ignitis group

# Interim report

## First nine months 2020

Consolidated interim report, condensed consolidated and the Company’s financial statements for the period ended 30 September 2020, prepared in accordance with IAS 34

# Contents

# Overview

# CEO's statement

## Vivid actions to seize tomorrow's opportunities

This is the first time we present our up to date results, after implementing the largest ever IPO in the Baltic States. As now being a Vilnius and London listed company, we even further aim to increase accountability and transparency to our shareholders and stakeholders. Starting with this report, in which the information on the financials, the most material events, completed projects and initiated new ones, which contribute to the further transformation of the Group, are described.

We are working to develop a more sustainable future and energy-smart world, for which we were acknowledged by the public and our partners when measuring annual Corporate Reputation Index, where demonstrated an impressive leap. We rose from the 33rd place of the rating to 12–13th – that is a record rise in the history of the Index.

Our attention to the environmental, social and governance issues was also noticed by Sustainalytics, the leading independent global provider of ESG and corporate governance research and ratings. Ignitis Group is ranked among the top 20% of the companies of similar business activities in the world.

We relentlessly contribute to the implementation of the strategy goals established in the long-term strategy of Ignitis Group, including the determination to remain the leader in the home market and further expansion of Green Generation capacity.

And this year, we progressed here quite substantially. In September, we reached an agreement to acquire the portfolio of solar farms developed in Poland with the total capacity of 170 MW. The agreement is the largest in Central Europe considering its development and acquisition volume.

We also chose Ocean Winds as our partner for the development of offshore wind farms. Together, we will not only aim to participate in the offshore wind farm auctions to be held in Lithuania in 2023, but also act as a minority partner in the development of Moray West wind farm in the east coast of Great Britain.

The third quarter was also exciting because of news from other projects under development. Kaunas CHP started its operations while Vilnius CHP concluded a 'hot' performance testing. We continued preparation works for the construction of the wind farm of 63 MW in Mažeikiai and 93 MW Pomerania WF in Poland. Finally, we significantly contributed to the development of solar electricity by completing the largest solar park project in Lithuania of 3 MW.

The previous quarter was especially important to the Group for several other reasons: we stepped into the Polish market of electricity and natural gas retail sales, concluded the mandatory buyout of shares of Ignitis Gamyba and ESO. Finally, we ensured sustainable return for our shareholders by updating the dividend policy under which the dividends will increase at least by 3% on a yearly basis.

I would like to thank every one of my colleagues for the meticulous work and constant improvement while creating value for all our shareholders every day. We will keep working for Ignitis Group to remain the forefront of the energy sector transformation.

**Darius Maikštėnas**
Chairman of the Board and the CEO
AB Ignitis Grupė

# Ignitis Group – a sustainable energy leader in the Baltics

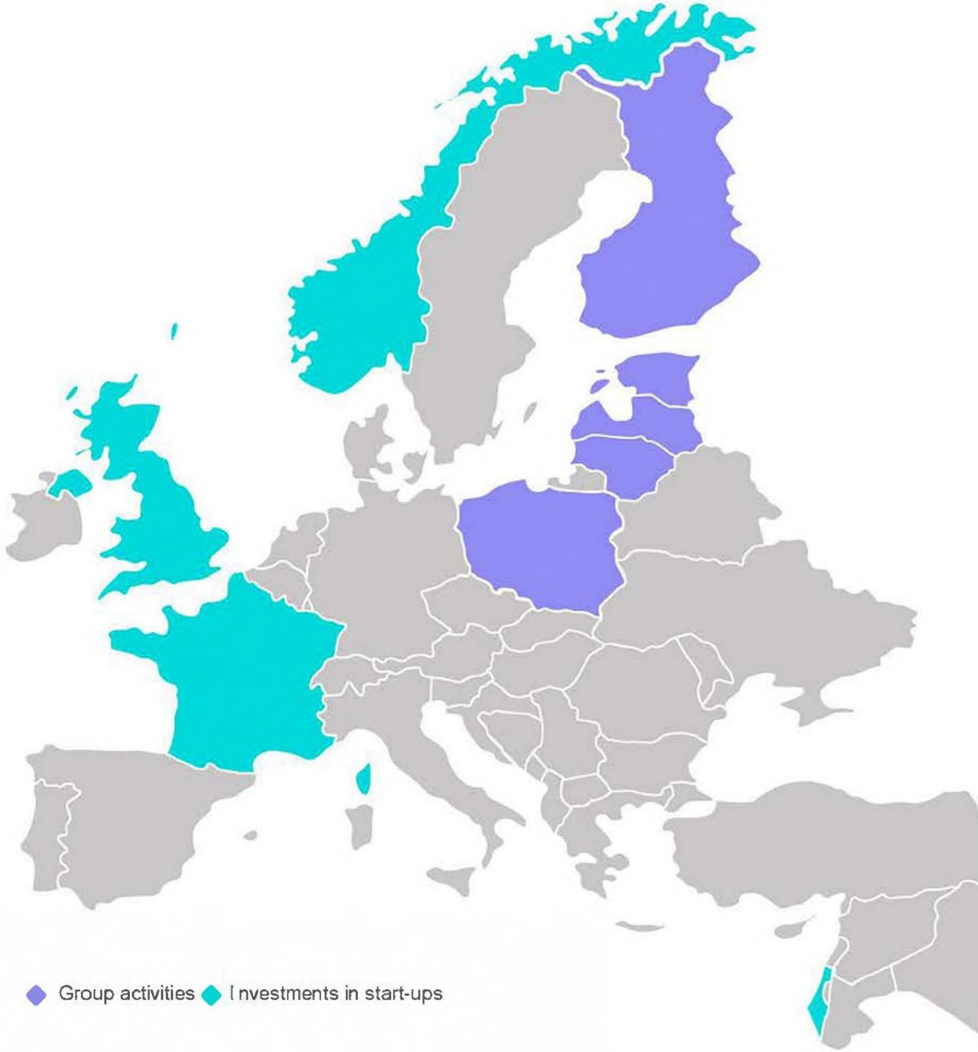
Ignitis Group is a leading utility and renewable energy company in the Baltic region.

