1	*146.1*	*136.4%*
Adjusted EBIT APM	221.7	86.2	*135.5*	*157.2%*
EBIT APM	222.4	85.9	*136.5*	*158.9%*
Investments APM	226.2	32.3	*193.9*	*600.3%*
Adjusted EBITDA margin APM	55.2%	49.4%	*5.8 pp*	*n/a*
	31 Dec 2022	**31 Dec 2021**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	856.0	781.4	*74.6*	*9.5%*
Net debt APM	758.8	390.1	*368.7*	*94.5%*

Key regulatory indicators

		2023[2]	2022[2]	2021[2]
Regulated activities share in adjusted EBITDA in 2022	**%**	**-**	**0.8%**	**1.6%**
Kruonis PSHP				
RAB[3]	EURm	14.7	16.5	16.7
WACC	%	3.99	4.03	3.50
D&A (regulatory)	EURm	1.3	1.4	1.4

More than 70% of Green Generation (excl. Kruonis PSHP) electricity production to be sold in 2023 is secured by Power Purchase Agreements (PPA), hedge or tariff agreements with a weighted average electricity price of 140.2 EUR/MWh, and weighted average agreements' maturity of 7.6 years (ranging from 1 to 13 years).

Adjusted EBITDA

In 2022, Adjusted EBITDA reached EUR 252.4 million and was 134.8%, or EUR 144.9 million, higher than in 2021. The increase recorded throughout all technologies (Wind, Hydro, Waste-to-Energy) was mainly driven by higher electricity market prices and Pomerania WF, due to COD reached in December 2021. More information is available in the paragraph above.

Investments

Investments in the Green Generation segment amounted to EUR 226.2 million in 2022 and were EUR 193.9 million higher compared to 2021. Investments were mostly directed towards onshore wind farms in Poland and Lithuania (EUR 135.4 million), mainly in Silesia WF II (66.6 million) and Mažeikiai WF (52.5 million), as well as biomass/WtE technologies (EUR 63.7 million), mainly in Vilnius CHP's biomass unit.

[1] Due to changes in IAS, part of financial indicators of Green Generation segment were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' section '6 Restatement of comparative figures due to changes in the accounting policy').
[2] Numbers approved and published by NERC.
[3] The regulator has halved the RAB of the secondary power reserve since 2021 but allowed to keep half of the profit earned from electricity sales from activities of the secondary power reserve.

Operating performance

Electricity

Electricity generated (net) in the Green Generation segment increased by 5.6% in 2022 compared to 2021. Generation from wind has increased as Pomerania WF (+0.19 TWh) has been operational for a full year. Generation at Kaunas HPP also increased by 0.07 TWh as the water level in the Nemunas river in 2022 was around 25% higher compared to 2021. The increase was offset by 0.18 TWh lower Kruonis PSHP generation due to the market conditions (fewer favourable days for generation).

In 2022, electricity generated (net) by wind farms amounted to 0.47 TWh and increased by 0.17 TWh compared to 2021. Wind farm load factor was the same as last year, i.e. 31.6%, whereas the availability factor of wind farms deteriorated slightly due to a couple of minor breakdowns.

Green Generation secured capacity increased by 218 MW as construction works started on Silesia WF II (+137 MW), Silesia WF I (+50 MW) and Polish solar portfolio II (+30 MW).

Heat

In 2022, heat generated (net) amounted to 0.89 TWh and was 4.0% higher compared to 2021. This increase was mainly driven by the heat produced by Elektrėnai biomass boiler.

Installed capacity of heat generation increased by 10 MW YoY since Vilnius CHP's WtE unit reached COD in March 2021, and the actual heat generation capacity was verified by NERC (+10 MW).

Key operating indicators

		2022	2021	Δ	Δ, %
Electricity					
Green Generation secured capacity	MW	1,568	1,350	*218*	*16.1%*
Installed capacity	MW	1,215	1,214	*1*	*0.1%*
Wind	MW	170	170	-	-%
Hydro	MW	1,001	1,001	-	-%
Pumped storage	MW	900	900	-	-%
Run-of-river	MW	101	101	-	-%
Waste	MW	44	43	*1*	*2.3%*
Projects under construction	MW	353	136	*217*	*159.6%*
Wind	MW	250	63	*187*	*296.8%*
Solar	MW	30	-	*30*	-%
Biomass	MW	73	73	-	-%
Electricity generated (net)	TWh	1.56	1.48	*0.08*	*5.6%*
Wind	TWh	0.47	0.30	*0.17*	*58.4%*
Hydro	TWh	0.82	0.94	*(0.11)*	*(12.2%)*
Pumped storage	TWh	0.46	0.65	*(0.18)*	*(28.4%)*
Run-of-river	TWh	0.36	0.29	*0.07*	*23.9%*
Waste	TWh	0.26	0.24	*0.02*	*9.4%*
Wind farms availability factor	%	98.7%	99.1%	*(0.4 pp)*	*n/a*
Wind farms load factor	%	31.6%	31.6%[1]	-	*n/a*
Heat					
Green Generation secured capacity	MW	349	339	*10*	*2.9%*
Installed capacity	MW	180	170	*10*	*5.9%*
Projects under construction	MW	169	169	-	-%
Heat generated (net)	TWh	0.89	0.85	*0.03*	*4.0%*
Waste[2]	TWh	0.78	0.78	-	-%
Biomass	TWh	0.11	0.07	*0.03*	*46.8%*

[1] Previously reported 33.5% value was corrected with regards to new information.
[2] Vilnius CHP and Kaunas CHP can use natural gas for starting/stopping the power plant, test runs, etc., which are included in reported values of 'Waste'.

Networks

Highlights

- **Higher Investments compared to 2021 were mainly driven by increased contractors fees, which increased on average by 55%-56% and smart meter roll-out.**
- **Distributed volume of electricity in 2022 amounted to 10.01 TWh and was 3.5% lower than in 2021. Distributed volume of natural gas in 2022 decreased by 21.3% compared to 2021 and comprised 6.68 TWh. High energy prices are driving the fall in energy consumption.**
- **The smart meter roll-out was started in July 2022. We successfully achieved and exceeded the installation target of 192,000. In total, 210,439 smart meters were installed during the reporting period.**
- **Electricity quality indicators (SAIFI and SAIDI) were negatively affected by extreme conditions/natural disasters and strong winds/ local storms. Higher number of installed automatic solutions as well as proactive management of staff levels based on the weather forecast resulted in improved average interruption duration (SAIDI).**
- **In October 2022, NERC established ESO income level of electricity distribution services for 2023, comprising EUR 395.5 million, which is 65,0 % higher compared to the income level set in October 2021 for year 2022 (EUR 239.7 million), however taking into account recovery of technological losses expenses (in amount EUR 120.2 million) at the end of 2022, the distribution revenue for 2023 is 9.9% higher compared to the revenue for the year 2022.**

[1] *Numbers approved and published by NERC.*
[2] *Actual numbers from the Statement of Profit or Loss.*
[3] *Due to changes in the Networks RAB methodology, an additional tariff component of EUR 28 million is added annually starting from the year 2022.*
[4] *Not determined by regulator, only factual numbers used.*

Financial results

Revenue

The increase was mainly driven by higher revenue from electricity distribution, which was influenced by recovery of technological losses expenses at the end of 2022 (accumulated during 2022). Increase in technological losses expenses (+103.7%, EUR +62.7 million) resulted from higher electricity prices. Additionally, revenue from the supply of last resort grew by EUR 45.4 million due to 154.4% higher electricity market price.

Adjusted EBITDA

Adjusted EBITDA reached EUR 164.5 million and was 13.1%, or EUR 19.1 million, higher than in 2021. The increase was driven by introduction of an additional tariff component (EUR +28.0 million) and by higher RAB (EUR + 3.6 million). The increase was partly offset by lower electricity WACC (4.16% in 2022 vs 5.34% in 2021) (EUR -12.6 million) as a result of the updated WACC methodology for the new regulatory period started in 2022.

Investments

Investments in the Networks segment amounted to EUR 268.1 million and were 40.2%, or EUR 76.9 million, higher compared to 2021. The main reasons behind the increase were higher contractors prices as fees for new connections and upgrades increased on average by 56% per customer and contractor fees for maintenance increased on average by 55% per object. Investments in expansion of the electricity distribution network increased by EUR 55.7 million, or +85.2%, and amounted to EUR 121.1 million. Additionally, the increase in expansion investments is related to the smart meter roll-out. Smart meter Investments amounted to EUR 23.7 million. Investments in the maintenance of electricity distribution network increased by EUR +8.4 million, or +9.3%, and amounted to EUR 99.0 million. The increase was caused by higher contractor fees, which were amortised by lower number of objects renovated.

Key financial indicators, EURm

	2022	2021	Δ	Δ,%
Revenue	681.1	532.7	*148.4*	*27.9%*
Adjusted EBITDA APM	164.5	145.4	*19.1*	*13.1%*
EBITDA APM	148.0	168.6	*(20.6)*	*(12.2%)*
Adjusted EBIT APM	62.6	58.5	*4.1*	*7.0%*
EBIT APM	46.1	56.8	*(10.7)*	*(18.8%)*
Investments APM	268.1	191.2	*76.9*	*40.2%*
Adjusted EBITDA margin APM	23.6%	28.5%	*(4.9 pp)*	*n/a*
	31 Dec 2022	**31 Dec 2021**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	1,805.3	1,654.6	*150.7*	*9.1%*
Net debt APM	776.1	710.0	*66.1*	*9.3%*

Key regulatory indicators

		2023[1]	2022	2021
Regulated activities share in Adjusted EBITDA	**%**	**100.0**	**100.0**	**100.0**
Total				
RAB	EURm	1,429	1,345	1,258
WACC (weighted average)	%	4.14	4.13	5.05
D&A (regulatory)	EURm	74.9	67.8	69.1
Additional tariff component[1]	EURm	28.0	28.0	0.00
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[4]	16.7	14.9
Electricity distribution				
RAB	EURm	1,183	1,097	1,009
WACC	%	4.17	4.16	5.34
D&A (regulatory)	EURm	64.5	58.5	59.6
Additional tariff component[3]	EURm	28.0	28.0	0.0
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[4]	15.2	13.5
Natural gas distribution				
RAB	EURm	246	248	249
WACC	%	3.99	3.98	3.90
D&A (regulatory)	EURm	10.4	9.3	9.5
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[4]	1.5	1.4

Operating performance

Electricity distribution

Total distributed electricity decreased by 3.5%. The decrease was mainly driven by the B2C segment. High energy prices are driving the fall in energy consumption. Technological losses ratio was 0.2pp lower compared to the last year. The number of electricity distribution customers increased by 23,785, or 1.3%, compared to 2021, mainly because the number of new connections of prosumers and producers more than doubled. The increase in prosumers and producers is related to high energy prices and the government support schemes for solar plants. The average time to connect increased by 74.3% because of high number of applications, disrupted supply of materials, and increased workload due to termination of some contracts with service providers.

Electricity distribution quality indicator SAIFI slightly deteriorated compared to the previous year and was 1.52 interruptions (1.45 interruptions in 2021). Electricity SAIDI indicator improved to 178.73 minutes (compared to 201.95 minutes in 2021). 2022 quality indicators were negatively affected by extreme weather conditions/natural disasters (that caused 4 mass disconnections in January and February 2022) and strong winds/local storms during the first and the last quarter of the year. Higher number of installed automatic solutions as well as proactive management of staff levels based on the weather forecast resulted in reduced average interruption duration.

Natural gas distribution

A significant increase in natural gas prices pushed B2B customers to reduce gas consumption, halt production or switch to alternative fuels, therefore, this had an impact on natural gas distribution volumes, which decreased by 21.3% compared to the year prior. Average time to connect ratio improved by 18.8% due to lower demand, allowing contractors to complete works within agreed timelines. Both natural gas supply quality indicators SAIFI and SAIDI have improved compared to the same period last year and were equal to 0.003 interruptions and 0.27 minutes respectively. Natural gas quality indicators improved as there were less significant disruptions in 2022 compared to 2021.

Smart meters

The smart meter roll-out started in July 2022. We successfully achieved and exceeded the installation target of 192,000. In total, 210,439 smart meters were installed during the reporting period.

Key operating indicators

		2022	2021	Δ	Δ, %
Electricity distribution					
Electricity distributed	TWh	10.01	10.37	*(0.36)*	*(3.5%)*
of which B2C	TWh	3.20	3.38	*(0.17)*	*(5.2%)*
of which B2B	TWh	6.81	6.99	*(0.19)*	*(2.7%)*
Supply of last resort	TWh	0.26	0.34	*(0.08)*	*(23.3%)*
Distribution network	thousand km	127.50	126.81	*0.69*	*0.5%*
Technological losses	%	5.0%	5.2%	*(0.2 pp)*	*n/a*
Number of customers	thousand	1,825	1,801	*24*	*1.3%*
of which prosumers and producers	thousand	35	17	*19*	*112.2%*
admissible power of prosumers and producers	MW	327.40	121.50	*205.90*	*169.5%*
New connection points	thousand	37.82	26.88	*10.95*	*40.7%*
Connection point upgrades	thousand	26.18	23.41	*2.77*	*11.8%*
Admissible power of new connection points and upgrades	MW	524.73	515.75	*8.98*	*1.7%*
Time to connect (average)	c. d.	63.91	36.67	*27.24*	*74.3%*
SAIFI	unit	1.52	1.45	*0.07*	*4.9%*
SAIDI	min	178.73	201.95	*(23.22)*	*(11.5%)*
Number of smart meters installed	thousand	210.44	-	*210.44*	*-%*
Natural gas distribution					
Natural gas distributed	TWh	6.68	8.49	*(1.81)*	*(21.3%)*
of which B2C	TWh	2.50	2.79	*(0.29)*	*(10.4%)*
of which B2B	TWh	4.19	5.71	*(1.52)*	*(26.6%)*
Distribution network	thousand km	9.64	9.56	*0.08*	*0.8%*
Technological losses	%	1.8%	1.8%	*-*	*n/a*
Number of customers	thousand	624	619	*5*	*0.7%*
New connection points and upgrades	thousand	4.81	8.13	*(3.32)*	*(40.9%)*
Time to connect (average)	c. d.	58.33	71.86	*(13.53)*	*(18.8%)*
SAIFI	unit	0.003	0.006	*(0.002)*	*(43.3%)*
SAIDI	min	0.27	0.47	*(0.20)*	*(41.7%)*
Customer experience					
NPS (Transactional)	%	52.9	60.0[1]	*(7.1 pp)*	*n/a*

[1] *Survey methodology was changed. Since July 2021, it is being carried out daily 'post-contact'.*

Flexible Generation

Highlights

- **Considering the current geopolitical uncertainty, natural gas reserve of 1.1 TWh has been acquired according to a supplementary agreement to the isolated regime services contract. The acquisition caused an increase in working capital level. The regulatory mechanism is supposed to ensure compensation for additional costs incurred via the isolated regime services tariff.**
- **Starting with 2023, 519 MW of Elektrėnai complex capacity, previously reserved for tertiary power reserve services, is allocated to isolated regime services (891 MW in total). The impact of not providing tertiary power reserve services is not significant on the Group level.**
- **Flexible Generation won an auction conducted by Polish transmission system operator for ensuring 250 MW capacity availability in 2027 for around EUR 16 million. This is the first time in history where a bid of a Lithuanian company won a Polish capacity mechanism auction.**

Financial results

Revenue

In 2022, Flexible Generation revenue reached EUR 240.7 million and was 56.8%, or EUR 87.2 million, higher than in 2021. The increase was mainly driven by power reserve (isolated regime) services, specifically, revenue (EUR +64.6 million) for covering the expenses related to the natural gas reserve, which was acquired in order to comply with new requirements for the isolated regime services. Additionally, the increase was affected by higher revenue from CCGT commercial activities (EUR +19.3 million) due to better market conditions in Q4 2022.

Adjusted EBITDA

In 2022, Adjusted EBITDA amounted to EUR 34.6 million and was 7.0%, or EUR 2.6 million, lower than in 2021. Adjusted EBITDA from regulated activities reached EUR 13.5 million and was 11.3%, or EUR 1.7 million, lower than in 2021. The decrease in Adjusted EBITDA of regulated activities was mainly due to lower regulatory D&A with regards to depreciated value of assets. Adjusted EBITDA from commercial activities reached EUR 21.1 million and was 4.3%, or EUR 1.0 million, lower compared to 2021. Adjusted EBITDA of CCGT commercial activities was similar compared to 2021 (EUR -0.9 million, or -4.0%) even with lower volumes generated (-0.55 TWh, or -66.9%) as a result of a more favourable clean spark spread in Q4 2022.

Investments

Investments in the Flexible Generation segment amounted to EUR 15.0 million in 2022 and were EUR 14.8 million higher compared to 2021. Investments were higher mostly due to an advance payment (EUR +13.2 million) made for planned CCGT overhaul.

Operating performance

Electricity generation (net) volume of CCGT as well as units 7 and 8 at Elektrėnai Complex was 0.27 TWh in 2022 and decreased by 66.9% (0.55 TWh) compared 2021. During the first three quarters of the year, clean spark spread was negatively affected by high natural gas prices, which caused significant drop in volume generated.

The total installed electricity generation capacity of Elektrėnai Complex is 1,055 MW, and 891 MW were used for reserve and isolated regime services. In 2021, the tertiary active power reserve in the capacity of 482 MW was ensured by units 7 and 8 at Elektrėnai Complex, while in 2022 the tertiary active power reserve was ensured in the scope of 519 MW by the same units. In 2021, 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. In 2022, 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 8 in the scope of 1 MW.

In 2023, Flexible Generation will be providing isolated regime services in the scope of 891 MW, with 260 MW to be provided by unit 7 of Elektrėnai Complex, 260 MW by unit 8 of Elektrėnai Complex and 371 MW by CCGT. The tertiary active power reserve service is being abandoned. The impact of not providing tertiary power reserve services is not material on the Group level and can be evaluated by multiplying RAB and WACC (EUR 1.3 million in 2022).

Key financial indicators, EURm

	2022	2021	Δ	Δ,%
Revenue	240.7	153.5	*87.2*	*56.8%*
Adjusted EBITDA APM	34.6	37.2	*(2.6)*	*(7.0%)*
EBITDA APM	37.9	39.0	*(1.1)*	*(2.8%)*
Adjusted EBIT APM	23.1	25.8	*(2.7)*	*(10.5%)*
EBIT APM	26.5	27.5	*(1.0)*	*(3.6%)*
Investments APM	15.0	0.2	*14.8*	*n/a*
Adjusted EBITDA margin APM	14.6%	24.5%	*(9.9 pp)*	*n/a*
	31 Dec 2022	**31 Dec 2021**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	288.9	307.4	*(18.5)*	*(6.0%)*
Net debt APM	71.9	(37.5)	*109.4*	*n/a*

Key operating indicators

		2023	2022	2021
Installed electricity capacity	MW	1,055	1,055	1,055
Electricity generated (net)	TWh	-	0.27	0.82
Total reserve and Isolated regime services	MW	891	891	891
Tertiary power reserve services	MW	-	519	482
Isolated system operation services	MW	891	372	409

Key regulatory indicators

		2023[1]	2022[1]	2021[1]
Regulated activities share in adjusted EBITDA in 2022	**%**	**-**	**39.0**	**40.8**
Total	**EURm**			
RAB	%	-	32.0	33.8
WACC	EURm	-	4.03	3.50
D&A (regulatory)		10.6	13.2	14.0
CCGT				
RAB	EURm	-	-	-
WACC	%	-	-	-
D&A (regulatory)	EURm	7.6	9.3	10.0
Units 7 and 8				
RAB	EURm	-	32.0	33.8
WACC	%	-	4.03	3.50
D&A (regulatory)	EURm	3.0	3.9	4.0

[1] *Numbers approved and published by NERC*

Customers & Solutions

Highlights

- The decrease in Adjusted EBITDA was due to losses in both B2C and B2B electricity supply activities, resulting mainly from partly ineffective hedging solutions. The decline was partly offset by positive results from utilizing Lithuania's LNG terminal and securing profitable one-off deals with foreign customers.
- The Group has ceased purchasing natural gas from Gazprom and, therefore, has acquired unscheduled liquefied natural gas cargoes, mainly to fill its storage at Inciukalns, and ensure uninterrupted natural gas supply for the customers.
- The Lithuanian Parliament amended the legislation related to providing consumers with partial compensation due to increasing prices of energy resources. During H2 2022, the state has compensated the regulatory differences of Customers & Solutions, which accumulated during 2021 and H1 2022 (EUR 368 million excluding VAT) as well as those accumulated during the H2 2022 (EUR 64 million excluding VAT).
- Net working capital has improved towards the end of the year, yet remained high, mainly due to more expensive stored natural gas inventory.
- Continuing B2C electricity market deregulation activities while maintaining leadership in independent supply B2C market share at 78.2% by number of objects. Also, the third deregulation stage has been postponed until 2025.
- The Baltic states stopped importing electricity from Russia after Europe's Nord Pool power exchange stopped Russian electricity trading. As a result, activities of Russian related market players, such as AB „Inter RAO Lietuva", have stopped, which, in turn, opened opportunities to expand B2B customer portfolio.
- The gas interconnection between Poland and Lithuania (GIPL) started commercial operations in May 2022, allowing Lithuanian-Polish gas exchange, which strengthens the energy independence of the region and increases trading opportunities.

Financial results

Revenue

In 2022 Customers & Solutions revenue reached EUR 3,083.8 million and was 205.5%, or EUR 2,074.5 million, higher than in 2021. However, higher sales did not translate into better results.

Higher revenue from electricity business (EUR +563.9 million) was due to higher market prices (+154.4% on average) and higher retail volume sold (+14.0%). Natural gas business related income increased (EUR +1,500.2 million), mainly due to higher average TTF gas price index (+239.2%), which is reflected in the company's natural gas supply, and due to higher volume sold (+10.8%) from utilizing Lithuania's LNG terminal and securing profitable transactions with foreign customers.

Adjusted EBITDA

Adjusted EBITDA decreased to EUR 15.6 million and was EUR 25.0 million lower than in 2021.

The decrease in Adjusted EBITDA was due to losses in electricity supply activities (EUR -45.1 million), mostly in B2B supply (EUR -25.1 million) mainly driven by open derivative positions of partly ineffective hedging solutions, and in B2C supply (EUR -15.1 million), partly due to new customers who moved from the bankrupted competitor supplier and were offered the same attractive prices as they have had previously, although the electricity market prices have increased by that time. The decline was partly offset by positive natural gas results (EUR + 21.2 million), mainly from utilizing Lithuania's LNG terminal and securing profitable one-off deals with foreign customers. The inventory effect has grown significantly (EUR +106.5 million) due to the average accounting method, but the value of stored natural gas inventory was written-down to net realisable value at the end of the year (EUR -102.9 million) due to decreasing natural gas prices.

Net working capital

Compared to 31 December 2021, net working capital has increased (EUR +15.1 million). The increase was mainly driven by the increased value of natural gas inventory (EUR +228.4 million) and increase in trade receivables (EUR +295.9 million)
It was partly offset by a decrease in the accumulated regulated price differences (EUR -145.4 million) due to compensation for the regulatory differences paid by the state, an increase in trade payables (EUR -93.9 million) and VAT payables (EUR -72.3 million), increase in current portion of deferred income (EUR -89.0 million) related to natural gas sales in Finland, the decrease in derivative trading deposits (EUR -73.7 million) due to lower market prices and due to management actions, lower current prepayments made (EUR -57.5 million), mainly for gas, and an increase in mark-to-market (MtM) related to Nasdaq commodities market (cash part of all open derivatives positions[1]) (EUR -6.8 million).

Key financial indicators, EURm

	2022	2021[1]	Δ	Δ, %
Revenue	3,083.8	1,009.4	*2,074.4*	*205.5%*
Adjusted EBITDA APM	15.6	40.6	*(25.0)*	*(61.6%)*
EBITDA APM	98.3	26.4	*71.9*	*272.3%*
Adjusted EBIT APM	13.4	38.8	*(25.4)*	*(65.5%)*
EBIT APM	96.1	24.7	*71.4*	*289.1%*
Investments APM	6.8	2.9	*3.9*	*134.5%*
Adjusted EBITDA margin APM	0.5%	4.0%	*(3.5 pp)*	*n/a*
	31 Dec 2022	**31 Dec 2021**	**Δ**	**Δ, %**
PPE, intangible and right-of-use assets	10.7	6.5	*4.2*	*64.7%*
Net debt APM	418.3	474.4	*(56.1)*	*(11.8%)*
Net working capital APM	446.6	431.5	*15.1*	*3.5%*

Key regulatory indicators[2]

		2023[3]	2022[3]	2021[3]
Regulated activities share in adjusted EBITDA	**%**		**(109.6%)**	**61.8%**
RAB[4]	EURm	8.3	14.2	25.7
WACC	%	3.09	3.05	2.93

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

Amortisation of energy price increase

The Lithuanian Parliament amended the legislation related to providing consumers with partial compensation due to increasing prices of energy resources. The State compensated the regulatory differences of Customers & Solutions (EUR 432 million, excluding VAT) accumulated throughout the 2021–2022. This had had a positive impact on the Group's net working capital, FCF, and leverage metrics. The State also directly subsidised the increase in energy prices for B2C customers of all independent suppliers in H2 2022 as well as B2B electricity customers in Q4 2022. However, it did not have an impact to the Group.

Furthermore, the Government will continue the provision of partial compensation to all B2C and B2B customers in 2023. For further details, see part 'Overview and impact of partial compensation of energy prices' of section '3.1 Annual results' as well as a part 'Partial compensation of increased energy prices' of section '2.5 Business environment'.

Operating performance

Electricity sales

Total electricity sales in the retail market in 2022 increased by 14.0% compared to 2021. The increase in Lithuania was 10%, where we maintained the market leadership position by sales volumes. Further increase was driven by higher B2B electricity sales in Latvia and Poland.

The number of B2B customers increased significantly due to competitive spot pricing, increased activity in the market influenced by discontinued operations of AB „Inter RAO Lietuva" and more effective sales processes, which helped reaching targeted customers and turned into supply contracts. Sales to B2C customers in Lithuania were 0.34 TWh lower and the number of B2C customers decreased by 0.13 million compared to 2021 due to ongoing electricity market deregulation in Lithuania. We retained the market leader position in Lithuania with 78.2% B2C customer share in the independent supply market by number of objects.

Natural gas sales

The volume of natural gas sold in 2022 increased by 10.8%, mainly from utilizing Lithuania's LNG terminal, securing profitable transactions with foreign customers and providing additional gas supply in the light of geopolitical uncertainty.

Other

In 2022, customer experience ratio (transactional NPS) of both B2C and B2B customers in the Customers & Solutions segment increased by 0.6 pp and 8.0 pp respectively compared to 2021. Even though we had much higher number of enquiries due to the increase in energy prices and the conclusion of the second stage of electricity market deregulation, new automated processes and better attraction and retention of call centre employees led to improved customer experience.

Key operating indicators

		2022	2021	Δ	Δ,%
Electricity sales					
Lithuania	TWh	6.18	5.62	*0.56*	*10.0%*
Latvia	TWh	1.12	1.04	*0.07*	*7.1%*
Other[1]	TWh	0.41	0.10	*0.31*	*299.1%*
Total retail	TWh	7.71	6.77	*0.95*	*14.0%*
of which B2C	TWh	2.57	2.91	*(0.34)*	*(11.8%)*
of which B2B	TWh	5.15	3.86	*1.29*	*33.4%*
Number of customers	m	1.43	1.55	*(0.12)*	*(7.6%)*
Natural gas sales	TWh	12.80	11.55	*1.25*	*10.8%*
Lithuania	TWh	5.32	6.01	*(0.70)*	*(11.6%)*
Latvia	TWh	0.68	0.34	*0.34*	*98.3%*
Finland	TWh	3.76	2.57	*1.19*	*46.4%*
Poland	TWh	0.16	0.01	*0.16*	*2,028.6%*
Estonia	TWh	0.02	-	*0.02*	*-%*
Total retail	TWh	9.94	8.93	*1.01*	*11.3%*
of which B2C	TWh	2.55	2.84	*(0.29)*	*(10.2%)*
of which B2B	TWh	7.40	6.09	*1.30*	*21.4%*
Wholesale market	TWh	2.86	2.62	*0.24*	*9.0%*
Number of customers	m	0.62	0.62	*0.00*	*0.5%*
Customer experience					
NPS (B2C – Transactional)	%	56.5%	55.8%[2]	*0.6 pp*	*n/a*
NPS (B2B – Transactional)	%	53.0%	45.0%[2]	*8.0 pp*	*n/a*

[1] *Electricity sales in Poland and Estonia.*
[2] *NPS reported in 2021 annual report was a relationship NPS, since Q1 2022, transactional NPS is being reported.*

3.3 Five-year annual summary

Key financial indicators

		2022	2021[1]	2020	2019	2018
Revenue	EURm	4,386.9	1,898.7	1,223.1	1,099.3	1,070.1
EBITDA APM	EURm	539.7	343.2	334.3	207.1	145.3
EBITDA margin APM	%	12.3%	18.1%	27.6%	18.8%	13.6%
Adjusted EBITDA APM	EURm	469.3	332.7	245.9	259.9	221.3
Adjusted EBITDA margin APM	%	10.9%	17.6%	24.8%	22.6%	18.1%
EBIT APM	EURm	387.8	192.1	215.0	83.1	(20.4)
EBIT margin APM	EURm	8.8%	10.1%	17.6%	7.6%	(1.9%)
Adjusted EBIT APM	EURm	317.4	206.4	126.6	135.0	124.3
Net profit	EURm	293.4	160.2	170.6	59.0	(22.0)
Net profit margin APM	%	6.7%	8.4%	13.8%	5.4%	(2.1%)
Adjusted net profit APM	EURm	256.0	162.8	95.5	106.0	99.0
Investments APM	EURm	521.8	234.9	346.8	453.2	418.3
FFO APM	EURm	484.1	299.4	309.4	189.5	129.7
FCF APM	EURm	17.3	(240.6)	5.1	(189.8)	(192.7)
ROE APM	%	14.7%	8.7%	10.6%	4.4%	(1.7%)
Adjusted ROE APM	%	12.9%	8.9%	6.0%	8.0%	7.5%
ROCE APM	%	13.1%	7.3%	9.1%	3.8%	(1.1%)
Adjusted ROCE APM	%	10.7%	7.9%	5.4%	6.2%	6.6%
ROA APM	%	6.2%	3.9%	4.8%	1.9%	(0.8%)
EPS (Basic) APM	EUR	4.04	2.16	2.30	-	-
DPS APM	EUR	1.24	1.19	1.14	-	-
		31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Total assets	EURm	5271.6	4,258.1	3,920.9	3,198.1	2,853.9
Equity	EURm	2,125.6	1,855.9	1,813.3	1,348.6	1,302.5
Net debt APM	EURm	986.9	957.2	600.3	966.5	736.0
Net working capital APM	EURm	443.3	438.7	94.4	52.6	(19.2)
Net working capital/Revenue APM	%	10.1%	23.1%	7.7%	4.8%	(1.8%)
Equity ratio APM	times	40.3%	43.6%	0.46	0.42	0.46
Net debt/EBITDA APM	times	1.83	2.79	1.80	4.67	5.07
Net debt/Adjusted EBITDA APM	times	2.10	2.88	2.44	3.72	3.33
FFO/Net debt APM	%	49.1%	31.3%	51.5%	19.6%	17.6%
Current ratio APM	times	1.87	1.87	3.36	0.78	1.16
Asset turnover APM	times	0.92	0.46	0.34	0.36	0.40

Key operating indicators

		2022	2021	2020	2019	2018
Electricity						
Green Generation secured capacity	MW	1,568	1,350	1,350	1,287	1,193
Green Generation installed capacity	MW	1,215	1,214	1,101	1,077	1,077
Green Generation projects under construction	MW	353	136	249	210	116
Electricity distributed	TWh	10.01	10.37	9.55	9.55	9.59
Electricity generated (net)	TWh	1.83	2.30	2.45	1.06	1.01
Green electricity generated (net)	TWh	1.56	1.48	1.25	1.03	0.95
Green share of generation	%	85.1%	64.2%	51.0%	97.7%	93.4%
Electricity sales	TWh	7.98	7.11	6.79	5.86	5.91
SAIFI	units	1.52	1.45	1.34	1.31	1.14
SAIDI	min	178.73	201.95	207.67	91.80	81.37
Heat						
Green Generation secured capacity	MW	349	339	339	339	339
Green Generation installed capacity	MW	180	170	110	40	40
Green Generation projects under construction	MW	169	169	229	299	299
Heat generated (net)	TWh	0.89	0.85	0.32	0.09	0.10
Natural gas						
Natural gas distributed	TWh	6.68	8.49	7.06	6.97	7.60
Natural gas sales	TWh	12.80	11.55	14.70[2]	9.84	11.33
SAIFI	units	0.003	0.006	0.010	0.008	0.006
SAIDI	min	0.27	0.47	1.61	1.25	0.61

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').
[2] Includes intra-company natural gas sales. Total of 1.4 TWh included - B2B Lithuania.

3.4 Results Q4

Financial results

Revenue

In Q4 2022, an increase (EUR +625.9 million) in revenue compared to Q4 2021 was the result of:

- better results of electricity business in the Customers & Solutions segment (EUR +500.6 million), due to higher market price (+51.5% on average) as well as higher revenue from natural gas sales, due to higher natural gas prices (+94.2% on average);
- higher revenues from distribution of electricity in the Networks segment (EUR +139.3 million), mainly due to recovery of technological losses expenses at the end of 2022 (accumulated during 2022).

Adjusted EBITDA

Adjusted EBITDA decreased by EUR 4.4 million, mainly due to:

- negative result of the Customers & Solutions segment driven by natural gas results, mainly from the inventory write-down due to decreasing natural gas prices;
- decrease was partly offset by better Flexible Generation results, mainly due to a more favourable clean spark spread, especially in December 2022.

Adjusted net profit

Adjusted net profit decreased by EUR -21.0 million, mainly due to decline in Customers & Solutions whereas negative change was driven by natural gas results, mainly from the inventory write-off due to decreasing natural gas prices.

FCF

Main reason for increase in FCF is related to significant decrease in NWC in the latest quarter of 2022 due to advanced recovery of temporary regulatory differences as well as an increase EBITDA.

Operating performance

Electricity

Electricity distributed decreased by 9.3% compared to Q4 2021. The decrease was the result of falling electricity consumption of B2B customers due to high energy prices. Electricity generated (net) decreased by 7.6%. The decrease was mainly driven by lower electricity generation at Kruonis PSHP (-0.06 TWh), Kaunas HPP (-0.01 TWh) and generation by wind (-0.01 TWh) as the average wind speed decreased from 7.7 m/s (Q4 2021) to 6.6 m/s (Q4 2022).

The Green Generation secured capacity increased by 218 MW. It is a result of three projects with a total capacity of 217 MW (Silesia WF II (+137 MW), Silesia WF I (+50 MW) and Polish solar portfolio II (+30 MW)) reaching a construction phase.

Although the electricity distribution quality indicator SAIFI improved compared to the Q4 2021 indicator and was 0.31 interruptions (0.35 interruptions in 2021), electricity SAIDI increased to 34.15 minutes (compared to 28.64 minutes in 2021). The electricity distribution quality indicators were negatively affected by strong winds/local storms in the last quarter of 2022.

Heat

Heat generation (net) in Q4 2022 was 0.04 TWh lower compared to Q4 2021. The decrease is mainly driven by Kaunas CHP due warmer weather conditions.

Natural gas

Natural gas distribution volumes decreased as B2B customers reduced consumption, halted production or switched to alternative energy sources due to high natural gas prices. The increase of 34.5% in natural gas sales is the result of utilizing Lithuania's LNG terminal and securing profitable transactions with foreign customers. Natural gas quality indicator SAIFI and SAIDI improved as there were no significant disruptions during Q4 2022.

Key financial indicators

		Q4 2022	Q4 2021[1]	Δ	Δ,%
Revenue	EURm	1,359.1	733.2	*625.9*	*85.4%*
EBITDA APM	EURm	206.2	88.0	*118.2*	*134.3%*
Adjusted EBITDA APM	EURm	112.1	116.5	*(4.4)*	*(3.8%)*
Adjusted EBITDA margin APM	%	8.9%	15.3%	*n/a*	*(6.4 pp)*
EBIT APM	EURm	162.6	29.5	*133.1*	*n/a*
Adjusted EBIT APM	EURm	68.5	82.8	*(14.3)*	*(17.3%)*
Net profit	EURm	108.6	47.9	*60.7*	*126.7%*
Adjusted net profit APM	EURm	53.3	74.3	*(21.0)*	*(28.3%)*
Investments APM	EURm	154.0	103.1	*50.9*	*49.4%*
FFO APM	EURm	197.2	82.9	*114.3*	*137.9%*
FCF APM	EURm	643.9	(279.3)	*923.2*	*n/a*

Key operating indicators

		Q4 2022	Q4 2021	Δ	Δ,%
Electricity					
Green Generation secured capacity	MW	1,568	1,350	*218*	*16.1%*
Green Generation installed capacity	MW	1,215	1,214	*1*	*0.1%*
Green Generation projects under construction	MW	353	136	*217*	*159.6%*
Electricity distributed	TWh	2.51	2.77	*(0.26)*	*(9.3%)*
Electricity generated (net)	TWh	0.54	0.59	*(0.04)*	*(7.6%)*
Green electricity generated (net)	TWh	0.41	0.49	*(0.09)*	*(17.8%)*
Green share of generation	%	74.8%	84.1%	*(9.3 pp)*	*n/a*
Electricity sales	TWh	1.91	1.97	*(0.06)*	*(3.3%)*
SAIFI	units	0.31	0.35	*(0.04)*	*(11.1%)*
SAIDI	min.	34.15	28.64	*5.51*	*19.2%*
Heat					
Green Generation secured capacity	MW	349	339	*10*	*2.9%*
Green Generation installed capacity	MW	180	170	*10*	*5.9%*
Green Generation projects under construction	MW	169	169	*-*	*-%*
Heat generated (net)	TWh	0.25	0.28	*(0.04)*	*(13.1%)*
Natural gas					
Natural gas distributed	TWh	2.02	2.74	*(0.72)*	*(26.1%)*
Natural gas sales	TWh	3.83	2.85	*0.98*	*34.5%*
SAIFI	units	0.001	0.001	*(0.001)*	*(54.4%)*
SAIDI	min.	0.04	0.10	*(0.06)*	*(56.7%)*

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').

Results by business segments Q4

Green Generation

Revenue was 15.8%, or EUR 17.8 million, higher compared to Q4 2021. Revenue increase was mainly driven by higher captured electricity prices even with lower volumes generated.

Adjusted EBITDA was 6.4%, or EUR 4.0 million, higher compared to Q4 2021. An increase in Adjusted EBITDA was mostly related to higher captured electricity prices even with lower volumes generated.

Investments were EUR 42.9 million higher compared to Q4 2021, mainly due to investments in new Green Generation segment's projects. Major investments were directed towards onshore wind farms in Lithuania and Poland and Vilnius CHP's biomass unit.

Networks

Revenue was 96.4%, or EUR 139.3 million higher, compared to Q4 2021. The increase was driven by advance recovery of technological losses expenses at the end of 2022.

Adjusted EBITDA was 52.2%, or EUR 16.4 million, higher compared to Q4 2021. The increase was driven by introduction of an additional tariff component (EUR +7.8 million). Additionally, the increase is related to the fact that adjusted EBITDA in December 2021 was very low because of higher volumes distributed 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 3.2% or EUR 2.8 million higher, due to more investments made into expansion of electricity distribution network and roll-out of smart maters (EUR +16.4 million and EUR +9.6 million respectively). The investment numbers were partly off-set by a decrease in maintenance investments (EUR -14.5 million) and decrease in Gas network investments (EUR -5.0 million).

Flexible Generation

Revenue was 79.9%, or EUR 33.4 million, higher compared to Q4 2021. The increase was driven by higher revenue from commercial activities, specifically CCGT, due to better market conditions.

Adjusted EBITDA was 94.3%, or EUR 8.2 million, higher compared to Q4 2021. The increase was mainly caused by higher commercial activities results (EUR +8.7 million), which was partly offset by lower regulated activities results (EUR -0.5 million). Better results of commercial activities of CCGT (EUR +9.1 million) were mainly due to a more favourable clean spark spread.

Customers & Solutions

Revenue was 115.6%, or EUR 507.7 million, higher compared to Q4 2021. The increase was mainly driven by higher revenue from natural gas business, due to higher natural gas prices (+94.2% on average) and total volumes sold (+34.5%), as well as higher revenue from electricity business, due to higher market price (+51.5% on average), partly offset by lower retail volumes (-3.2%).

Adjusted EBITDA was 309.6%, or EUR 29.1 million, lower compared to Q4 2021. The negative change was driven by natural gas results, mainly from the inventory write-off due to decreasing natural gas prices. The decrease was partly offset by profitable transactions with foreign customers and by favourable temporary inventory effect due to average accounting principle.

[1] Due to changes in IAS,part of financial indicators of Green Generation segment were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').

Green Generation		Q4 2022	Q4 2021[1]	Δ	Δ, %
Revenue	EURm	130.1	112.3	17.8	15.8%
Adjusted EBITDA APM	EURm	66.6	62.6	4.0	6.4%
EBITDA APM	EURm	67.4	67.0	0.4	0.6%
Adjusted EBIT APM	EURm	59.8	56.5	3.3	5.8%
EBIT APM	EURm	60.5	61.0	(0.5)	(0.8%)
Investments APM	EURm	59.8	16.9	42.9	253.8%
Adjusted EBITDA margin APM	%	51.5%	58.0%	(6.5 pp)	n/a
		31 Dec 2022	31 Dec 2021	Δ	Δ,%
PPE, intangible and right-of-use assets	EURm	856.0	781.4	74.6	9.5%
Net debt APM	EURm	758.8	390.1	368.7	94.5%
Networks		Q4 2022	Q4 2021	Δ	Δ, %
Revenue	EURm	283.8	144.5	139.3	96.4%
Adjusted EBITDA APM	EURm	47.8	31.4	16.4	52.2%
EBITDA APM	EURm	109.0	21.3	87.7	n/a
Adjusted EBIT APM	EURm	15.3	8.4	6.9	82.1%
EBIT APM	EURm	76.6	(26.7)	103.3	n/a
Investments APM	EURm	89.6	86.8	2.8	3.2%
Adjusted EBITDA margin APM	%	21.5%	20.3%	1.2 pp	n/a
		31 Dec 2022	31 Dec 2021	Δ	Δ,%
PPE, intangible and right-of-use assets	EURm	1,805.3	1,654.6	150.6	9.1%
Net debt APM	EURm	776.1	710.0	66.1	9.3%
Flexible Generation		Q4 2022	Q4 2021	Δ	Δ, %
Revenue	EURm	75.2	41.8	33.4	79.9%
Adjusted EBITDA APM	EURm	16.9	8.7	8.2	94.3%
EBITDA APM	EURm	20.2	10.5	9.7	92.4%
Adjusted EBIT APM	EURm	14.4	5.9	8.5	144.1%
EBIT APM	EURm	17.8	7.6	10.2	134.2%
Investments APM	EURm	0.4	-	0.4	n/a
Adjusted EBITDA margin APM	%	23.6%	21.7%	1.9 pp	n/a
		31 Dec 2022	31 Dec 2021	Δ	Δ,%
PPE, intangible and right-of-use assets	EURm	288.9	307.4	(18.5)	(6.0%)
Net debt APM	EURm	71.9	(37.5)	109.4	(291.7%)
Customers & Solutions		Q4 2022	Q4 2021	Δ	Δ, %
Revenue	EURm	947.0	439.3	507.7	115.6%
Adjusted EBITDA APM	EURm	(19.7)	9.4	(29.1)	(309.6%)
EBITDA APM	EURm	9.0	(10.3)	19.3	(187.4%)
Adjusted EBIT APM	EURm	(20.4)	8.9	(29.3)	(329.2%)
EBIT APM	EURm	8.3	(10.8)	19.1	(176.9%)
Investments APM	EURm	4.2	1.1	3.1	281.8%
Adjusted EBITDA margin APM	%	(2.1%)	2.0%	(4.1 pp)	n/a
		31 Dec 2022	31 Dec 2021	Δ	Δ,%
PPE, intangible and right-of-use assets	EURm	10.7	6.5	4.2	64.6%
Net debt APM	EURm	418.3	474.4	(56.1)	(11.8%)

3.5 Quarterly summary

Key financial indicators[1]

		Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	EURm	1,359.1	1,294.7	741.9	991.3	733.2	427.3	344.7	393.4	354.3	277.9	265.3	325.7
EBITDA APM	EURm	206.2	122.1	119.8	91.7	88.0	83.8	83.8	87.4	105.0	79.0	88.2	62.1
Adjusted EBITDA APM	EURm	112.1	150.8	95.1	111.4	116.5	72.2	70.6	78.1	90.6	72.9	60.4	22.0
Adjusted EBITDA margin APM	%	8.9%	11.4%	13.3%	11.0%	15.3%	17.4%	21.3%	20.3%	26.7%	26.8%	25.4%	7.7%
EBIT APM	EURm	162.6	83.3	84.7	57.2	29.5	53.0	52.5	57.0	72.5	48.9	60.8	32.8
Adjusted EBIT APM	EURm	68.5	112.0	60.0	76.9	82.8	41.4	39.3	47.7	58.1	42.8	33.0	(7.3)
Net profit	EURm	108.6	70.0	68.1	46.8	47.9	51.2	18.0	43.0	61.7	36.4	48.2	24.3
Adjusted net profit APM	EURm	51.8	94.4	46.8	61.1	74.3	29.2	28.3	35.1	49.5	31.2	24.5	(9.8)
Investments[2] APM	EURm	154.0	188.1	117.7	62.0	103.1	54.1	48.7	29.0	76.0	83.7	124.5	62.6
FFO APM	EURm	197.2	101.4	96.2	89.3	82.9	67.4	65.1	84.0	102.1	65.3	81.7	60.3
FCF APM	EURm	643.9	(379.4)	(108.9)	(138.3)	(279.3)	(47.3)	54.3	30.9	(7.7)	23.6	(1.1)	(9.9)
ROE LTM APM	%	14.7%	11.2%	10.5%	8.3%	8.7%	11.1%	10.1%	12.0%	10.8%	9.4%	7.8%	5.0%
Adjusted ROE LTM APM	%	12.9%	13.5%	10.5%	9.9%	8.9%	9.1%	9.1%	8.9%	6.0%	5.9%	5.2%	4.8%
ROCE LTM APM	%	13.1%	8.0%	7.6%	6.8%	7.3%	9.9%	9.7%	10.2%	9.1%	7.0%	5.8%	4.1%
Adjusted ROCE LTM APM	%	10.7%	10.6%	9.0%	8.7%	7.9%	7.8%	7.9%	7.7%	5.4%	4.6%	4.0%	3.9%
		31 Dec 2022	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sept 2020	30 Jun 2020	31 Mar 2020
Total assets	EURm	5,271.6	5,304.7	4,614.5	4,623.0	4,258.2	4,131.1	3,967.5	3,975.2	3,920.9	3,408.8	3,368.4	3,183.4
Equity	EURm	2,125.6	2,228.2	2,127.8	2,005.3	1,855.9	1,811.2	1,831.0	1,810.7	1,813.3	1,312.7	1,320.4	1,356.2
Net debt APM	EURm	986.9	1,512.8	1,156.2	1,000.7	957.2	620.4	571.6	579.2	600.3	1,026.8	1,019.2	950.6
Net working capital APM	EURm	443.3	1,068.7	747.2	642.4	438.7	169.5	99.1	129.7	94.4	31.4	55.9	88.1
Net debt/EBITDA LTM APM	times	1.83	3.65	3.08	2.95	2.85	1.72	1.61	1.61	1.80	3.64	4.04	4.42
Net debt/Adjusted EBITDA LTM APM	times	2.10	3.23	2.96	2.73	2.88	1.99	1.83	1.92	2.44	4.51	4.79	4.49
FFO LTM /Net debt APM	%	49.1%	23.9%	28.4%	29.7%	31.3%	51.3%	55.4%	57.5%	51.5%	24.8%	22.5%	20.7%

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' section '6 Restatement of comparative figures due to changes in the accounting policy').

[2] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy projects pipeline. For updated formula, see section '7.3 Alternative performance measures' or our website.

Key operating indicators

		Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Electricity													
Green Generation secured capacity	MW	1,568	1,431	1,351	1,351	1,350	1,350	1,350	1,350	1,350	1,350	1,287	1,287
Green Generation installed capacity	MW	1,215	1,215	1,215	1,215	1,214	1,120	1,120	1,120	1,101	1,101	1,077	1,077
Green Generation projects under construction	MW	353	216	136	136	136	230	230	230	249	249	210	210
Electricity distributed	TWh	2.51	2.29	2.44	2.77	2.77	2.45	2.43	2.72	2.55	2.30	2.17	2.53
Electricity generated (net)	TWh	0.54	0.33	0.38	0.58	0.59	0.57	0.58	0.57	0.65	0.86	0.56	0.39
Green electricity generated (net)	TWh	0.41	0.27	0.34	0.54	0.49	0.28	0.35	0.35	0.34	0.32	0.26	0.34
Green share of generation	%	74.8%	81.4%	90.2%	93.6%	84.1%	50.0%	61.0%	61.0%	52.0%	36.7%	46.8%	87.1%
Electricity sales	TWh	1.91	1.81	2.07	2.19	1.97	1.67	1.67	1.81	1.83	1.64	1.62	1.71
SAIFI	units	0.31	0.28[1]	0.31	0.62[1]	0.35	0.38	0.36	0.37	0.23	0.25	0.41	0.45
SAIDI	min	34.15	19.31[2]	20.08[2]	105.19[2]	28.64	30.80	44.54	97.97	13.49	16.36	34.15	143.67
Heat													
Green Generation secured capacity	MW	349	349	349	349	339	339	339	339	339	339	339	339
Green Generation installed capacity	MW	180	180	180	180	170	170	170	170	110	110	40	40
Green Generation projects under construction	MW	169	169	169	169	169	169	169	169	229	229	299	299
Heat generated (net)	TWh	0.25	0.16	0.18	0.30	0.28	0.12	0.21	0.23	0.15	0.03	0.09	0.06
Natural gas													
Natural gas distributed	TWh	2.02	0.77	1.21	2.68	2.74	1.02	1.41	3.32	2.48	0.99	1.18	2.41
Natural gas sales	TWh	3.83	2.52	2.44[4]	4.01[3]	2.85	1.39	2.07	5.25	3.84[5]	3.62[5]	2.98[5]	4.26[5]
SAIFI	units	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.002	0.003	0.004	0.002	0.001
SAIDI	min	0.04	0.08	0.10	0.05	0.10	0.12	0.09	0.16	0.76	0.61	0.19	0.05

[1] *Previously reported SAIFI values for Q1 2022 – 0.63 and Q3 2022 – 0.29 were corrected.*
[2] *Previously reported SAIDI values for Q1 2022 —108.59, Q2 2022 – 20.74, Q3 2022 – 19.66 were corrected.*
[3] *4.00 value reported in Q1 2022 Interim report was corrected after updating natural gas sales volumes in Estonia.*
[4] *2.28 value reported in Q2 2022 Interim report was corrected after updating natural gas sales volumes in Latvia.*
[5] *Includes intra-company natural gas sales. Total 1.4 TWh included - B2B Lithuania.*

Governance

4.1 Supervisory Board Chair's statement

Trusted Supervisory Board – Governance excellence continuity

It is my pleasure for the second year in a row to provide an overview of the Group's Supervisory Board insides. In 2022, we progressed well and made strategically significant decisions. In the upcoming year we are looking forward to continue ensuring the highest standards of governance excellence within Ignitis Group.

As members of the Supervisory Board, we took an active interest in the Group's strategic goals and expectations of Ignitis Group's shareholders, including the Majority Shareholder, in order to make informed decisions and fulfil the duties conferred to us while supporting the Group's path towards energy transition to a net zero 2050.

Focus on Green Generation expansion

2022 was a tremendously challenging year, which started with Russia's invasion of Ukraine and was followed by the energy crisis across the globe. In such an unpredicted environment, Ignitis Group demonstrated its business model's resilience as well as continued to focus on the expansion of its Green Generation business segment. Significant progress was made on this subject, including the Green Generation Portfolio twofold increase to 5.3 GW (from 2.6 GW) since the beginning of 2022 in the Baltics and Poland.

With extensive expansion plans, it is crucial to oversee and challenge the related decisions, which we did throughout 2022 to ensure the best interests of the Group's stakeholders. Additionally, each member of the Supervisory Board provided support by sharing their knowledge and experience in their field to support the Group in its path towards a sustainable energy transition.

Sustainability at its core

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 on the right direction, and we will continue to oversee its progress towards reaching the Group's ambitious goals.

Additionally, in 2022 we dedicated our time on ESG related issues, especially related to occupational health and safety, which since the start of the year has improved thanks to several internal measures taken across the Group. We are aware of the increasing number of ESG related topics which require undivided attention, thus we reviewed the competences of the Risk Management and Business Ethics Supervision Committee and decided to increase the number of its members from 3 to 4 with an increased focus on health and safety.

Management Board continuity

We expect that the members of the Management Board elected at the beginning of 2022 will continue to excel in the work they begun. So far they did not only meet our expectations, but also proved that the Ignitis Group organization is capable of delivering strong financial results under complex conditions in a volatile energy market and adapt to the new realities we are facing across Europe, representing both their competence and eagerness to implement Ignitis Group's strategy.

Looking ahead

We are proud of the progress the Supervisory Board made in 2022 and, for the upcoming year, we are planning to continue working towards the best interests of the Group's stakeholders by applying the highest governance standards. ESG supervision, especially safety initiatives, and Green Generation expansion remains the key topics to be discussed throughout 2023. We look forward to continue sharing our insights and knowledge and contributing towards the success story of Ignitis Group, a major success story in the Baltics.

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 the 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). The most recent amendments were adopted on 30 August 2022, and the latest wording of Corporate Governance Guidelines is available here.

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 must disclose annually how it complies with, or reasons for non-compliance with, the Nasdaq Vilnius Corporate Governance Code (including its specific provisions or recommendations). For a 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 recognitions

Ignitis Group – 2021/2022 Governance Index leaders

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

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 Corporate Governance Index of the SOEs of 2021–2022, the parent company received the highest possible (A+) rating and was recognised as the governance leader in the category of large companies for the fourth 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.

Furthermore, our corporate governance is also assessed by ESG corporate ratings agencies such as MSCI ESG, Sustainalytics, ISS ESG and others. For further details, see section '5. Sustainability (Corporate Social Responsibility) report'.

Governance model

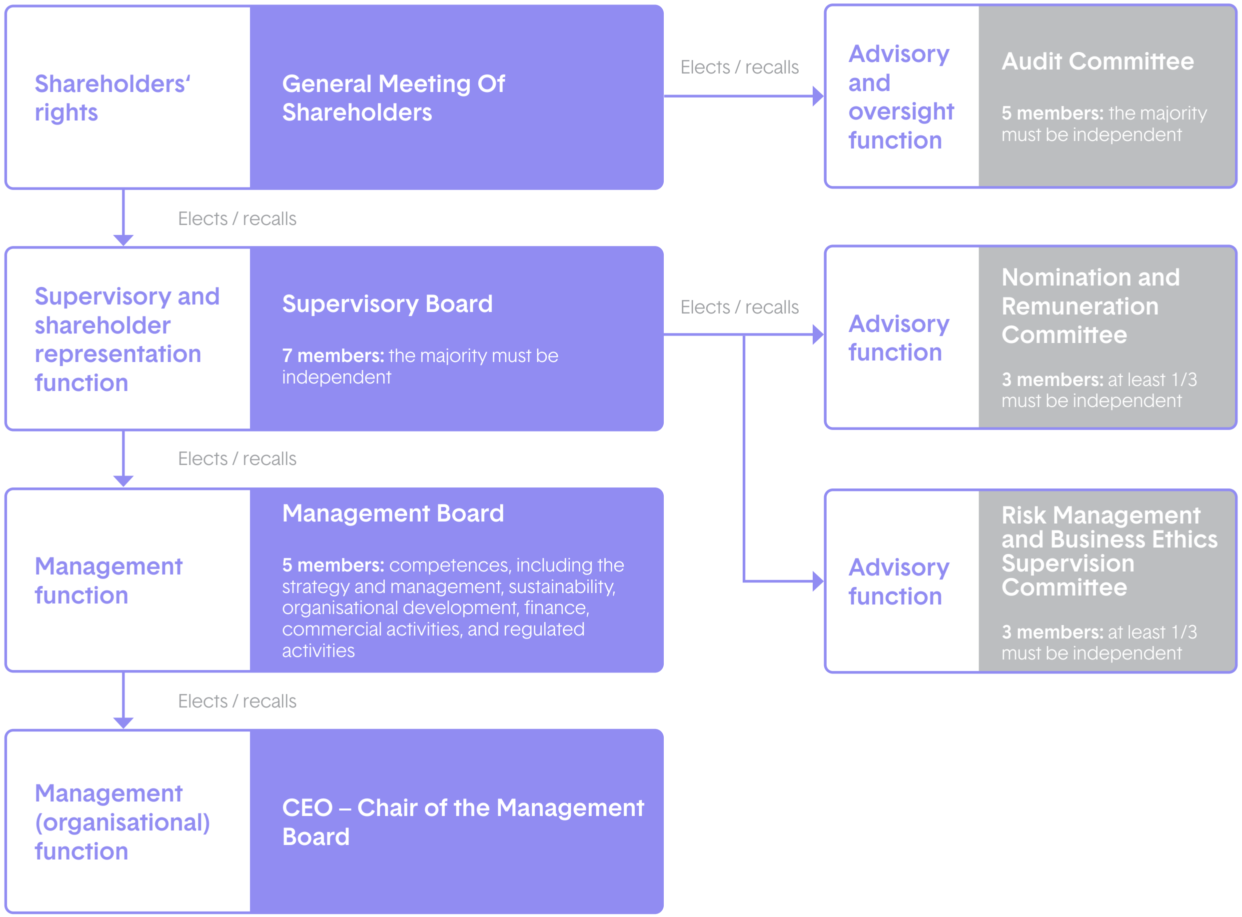
The parent company employs a corporate governance system designed to manage and control the Group as a whole with a view to achieve common objectives. The corporate governance of the Group is exercised through the parent company's functions, e.g., by coordinating common Group areas such as finance, law, 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



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, including all relevant and necessary information, the annex of items on the agenda of 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 that are strategically important for national security and are 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 that are operating in the energy production sector.

General meetings

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

On 29 March 2022, the Ordinary General Meeting of Shareholders passed the following resolutions:

- regarding the assent to AB „Ignitis grupė" consolidated annual report for the year 2021, except for the part of the remuneration report;
- regarding the assent to the remuneration report of AB „Ignitis grupė", as a part of the consolidated annual report of AB „Ignitis grupė" for the year 2021;
- regarding the approval of the set of audited annual financial statements of AB „Ignitis grupė" and consolidated financial statements of AB „Ignitis grupė" group of companies for the year 2021;
- regarding the formation of reserve for acquisition of own ordinary registered shares;
- regarding the allocation of profit (loss) of AB „Ignitis grupė" for the year 2021;
- regarding the acquisition of AB „Ignitis grupė" own ordinary registered shares;
- regarding the approval of the new wording of the Articles of Association of AB „Ignitis grupė" and the power of attorney;
- regarding the approval of the updated Group Remuneration Policy of AB „Ignitis grupė";
- regarding the acknowledgement of Share Allocation Rules of AB „Ignitis grupė" as no longer effective.

On 24 May 2022, the Extraordinary General Meeting of Shareholders passed the following resolutions:

- regarding the reduction of the share capital of AB „Ignitis grupė";
- regarding the approval of the new wording of the Articles of Association of AB „Ignitis grupė" and the power of attorney.

On 29 September 2022, the Extraordinary General Meeting of Shareholders passed the following resolutions:

- regarding the assent to the consolidated interim report of AB „Ignitis grupė" for the six months period ended 30 June 2022;
- regarding the approval of the set of audited interim condensed financial statements of AB „Ignitis grupė" for the six months period ended 30 June 2022;
- regarding the allocation of dividends to the shareholders of AB „Ignitis grupė" for a period shorter than the financial year;
- regarding the approval of the updated Remuneration Policy of AB „Ignitis grupė" group of companies;
- regarding the remuneration of the members of the Supervisory Board of AB „Ignitis grupė".

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, held 74.99% of the parent company's shares at the end of the reporting period. 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, made very important decisions relating to the exercise of property rights and obligations. The management of the shares will be carried out in accordance with current version of the Law on Companies (link in Lithuanian), which establishes 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 latest version of the Articles of Association of the parent company.

Worth mentioning that in 2022 there has been a change in the parent company's share capital, including the holdings of the Majority Shareholder. Post the parent company's IPO in October 2020, the stabilisation took place during which 10.0% (1,999,999 units) of the new securities issued, or 2.7% of total securities, was acquired by the stabilisation manager. In relation to the stabilised securities, on 29 July 2021 and 29 March 2022, the General Meetings of Shareholders of the parent company were held, where shareholders passed resolutions on the acquisition of the parent company's own ordinary registered shares, the purpose of which is to reduce the parent company's share capital by annulling it, thus potentially increasing each investor's shareholdings, including the Majority Shareholder's. Accordingly, on 16 December 2021 and 29 April 2022, the parent company completed the acquisitions of own ordinary registered shares and acquired 1,894,797 units in total, or 2.6% of total number of the parent company's securities.

In relation to the above, an Extraordinary General Meeting was held on 24 May 2022, which passed resolutions to reduce the share capital of the parent company from EUR 1,658,756,293.81 to EUR 1,616,445,476.80 by annulling 1,894,797 units of the parent company's ordinary registered shares with a nominal value of EUR 22.33 each (the total value of the ordinary registered shares is EUR 42,310,817.01). The share capital of the parent company was reduced during the reporting period on 9 August 2022 and a new wording of the Articles of Association was approved. As a result, it resulted in proportional increase in each investor's shareholdings, leaving Majority Shareholder now holding 74.99% of shares (increased from 73.08%).

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 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 submits 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 regarding the activities of the Group was approved by the Order of the Minister of Finance on 13 April 2018, and the latest amendment supporting the Group's strategy have been issued on 17 February 2021.

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

- to expand green generation by contributing to Lithuania's and regional commitments to increase electricity generation from renewable energy sources;
- 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 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;
  - 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.

TOP employer

For the second year in a row, we received the international Top Employer 2023 Lithuania certificate for applying the highest HR management standards.

4.3 Supervisory Board and committees

Overview

Supervisory Board

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.

Key responsibilities of the Supervisory Board are the following:

- 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 of Shareholders;
- 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 Supervisory Board 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 a 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 (link in Lithuanian). According to the 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 made by the General Meeting of Shareholders.

Information on remuneration of the Supervisory Board 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 of Shareholders.

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

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 of Shareholders with a written consent to participate in the selection and the Declaration of Interests, stating therein all the 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.

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 committees of the Supervisory Board are the following:

- **the Nomination and Remuneration Committee** is responsible for submitting comments and 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 comments and proposals regarding the management and control system in the Group and/or the 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.). At the end of the reporting period and as of the date of this report, only 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. Furthermore, details of remuneration during the reporting period are provided in '4.6 Remuneration report' section of this report.

There were no changes in the composition of Supervisory Board committees during the reporting period, except in the Risk Management and Business Ethics Supervision Committee – about which the information is provided in the following sections.

Overview of the current Supervisory Board and it's committees

Key information

	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 – 25 October 2025	22 April 2022 – 25 October 2025
Independence, including the Chair	71%	67%	100%
Meeting attendance	100%	98%	92%
Share holdings of the parent company or its subsidiaries	None	None	None

Meeting attendance[1]

Member	Supervisory Board	Nomination and Remuneration Committee	Risk Management and Business Ethics Supervision Committee
Alfonso Faubel	15/15	-	6/6
Lorraine Wrafter	15/15	15/15	-
Tim Brooks	15/15	-	5/6
Judith Buss	15/15	-	-
Bent Christensen	15/15	15/15	-
Aušra Vičkačkienė	15/15	14/15	-
Ingrida Muckutė	15/15	-	-
Šarūnas Rameikis	-	-	1/1[2]

[1] The numbers indicate how many meetings the members have attended out of total meetings during the reporting period.
[2] The term of the Risk Management and Business Ethics Supervision Committee has ended on 19 April 2022 and Šarūnas Rameikis was not re-elected. Since then, he no longer belongs to the Risk Management and Business Ethics Supervision Committee causing attendance differences.

Competence matrix

Area of competence	Alfonso Faubel Renewable energy	Lorraine Wrafter Organisational development	Judith Buss Finance management	Tim Brooks Sustainable development and risk management	Bent Christensen Strategy development and international development	Aušra Vičkačkienė Public policy and governance	Ingrida Muckutė Public policy and governance
Experience in:							
Top-level management	✓	✓	✓	✓	✓	✓	✓
Non/Executive management bodies	✓	✓	✓	✓	✓	✓	✓
International development/expansion	✓	✓	✓	✓	✓	–	–
Energy sector	✓	✓	✓	✓	✓	✓	✓
Renewable energy field	✓	–	✓	✓	✓	✓	✓
Listed company	✓	✓	✓	✓	✓	✓	✓
Regulated business	✓	–	✓	–	✓	✓	✓
Competence in:							
Corporate finance	✓	–	✓	–	–	✓	✓
Audit	–	–	✓	–	–	–	✓
Business strategy	✓	✓	✓	✓	✓	✓	✓
Mergers & acquisitions	✓	✓	✓	–	✓	✓	–
Organizational development / HR	–	✓	✓	✓	✓	✓	–
Risk management	✓	–	✓	✓	✓	–	✓
Innovation/Digitalisation	✓	–	–	✓	✓	–	–
ESG	✓	✓	✓	✓	✓	–	–
Public policy and governance	–	–	–	–	–	✓	✓

Supervisory Board

Information about the current Supervisory Board

The Supervisory Board members 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 current 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 current 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, organisational 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 Supervisory Board members is available below. Furthermore, details of remuneration during the reporting period are provided in '4.6 Remuneration report' section of this report.

There were no changes in the composition of the Supervisory Board during the reporting period and no members of the Supervisory Board had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Supervisory Board had 5% or more shareholdings in other companies who are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the current Supervisory Board

Overview

The Supervisory Board plans and operates its activities according to the annual activity plan. On 16 December 2021 the Supervisory Board approved its 2022 annual activity plan which was properly implemented. While supervising the implementation of the strategy, the Supervisory Board notes that a significant progress was made, including the Green Generation Portfolio twofold increase to 5.3 GW (from 2.6 GW) since the beginning of 2022 in Baltics and Poland. The oversight of ESG, especially its social initiatives, and Green Generation expansion remains the key topics to be discussed across the board over 2023. The Supervisory Board is going in the right direction, and will continue to oversee its progress towards reaching the Group's ambitious goals next year.

Supervisory Board meetings take place on a monthly basis. Additionally, ad hoc meetings are held if necessary.

During the reporting period

Overall 15 meetings of the Supervisory Board were held in 2022, 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 issues;
- issues related to the remuneration system of the Group, including the long-term incentive share options programme for executives and employees;
- issues related to the annual report and annual financial statements for the year 2021;
- submission of opinions to the Management Board on the nominations of the members of the management and/or supervisory bodies of main subsidiaries;
- issues related to the replacement of a two-tier management model applied in the parent company's subsidiaries AB „Energijos skirstymo operatorius", AB „Ignitis gamyba" and UAB „Ignitis" with a one-tier management model;
- issues related to the consolidated interim report of AB „Ignitis grupė" for the six months period ended 30 June 2022 and the set of audited interim condensed financial statements for the six months, and the allocation of dividends to the shareholders.

In addition, an extensive two-day strategic session took place in September 2022, where the current situation in the energy sector, challenges and opportunities, as well as the future of the Group and its strategic plans have been discussed.

After the reporting period

Overall 4 meetings of the Supervisory Board were held from 1 January 2023 until 28 February 2023, covering the following key areas:

- Annual Report, audited Annual Financial Statements, Profit (Loss) Allocation, Sustainability Report, Remuneration Report of AB „Ignitis grupė", including Independent Auditor's draft report and the Audit Committee's report;
- evaluation of the Group's annual targets for 2022 achievement and decision on payment of the variable part of remuneration to the CEO of AB „Ignitis grupė";
- amendment of the Remuneration Policy;
- Supervisory Board committees' reports for 2022; the Group's Strategic Plans;
- candidates for the positions of Board members of the Group companies.

Performance evaluation

At least once every three years, the parent company contracts 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 the evaluation are 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 Shareholder's expectations, each year, on its own initiative, the Supervisory Board conducts a self-assessment and agrees on further actions to improve the functioning of the Supervisory Board.

Members of the 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 has held executive responsibilities in Siemens Gamesa, Alstom/GE (which are leading players in the global wind power & energy markets) and Delphi Automotive. As CEO he has led the turn-around and integration of Siemens Gamesa, secured key target projects for over €12 billion in new orders across Alstom/GE's power businesses, and earlier opened 16 new markets worldwide for their wind power business. Alfonso Faubel is an executive with a career that spans 34 years and five continents 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
University of Cologne, Business Administration & Economics, Richmond American University London, Bachelor's degree in Business Administration; INSEAD, Executive Education.

Other current place of employment, position
None.

Owned shares of the 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
Consultant and owner of 'THE PROBLEM'.

Owned shares of the 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 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 organisational 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
Member of the Supervisory Board of Uniper SE; Member of Supervisory Board of Hella GmbH & Co. KGaA, Lippstadt, Germany; Member of Shareholder's Committee of Hella GmbH & Co. KGaA, Lippstadt, Germany; Chair of Audit Committee of Hella GmbH & Co. KGaA, Lippstadt, Germany (all starting as of Oct 1, 2022 for a term of four years).

Owned shares of the 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 10 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 developing sustainability strategies and working with a broad range of stakeholders to implement industry leading sustainability programmes.

Tim 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 70MW 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 Group 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).

Owned shares of the 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 the 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, Chief Executive Officer and owner; Christensen Management Consulting ApS, Chief Executive Officer and owner; Chair of the Supervisory Board of Wind Estate A/S, Member of the Supervisory Board of Aker Carbon Capture ASA.

Owned shares of the 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 14 years she has been the Director of 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).

Owned shares of the 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 18 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 the Task Force 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.

Owned shares of the parent company
None.

71%
Independence, including the Chair

57%
Share of women in the Supervisory Board

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

ignitis group

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 the forming of a common remuneration policy for the Group, establishing the composition and amount of remuneration, and the principles of promotion.

Key responsibilities of the Nomination and Remuneration Committee are the following:

- to submit proposals in relation to the long-term remuneration policy of the parent company and the Group companies (fixed base salary, performance based incentives, 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 of the parent company and Group companies[1], and establish qualification requirements for them; submit comments and proposals 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.

Information about the current Nomination and Remuneration Committee

The Nomination and Remuneration Committee members were elected by the Supervisory Board on 3 November 2021.

The Nomination and Remuneration Committee comprises three members, all of them are members of the Supervisory Board (two independent members and one represents the Majority Shareholder). The Supervisory Board nominated Lorraine Wrafter as the Chair of the committee. The term of office of the Nomination and Remuneration Committee expires on 25 October 2025.

Information on education, experience and place of employment of the Nomination and Remuneration Committee members is available below. Furthermore, details of remuneration during the reporting period are provided in '4.6 Remuneration report' section of this report.

There were no changes in the composition of the Nomination and Remuneration Committee during the reporting period and no members of the Nomination and Remuneration Committee had any participation in the capital of the parent company or its subsidiaries.

[1] The General Meeting of Shareholders approved updated Articles of Association of the parent company on 29 March 2022, stating therein that the Supervisory Board submits to the Management Board an opinion on the nominations of the Chief Executive Officer, of the members of the management and/or supervisory bodies of ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation).

Activities of the current Nomination and Remuneration Committee

The Nomination and Remuneration Committee plans and operates its activities according the annual activity plan. The Commitee is commited to continue to oversee its progress towards reaching the Group's ambitious goals next year.

The Nomination and Remuneration Committee meetings takes place on a monthly basis. Additionally, ad hoc meetings are held if necessary.

During the reporting period

Overall 15 meetings of the Nomination and Remuneration Committee were held in 2022, covering the following key areas:

- evaluation of nominees for the parent company's Management Board;
- evaluation of nominees for the parent company's subsidiaries' management and supervisory bodies (i.e., subsidiaries[1] of Ignitis Renewables (Green Generation), ESO (Networks) , Ignitis Gamyba (Flexible Generation));
- issues related to the optimisation of the corporate governance of the parent company's subsidiaries ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation), and Ignitis (Customers & Solutions);
- proposals on the profiles of competences of the Boards of Ignitis Renewables (Green Generation), ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation), and Ignitis (Customers & Solutions);
- assessment of the independence of the independent members of the collegial bodies of the parent company and its subsidiaries;
- issues related to the development of remuneration policy;
- proposal on removing promotion by share option agreements from remuneration policy and on the acknowledgement of Share Allocation Rules of AB „Ignitis grupė" as ineffective;
- analysis on the practices of long-term incentives of employees that could be applied in remuneration policy;
- issues related to executive remuneration;
- issues related to the implementation of the parent company's strategy and objectives in the area of people and culture;
- issues on succession planning of strategic positions in the parent company;
- Committee's organisational issues.

In addition to the above-mentioned, the Nomination and Remuneration Committee carried out the assessment and stated that there are no known circumstances that would call into question the independence of the independent members of the Supervisory Board of the parent company and the independent members of the collegial bodies of its subsidiaries.

After the reporting period

Overall 3 meetings of the Nomination and Remuneration Committee were held from 1 January 2023 until 28 February 2023, covering the following key areas:

- the performance report for the year 2022 of the committee;
- review of the performance report of the parent company for 2022;
- issues relates to the organizational development of the parent company and its subsidiaries;
- evaluation of nominations for members of the parent company subsidiaries' management bodies (i.e., Ignitis Renewables (Green Generation), ESO (Networks), Ignitis Gamyba (Green Generation and Flexible Generation));
- submission of an opinion on amendments of Remuneration Policy;
- issues related to the development and implementation of remuneration policy.

[1] Until the changes in Articles of Association of the parent company on 29 March 2022, Nomination and Remuneration Committee had the competence of evaluation of candidates to the positions of management and supervisory bodies of all Group's companies.

Members of the Nomination and Remuneration Committee

Lorraine Wrafter

Chair, member since 03/11/2021
Independent
Competence: organizational development
Term of office[1] expires: 25/10/2025

Member of the Supervisory Board
See page 96

Bent Christensen

Member since 03/11/2021
Independent
Competence: strategy development and international development
Term of office[1] expires: 25/10/2025

Member of the Supervisory Board
See page 97

Aušra Vičkačkienė

Member since 03/11/2021
Majority shareholder's representative
Competence: public policy and governance
Term of office[1] expires: 25/10/2025

Member of the Supervisory Board
See page 97

[1] Term of office of the Nomination and Remuneration Committee is until 2 November 2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore the term of office of the individual Supervisory Board members on the committee is aligned with the term of office of the Supervisory Board.

67%
Independence

67%
Share of women in the Nomination and Remuneration Committee

Risk Management and Business Ethics Supervision Committee

Overview

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

Key responsibilities of the Risk Management and Business Ethics Supervision Committee are the following:
- 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.

Information about the current Risk Management and Business Ethics Supervision Committee

During the reporting period, there were changes in the composition of the Risk Management and Business Ethics Supervision Committee, as the term of the committee ended on 19 April 2022. Accordingly, on 22 April 2022 the Supervisory Board elected new members of the Risk Management and Business Ethics Supervision Committee for a new term, which will end on 25 October 2025. Šarūnas Rameikis was not re-elected and no longer belongs to the Risk Management and Business Ethics Supervision Committee.

The current Risk Management and Business Ethics Supervision Committee comprises two members, Tim Brooks, as the Chair of the Committee, and Alfonso Faubel. Both members also served in the previous Risk Management and Business Ethics Supervision Committee. Additionally, to replace the former committee member, who oversaw the risk management field and to strengthen the supervision of occupational health and safety (OHS) in the Group, on 16 December 2022 the Supervisory Board decided to initiate the public selection of 2 independent members. i.e. the committee would comprise 4 members: 2 members of the Supervisory Board and 2 external independent members. Thus, the public selection of 2 independent members of the Risk Management and Business Ethics Supervision Committee was announced on 5 January 2023.

Information on education, experience and place of employment of the Risk Management and Business Ethics Supervision Committee members is available below. Furthermore, details of remuneration during the reporting period are provided in '4.6 Remuneration report' section of this report.

No members of the Risk Management and Business Ethics Supervision Committee had any participation in the capital of the parent company or its subsidiaries.

Activities of the current Risk Management and Business Ethics Supervision Committee

The Risk Management and Business Ethics Supervision Committee plans and operates its activities according the annual activity plan. The Commitee is commited to continue to oversee its progress towards reaching the Group's ambitious goals next year. The oversight of ESG, especially occupational health and safety (OHS) and climate mitigation remain the key topics to be discussed over 2023.

The Risk Management and Business Ethics Supervision Committee meetings takes place each quarter. Additionally, ad hoc meetings are held if necessary.

During the reporting period

Overall 6 meetings of the Risk Management and Business Ethics Supervision Committee were held in 2022, covering the following key areas:
- periodical risk management monitoring reports of the Group;
- consolidated risk register and risk management plan of the Group;
- anticorruption management system of the Group;
- business continuity management system of the Group;
- internal controls' governance of the Group;
- sustainability governance of the Group;
- cooperation with the Audit Committee;
- cooperation with the following functions of the Group: occupational health & safety, sustainability, cyber-security, corporate security, enterprise risk management, personal data protection, compliance;
- performance report of the committee.

After the reporting period

Overall 2 meetings of the Risk Management and Business Ethics Supervision Committee were held from 1 January until 28 February 2023, covering the following key areas:
- status update on the expansion of the committee (the selection process, the update of the bylaws);
- the Group's occupational health and safety report;
- the Group's risk management report;
- the Group's sustainability (ESG) report;
- performance report of the committee.

Members of the Risk Management and Business Ethics Supervision Committee

Tim Brooks

Chair, member since 03/11/2021
Re-elected on 22/04/2022
Independent
Competence: sustainable development and risk management
Term of office expires: 25/10/2025

Member of the Supervisory Board
See page 96

Alfonso Faubel

Member since 03/11/2021
Re-elected on 22/04/2022
Independent
Competence: renewable energy
Term of office expires: 25/10/2025

Member of the Supervisory Board
See page 96

Šarūnas Rameikis

Member since 20/04/2021
Independent
Term of office expired: 19/04/2022[1]

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

[1] *The term of the Risk Management and Business Ethics Supervision Committee has ended on 19 April 2022 and Šarūnas Rameikis was not re-elected.*

4.4 Audit Committee report

2022 highlights

Overview

The Audit Committee has a forward looking work plan structured around its functions to reflect the Group's annual financial reporting cycle. The work plan is regularly reviewed and updated to reflect areas identified for additional focus. In 2022, the new areas of focus over the year included overseeing the selection procedure of the new independent audit company as well as ESG reporting.

Activities of the committee

During the reporting period

In implementing the functions laid down in the Regulations of the Audit Committee of the parent company, the Audit Committee held 13 meetings.

In addition, to improve cooperation and to clarify division of responsibilities, the Audit Committee and the Risk Management and Business Ethics Supervision Committee held two joint meetings during the reporting period. All members of the committees attended these joint meetings.

Key areas covered in 2022

The committee carried out the following activities in 2022:

Financial reporting
- Monitored the preparation process of financial statements of the Group companies and discussed the financial statements.
- Ensured that financial statements are prepared in the European Single Electronic Format (ESEF).
- Discussed accounting policies.
- Discussed taxation matters.
- Discussed IT issues related to the preparation of financial statements.
- Discussed legal disputes in which the Group companies were involved.

External audit
- Supervised the selection procedure of an independent audit company.
- Supervised the independence of the independent audit company.
- Reviewed the external audit strategy, scope and materiality as well as key audit matters.
- Periodically assessed updates from the independent audit company on the external audit process.
- Discussed the independent audit company's reports on the Group public interest companies.
- Assessed the need of audit of the newly acquired companies of Ignitis Renewables during the year 2022.

Internal audit
- Discussed reports on the internal audit tasks performed by the Group Internal Audit.
- Regularly followed the implementation of actions resulting from the Internal Audit reports.

Risk management, internal control affecting financial statements and governance
- Reviewed periodic reports on the Group's financial performance.
- Reviewed the performance reports and accounting principles of the parent company's investments into the venture capital fund KŪB "Smart Energy Fund powered by Ignitis Group".
- Discussed the developments of the Group with the parent company's CEO.
- Provided an opinion to the Group companies on the conclusion of related party transactions and compliance with the Article 37^2 of the Law on Companies of the Republic of Lithuania.
- Discussed the process of generating the information for the Environmental Social Governance (ESG) report.
- Discussed the impact of the Russia's invasion of Ukraine on the Group.

The Audit Committee, together with the Risk Management and Business Ethics Supervision Committee, carried out the following activities:
- Discussed Sustainability, occupational health and safety (OHS) issues;
- Recommended to the Supervisory Board to make a decision on enhancing the Risk Management and Business Ethics Supervision Committee to cover Sustainability, occupational health and safety (OHS) issues in the future;
- Considered the need to improve reporting on the internal control.

The Audit Committee declares that in 2022 there were no factors restricting the activity of the Audit Committee and the Audit Committee received from the Group all the information necessary for the exercise of its functions.

After the reporting period

Overall, 5 meeting of the Audit Committee were held from 1 January 2023 until 28 February 2023, where committee members carried out the following activities:
- considered the results of the selection procedure of an independent audit company;
- reviewed and approved the Internal Audit Plan for 2023;
- submitted a semi-annual Audit Committee's Report of its activities to the Supervisory Board of the Group for 2022/2023;
- followed the implementation of actions resulting from the Internal Audit Reports;
- reviewed periodic reports on the Group's financial results;
- discussed annual report preparation process.

Plans for 2023

The Audit Committee in the future will continue to follow:
- the implementation of recommendations resulting from internal and external audits;
- further developments of non-financial reporting;
- further developments of ESG reporting.

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 supervising the audit of the annual financial statements of the 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 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.

Key responsibilities of the Audit Committee are the following:

Financial reporting

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

External audit

- To monitor independence of the independent auditor and to submit recommendations regarding selection of an audit company.
- To make sure that the rotation requirements for independent audit companies and key audit partners are not violated.

Internal audit

- To monitor effectiveness of the 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 the 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 opinions 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 issues assigned to the competence of the committee.
- To perform 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.

Information about the current Audit Committee

The Audit Committee members Irena Petruškevičienė, Saulius Bakas and Marius Pulkauninkas were elected by the General Meeting of Shareholders of the parent company on 27 September 2021. The Audit Committee members Judith Buss and Ingrida Muckutė were elected by the General Meeting of Shareholders of the parent company on 15 December 2021.

The Audit Committee comprises five members, four independent, including the Chair, and one representative of the Majority Shareholder. Irena Petruškevičienė was elected as the Chair from amongst the committee members. The term of office of the Audit Committee expires on 26 September 2025.

Information on education, experience and place of employment of the Audit Committee members is available below. Furthermore, details of remuneration during the reporting period are provided in '4.6 Remuneration report' section of this report.

There were no changes in the composition of the committee during the reporting period. No members of the Audit Committee had any participation in the capital of the parent company or its subsidiaries (Saulius Bakas, who previously held 1,800 shares of the parent company, sold his stake on 27 April 2022).

Competence matrix

	Irena Petruškevičienė	Saulius Bakas	Marius Pulkauninkas	Judith Buss	Ingrida Muckutė
Experience in:					
Top-level management	✓	✓	✓	✓	✓
Non/Executive management Bodies	✓	✓	✓	✓	✓
International companies and organisations	✓	✓	✓	✓	✓
Energy sector	✓	–	✓	✓	✓
Listed company	✓	✓	✓	✓	✓
Regulated business	✓	✓	✓	✓	✓
Competence in:					
Accounting or financial statements auditing	✓	✓	✓	✓	✓
Accounting or financial statements Auditing, internal auditing in energy	✓	✓	✓	✓	✓
Sector audit of public-interest entities	✓	✓	✓	✓	✓
Risk management	✓	✓	✓	✓	✓

Overview of the current Audit Committee

Key information

Term of office	27 September 2021 – 26 September 2025
Independence, including the Chair	80%
Meeting attendance	95%
Share holdings of the parent company or its subsidiaries	None

Meeting attendance[1]

Member	Attendance
Irena Petruškevičienė	13/13
Saulius Bakas	12/13
Marius Pulkauninkas	12/13
Judith Buss	12/13
Ingrida Muckutė	13/13

[1] *The numbers indicate how many meetings the members have attended out of the total meetings during the reporting period.*

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 30 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 and European Stability Mechanism. She is a member of the Lithuanian Association of Certified Auditors and the Association of Chartered Certified Accountants (ACCA), and a member of the Association of Internal Auditors. She was elected as 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.

Owned shares of the 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 experience in accounting & reporting, audit and assurance, internal controls and risk management 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 UAB "Sauba".
Director of UAB "VIRIDIS Sustainability".

Owned shares of the parent company
None.

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 working 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 UAB "Kalnų grupė".