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

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

After being transformed to lead the energy transition across the home markets (Lithuania, Latvia, Estonia, Poland and Finland) we continue to evaluate opportunities in other countries on the energy transition path.

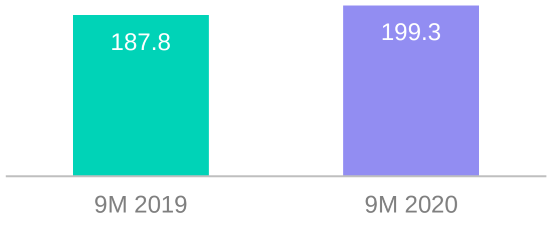
Since 7 October 2020, Ignitis Group shares are listed on the Nasdaq Vilnius and London Stock exchanges.



# Performance highlights

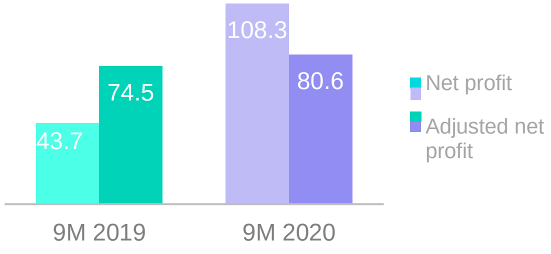
## Financial

***Adjusted EBITDA*** APM
*EURm*



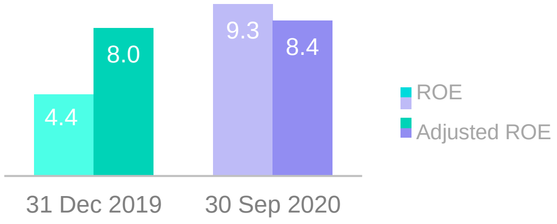

Adjusted EBITDA increased by 6.1% driven by RAB growth in the Networks segment, efficient use of Kruonis PSHP, better results of main units of Flexible generation segment and expansion to Finnish gas market.

***Net profit, Adjusted net profit*** APM
*EURm*



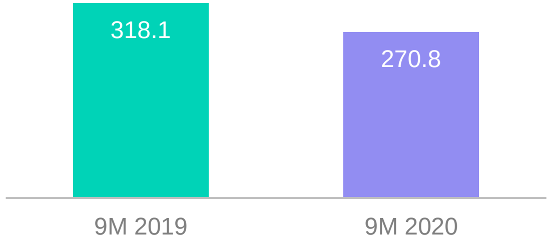

Adjusted net profit increased by 8.1% driven by growth in Adjusted EBITDA.

***ROE LTM, Adjusted ROE LTM*** APM
*%*



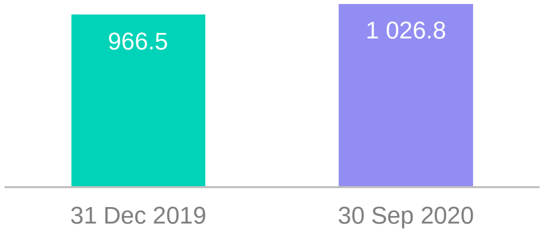

Adjusted ROE LTM reached 8.4%.

***Investments*** APM
*EURm*



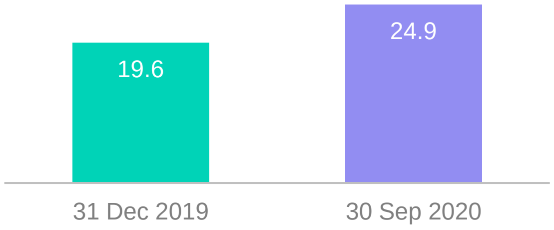

Investments decreased mainly due to lower investments in Vilnius CHP, partly due to COVID-19, and Networks mostly due to decrease of new customers connections and upgrades and lower contractor fees. Decrease was partly offset by higher investments in Kaunas CHP and Pomerania WF.

***Net debt*** APM
*EURm*




Net debt increased by 6.2%. The increase resulted from FCF in 9M 2020 (EUR -1.0 million) being lower than dividends paid (EUR 70.0 million).

***FFO LTM/Net debt*** APM
*%*

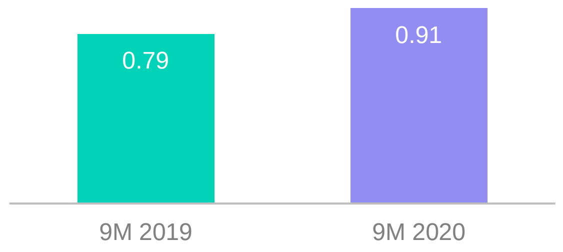



FFO / Net debt improved from 19.6% to 24.9%, as FFO LTM growth outpaced that of Net Debt.