Owned shares of the 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 page 96

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 page 97

80%
Independence including the Chair

60%
Share of women in the Audit Committee

[1] *The term of office of the Audit Committee ends on 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 linked to the term of office of the Supervisory Board.*

4.5 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 comprises five members and elects the Chair, who is also the CEO of the parent company, from among its members.

Key responsibilities of the Management Board are the following:

- implementing the strategy of the Group;
- 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 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;
- making 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;
- making decisions regarding transactions over EUR 3,000,000;
- making other decisions assigned to the Management Board by the Law on Companies (link in Lithuanian), the Articles of Association or the decisions of the General Meeting of Shareholders.

The members of the Management Board were selected on the basis of the general expectations and competencies set out in the competence matrix of the Management Board on a following page. The profile included general, ethical and values requirements (including diversity requirement). The members were being selected to the five areas of competence - strategy and management, sustainability, organisational development, finance, commercial activities, and regulated activities. Each member of the Management Board has to ensure the appropriate performance of the parent company's activities/supervise the respective areas at the Group level in the field of their competence. Also, each of them is responsible for the analysis of the issues related 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 for the presentation of all relevant information to other members of the Management Board so that the necessary decisions of the Management Board can be made in a timely manner.

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 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 is 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 a 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 natural 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 the law. The need for competences shall be determined by the Supervisory Board while forming 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' below 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 29 September 2022.

Conflicts of interest

In accordance to the Articles of Association of the parent company, each candidate to the Management Board must provide the Supervisory Board with a written consent to stand as a candidate to the Management Board and their declaration of interests by stating therein all the 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. 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.

Information about the current Management Board and its activities

Overview

During the reporting period, there were changes in the composition of the parent company's Management Board. On 18 February 2022, the Supervisory Board recalled the previous Management Board in corpore and elected new members to the Management Board as well as submitted an opinion regarding the CEO of the Group. After the decision of the Supervisory Board, the new Management Board elected its Chair from among its members in its first meeting, who was also appointed as CEO of the parent company. The term of the current Management Board ends on 17 February 2026.

Information on education, experience and place of employment of the Management Board members is available below. Furthermore, details of remuneration, including the achievement of annual targets, during the reporting period are provided in '4.6 Remuneration report' section of this report.

All Management Board members hold shares of the Group companies (please refer to the information in the table). 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. Additionally, no members of the Management Board had 5% or more shareholdings in other companies who are the parent company's business partners, suppliers, clients, and other related companies.

Competence matrix

Area of competence	Darius Maikštėnas Strategy development and management	Jonas Rimavičius Finance management	Dr. Živilė Skibarkienė Organisational development	Vidmantas Salietis Commercial activities	Mantas Mikalajūnas Regulated activities
Experience in:					
Top-level management	✓	✓	✓	✓	✓
Non/Executive management bodies	✓	✓	✓	✓	✓
International development/expansion	✓	✓	✓	✓	✓
Energy sector	✓	✓	✓	✓	✓
Renewable energy field	✓	✓	✓	✓	✓
Listed company	✓	✓	✓	✓	✓
International companies and organisations	✓	✓	✓	✓	✓
Regulated business	✓	✓	✓	✓	✓
Commercial business	✓	✓	✓	✓	✓
Competence in:					
Corporate finance	✓	✓	✓	–	–
Investment portfolio policy	✓	✓	✓	–	–
Business strategy	✓	✓	✓	✓	✓
Mergers & acquisitions	✓	✓	✓	✓	✓
Organizational development / HR	–	–	✓	–	–
Risk management	✓	–	✓	–	–
IT/Innovation/Digitalisation	✓	–	✓	✓	✓
ESG	✓	–	–	–	–
Public policy and governance	–	–	–	✓	✓

Activities of the Management Board

The Management Board meetings takes place on a weekly basis. Additionally, ad hoc meetings will are held if necessary.

During the reporting period

Overall 75 meetings of the Management Board were held in 2022, covering the following key areas:

- 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 for the six months period ended on 30 June 2022 and the set of audited interim condensed financial statements for the six months, the allocation of dividends to the Shareholders 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 providing comments to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the most significant transactions planned by the parent company, approval of their conclusion and approval of essential terms of those transactions;
- making decisions on participation and voting in general meetings of shareholders of the companies in which the parent company is a shareholder;
- 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.

Meeting attendance[1] and number of owned shares of the parent company (at the end of the reporting period)

Member	Position	Attendance	Number of shares
Darius Maikštėnas	Chair, CEO	75/75	3,000
Jonas Rimavičius	Member, CFO	65/65[2]	500
Dr. Živilė Skibarkienė	Member, Head of Group Organisational Development	75/75	300
Vidmantas Salietis	Member, Head of Group Commercial Activities	75/75	200
Mantas Mikalajūnas	Member, Head of Group Regulated Activities	65/65[2]	220

[1] The numbers indicate how many meetings in 2022 the members have attended out of total meetings during the reporting period.
[2] Darius Maikštėnas, Dr. Živilė Skibarkienė and Vidmantas Salietis were re-elected, while Jonas Rimavičius and Mantas Mikalajūnas were newly elected members of the Management Board on 18 February 2022, resulting in attendance differences.

After the reporting period

Overall 8 meetings of the Management Board were held from 1 January 2023 until 28 February 2023, covering the following key areas:

- approval of the parent company's Annual Report and its submission to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the most significant transactions planned by the parent company;
- approval of their conclusion and approval of essential terms of those transactions;
- making decisions on approval of Group's internal policies.

Members of the Management Board

Darius Maikštėnas

Chair, CEO since 01/02/2018
Re-elected on 18/02/2022
Competence: strategy and management, sustainability
Term of office expires: 17/02/2026

Experience
Darius is a top-level executive with 10+ years of executive experience in energy, telecommunications, IT, and venture capital sectors. He joined the Group in 2018 and since then he served as Member, Chair of the Management Board, and CEO. Darius successfully prepared the Group for transitioning from a local monopoly to a competitive customer-oriented regional player, oversaw Ignitis Group's IPO, and has been leading the Group towards ESG excellence. Prior to joining the Group, he had 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, had worked as an advisor for a venture capital fund Nextury Ventures, and had served as Vice President at Telia (previously Omnitel).

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
Eurelectric, Member of the Management Board.

Owned shares of the parent company[1]
3,000.

Jonas Rimavičius

Member since 18/02/2022
Competence: finance
Term of office expires: 17/02/2026

Experience
Jonas is a strategic-level finance professional. Since joining the Group in 2016, Jonas has been leading M&A activities and capital raising projects, including Ignitis Group's IPO, and Green Bonds issues. Additionally, Jonas has been serving as Chair and Member of the Management Board at Ignitis Renewables since January 2019. Prior to joining the Group, Jonas had accumulated experience in the areas of investment banking and corporate finance at Swedbank, EY and Telia.

Education
University of Cambridge, Master's degree in Business Administration; University of Warwick, Bachelor's degree in Accounting and Finance; former CFA charterholder.

Other current place of employment, position
Ignitis Renewables, Chair and Member of the Management Board; Vilniaus Kogeneracinė Jėgainė, Member of the Management Board.

Owned shares of the parent company[1]
500.

Dr. Živilė Skibarkienė

Member since 01/02/2018
Re-elected on 18/02/2022
Competence: organisational development
Term of office expires: 17/02/2026

Experience
Živilė is a professional in law and organisational development with 5+ years of executive experience. She joined the Group in 2018 and since then she has transformed how the Group is governed, and has successfully implemented digitalisation and operational excellence programmes. She also serves as Member of the Supervisory Board at Ignitis Gamyba. Prior to that, Živilė had gained executive experience while working in the financial sector. She was Head of Legal and Administrative Department at Šiaulių Bankas, Member of the Management Board and deputy CEO at Finasta Bank as well 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, Master's degree in Law; Saïd Business School, University of Oxford, Executive Leadership Programme.

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

Owned shares of the parent company[1]
300.

[1] *The number indicates shares owned at the end of the reporting period.*

Vidmantas Salietis

Member since 01/02/2018
Re-elected on 18/02/2022
Competence: commercial activities
Term of office expires: 17/02/2026

Experience
Vidmantas, who is a professional with 10+ years of experience in top-level positions in the energy sector, joined the Group in 2011 and since has served as an executive in various Group companies. During this time, he spearheaded one of the major changes in the electricity sector – market deregulation. In addition to becoming a Member of the Management Board of Group in 2018, Vidmantas has also been serving as a Chair of the Supervisory Board at Ignitis, a Chair of the Supervisory Board of Ignitis Gamyba as well as a Member of the Management Board of Ignitis Renewables. Prior to that, he had served as CEO at Energijos Tiekimas, and had led an electricity wholesale trading department at Ignitis Gamyba. He had also served as Chair and Member of the Management Board of Elektroninių Mokėjimų Agentūra and Member of the Management Board of Gamybos Optimizavimas.

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

Other current place of employment, position
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[1]
200.

Mantas Mikalajūnas

Member since 18/02/2022
Competence: regulated activities
Term of office expires: 17/02/2026

Experience
Mantas, who has almost 20 years of executive experience in various energy sector's companies, launched his career in Lietuvos Dujos. Later, he had an internship in a German energy group. After returning to Lithuania, he was working in strategic positions at Lietuvos Dujos, where he served as an executive team member and was responsible for issues related to investor relations, state authorities and the regulator as well as integration of Lietuvos Dujos into Lietuvos Energija (current Ignitis Group). Before transitioning to the current position of Head of Group Regulated Activities, Mantas had served as Head of Business Development at Ignitis Group and CEO at Lietuvos Dujų Tiekimas (later, Lietuvos Energijos Tiekimas).

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

Other current place of employment, position
Ignitis, Member of the Management Board; Vilniaus Kogeneracinė Jėgainė, Member of the Management Board; Kauno kogeneracinė įėgainė, Member of the Management Board.

Owned shares of the parent company[1]
220.

[1] *The number indicates shares owned at the end of the reporting period.*

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 organises, 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 special selection 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 18 February 2022 the Supervisory 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 on the same day, Darius Maikštėnas was elected as the CEO of the parent company. The term of the CEO and the current Management Board ends on 17 February 2026.

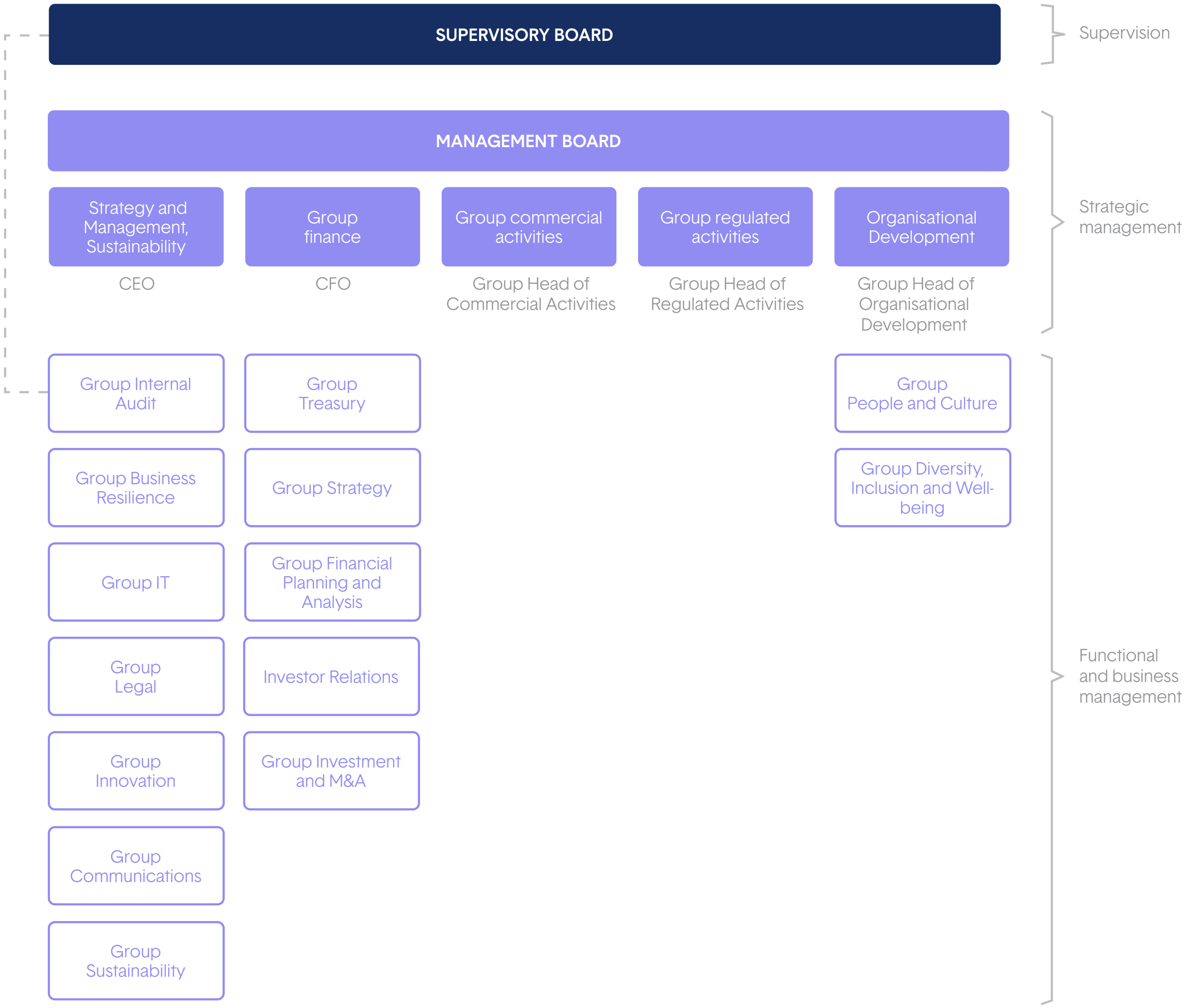
The main functions and responsibilities of the CEO are:

- ensuring the implementation of the parent company's strategy and the implementation of decisions of the Management Board;
- employing and dismissing employees, promoting and imposing disciplinary measures;
- ensuring the security of the parent company's assets, appropriate working conditions, security of the parent company's commercial secrets and confidential information;
- submitting proposals to the Management Board on the budget of the parent company, preparing a set of annual financial statements and preparing an annual report (including consolidated set of annual financial statements and consolidated annual report) of the parent company;
- preparing a decision on the allocation of dividends for a period shorter than the financial year and preparing a set of interim financial statements and an interim report for a decision on the allocation of dividends for a period shorter than a financial year;
- carrying out other duties set out in the Law on Companies (link in Lithuanian) 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.

Information on education, experience and place of employment of the CEO is available in the previous section, and the details of remuneration during the reporting period as well as key contractual terms of his employment contract with the parent company are provided below in 'Remuneration report' below of this report.

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



4.6 Remuneration report

Overview

The overall objective of the Group's Remuneration Policy is to attract and retain competent, fast-learning, technologically advanced, globally minded, and creative employees. It includes remuneration elements that support our strategy and sustainability. The Group is rapidly moving towards sustainability, including the management of human resources. Hence, the ongoing transition requires new skills and competences as well as continuous development of the culture. In 2022, we continued to develop the Remuneration Policy in order to maintain the principles of transparency and clarity.

In the Group's remuneration report we provide a transparent and comprehensive overview of the remuneration of the members of Management Board of the parent company as well as members of the collegial bodies of the parent company. The reported remuneration is in line with our Remuneration Policy.

Key activities in 2022

Annual General Meeting of Shareholders of the parent company held on 29 March 2022 assented the parent company's Remuneration report for 2021, as part of the parent company's consolidated Annual report 2021. During the meeting no remarks were made regarding the document.

Over the course of 2022, a few Remuneration Policy amendments were made, including the ones relevant for business development, especially for the Green Generation, which is one of our key business segments, which were effective since 29 September 2022, except the one related to the share option agreements which is effective since 29 March 2022:

- implemented a change in legal regulation where civil servants performing duties in a collegial body elected by the General Meeting of Shareholders of the parent company or the Group's companies that are important for national security are eligible for remuneration;
- specified expatriate's financial package that can be used for expatriation, relocation, repatriation and to attract international talents;
- removed a provision on promotion by share option agreements (for further details, see section 'Long-term incentives' of this report).

In the Group there was a number of additional initiatives related to the economic and work/social environment changes:

- started using semi-flex benefits system when employees can choose which additional benefit they would like to use for the upcoming year (starting from 1 July 2022). Employees could choose from additional health insurance, pension funds, spa treatment, training sessions, etc.;
- helping employees with the lowest salaries cope with the increased expenses due to the challenging economic situation and provided support for employees whose salaries are lower than country's average monthly salary (EUR 1,770 gross[1]) with a monthly compensation of EUR 100 from December 2022 to April 2023;
- vaccination day, after Covid-19 vaccine, the Group provided employees with 1 free day to recover. From 2023, this day will be changed to 'Wellness Day' to encourage employees to take care of themselves and keep healthy work-life balance;
- other, such as all Group employees were insured with accidental injury insurance (valid 24/7), introduced a benefit where employees can work from anywhere in the EU for 30 days during the calendar year, etc.

Finally, it can be noticed that fee for the members of collegial bodies of the parent company has increased significantly in 2022. This was done according to the Guidelines for Corporate Governance of State-Owned companies, where the minimum monthly remuneration paid for the activities in the Supervisory Board, it's committees, and the Audit Committee was set. The Group chose minimum amounts that were provided in the above mentioned guidelines. Remuneration for the members of collegial bodies of the parent company is fixed for the entire term of office of the collegial bodies in order to have this remuneration independent from the Group's performance.

Plans for 2023

Over the course of 2022 as well as Q1 2023, the Group worked with a few international external advisors, which reviewed the appropriateness of CEO and the members of the Management Board of the parent company and CEOs of the Group companies reward structure and benchmarked it with peers. Also, the insights and recommendations were provided for potential remuneration policy improvements. This is expected to result in the suggested Remuneration Policy changes to align it with the best market practices and shareholder expectations in the coming months. All information on this matter, including the rationale, will be available in our notice of General Meetings of Shareholders.

Lorraine Wrafter
Chair of the Nomination and
Remuneration Committee
Ignitis Group

[1] *All amounts provided in this section are gross amounts.*

Remuneration within the group

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, which is an internal document, 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's approval process is based on the Lithuanian Labour Code, the Corporate Governance Code for the Companies Listed on Nasdaq, and the 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 regarding 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 proposed 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 gives 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 the Law on Companies.

Remuneration Policy and its structure

The key objective of our Remuneration Policy is to support the Group's pathway towards achievement of targets through 5 key principles detailed below.

Key principles of Group Remuneration Policy	
Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
External competitiveness	Employees are entitled to receive a competitive salary based on their function, market conditions and geography.
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.
Equal opportunities and non-discrimination	Decisions on remuneration must be made in accordance with the provisions set out in the Remuneration Policy and the Policy of Equal Opportunities and Diversity in force in the Group.

The Remuneration Policy defines the remuneration structure, fixed base salary (FBS) review and determination, payment of short-term incentives (STI), remuneration of a member of the parent company's or Group companies' collegial body (PBM), guidelines, and principals, etc. In order to be competitive in the market and to ensure internal fairness, we participate in annual remuneration market surveys to obtain a fair view of market expectations and tendencies.

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 where 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, considering 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 (except for the top level managers, which salary ranges are below the median of the market salary due to historical gap between the ranges and market salary which is being decreased on a yearly basis).

Remuneration structure is primarily consistent across the Group, including for members of the parent company's Management Board, whose remuneration structure is consistent with the structure for remaining employees of the Group. It includes fixed and variable remuneration whose elements are described in detail in the following table. Additionally, further information on STI and LTI is provided separately in the following pages.

Remuneration structure[1]

Type	Element		Applicability	Description and performance measures
Fixed remuneration	Fixed base salary (FBS)		All Group employees	FBS is established in the employment contract while 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 performance review or when necessary (in case of changes in functions, career, etc.).
Fixed remuneration	Additional benefits		All Group employees	Non-cash remuneration such as accidental injury insurance (all employees are covered with a maximum payout of EUR 30,000) and a variety of health insurance schemes with pre-set funds, contributions to a private pension fund, spa treatment and other benefits applied according to the internal legal acts and employee decision. Benefits package for the members of the parent company's and Group companies' Management Boards additionally includes a company's car.
Fixed remuneration	Payment for being a board member (PBM)		Members of the parent company's or Group companies' collegial bodies	PBM is fixed and paid on a monthly basis (for more information see section 'Remuneration of collegial bodies of the parent company').
Variable remuneration	Short-term incentives (STI)		All Group employees	Performance-based incentivization, i.e., for meeting targets 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 receive up to 10%. In order to achieve the flexibility of the remuneration system for specific job groups, a specialized remuneration system can be introduced.
Variable remuneration	Bonus	Additional financial incentives	All Group employees except CEOs and members of the Management Boards of the parent company and Group companies	Performance based incentivization to promote extraordinary results or for managing Group's strategically important initiatives. Additional financial incentives shall be provided at the initiative and discretion of the employer and is not guaranteed part of the remuneration package.
Variable remuneration	Bonus	Long-term bonus	Executives of Group companies' (only subsidiaries)	Performance-based incentivization to promote successful long-term strategic objectives set within the scope of developed and/or managed renewable energy projects and/or activities carried out in the Green Generation segment. Amount, together with STI, cannot exceed the amount of the FBS of the Executives during the respective period.

[1] *For further details on 'Long-term incentives programme', which was suspended in 2022, see section 'Long-term incentives' below.*

Full Remuneration Policy and further information on human resources management are available on our website.

Short-term incentives

Short-term incentives (STI) are tied to performance results, i.e., a percentage of the annual FBS set 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% (since 2020) of the annual FBS. For the remaining employees, except employees with alternative energy product/related services management, commercial, and strategic objectives, the maximum STI level is capped at 10%. STI composition depends on a mix of objectives of the parent company, the Group/function, and team/individual objectives.

Objective-based STI composition, depending on the employee's position within the Group, is provided in the following table. Additionally, further information about STI objectives 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' below.

Deferral or recovery of STI in the Group is not possible.

STI composition depending on the employee position within the Group

Position category	Maximum STI level of the annual FBS
Members of the Management Board of the parent company	20%
CEOs (executives) / members of management boards at the Group companies	20%
Heads of functions	10% / 20%[1]
Heads of functional areas	10%
Mid-level managers of the Group	10% / 20%[1]
Other employees of the Group	10%

[1] Maximum STI level is set at 20% of the annual FBS for employees with strategic responsibilities.

Long-term incentives

Currently, there is no long-term incentive share options program in the Group. Previously, when implementing the parent company's IPO in 2020, a long-term incentive share options programme for employees and executives of the Group was introduced. However, because the Group is one of the first SOEs introducing such incentive schemes, it was challenged by a public prosecutor, questioning the programmes' compliance with national legal acts, and suspended by applying interim measures on 3 May 2021. Since then, the legal proceeding was ongoing until 22 April 2022 when the Vilnius District Court approved the settlement agreement concluded between AB „Ignitis grupė", the prosecutor of the Vilnius District Prosecutor's Office who defended the public interest, and the Ministry of Finance of the Republic of Lithuania and dismissed the civil case on the incentive share options programme for employees and executives of the Group. Under the settlement agreement, the prosecutor has abandoned the claims brought against the Group and the Ministry of Finance of the Republic of Lithuania.

The parties decided to resolve the dispute in the most reasonable and economic manner, considering the Group's decision to terminate the suspended programme. In May 2021, the top executives of the Group terminated the concluded executive option agreements on their own initiative, and, in March 2022, the collegial bodies of the Group annulled other documents disputed in the claim.

As it is required by the Remuneration Policy, the Group's Supervisory Board approves the long-term goals aligned with the strategy for top managers of the Group, while the motivation to achieve these goals after the cancellation of a long-term incentive share options programme, is not linked to the financial remuneration. Currently, we are evaluating the alternatives of closing this gap.

Detailed information on the former long-term incentive share option and employee stock ownership programmes is available in our Annual report 2020, section 'Remuneration report'.

Remuneration of the parent company's management board

Overview

During 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 paid remuneration including both former and current members of the Management Board. More in-depth information about the former members of the Management Board is available on Annual report 2021, section 'Governance report', and about the current Management Board – in section 'Governance report' of this report.

During the term of office, the remuneration paid to the former as well as current members of the parent company's Management Board was in line with the Group's Remuneration Policy. However, in 2020 there has been a change in our Remuneration Policy to align STI structure within the Group companies. Accordingly, part of the parent company's Management Board's STI was transferred to the FBS, resulting in FBS increase (STI before transfer was 40%, now 20%), and thus the lack of comparability between different periods.

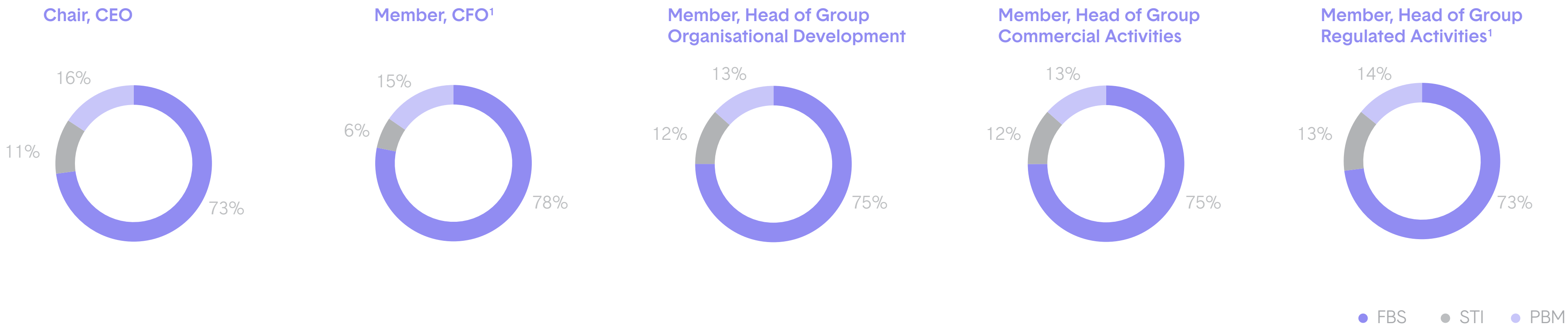
Despite a turbulent year marked with uncertainty as a result of Russia's invasion of Ukraine, logistics and energy crisis, the Group's overall results were strong, which resulted in exceeded guidance and, thus, achievement of 2022 STI objectives for which STI payments will be made in Q2 2023 (for further details, see section 'STI objectives and achievement overview' below).

The parent company's Management Board's remuneration during 2019–2021, EUR (gross)

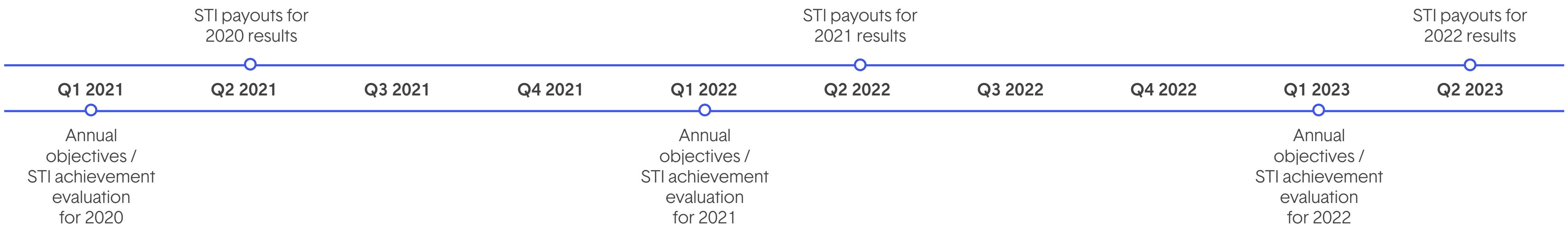
		2022	2021	2020[3]	2019
FBS[1]	Darius Maikštėnas	144,040	128,578	121,311	94,135
	Jonas Rimavičius[4]	94,919	-	-	-
	Dr. Živilė Skibarkienė	121,042	107,998	98,374	74,261
	Vidmantas Salietis	120,396	107,770	101,477	77,540
	Mantas Mikalajūnas[4]	96,100	-	-	-
	Darius Kašauskas[5]	40,871	108,049	101,617	78,573
	Dominykas Tučkus[6]	-	59,528	101,742	79,534
STI[2]	Darius Maikštėnas	22,427	22,005	34,829	30,090
	Jonas Rimavičius[4]	7,809	-	-	-
	Dr. Živilė Skibarkienė	18,666	18,315	29,008	21,979
	Vidmantas Salietis	18,666	18,315	29,008	21,780
	Mantas Mikalajūnas[4]	16,846	-	-	-
	Darius Kašauskas[5]	113,265	18,315	29,008	32,330
	Dominykas Tučkus[6]	-	26,184[7]	29,008	32,104
PBM	Darius Maikštėnas	31,118	30,600	30,600	30,600
	Jonas Rimavičius[4]	18,663	-	-	-
	Dr. Živilė Skibarkienė	21,624	21,780	21,780	21,780
	Vidmantas Salietis	21,624	21,780	21,780	21,780
	Mantas Mikalajūnas[4]	18,663	-	-	-
	Darius Kašauskas[5]	3,057	21,780	21,780	21,780
	Dominykas Tučkus[6]	-	10,631	21,780	21,780
TOTAL	**Darius Maikštėnas**	**197,586**	**181,183**	**186,740**	**154,825**
	Jonas Rimavičius[4]	**121,392**	**-**	**-**	**-**
	Dr. Živilė Skibarkienė	**161,332**	**148,093**	**149,162**	**118,020**
	Vidmantas Salietis	**160,686**	**147,865**	**152,265**	**124,480**
	Mantas Mikalajūnas[4]	**131,609**	**-**	**-**	**-**
	Darius Kašauskas[5]	**157,193**	**148,144**	**152,405**	**132,683**
	Dominykas Tučkus[6]	**-**	**96,343**	**152,530**	**133,418**

[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] STI are paid in Q2 for previous calendar year's results (e.g., STI for 2021 was paid in Q2 2022, thus STI pay-out in 2022 reflects the achievement of 2021 targets, for further details see diagram 'Remuneration payment timeline for a fiscal year' below).
[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] Jonas Rimavičius and Mantas Mikalajūnas elected as members of the Management Board on 18 February 2022 causing comparison discrepancies.
[5] On 18 February 2022, term ended for Darius Kašauskas as Management Board member (the job agreement terminated on 28 February 2022) causing comparison discrepancies. Accordingly, STI payment in 2022 includes 9 months' severance payment of EUR 94,599 (before taxes).
[6] On 25 June 2021 Dominykas Tučkus resigned from the position of a member of the Management Board causing comparison discrepancies.
[7] 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.

The parent company's Management Board's composition of cash-based remuneration in 2022, %



Remuneration payment timelines for a fiscal year[2, 3]



[1] Jonas Rimavičius and Mantas Mikalajūnas elected as members of the Management Board on 18 February 2022 causing comparison discrepancies.
[2] FBS is paid monthly, and annual review is conducted in March with effective date being 1 April.
[3] STI are paid in Q2 for previous calendar year's results.

Short-term incentives

2022 STI objectives 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 objectives 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 at 20% of the annual FBS.

The criteria applicable to the STI of the members of the parent company's Management Board, including the CEO, for 2022 and objective achievements are available in the following table. Weight of performance criteria was recalculated as list of objectives has changed to keep the best interest of the Group .The information on the STI objectives and their achievement in the previous periods is available on our website.

The parent company Management Board's STI objectives and achievement in 2022

Performance criteria	Weight	Targets	Access threshold (70%)	Threshold I (80%)	Threshold II (90%)	Target and maximum (100%)	2022 actual result	Achieved performance	Achieved payment
Financial targets	36.8%	Group Adjusted EBITDA	EUR 279 million	[1]	[1]	EUR 309 million	EUR 469.3 million	100%	**36.8%**
Strategic projects and key milestones	42.1%	**Greenfield development projects:** land secured (contracts signed) for Green Generation own development early-stage projects, according to the approved scope (10.5%)	355 MW	[1]	[1]	455 MW	1,733 MW	100%	**10.5%**
		M&A and co-development projects: SPAs signed in 2022 for Green Generation development projects with planned CODs in 2023–2025[2], according to the approved scope (10.5%)	2023: 100 MW 2024: 200 MW 2025: 0 MW	[1]	[1]	2023.: 230 MW 2024: 270 MW 2025: 90 MW	2023: 0. MW 2024: 137 MW 2025: 300 MW post-2025: 418 MW[3]	70 %	**7.4%**
		Vilnius CHP biomass unit construction project: restart according to the approved schedule and scope (10%)	31/12/2023	28/02/2023	31/01/2023	31/12/2022	by 31/03/2023[4]	70%	**7.4%**
		Offshore wind development: key milestones according to the approved project schedule and scope (10.5%)	3/5 milestones	-	-	5/5 milestones	5/5 milestones	100%	**10.5%**
		Asset rotation: at least one transaction (0%)	SPA signed	-	-	Transaction closed	Objective removed in order to keep the best interests of the Group	n/a	**n/a**
Sustainability targets	21.1%	**Net-zero target alignment with science-based targets:** to conduct a viability assessment of revalidation of a science-based GHG emissions reduction target to net-zero[5] (5.3%)	31/12/2022	30/11/2022	31/10/2022	30/09/2022	30/09/2022	100%	**5.3%**
		Resilient Network: electricity SAIDI[6], min. (5.3%)	129	[1]	[1]	112	98.5	100%	**5.3%**
		Group employee experience: Group eNPS (5.3%)	eNPS >=70% vs. 2021 average	eNPS >=80% vs. 2021 average	eNPS >=90% vs. 2021 average	eNPS >=95% vs. 2021 average	eNPS = 108% vs. 2021 average[7]	100%	**5.3%**
		Security at workplace: TRIR[8] and 0 work-related fatal accidents of own employees (5.3%)	2.59 and 0 fatal accidents	2.49 and 0 fatal accidents	2.39 and 0 fatal accidents	2.25 and 0 fatal accidents	TRIR=1.69 and 1 fatal accident of own employee	0%	**0%**
		STI, %	-	-	-	-	-	**100%**	**88%**
		STI, % of FBS (maximum STI level equal to 20% of annual FBS)	-	-	-	-	-	**20%**	**17.6%**

[1] Target to be measured according to the achievement scale with linear interpolation between the thresholds. [2] The target assumes the base case scenario. If the success rates of projects are different from the base case, the Supervisory Board of the parent company can adjust the targets accordingly. If the cumulative MW target (300 MW–590 MW) is reached for the periods other than defined in the target, 70% achievement can be considered. [3] The Supervisory Board of the Group approved the 70% achievement of the target and considered the cumulative MW target condition (the cumulative 855 MW achievement) that also includes SPAs signed in 2022 for development projects with planned CODs in post-2025 periods. [4] The 70% of target achievement is approved by considering the condition that Vilnius CHP biomass power plant hot testing phase (incl. the first heat production from biomass) is estimated by 31/03/2023. In the event that unforeseen circumstances arise and the biomass power plant hot testing phase (incl. the first heat production from biomass) is not implemented by 31 March 2023, this target would be assessed as not achieved and the rollback of targets achievement will be implemented. [5] Alignment of the target with Science-Based Targets initiative (SBTi) depends on the ability of SBTi to revalidate the target in 2022. [6] Electricity SAIDI – calculated based on the National Energy Regulatory Council methodology, 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. [7] Group employee NPS for 2021 – 57.4%, for 2022 – 61.8%. [8] TRIR – the rate of total recordable work-related injuries.

2023 STI objectives' overview

In the table below we illustrate the STI objectives for 2023. Such information is market sensitive, so the detailed information on the performance and assessment will be provided in our Annual report 2023.

The parent company Management Board's STI objectives for 2023

Performance criteria	Weight	Targets
Financial targets	30%	Group Adjusted EBITDA
Strategic projects and key milestones	50%	Offshore wind development projects / Green Generation (20%)
		Onshore portfolio expansion / Green Generation (20%)
		An integrated approach for intra-Group synergy realization: optimal power off-take approach established and started to implement group-wide (10%)
Sustainability targets	20%	ESG targets with focus on: - increasing safety at work[1] (10%); - implementation of inclusive recruitment programme 2023[2] (10%).

[1] Zero work-related fatal accidents (own employees and contractors), TRIR of own employees <2.1 and TRIR contractors <3.9 (TRIR – the rate of total recordable work-related injuries per million hours).
[2] Ensuring gender balance in top management recruitment process: at least 33% of the underrepresented gender in shortlist of top management positions.

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, 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.

In 2022, a severance payment for Darius Kašauskas, a former member of the parent company's Management Board was paid as the result of its term end on 18 February 2022. For further details see 'The parent company's Management Board's remuneration during 2019–2022, EUR (before taxes)' table in this section above.

Non-compete overview

Non-compete agreements with members of the Management Board may be concluded in accordance with the Labour Code. The Group's Non-Compete Standard specifies in further detail the non-compete compensation limits (when employment contract is terminated) 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 2022, the parent company entered into one non-compete agreement with the CEO and Chair of the parent company's Management Board (see below). In 2023, it is planned to review non-compete policies across the Group and sign and/or review existing non-compete agreements with strategically important positions.

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 decide regarding the removal of 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 was concluded with the CEO in accordance with the provisions of the Labour Code on 1 March 2022. Non-compete agreement conditions correspond to overall company and market best practices.

Other information

The parent company's Management Board members may own stock of the parent company, but stocks are not granted as part of remuneration by the Group. For further details, including the latter and the details on the trading guidelines for the parent company's managers and persons closely associated with them, see section 'Governance report' of this report.

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 adjusted in 2022, starting to pay remuneration for civil servants that are members of collegial bodies as well as adjusting amounts of other members. This principle came into force with the General Meeting of Shareholders' approval of the adjusted Remuneration Policy on 29 September 2022. We expect this change to improve both, the remuneration transparency, clarity, and in the future help to attract civil servants.

Key principles of remuneration of collegial bodies

According to the Guidelines for Corporate Governance of State-Owned Energy Group, the minimum monthly remuneration paid for the activities in the Supervisory Board, its committees, and the Audit Committee for those who are subject to remuneration were set. The Group chose to pay minimum amounts that were set under these Corporate Governance Guidelines. Other principles for remuneration of collegial bodies were set as well:

- remuneration for activities in collegial bodies shall be fixed for the full term 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 the Supervisory Board;
- independent members of the Supervisory Board committees and the Audit Committee;
- members of the Management Board;
- the remuneration of the members of the parent company's Management Board for participating in the activities of the committees or collegial bodies of Group companies, shall be included in their remuneration for their activities in the Management Board, and they shall not receive additional remuneration for the activities in the committees.

No special benefits or payments that are not required by the Labor Code are provided for members of the collegial bodies of the Group.

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, established on 29 September 2022, are provided in the following table. The collegial bodies of Group companies will gradually move to the renewed remuneration system starting from their new terms of office.

Remuneration of members of the parent company's collegial bodies

Position in a collegial body	Monthly remuneration, EUR (before taxes)[1]
Independent chair of the Supervisory Board of the parent company	4,180
Independent member of the Supervisory Board of the parent company	3,140
Civil servant holding the position of a member of the Supervisory Board of the parent company	1,570
Chair of the parent company's Supervisory Board committees and the Audit Committee	2,000
Independent member of committees of the parent company	1,800
Chair of the Management Board of the parent company	2,600
Member of the Management Board of the parent company	1,800

[1] Monthly remuneration was set on 29 September 2022, during the parent company's General Meeting of Shareholders. The remuneration of an independent member of a collegial body is calculated on the basis of average monthly salary of the CEO for the entire term of office of the collegial body and is not a subject of indexation.

Remuneration of the members of the Supervisory Board, its committees, and the Audit Committee

In 2021, 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 paid remuneration for former members of the Supervisory Board, its committees, and the Audit Committee and the current members of the collegial bodies.

For further details about the election process of collegial bodies as well as information about the members, see section 'Governance report' of this report.

Development of awarded remuneration for the activities in the parent company's current Supervisory Board, its committees and the Audit Committee, EUR (before taxes)

Name (position)	2022		2021	
	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]
Alfonso Faubel (Chair of the Supervisory Board, Member of the Risk Management and Business Ethics Supervision Committee)	35,940	-	5,645[4]	-
Lorraine Wrafter (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	27,420	-	4,387[4]	-
Timothy Brooks (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics Supervision Committee)	27,420	-	4,387[4]	-
Judith Buss (Member of the Supervisory Board, Member of the Audit Committee)	27,420	-	4,387[4]	-
Bent Christensen (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	27,420	-	4,387[4]	-
Aušra Vičkačkienė[2] (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	4,710	-	-[2]	-
Ingrida Muckutė[2] (Member of the Supervisory Board, Member of the Audit Committee)	4,710	-	-[2]	-
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	-[3]	-	-[3]
Irena Petruškevičienė (Chair of the Audit Committee)	-	24,000	-	6,000[4]
Saulius Bakas (Member of the Audit Committee)	-	21,600	-	5,400[4]
Marius Pulkauninkas (Member of the Audit Committee)	-	21,600	-	5,4004
Total remuneration	**155,040**	**67,200**	**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 is included in their remuneration for their activities in the Supervisory Board, and they do not receive additional remuneration for the activities in the committees.

[2] Members of the Supervisory Board, its committees or the Audit Committee who were delegated by the Majority Shareholder were not entitled to receive remuneration from the parent company for their activities in the Supervisory Board, its committees, or the Audit Committee. This clause was changed in the General Meeting of Shareholders held on 29 September 2022.

[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 and is applicable only to collegial body members who were elected for a new term, Šarūnas Rameikis remuneration was based on hourly terms and remuneration awarded to him is reflected in the table below 'Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee'.

[4] The data does not reflect full-year remuneration, i.e. it reflects remuneration awarded from the beginning of each member's term of office.

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 from the new terms of 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 below.

Development of awarded remuneration for the activities in the parent company's former Supervisory Board, its committees and the Audit Committee, EUR (before taxes)

Name (position)	2022		2021		2020		2019		2018	
	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[5]	-	22,950	-	16,650	-	13,877	-
Andrius Pranckevičius (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics Supervision Committee)	-	-	23,881[5]	-	-[4]	-	5,288	-	7,618	-
Daiva Lubinskaitė – Trainauskienė (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	-	-	6,750[5]	-	6,263	-	5,070	-	3,929	-
Judith Buss[2] (Member of the Supervisory Board)	-	-	10,125[5]	-	3,038	-	-	-	-	-
Bent Christensen[2] (Member of the Supervisory Board)	-	-	10,725[5]	-	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[5]	-	15,488	-	11,738	-	9,720
Danielius Merkinas (Member of the Audit committee)	-	-	-	10,763[5]	-	11,888	-	10,590	-	6,780
Šarūnas Radavičius (Member of the Audit Committee)	-	-	-	9,787[5]	-	9,750	-	8,258	-	3,180
Ingrida Muckutė[3] (Member of the Audit Committee)	-	-	-	-	-	-	-	-	-	-
Lėda Turai – Petrauskienė (Member of the Nomination and Remuneration Committee)	-	-	-	7,650[5]	-	4,125	-	-[4]	-	1,800
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	750[5]	-	4,950	-	-[4]	-	3,375	-	2,580
Total remuneration	**-**	**750**	**66,331**	**47,850**	**34,876**	**41,251**	**27,008**	**33,961**	**25,424**	**24,060**

[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees is included in their remuneration for their activities in the Supervisory Board, and they do not receive additional remuneration for their 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 late submission of hours worked, remuneration was paid in the next periods thus appearing 0 in respective years.
[5] The data does not reflect full-year remuneration, i.e. it reflects remuneration awarded till the end of each member's term of office.