** Because of the change of the 9M 2019 financial figures, performance indicators presented here (and throughout this report) for 9M 2019 might differ from those presented in the 9M 2019 Interim Report. Changes of the financial figures of 9M 2019 are disclosed in the 9M 2020 Financial Statements. In case of a change of calculation of APM in 9M 2020, measures of 9M 2019 were recalculated as to calculation of 9M 2020.*
*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 on the Company's website (link).*

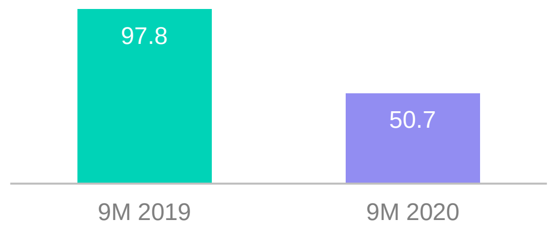
# Sustainability

***Green electricity generated***
*TWh*



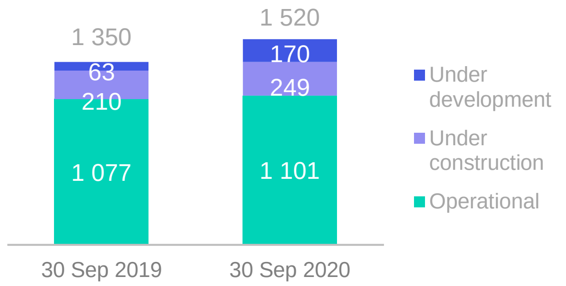

Green electricity generated increased by 15.4% which was mainly driven by higher generation at Kruonis PSHP as a result of effective utilisation of fluctuations in electricity prices and Kaunas CHP Plant which commenced commercial operations in August 2020.

***Green share of generation***
*%*



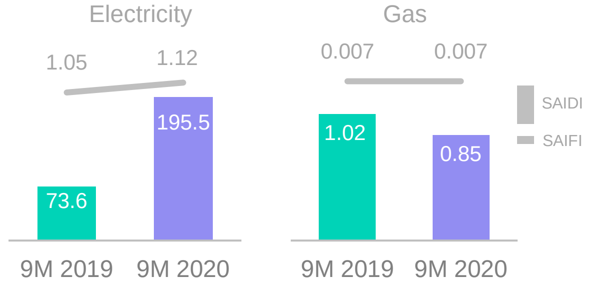

Green share of generation decreased by 47.1% as a result of significant increase of electricity generated from gas fired Elektrėnai Complex, as a result of favorable gas prices and changes in the regulation of provided ancillary services.

***Green Generation capacity***
*MW*



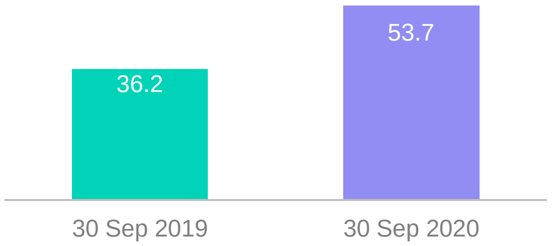

Total Green Generation portfolio increased by 170 MW due to signed acquisition agreement with Sun Investment Group. Operational capacity increased by 24 MW since Kaunas CHP Plant commenced commercial operations in August 2020. Capacity under construction increased as a result of Mažeikiai wind farm (63 MW).

***SAIDI/SAIFI***
*Min./Units*



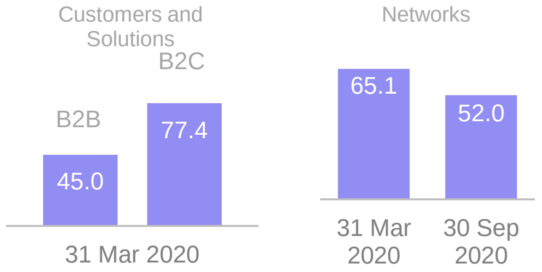

Deterioration of electricity quality indicators was mainly caused by storm Laura (12-13th March). Improvement of gas quality indicators resulted from the decrease in network disruptions by third parties.

***Employee Net Promoter Score (eNPS)***
*%*




From 2019 the Group started to monitor eNPS, which improved by 17.5%. The growth of the eNPS was due to the Group's actions taken during the coronavirus pandemic, updated remuneration policy and greater focus on employee development.

***Net Promoter Score (NPS)***
*%*




From 2020 the Group started to monitor relationship NPS. Relationship NPS in Customers and Solutions segment will be measured only two times a year in Q1 and Q4, while in Networks monitoring will be done every quarter. Networks NPS decreased by 13.1%. NPS decreased as a result of customers dissatisfaction about new connection points connection process and changed NPS calculation methodology which included customers inquiries received by mail with a lower evaluation score that other service channels.

# Business highlights

## 9M 2020

- At the beginning of January, Ignitis entered the Finnish gas market, becoming one of the first independent gas suppliers in the country.
- In January, Group sold the last real estate objects offered in auction, which is in line with the Group's strategy of divesting non-core activities.
- In February, the first heat produced from waste by Kaunas' CHP reached Kaunas households.
- In February, working group formed by Ministry of Finance, provided a recommendation to prepare for the Company's IPO.
- In March, European Investment Bank (EIB) allocated EUR 60 million for the development of the first Group wind farm in Poland.
- During the extreme situation due to Covid-19, Group continued to support the community by applying preferential payment terms to the most affected.
- In March, an agreement between the Company and minority shareholders of ESO and Ignitis Gamyba has been reached on the delisting of shares and the claims have been withdrawn.
- In March, conversion of the Company from a private limited liability company (UAB) into a public limited liability company (AB) was approved and agreed that the share capital of the public limited liability company shall be increased by additional contributions by issuing new ordinary registered uncertificated shares.
- In March, the increase in number of Supervisory Board members from 5 to 7, followed by the start of additional members. selection process, has been approved.
- In April, the official tender offers of ESO and Ignitis Gamyba shares have been finalised.
- In May, after the annual credit ratings review, the international credit rating agency S&P Global Ratings affirmed its BBB+ rating for the Group, leaving the negative rating outlook.
- In May, Ignitis Group issued 10-year senior unsecured bonds in the par value of EUR 300 million, with a fixed coupon of 2.00% payable annually, yield at 2.148%. The bonds are listed on Luxembourg and Nasdaq Vilnius Stock Exchanges.
- In May, Ignitis Group started the mandatory buyout of shares of its subsidiaries ESO and Ignitis Gamyba.
- In June, the Supervisory Board of the Company approved updated long-term corporate strategy of Ignitis Group and strategic plan for the period 2020–2023.
- On July 1, 2020 shares of Ignitis Group subsidiaries ESO and Ignitis Gamyba were delisted from trading on the Baltic Main List (the last trading day on the Baltic Main list of shares was on 30 June 2020).
- In July, the Company together with LITGRID, AB closed a transaction on selling its non-core business UAB Duomenų Logistikos Centras to QEIF II Development Holding Sàrl, a subsidiary of Quaero European Infrastructure Fund II, managed by Quaero Capital.
- In July, legal form of UAB Ignitis Grupė was amended from private limited liability into a public limited liability company – AB Ignitis Grupė.
- In July, Ignitis Group, according to Company's Green Bond Framework, published the Green Bond Investor's Letter 2019. Actual reduction of $CO_2$ emissions from projects financed by Green Bonds were 143 thousand tons in 2019.
- In July, Ignitis Group demonstrated an impressive improvement in the Corporate Reputation Index. The company jumped from 33rd place to 12-13th, which is a record growth in the entire history of this index.
- In July, Ignitis Polska entered the country's market of electricity and natural gas supply for business customers.
- In August, the Mažeikiai wind farm began the preparatory works. In the end of 2022, up to 15 wind turbines with a total installed capacity of about 63 MW will generate electricity in this wind farm.
- In August, Kaunas' CHP started its commercial activities.
- The mandatory buyout of shares of Ignitis Gamyba has been completed on 17 August 2020 (inclusive).
- In August, Vilnius Cogeneration Power Plant started the 'hot' testing of waste heat boilers.
- In September, The Board of the Company approved the new dividend policy, which determines the EUR 85m pay-out for 2020 and an increase of at least 3% for every consecutive year.
- In September, Ignitis Renewables signed the largest development and acquisition agreement with Sun Investment Group for the solar PV projects with total capacity of up to 170 MW.
- In September, the leading independent global provider of ratings Sustainalytics determined the Ignitis Group's ESG risk rating of 26.5 which is medium at the risk rating scale.
- In September, Oceans Winds, the leader in renewables, partnered with Ignitis Group to develop offshore wind farm projects.

## After the reporting period

- In October, the Group completed the largest Initial Public Offering in the Baltic States and on 7 October began public trading in Nasdaq Vilnius and London securities markets.
- In October, Ignitis Gamyba concluded the construction of the largest solar park (3 MW) in Lithuania.
- In October, Vilnius CHP terminated the contract with the contractor of biofuel installations Rafako due to the contractor's financial and technical inability to perform the tasks agreed in the contract.
- In October, Nordic Investment Bank provided a loan of up to PLN 150m for the development of Pomerania WF.
- In October, National Energy Regulatory Council set electricity and natural gas distribution price caps for 2021.
- The mandatory buyout of shares of ESO has been completed on 3 November (inclusive).
- In November, the new members of Supervisory Board are Bent Christensen and Judith Buss were appointed.
- In November, S&P Global Ratings improved Ignitis Group BBB+ rating outlook from negative to stable.

# Outlook

## Adjusted EBITDA

Our Adjusted EBITDA guidance is expected to amount to EUR 265-269 million.

Overall, the effects between business segments are unchanged for networks, green generation and other segments relative to the guidance in our investor presentation for annual results 2019. The outlook for flexible generation have been revised upwards and the outlook for customers & solutions segment have been revised downwards.

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 2020 relative to the results for 2019.