Additional information on remuneration of the group employees

The parent company's salary fund in 2022 amounted to EUR 3.6 million compared to EUR 4.9 million in 2021. Total Group salary fund in 2022 was EUR 115.8 million (in 2021 it was EUR 97.3 million). Average monthly salaries (FBS and STI) for the period of 2018–2022 are provided in the following tables.

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

Position category	2022		2021		2020		2019		2018	
	Number of employees[1]	Average salary	Number of employees[1]	Average salary	Number of employees	Average salary[2,3]	Number of employees	Average salary[4]	Number of employees	Average salary
CEO	1	13,872	1	12,549	1	13,011	1	9,725	1	6,234
Top level managers	9	9,789	9	9,431	10	9,783	11	7,342	9	5,358
Middle managers	10	6,091	16	6,044	23	6,413	21	6,320	20	3,774
Experts / Specialists	29	3,853	47	3,750	50	3,778	68	3,833	85	2,192
Workers	-		-	-	-	-	-	-	-	-
Total	**49**	**5,651**	**73**	**5,102**	**84**	**4,281**	**101**	**4,281**	**115**	**2,784**

[1] Due to the Management Board's decision to keep only the strategic positions in the parent company, 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 FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020.
[3] Average salary was recalculated by 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 employees[1,2], EUR (before taxes)

Position category	2022		2021		2020		2019[4]		2018	
	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary[3]	Number of employees	Average salary[5]	Number of employees	Average salary
CEO	23	9,462	17	8,300	17	8,990	17	7,262	14	5,348
Top level managers	32	8,650	33	8,030	34	8,274	35	6,713	38	4,589
Middle managers	390	4,338	373	4,020	375	4,038	340	3,323	327	2,333
Experts / Specialists	2,949	2,507	2,728	2,247	2,670	2,102	2,560	1,906	2,548	1,309
Workers	769	1,990	733	1,758	736	1,670	767	1,475	767	979
Total	**4,163**	**2,665**	**3,884**	**2,401**	**3,832**	**2,059**	**3,719**	**2,015**	**3,694**	**1,374**

[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 FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020.
[4] Excluding data of employees from the following Group companies: UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm sp. z o. o., „Tuuleenergia osaühing", 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 report

Risk management framework

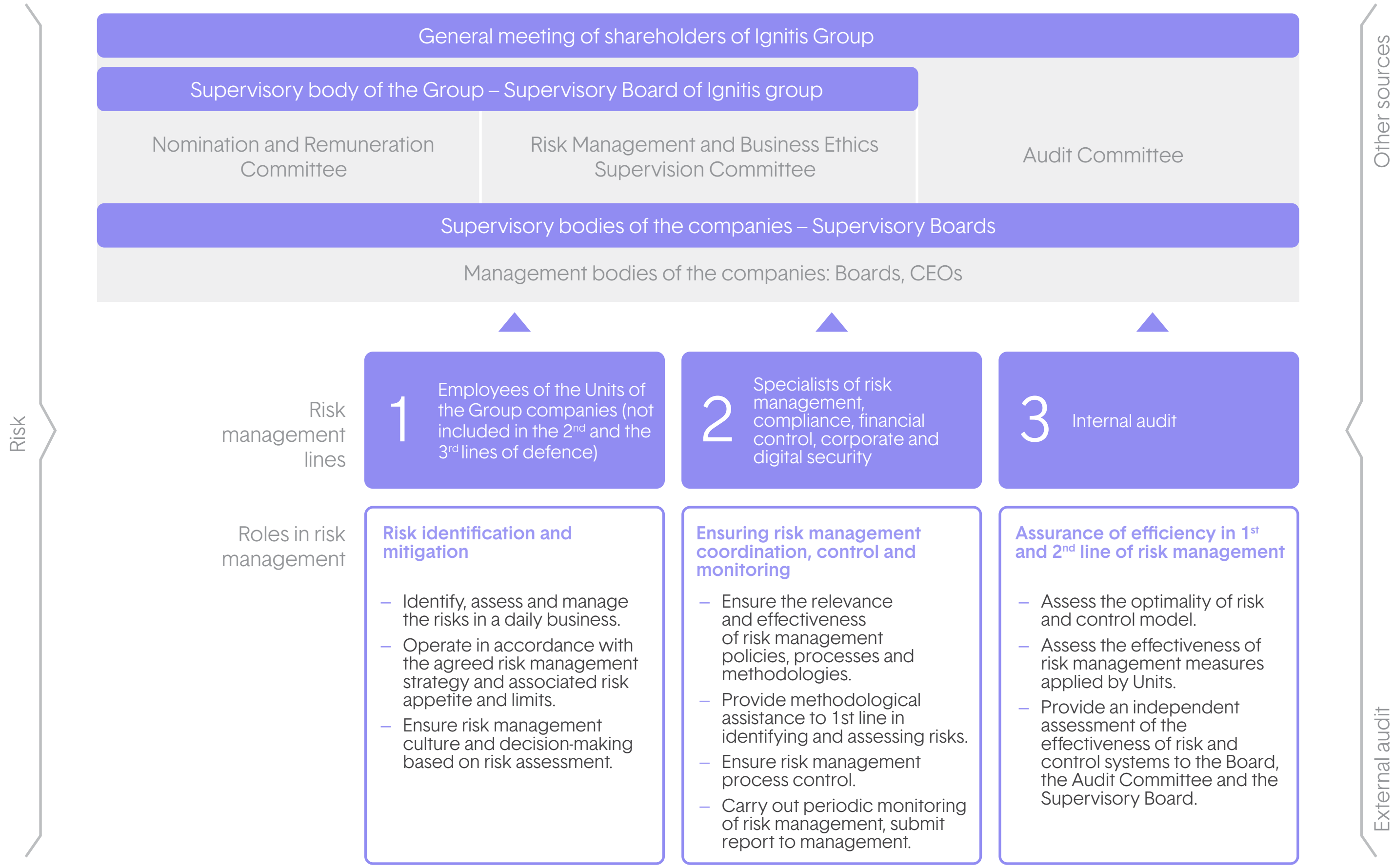
Overview

In connection with the business activities, the Group is exposed to both internal and external risks that might affect our performance. To ensure their mitigation to an acceptable level, we apply uniform risk management principles, which are based on the best market practices, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009. A clear segregation of risk management and control duties is controlled by applying the 'Three-lines enterprise risk management framework' in the Group (see figure on the right), where the duties are distributed between management and supervisory bodies, structural units, and functions.

In order to ensure that risk management information and decisions are relevant and reflect all the changes relevant to the Group, the Group applies a risk management process, which includes all the Group companies and functions. In order to ensure effective risk management control, we monitor risks, risk management measures, key risk indicators and prepare internal reports to the management (both at the function level or Group companies and at the Group level) on a quarterly basis.

We provide more details in the section below, including key risks for 2023. Additionally, this year we are highlighting ESG related risks, considering their increasing importance, and the related Group's targets separately.

Three-lines risk management framework



Key risk management objectives:

- to eliminate or reduce the impact of the materialised risks on the Group's goals for different periods as much as possible;
- to ensure that correct information is provided to decision-makers, shareholders, and other stakeholders in a timely manner;
- to protect and ensure the Group's reputation and reliability;
- 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 achieve strategic goals and respond to a dynamic operating environment, the Group pays special attention to proactive risk management. Therefore, on a quarterly basis, the Group reviews risk levels, plans new risk management measures as needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that our management receives the most relevant information to make necessary decisions in a timely manner.

Our risk management process comprises four parts: risk identification, assessment, establishing management strategy and monitoring. We constantly assess sources of risks and register new risks immediately, subsequently, the risk assessment is then carried out, the risk management strategy is established and periodic risk management monitoring started.

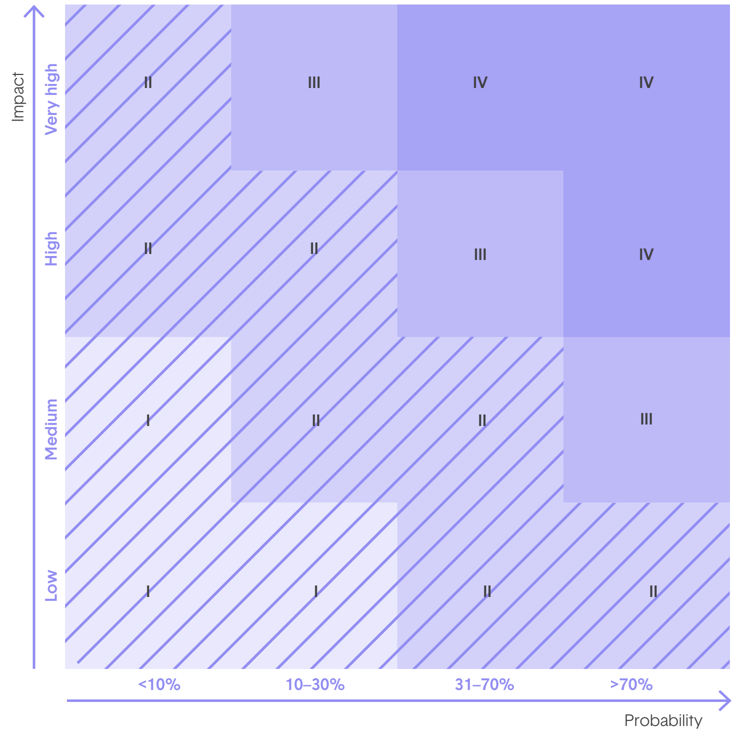
1. **Identification stage.** At the beginning of each annual planning process, the Group's enterprise risk management team issues risk management planning guidelines, which contain the most relevant information on various sources of risks and their potential impact on the Group. During the last quarter of the year, when the Group reviews its goals, the risk management process is also employed when making changes to annual and strategic goals by assessing whether there are additional risks related to these changes and identifying new or adopting existing risks as needed. After each quarter of the year, existing risks are being reviewed and new risks (if any) are identified. The Group constantly assesses a potential impact of different sources of risks such as climate change, regulation changes, geopolitical and economic situation, raw materials/services/labour market trends, cultural and social issues that affect the achievement of the Group's goals.

   Risks can materialise and are recognised:
   - at the Group company level – risks arising in the main activities;
   - at the function level – risks arising in internal services;
   - at the Group level – risks arising in more than one Group company or function.

   In addition, based on the potential impact of risks on the Group's goals, all risks are assessed based on the periods of when they could potentially materialise and are categorized as follows:
   - short-term (0–1 years), which can influence the annual goals of the Group;
   - medium-term (1–4 years), which relates to the implementation of strategic goals defined in the Group's 4-year strategic plans;
   - long-term (≥5), which can affect the implementation of the Group's strategy.

2. **Assessment stage** is where risk levels are determined. Risk levels are defined from low to very high and are being calculated by multiplying probability of the risk occurrence and the potential impact (financial, reputational, compliance, people, health, and safety). The evaluation is carried out considering existing risk management measures. See risk assessment matrix on the right.

Risk assessment matrix



Risk levels

- IV Very high (extreme)
- III High
- II Medium
- I Low
- Group's risk appetite

Criteria for TOP risks on Group level

- Risks with significant financial impact (above Group risk appetite, i.e., > 2% Group Adjusted EBITDA)
- Group risks above Group risk appetite (relevant for more than two companies)

During the evaluation of the potential impact of the risk, it is important to determine whether the risk exceeds the risk appetite determined by the Group. Risks exceeding the Group's risk appetite – all types of risks, including high and very high level (except for external type risks – only very high), and risks with significant financial impact on the Group (>2% of the Group's Adjusted EBITDA) – must be managed. See risk financial materiality assessment table below.

Risk financial materiality assessment

Impact level	Financial impact on the Group's Adjusted EBITDA
Low	x ≤ 1%
Medium	1% < x ≤ 2%
High	2% < x ≤ 5%
Very high	x > 5%

Each new risk is assessed and assigned to the Group's strategic direction (to which could have biggest impact), then its category and relevant characteristics are identified. We categorize the risks the Group faces while running its businesses into 4 different categories described below.

Risk categories

We categorize the risks the Group faces while running its businesses into 4 different categories described below.

Strategic risks	Operational risks	Financial risks[1]	External risks
Risks that may impact the strategic objectives of the Group. They can materialise due to unfavourable or erroneous business decisions, inadequate implementation of decisions or as a result of the external factors, e.g., political, legislative changes.	Risks that materialise due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, employee errors and/or improper/insufficient management of IT operations, etc.	Risks from financial assets and/or obligations of the Group. This category includes the risks such as the credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks that materialise due to changes in market conditions, regulatory, and legislation changes, natural resources, natural disasters, etc.

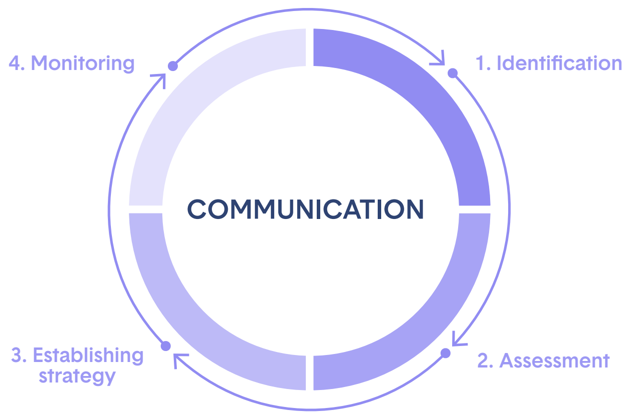
If a risk meet specific criteria, it could also be assigned to ESG risks type (for further details, see section 'ESG risks').

Key Risk Indicators (KRI) may be set depending on the type of the risk and the period when it could potentially materialise. KRIs are quantitative or qualitative indicators that specify a risk's trend (decreasing, increasing or stable). At risk assessment stage, specific KRI thresholds are determined, which will allow to identify the risk trend during the monitoring stage.

3. **Establishing strategy** – choosing one of the risk management strategies (accept, reduce, avoid or transfer). All risks exceeding the Group's risk appetite must be managed in order to reduce their level to a level acceptable to the Group. A risk management plan is then created to implement a risk level mitigation strategy. Plan implementation control is carried out in the monitoring stage.

4. **Monitoring stage** – quarterly monitoring of risks, risk management measures, key risk indicators, risk signals are carried out and presented to the management. During this stage, the level of risks is also re-assessed, new risks can be registered, and the risks that are no longer relevant are eliminated. The Group's consolidated key risks register, which is approved by the Group's Management Board and the Supervisory Board, includes only those risks whose potential impact exceeds the Group's risk appetite.

Risk management process



[1] *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 disclosed in section 'Financial statements'.*

Key risks and their control

Risk management in 2022

Overview

The Group's risk management context in 2022 was mostly influenced by Russia's invasion of Ukraine on 24 February 2022 and occupational health and safety (OHS) issues in the Group. Due to the three fatal accidents, the level of health and safety (OHS) accidents of employees and contractors risk (No. 1) was increased from medium to high at the Group level.

Since Q1 2022, the Group has been constantly assessing the war's potential impact on its activities. It's impact on energy prices resulted in a high-level financial liquidity risk (No. 6) for the Group, which was introduced in our First quarter 2022 Interim report. Because of energy crisis, EU states seek independence from Russian energy and infrastructure, therefore various states started green energy production promotion causing an increase in competition on reservation of limited grid power too. This resulted in a risk for the Group of not achieving Green Generation installed capacity targets on time (which was introduced in our Annual report 2021 (No. 2), leading to a new risk of insufficient transmission grid capacities. Russian aggression manifested in cyber warfare against Ukraine's allies as well. Therefore, Group's IT systems were attacked, and cyber-attack risk (No. 11) was reassessed. However, due to the effective cyber security system applied by the Group, a risk level was not changed. For more information on the Group's cyber security, see section 'Sustainability (Corporate Social Responsibility) report' of this report.

As OSH and the Russia's invasion of Ukraine impact to the Group being the key to focus areas in terms of risks in 2022 and still continuing to be, we disclose further information on these matters separately below. In our previous reports we also distinguished the information provided regarding COVID-19 related risks. However, based on the management assessment, it does not have a significant impact to the Group's activities, therefore no detailed disclosure as a separate risk factor is provided. Despite that, we will continue monitoring the potential impact of post pandemic environment on the Group.

Q4 2022 risk management update

During the annual planning process, after re-assessment all relevant risks in the context of the Group activities, and considering the strategic directions, strategic and annual plans of Group companies, a consolidated key risk register of the Group was compiled. During risks reassessment, special attention was paid for assigning related risks to ESG. Compared to our 9M 2022 Interim report no key risks level changes were identified in the 4Q 2022.

Occupational health & safety (OHS)

Materialising risk of health and safety (OHS) accidents of employees and contractors mobilized both top Group's management and health and safety experts to look for causes behind fatal accidents causes and potential prevention measures (for more information on this risk, see section 'Management plan of the key risks'). After analysing main causes of fatal accidents, risk management measures were taken immediately: a new Group-wide health and safety (OHS) programme "Is it safe?" has been prepared and introduced, the Group's health and safety (OHS) policy has been updated, a Group-wide hackathon was organized to address health and safety (OHS) issues. Read more about the Group's initiatives in 2022 and plans for the future in the field of health and safety (OHS) in the section 'Sustainability (Corporate Social Responsibility) report' of this report.

Russia's invasion of Ukraine

Overview

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

General potential effects that are tightly related to the Group's activities are an increase in electricity and natural gas prices, significant increase in net working capital, possible disruptions in supply chains as well as rising inflation and prices of other materials. In order to manage these effects, proper actions have been taken including, but not limited to, additional short-term loan agreements concluded with banks. Additionally, the Lithuanian Parliament made a decision to compensate regulatory differences accumulated by 1 July 2022 directly from the state budget though the tariff during H2 2022. Regulatory differences accrued during H2 2022 were also compensated by the Lithuanian Government in December. Considering the increased number of cyber-attacks, the level of vigilance in cybersecurity is being raised nationwide. Despite increased number of attacks, all the threats were managed successfully, therefore cybersecurity risk level remains unchanged. It must be noted that the Group is classified as owner of critical infrastructure.

Impact on business segments

Overview of the impact of the Russia's invasion of Ukraine

Business segment	Overall impact
Networks	– Growing energy prices may cause temporary regulatory differences. – Uncertainty regarding the supply chain and an increase in the price of key materials.
Green Generation	– Growing electricity prices have positive impact on EBITDA of the Green Generation portfolio. – Changes in the construction milestones and budget of Vilnius CHP's biomass unit. – Potential shortage of spare parts for Kruonis PSHP major overhaul. – Potential increase in investment expenditures in new projects due to growing commodity prices. – Potentially longer lead times of Green Generation projects. – Insufficient transmission networks capacity due to increased development of green energy generation.
Flexible Generation	– Shortage of spare parts for major overhaul of unit 8 of Elektrėnai Complex. – Additional natural gas reserve of 1.1 TWh was acquired, which increased the net working capital.
Customers & Solutions	– Increased natural gas prices and decision to keep higher natural gas inventory level due to geopolitical uncertainty had major impact on increased net working capital. – Growing electricity and natural gas prices caused higher temporary regulatory differences.

Networks

The Networks segment is highly exposed to growing energy prices, which may increase the need for working capital due to temporary regulatory differences as the gap between the actual energy prices and the ones included in the tariff may widen. However, additional funding may be required due to possibly higher costs in the future, which may lead to an increase in liabilities and higher loan interest. Additionally, investments in expansion and maintenance of the electricity distribution network increased due to an increase in contractor fees, which were affected by Russia's invasion of Ukraine. Contractor fees for new connections and upgrades increased on average by 56%. Contractor fees for maintenance increased on average by 55% per object. Nevertheless, in the long run, the regulatory mechanism should ensure that the effects on consumption and prices will be eliminated. Currently, no significant changes in the level of bad debts were detected.

Green Generation

Growing electricity prices have a positive impact on EBITDA result of the Green Generation segment. However, considering Green Generation projects, there is a risk of longer lead times and higher expenditures for investments due to an increase in the price of materials. Due to disruptions in supply chain and construction markets, budget of Vilnius CHP's biomass unit was revised to around EUR 270.0 million (from EUR 232.0 million) and the risk of expected COD is identified (first energy generation on testing mode was already rescheduled around Q1 2023 and remains unchanged). Currently, there is a risk of possible delay of the major overhaul of Kruonis PSHP (replacement parts are manufactured in Ukraine). The manufacturing of spare parts is at its final stage however, due to electricity cut-offs in Ukraine there is a risk of possible delay. On the contrary, geopolitical tensions revealed the importance of green generation development and Europe's energy independence from Russia's fossil fuels. Russia's energy blackmail policy in Europe, which led to an increase in energy prices for European residents, prompted many countries to look for energy sources that would be independent from Russia. The overall interest in the development of green energy has increased dramatically, which accelerated the implementation of existing projects as well as the expansion of the pipelines for potential new ones. Many countries have taken measures to promote the production of green energy (from wind and solar). This led to a strong increase in competition in the field of green energy development in the Group's business operation countries, which manifested itself in the insufficient power of electricity transmission networks in these countries (especially in Lithuania and Poland). Further information on risk management directions of insufficient grid capacities is available in section '2023 Group's key risks and their management directions' below.

Flexible Generation

Given the geopolitical situation, the Flexible Generation segment, as a provider of isolated regime services, was directly affected through an emerged need to prepare for uninterrupted electricity generation in advance, which required to acquire approx. 1.1 TWh of natural gas, which, in turn, increased the working capital level. The regulatory mechanism is supposed to ensure compensation for the additional costs incurred. Another issue is related to the supply of spare parts for the major overhaul of unit 8 of Elektrėnai Complex as the necessary parts were manufactured in Ukraine, however, an alternative solution was found in Czech Republic, ensuring the supply of the parts with a delay compared to the initial plan.

Customers & Solutions

The main impact on the Customers & Solutions segment is related to the suspended purchase of Gazprom's natural gas, which was replaced by LNG cargoes. This has led to an increase in working capital needs and additional hedging transactions. With the refusal of Russian natural gas, potential new challenges related to the infrastructure (limited infrastructure capacities for gas transportation) and more limited supply are being closely monitored and addressed. All required actions are taken to ensure secure natural gas and electricity supply as well as to manage increased net working capital. Net working capital growth was also affected by higher temporary regulatory differences due to growing energy prices as the gap between actual energy prices and the ones included in the tariff have widened. However, a package to counter the effects of inflation and to strengthen energy independence has been approved by the Lithuanian Parliament, and part of it has been allocated to UAB „Ignitis" to cover accumulated regulatory differences. Despite growing electricity and natural gas prices, significant changes in the level of bad debts were not detected. However, an increase in requests from business customers to postpone payments for electricity or gas supplies, or to extend contractual payment terms was noticed. Despite the fact, that there is no significant upward trend regarding number of bankruptcies in the portfolio and nationwide bankruptcy level remains in line with 2019 – 2021 levels, the risk of an increase in receivables is being closely monitored.

Cyber security

Since the outbreak of the war in Ukraine, external scans and distributed denial-of-service (DDoS) attacks which target the IT infrastructure of the Group have been increasing. After considering the geopolitical situation and assessing the increased risks of cyber incidents, appropriate preventive measures have been taken to manage the increased cybersecurity risks. Our monitoring and CERT teams ensures 24/7 monitoring of external and internal resources, which helps proactively detect, prevent, and mitigate malicious actions. In order to protect the Group against DDoS attacks, we closely cooperate with internet service providers and have made additional investments into cloud protection. Moreover, the Group is cooperating with the National Cyber Security Centre of Lithuania by sharing the information and implementing the recommendations received on strengthening of cybersecurity. In order to raise the maturity of CERT management, we updated the most important processes and accredited the Ignitis CERT team. This enables the CERT team to operate more efficiently, to share information with foreign partners, and to operate according to the best international practices.

Mitigation

Even though there are additional risk factors, proper actions have been taken to manage them and no significant changes in the risk levels of key risks of the Group were recorded. In order to ensure market demand and uninterrupted gas supply as well as to fund growing working capital needs, the Group concluded short-term loan agreements with banks (as of 31 December 2022 there were six credit line and overdraft facilities with a total limit of EUR 719 million). Also, the Lithuanian Parliament amended the legislation related to providing consumers with partial compensation due to increasing prices of energy resources. From H2 2022, the increasing prices for end customers as well as the regulatory differences up to this point are being compensated directly from the state budget. For more details, please refer to 'Overview and impact of partial compensation of energy prices' section. Moreover, the natural gas interconnection between Poland and Lithuania (GIPL) started commercial operations in May 2022, allowing Lithuanian-Polish gas exchange, which strengthens the energy independence of the region and increases trading opportunities.

The Group constantly monitors the situation and analyses the latest information as well as the changes in external factors, and their impact on the Group. In the same manner, the Group also ensures uninterrupted supply of energy and business continuity.

Other

None of the Group companies and/or individuals are subjected to sanctions. Thus, there were no related party transactions with such parties.

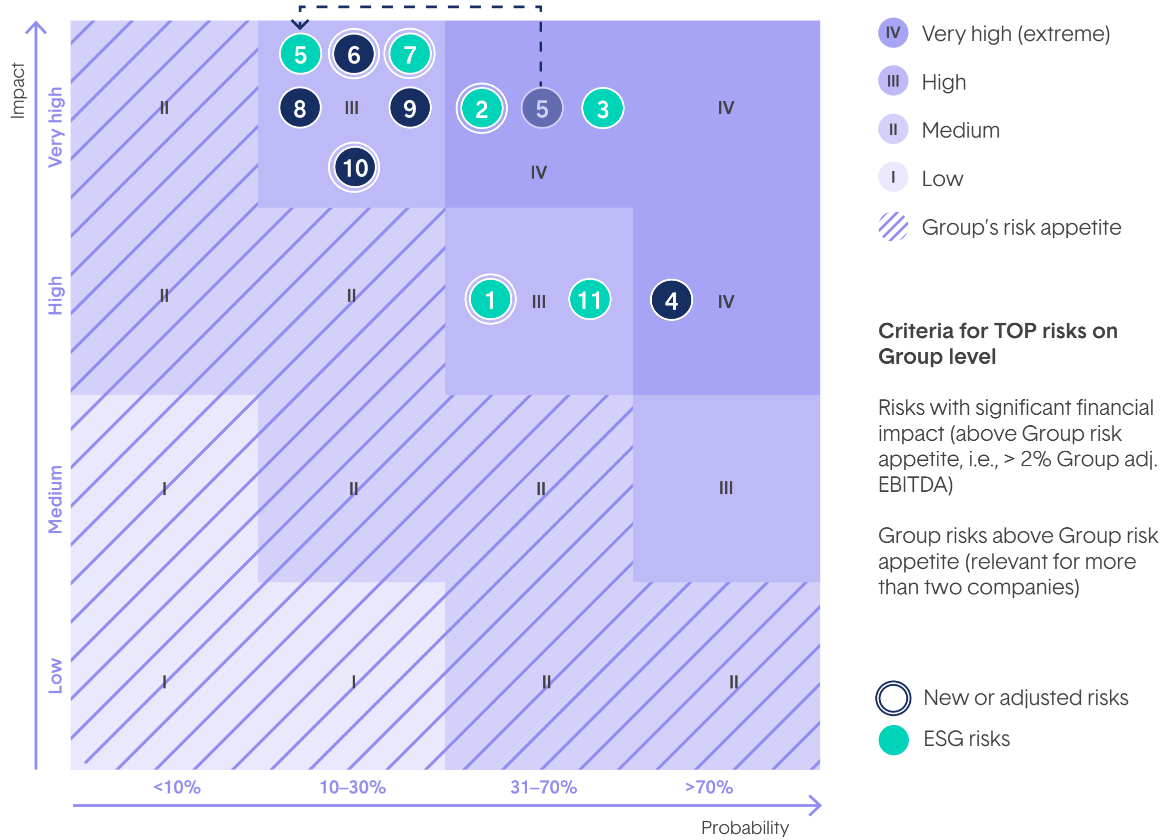
Risk management in 2023

Overview

After the annual risk reassessment, the key risks of the Group determined for the 2023 are listed in the heat map below. As we started to categorize all risks according to their relevance to ESG issues, we introduced a special marking of these risks in the heat map as well.

Heat map of the key risks of the Group

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



Criteria for TOP risks on Group level

Risks with significant financial impact (above Group risk appetite, i.e., > 2% Group adj. EBITDA)

Group risks above Group risk appetite (relevant for more than two companies)

ESG risks

As countries, international organizations pay more and more attention to various sustainability topics: climate change prevention, anti-corruption, promotion of transparency, social welfare, implementation of good governance principles, the Group understands its responsibility and contributes to the implementation of sustainability goals. To achieve these goals, the Group focuses its risk management on areas important for environmental protection, social responsibility, and governance (ESG). Therefore, all risks in the Group are assessed while considering ESG factors, i.e., assigning the relevant risks under ESG risks. Below we reveal our main principles on ESG risks' information disclosure, management, and promoting awareness of these risks.

1. **Information related to ESG risks' disclosure:** transparency of sustainability related information is essential to maintain the trust of our stakeholders. Therefore, the Group follows the recommendations of the TCFD for the disclosure of this type of information.
2. **ESG risks management:** climate change related risks and opportunities are addressed as an integral part of the Group's daily business and are fully integrated into the applied risk management process, i.e., our processes for identifying and assessing risks related to climate change follow the same procedures as for assessing other risks (see 'Risk management process' section above). The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the Group's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Climate change can be a negative factor in assessing the likelihood of materialisation of various risks and/or assessing the potential impact of risks on finance/reputation/compliance/people's health and safety.
3. **Promoting awareness of ESG risks:** the Group's employees are being trained and consulted on climate change and other ESG risks and their possible impact on achieving business goals. This increases the Group's ability to identify and manage climate related and other ESG risks in a timely manner and, at the same time, contribute to global sustainability goals.

The Group assess all the risks if they meet ESG risks' criteria. Based on these criteria, ESG type is assigned to the risk. E type is assigned to risks including climate-related physical, transitional, and other environmental risks, S to social and G to governance related risks. Below we disclose the Group's key ESG risks according to their type (additional information on the typology of these and other key risks of the Group, risk management directions and other relevant information are available in section 'Management plan of the key risks').

ESG risks meeting the environmental criteria:

2 The risk of insufficient grid capacities. The risk is attributable to the transitional market changes risk type.

3 The risk of not winning the Lithuanian offshore wind tender. The risk can be attributed to the transitional reputational risk type.

ESG risks meeting the social criteria:

1 Risk of occupational health & safety accidents of employees and contractors.

5 Employees' attraction, development, and retention risk.

ESG risks meeting the corporate governance criteria:

7 Risk of adverse/unplanned regulatory changes.

11 Risk of cyber-attack.

The risks of corruption, non-compliance, failure to ensure business continuity and to implement greenhouse gas emission mitigation goals are not in the Group's key risks register. All of these risks are medium or low level because of applied effective risk management measures. However, the Group understands the importance of the aforementioned risks for the achievement of sustainability goals, therefore pays attention to the management of these risks and also discloses information about their management (see 'Other significant ESG risks and their management directions'). More information on the Group's sustainability goals, initiatives is available in section 'Sustainability (Corporate Social Responsibility) report' of this report.

Management plan of key risks

1 Risk of occupational health & safety accidents of employees and contractors

Main source of risk:
- Insufficient risk assessment of workplaces (employees and contractors)
- Lack of practical skills and knowledge
- Failure to comply with safety requirements

Key risk indicators:
- Fatal accidents
- Workplaces with violations
- TRIR
- Inspected employees' workplaces
- Control of contractors' workplaces in the facilities of the Group

Risk category | Operational

ESG type | Social

Period | Long-term

Impact on strategic direction
Sustainability

Primary potential impact
On people's health & safety

Risk level
High

Main risk management directions
- Training of employees according to the approved OHS instructions and the functions assigned to the positions
- Mandatory training of employees is carried out (where necessary – certification) in accordance with the applicable requirements
- Training of contractors' responsible persons
- OHS control of workplaces (and contractors' employees) is carried out
- Occupational risk assessment of workplaces is carried out
- Sharing accident or incident investigation material and conclusions with employees and OHS specialists of other companies (prevention is in progress)
- Group companies: AB „Energijos skirstymo operatorius", AB „Ignitis gamyba", UAB „Ignitis" and UAB „Ignitis grupės paslaugų centras" are ISO 45001 certified
- Education of contractors and subcontractors and collection of TRIR data is carried out
- Update of Occupational Health & Safety Policy
- Implementation of Group occupational health & safety programme "Is it safe?"
- Standardization of the process of occupational health & safety incidents and accidents

2 Risk of insufficient transmission grid capacities

Main source of risk:
- The limited availability of electricity transmission network power reservations (both due to the technical capabilities of the network, decisions of regulatory authorities, and due to growing competition in the markets) limits the Group's opportunities to develop Green Generation projects

Key risk indicators:
- Secured gross Green Generation pipeline, GW
- Green Generation pipeline, with grid reservations, GW
- Green generation pipeline, limited by grid capacities, GW

Risk category | Strategic

ESG type | Environmental – climate

Period | Long-term

Impact on strategic direction
Green Generation

Primary potential impact
Financial

Risk level
Very high

Main risk management directions
- Cooperation with State authorities
- A hybrid project model is applied to the development of Green Generation combining wind, solar and storage capacities
- Innovations related to electricity storage, conversion to other chemicals and transportation
- Development of Green Generation projects in various countries

3 Risk of not winning the Lithuanian offshore wind tender

Main source of risk:
- Parties participating in the competition can submit better tenders for the implementation of the project

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category | Strategic

ESG type | Environmental – climate

Period | Short-term

Impact on strategic direction
Green Generation

Primary potential impact
Financial

Risk level
Very high

Main risk management directions
- Partnership with Ocean winds, which has many years of experience in the implementation of Green Generation projects
- Attracting and retaining professional employees with experience in the development of offshore wind projects
- Development of competencies of existing employees in the field of offshore wind energy (as part of partnership with Ocean Winds, employees secondment program to offshore wind farm Moray West in Scotland is being implemented).
- Use of external consultants

4 Risk of liquid hedging products' deficit

Main source of risk:
- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states

Key risk indicators:
- Share of hedged portfolio

Risk category | Financial

ESG type | Not related

Period | Medium-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
Very high

Main risk management directions
- Daily monitoring of the hedging portfolio
- Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolio
- Contracting long-term PPAs in LT/LV

5 Employee attraction, development and retention risk

Main source of risk:
- Difficulty to ensure the sufficient human resources, replacement, taking into account extremely rapid development of Green Generation projects

Key risk indicators:
- Hiring rate

Risk category | Strategic

ESG type | Social

Period | Long-term

Impact on strategic direction
People and culture

Primary potential impact
Financial

Risk level
High

Main risk management directions
- Employees are offered a competitive salary and additional benefits
- Critically important competences for the development of Green Generation are identified within the Group
- Employees are given opportunities to improve their competence
- Cooperation with human resources agencies in Lithuania and abroad
- Energy Smart Start programme implementation

6 Financial liquidity risk

Main source of risk:
- Due to the increased need for working capital, there may be difficulties in managing the Group's cash flows

Key risk indicators:
- The value of the S&P credit rating liquidity indicator
- The Group's net working capital need at the end of each quarter of the year

Risk category | Financial

ESG type | Not related

Period | Short-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
High

Main risk management directions
- Maintaining a certain committed liquidity reserve from various sources of short-term financing (e.g., credit lines from commercial banks, short-term debt securities, short-term financing from institutional banks)
- The Group controls cash flows centrally. Group companies also finance working capital through the Group's mutual lending platform

7 Risk of unplanned and adverse regulatory changes

Main source of risk:
- Changing existing regulations in the waste incineration sector may have a negative impact on the Group's performance
- Changing legal base, requirements, and expectations for ancillary services (electric power)
- Complicated mandatory coordination of investments and costs of the distribution system operator with the regulator, ensuring adequate regulated returns

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category | External

ESG type | Governance

Period | Long-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
High

Main risk management directions
- Cooperation with regulatory authorities
- Participation in consultations and working groups
- Centralized coordination and monitoring of regulatory issues is carried out in the Group

8 Risk of failure to complete the Vilnius CHP biomass unit project properly and in time

Main source of risk:
- Due to the tense geopolitical situation, there is uncertainty of prices and delivery terms of raw materials and products needed for construction
- Due to the fault of the former contractor (Rafako), the main construction contract was terminated and then a new one was concluded, the duration of the project implementation was extended, and the costs increasedts

Key risk indicators:
- Biofuel power plant project budget deviation (from the approved plan)
- Implementation of the project according to the planned schedule

Risk category | Operational

ESG type | Not related

Period | Short-term

Impact on strategic direction
Green Generation

Primary potential impact
- Financial
- Reputation

Risk level
High

Main risk management directions
- Active control of the contractor's activities, organization of sub-contracts, work schedules is carried out
- Project solutions are changed, which may allow to reduce the project budget or help to implement the project faster
- Constant cooperation with the authorities, and in the event of a possible manifestation of risk – presentation of the delay scenario and provision of measures

9 Risk of recovery of not notified State-aid

Main source of risk:
- The EC has not been notified about the state support allocated to AB "Ignitis gamyba"

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category | External

ESG type | Not related

Period | Long-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
High

Main risk management directions
- 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

10 Lithuanian energy system security risk

Main source of risk:
- Group owns energy generation and storage infrastructure, that is important for Lithuanian energy system security and is responsible for this infrastructure proper operation
- Failure to fulfil contracted provisioning of services (e.g., as a result of both internal and external factors), may result in failure for ensuring the security of the electrical energy system

Key risk indicators:
- Energy blocks availability, reliability rates

Risk category | External

ESG type | Not related

Period | Long-term

Impact on strategic direction
Finance

Primary potential impact
- Reputation

Risk level
High

Main risk management directions
- Personnel training, employees are being rotated between different energy blocks in order to maintain competence
- Periodic testing of units providing tertiary reserve or isolated network service
- Quality control procedures for the performance and execution of technical maintenance (including repairs) have been established
- Equipment maintenance schedule and annual review, adjustment, approval and implementation of maintenance and repair plans
- Use of the integrated asset management system of energy facilities

11 Risk of cyber-attack

Main source of risk:
- Cyber-attacks against the Group companies organized by third parties
- Social engineering attacks, data theft
- Known vulnerabilities in systems have been removed late or improperly

Key risk indicators:
- Number of internal and external critical vulnerabilities
- Average time to fix critical vulnerabilities

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction
Organization

Primary potential impact
- Reputation
- Compliance

Risk level
High

Main risk management directions
- Periodic preparation of vulnerability reports and submission to responsible persons
- Removal of internal and external cyber-vulnerabilities
- Internal audit
- Cooperation with external partners
- Developing digital security competencies by becoming accredited members of the CERT organization, participating in cyber security exercises with external partners
- The Group-wide cybersecurity supervision is ensured 24/7

Other significant ESG risks and their management directions

Information on other ESG risks (whose levels, due to effective risk management measures applied, are within Group's risk appetite) that are important for the achievement of Sustainability goals, is disclosed below.

Risk of non-compliance

Main source of risk:

The Group's must comply with:

- GDPR;
- MAR;
- REMIT, EMIR;
- Requirements of the III energy package;
- AML;
- other requirements relevant to the Group.

Key risk indicators:

- Sanctions
- Incidents
- Complaints

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction

Organization

Primary potential impact

- Compliance
- Reputation
- Financial

Risk level

Medium

Main risk management directions

- Centralized coordination of compliance issues in the Group
- Mandatory employee training programmes
- Completed separation of distribution, supply, and production activities
- Improvement of control mechanisms

Risk of not ensuring business continuity

Main source of risk:

- The Group companies that are important for national security must meet the requirements of the legal acts regulating the continuity of the activities of these companies
- Different perception of ensuring the continuity in the Group, different level of maturity
- Changing external legal regulation leads to uncertainty in the transition period (Mobilization, Civil Protection and Crisis Management)

Key risk indicators:

- Periodic reporting of risk signals to the man-agement

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction

Organization

Primary potential impact

- Compliance
- Reputation
- Financial
- People's health & safety

Risk level

Medium

Main risk management directions

- Updated Group Business Continuity Policy and Standard (integration of internal and external legal regulations into a unified business continuity model applicable to the entire Group; separated responsibilities, etc.)
- Business impact analyses are carried out, during which processes critical to the Group are identified, emergency situations management plans and other plans for ensuring business continuity are prepared/renewed and exercises of these plans are carried out
- Periodic trainings for company managers, owners of critical processes are carried out

Corruption risk

Main source of risk:
- Abuse of power
- Conflicts of public-private interests

Key risk indicators:
- Conflicts of interest cases
- Corrupt violations
- Misdeclaration or non-declaration of private interests
- Reports on corruption violations
- Declaration of gift

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction
Organization

Primary potential impact
- Compliance
- Reputation

Risk level
Medium

Main risk management directions
- Application of ACMS (anti-corruption management system), LST / ISO 37001:2017
- Standardized Group corruption risk assessment and management processes
- Strengthening and automation of existing control mechanisms
- 'Trust line' for reporting corruption, unethical behaviour, cases of discrimination and etc.
- Group Code of Ethics
- Group Anti-Corruption Policy
- Periodic anti-corruption training
- The standard for withdrawal and dismissal of Group employees from the decision making, where possibility for conflict of public-private interests exists
- Gift register, registration standard
- Participation in anti-corruption initiatives (e.g., Anti-Corruption Hackathon)

The risk of not meeting the targets for reducing greenhouse gas emissions

Main source of risk:
- Lack of technologies for emission reduction and unaffordability
- Insufficient coordination of plans and goals at the Group level

Key risk indicators:
- Change in GHG emissions
- Stakeholder complaints regarding non-achievement of objectives

Risk category | Strategic

ESG type | Environmental – climate

Period | Long-term

Impact on strategic direction
Sustainability

Primary potential impact
Reputation

Risk level
Medium

Main risk management directions
- Group emissions are calculated twice a year, trends are analysed, and conclusions are drawn
- The Group sets targets for reducing emissions and their implementation measures
- Centralized coordination on emission reduction issues is carried out within the Group

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 in both London and Nasdaq Vilnius stock exchanges – it constantly strives to comply with all relevant EU, Lithuanian and UK laws and regulations.