*Outlook for 2020, EURm*

| | Guidance 13 Nov 2020 | Guidance 7 May 2020 | 2019 realised |
|---|---|---|---|
| **Adjusted EBITDA** | **265-269** | **Similar** | **259.6** |
| Networks | Higher | Higher | 180.5 |
| Green Generation | Higher | Higher | 43.4 |
| Flexible Generation | Higher | Lower | 22.0 |
| Customers & Solutions | Lower | Stable | 10.7 |
| Other | Lower | Lower | 3.0 |

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# Business model

# Business segments

## Networks

Resilient and efficient energy distribution enabling the energy transition

The core activities of Networks segment are to operate, maintain, manage and develop electricity and gas distribution networks and to ensure the safe and reliable operation, as well as supply of last resort.

**Strategic goals:**

- 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 target to reduce electricity SAIFI by 15-17% by 2023.
- We digitise our distribution network and strive to develop a smart grid which would be one of the most advanced in the region. We target to install ~1.2 million smart meters by 2023.
- We enable energy innovations, renewable energy transition and facilitate the local energy market and its efficiency through data-driven network solutions.

## Green Generation

Focused, sustainable and profitable growth

The Green Generation portfolio consists of 1.1 GW of total installed capacity. This includes four operating wind farms in Lithuania and Estonia with a total installed capacity of 76MW, two hydro powerplants in Lithuania: Kaunas HPP (101 MW) and Kruonis PSHP (900 MW) and Kaunas CHP plant (24 MW electric, 70 MW heat), which are fundamental for enabling future renewable energy growth in the region.

In addition to operating assets, our Green Generation portfolio contains projects with additional 419 MW of electrical capacity and 229 MW of thermal capacity under construction or under development. These are two wind farms, one in Poland (94 MW) and one in Lithuania (63 MW), one waste-to-energy/biomass CHP plant in Lithuania: Vilnius (92 MW electric, 229 MW heat) and portfolio of solar PV projects in Poland with total capacity up to 170 MW.

**Strategic goals:**

- We target to reach 1.6 to 1.8 GW of installed Green Generation capacity (including hydro assets) by 2023 and 4 GW by 2030 while ensuring that the build-out creates value for our shareholders.

## Flexible Generation

Reliable and flexible power system

Flexible Generation segment operates the largest electricity generation capacity in Lithuania, 1,055 MW Elektrėnai Complex. Facilities of Elektrėnai Complex provide system services and ensure stability and security of Lithuania's electricity system.

**Strategic goals:**

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

## Customers and Solutions

Innovative solutions for easier life and energy evolution

Activities of Customers and Solutions segment include electricity and gas supply, trading and balancing, energy efficiency projects, installation of solar power plants for businesses and residents, installation and operation of electric vehicle charging stations, energy solutions. Our Customers and Solutions business is active in Lithuania, Latvia, Estonia, Finland and Poland.