The Group's own internal market abuse prevention and transparency rules are regularly updated and the main regulations are made available to the public (link). The Group periodically trains its employees 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 2022 include:

- specialized compliance training course for persons discharging managerial responsibilities (PDMR) was significantly updated in the field of market abuse prevention and trading transparency. Transactions of the PDMR and the persons closely associated with them must adhere to a specialized internal Closed Period calendar, which is prepared and updated in accordance with the requirements of the Market abuse regulation (EU) No 596/2014. Notification threshold – EUR 5,000 within a calendar year;
- taking into consideration the high standards applied in financial markets, a specialized inside information management and trading transparency training course was updated. The course 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. The Group Inside Information Management Guidelines are updated periodically. In parallel, an Insider Management Committee (comprising 5 experts from finance, law, compliance, investor relations and communication areas), is successfully continuing its operations by effectively dealing with complex insider management issues while ensuring maximum transparency;
- constantly improving the knowledge of the Group employees in the field of market abuse prevention and implementing the best practices approved by supervisory authorities within the Group: publishing educational articles on the Group's intranet; initiating a specialized training, for example, for IT colleagues; preparing targeted memos and clarifications; presentations; providing periodic summaries and reminders to the Group managers and target employee groups.

In 2022, same as in the previous year, the Group has successfully ensured the compliance with all MAR (Market Abuse Regulations) requirements.

Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania (link in Lithuanian) when conducting related party transactions. During the reporting period, there was a change in the provisions of the Law on Companies of the Republic of Lithuania regulating transactions with related parties. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and makes decisions regarding the related party transactions of the parent company and the Group companies if they meet all of the following materiality criteria: (i) the type of transaction is: property investment, acquisition, transfer, lease, pledge and mortgage of assets, suretyship or guarantee for the discharge of obligations; (ii) the amount of the transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet; (iii) transactions are conducted under unusual market conditions and/or are not attributable to the usual economic activities. We disclose information about the concluded related party transactions on our website and in accordance with the IFRS requirements in the section '5. 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 36 fully consolidated subsidiaries. This number hasn't changed after the reporting period. 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, on our website and section 'Further information' of this report.

The entities presented on the next page are directly or indirectly controlled by the Group, which applies the governance system as per below (i.e. each number indicated below and on the next page corresponds to governance system type the company uses):

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

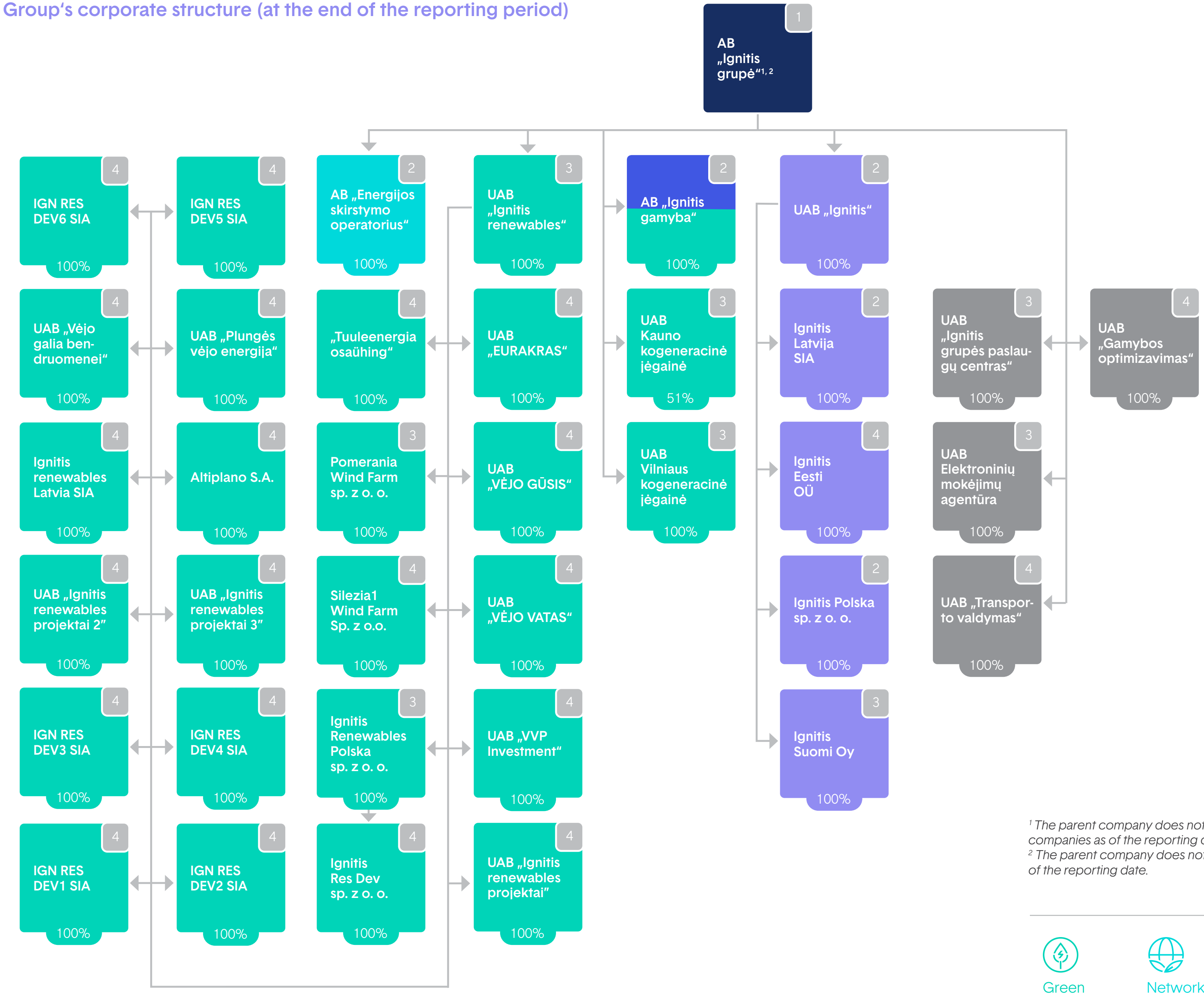
[1] At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.
[2] The Boards of Ignitis Latvija and Ignitis Polska are formed out of 1 member – CEO, the Supervisory Board of Ignitis Latvija is formed from Majority Shareholder's representatives, whilst the Supervisory Board of Ignitis Polska is formed from 2 Majority Shareholder's representatives and 1 independent member. The Board of Ignitis Suomi Oy is formed from 1 ordinary member and 1 deputy member. The Board of Ignitis Renewables Polska Sp. z o.o. is formed from 2 non-executive members (Majority Shareholder's representatives).

The Group has adopted decisions to replace a two-tier management model applied in the Group's main subsidiaries ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation) and Ignitis (Customers & Solutions) with a one-tier management model, i.e., to remove the Management Boards made up of employees and instead to form Boards with a supervisory function that will be made up of at least 1/3 of independent members, civil servants and shareholder representatives. The new model applied in the subsidiaries will ensure simpler but, at the same time, effective governance, which will continue to meet the highest standards of governance, speedy decision-making, fast communication, and active involvement of independent members. Given the different expiry dates of the terms of office of the subsidiaries' collegial bodies, the change in the governance model from a two-tier to a one-tier governance model will take place in two stages. In the first stage, the governance model of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) is planned to be changed by the end of this year, while the governance model of Ignitis (Customers & Solutions) will be changed in the second stage by Q2 2023.

Changes in the Group's structure during the reporting period:

- Altiplano Elektrownie Wiatrowe B1 sp. z o. o. name was changed to Silezia1 Wind Farm Sp. z o. o.;
- UAB „Ignitis renewables" established twelve new subsidiaries: Ignitis renewables Latvia SIA, UAB „Ignitis renewables projektai 3", UAB „Ignitis renewables projektai 2", IGN RES DEV6 SIA, IGN RES DEV5 SIA, IGN RES DEV4 SIA, IGN RES DEV3 SIA, IGN RES DEV2 SIA, IGN RES DEV1 SIA, UAB „Vėjo galia bendruomenei", UAB „Plungės vėjo energija" and Altiplano S.A.
- On 12 August 2022 UAB "NT valdos" was liquidated;
- On 7 November 2022 UAB "Energetikos paslaugų ir rangos organizacija" was liquidated.

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.

Green Generation
Networks
Flexible Generation
Customers & Solutions

Financial statements

5.1 Consolidated financial statements

Unaudited interim condensed consolidated financial statements for the twelve-month period ended 31 December 2022, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union

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

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

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

Interim Condensed Consolidated Statement of Profit or Loss

For the three and twelve months periods ended 31 December 2022

EURm	Notes	12M 2022	Q4 2022	12M 2021 (restated)[1]	Q4 2021 (restated)[1]
Revenue from contracts with customers	7	4,381.3	1,357.6	1,877.2	745.4
Other income		5.6	1.5	21.5	(12.1)
Total revenue and other income		**4,386.9**	**1,359.1**	**1,898.7**	**733.3**
Purchases of electricity, natural gas and other services		(3,608.7)	(1,180.9)	(1,380.9)	(593.6)
Salaries and related expenses		(115.8)	(31.6)	(97.2)	(26.5)
Repair and maintenance expenses		(40.6)	(15.2)	(31.7)	(10.8)
Other expenses	8	(82.1)	74.8	(45.7)	(14.2)
Total		**(3,847.2)**	**(1,152.9)**	**(1,555.5)**	**(645.1)**
EBITDA	6	**539.7**	**206.2**	**343.2**	**88.2**
Depreciation and amortisation		(137.7)	(35.1)	(122.6)	(32.2)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets		(14.2)	(8.5)	(28.5)	(26.4)
Operating profit (loss) (EBIT)		**387.8**	**162.6**	**192.1**	**29.6**
Finance income		3.6	(8.5)	17.6	2.2
Finance expenses		(54.1)	(28.3)	(33.7)	10.0
Finance activity, net		**(50.5)**	**(36.8)**	**(16.1)**	**12.2**
Profit (loss) before tax		**337.3**	**125.8**	**176.0**	**41.8**
Current period income tax (expenses)/benefit	9	(58.4)	(5.9)	(19.4)	(10.8)
Deferred tax (expenses)/benefit	9	14.5	(11.4)	3.2	17.0
Net profit for the period		**293.4**	**108.5**	**160.2**	**48.0**
Attributable to:					
Equity holders of the parent		293.4	108.5	160.2	47.7
Non-controlling interest		-	-	-	0.3
Basic earnings per share (in EUR)	10	**4.04**	**1.50**	**2.16**	**0.64**
Diluted earnings per share (in EUR)	10	**4.04**	**1.50**	**2.16**	**0.64**
Weighted average number of shares	10	**72,599,599**	**72,388,960**	**74,232,665**	**74,232,665**

[1] *Part of the amounts do not agree with the interim condensed financial statements issued for the twelve months period ended 30 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.*

Interim Condensed Consolidated Statement of Comprehensive Income

For the three and twelve months periods ended 31 December 2022

EURm	Notes	12M 2022	Q4 2022	12M 2021 (restated)[1]	Q4 2021 (restated)[1]
Net profit for the period		**293.4**	**108.5**	**160.2**	**48.0**
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		(1.1)	(1.3)	(23.6)	(23.6)
Change in actuarial assumptions		0.4	0.3	(0.3)	(0.1)
Items that will not be reclassified to profit or loss in subsequent periods, total		**(0.7)**	**(1.0)**	**(23.9)**	**(23.7)**
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		247.3	(157.2)	57.1	65.9
Cash flow hedges – reclassified to profit or loss		(165.3)	(64.2)	(38.4)	(20.5)
Foreign operations – foreign currency translation differences		(2.1)	4.4	(0.5)	0.2
Items that may be reclassified to profit or loss in subsequent periods, total		**79.9**	**(217.0)**	**18.2**	**45.6**
Total other comprehensive income (loss) for the period		**79.2**	**(218.0)**	**(5.7)**	**21.9**
Total comprehensive income (loss) for the period		**372.6**	**(109.5)**	**154.5**	**69.9**
Attributable to:					
Equity holders of the parent		372.6	(109.5)	154.5	69.6
Non-controlling interests		-	-	-	0.3

[1] Part of the amounts do not agree with the interim condensed financial statements issued for the twelve months period ended 30 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

Interim Condensed Consolidated Statement of Financial Position

As at 31 December 2022

EURm	Notes	31 December 2022	31 December 2021 (restated)[1]
ASSETS			
Non-current assets			
Intangible assets	11	148.3	114.0
Property, plant and equipment	12	2,810.9	2,617.9
Right-of-use assets		48.6	57.5
Prepayments for non-current assets		125.8	15.8
Investment property		5.5	4.5
Non-current receivables	14	28.9	96.1
Other financial assets	15	25.6	30.1
Other non-current assets		24.8	3.7
Deferred tax assets		31.1	14.1
Total non-current assets		**3,249.5**	**2,953.7**
Current assets			
Inventories	16	570.4	185.6
Prepayments and deferred expenses		95.8	68.5
Trade receivables	17	424.4	274.9
Other receivables	18	179.7	292.5
Other current assets		56.9	33.3
Prepaid income tax		0.4	0.1
Cash and cash equivalents		694.1	449.1
Assets held for sale		0.4	0.4
Total current assets		**2,022.1**	**1,304.4**
TOTAL ASSETS		**5,271.6**	**4,258.1**

EURm	Notes	31 December 2022	31 December 2021 (restated)[1]
EQUITY AND LIABILITIES			
Equity			
Issued capital	19.1	1,616.4	1,658.8
Treasury shares		-	(23.0)
Reserves		344.9	248.8
Retained earnings		164.3	(28.7)
Equity attributable to equity holders of the parent		**2,125.6**	**1,855.9**
Non-controlling interests		-	-
Total equity		**2,125.6**	**1,855.9**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	21	1,423.3	1,118.1
Non-current lease liabilities	22	45.1	46.3
Grants and subsidies		296.8	279.1
Deferred tax liabilities		55.2	47.2
Provisions	22	17.6	30.1
Deferred income	23	205.5	183.6
Other non-current amounts payable and liabilities		20.7	0.4
Total non-current liabilities		**2,064.2**	**1,704.8**
Current liabilities			
Loans	21	209.0	237.3
Lease liabilities	22	3.6	4.7
Trade payables		177.2	100.2
Advances received		61.6	57.5
Income tax payable		53.4	11.6
Provisions	24	38.0	41.6
Deferred income	23	114.8	18.0
Other current amounts payable and liabilities	25	424.2	226.5
Total current liabilities		**1,081.8**	**697.4**
Total liabilities		**3,146.0**	**2,402.2**
TOTAL EQUITY AND LIABILITIES		**5,271.6**	**4,258.1**

[1] Part of the amounts do not agree with the interim condensed financial statements issued for the twelve months period ended 30 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

Interim Condensed Consolidated Statement of Changes in Equity

For the twelve months period ended 31 December 2022

EURm	Notes	Equity, attributed to equity holders of the parent									Non-controlling interest	Total
		Issued capital	Treasury shares	Legal reserve	Revaluation reserve	Hedging reserve	Treasury shares reserve	Other reserves	Retained earnings	Subtotal		
Balance at 1 January 2021		**1,658.8**	**-**	**116.0**	**119.1**	**-**	**-**	**(2.2)**	**(79.9)**	**1,811.8**	**1.5**	**1,813.3**
Change of accounting policy		-	-	-	-	-	-	-	0.7	**0.7**	-	**0.7**
Recalculated balance as at 1 January 2021 after restatement[1]		**1,658.8**	**-**	**116.0**	**119.1**	**-**	**-**	**(2.2)**	**(79.2)**	**1,812.5**	**1.5**	**1,814.0**
Net profit for the period[1]		-	-	-	-	-	-	-	160.2	**160.2**	-	**160.2**
Other comprehensive income (loss) for the period[1]	20	-	-	-	(23.6)	18.6	-	(0.5)	(0.2)	**(5.7)**	-	**(5.7)**
Total comprehensive income (loss) for the period (restated)[1]		**-**	**-**	**-**	**(23.6)**	**18.6**	**-**	**(0.5)**	**160.0**	**154.5**	**-**	**154.5**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(11.4)	-	-	-	11.4	**-**	-	**-**
Transfers to legal reserve		-	-	9.8	-	-	-	-	(9.8)	**-**	-	**-**
Transfer to reserves to acquire treasury shares	19.2	-	-	-	-	-	23.0	-	(23.0)	**-**	-	**-**
Treasury shares acquired		-	(23.0)	-	-	-	-	-	(3.7)	**(26.7)**	-	**(26.7)**
Dividends	19.4	-	-	-	-	-	-	-	(86.8)	**(86.8)**	-	**(86.8)**
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	(1.2)	**(1.2)**	-	**(1.2)**
Share-based payments		-	-	-	-	-	-	-	0.2	**0.2**	-	**0.2**
Other movement		-	-	-	-	-	-	-	3.4	**3.4**	(1.5)	**1.9**
Balance as at 31 December 2021 (restated)[1]		**1,658.8**	**(23.0)**	**125.8**	**84.1**	**18.6**	**23.0**	**(2.7)**	**(28.7)**	**1,855.9**	**-**	**1,855.9**
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**125.8**	**84.1**	**18.6**	**23.0**	**(2.7)**	**(28.7)**	**1,855.9**	**-**	**1,855.9**
Net profit for the period		-	-	-	-	-	-	-	293.4	**293.4**	-	**293.4**
Other comprehensive income (loss) for the period	20	-	-	-	(1.1)	82.0	-	(2.1)	0.4	**79.2**	-	**79.2**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**(1.1)**	**82.0**	**-**	**(2.1)**	**293.8**	**372.6**	**-**	**372.6**
Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax)		-	-	-	(10.0)	-	-	-	10.0	**-**	-	**-**
Transfers to legal reserve		-	-	12.6	-	-	-	-	(12.6)	**-**	-	**-**
Transfer to reserves to acquire treasury shares	19.2	-	-	-	-	-	14.7	-	(14.7)	**-**	-	**-**
Treasury shares acquired	19.2	-	(10.0)	-	-	-	-	-	(4.3)	**(14.3)**	-	**(14.3)**
Dividends	19.4	-	-	-	-	-	-	-	(89.0)	**(89.0)**	-	**(89.0)**
Share capital reduction	19.3	(42.4)	33.0	-	-	-	-	-	9.4	-	-	-
Other movement		-	-	-	-	-	-	-	0.4	**0.4**	-	**0.4**
Balance as at 31 December 2022		**1,616.4**	**-**	**138.4**	**73.0**	**100.6**	**37.7**	**(4.8)**	**164.3**	**2,125.6**	**-**	**2,125.6**

[1]Part of the amounts do not agree with the financial statements issued for the twelve months period ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

Interim Condensed Consolidated Statement of Cash Flows

For the twelve months period ended 31 December 2022

EURm	Notes	12M 2022	12M 2021 (restated)[1]
Cash flows from operating activities			
Net profit for the period		293.4	160.2
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		149.1	133.4
Impairment of property, plant and equipment, including held for sale		7.7	8.8
Revaluation of investment property and equipment		-	15.8
Revaluation of investment property		(0.4)	(1.2)
Fair value changes of derivatives	26	(19.6)	9.2
Fair value change of financial instruments	4.3	23.4	(9.5)
Impairment/(reversal of impairment) of financial assets	17, 18	1.8	0.1
Income tax expenses/(benefit)	9	43.9	15.8
Depreciation and amortisation of grants		(11.4)	(10.8)
Increase/(decrease) in provisions		(8.0)	7.0
Inventory write-off to net realizable value/(reversal)		103.0	0.6
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		6.5	4.6
Share-based payments expenses		-	0.2
Other expenses of investing activities		-	0.6
Interest income		(1.7)	(0.8)
Interest expenses		29.6	23.6
Other expenses/(income) of financing activities		(0.6)	2.8
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable		56.4	(294.6)
(Increase)/decrease in inventories, prepayments and other current and non-current assets		(504.5)	(129.6)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities		422.7	187.5
Income tax (paid)/received		(27.4)	(18.3)
Net cash flows from operating activities		**563.9**	**105.4**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(439.4)	(245.4)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		3.0	2.4
Acquisition of a subsidiary, net of cash acquired	30	(28.4)	(9.5)
Loans granted[2]		(20.7)	(3.9)
Loan repayments received[2]		-	5.6
Grants received		29.0	17.2
Interest received		0.6	0.6
Finance lease payments received		1.6	2.0
Investments in Innovation Fund	4.3	(1.7)	(3.5)
Other increases/(decreases) in cash flows from investing activities		0.3	-
Net cash flows from investing activities		**(455.7)**	**(234.5)**

EURm	Notes	12M 2022	12M 2021 (restated)[1]
Cash flows from financing activities			
Loans received	22	223.0	104.0
Repayments of loans	22	(119.7)	(10.9)
Overdrafts net change	22	172.9	-
Lease payments	22	(5.1)	(13.6)
Interest paid	22	(28.8)	(26.0)
Dividends paid		(89.0)	(87.8)
Dividends returned		0.4	2.0
Equity acquisition from non-controlling interest		-	(19.0)
Treasury shares acquisition		(14.3)	(26.7)
Other increases/(decreases) in cash flows from investing activities[2]		(2.6)	(2.6)
Net cash flows from financing activities		**136.8**	**(80.6)**
Increase/(decrease) in cash and cash equivalents		**245.0**	**(209.7)**
Cash and cash equivalents at the beginning of the period		449.1	658.8
Cash and cash equivalents at the end of the period		**694.1**	**449.1**

[1] Part of the amounts do not agree with the financial statements issued for the twelve months period ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

[2] The Group has performed reclassifications in the Consolidated statement of Cash flows in order to provide more reliable information for the users of financial statements. Reclassification had no impact on the Statement of Financial Position, Statement of Profit or Loss and Statement of changes in equity. Reclassifications performed in 31 December 2021 were as follows:

a) A net change in current loans provided amounting to EUR 1.7 million was reclassified from Changes in working capital by presenting amount for loans granted (EUR 3.9 million) and loans repayment received (EUR 5.6 million) in the Cash flows from investing activities;

b) Personal income tax declared and paid in relation to bonds interest was reclassified from Changes in working capital to Cash flows from financing activities (EUR 2.6 million).

Explanatory Notes

For the twelve month period ended 31 December 2022

1 General information

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

The parent 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 parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating electricity distribution Network and managing and developing Green Generation portfolio. The Group also manages strategically important 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. Information on the Group's structure is provided in Note 13.

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

Shareholders of the Group	31 December 2022		31 December 2021	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.2	74.99	1,212.2	73.08
Other shareholders	404.3	25.01	418.8	25.25
Treasury shares	-	-	27.8	1.67
Total	**1,616.5**		**1,658.8**	

These interim consolidated financial statements were prepared and signed by Group's management on 22 February 2023. These are interim condensed consolidated financial statements of the Group. The Company also prepares separate interim condensed financial statements in accordance with IFRS as adopted by the EU.

2 Basis of preparation

2.1 Basis of accounting

These interim condensed consolidated financial statements are prepared for the twelve months period ended 31 December 2022 (hereinafter referred to as 'interim financial statements') and have been prepared in accordance with International Accounting Standard (hereinafter referred to as 'IAS') 34 "Interim Financial Reporting".

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

Interim financial statements 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 million (EUR '000,000), 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.

2.2 Alternative performance measures

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

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

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

The APM most commonly used in the Group's financial statements: EBITDA, EBIT, adjusted EBITDA, adjusted EBIT, Investments, Net Debt

For more information on the APM – see Note 6.

3 Summary of significant accounting policies

3.1 New standards, amendments, interpretations

3.1.1 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 twelve months period ended 31 December 2021, with the exception of the new standards which entered into force during 12M of 2022.

During 12M of 2022 the Group made change in accounting policy – see Note 5 of interim financial statements for twelve months period ended 31 December 2022 and Note 3.1.1.1 of these interim financial statements for detailed explanation.

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed in European Union during the reporting period ended as at 31 December 2022.

Standards or amendments that came into force during 12M of 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards 2018–2020
Reference to Conceptual Framework

The adoption of these standards, revisions and interpretations had no material impact on the financial statements except Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) as described below:

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

In previous years, income received from the use of property, plant and equipment while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management and the expenses related to its earning were recognized as assets, i.e. were included in the acquisition cost of property, plant and equipment. After the amendments came into force, such income and expenses related to its earning are recognized as profit or loss.

The Group has performed an analysis of such revenues and related expenses and determined that adjustments are necessary. The Group has applied these amendments retrospectively in accordance of amendments requirements: only items of property, plant and equipment that are delivered to the site and are in such a condition that they can be used in the manner intended by management at the beginning of or after the earliest period we considered for restatement of the financial statements in which the Group first applies the amendments. More information about the impact of these amendments on the Group's financial statements is disclosed in Note 5.

3.1.2 Standards issued but not yet effective and not early adopted

Preparing these interim financial statements 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 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

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 endorsed for application in European Union (hereinafter referred to as 'EU').

The management of the Group is currently assessing the impact of these amendments on the financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The amendments also clarify that:

- not all information about accounting relating to material transactions, other events or conditions is itself material;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
- disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and the amendments do not relieve an entity from meeting other disclosure requirements within IFRS.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Early application is permitted. Amendments are endorsed for application in EU.

The management of the Group is currently assessing the impact of these amendments on the financial statements.

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

4 Critical accounting estimates and judgements used in preparation of the 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 twelve months period ended 31 December 2021 except the following:

4.1 Impact of climate change

The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Read more on the impact of climate change and parent company's approach on managing it in section '5.4 Climate Action' of the annual report.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Valuation of property, plant and equipment, and impairment assessment of goodwill

The Group assesses the useful economic life of its Property, Plant and Equipment assets annually. The useful economic life of assets has not been shortened. There are no indicators suggesting that assets have reduced in value, significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. The Group management does not reasonably expect climate change to have a significant impact.

Estimation of decommissioning provisions

The Group holds decommissioning provisions for its Renewable generation assets. Similarly, it is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's current wind farm portfolio.

Impact of climate change on provision for risk and on ECL

The Group management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required. No significant climate and environmental risks are had significant impact when calculating the ECL.

The impact of future climate change regulation is not material on the currently reported amounts of the Group's assets and liabilities

4.2 Revaluation and impairment 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 AB „Energijos skirstymo operatorius" and attributable to electricity distribution CGU in the Group. The carrying amount of PPE allocated to this CGU is EUR 1,324.9 million as at 31 December 2022 (EUR 1,315.0 million as at 31 December 2021).

Taking into account the fact that there were no significant changes in the legal regulatory environment related to electricity, after evaluating all related assumptions, the Group determined that the residual value of property, plant and equipment used in electricity distribution as at 31 December 2022 would change insignificantly (up to 5%), taking this into account, the Group's management decided not to carry out a full revaluation of such assets in order to represent them at their new fair value.

However, the Group has identified impairment indications for 0.5 million units of electricity meters which are planned to be replaced during the year 2023-2024 according to SMART meters installation plan. Having identified impairment indications the Group prepared impairment test. Test showed that the recoverable amount of these assets is lower than the carrying amount and therefore impairment loss for amount of EUR 9.4 million was recognised in the statement of profit or loss. This impairment loss was as a revaluation decrease. For more detailed information - see Note 12.

4.3 Impairment of property, plant and equipment, used in natural gas distribution

The group of property, plant and equipment "Gas distribution pipelines, gas technological equipment and installations" is managed by the Group's company AB „Energijos skirstymo operatorius" 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. The carrying amount of PPE allocated to this CGU is EUR 279.9 million as at 31 December 2022 (EUR 258.8 million as at 31 December 2021).

As at 31 December 2022 there has been assessed whether there are any indications that the carrying amount of this CGU could be impaired. In assessment the Group's management determined that during 12M of 2022 there were no significant changes in the legal regulatory environment related to natural gas distribution activity, as well the remeasured assumptions used in assessment of recoverable amount had an insignificant impact (up to 5%) on change of carrying amount of property, plant and equipment used in natural gas distribution activity. However, during 12M of 2022 the CGU incurred loss (before any management adjustments), thus the management decided to perform an impairment test.

The performed impairment test did not show any additional impairment loss – see Note 12.2.2

4.4 Judgements and accounting estimates pertaining to control over UAB Kauno kogeneracinė jėgainė

As at 31 December 2022, the Group held 51% shareholding in UAB Kauno kogeneracinė jėgainė (hereinafter "Kaunas CHP"), and the remaining 49% of shares was held by UAB Gren Lietuva.

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Group has an option to buy (call option) all the shares of Kaunas CHP held by UAB Gren Lietuva and thus, whereas UAB Gren Lietuva has an option to sell (put option) to the Group its shareholding in Kaunas CHP, for the price, the calculation of which is defined in the Shareholders' Agreement. As a result the Management believe the Group exercise control over Kaunas CHP, as this can be exercised when decisions need to be made.

In the Group's management view, the call option's exercise price that the Group will have to pay to UAB Gren Lietuva for buyout of Kaunas CHP shares owned by UAB Gren Lietuva, in case the Group accepts option executed by UAB Gren Lietuva, approximates the fair value of the shares less 15% within the limits of the materiality (materiality threshold is based on the best estimate practice, such as +/- 15% of the market value).

At 31 December 2022, the Group accounted for EUR 38.0 million (31 December 2021: EUR 20.9 million) put option exercise liability (Note 25) measured as net present value of the single future cash outflow, which would be paid to UAB Gren Lietuva for Kaunas CHP shares in a deadlock situation in case the put option is exercised.

4.5 KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"

Change in carrying amount of investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" amounted to EUR (4.5) million during 12M of 2022 (2021: EUR 20.2 million).

The fair value decrease of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" recognised for an amount EUR 6.2 million and is presented as "Finance expenses" in statement of profit or loss during 12M of 2022 (2021: gain of EUR 15.8 million recognised in "Finance income" in statement of profit or loss). The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 29).

Remaining change is related to new investments made during 12M of 2022 for an amount of EUR 1.5 million and other fund expenses and distributions EUR 0.2 million (as at December 31 2021: new investments made during 12M of 2021 amounted to EUR 3.5 million and reclassification from non-current receivables amounted to EUR 0.8 million).

Fair value corresponds to Level 3 in the fair value hierarchy.

4.6 Provision for statutory servitudes and special conditions on land use (protection zones)

4.6.1 Provisions for rights to servitudes

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 1.800% for similar liabilities (31 December 2021: 0.160%);
- the expected number of applicants was estimated on the basis of available actual historical three-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits – 76.91% (65% used as at 31 December 2021), which is based on management's assessment and the number of customers actually applying during 2018-2019 and 2022, where, on average, only about 1.83% 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. 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 14.4 million to EUR 8.2 (Note 24). In the part of intangible assets, this provision decreased from EUR 14.3 million down to EUR 8.1 million.
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 2022	Number of applicants, %							
	25%	35%	45%	55%	65%	75%	85%	95%
Change in provision for compensations of servitudes, million EUR	+0.9	+5.9	+10.3	+15.8	+20.7	+25.7	+30.6	+35.6

4.6.2 Provision for special conditions on land use (protection zones)

During 12M 2022 the Group has capitalised on intangible assets the factual costs incurred for completion of protection zones related works for amount of EUR 4.7 million.

The Group has decided not to register protection zones according to approved protection zone plans individually for each plot of land using land surveyor service. The Group has decided that part of the funds required will be allocated for the adjustment of airline supports.

On 1 January 2023 January the Public Register Center has registered the land plots related to protection zones in real estate register according to the spatial data of the protection zones provided by the Group company. Therefore, the Group will not have to take additional steps regarding the registration of the areas of the protection zones and will not have to incur additional costs related to it.

After assessing the changes in circumstances, the Group decided to adjust provision for asset's security registration expenses by decreasing the amount of the provision from EUR 6 million (after 2022 utilisation due to factual costs) to EUR 1.6 million.

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

On 14 November 2019, NERC adopted a resolution No O3E–715 'On approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system'. This resolution stipulates that Companies that discontinue capacity reserve ensuring services or services ensuring isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator (related company – LITGRID AB) if the costs actually incurred by the Group were less than the revenues received from the transmission system operator. If the actual costs incurred by the Group were higher than the income of the transmission system operator , the transmission system operator shall reimburse this amount to the Group. Formulas determined for period y in the resolution for isolated operation of the power system and capacity reserve services:

- In the case of capacity reserve assurance services: the amount of discrepancy between the assigned investment return that meets the reasonableness criteria, compared to the determined investment return, during the reporting period (y-2);
- In the case of isolated operation of the power system: the amount of discrepancy between the costs assigned in the reporting period (y-2) compared to the amount of income received from transmission system operator in the reporting period (y-2).

With regard to the resolution above, if the costs actually incurred by the Group were higher than the income received from the transmission system operator, the transmission system operator must return such amount to the Group, and vice versa. Due to this reason the Group recognizes assets or liabilities of regulated activities, the purpose of which is to equalize the current year's profit to a set level.

On 8 February 2022 an additional agreement with transmission system operator was signed. Under the agreement the Group undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by transmission system operator, and transmission system operator undertook to reimburse the costs incurred by the Group under the schedule. After this additional agreement during 12M of 2022 the Group has entered into a derivatives' transaction, which hedges the sale price of gas.

As at 31 December 2022 the Group has recognised for EUR 2.3 million (31 December 2021: EUR 7.1 million) to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the caption 'Provisions' in the statement of financial position (Note 24). The current portion of provision for tertiary capacity reserve, isolated power system operation, secondary active capacity reserve services and accident prevention services, amounting to EUR 3.1 million (31 December 2021: EUR 15.2 million), was accounted in the current liabilities under the caption 'Provisions' (Note 24).

4.8 Separation of the Group's household and non-household consumer funds

The Group (the Group's company AB „Energijos skirstymo operatorius") made a significant decision regarding the funds administered by the state budget for December 2022 of partial compensation of domestic and non-domestic consumers, which are held in the Group's billing accounts. The funds intended for the partial compensation of consumers are transferred to separate settlement accounts specially designated for this purpose, the purpose of which is clearly defined in the agreements on the use of state budget funds concluded with the Ministry of Finance of the Republic of Lithuania. The Group cannot dispose of these funds, does not invest them and does not receive any interest or other income from them. It should be noted that the Group's credit risk is related to the execution of these contracts, and the payment of state budget funds to the compensation recipients is minimal, since the Group is not responsible for the misuse of the funds paid out to the specified entities for partial compensation and does not assume potential credit losses. For this reason, the Group does not recognize this money in the statement of financial position. The balance of the administered state budget funds in the accounts in 31 December 2022 is amounted to EUR 130.2 million. These funds were paid out to the recipients and/or returned to the Ministry of Finance of the Republic of Lithuania in January 2023.

5 Restatement of comparative figures due to change of accounting policy

The Group discloses the impact of the amendments of IAS 16 "Property, Plant and Equipment" (Note 3.1.1) on these financial statements. The cumulative effect of the first-time adoption of these amendments is recognized as an adjustment to the opening balance of retained earnings in the statement of changes in equity at the beginning of that earliest period presented.

The Group presents below the restatement of statement of consolidated financial position as of 31 December 2021, statement of profit or loss and cash flow for the year of 2021. There was no impact on the statement of other comprehensive income for the year 2021. An impact on the statement of financial position for 1 January 2021 was not material therefore the Group does not disclose it.

Retrospective corrections of consolidated statement of financial position for 31 December 2021:

EURm	31 December 2021 before restatement	Restatement	31 December 2021 after restatement
Assets			
Non-current assets			
Intangible assets	114.0	-	114.0
Property, plant and equipment	2,609.6	8.3	2,617.9
Right-of-use assets	57.5	-	57.5
Prepayments for non-current assets	15.8	-	15.8
Investment property	4.5	-	4.5
Non-current receivables	96.1	-	96.1
Other financial assets	30.1	-	30.1
Other non-current assets	3.7	-	3.7
Deferred tax assets	15.5	(1.4)	14.1
Total non-current assets	**2,946.8**	**6.9**	**2,953.7**
Total current assets	**1,304.4**	**-**	**1,304.4**
Total assets	**4,251.2**	**6.9**	**4,258.1**
Equity and liabilities			
Equity			
Issued capital	1,658.8	-	1,658.8
Treasury shares	(23.0)	-	(23.0)
Reserves	248.8	-	248.8
Retained earnings	(35.6)	6.9	(28.7)
Total equity	**1,849.0**	**6.9**	**1,855.9**
Total liabilities	**2,402.2**	**-**	**2,402.2**
Total equity and liabilities	**4,251.2**	**6.9**	**4,258.1**

Retrospective corrections of consolidated statement of profit or loss for twelve months period ended 31 December 2021:

EURm	12M 2021 before restatement	Restatement	12M 2021 after restatement
Revenue from contracts with customers	1,868.9	8.3	1,877.2
Other income	21.5	-	21.5
Total revenue and other income	**1,890.4**	**8.3**	**1,898.7**
Purchases of electricity, natural gas and other services	(1,380.0)	(0.9)	(1,380.9)
Salaries and related expenses	(97.2)	-	(97.2)
Repair and maintenance expenses	(31.7)	-	(31.7)
Other expenses	(46.0)	0.3	(45.7)
Total	**(1,554.9)**	**(0.6)**	**(1,555.5)**
EBITDA	**335.5**	**7.7**	**343.2**
Depreciation and amortisation	(122.4)	(0.2)	(122.6)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(28.5)	-	(28.5)
Operating profit (loss) (EBIT)	**184.6**	**7.5**	**192.1**
Finance income	17.6	-	17.6
Finance expenses	(33.7)	-	(33.7)
Finance activity, net	(16.1)	-	(16.1)
Profit (loss) before tax	**168.5**	**7.5**	**176.0**
Current income tax (expenses)/benefit	(19.4)	-	(19.4)
Deferred tax (expenses)/benefit	4.8	(1.2)	3.6
Net profit for the period	**153.9**	**6.3**	**160.2**
Attributable to:			
Equity holders of the parent	153.9	6.3	160.2
Non-controlling interest	-	-	-
Basic earnings per share (in EUR)	**2.07**	**(0.08)**	**2.16**
Diluted earnings per share (in EUR)	**2.07**	**(0.08)**	**2.16**
Weighted average number of shares	**74,232,665**	**-**	**74,232,665**

Retrospective corrections of consolidated statement of cash flows for twelve months period ended 13 December 2021:

EURm	12M 2021 before restatement	Restatement	12M 2021 after restatement
Cash flows from operating activities			
Net profit for the period	153.9	6.3	160.2
Adjustments to reconcile profit before tax to net cash flows:	-	-	-
Depreciation and amortisation expenses	133.2	0.2	133.4
Impairment of property, plant and equipment, including held for sale	8.8	-	8.8
Revaluation of property, plant and equipment	15.8	-	15.8
Revaluation of investment property	(1.2)	-	(1.2)
Fair value changes of derivatives	9.2	-	9.2
Fair value changes of financial instruments	(9.5)	-	(9.5)
Impairment/(reversal of impairment) of financial assets	0.1	-	0.1
Income tax expenses	14.6	1.2	15.8
Amortisation of grants	(10.8)	-	(10.8)
Increase/(decrease) in provisions	7.0	-	7.0
Inventory write-off to net realizable value/(reversal)	0.6	-	0.6
Loss on disposal/write-off of property, plant and equipment	4.6	-	4.6
Share based payments	0.2	-	0.2
Other expenses of investing activities	0.6	-	0.6
Interest income	(0.8)	-	(0.8)
Interest expenses	23.6	-	23.6
Other expenses of financing activities	2.8	-	2.8
Chanes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable	(294.6)	-	(294.6)
(Increase)/decrease in inventories, prepayments and other current and non-current assets	(129.6)	-	(129.6)
Increase/(decrease) in amounts payable, deferred income and advance amounts received	187.5	-	187.5
Income tax paid	(18.3)	-	(18.3)
Net cash flows from operating activities	**97.7**	**7.7**	**105.4**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	(237.7)	(7.7)	(245.4)
Proceeds from sale of property, plant and equipment and intangible assets	2.4	-	2.4
Loans granted	(3.9)	-	(3.9)
Loan repayments received	5.6	-	5.6
Acquisition of a subsidiary	(9.5)	-	(9.5)
Grants received	17.2	-	17.2
Interest received	0.6	-	0.6
Finance lease payments received	2.0	-	2.0
Investments in Innovation Fund	(3.5)	-	(3.5)
Net cash flows from investing activities	**(226.8)**	**(7.7)**	**(234.5)**
Net cash flows from financing activities	**(80.6)**	**-**	**(80.6)**
Increase/(decrease) in cash and cash equivalents	**(209.7)**	**-**	**(209.7)**
Cash and cash equivalents (including overdraft) at the beginning of the year	658.8	-	658.8
Cash and cash equivalents at the end of the year	**449.1**	**-**	**449.1**

6 Operating segments

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

The Group is divided into five operating segments based on their key activities. For more information about the segments, see Annual report sections '2.1 Business profile' and '3.2 Results by business segment'.

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

The Group management calculates main performance measures as follows:

Veiklos rodiklis	Skaičiavimas
EBITDA	Total revenue and other income - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses
Adjusted EBITDA	EBITDA + Management adjustments
EBIT	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets
Adjusted EBIT	EBIT + Management adjustments
Adjusted EBITDA margin	Adjusted EBITDA ÷ (Total revenue and other income + Management adjustments)
Investments	Additions of property, plant and equipment + Additions of intangible assets + Assets acquired through the acquisition of subsidiaries + Additions of other financial assets + Additions of investment property + Prepayments for non-current assets - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets
Net debt	Non-current borrowings payable after one year + Current borrowings payable within one financial year (including accrued interest) + Bank overdrafts + Lease liabilities - Cash and cash equivalents

6.1 Management's adjustments, Adjusted EBITDA and Adjusted EBIT

Management's adjustments include:
- temporary regulatory differences;
- asset rotation result;
- significant one-off gains or losses (impairment losses of property, plant and equipment in 2021).

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.

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 except significant one-off items (if any).

In managements view, Adjusted EBITDA and Adjusted EBIT more accurately present results of operations and enable to better compare results between the periods as it indicate the amount that was actually earned by the Group in the reporting year by:
- eliminating differences between the permitted return set by the NERC and the actual return for the period (temporary regulatory differences);
- adjusting for effects not related to the main activities of the Group or related to other periods.

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

Segment / Management's adjustments, EURm	12M 2022	12M 2021 (restated)[1]
Green generation		
Temporary regulatory differences of AB „Ignitis gamyba"	(0.8)	0.3
Networks		
Temporary regulatory differences of AB „Energijos skirstymo operatorius"	16.5	(23.2)
Flexible Generation		
Temporary regulatory differences of AB „Ignitis gamyba"	(3.4)	(1.7)
Customers & Solutions		
Temporary regulatory differences of UAB „Ignitis"	(82.7)	14.2
Total Management's adjustments for Adjusted EBITDA	**(70.4)**	**(10.4)**
Networks		
Revaluation and impairment losses of property, plant and equipment	-	24.8
Total Management's adjustments for Adjusted EBIT	**(70.4)**	**14.4**

[1] Part of the amounts do not agree with the financial statements issued for twelve months period ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

6.2 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 AB „Ignitis gamyba", 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 (0.8) million for 2022 (EUR 0.3 million for 2021).