**Strategic goals:**

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

**72%** of Group's Adjusted EBITDA

**Fully regulated**

**17%** of Group's Adjusted EBITDA

**Tangible and growing project pipeline**

**11%** of Group's Adjusted EBITDA

**Largely regulated**

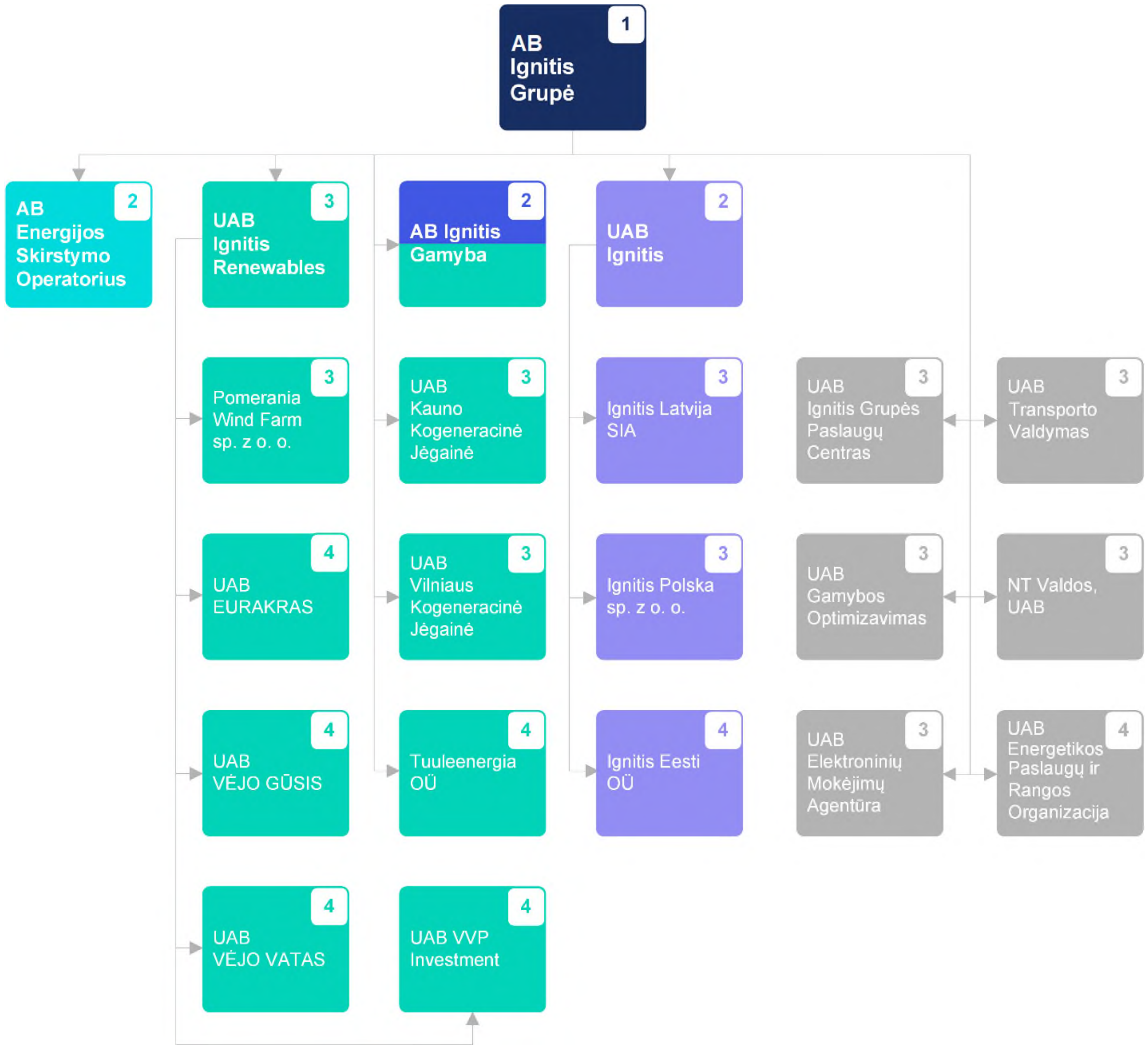
**1%** of Group's Adjusted EBITDA

**Largest energy retailer in Lithuania**

# Business structure

At the date of this report, the entities showed in the picture to the right were directly or indirectly controlled by the Group*.

| | |
|---|---|
| 1 | **The Supervisory Board** is formed of 7 non-executive members (2 shareholder representatives, 5 independent)**.<br>**The Board** is formed of 5 executive members.<br>**CEO –** Chairman of the Board. |
| 2 | **The Supervisory Board** is formed of 5 non-executive members*** or 3 non-executive members (2 shareholder representatives and 1 independent member).<br>**The Board** is formed of 5 or 3 executive members.<br>**CEO** – Chairman of the Board. |
| 3 | **The Board** is formed of 3 non-executive members (2 shareholder representatives and 1 independent member).<br>**The Board** structure is different across companies and it is not formed until the company starts operations****.<br>**CEO** is not a member of the Board. |
| 4 | **CEO** is a sole management body.<br>**The Board** is not formed. |



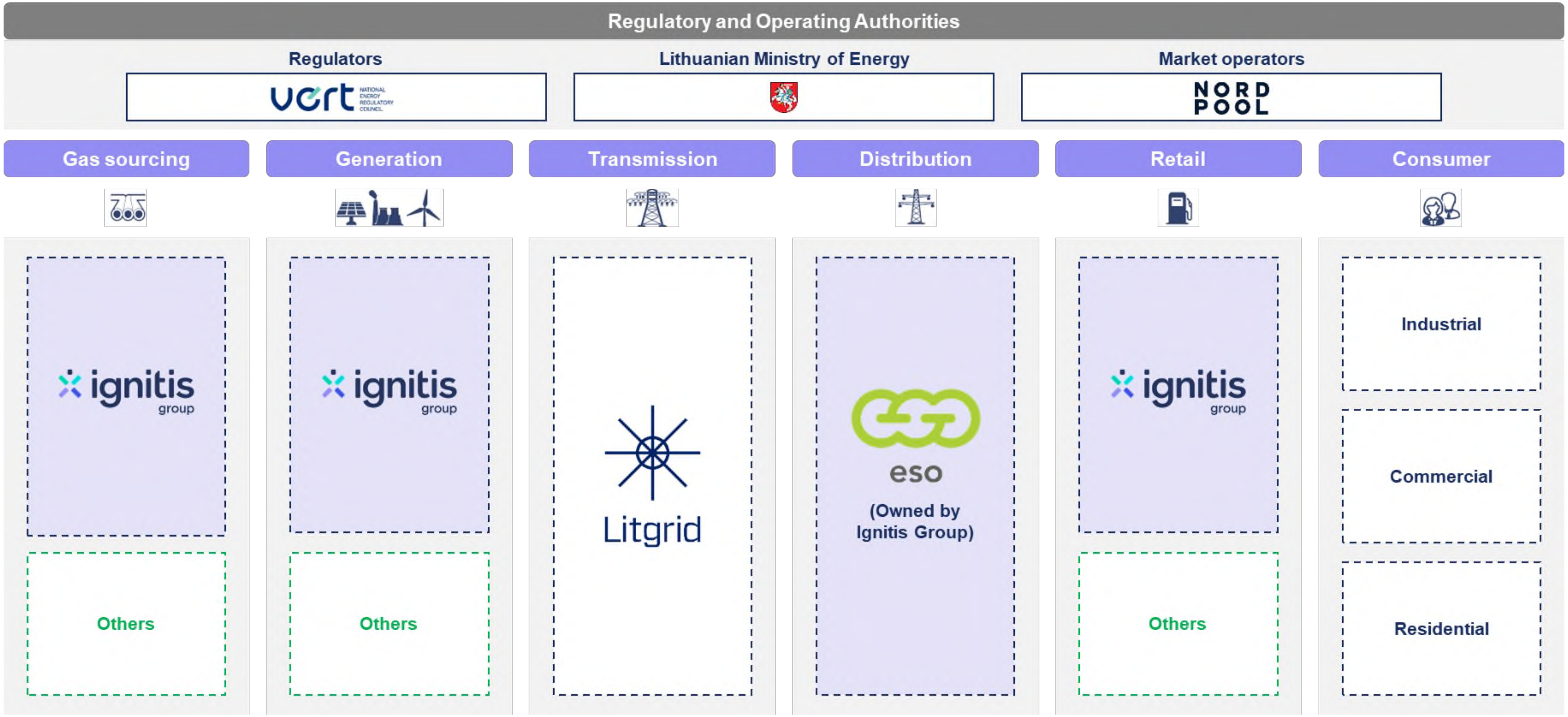

** The color structure in the picture reflects companies' assignment to a particular business segment (according to the information on page 11 et seq. in this report).*
*** The remaining two independent members of the Supervisory Board were elected on 12 November, 2020.*
**** At ESO: 2 shareholder representatives, 2 independent members and 1 employees' representative.*
***** The Board of Ignitis Grupės Paslaugų Centras is formed ensuring representation of all shareholders, taking into account the implementation of specific legislation. The Boards of Ignitis Latvija and Ignitis Polska are formed of 1 member – CEO, the Supervisory Boards are formed from shareholders representatives.*

# Business environment

## Regulatory framework

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

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



## Economic environment

During the last year, Lithuania demonstrated a degree of economic resilience to the COVID- 19 pandemic. Lithuania recorded the lowest drop in GDP in Q3 2020 of 1.7%, compared to an average decrease of 3.9% for the EU*. Country's economic strength is also reflected in Fitch Ratings affirmation of rating Lithuania's Long-Term Foreign-Currency Issuer Default Rating at 'A' with the Stable Outlook**. Looking forward, it is forecasted that the growth of Lithuania's GDP, despite a decrease in 2020 by 2.0%, will continue in 2021 by reaching 3.1%***.

## COVID-19

Despite resilient economic environment in home market, COVID-19 related crisis could impact Group activities mostly by affecting our employees, contractors, suppliers, customers and capital markets. To mitigate these risks, Group established a COVID-19 situation management team that constantly monitors the situation and analyses the latest information, as well as changes in external factors and their impact on the Group business continuity. The employees of the Group, who can perform their functions remotely, work from home, others are provided with additional personal protection and personal hygiene measures, unnecessary contacts with other persons are restricted. Given the evolving uncertainty, it is too early to assess the potential financial effect of COVID-19.

## Energy markets review

### Wholesale electricity market

During the 9 months of 2020, prices fell remarkably in all the bidding areas of the Nord Pool Nordic power exchange. Compared to the same period in 2019, the average system price was lower by 74.4%, the moderate change captured within Baltic region – approx. 33% and the smallest in Polish commodity exchange market – prices there decreased by 13.2%.

During the same period, Lithuania produced approx. 36.2% more electricity than in 2019, meanwhile Estonia – approx. 34.5% and Latvia – approx. 7.1% less. Lithuania remains an energy-deficit country, producing around 42.7% of the country's demand, in Latvia local production covers 80.2% of country's demand, Estonia remains an energy-deficit country too, producing around 54% of the country's demand.

Based on ENTSO-e data during the 9 months of 2020 consumption in Poland decreased approx. 3.7% (4.4 TWh) compared to the same period in 2019. However, Poland is still net power importer, because local production decreased by 6.3% totalling 105.59 TWh, which covered 92.2% of country's demand.

During the 9 months of 2020, commercial import from third countries to Lithuania decreased by approx. 1.9 times compared to the same period in 2019 (from approx. 5.46 TWh to approx. 2.86 TWh), from Scandinavia and Poland decreased approx. 15%. Significant decrease of the import from Scandinavia and third countries has been affected by increased local generation. According to Nord Pool data electricity consumption in Lithuania decreased approx. 3.9% compared to the 9 months of 2019 – approx. 0.34 TWh (excl. Kruonis PSHP demand). In Latvia demand decreased by approx. 3.0% or 0.16 TWh, in Estonia – approx. 4.3% or 0.26 TWh.

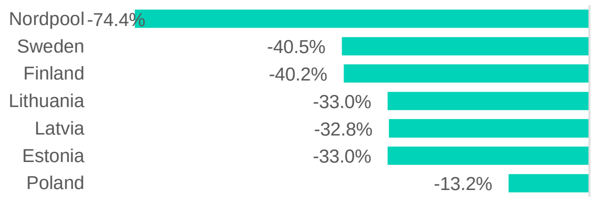
### Natural gas market

During the 9 months of 2020, prices in the natural gas market have kept at the lowest levels in decade. Consumption in some European countries fell sharply due to COVID-19, European gas storage year-on-year levels were at record high, market witnessed liquefied natural gas (LNG) cargoes being cancelled from US, some gas production sites were restructuring their production plans and oversupply still persisted in Europe and globally.

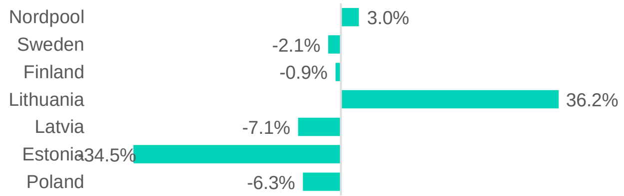
According to the data of the Lithuanian transmission system operator, the consumption of natural gas in the country was 6%

higher than during 9 months in 2019 and reached 17.7 TWh. In 2020 interconnection between EE-FI started operation, during the 9 months of 2020 - 5.4TWh of gas have been supplied to Finland from Baltics.