6.3 Networks segment

Adjusted EBITDA and Adjusted EBIT results are reported after the adjustments made by the management that comprise the impact of temporary regulatory differences resulting from the NERC resolutions and by deducting the current year difference arising between the return on investments permitted by the NERC and estimated by management. For 2022 the adjustment amounted to EUR 16.5 million (EUR (23.2) million for 2021). This adjustment includes:

- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 31.7 million for 2022 (EUR 27.6 million during 12M of 2021). These amounts are based on resolutions published by the NERC;
- new amounts of temporary regulatory differences formed during the reporting period – EUR (15.2) million (EUR (50.8) million during 12M of 2021). The amounts for current year are based on management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by management using actual financial and operating data for the current period.

Adjusted EBIT result for 2021 is reported after the adjustment that comprise significant one-off effect of revaluation and impairment losses of property, plant and equipment recognized in statement of profit or loss:

- revaluation effect of electricity related property, plant and equipment of EUR 15.9 million;
- impairment effect of gas related property, plant and equipment of EUR 8.9 million.

6.4 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, EBITDA and EBIT) from Elektrėnai Complex regulated services provided by AB „Ignitis gamyba", 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 (3.4) million for 2022 (EUR (1.7) million for 2021.

6.5 Customers & 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 12M of 2022 the effect in gas supply activities according to management estimate amounted to EUR (85.1) million (EUR 17.6 million for 2021). During 12M of 2022 the effect in electricity public supply activities according to management estimate amounted to EUR 2.4 million (EUR (3.4) million for 2021).

The table below shows the Group information on segments for twelve months period of 2022:

EURm	Green generation	Networks	Flexible Generation	Customers & Solutions	Other activities and eliminations[3]	Total Group
IFRS[1]						
Sales revenue from external customers	448.6	680.3	231.9	3,023.8	2.3	**4,386.9**
Inter-segment revenue (less dividend)	9.8	0.8	8.8	60.0	(79.4)	**-**
Total revenue and other income	**458.4**	**681.1**	**240.7**	**3,083.8**	**(77.1)**	**4,386.9**
Purchases of electricity, gas and other services	(153.4)	(398.7)	(126.9)	(2,947.8)	18.1	**(3,608.7)**
Salaries and related expenses	(11.9)	(64.5)	(8.7)	(13.0)	(17.7)	**(115.8)**
Repair and maintenance expenses	(5.5)	(30.7)	(4.4)	-	-	**(40.6)**
Other expenses	(34.3)	(39.2)	(62.8)	(24.7)	78.9	**(82.1)**
EBITDA	**253.3**	**148.0**	**37.9**	**98.3**	**2.2**	**539.7**
Depreciation and amortization	(28.0)	(90.1)	(11.7)	(2.2)	(5.7)	**(137.7)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.8)	(11.8)	0.2	-	0.2	**(14.2)**
Operating profit (loss) (EBIT)	**222.5**	**46.1**	**26.4**	**96.1**	**(3.3)**	**387.8**
Adjusted[2]						
EBITDA	**253.3**	**148.0**	**37.9**	**98.3**	**2.2**	**540.6**
Management adjustments	(0.8)	16.5	(3.4)	(82.7)	-	**(70.4)**
Adjusted EBITDA	**252.5**	**164.5**	**34.5**	**15.6**	**2.2**	**469.3**
Adjusted EBITDA margin	*55.2%*	*23.6%*	*14.5%*	*0.5%*	*(2.9%)*	***10.9%***
Depreciation and amortisation	(28.0)	(90.1)	(11.7)	(2.2)	(5.7)	**(137.7)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.8)	(11.8)	0.2	-	0.2	**(14.2)**
Adjusted operating profit (loss) (Adjusted EBIT)	**221.7**	**62.6**	**23.0**	**13.4**	**(3.3)**	**317.4**
Property, plant and equipment, intangible and right-of-use assets	856.0	1,805.2	288.9	10.7	47.0	**3,007.8**
Investments	226.2	268.1	15.0	6.8	5.7	**521.8**
Net debt	758.8	776.1	71.9	418.3	(1,038.2)	**986.9**

[1] Amounts are presented according to Statement of Profit or Loss and other Comprehensive Income of these interim financial statements.
[2] The indicators of Adjusted EBITDA and Adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods.
[3] Other activities and eliminations include parent company (AB "Ignitis grupė"), support service company (UAB "Ignitis grupės paslaugų centras"), additional services companies (UAB Elektroninių mokėjimų agentūra, UAB "Gamybos optimizavimas", UAB "Transporto valdymas") and consolidation corrections and eliminations of intercompany transactions. Additionally, it includes non-core activities companies (NT valdos UAB and UAB Energetikos paslaugų ir rangos organizacija) which were liquidated in 2022.

The table below shows the Group information on segments for twelve months period of 2021[1]:

EURm	Green generation	Networks	Flexible Generation	Customers & Solutions	Other activities and eliminations[4]	Total Group
IFRS[2]						
Sales revenue from external customers	217.0	535.9	153.2	990.0	2.6	**1,898.7**
Inter-segment revenue (less dividend)	0.3	(3.2)	0.3	19.4	(16.8)	**-**
Total revenue and other income	**217.3**	**532.7**	**153.5**	**1,009.4**	**(14.2)**	**1,898.7**
Purchases of electricity, gas and other services	(83.2)	(255.7)	(86.0)	(955.0)	(1.0)	**(1,380.9)**
Salaries and related expenses	(8.3)	(53.1)	(7.7)	(10.7)	(17.4)	**(97.2)**
Repair and maintenance expenses	(3.6)	(22.1)	(6.0)	-	-	**(31.7)**
Other expenses	(15.0)	(33.2)	(14.9)	(17.3)	34.7	**(45.7)**
EBITDA	**107.2**	**168.6**	**38.9**	**26.4**	**2.0**	**343.2**
Depreciation and amortization	(21.2)	(83.2)	(11.4)	(1.7)	(5.1)	**(122.6)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(0.1)	(28.6)	(0.1)	-	0.3	**(28.5)**
Operating profit (loss) (EBIT)	**85.9**	**56.8**	**27.4**	**24.7**	**(2.7)**	**192.1**
Adjusted[3]						
EBITDA	**107.2**	**168.6**	**38.9**	**26.4**	**2.0**	**343.2**
Management adjustments	0.3	(23.2)	(1.7)	14.2	-	**(10.4)**
Adjusted EBITDA	**107.5**	**145.4**	**37.2**	**40.6**	**2.0**	**332.7**
Adjusted EBITDA margin	*49.4%*	*28.5%*	*24.5%*	*4.0%*	*(14.8%)*	***17.6%***
Depreciation and amortisation	(21.2)	(83.2)	(11.4)	(1.7)	(5.1)	**(122.6)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(0.1)	(28.6)	(0.1)	-	0.3	**(28.5)**
Management adjustments	-	24.8	-	-	-	**24.8**
Adjusted operating profit (loss) (Adjusted EBIT)	**86.2**	**58.4**	**25.7**	**38.9**	**(2.7)**	**206.5**
Property, plant and equipment, intangible and right-of-use assets	781.4	1,654.6	307.4	6.5	39.5	**2,789.4**
Investments	32.3	191.2	0.2	2.9	8.3	**234.9**
Net debt	390.1	710.0	(37.5)	474.3	(579.6)	**957.3**

[1] Part of the amounts do not agree with the financial statements issued for twelve months period ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.
[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.
[4]Other activities and eliminations include parent company (AB "Ignitis grupė"), support service company (UAB "Ignitis grupės paslaugų centras"), additional services companies (UAB Elektroninių mokėjimų agentūra, UAB "Gamybos optimizavimas", UAB "Transporto valdymas") and consolidation corrections and eliminations of intercompany transactions. Additionally, it includes non-core activities companies (NT valdos UAB and UAB Energetikos paslaugų ir rangos organizacija).

7 Revenue from contracts with customers

7.1 Disaggregated revenue information

EURm	12M 2022	12M 2021 (restated)[1]
Electricity related revenue		
Revenue from the sale of electricity	1,315.9	403.3
Revenue from electricity transmission and distribution	532.3	442.8
Revenue from sale of produced electricity[1]	497.0	287.3
Revenue from public electricity supply	239.4	214.1
Revenue from services ensuring the isolated operation of power system and capacity reserve	132.7	50.1
Gas related revenue		
Revenue from gas sales	1,513.2	341.3
Revenue from gas distribution	41.9	45.5
Revenue of LNGT security component	19.0	36.0
Other revenue		
Revenue from sale of heat energy[1]	33.0	15.8
Revenue from new customers' connection and upgrade fees	9.2	8.2
Other revenue from contracts with customers[1]	47.7	32.8
In total	**4,381.3**	**1,877.2**

[1] Part of the amounts do not agree with the financial statements issued for twelve months period of 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

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

EURm	12M 2022	12M 2021 (restated)[2]
Performance obligation settled over time	4,370.4	1,862.7
Performance obligation settled at a specific point in time	10.9	14.5
In total	**4,381.3**	**1,877.2**

[2] Part of the amounts do not agree with the financial statements issued for twelve months period of 2021 due to change of accounting policy in accordance of IAS 16 amendment requirements. See more information disclosed in Note 5.

7.2 Contract balances

EURm	Notes	31 December 2022	31 December 2021 (restated)[2]
Trade receivables	17	**424.5**	**274.9**
Contract assets		**32.5**	**153.2**
Accrued revenue from electricity related sales[3]	18	18.2	151.8
Accrued revenue from gas sales	18	7.7	1.4
Other accrued revenue		6.6	-
Contract liabilities		**381.0**	**256.6**
Advances received		60.7	55.0
Deferred income	23	320.3	201.6

[3] Presentation of contract asset's comparative figure related to accrued revenue from electricity related sales was corrected by adding a non-current part which as at 31 December 2021 amounted to EUR 86.5 million (Note 14).

7.3 Rights to returned goods assets and refund liabilities

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

7.4 Performance obligations

The remaining performance obligations expected to be recognised after the end of the reporting period relate to deferred income related to new customers' connection and upgrade fees, deferred income related to over declaration of electricity and gas supply and deferred income related to gas sales:

EURm	31 December 2022	31 December 2021
More than one year	205.5	183.6
Within one year	114.8	18.0
Total liability under connection contracts	**320.3**	**201.6**

7.5 Group revenue from contracts with customers by geographic segment:

EURm	12M 2022	12M 2021
Lithuania	2,796.5	1,559.7
Latvia	529.5	92.4
Finland	377.0	114.7
Poland	110.8	22.3
Estonia	45.3	7.3
Other countries	19.2	1.1
Sales via Nordpool	503.0	79.7
In total	**4,381.3**	**1,877.2**

8 Other expenses

EURm	12M 2022	12M 2021 (restated)[2]
OTC and Nasdaq contracts (Note 26.2)	18.5	-
Customer service	13.3	9.4
Telecommunications and IT services	10.5	8.4
Taxes	8.7	6.5
Transport	3.8	2.9
Utilities	3.4	3.4
Personnel development	3.4	1.1
Consultation services	3.0	3.1
Expenses of low-value inventory items	2.1	1.8
Impairment / (reversal) of impairment of amounts receivable and loans	1.8	0.1
Write-offs of long term and short term receivables	1.0	1.0
Other	12.6	8.0
In total	**82.1**	**45.7**

[2] Part of the amounts do not agree with the financial statements issued for twelve-months period of 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

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9 Income taxes

9.1 Amounts recognised in profit or loss

EURm	12M 2022	12M 2021 (restated)[1]
Income tax expenses (benefit) for the period	58.4	19.4
Deferred tax expenses (benefit)	(14.5)	(3.6)
In total	**43.9**	**15.8**

[1] Part of the amounts do not agree with the financial statements issued for twelve months period of 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

9.2 Reconciliation of effective tax rate

Income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group:

EURm	12M 2022	12M 2022	12M 2021 (restated)[1]	12M 2021 (restated)[1]
Profit (loss) before tax		337.3		176.0
Income tax expenses (benefit) at tax rate of 15%	15.00%	50.6	15.00%	26.4
Effect of tax rates in foreign jurisdictions	0.18%	0.6	0.06%	0.1
Expenses not deductible for tax purposes	4.89%	16.5	5.40%	9.5
Income not subject to tax	0.42%	1.4	(2.22%)	(3.9)
Income tax relief for the investment project	(3.47%)	(11.7)	(6.14%)	(10.8)
Income tax recognised in other comprehensive income	(3.94%)	(13.3)	(2.22%)	(3.9)
Other	(0,06%)	(0.2)	(0.91%)	(1.6)
Income tax expenses (benefit)	13,02%	**43.9**	8.98%	**15.8**

[1] Part of the amounts do not agree with the financial statements issued for twelve months period of 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

Income tax recognised in other comprehensive income related to derivatives held by the Group. They are treated as deductible expenses (or taxable income) for tax purposes in the period in which the change in fair value is recorded. Income tax relief for the investment project included the income tax relief for the investment projects in 2022 and also income tax relief from previous periods for which deferred tax assets was not recognised.

10 Earnings per share

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

EURm	12M 2022	12M 2021 (restated)[2]
Net profit (loss)	**293.4**	**160.2**
Attributable to:		
Equity holders of the parent	**293.4**	**160.2**
Non-controlling interests	-	-
Weighted average number of nominal shares	72,599,599	74,232,665
Basic earnings/(loss) per share attributable to shareholders of the parent company	4.04	2.16
Diluted earnings/(loss) per share attributable to shareholders of the parent company	4.04	2.16

[2] Part of the amounts do not agree with the financial statements issued for twelve months period of 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

Basic and diluted earnings per share indicators have been calculated based on 72,599,599 weighted average number of ordinary shares as at 31 December 2022 (as at December 31 2021: 74,232,665) as AB „Ignitis grupė" reacquired its own ordinary shares (treasury shares) as at 16 December 2021 and as at 29 April 2022. Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by AB „Ignitis grupė". On 9 August 2022 the Group has reduced its share capital by annulling treasury shares acquired (Note 19.3).

11 Intangible assets

EURm	Patents and licences	Computer software	Goodwill	Servitudes and security zones	Other intangible assets	In total
As at 31 December 2021						
Acquisition cost	0.3	40.7	4.9	33.6	72.7	**152.2**
Accumulated amortisation	(0.)	(23.2)	-	-	(14.7)	**(38.2)**
Carrying amount	**-**	**17.5**	**4.9**	**33.6**	**58.0**	**114.0**
Carrying amount at 1 January 2022	**-**	**17.5**	**4.9**	**33.6**	**58.0**	**114.0**
Additions	-	0.9	-	-	28.7	**29.6**
Reclassified from (to) property plant and equipment	-	0.1	-	-	0.2	**0.3**
Write-offs	-	-	-	-	(2.9)	**(2.9)**
Reclassifications between categories	-	7.1	-	-	(7.1)	**-**
Re-measurement of provision related to rights to servitudes and security zones	-	-	-	(10.6)	-	**(10.6)**
Disposals	-	(0.8)	-	-	-	**(0.8)**
Acquisition through business combination (Note 30)	-	-	0.4	-	29.5	**29.9**
Foreign currency exchange difference	-	-	-	-	(1.1)	**(1.1)**
Amortisation	-	(6.4)	-	-	(3.7)	**(10.1)**
Carrying amount at 31 December 2022	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**
As at 31 December 2022						
Acquisition cost	0.3	46.1	5.3	23.0	115.0	**189.7**
Accumulated amortisation	(0.3)	(27.7)	-	-	(13.4)	**(41.4)**
Carrying amount	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**

As at 31 December 2022 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2022. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. the cash flow forecast covered the period until 2040-2053, with reference to the typical operational period of 30 years.
2. the production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. the price of electricity is set at the agreed tariff if project is awarded in government auctions and tenders or offtake is secured through PPA (Power Purchase Agreement) or similar instruments. Otherwise, a third-party electricity price forecast is applied;
4. discount rate of 5.9-7.7% after tax (7.0-9.5% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

During 12M of 2022 the Group companies UAB „EURAKRAS" and UAB „VĖJO VATAS" discontinued its contracts based on FiT (Feed-in Tariff) subsidy scheme and signed bilateral contracts. The value of assets identified by the Group during business combination of subsidiaries UAB „EURAKRAS" and UAB „VĖJO VATAS" is calculated based on licence to generate electricity and FiT. During 12M of 2022 due to discontinuation of FiT the Group written off the part of value which relates to FiT advantage. Acquisition cost written-off comprised of EUR 7.8 million and accumulated amortisation – EUR 4.9 million.

Change in other intangible assets identified during business combination is related to acquisition of subsidiary Altiplano S.A. (Note 30.1) and the reassessment of fair values of assets identified during business combination established in 2021 year (Note 30.3).

The Group has significant acquisition commitments of intangible assets which will have to be fulfilled during the later years. The Group's acquisition commitments amounted to EUR 1.3 million as at 31 December 2022 (as at 31 December 2021: EUR 2.3 million).

12 Property, plant, and equipment

EURm	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment	Construction-in-progress	In total
As at 31 December 2021											
Cost or revalued amount	3.4	42.6	1,166.5	285.8	212.2	772.5	199.0	262.5	97.3	251.3	**3,293.1**
Accumulated depreciation	-	(0.4)	-	(13.3)	(118.6)	(441.5)	(27.1)	(10.9)	(28.2)	-	**(640.0)**
Accumulated impairment	-	-	-	(9.4)	-	(25.6)	-	-	-	(0.2)	**(35.2)**
Carrying amount (restated)[1]	**3.4**	**42.2**	**1,166.5**	**263.1**	**93.6**	**305.4**	**174.0**	**251.6**	**69.1**	**251.1**	**2,620.0**
Carrying amount at 1 January 2022	**3.4**	**42.2**	**1,166.5**	**263.1**	**93.6**	**305.4**	**174.0**	**251.6**	**69.1**	**251.1**	**2,620.0**
Additions	-	0.1	0.4	-	-	0.1	3.4	-	4.7	323.3	**332.0**
Sales	-	-	-	-	-	-	(0.2)	-	(0.2)	-	**(0.4)**
Write-offs	-	-	(3.7)	(0.2)	-	(0.2)	-	-	-	-	**(4.1)**
Revaluation	-	-	(9.4)	-	-	-	-	-	0.4	-	**(9.0)**
Reclassifications between categories	-	3.7	223.7	15.4	0.1	1.8	2.1	5.9	7.9	(260.6)	**-**
Reclassified from (to) intangible assets	-	-	-	-	-	-	-	-	-	(0.3)	**(0.3)**
Reclassified from (to) finance lease	-	-	-	-	-	-	-	-	0.9	-	**0.9**
Reclassified from (to) assets held for sale	-	-	-	-	-	-	-	-	(1.0)	-	**(1.0)**
Reclassifications (to)/from investment property	-	(0.1)	-	-	-	(0.5)	-	-	-	-	**(0.6)**
Reclassified from (to) inventories	-	-	-	-	-	-	-	(0.1)	-	-	**(0.1)**
Reclassified from (to) right-of-use assets	-	-	-	-	-	-	6.1	-	-	-	**6.1**
Depreciation	-	(2.2)	(69.9)	(6.6)	(5.0)	(19.8)	(7.6)	(10.8)	(11.8)	-	**(133.7)**
Assets identified after business combination (Note 29)	-	-	-	-	-	-	-	-	-	5.0	**5.0**
Foreign currency exchange difference	-	-	-	-	-	-	(1.9)	-	-	0.1	**(1.8)**
Carrying amount at 31 December 2022	**3.4**	**43.7**	**1,307.6**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**70.0**	**318.6**	**2,810.9**
As at 31 December 2022											
Cost or revalued amount	3.4	46.3	1,377.3	300.5	212.2	772.4	210.0	268.3	109.2	318.8	**3,618.4**
Accumulated depreciation	-	(2.6)	(69.7)	(21.4)	(123.5)	(471.5)	(36.2)	(21.7)	(39.2)	-	**(785.8)**
Accumulated impairment	-	-	-	(7.4)	-	(14.1)	-	-	-	(0.2)	**(21.7)**
Carrying amount	**3.4**	**43.7**	**1,307.6**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**70.0**	**318.6**	**2,810.9**

[1] Part of the amounts do not agree with the financial statements issued for twelve months period of 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 5.

Additions of property, plant and equipment during 12M of 2022 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 2022 (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 364.3 million as at 31 December 2022 (31 December 2021: EUR 175.5 million).

12.1 Impairment and revaluation of property, plant and equipment

12.1.1 Revaluation of property, plant and equipment used in electricity distribution

The carrying amount of PPE allocated to this CGU is EUR 1,324.9 million as at 31 December 2022 (EUR 1,315.0 million as at 31 December 2021).

As mentioned in Note 4.2, the Group performed assessment of fair value of this CGU and decided not to perform full revaluation. For this the Group analysed whether the assumptions made in full revaluation in 2021 had not changed significantly – it was noted that only discount rate and WACC had changed.

- discount rate (after-tax) was 4.25% (5.00%, pre-tax)
- rate of return set by NERC in 2022 – 4.16%, 2023 - 4.17%, from 2024 – 5.00

However, these changes did not significantly impact the recoverable amount. Other assumptions did not change significantly, accordingly were used in the valuation in 2022.

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 (pre-tax)						
			4.17%	4.50%	4.75%*	5.00%	5.25%	5.50%	5.85%
		Δ	(17)%	(10)%	(5)%	0%	5%	10%	17%
Discount rate (pre-tax)	4.17%	(17)%	7	71	119	168	216	265	332
	4.50%	(10)%	(58)	4	52	99	146	194	260
	5.00%	0%	(152)	(92)	(46)	-	46	92	156
	5.50%	10%	(240)	(181)	(137)	(93)	(48)	(4)	58
	5.85%	17%	(298)	(241)	(197)	(155)	(111)	(68)	(7)

12.1.2 Impairment of property, plant and equipment used in gas distribution activities

The carrying amount of PPE allocated to this CGU is EUR 279.9 million as at 31 December 2022 (EUR 258.8 million as at 31 December 2021).

As mentioned in Note 4.3, the Group performed impairment test for this CGU. For the test, the Group analysed whether the assumptions in 2021 had not changed significantly – it was noted that only discount rate and WACC had changed.

- discount rate 3.39% after-tax (3.99% pre-tax),
- WACC (rate of return set by the regulator): 2022– 3.98%, 2023 – 3.99% (established by NERC), from 2024 – 3.99% (equal to pre-tax discount rate)

However, these changes did not significantly impact the recoverable amount. Other assumptions did not change significantly, accordingly were used in the impairment test in 2022.

Impairment test did not show addition impairment loss in 2022.

Sensitivity analysis

The possible changes of recognized impairment losses during 12M of 2022 due to variation of investment return rate (WACC) (starting from the regulation period 2024) and discount rate disclosed in table below (EUR million):

			WACC (pre-tax)						
			3.31%	3.59%	3.80%*	3.99%	4.19%	4.39%	4.67%
		Δ	(17)%	(10)%	(5)%	0%	5%	10%	17%
Discount rate (pre-tax)	3.31%	(17)%	-	7	13	17	23	28	35
	3.59%	(10)%	(7)	-	5	10	15	20	27
	3.99%	0%	(17)	(10)	(5)	-	5	10	17
	4.39%	10%	(26)	(19)	(14)	(10)	(5)	-	7
	4.67%	17%	(32)	(26)	(21)	(16)	(11)	(7)	-

12.1.3 Impairment tests for meters allocated to electricity distribution CGU

The Group has electricity meters which are allocated to electricity CGU with carrying amount of EUR 10,4 million (before impairment). As mentioned in note 4.2 during 12M of 2022 the Group recognised impairment loss for amount of EUR 9.4 million for these assets. Impairment was calculated due to the plan to change these meters to SMART meters during 2023-2024. Impairment loss was recognised in the statement of profit or loss. This impairment loss was treated as revaluation decrease.

12.2 Revalued property, plant and equipment

If property, plant and equipment had not been revalued, the carrying amount of the Group's property, plant and equipment would have been following:

EURm	Land	Buildings	Electricity networks and their structures	Other property, plant and equipment	In total
As at 31 December 2021	3.3	23.0	1,320.1	69.2	**1,415.6**
As at 31 December 2022	3.3	25.3	1,464.6	64.1	**1,557.3**

The table below includes information on the results of revaluation of property, plant and equipment conducted in 2022:

EURm	Recognised in statement of comprehensive income and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	(1.3)	(7.7)	**(9.0)**
In total	**(1.3)**	**(7.7)**	**(9.0)**

Results of revaluation of property, plant and equipment conducted in 2021:

EURm	Recognised in statement of comprehensive income and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	(27.8)	(20.2)	(48.0)
In total	**(27.8)**	**(20.2)**	**(48.0)**

13 Structure of the group

The Group's structure as at 31 December 2022:

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

[1] Segment consists of Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler.
[2] The assets mentioned in point 1 do not belong to the segment.
[3] Other activities and eliminations include: support service company (UAB „Ignitis grupės paslaugų centras"); non-core activities companies (UAB „Transporto valdymas"); additional service entities (UAB Elektroninių mokėjimų agentūra, UAB „Gamybos optimizavimas"); parent company AB „Ignitis grupė"; consolidation corrections and eliminations of intercompany transactions.
[4] Previously named as Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.

13.1 Acquisition of shares in business combinations

On 30 September 2022 the Group acquired a 100% shareholding in Altiplano S.A. from the legal person. Total consideration transferred amounts to EUR 34.4 million. On 25 November 2022 the Group acquired a 100% shareholding in UAB „Plungės vėjo energija” from the legal person. Total consideration transferred amounts to EUR 0.3 million (Note 30).

13.2 Acquisitions/establishment of new subsidiaries

During 12M of 2022 the Group acquired/established Ignitis renewables Latvia SIA, IGN RES DEV1 SIA, IGN RES DEV2 SIA, IGN RES DEV3 SIA, IGN RES DEV4 SIA, IGN RES DEV5 SIA Ignitis, IGN RES DEV6 SIA, UAB „Ignitis renewables projektai 2”, UAB „Ignitis renewables projektai 3”, UAB „Vėjo galia bendruomenei”.

14 Non-current receivables

EURm	31 December 2022	31 December 2021
Cash reserved for guarantees	19.0	0.7
Finance lease	6.3	7.6
Accrued revenue related to regulatory activity of the public electricity supply (Note 16.2)	-	86.5
Loans granted	-	0.1
Other non-current amounts receivable	3.6	1.2
Total:	**28.9**	**96.1**
Less: loss allowance	-	-
Carrying amount	**28.9**	**96.1**

14.1 Cash reserved for guarantees

During 12M of 2022 limit of guarantee on behalf of Nord Pool AS was increased by EUR 13.5 million. Moreover the Group issued EUR 3.8 million guarantee on behalf of LITGRID AB, maturity of the guarantee 1 January 2026

15 Other financial assets

EURm	31 December 2022	31 December 2021
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group (Note 4.4)	20.6	25.1
Investment into Moray West Holdings Limited	5.0	5.0
Carrying amount	**25.6**	**30.1**

15.1 Moray West Holdings Limited deferred consideration

On 14 September 2020 the Group’s subsidiary UAB „Ignitis renewables” acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Having purchased shares the Group took an obligation to pay additional EUR 5.0 million if specific conditions are met. The deferred consideration is measured at fair value (Note 29).

16 Inventories

EURm	31 December 2022	31 December 2021
Natural gas	514.9	149.1
Emission allowances	33.6	30.2
Consumables, raw materials and spare parts	16.4	2.2
Other	5.5	4.1
Carrying amount	**570.4**	**185.6**

Carrying amount of natural gas 31 December 2022 increased due to increased gas prices during 12M of 2022 and due to increased quantity of gas as the Group commit to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by LITGRID AB (Note 4.7)

During 12M of 2022 the Group wrote down its inventory by EUR 103.0 million. The write-down is included in Purchases of electricity, natural gas and other services in statement of profit or loss (during 12M of 2021 the Group wrote down its inventory by EUR 0.7 million).

17 Trade receivables

EURm	31 December 2022	31 December 2021
Amounts receivable under contracts with customers		
Receivables from electricity related sales	272.8	170.2
Receivables from gas related - non-household	135.9	102.2
Receivables from gas related - household	7.2	4.3
Other trade receivables	20.6	8,1
In total	**436.5**	**284.8**
Less: loss allowance	(12.1)	(9.9)
Carrying amount	**424.4**	**274.9**

As at 31 December 2022 and 2021, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlement between related parties see Note 28.

17.1 Loss allowance of amounts receivable (lifetime expected credit losses)

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

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

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

mln. EUR	2022 m. gruodžio 31 d.		2021 m. gruodžio 31 d.	
	Prekybos gautinos sumos	Atidėjinys nuostoliams	Prekybos gautinos sumos	Atidėjinys nuostoliams
Nepradelsta	53,3	-	28,3	-
Iki 30 dienų	2,6	-	0,4	-
30–60 dienų	0,1	-	0,1	-
60–90 dienų	0,1	-	-	-
90–120 dienų	0,1	-	-	-
Daugiau nei 120 dienų	0,3	0,3	1,2	1,2
Likutinė vertė	**56,5**	**0,3**	**30,0**	**1,2**

18 Other receivables

EURm	31 December 2022	31 December 2021
Deposits for electricity related derivatives in electricity market	57.6	60.2
Deposits for gas related derivatives to commodity traders	25.0	39.2
Granted loans	24.2	3.6
Accrued revenue from electricity sales	18,2	26,3
Receivables for derivatives	16.9	-
Value added tax	14,1	14,6
Accrued revenue from natural gas sales	7.7	1.4
Other accrued revenue	6.6	-
Current portion of finance lease	1.9	2.5
Cash reserved for guarantees	0.4	3.6
Receivable on sale of LITGRID AB	-	84.1
Accrued revenue related to regulatory activity of the public electricity supply	-	39.0
Receivable payments made to SIG	-	3.8
Other receivables	7.5	15.1
In total	**180.1**	**293.4**
Less: loss allowance	(0.4)	(0.9)
Carrying amount	**179.7**	**292.5**

Line items "Accrued revenue from electricity sales", "Accrued revenue from natural gas sales", "Accrued revenue related to regulatory activity of the public electricity supply" and "Other accrued revenue" represent contract assets (Note 7.2).

The fair values of other receivables as at 31 December 2022 and 2021 approximated their carrying amounts.

18.1 Receivable on sale of LITGRID AB

In 2012, the shares of LITGRID AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. According to the shares sale-purchase 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. During the year of 2022 EPSO-G UAB has repaid total debt of EUR 84.1 million to the Group.

18.2 Deposits for electricity and gas related derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading 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.

18.3 Granted loans

During 12M of 2022 the Group granted additional amount to loan to Moray West Holdings Limited, sea wind farm project development company in Scotland, for an amount EUR 19.8 million and as at 31 December 2022 the carrying amount of this loan was EUR 23.4 million (31 December 2021: EUR 3.6 million), interests rate – variable. The loan repayment term depends on the progress of the project development. The repayment of this loan is 31 March 2023, therefore the loan was reclassified from line item "Non-current receivables" to "Other receivables" of the statement of financial position.

19 Equity and reserves

19.1 Issued capital

EURm	31 December 2022	31 December 2021
Authorised shares		
Ordinary shares	1,616.4	1,658.8
Ordinary shares issued and fully paid	**1,616.4**	**1,658.8**

As at 31 December 2022 the Group's issued capital comprised EUR 1,616.4 million (31 December 2021: 1,658.8 million) and was divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share (31 December 2021: 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share).

19.2 Treasury shares

EURm	31 December 2022	31 December 2021
Acquired treasury shares	-	23.0
Carrying amount	**-**	**23.0**

The Group on 19–27 April 2022 has conducted an acquisition of the parent company's ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired by the Group on 29 April 2022, when the right of ownership transferred to the Group. Shares purchase price EUR 15.30 per share, number of shares acquired 651,554 and total value of treasury shares acquired EUR 10.0 million. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 4.3 million which was recognised in retained earnings. 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 parent company has paid the difference to the Stabilization Manager.

19.3 Share capital reduction

On 9 August 2022 Group share capital was reduced by annulling the ORS acquired by the Group in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020. During the reduction of the Group's share capital, 1,894,797 units of the Group's ORS with a nominal value of EUR 22.33 each, which were acquired by the Group itself, were annulled. The total nominal value of the annulled ORS is EUR 42.4 million. Accordingly, the Group's share capital decreased from EUR 1,658.8 million to EUR 1,616.4 million and the total number of ORS decreased from 74,283,757 units to 72,388,960 units.

Due to the reduction of the Group's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the Group's IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania implementing the shareholder's will, i.e. the Ministry of Finance of the Republic of Lithuania) whose securities portfolio amounts to 74.99% (increased from 73.08%).

19.4 Dividends

Dividends declared by the Company during the 12M of 2022:

EURm	12M 2022	12M 2021
Ignitis grupė AB	89.0	86.8

EUR 43.8 million dividends for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022 and EUR 45.2 million dividends for the first half of 2022 was approved at the Extraordinary General Meeting of shareholders on 29 September 2022.

20 Other comprehensive income

EURm	Equity, attributed to equity holders of the parent: Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	Total
Revaluation of property, plant and equipment, net of tax	(23.6)	-	-	-	**(23.6)**
Cash flow hedges – effective portion of change in fair value	-	57.1	-	-	**57.1**
Cash flow hedges – reclassified to profit or loss	-	(38.4)	-	-	**(38.4)**
Result of change in actuarial assumptions	-	-	-	(0.3)	**(0.3)**
Foreign operations – foreign currency translation differences	-	-	(0.5)	-	**(0.5)**
In total for the 12M 2021	**(23.6)**	**18.7**	**(0.5)**	**(0.3)**	**(5.7)**
Revaluation of property, plant and equipment, net of tax	1.1	-	-	-	**1.1**
Cash flow hedges – effective portion of change in fair value	-	247.3	-	-	**247.3**
Cash flow hedges – reclassified to profit or loss	-	(165.3)	-	-	**(165.3)**
Result of change in actuarial assumptions	-	-	-	0.4	**0.4**
Foreign operations – foreign currency translation differences	-	-	(2.1)	-	**(2.1)**
In total for the 12M 2022	**1.1**	**82.0**	**(2.1)**	**0.4**	**79.2**

Hedging reserve movement comprises recognition of effective portion of 247.3 (gross before tax EUR 289.8 million) (as at 31 December 2021: EUR 57.1 million (gross before tax EUR 67.1 million)) and reclassification to statement of profit or loss of EUR 165.3 million (gross before tax EUR 194.5 million) (as at 31 December 2021: EUR 38.4 million (gross before tax 45.2 million)) recognised in item 'Purchases of electricity, gas and other services' (see Note 26.2).

21 Loans and bonds

EURm	31 December 2022	31 December 2021
Non-current		
Bonds issued	890.1	888.5
Bank loans	533.2	229.6
Current		
Current portion of non-current loans	26.1	13.9
Bank loans	-	214.1
Bank overdrafts	172.9	-
Accrued interest	10.0	9.3
In total	**1,632.3**	**1,355.4**

Non-current borrowings by maturity:

EURm	31 December 2022	31 December 2021
From 1 to 2 years	177.0	18.9
From 2 to 5 years	376.6	73.8
After 5 years	869.7	1,025.4
In total	**1,423.3**	**1,118.1**

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

21.1 Movement of loans and bonds

Movement of loans and bonds during 12M of 2022 mainly consisted of the following:

During 12M of 2022 the Group borrowed EUR 73.0 million according to the long-term loan contract with European Investment bank signed on 21 September 2020. The loan is intended for the implementation of IT solutions for smart meters and their data collection and management. Maturity of the loan is 14 February 2038, interests rate is fixed. The balance of loan as at 31 December 2022 is EUR 73.0 million.

During 12M of 2022 the Group signed overdraft contract with bank Swedbank AB with the limit of EUR 300.0 million. The balance of this overdraft as at 31 December 2022 is EUR 172.9 million.

On 31 May 2022 the Group signed a refinance contract with Swedbank AB for loan issued to the Group company UAB Kauno kogeneracinė jėgainė. Maturity of loan is 31 May 2032 therefore the loan was reclassified from current loans to non-current loans. The balance of loan as at 31 December 2022 consists of current portion for an amount EUR 7.3 million and non-current part for an amount of EUR 100.8 million (as at 31 December 2021 the loan for an amount of EUR 110.0 million was classified as current loans).

On 23 August 2022 the Group borrowed EUR 150.0 million according to the long-term loan contract with banks SEB AB and SEB AS. The loan was used to refinance subsidiary's loan and for working capital. Maturity of the loan is 23 August 2024, interest rate is variable. The balance of loan as at 31 December 2022 is EUR 150.0 million.

21.2 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 2022 and 2021.

As at 31 December 2022, the Group unwithdrawn balance of loans and bank overdrafts amounted to EUR 396.1 million (31 December 2021: EUR 115.3 million).

22 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. Only debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the net debt calculation. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

EURm	31 December 2022	31 December 2021
Cash and cash equivalents	(694.1)	(449.1)
Non-current borrowings payable after one year	1,423.3	1,118.1
Current borrowings payable within one financial year (including accrued interest)	36.1	237.3
Bank overdrafts	172.9	-
Lease liabilities	48.7	51.0
Net debt	**986.9**	**957.3**

Reconciliation of the Group's net debt balances and cash flows from financing activities:

	Assets	Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2022	**(449.1)**	**46.3**	**4.7**	**1,118.1**	**237.3**	**957.3**
Cash changes						
(Increase) decrease in cash and cash equivalents	(245.0)	-	-	-	-	**(245.0)**
Proceeds from borrowings	-	-	-	223.0	-	**223.0**
Repayments of borrowings	-	-	-	-	(119.7)	**(119.7)**
Lease payments	-	-	(5.1)	-	-	**(5.1)**
Interest paid	-	-	(0.9)	-	(27.9)	**(28.8)**
Bank overdraft received (repaid)	-	-	-	-	172.9	**172.9**
Non-cash changes						
Lease contracts concluded	-	1.4	0.4	-	-	**1.8**
Accrual of interest payable	-	-	1.2	1.6	28.4	**31.2**
Lease liabilities written-off	-	-	(0.1)	-	-	**(0.1)**
Remeasurement of lease liabilities	-	(4.3)	(0.3)	-	-	**(4.6)**
Reclassifications between items	-	(3.5)	3.5	82.0	(82.0)	**-**
Assumed through business combination (Note 29)	-	5.2	-	-	-	**5.2**
Change in foreign currency	-	-	0.2	(1.4)	-	**(1.2)**
Net debt at 31 December 2022	**(694.1)**	**45.1**	**3.6**	**1,423.3**	**209.0**	**986.9**

23 Deferred income

EURm	31 December 2022		31 December 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Deferred income under contracts with customers				
Deferred income related to new customers connection and upgrade fees	10.5	205.5	9.3	183.6
Deferred income related to gas	61.1	-	-	-
Deferred income related to gas over declaration	33.7	-	7.2	-
Deferred income related to electricity over declaration	9.5	-	1.5	-
In total	**114.8**	**205.5**	**18.0**	**183.6**

Movement in the Group's deferred income:

EURm	2022		2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Balance as at 1 January	**18.0**	**183.6**	**12.1**	**164.4**
Increase during the year	105.5	31.1	8.5	27.4
Recognised as revenue	(17.9)	-	(10.8)	-
Reclassified from (to) other current amounts payable	-	-	-	-
Reclassifications between items	9.2	(9.2)	8.2	(8.2)
Balance as at 31 December	**114.8**	**205.5**	**18.0**	**183.6**

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

24 Provisions

EURm	31 December 2022	31 December 2021
Non-current	17.6	30.1
Current	38.0	41.6
Total	**55.6**	**71.7**

Movement of the Group's provisions was as follows:

EURm	Emission allowance provision	Provisions for employee benefits	Provisions for servitudes	Provisions for registration of protection zones	Provision for isolated power system operations' and system services	Regulatory differences of public electricity supply activity	Other provisions	Total
Balance as at 1 January 2022	**12.2**	**5.6**	**14.4**	**10.7**	**22.3**	**-**	**6.5**	**71.7**
Increase during the period	11.0	1.2	-	-	2.4	20.3	3.2	**38.1**
Utilised during the period	(12.2)	(0.3)	-	(4.7)	(19.4)	-	(1.4)	**(38.0)**
Result of change in assumptions	-	(0.4)	(6.2)	(4.4)	-	-	-	**(11.0)**
Discount effect	-	-	-	-	0.1	-	(0.3)	**(0.2)**
Reclassifications to Other current amounts payable and liabilities	-	-	-	-	-	-	(5.0)	**(5.0)**
Balance as at 31 December 2022	**11.0**	**6.1**	**8.2**	**1.6**	**5.4**	**20.3**	**3.0**	**55.6**
Non-current	-	5.2	7.2	-	2.3	-	2.9	**17.6**
Current	11.0	0.9	1.0	1.6	3.1	20.3	0.1	**38.0**
Balance as at 31 December 2022	**11.0**	**6.1**	**8.2**	**1.6**	**5.4**	**20.3**	**3.0**	**55.6**

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

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees (Note 3.24.3). The period of non-current provision is calculated according to each employee using actuarial assumptions that include the age of employee, mortality probability, index of staff turnover, discount rate (0.55% as at 31 December 2022, 0.043% as at 31 December 2021), long term salary increase rate (4% as at 31 December 2022, 4.6% as at 31 December 2021).

The provision for servitudes relates to the compensation of easements to third parties when the distribution operator (the Group company) installs electricity networks on land belonging to them. A one-time compensation for the use of statutory easements is paid to compensate for losses when a third party applies the request for compensation. The Group's management estimated (Note 4.6.1) that the period during which third parties will apply for compensation is 10 years starting from 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).

The provision for registration of protection zones relates to the Group's obligation to register special protection conditions (protection zones) for land near the Group's infrastructure objects. According to the Group's management plans the registration of protection zones should last till the end of 2024 (Note 4.6.2).

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 (Note 4.7). Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter the period of reimbursement is 2023-2024 year.

The provision for regulatory differences of public electricity supply activity consists of EUR 20.3 million provision related to regulatory differences of public electricity supply activity, set-off with the future regulatory differences of public electricity supply activity will be made within one year.

25 Other current amounts payable and liabilities

EURm	31 December 2022	31 December 2021
Taxes (other than income tax)	122.6	30.6
Accrued expenses	84.7	48.0
Deposits received for derivatives	56.0	-
Amounts payable for property, plant and equipment	55.9	23.3
Put option redemption liability	38.0	20.9
Payroll related liabilities	21.7	19.1
Derivatives(Note 26)	14.2	71.4
Payable to non-controlling party for acquisition of SIL shares	6.3	-
Irrevocable commitment to acquire a minority interest	3.6	3.7
Non-controlling interest dividends	3.3	3.4
Other amounts payable and liabilities	17.9	6.1
Carrying amount	**424.2**	**226.5**

26 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

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.

26.1 Derivative financial instruments included in the statement of financial position

Movement of assets and liabilities related to the Group's agreements on derivative financial instruments were as follows:

EURm	Note	Movement during 12M 2022
Derivative financial instruments		
Other non-current assets		3.6
Other current assets		9.9
Other current amounts payable and liabilities	25	(71.4)
Carrying amount as at 31 December 2021		**(57.9)**
Change in the value		
Fair value change of derivatives recognised in Finance income		0.2
Fair value change of OTC recognised in Other expenses		19.4
Fair value change of OTC recognised in OCI		77.8
Total change during 12M of 2022		**97.4**
Derivatives		
Carrying amount as at 30 December 2022		**39.5**
Other non-current assets		24.4
Other current assets		44.2
Other non-current amounts payable and liabilities		(14.9)
Other current amounts payable and liabilities	25	(14.2)

26.2 Derivatives included in statement of profit or loss and statement of comprehensive income

EURm	Note	2022	2021
Fair value change of derivatives recognised in 'Finance income'	26.1	0.2	1.1
Fair value change of OTC		19.4	(16.7)
Fair value change of Nasdaq		(10.6)	10.7
Hedge ineffectiveness recognised - OTC		26.3	2.0
Hedge ineffectiveness recognised - Nasdaq		(53.6)	18.3
Total recognised in 'Other expenses', 'Other income' and 'Financial income'		**(18.3)**	**15.4**
Effective hedges reclassified from Hedging reserve to statement profit or loss	20	194.5	45.2
Total recognised in statement of profit or loss		**176.2**	**60.6**

27 Commitments, contingent liabilities and contingent assets

27.1 Litigations

During 12M of 2022 there were no significant changes in litigations reported in annual financial statements for 2021 or new significant litigations except for mentioned below.

27.1.1 Litigation with AB "Šiaulių energija"

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.

By a ruling of 24 March 2022, the Lithuanian Court of Appeal upheld the 6 April 2021 decision (to dismiss the claim) of the Vilniaus Regional Court against ESO.

On 3 June 2022 the Supreme Court of Lithuania has accepted a cassation appeal of LITGRID AB. On 4 July 2022 ESO submitted a reply to the cassations appeal. The hearing at the Supreme Court of Lithuania is scheduled on 30 March 2023.

The Group believes that it will defend its interests in these proceedings successfully and has not made provisions for these proceedings.

27.1.2 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 (hereinafter referred to 'the Council') regarding the Council's decisions of the setting of the LNG price supplement. The Group's subsidiary UAB „Ignitis" 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 referred to '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.

Following the General Court's judgment, the Commission has re-examined the compatibility of the 2016 amendments and has decided to open an in-depth investigation under EU State aid rules. The Commission will now investigate further to determine whether the amount of compensation received by Litgas for the period 2016-2018, in particular regarding the boil-off and balancing costs, is in line with the SGEI Framework.

The European Commission's formal investigation procedure, limited to the points of doubt raised by the General Court, should lead to the adoption of a final and complete decision of the European Commission.

After the formal investigation procedure (which stared in December 2022 there will be more certainty in assessing the actual financial impact for the Group.

27.1.3 Litigation with Rafako S.A.

On 5 August 2022 Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter "Arbitration Court") made a favourable ruling in the legal dispute between a Polish company Rafako S.A. (hereinafter – Rafako) and Group's company Vilniaus kogeneracinė jėgainė UAB regarding the contract signed on 29 September 2016, under which, among other things, declared that a subsidiary of the Group Vilniaus kogeneracinė jėgainė UAB was entitled to terminate the contract with Rafako and has the legal right to claim delay damages and reimbursement of damages from Rafako. The issues of reimbursement of damages and the size thereof are scheduled to examine on the second stage of the arbitration proceedings. Further hearings of the Arbitration Court shall be held, and other proceedings of the parties shall be conducted in accordance with the schedule approved by the Arbitral Court.

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

27.2 Issued guarantees

The Group has provided the following guarantees:

Name of the entity	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2022[1]	31 December 2021
Moray Offshore Windfarm (West) Limited	NEXANS NORWAY AS	27/10/2022	termless	8.6	-	-
Moray Offshore Windfarm (West) Limited	Barclays Bank PLC	22/07/2022	31/03/2023	7.3	-	-
Moray Offshore Windfarm (West) Limited	Siemens Gamesa Renewables Energy Limited	08/09/2021	31/03/2025	2.1		
Moray Offshore Windfarm (West) Limited	Engie UK Markets Limited	21/04/2021	termless	1.2	-	-
Moray Offshore Windfarm (West) Limited	Engie UK Markets Limited	28/07/2022	01/05/2025	0.5	-	-
Moray Offshore Windfarm (West) Limited	GARDLINE Limited	19/07/2022	01/03/2023	0.4	-	-
				20.1	**-**	**-**

[1] Amount which should be covered by the Group in case entity could not perform its obligations as at 31 December 2022.

On 27 October 2022 the Group has issued a guarantee in favour of NEXANS NORWAY AS for EUR 8.6 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited related to engineering, manufacturing, transport and installation of offshore export cables and onshore export cables.

On 22 July 2022 the Group has issued a guarantee in favour of Barclays Bank PLC for EUR 7.3 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited.

On 28 July 2022 the Group has issued a guarantee in favour of Engie UK Markets Limited for EUR 0.5 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited under power purchase agreement.

On 19 July 2022 the Group has issued a guarantee in favour of GARDLINE Limited for EUR 0.4 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited.

27.3 Regulatory assets and liabilities

27.3.1 Natural gas distribution to household customers

Natural gas supply to household customers activity is regulated by NERC. The NERC regulates natural gas tariff paid by customers. Regulatory differences defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price were not recognized in the financial statements till 31 December 2022 as Group had no guarantee for this difference to be considered when setting tariffs in the future according to the legislation base.

The overcollected unrecognised amount as of 31 December 2022 is EUR (16.1) million, amount is related to year 2022 (undercollected amount of EUR 64.0 million as of 31 December 2021). The management expects that overcollected unrecognised amount EUR (16.1) million to household customers will be included in future tariffs for upcoming next 12 months period.

27.3.2 Designated supply of natural gas

Designated supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognize regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future. The overcollected amount of EUR (53.0) million as of 31 December 2022 will be included in the LNGT security component in the future (overcollected amount of EUR (53.0) million as of 31 December 2021).

27.3.3 Electricity distribution

By the resolution No. O3E-1424 taken on 17 October 2022 NERC established the price caps for the electricity distribution service for the year 2023 on the basis of certificate No.O5E-1206 issued on 15 October 2022.

The remaining of the return on investment for 2018-2021 year was:

• The overcollected amount of EUR (157.5) million 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;
• The entire calculated return on investment (the difference between the forecasts for operating expenses, technological losses and other costs compared to the costs actually incurred), exceeding the established one, for the period 2018-2021 is returned to consumers.

The evaluation of the return on investment for 2022 will be performed in 2024, when setting the price limits for electricity distribution in 2025.

27.3.4 Natural gas distribution

The difference is calculated by the resolution No.O3E-1473 taken on 31 October 2022 NERC set the upper limit of the natural gas distribution price for the 2023 on the basis of certificate No.O5E-1268 issued on 28 October 2022.

On 31 December 2022, the remaining of the return on investment for 2014-2020 year was the amount of 0 million (2021: overcollected amount of EUR (6.6) million)

The entire calculated return on investment, exceeding the established one, for the period 2014-2018 and 2019-2020, is returned to consumers.

The evaluation of the return on investment for 2021 and 2022 will be performed in 2023, when setting the gas distribution price limits in 2024.

27.4 Evaluation of Russia’s invasion of Ukraine on Group’s financial statements

The Group has evaluated current and, to the extent possible, expected impact of Russia’s invasion of Ukraine on the financial position, performance, cash-flows and the principal risks and uncertainties to which the Group is exposed. As the Group does not have any significant operations in the affected markets and does not have subsidiaries in the affected markets, the management of the Group has concluded that:
- no expected credit losses adjustments should be made as Group does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- the situation does not have impact on Group’s ability to continue as a going concern.
- general potential effects that are tightly related to the Group’s activities are an increase in electricity and natural gas prices, possible disruptions in supply chains as well as increased inflation and growing prices of other materials. Furthermore, the level of vigilance in cybersecurity is being raised nationwide while the Group is classified as the owner of critical infrastructure.

As to the above no significant impact of Russia’s invasion of Ukraine on Group’s financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, impact of the Russia’s invasion of Ukraine on the business of the Group companies is being constantly reviewed.

28 Related party transactions

Related parties	Accounts Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 12M 2022	Purchases 12M 2022	Finance income (expenses) 12M 2022
UAB „EPSO-G”	-	-	-	-	0.1
LITGRID AB	26.5	36.8	198.6	269.0	-
AB „Amber Grid”	6.4	3.1	34.0	42.5	-
BALTPOOL UAB	0.2	1.6	(64.9)	10.4	-
UAB GET Baltic	84.3	3.8	109.1	119.0	-
Associates and other related parties of the Group	0.1	1.5	0.3	3.4	-
Total	**117.5**	**46.8**	**277.1**	**444.3**	**0.1**

Related parties	Accounts Receivable 31 December 2021	Accounts Payable 31 December 2021	Sales 12M 2021	Purchases 12M 2021	Finance income (expenses) 12M 2021
UAB “EPSO-G”	84.1	0.1	-	-	0.3
LITGRID AB	19.5	38.7	87.3	194.4	-
AB “Amber Grid”	8.1	5.0	43.2	47.4	-
BALTPOOL UAB	0.8	33.6	15.5	104.6	-
UAB GET Baltic	7.3	-	30.7	69.4	-
Associates and other related parties of the Group	0.7	2.8	0.7	4.2	-
Total	**120.5**	**80.2**	**177.4**	**420.0**	**0.3**

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

28.1 Compensation to key management personnel

	12M 2022	12M 2021
Wages and salaries and other short-term benefits to key management personnel	1.1	1.0
Whereof:	-	-
Short-term benefits: wages, salaries and other	*1.0*	*0.8*
Termination benefits	*0.1*	-
Share-based payment expenses	-	*0.2*
Number of key management personnel	12	12

During 12M of 2022 and 2021 members of Board, Supervisory board and Chief Executive Officer are considered to be the Group’s key management personnel. For more information on the key management personnel, see the ‘Governance report’ of Annual report.

29 Fair value of financial instruments

29.1 Financial instruments, measured at fair value

The Group's derivatives (Level 2 of the fair value hierarchy), investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (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 2022 and 2021, 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 3.15.3. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivatives 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 2022 and 2021, the Group has accounted for investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group. The Group accounts for financial asset at fair value and their accounting policies are set out in Note 3.15.1. 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 5.6). Fair value of this financial asset will change depending on future investment rounds or other significant events.

As 31 December 2022 and 2021 the Group has accounted for investment into Moray West Holdings Limited. Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on the valuation performed by external valuator. The valuation was performed based on discounted cash flows.

As at 31 December 2022 and 2021, the Group accounted for the option to acquire all the shares of Kaunas CHP held by UAB Gren Lietuva (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to UAB Gren Lietuva for the redeemable UAB Gren Lietuva owned Kaunas CHP 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

29.2 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 32) 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 5.01% as at 31 December 2022 (31 December 2021 – 2.90%). Discount rates for certain bond issues are determined as bond yields for certain issued bond. 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 discount rate of 4.80% for loans above EUR 1 million and 4.84% for loans less EUR 1 million (as at 31 December 2021: accordingly 2.76% and 2.82%). The measurement of financial liabilities related to these debts is attributed to Level 2 of the fair value hierarchy.

29.3 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 2022:

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at FVPL or FVOCI						
Assets						
Derivatives	26	**68.7**	-	68.7	-	**68.7**
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"	15	**20.6**	-	-	20.6	**20.6**
Investment into Moray West Holdings Limited	15	**5.0**	-	-	5.0	**5.0**
Liabilities						
Put option redemption liability	25	**38.0**	-	38.0	-	**38.0**
Derivatives	26	**29.1**	-	29.1	-	**29.1**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	14, 18	**24.1**			24.1	**24.1**
Liabilities						
Bonds issued	21	**899.3**	-	774.3	-	**774.3**
Debt liabilities to commercial banks	21	**443.6**	-	428.0	-	**428.0**
Debt liabilities to state-owned investment banks	21	**289.4**	-	192.8	-	**192.8**

30 Business combinations

30.1 Acquisition of Altiplano A.S.

On 30 September 2022 the Group acquired a 100% shareholding in Altiplano S.A. from the legal person. As at 31 December 2022, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 34.4 million, EUR 22.1 million of which are paid through bank account, EUR 12.3 million were identified as contingent consideration which relates to the fulfillment of specific seller's obligations set out in the share purchase agreement: (i) transfer of carve-out receivable amounts, (ii) obtaining all the necessary land rights and buildings permits. The amount of contingent consideration was assessed by the Group's management according to probability of fulfillment of obligations. During the year of 2022 a part of seller's obligations was fulfilled and as at 31 December 2022 the contingent consideration amounted to EUR 6.3 million. As at 31 December 2022 the investment was not fully paid. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2022.

The Group applied the acquisition accounting method to account for this business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents other intangible assets identified during business combination. 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	Altiplano A.S.
Assets acquired		
Property, plant and equipment	12	5.0
Right-of-use assets		5.2
Prepayments for non-current assets		0.2
Current receivables		6.5
Other intangible assets identified during business combination		30.0
Liabilities assumed		
Non-current lease liabilities		(5.2)
Income tax payable		(0.7)
Deferred tax liabilities		(5.7)
Trade payables		(0.9)
Total identifiable net assets acquired		**34.4**
Consideration paid		(22.1)
Contingent consideration		(12.3)
Total consideration transferred:		**(34.4)**
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(22.1)
Cash and cash equivalents acquired		-
Net cash flows		**(22.1)**

Other intangible assets identified during business combination comprise the licence to generate electricity. 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, by excluding any cash flows related to contributory assets.

If the acquisition of Altiplano S.A. had occurred on 1 January 2022, management estimates that the Group's net profit for the reporting period would not have changed significantly, and the Group's revenue for the reporting period would have been higher on EUR 1.5 million. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The Group incurred acquisition-related costs for an amount of EUR 0.7 million on transfer tax, legal fees and due diligence costs. These costs have been included in statement of profit or loss Other expenses.

30.2 Acquisition of UAB „Plungės vėjo energija"

On 25 November 2022 the Group acquired a 100% shareholding in UAB „Plungės vėjo energija" from the legal person. As at 31 December 2022, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 1.4 million, EUR 0.3 million of which are paid through bank account, EUR 1.1 million were identified as contingent consideration which relates to the fulfillment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2022 the investment was not fully paid.

The Group applied the acquisition accounting method to account for this business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents goodwill identified during business combination. 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	UAB "Plungės vėjo energija"
Assets acquired		-
Liabilities assumed		-
Total identifiable net assets acquired		**-**
Consideration paid		(0.3)
Total consideration transferred:		**(0.3)**
Goodwill arising from the acquisition of subsidiary	11	0.3
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(0.3)
Cash and cash equivalents acquired		-
Net cash flows		**(0.3)**

If the acquisition of UAB „Plungės vėjo energija" had occurred on 1 January 2022, management estimates that the Group's total revenue and net profit would not have changed significantly. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The Group incurred acquisition-related costs for an amount of EUR 0.1 million on transfer tax, legal fees and due diligence costs. These costs have been included in statement of profit or loss Other expenses.

30.3 Reassessment of fair values of assets identified during business combination

The Group made the reassessment of fair values of assets identified during business combination of subsidiary Silezia1 Wind Farm sp. z o.o. (previously Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.) which was acquired on December 2021. Reassessment showed that fair value should be adjusted: the goodwill for an amount EUR 0.1 million was recognised and other intangible assets was reduced by EUR 0.5 million, as at 31 December 2022 other intangible assets comprised of EUR 9.6 million (31 December 2021 – EUR 10.0 million). As well, the reassessment affected deferred tax liability related to recognized other intangible assets therefore was reduced by EUR 0.1 million.

31 Events after the reporting period

31.1 Other events

On the award of a Polish capacity mechanism auction for 2027 to the Group company

The Group (Group's company AB „Ignitis gamyba") will ensure the availability of 250 MW capacity in the market in 2027 for approx. EUR 16 million, according to the results of the Polish capacity mechanism auction for ensuring capacity availability in 2027 conducted by the Polish transmission system operator Polskie Sieci Elektroenergetyczne. This will have a positive effect on the results of the Flexible Generation segment of the Group.

On the enforcement of Lithuanian Government's resolution to continue energy price compensation for business customers

The Group (Group's company AB „Energijos skirstymo operatorius") Management Board approved the signing of the agreement with the Ministry of Finance of the Republic of Lithuania on the use of the State budget funds in 2023.

The resolution was passed by the Government of the Republic of Lithuania (hereinafter – the Government) on 26 October 2022, wherein a partial compensation was established for business customers for the periods of Q4 2022 and Q1 2023. By this resolution, the Government established that business customers would be compensated 50 percent of their electricity price if it exceeds 24 ct/kWh (excluding VAT and excise duties) for the period from 1 October 2022 to 31 December 2022 and compensate for the same amount during the period from 1 January 2023 to 31 March 2023 if the price is higher than 28 ct/kWh (excluding VAT and excise duties).

The funds allocated for partial compensation of business customers will be paid by the administrator – the Group. The resolution of the Government of 26 October 2022 stipulates that partial compensation will be provided to the business customers that receive energy supply services through their electricity supplier or directly to the consumer itself if it acquires electricity for its needs (not for selling or reselling purposes) directly from the power market.

The agreement, same as the resolution of the Government of 4 January 2023 "On the allocation of funds", stipulates that up to EUR 174 million will be allocated to cover the expenses related to the partial electricity price compensation to business customers for the period from 1 January 2023 to 31 March 2023. This will not have an impact to the Group's results because the Group is not the final recipient of the funds (it only administrates the payments).

31.2 Litigations

The Lithuanian Court of Appeal by its ruling of 23 February 2023 decided to satisfy the claim of the plaintiff UAB „VILNIAUS ENERGIJA" in the case against the defendant AB „Energijos skirstymo operatorius" (hereinafter referred to as 'ESO'). ESO was ordered to pay EUR 1.7 million in damages for 2014 and EUR 0.5 million - for 2015, procedural interest at the rate of 6% on the amount ordered (EUR 2.2 million) from the date on which the case was brought into the court (24 March 2014) until the full execution, and EUR 0.1 million in legal costs. The Court's order enters into force and is immediately enforceable. In management's opinion, there is sufficient legal basis for the cassation instance, therefore management is assessing the possibility of a cassation appeal.

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

5.2 Parent company's financial statements

Unaudited parent's company's interim condensed financial statements for the twelve-month period ended 31 December 2022, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union

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

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

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

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

For the three and twelve months periods ended 31 December 2022

EURm	Notes	12M 2022	Q4 2022	12M 2021	Q4 2021
Revenue from contracts with customers	5	3.0	0.7	3.2	1.0
Other income		0.6	0.3	2.8	2.8
Dividend income	6.2	97.5	-	222.8	100.5
Total revenue and other income		**101.1**	**1.0**	**228.8**	**104.3**
Salaries and related expenses		(3.6)	(0.9)	(4.9)	(1.2)
Depreciation and amortisation		(1.9)	(0.5)	(0.7)	(0.5)
Other expenses		(5.0)	(1.2)	(4.3)	(1.4)
Total expenses		**(10.5)**	**(2.6)**	**(9.9)**	**(3.1)**
Operating profit (loss)		**90.6**	**(1.6)**	**218.9**	**101.2**
Finance income	7	41.0	11.8	38.6	7.9
Finance expenses	8	(25.9)	(8.0)	(26.2)	(8.3)
Finance activity, net		**15.1**	**3.8**	**12.4**	**(0.4)**
Profit (loss) before tax		**105.7**	**2.2**	**231.3**	**100.8**
Current period income tax (expenses)/benefit		(1.8)	(1.0)	(0.1)	(0.1)
Deferred tax (expenses)/benefit		(1.4)	(1.4)	0.4	0.1
Net profit for the period		**102.5**	**(0.2)**	**231.6**	**100.8**
Total other comprehensive income (loss) for the period		-	-	-	-
Total comprehensive income (loss) for the period		**102.5**	**(0.2)**	**231.6**	**100.8**
Basic earnings per share (in EUR)	9	**1.41**	**0.00**	**3.12**	**1.36**
Diluted earnings per share (in EUR)	9	**1.41**	**0.00**	**3.12**	**1.36**
Weighted average number of shares	9	**72,599,599**	**72,388,960**	**74,232,665**	**74,081,054**

Interim Condensed Statement of Financial Position

As at 31 December 2022

EURm	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Intangible assets		1.9	1.8
Property, plant and equipment		0.1	0.1
Right-of-use assets		15.7	17.6
Investment property		0.1	0.1
Investments in subsidiaries	10	1,255.2	1,255.9
Non-current receivables	11	1,530.1	1,088.4
Other financial assets	14	20.6	25.1
Deferred tax assets		-	0.5
Total non-current assets		**2,823.7**	**2,389.5**
Current assets			
Prepayments and deferred expenses		0.1	0.1
Trade receivables		0.8	0.5
Other receivables	12	0.9	184.6
Other current assets		3.8	20.0
Current loans	13	227.8	136.5
Cash and cash equivalents		24.8	125.3
Total current assets		**258.2**	**467.0**
TOTAL ASSETS		**3,081.9**	**2,856.5**
EQUITY AND LIABILITIES			
Equity			
Issued capital	15.2	1,616.4	1,658.8
Treasury shares	15.3	-	(23.0)
Reserves	15.3	99.6	88.1
Reserve for treasury shares	15.3	37.7	23.0
Retained earnings (deficit)		179.1	186.4
Total equity		**1,932.8**	**1,933.3**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	16	1,113.1	888.5
Non-current lease liabilities	17	14.2	16.0
Deferred tax liabilities		1.4	-
Total non-current liabilities		**1,128.7**	**904.5**
Current liabilities			
Loans	16	9.8	9.1
Lease liabilities	17	1.8	1.8
Trade payables		1.1	1.0
Advances received		-	0.1
Income tax payable		1.8	-
Other current amounts payable and liabilities		5.9	6.7
Total current liabilities		**20.4**	**18.7**
Total liabilities		**1,149.1**	**923.2**
TOTAL EQUITY AND LIABILITIES		**3,081.9**	**2,856.5**

Interim Condensed Statement of Changes in Equity

For the twelve month period ended 31 December 2022

EURm	Notes	Issued capital	Treasury shares	Legal reserve	Treasury shares reserve	Retained earnings	Total
Balance as at 1 January 2021		**1,658.8**	**-**	**82.3**	**-**	**71.9**	**1,813.0**
Net profit for the period		-	-	-	-	231.6	**231.6**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**231.6**	**231.6**
Transfer to reserves to acquire treasury shares		-	-	-	23.0	(23.0)	**-**
Treasury shares acquired		-	(23.0)	-	-	(3.7)	**(26.7)**
Transfers to legal reserve		-	-	5.8	-	(5.8)	**-**
Dividends	6.1	-	-	-	-	(86.8)	**(86.8)**
Share-based payments		-	-	-		0.2	**0.2**
Other movement		-	-	-	-	2.0	**2.0**
Balance as at 31 December 2021		**1,658.8**	**(23.0)**	**88.1**	**23.0**	**186.4**	**1,933.3**
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**88.1**	**23.0**	**186.4**	**1,933.3**
Net profit for the period		-	-	-	-	102.5	**102.5**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**102.5**	**102.5**
Transfer to reserves to acquire treasury shares	15.3	-	-	-	14.7	(14.7)	**-**
Treasury shares acquired	15.3	-	(10.0)	-	-	(4.3)	**(14.3)**
Transfers to legal reserve	15.3	-	-	11.5	-	(11.5)	**-**
Dividends	6.1	-	-	-	-	(89.0)	**(89.0)**
Share capital reduction	15.4	(42.4)	33.0	-	-	9.4	**-**
Other movement		-	-	-	-	0.3	**0.3**
Balance as at 31 December 2022		**1.616.4**	**-**	**99.6**	**37.7**	**179,1**	**1,932.8**

Interim Condensed Statement of Cash Flows

For the twelve month period ended 31 December 2022

EURm	Notes	12M 2022	12M 2021
Cash flows from operating activities			
Net profit for the period		102.5	231.6
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		1.9	0.7
Fair value changes of financial instruments		6.2	(13.8)
Income tax expenses/(income)		3.3	(0.3)
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		-	(2.8)
Share-based payments expenses		-	0.2
Other expenses/(income) of investing activities		(0.6)	-
Interest income	7	(41.0)	(22.7)
Interest expenses	8	21.8	20.9
Dividends	6.2	(97.5)	(222.8)
Other expenses of financing activities		(2.2)	3.2
Changes in working capital:			
(Increase)/decrease in trade receivables and other receivables		83.2	66.0
(Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets		16.2	44.0
Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities		0.9	2.9
Income tax paid/received		0.5	0.5
Net cash flows from (to) operating activities		**95.2**	**107.6**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(0.1)	-
Loans granted		(543.0)	(487.4)
Loan repayments received		20.8	92.1
Acquisition of a subsidiary		-	(19.0)
Interest received	7	31.8	20.8
Dividends received		197.9	122.3
Return of capital from subsidiaries		1.2	5.0
Investments in Innovation Fund	4.2	(1.7)	(3.5)
Net cash flows from investing activities		**(293.1)**	**(269.7)**
Cash flows from financing activities			
Loans received	17	223.0	-
Lease payments	17	(1.7)	(0.5)
Interest paid	17	(19.5)	(19.3)
Dividends paid	6	(87.8)	(86.8)
Dividends returned		0.3	2.0
Treasury shares acquisition	15.3	(14.3)	(26.7)
Other increases/(decreases) in cash flows from financing activities[1]		(2.6)	(2.6)
Net cash flows from financing activities		**97.4**	**(133.9)**
Increase/(decrease) in cash and cash equivalents		**(100.5)**	**(296.0)**
Cash and cash equivalents at the beginning of the period		125.3	421.3
Cash and cash equivalents at the end of the period		**24.8**	**125.3**

[1]The parent company has performed reclassifications in the statement of cash flows in order to provide more reliable information for the users of financial statements. Reclassification had no impact on the statement of financial position, statement of profit or loss and statement of changes in equity. As at 31 December 2021 parent company has reclassified Personal income tax declared and paid in relation to bonds interest from Changes in working capital to Cash flows from financing activities (EUR 2.6 million).

Explanatory Notes

For the twelve month period ended 31 December 2022

1 General information

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

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

AB „Ignitis grupė" is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 9). The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating electricity distribution Network and managing and developing Green Generation portfolio. The Group also manages strategically important 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.

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

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

Shareholders of the Company	31 December 2022		31 December 2021	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.2	74.99	1,212.2	73.08
Other shareholders	404.3	25.01	418.8	25.25
Treasury shares	-	-	27.8	1.67
	1,616.5		**1,658.8**	

These interim condensed financial statements were prepared and signed by parent company's management on 23 February 2023. These are interim condensed separate financial statements of the parent company which are prepared in accordance with local law requirements. The Group also prepares consolidated interim condensed financial statements.

2 Basis of preparation

2.1 Basis of accounting

These interim condensed financial statements are prepared for the twelve months period ended 31 December 2022 (hereinafter referred to as 'interim financial statements') and have been prepared in accordance with International Accounting Standard (hereinafter referred to as 'IAS') 34 "Interim Financial Reporting".

These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter referred to as 'IFRS').

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

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

2.2 Foreign currency translation

2.2.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss of statement of profit or loss and other comprehensive income.

3 Significant accounting policies

3.1 New standards, amendments and interpretations

3.1.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the parent company's annual financial statements for the year ended 31 December 2021, with the exception of the new standards which entered into force during 12M of 2022.

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed in European Union during the reporting period ended as at 31 December 2022. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

Standards or amendments that came into force during 12M 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards 2018–2020
Reference to Conceptual Framework

3.1.2 Standards issued but not yet effective and not early adopted

Preparing these interim financial statements the parent company did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The amendments also clarify that:

(a) not all information about accounting relating to material transactions, other events or conditions is itself material;
(b) accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
(c) disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and
(d) the amendments do not relieve an entity from meeting other disclosure requirements within IFRS.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Early application is permitted. Amendments are endorsed for application in EU.

The management of the parent 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
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Endorsed
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

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

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 2021 except the following:

4.1 Impact of climate change

The parent company pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc.
Read more on the impact of climate change and parent company's approach on managing it in section '5.4 Climate Action' of the annual report.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Impact of climate change on investment into subsidiaries and loans granted

Each year the parent company assesses whether there are any impairment indications for investments into subsidiaries. There are no indicators suggesting that investment into subsidiaries have reduced in value, significant impacts of climate change on the parent company's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. Additionally, the parent company assessed whether credit risk of subsidiaries has increased due to climate change impact and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Thus, the parent company management does not reasonably expect climate change to have a significant impact on the value of investment into subsidiaries and loans receivable amounts.

Impact of climate change on provision for risk

The parent company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

4.2 KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"

Change in carrying value of investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" amounted to EUR (4.5) million during the 12M of 2022.

The fair value loss of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" recognised for an amount EUR 6.2 million and is presented as "Finance expenses" in statement of profit or loss and other comprehensive income during 12M of 2022. 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 12M of 2022 for an amount of EUR 1.5 million and other fund expenses and distributions EUR 0.2 million.

Fair value corresponds to Level 3 in the fair value hierarchy.

5 Revenue from contracts with customers

EURm	12M 2022	12M 2021
Management fee income	3.0	2.8
Other revenue from contracts with customers	-	0.4
Total	**3.0**	**3.2**

The parent company's revenue from contracts with customers during 12M of 2022 and 2021 mainly comprised the revenue from advisory and management services provided to subsidiaries.
The parent company did not present any segment information as there is only one segment.
All performance obligations of the parent company are settled over time.

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

EURm	31 December 2022	31 December 2021
Trade receivables	0.8	0.4

6 Dividends

6.1 Dividends declared by the parent company

EURm	12M 2022	12M 2021
AB „Ignitis grupė"	89.0	86.8

EUR 43.8 million dividends for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022 and EUR 45.2 million dividends for the first half of 2022 was approved at the Extraordinary General Meeting of shareholders on 29 September 2022. In total the parent company paid EUR 87.8 million dividends in cash during 12M of 2022.

6.2 Dividends received by the parent company

Dividends received by the parent company from Group companies during the 12M of 2022 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
31/03/2022	UAB Elektroninių mokėjimų agentūra	2021	0.1931	0.2	0.2	-
29/04/2022	AB „Ignitis gamyba"	Q4 2021	0.0680	44.0	44.0	-
29/04/2022	AB „Energijos skirstymo operatorius"	2021	0.0559	50.0	50.0	-
29/04/2022	UAB „Ignitis grupės paslaugų centras"	2021	0.0173	0.7	0.4	-
10/05/2022	UAB „Gamybos optimizavimas"	2021	0.1457	0.1	0.1	-
23/05/2022	UAB „Transporto valdymas"	2021	12.8514	1.0	1.0	-
23/05/2022	UAB „Ignitis renewables"	2021	80.7850	1.8	1.8	-
Total				**97.8**	**97.5**	**-**

7 Finance income

EURm	12M 2022	12M 2021
Interest income at the effective interest rate	41.0	22.7
The fair value of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 4.2)	-	15.9
In total	41.0	22.7

The parent company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 11.2 and 13). During the 12M of 2022, the parent company received EUR 31.8 million (12M of 2021: EUR 20.8 million) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

8 Finance expenses

EURm	12M 2022	12M 2021
Interest expenses	21.6	20.8
Fair value change of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Note 4.2)	6.2	-
Interest and discount expense on lease liabilities	0.2	0.1
Fair value change of consideration from EPSO-G	-	2.1
Other expenses of financing activities	(2.1)	3.2
In total	**25.9**	**26.2**

The parent company incurs interest expense on long-term and short-term loans payable and bonds issued (Note 16). During the 12M of 2022, the parent company paid interest in cash in the amount of EUR 19.5 million (12M of 2021: EUR 19.3 million), which are presented in the cash flow statement under 'Interest paid'.

9 Earnings per share

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

EURm	12M 2022	12M 2021
Net profit	**102.5**	**231.6**
Weighted average number of nominal shares	72,599,599	74,232,665
Basic earnings/(loss) per share attributable to shareholder of the Parent Company	1.41	3.12
Diluted earnings/(loss) per share attributable to shareholder of the Parent Company	1.41	3.12

Basic and diluted earnings per share indicators have been calculated based on 72,599,599 weighted average number of ordinary shares as at 31 December 2022 (as at December 31 2021: 74,232,665) as parent company reacquired its own ordinary shares (treasury shares) as at 16 December 2021 and as at 29 April 2022. Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by the parent company. On 9 August 2022 parent company has reduced its share capital by annulling treasury shares acquired (Note 15.3)

10 Investments in subsidiaries

Information on the parent company's investments in subsidiaries as at 31 December 2022 provided below:

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

The parent company's investments in subsidiaries during the 12M of 2022 remained the same as at 31 December 2021 except the following changes:

- share capital of UAB Elektroninių mokėjimų agentūra was decreased by EUR 0.6 million;
- investment in subsidiary NT valdos, UAB the carrying amount of which amounted to EUR 0.1 million was liquidated.

The parent company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries as at 31 December 2022. During the 12M of 2022 there have been no significant adverse changes in the technological, market and legal environment in which subsidiaries operate, and such changes are unlikely to occur soon. Changes in economic environment is followed by the parent company, however currently the parent company estimates that these changes will not have significant negative influence for subsidiaries operations.

Moreover the parent company has considered assumptions used in the impairment test for investment into subsidiary AB „Energijos skirstymo operatorius" as at 31 December 2021 - no significant impact on assumptions used as at 31 December 2021 was identified, assumptions hasn't changed from 31 December 2021.

The parent company considered other information from external and internal sources as well as current geopolitical situation (Note 18.3), although no significant impact on assumptions used as at 31 December 2021 was identified, assumptions hasn't changed from 31 December 2021. No impairment indications were identified as at 31 December 2022.

11 Non-current receivables

EURm	31 December 2022	31 December 2021
Loans granted	1,530.2	1,088.3
Other non-current amounts receivable	-	0.1
Total	**1,530.2**	**1,088.4**
Less: loss allowance	-	-
Carrying amount	**1,530.2**	**1,088.4**

11.1 Expected credit losses of loans granted

As at 31 December 2022, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 11.2).

11.2 Loans granted

The parent company's loans granted as at 31 December 2022 comprised loans granted to the following subsidiaries:

EURm	31 December 2022	31 December 2021
Within one year (Note 17)	205.4	125.1
From 1 to 2 years	7.9	6.8
From 2 to 5 years	247.4	47.1
After 5 years	1,274.8	1,034.4
Carrying amount	**1,735.5**	**1,213.4**

As at 2022 December 31 granted loans with a variable interest rate was 85.9 million. EUR and with a fixed interest rate – 1,649.6 million. EUR.

Extension of the loan issued to UAB „Transporto valdymas"

Loan granted to subsidiary Transporto valdymas UAB was reclassified to non-current loans as on 2 February 2022 loan amendment was signed and the final repayment date changed to 30 June 2025.

New loan issued to AB „Energijos skirstymo operatorius"

On 20 April 2022 the parent company signed loan agreement for issuing EUR 73.0 million loan to AB „Energijos skirstymo operatorius".
The loan will be financed using the funds received from the European Investment Bank. Loan maturity date – 14 February 2038. The agreement does not include additional measures ensuring the fulfilment of obligations. The balance of loan as at 31 December 2022 is EUR 73.0 million.

On 26 August 2022 the parent company issued a long term loan to its subsidiary AB „Energijos skirstymo operatorius" with maximum withdrawal amount EUR 120.0 million and fixed interest rate. Loan maturity date – 19 April 2032. The purpose of the loan is investments in fixed assets and working capital needs. The balance of loan as at 31 December 2022 is EUR 120.0 million .

Cash-pool loan issued to AB „Ignitis gamyba"

On 12 May 2022 the parent company issued cash-pool loan to AB „Ignitis gamyba" with the limit of EUR 200.0 million for period till 12 May 2023. As at 31 December 2022 the loan's carrying amount was EUR 59.5 million.

Fair values of loans granted are presented in Note 20.

During the 12M of 2022 the parent company increased loans issued to its subsidiaries through the Group's cash-pool platform from EUR 106.2 million to EUR 197.5 million.

As at 31 December 2022, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (from here on further - ECL) was recognized

Other

On 1 February 2021 the parent company issued a long term loan to subsidiary UAB „Ignitis renewables" with maximum withdrawal amount EUR 293.0 million and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 205.0 million.

On 23 November 2021 the Company issued a long term loan to its subsidiary UAB „Ignitis" with maximum withdrawal amount EUR 300.0 million and fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 300.0 million.

12 Other receivables

EURm	31 December 2022	31 December 2021
Personal income tax receivable from bonds interest	0.9	-
Dividends receivable	-	100.5
Amount receivable on sale of LITGRID AB	-	84.1
Total	**0.9**	**184.6**
Less: loss allowance	-	-
Carrying amount	**0.9**	**184.6**

12.1 Amount receivable on sale of shares of LITGRID AB

In 2012, the shares of LITGRID AB held by the parent company were transferred to a newly established private limited liability company UAB „EPSO-G" in return for a certain consideration based on the market value of the shares established by independent valuers. According to the shares sale-purchase agreement UAB „EPSO-G" had to repay debt to the parent company for the shares of LITGRID AB acquired in 30 September 2012 until 30 September 2022. During the 12M of 2022 UAB „EPSO-G" has repaid total debt of EUR 84.1 million to the parent company.

13 Current loans

EURm	31 December 2022	31 December 2021
Cash-pool loans	197.5	106.2
Interest receivable on loans and issued guarantees	22.4	11.4
Current loans	-	11.0
Current portion of non-current loans	7.9	7.9
Total	**227.8**	**136.5**
Less: loss allowance	-	-
Carrying amount	**227.8**	**136.5**

As at 31 December 2022, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (hereinafter referred to as 'ECL') was recognized.

14 Other financial assets

EURm	31 December 2022	31 December 2021
Innovation KŪB „Fund Smart Energy Fund powered by Ignitis Group" (Note 4.2)	20.6	25.1
Carrying amount	**20.6**	**25.1**

15 Equity and reserves

15.1 Capital management

For the purpose of capital management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2022 and 2021, the parent company met requirements of capital regulation.

15.2 Issued capital

EURm	31 December 2022	31 December 2021
Authorised shares		
Ordinary shares	1,616.4	1,658.8
Ordinary shares issued and fully paid	**1,616.4**	**1,658.8**

As at 31 December 2022 parent company's issued capital comprised EUR 1,616.4 million (31 December 2021: 1,658.8 million) and was divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share (31 December 2021: 74,283,757 ordinary registered shares with EUR 22.33 value for a share).

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

	12M 2022	12M 2021
Number of authorised shares as at 1 January	**74,283,757**	**74,283,757**
Reduction of ordinary shares (Note 15.3)	(1,894,797)	-
Number of authorised shares as at 31 December	**72,388,960**	**74,283,757**

15.3 Reserves

At the ordinary general meeting of shareholders held on 29 March 2022 it was decided to form additional reserve of EUR 14.7 million for the acquisition of treasury shares in 2022. Treasury shares reserve can be dissolved only by the decision of the ordinary general meeting of shareholders.

On 19–27 April 2022 the parent company has conducted an acquisition of ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired on 29 April 2022, when the right of ownership transferred to the parent company. Shares purchase price EUR 15.30 per share, number of shares acquired 651,554 and total value of treasury shares acquired EUR 10.0 million. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 4.3 million which was recognised in retained earnings. 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 parent company has paid the difference to the Stabilization Manager.

As at 29 March 2022 the parent company transferred EUR 11.6 million to the legal reserve. The parent company's legal reserve as at 31 December 2022 was not fully formed.

15.4 Share capital reduction

On 9 August 2022 parent company's share capital was reduced by annulling the ORS acquired by the parent company in relation to the stabilisation that occurred after the initial public offering (hereinafter referred to as 'IPO') of 5 October 2020. During the reduction of the parent company's share capital, 1,894,797 units of the parent company's ORS with a nominal value of EUR 22.33 each, which were acquired by the parent company itself, were annulled. The total nominal value of the annulled ORS is EUR 42.4 million. Accordingly, the parent company's share capital decreased from EUR 1,658.8 million to EUR 1.616.4 million and the total number of ORS decreased from 74,283,757 units to 72,388,960 units.

Due to the reduction of the parent company's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the parent company's IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania implementing the shareholder's will, i.e. the Ministry of Finance of the Republic of Lithuania) whose securities portfolio currently amounts to 74.99% (increased from 73.08%).

16 Loans and bonds

EURm	31 December 2022	31 December 2021
Non-current		
Bonds issued	890.1	888.5
Bank loans	223.0	-
Current		
Accrued interest	9.8	9.1
Total loans and bonds	**1,122.9**	**897.6**

For the 12M of 2022 expenses related to interest on the issued bonds totalled EUR 19.2 million (for the 12M of 2021: EUR 19.2 million). The accrued amount of coupon payable as at 31 December 2022 amounted to EUR 9.8 million (31 December 2021: EUR 9.1 million).

Bonds by maturity:

EURm	31 December 2022	31 December 2021
From 1 to 2 years	150.0	-
From 2 to 5 years	297.0	-
After 5 years	666.1	888.5
In total	**1,113.1**	**888.5**

Loans and bonds are denominated in euros.

During the 12M of 2022 the parent company borrowed EUR 73.0 million according to the long-term loan contract with European Investment bank signed on 21 September 2020. The loan is intended for the implementation of IT solutions for smart meters and their data collection and management. Maturity of the loan is 14 February 2038, interests rate is fixed. The balance of loan as at 31 December 2022 is EUR 73.0 million.

On 23 August 2022 the parent company borrowed EUR 150.0 million according to the long-term loan contract with banks SEB AB and SEB AS. The loan was used to refinance subsidiary's loan and for working capital. Maturity of the loan is 23 August 2024, interests rate is variable. The balance of loan as at 31 December 2022 is EUR 150.0 million.

During the 12M of 2022 the parent company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current liabilities could be changed.

As at 31 December 2022 the parent company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 269.0 million.

17 Net debt

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

Net debt balances:

EURm	31 December 2022	31 December 2021
Cash and cash equivalents	(24.8)	(125.3)
Non-current loans and bonds payable after one year	1,113.1	888.5
Current loans and bonds payable within one year (including overdraft and accrued interest)	9.8	9.1
Lease liabilities	16.0	17.8
Net debt	**1,114.1**	**790.1**

Reconciliation of the parent company's net debt balances cash flows from financing activities:

	Assets	Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2022	**(125.3)**	**16.0**	**1.8**	**888.5**	**9.1**	**790.1**
Cash changes						
(Increase) decrease in cash and cash equivalents	100.5	-	-	-	-	**100.5**
Proceeds from loans	-	-	-	223.0	-	**223.0**
Lease payments	-	-	(1.7)	-	-	**(1.7)**
Interest paid	-	-	(0.3)	-	(19.2)	**(19.5)**
Non-cash changes						
Accrual of interest payable	-	-	0.2	1.6	19.9	**21.7**
Reclassifications between items	-	(1.8)	1.8	-	-	**-**
Net debt at 31 December 2022	**(24.8)**	**14.2**	**1.8**	**1,113.1**	**9.8**	**1,114.1**

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18 Contingent liabilities and commitments

18.1 Guarantees issued and received by the parent company

18.1.1 Issued guarantees related to loans

The parent 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 2022	31 December 2021
UAB Vilniaus kogeneracinė jėgainė	European Investment Bank	05/12/2016	07/04/2037	190.0	135.4	139.6
Pomerania Wind Farm sp. z o. o.	European Investment Bank	09/03/2020	31/12/2035	66.1	51.0	55.3
Pomerania Wind Farm sp. z o. o.	Nordic Investment Bank	14/10/2020	31/12/2035	29.7	29.7	32.2
Group companies	Group companies	25/05/2021	24/05/2022	-	6.0	68.0
UAB Kauno kogeneracinė jėgainė	"Swedbank", AB	31/05/2017	18/10/2022	59.0	-	56.1
UAB „VĖJO GŪSIS“	"Swedbank lizingas", UAB	29/01/2019	28/02/2022	9.3	-	0.3
				354.1	**222.1**	**351.5**

18.1.2 Other issued guarantees

The parent company has provided the following other guarantees:

Name of the company	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2022	31 December 2021
ALTIPLANO SA	Nordex Polska Sp.z.o.o.	28/12/2022	termless	153.7	-	-
UAB „Ignitis"	NASDAQ Clearing AB	25/08/2022	termless	140.0	-	-
UAB „Ignitis"	NASDAQ Clearing AB	24/05/2021	termless	110.0	-	3.5
UAB „Ignitis"	EQUINOR ASA	14/12/2022	20/01/2023	98.0	94.0	-
Pomerania Wind Farm sp. z o. o.	Nordex Polska Sp.z.o.o.	31/05/2019	termless	83.4	-	0.9
UAB "VVP Investment"	Nordex Lithuania GmbH	17/02/2021	termless	55.1	1.9	-
Silezia1 Wind Farm Sp. z o. o.	Nordex Polska Sp.z.o.o.	31/01/2022	termless	50.2	-	-
UAB „Ignitis"	AB „Energijos skirstymo operatorius"	29/09/2022	30/09/2023	36.0	31.0	-
UAB „Ignitis"	Mitsui Bussan Commodities (France) SA	22/11/2022	31/01/2025	30.0	-	-
UAB „Ignitis renewables"	AB SEB bankas	10/08/2022	09/08/2025	28.0	28.0	-
UAB „Ignitis"	MACQUARIE BANK EUROPE DAC	17/06/2022	31/03/2023	25.0	-	-
Moray West Offshore Wind Farm	NEXANS NORWAY AS	27/10/2022	termless	8.6	-	-
UAB "Ignitis"	AB „Klaipėdos nafta"	18/10/2022	31/01/2024	8.5	1.1	-
Moray West Offshore Wind Farm	Barclays Bank PLC	22/07/2022	31/03/2023	7.3	-	-
UAB „Gamybos optimizavimas"	AB „Ignitis gamyba"	01/01/2020	30/06/2023	5.0	-	-
Moray West Offshore Wind Farm	Siemens Gamesa Renewables Energy Limited	08/09/2021	31/12/2025	2.1	-	-
Ignitis Polska Sp. z o.o.	Polskie Górnictwo Naftowe i Gazownictwo SA	10/11/2022	31/12/2023	1.9	-	-
Moray West Offshore Wind Farm	Engie UK Markets Limited	21/04/2021	termless	1.2	-	-
UAB „VVP Investment"	"Swedbank", AB	11/10/2019	01/08/2023	0.9	0.9	0.9
Moray West Offshore Wind Farm	Engie UK Markets Limited	20/07/2022	01/05/2025	0.5	-	-
UAB „Transporto valdymas"	AB SEB bankas	20/12/2022	18/02/2024	0.4	-	-
Moray West Offshore Wind Farm	GARDLINE Limited	19/07/2022	01/03/2023	0.4	-	-
				846.2	**156.9**	**5.3**

[1] Amount which should be covered by the Company in case entity could not perform its obligations as at 31 December 2022.

New significant guarantees issued

On 28 December 2022 the parent company has issued guarantee for its subsidiary Altiplano S.A. as Altiplano S.A. 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 parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 25 August 2022 the guarantee was provided to guarantee performance obligations of subsidiary UAB „Ignitis" related with clearing services provided by NASDAQ Clearing AB.

The parent company has issued guarantee for its subsidiary UAB „Ignitis" for the market risk exposure related to trading activities performed on NASDAQ platform. Subsidiary performs electricity-related trading of financial derivatives for hedge accounting purposes. Guarantee was issued due to increased trading activity on NASDAQ platform.

On 14 December 2022 the parent company has issued a guarantee in favour of Equinor ASA for EUR 98 million. The guarantee is provided to guarantee performance obligations of subsidiary.

The parent 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 parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

The parent company has issued guarantee for its subsidiary UAB „VVP Investments" as UAB „VVP Investments" 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 parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 31 January 2022 the parent company has issued guarantee for its subsidiary Silezia1 Wind Farm Sp. z o. o. as Silezia1 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 parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 29 September 2022 the parent company has issued a guarantee in favour of AB „Energijos skirstymo operatorius" for EUR 36 million. The guarantee is provided to guarantee performance obligations of subsidiary.

On 22 November 2022 the parent company has issued a guarantee in favour of Mitsui Bussan Commodities (France) SA for EUR 30 million. The guarantee is provided to guarantee performance obligations of subsidiary. Guarantee maturity date is 31 January 2025. This new guarantee replaces the 13 September 2022 issued guarantee to the same recipient (Mitsui Bussan Commodities (France) SA).

On 10 August 2022 the parent company has issued a guarantee in favour of SEB bank AB for EUR 28.0 million. The guarantee is provided to guarantee performance obligations of subsidiary UAB „Ignitis renewables" related with financing provided by SEB bank AB.

On 17 June 2022 the parent company has issued a guarantee in favour of MACQUARIE BANK EUROPE DAC for EUR 25 million. The guarantee is provided to guarantee performance obligations of subsidiary UAB „Ignitis" related with derivatives trading activities provided by MACQUARIE BANK EUROPE DAC.

On 27 October the parent company has issued a guarantee in favour of Nexans Norway AS for GBP 7.7 million (EUR 8.6 million). The guarantee is provided to guarantee performance obligations of Moray West Offshore Wind Farm. Guarantee maturity date is not defined.

On 18 October 2022 the parent company has issued a guarantee in favour of AB „Klaipėdos nafta" for EUR 8.5 million. The guarantee is provided to guarantee performance obligations of subsidiary. Guarantee maturity date is 31 January 2024.

On 22 July 2022 the parent company has issued a guarantee in favour of Barclays Bank PLC for EUR 7.3 million. The guarantee is provided to guarantee performance obligations of Moray West Offshore Wind Farm.

Comfort letters provided

The parent company issued a confirmation letters for AB „Energijos skirstymo operatorius", UAB „Ignitis grupės paslaugų centras", UAB „VVP investment", UAB Vilniaus kogeneracinė jėgainė (Note 21.1).

18.2 Litigations

During the 12M of 2022 there were no significant changes in litigations reported in annual financial statements for 2021 or new significant litigations.

18.3 Evaluation of Russia's invasion of Ukraine on Company's financial statements

The parent company has evaluated current and, to the extent possible, expected impact of Russia's invasion of Ukraine on the financial position, performance, cash-flows and the principal risks and uncertainties to which the parent company is exposed. As the parent company does not have any operations in the affected markets and does not have subsidiaries in the affected markets, the management of the parent company has concluded that:

- no expected credit losses adjustments should be made as parent company does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- no significant impact to the budgets and cashflows of subsidiaries. Accordingly, no significant impact to the carrying amounts of investments into subsidiaries;
- the situation does not have impact on parent company's ability to continue as a going concern.

As to the above no significant impact of Russia's invasion of Ukraine on parent company's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, impact of the Russia's invasion of Ukraine on the business of the Group companies is being constantly reviewed.

19 Related party transactions

The parent company's transactions with related parties during the period and period-end balances arising on these transactions are presented below:

Related parties, EURm	Accounts Receivable 31 December 2022	Loans Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 12M 2022	Purchases 12M 2022	Finance income/ (cost) 12M 2022
Subsidiaries	0.8	1,757.9	0.4	3.0	2.4	40.9
UAB "EPSO-G"	-	-	-	-	-	0.1
Total	**0.8**	**1,757.9**	**0.4**	**3.0**	**2.4**	**41.0**

Related parties, EURm	Accounts Receivable 31 December 2021	Loans Receivable 31 December 2022	Accounts Payable 31 December 2021	Sales 12M 2021	Purchases 12M 2021	Finance income/ (cost) 12M 2021
Subsidiaries	100.9	1,224.7	0.7	3.2	1.9	22.3
UAB "EPSO-G"	84.1	-	0.1	-	-	0.3
Total	**185.0**	**1,224.7**	**0.8**	**3.2**	**1.9**	**22.6**

The parent company's dividend income received from subsidiaries during the 12M of 2022 is disclosed in Note 6.

As at 31 December 2022 the Company has issued guarantees for financial loans to its subsidiaries (Note 18.1)

Loans provided to subsidiaries are disclosed in Notes 11.2 and 13.

19.1 Compensation to key management personnel

EURm	12M 2022	12M 2021
Wages and salaries and other short-term benefits to key management personnel	1.1	1.0
Whereof:		
Short-term benefits	1.0	0.8
Termination benefits	0.1	-
Share-based payment expenses	-	0.2
Number of key management personnel	12	12

In 2022 and 2021 members of Board, Supervisory board and Chief Executive Officer are considered to he parent company's key management personnel. For more information on the key management personnel, see the 'Governance report.

20 Fair values of financial instruments

Financial instruments, measured at fair value

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

As at 31 December 2022 and 31 December 2021, the parent company has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The fair value measurement of this financial asset is based on investment rounds. Fair value of this financial asset will change depending on future investment rounds or other significant events.

Financial instruments for which fair value is disclosed

The carrying amount of the parent company's short-term financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts, debt liabilities to commercial, state-owned banks and loans granted. The measurement of financial instruments related to the loans and bonds issued is attributed to Level 2, of the fair value hierarchy.

As at 31 December 2022 and 31 December 2021, the fair value of the parent company's amounts receivable related to loans receivable from the subsidiary AB „Energijos skirstymo operatorius" is estimated by discounting cash flows with market interest applied for similar period bond. Market interest rate for certain bond issues is determined as bond yields for certain issued bonds. Cash flows were discounted using an average discount rate of 5.01% (31 December 2021: 2.90%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

Fair value of loans granted is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 4.80% as at 31 December 2022 (31 December 2021: 2.76%). The measurement of financial liabilities related to the loans granted is attributed to Level 2 of the fair value hierarchy.

The parent company's bond issue debt (Note 16) 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 5.01% as at 31 December 2022 (31 December 2021: 2.90%). Discount rates for certain bond issues are determined as bond yields for certain issued bond. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The parent company's fair value of debt liabilities to commercial and state-owned banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 4.80%. The measurement of financial liabilities related to debt liabilities to commercial and state-owned banks is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2022:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at FVPL						
Assets						
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"	14	**20.6**	-	-	20.6	28.5
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary AB „Energijos skirstymo operatorius"	11.2	**624.6**	-	535.9	-	**535.9**
Loans granted to other Group companies	11.2, 13	**1,131.0**	-	1,001.2	-	**1,001.2**
Liabilities						
Bonds issued	16	**899.3**	-	774.3	-	**774.3**
Debt liabilities to commercial banks	16	**150.1**	-	145.9	-	**145.9**
Debt liabilities to state-owned banks	16	**73.6**	-	44.0	-	**44.0**

21 Events after the reporting period

21.1 Comfort letters provided

On 20 February 2023, the parent company has provided comfort letter to AB „Energijos skirstymo operatorius", (hereinafter referred to as 'ESO'), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to ESO at least for the next twelve months from the date of this letter, to enable ESO to continue to trade and to meet its obligations (31 December 2022 ESO's short term liabilities exceeded short term assets by EUR 95.7 million). The parent company does not expect that there will be need of material support to ESO or that loss will be incurred by the parent company due to activities of ESO.

On 20 February 2023, the parent company has provided comfort letter to UAB „Ignitis grupės paslaugų centras" (hereinafter – GSC), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to GSC at least for the next twelve months from the date of this letter, to enable GSC to continue to trade and to meet its obligations (31 December 2022 GSC's short term liabilities exceeded short term assets by EUR 6.0 million). The parent company does not expect that there will be need of material support to GSC or that loss will be incurred by the parent company due to activities of GSC.

On 20 February 2023, the parent company has provided comfort letter for a Group company indirectly controlled by the parent company UAB „VVP investment" (hereinafter – VVP), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to VVP at least for the next twelve months from the date of this letter, to enable VVP to continue to trade and to meet its obligations (31 December 2022 VVP's short term liabilities exceeded short term assets by EUR 1.3 million). The parent company does not expect that there will be need of material support to VVP or that loss will be incurred by the parent company due to activities of VVP.

On 20 February 2023, the parent company has provided comfort letter for UAB Vilniaus kogeneracinė jėgainė (hereinafter – VKJ), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to VKJ at least for the next twelve months from the date of this letter, to enable VKJ to continue to trade and to meet its obligations (31 December 2022 VKJ's short term liabilities exceeded short term assets by EUR 24.4 million). The parent company does not expect that there will be need of material support to VKJ or that loss will be incurred by the parent company due to activities of VKJ.

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

5.3 Information on the auditor

Overview

There were no changes in the Group's independent auditor during 2022. Since the appointment by the parent company's Annual General Meeting of Shareholders on 27 September 2021, the Group's independent auditor was "KPMG Baltics", UAB (KPMG). Based on the concluded agreement, KPMG audited the parent company's financial statements, the Group's consolidated financial statements and the Group companies financial statements for the years of 2021 and 2022. Before KPMG, the independent auditor of the Group was UAB "Ernst & Young Baltic" which audited the parent company's, the Group's consolidated financial statements and the Group companies financial statements for the period over 2019–H1 2021.

Taking into the consideration the term end of the agreement with KPMG, a new public tender for the audit of the parent company's financial statements, the Group's consolidated financial statements and the Group companies financial statements was announced in July 2022, during which the audit companies were invited to submit their offers. Finally, we expect to finalise the tender procedures in Q1 2023 and the new independent auditor for the 5 year term (for the years 2023-2027) is expected to be appointed by the parent company's General Meeting of Shareholders in H1 2023.

Worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The key criteria of implementing public tenders is to ensure competitiveness and accordingly the only specific audit selection criteria eligible to be included is an experience in auditing energy sector companies. Finally, the whole audit selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of Shareholders of the parent company and subsequently by the General Meeting of Shareholders of each Group company.

Independent auditors and financial period during which audit services have been provided

2021–2022	2019–H1 2021
"KPMG Baltics", UAB Lvovo St. 101 LT–08104, Vilnius, Lithuania	UAB "Ernst & Young Baltic" Aukštaičių St. 7 LT–11341, Vilnius, Lithuania

Services and fees

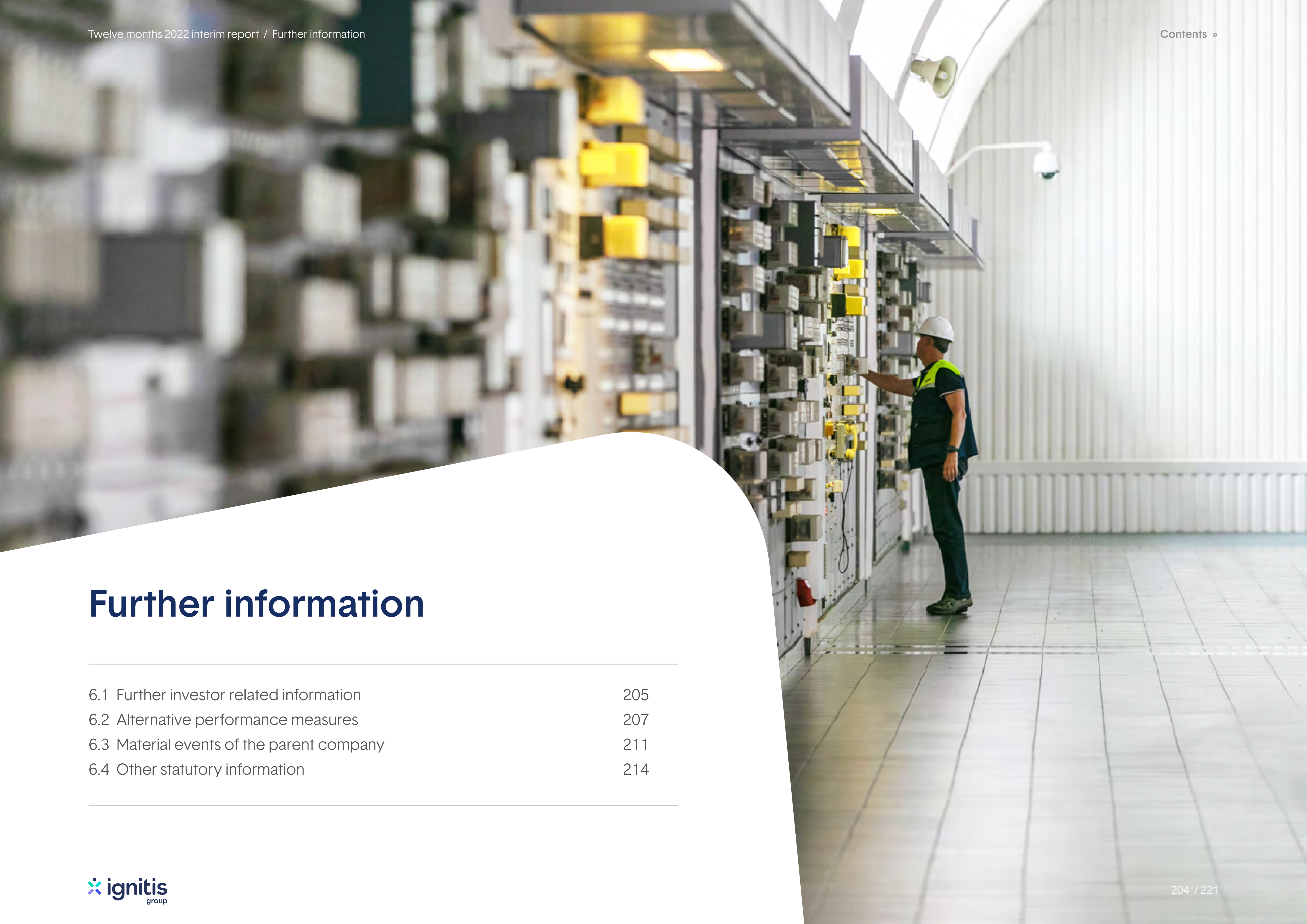
During the period of 2021–2022, the following services have been provided to the Group by the independent auditors and its international partners.

Based on the Group's policy the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit Committee of the parent company.

Independent auditor's services and expenses incurred for the indicated period, thousand EUR

	2022 (KPMG)	2021 (KPMG)	2021 (EY)
Statutory audit	567	515	40
Interim financial statement audits	26	33	21
Other[1]	45	93	-
Total	**638**	**641**	**61**

[1] *Other services mainly consists of mergers and acquisitions related services.*



Further information

ignitis group

6.1 Further investor related information

In addition to the information provided in section '1.6 Investor information', we provide further details about our ordinary registered shares, GDRs and bonds below.

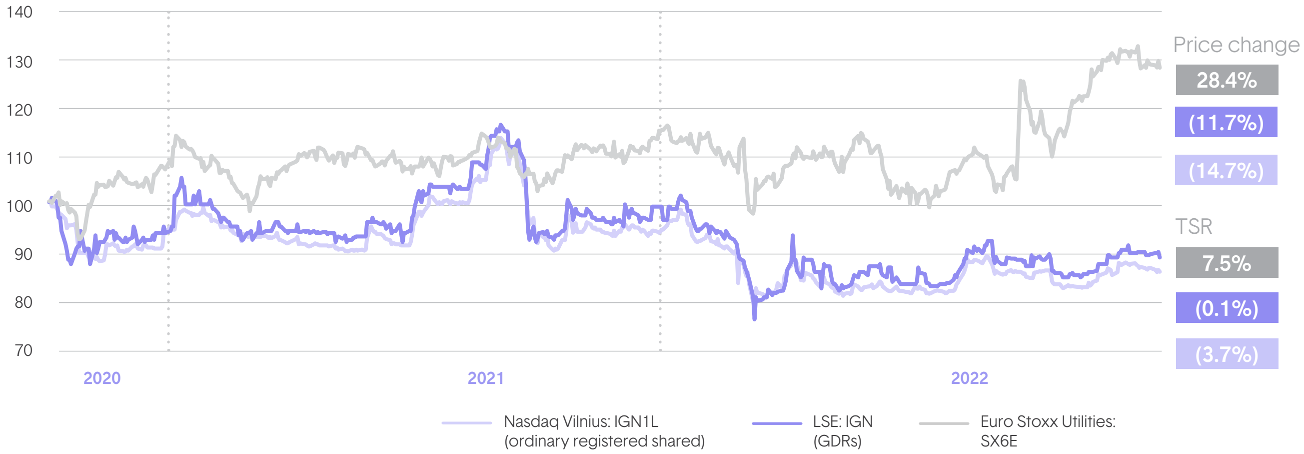
On this page the overview of ordinary registered shares and GDRs trading data is provided during the period since the Group's IPO on 7 October 2020 till the end of the reporting period on 31 December 2022.

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	17.56 (7 Mar 2022)	16.00 (8 Mar 2022)	16.00
Period VWAP[2], EUR	19.21	18.44	18.94
Period end[1], EUR	19.02	18.80	-
Period Annual turnover (average daily), EURm	260.41 (0.5)	227.53 (0.5)	487.94 (1.0)

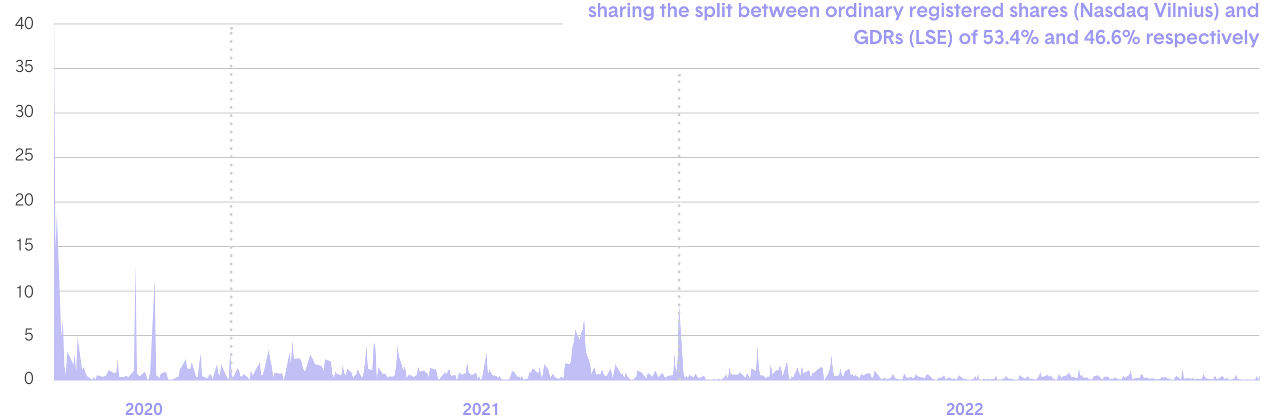
[1] *As of closing trading market price.*
[2] *Weighted average volume price.*
[3] *Indexed at 100.*
[4] *Combined date of ordinary registered shares and GDRs.*

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 487.94 mln., sharing the split between ordinary registered shares (Nasdaq Vilnius) and GDRs (LSE) of 53.4% and 46.6% respectively



Bonds

As of 31 December 2022, 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+

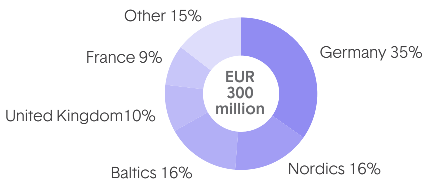
2018 issue

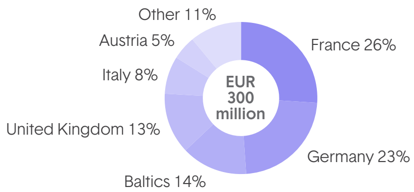
Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	1.875%
Maturity date	10 July 2028
ISIN-code	XS1853999313
Credit rating	BBB+

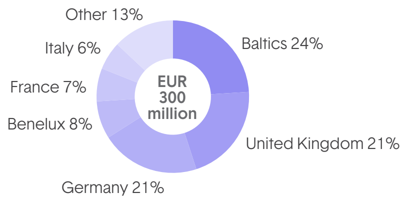
2020 issue

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 (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) from trading on the Baltic Main List (the last trading day was on 30 June 2020).

Following the mandatory buy-out procedures of ESO and Ignitis Gamyba 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 details of payment for shares, is available on our website.

6.2 Alternative performance measures

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted EBIT	Adjusted EBITDA - depreciation and amortization 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 amortization expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets except significant one-off items (if any).	Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT.
Adjusted EBIT margin	Adjusted EBIT / Total revenues and other income + management adjustments (for revenues)	Profitability ratio, which shows Adjusted EBIT as a percentage of revenue	The higher the indicator value, the higher the profitability of the Group.
Adjusted EBITDA	EBITDA + temporary regulatory differences + result of asset rotation + significant one-off gains or losses	EBITDA after eliminating items, which are nonrecurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA.
Adjusted EBITDA margin	Adjusted EBITDA / Total revenues and other income + management adjustments (for revenues)	Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency.
Adjusted net profit	Adjusted EBIT + financial income – financial expenses - current year income tax expenses – deferred income tax expenses - adjustments' impact on income tax	Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance.
Adjusted net profit margin	Adjusted net profit / Total revenues and other income + management adjustments (for revenues)	Profitability ratio, which shows Adjusted net profit as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency.
Adjusted return on equity (Adjusted ROE)	Adjusted net profit / Average equity at the beginning and end of the reporting period	Profitability ratio of Adjusted net profit in relation to equity.	Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits.
Asset turnover	Total revenues and other income / Average assets at the beginning and end of the reporting period	Efficiency ratio, which measures revenues relative to total assets.	The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Capital employed	Net debt + Equity	Value of all the assets used by the Group to generate earnings.	The indicator is used to determine the return on the Group's assets as well as how effective management is at employing capital
Current ratio	Current assets at the end of the period / Current liabilities at the end of the period	Liquidity ratio, which shows how many times current assets cover current liabilities.	Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position.
Dividend pay-out	Total proposed dividend for the reporting period / Number of ordinary nominal shares at the end of dividend pay-out period	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 / Weighted average numbers of nominal shares for the reporting period	Profitability ratio, which shows proposed dividends for the period attributable to one ordinary nominal share.	The higher the indicator value, the higher the profitability attributable to one security for the period.
Dividend yield	DPS / Ordinary registered shares 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 of the period attributable to equity holders of the parent company / Weighted average numbers of nominal shares for 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	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	EBIT – earnings before interest and tax expenses are deducted.	Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortization expenses.
EBIT margin	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.

Indicator	Formula	Definition	Meaning and interpretation of indicator
EBITDA	Total revenue and other income - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses	EBITDA – earnings before interest, taxes, depreciation, and amortisation.	Profit measure used as a proxy for operating cash flow.
EBITDA margin	$\frac{\text{EBITDA}}{\text{Total revenues and other income}}$	Profitability ratio, which shows EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Leverage ratio, which shows the proportion of the total assets financed by equity.	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities.
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 + Loans granted + Prepayments for property, plant, and equipment - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets	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	Non-current borrowings payable after one year + Current borrowings payable within one financial year (including accrued interest) + Bank overdrafts + Lease liabilities - Cash and cash equivalents	Net debt of the Group is the total debts to financial institutions, issued bonds and related interest payables and lease liabilities, 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.

Indicator	Formula	Definition	Meaning and interpretation of indicator
OPEX	Salaries and related expenses + repair and maintenance expenses + other expenses - energy hedging	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)	Net profit (loss) / Average assets at the beginning and end of the reporting period	Profitability ratio, which shows how well the Group employs its total assets.	This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets.
Return on Capital Employed (ROCE)	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.
Taxonomy CAPEX	Additions and acquisitions through business combinations of property, plant and equipment, intangible assets and investment property + additions of right-of-use assets	Capital expenditures calculated as defined by the EU Commission Delegated Regulation 2178/2021.	This indicator shows capital expenditures related with additions and acquisitions through business combinations of property, plant and equipment, intangible assets and investment property as well as additions of right-of-use assets and is used to calculate capital expenditure KPI under the EU Taxonomy.
Taxonomy OPEX	Repair and maintenance expenses + short-term lease expenses + IT maintenance expenses	Operational expenses calculated as defined by the EU Commission Delegated Regulation 2178/2021 (including differences described in section '5.9 Sustainability governance and other disclosures').	This indicator shows costs related to maintenance and repair, short-term lease, IT maintenance expenses and is used to calculate operating expenditure KPIs under the EU Taxonomy.
Net working capital	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - other current financial assets - short term interest receivables – prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of 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 + current portion of deferred revenue related to new customers connection and upgrade fees + derivative financial instruments liabilities + current provision + dividends payable	Net working capital shows the amount of capital, other than that used for investing in noncurrent 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.

6.3 Material events of the parent company

During the reporting period

Date	Event
30 December	On the ancillary services for ensuring isolated regime of the electricity system in 2023
29 December	On the signed agreement to acquire solar projects in development in Latvia
22 December	Ignitis Group wind farm secured incentive tariff in Poland
22 December	On the tentative award of a Polish capacity mechanism auction for 2027 to Ignitis Gamyba
21 December	Lithuanian Government passed additional resolutions regarding energy price compensations
15 December	Regarding the impact of electricity price cap on Ignitis Group
15 December	Ignitis Group received international recognition for its environmental efforts and related disclosures
14 December	Lithuanian Government passed a resolution to extend the energy price compensations for consumers
25 November	Ignitis Group acquires wind farm project in Lithuania
23 November	A new CEO of AB "Energijos skirstymo operatorius" has been appointed
22 November	Interim report for the first nine months of 2022: strong Green Generation performance but ongoing challenges on net working capital
15 November	Ignitis Group to present 9M 2022 results on 22 November
8 November	Ignitis Group's financial calendar 2023
25 October	Regarding the intention of AB „Ignitis grupė" to take credit line of EUR 120 million
18 October	Regarding Networks segment income level of electricity distribution for 2023
30 September	Ignitis Group acquires onshore wind farm project in Poland
29 September	Resolutions of Extraordinary General Meeting of AB „Ignitis grupė" shareholders
13 September	UPDATE: Regarding the supplementation of the agenda of the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė" and draft resolutions on the items set out on the agenda
8 September	Regarding an opinion of AB „Ignitis grupė" Supervisory Board for the Extraordinary General Meeting of Shareholders
6 September	Regarding the intention of AB „Ignitis grupė" to take credit line of EUR 75 million
6 September	On the signed agreement to acquire wind and solar project in development in Latvia
23 August	Correction: Notice on convening the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė"
23 August	Notice on convening the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė"
23 August	Interim report for the first half year of 2022: strong Green Generation performance but challenges on net working capital
18 August	Ignitis Group refutes the public statements of a Parliament member about losses
17 August	On the appointment of interim CEO of AB "Energijos skirstymo operatorius"
16 August	Regarding the intention of AB „Ignitis grupė" to take credit lines of EUR 224 million
16 August	Governance of AB „Ignitis grupė" subsidiaries is optimised
16 August	Ignitis Group to present H1 2022 results on 23 August

9 August	Information on the completed reduction of AB „Ignitis grupė" share capital
9 August	Information on the annulment of AB „Ignitis grupė" own ordinary registered shares
9 August	Vilnius CHP received a favourable arbitration ruling in the case on biomass unit construction
15 July	The Supreme Court of Lithuania accepted for consideration the cassation appeal regarding the price for ESO's shares
14 July	Ignitis Group secured grid connection capacity for 252 MW solar park in Lithuania
27 June	On the resignation of CEO of AB "Energijos skirstymo operatorius" Mindaugas Keizeris
9 June	On compensation for increased energy prices for customers and on the approved prices of public supply of electricity and natural gas for private customers
2 June	The remaining stabilised securities of AB „Ignitis grupė" have been sold in the market
24 May	Resolutions of Extraordinary General Meeting of AB „Ignitis grupė" shareholders
19 May	Interim report for the first quarter of 2022: growth driven by Green Generation
13 May	On the compensation for consumers due to increasing energy prices
12 May	Ignitis Group to present Q1 2022 results on 19 May
3 May	Notice on convening the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė"
27 April	AB „Ignitis grupė" completed an acquisition of its own ordinary registered shares
22 April	Vilnius District Court dismissed the case on the incentive share options programme for employees of AB „Ignitis grupė"
13 April	On the decision of AB „Ignitis grupė" Management Board regarding the acquisition of own ordinary registered own shares
5 April	Regarding the intention of AB „Ignitis grupė" to conclude internal loan agreement of EUR 73 million with AB "Energijos skirstymo operatorius"
4 April	Regarding the plan of the government of the Republic of Lithuania to compensate consumers for the increase in energy commodity prices
30 March	The Court ruled that the price paid for ESO's shares during the mandatory buyout is correct
29 March	Resolutions of Ordinary General Meeting of AB "Ignitis grupė" shareholders
23 March	Regarding the intention of AB „Ignitis grupė" subsidiary UAB Kauno kogeneracinė jėgainė to take a loan of EUR 110 million
18 March	Regarding the resolutions of AB „Ignitis grupė" Supervisory Board for General Meeting
14 March	Update: Regarding the supplementation of the agenda of the Ordinary General Meeting of Shareholders of AB Ignitis grupė and draft resolutions on the issues provided for in the agenda
14 March	Regarding the intention of AB „Ignitis grupė" subsidiary UAB "Ignitis" to take a loan up to EUR 150 million
8 March	Notice on convening the Ordinary General Meeting of Shareholders of AB „Ignitis grupė"
3 March	Notice on the contract concluded by the person discharging managerial responsibilities regarding AB „Ignitis grupė" financial instruments
28 February	Correction: Regarding the intention of AB „Ignitis grupė" subsidiary UAB "Ignitis" to take a loan up to EUR 150 million
28 February	Regarding the intention of AB „Ignitis grupė" subsidiary UAB "Ignitis" to loan up to EUR 150 million
28 February	Strategic Plan 2022–2025 of AB „Ignitis grupė" has been approved
28 February	2021 m. metinis pranešimas: dvigubas Žaliosios gamybos augimas ir ASV iniciatyvų įvertinimas
28 February	Annual report 2021: twofold Green Generation increase, recognition of ESG excellence
28 February	Interim report for the twelve months of 2021
22 February	Chief Executive Officer of Ignitis Renewables has been appointed
21 February	Ignitis renewables terminated agreement to acquire portfolio of solar PV projects under development in Poland

21 February	Ignitis Group to present full-year 2021 results and 2022–2025 Strategic Plan on 28 February
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"

After the reporting period

Date	Event
9 February	An expert's report should be ordered in ESO share price case
13 January	On the enforcement of Lithuanian Government's resolution to continue energy price compensation for business customers
10 January	On the award of a Polish capacity mechanism auction for 2027 to Ignitis Gamyba

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6.4 Other statutory information

The interim report provides information to the shareholders, creditors and other stakeholders of AB „Ignitis grupė" (the parent company) about the parent company's and its controlled companies', which together are called group of companies (the Group or Ignitis Group), operations for the period of January–December 2022.

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), the Law on Consolidated Financial Reporting of the Republic of Lithuania (link in Lithuanian) and Listing Rules of Nasdaq Vilnius.

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 Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

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.

Information about the auditor

Information about the auditor, including remuneration for the services provided, is available in the section '6.3 Information on the auditor'.

Information on delisted companies

Since September 2021, the parent company owns 100% of shares of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation). More information about delisted companies, including the details of payment for shares, is available in the section '7.1 Further investor related information' and on our website.

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
Adjusted EBITDA	EBITDA after eliminating items, which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period
Advanced development Pipeline	Projects which have access to the electricity grid secured through preliminary grid connection agreement (agreement signed and grid connection fee has been paid). For offshore wind it also includes projects where public seabed auction has been won, but the grid connection has not yet been secured.
AML	Anti Money Laundering
APM	Alternative performance measure (link)
Awarded / contracted	Projects with one of the following: (i) awarded in government auctions and tenders (incl. CfD, FiP, FiT, seabed with grid connection), or (ii) for which offtake is secured through PPA or similar instruments (total secured offtake through PPA and other instruments should cover at least 50% of the annual expected generation volume of the asset).
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	Indicative prices giving the difference between the combined cost of gas and emissions, and the equivalent price of electricity
CO2	Carbon dioxide
COD (commercial operation date)	The date at which the asset passed a final performance test (commissioned) and the legal liability from the supplier has been transferred to the Group. The asset has been given with permission from competent authority to operate at full power and sell electricity in the market.
CPI	Consumer Price Index
E	Electricity
Early development Pipeline	Projects of planned capacity higher than 50 MW with substantial share of land rights secured.
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
EMIT	European Market Infrastructure Regulation
Energijos Tiekimas	Energijos Tiekimas UAB
Enepro	UAB Energetikos paslaugų ir rangos organizacija
eNPS	Employee Net Promoter Score
EPS	Earnings per share
EPSO-G	EPSO-G is a state-owned group of energy transmission and exchange companies. It consists of the parent management company EPSO-G, five directly owned companies Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells and the indirectly controlled GET Baltic.
ESG	Environmental, social and corporate governance
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
Final investment decision (FID)	Relevant governance body decision to make significant financial commitments related to the project
FiT	Feed-in Tariff
FIP	Feed-in premium – fixed premium to the electricity market price
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
GDPR	General Data Protection Regulation
GDR	Global depositary receipt
GHG	Greenhouse Gas
Green electricity generated (net)	Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant)
Green Generation Portfolio	All Green Generation projects of the Group, which include: (i) secured capacity, (ii) advanced development pipeline and (iii) early development pipeline
Green share of generation,%	Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group
GRI	Global Reporting Initiative
Group or Ignitis Group	AB „Ignitis grupė" and its controlled companies
Gross capacity	Total generation capacity, independently from actual/planned share of ownership, if the actual/ planned ownership share is 51% or above
GW	Gigawatt
Heat generated (net)	Heat sold in CHP plants, biomass plants
Hydro power	Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant
IFRS	International Financial Reporting Standards
Ignitis	„Ignitis" UAB (former Lietuvos energijos tiekimas and Energijos tiekimas)
Ignitis Eesti	Ignitis Eesti OÜ

Ignitis Gamyba	AB „Ignitis gamyba"
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska sp. z o.o.
Ignitis Renewables	UAB „Ignitis renewables"
Installed capacity	Projects with commercial operation date (COD) achieved.
Investments	Acquisition of property, plant and equipment and intangible assets, acquisition of shareholdings
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")
Lietuvos Energijos Tiekimas	Lietuvos Energijos Tiekimas 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
LTM	Last twelve months
m	Million
MAR	Market Abuse Regulation
Mažeikiai	UAB „VVP Investment"
MCM	Million Cubic Meters

min	Minimum
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NERC	The National Energy Regulatory Council
Net capacity	Net effective generation capacity owned by the Group, if actual/ planned share of ownership varies from 51% to 100%.
Net debt/ Adjusted EBITDA	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned
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
NTP	Written authorization to the contractor to proceed with works or the acquisition of materials as agreed in the agreement
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating expenses
Parent company	AB „Ignitis grupė" (former „Lietuvos energija", UAB)
Pipeline	Portfolio, excluding installed capacity projects
PBM	Payment of the activities of Board member
Pomerania	Pomerania Wind Farm sp. z o. o.
PPA	Power purchase agreement
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 gas distribution, electricity supply of last resort, public supply of electricity, gas supply to residents of Lithuania and designated LNG supplier service, secondary reserve (till the end of 2020).
RES	Renewable energy sources
REMIT	Regulation of the European parliament on wholesale energy market integrity and transparency
ROCE	Return on Capital Employed
ROE	Return of Equity
ROI	Return on Investment
SAIDI	Average duration of unplanned interruptions in electricity or gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
Secured capacity	Green Generation projects under the following stages: (i) installed capacity, or (ii) under construction or (iii) awarded / contracted.
SOE	State-owned 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
Taxonomy-aligned	An economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852.
Taxonomy-eligible	An economic activity that is described in the delegated acts supplementing Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.
Taxonomy-non-eligible	Any economic activity that is not described in the delegated acts supplementing Regulation (EU) 2020/852.
Taxonomy CAPEX	Capital expenditures used for calculations under EU Taxonomy
Taxonomy OPEX	Operating expenditures used for calculations under EU Taxonomy
TCFD	Task Force on Climate-Related Financial Disclosures
TE-3	Vilnius Third Combined Heat and Power Plant
TRIR	Total Recordable Incident Rate
Tuuleenergia	„Tuuleenergia osaühing"
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UN	United Nations
Under construction	Project with building permits secured or permitting in process including one of following: (i) notice to proceed has been given the first contractor or (ii) final investment decision has been made.
UNGC	United Nations Global Compact
Units	Units
Vėjo Gūsis	UAB „VĖJO GŪSIS"
Vėjo Vatas	UAB „VĖJO VATAS"
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
Visagino atominė elektrinė	Visagino atominė elektrinė UAB
vs.	Versus
WACC	Weighted average cost of capital
WF	Wind farm
WtE	Waste-to-energy

Certification statement

Certification statement

23 February 2023

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB „Ignitis grupė", Jonas Rimavičius, Chief Financial Officer at AB „Ignitis grupė", and Giedruolė Guobienė, Head of Accounting at UAB "Ignitis grupės paslaugų centras", acting under Decision No 23_GSC_SP_0010 of 17 February 2023, hereby confirm that, to the best of our knowledge, AB „Ignitis grupė" interim condensed consolidated and the interim condensed parent company's financial statements for the twelve-month period ended 31 December 2022 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 the parent company's assets, liabilities, financial position, profit or loss and cash flows for the period, the Interim Report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

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

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ignitis group