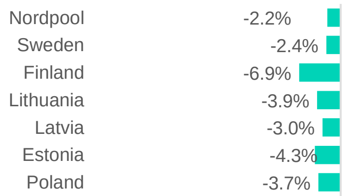
*Average hourly electricity spot prices change of the period ended at 30 Sep 2020 compared to 30 Sep 2019*




*Electricity generation change of the period ended at 30 Sep 2020 compared to 30 Sep 2019*




*Electricity consumption change of the period ended at 30 Sep 2020 compared to 30 Sep 2019*




**Source: Eurostat, 30 Oct 2020 (link) **Source: Fitch Ratings, 31 Jul 2020 (link) ***Source: Bank of Lithuania, Sep 2020 (link)*

# Sustainability

## Overview

Sustainability is at the core of Ignitis Group's *strategy*. Ambitious to lead energy transition across the region towards carbon free economy, requires strengthening Ignitis Group across ESG dimensions. In September 2020, the evolvement of it was recognised by the leading independent provider of ESG and corporate governance ratings agency Sustainalytics. The total score of 26.5 placed Ignitis Group in the top fifth best performers in both its subindustry and industry groups and in the top half globally, with over 12,000 companies assessed to date.

### Environment

**Sustainability targets and commitments**

- Aim to reach 4.0 GW of Green Generation capacity by 2030
- No exposure to coal and nuclear
- Committed to reducing net carbon dioxide (CO2) emissions to zero by 2050
- Investing in sustainability focused initiatives through the Smart Energy Fund

**We are committed to achieve net CO2 neutrality by 2050**

### Social

**Global goals**

Supporting the principles of Global Compact and UN's Sustainable Development Goals since 2016, contributing to almost all the goals, with primary focus on:

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION

**Health and Safety**

**0** fatalities of Group employees recorded in 9M 2020

### Governance

**Widely recognised**

- Awarded best investor relations by a bond market newcomer (2019)

Nasdaq

- Recognised ESO and Ignitis Gamyba as some of the most transparent Lithuanian companies

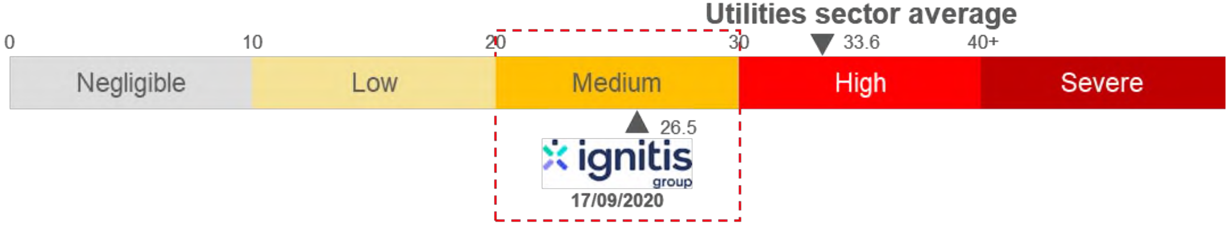
TRANSPARENCY INTERNATIONAL

- Ranked as number one in the Good Corporate Governance Index as the best managed large state-owned company

VKC

**A+**: the highest possible rating in the Governance index

**SUSTAINALYTICS ESG risk rating**



# Highlights

## ESG risk rating

- The non-financial performance of Ignitis Group in the area of ESG has been comprehensively assessed by Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research and analysis.
- The total score of 26.5 places Ignitis Group in the top fifth best performers in both its subindustry and industry group and in the top half globally, with over 12,000 companies assessed to date.
- Overall, Ignitis Group is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. This external rating represents an extensive evaluation of our performance in the most material areas of sustainability and may assist investors and other stakeholders in their decision-making (*link* to the summary report).

## Partnerships & Commitments

- Ignitis Group joined the Intelligent Energy Lab initiated by the Vilnius City Municipality as one of the first members. The Lab members will collaborate on initiatives spanning energy efficiency, environmental protection and modern urban energy system development. The goal of the Lab is to help Vilnius to become a climate neutral city by 2040.
- In September, as the United Nations turned 75, Ignitis Group CEO Darius Maikštėnas was among more than 1,000 CEOs from companies in over 100 countries that demonstrated their support for the United Nations and inclusive multilateralism by signing onto a powerful Statement from Business Leaders for Renewed Global Cooperation (*link*). The statement expresses Ignitis Group's support for the principles of peace and security, human rights and sustainable development.
- The Group signed a partnership with the NGO Global Lithuanian Leaders – an active community of over 2,000 Lithuanian professionals across the globe. The Group will share knowledge about the transformation and innovation occurring in the energy sector and introduce Lithuanian professional diaspora to career opportunities in the Baltic region.

## Sustainability governance

- Reflecting the strong link between its updated strategy and sustainability commitment, Ignitis Group reinforced sustainability governance through a newly expanded Sustainable Development Committee. The Sustainable Development Committee, which is directly accountable to the Board of the Company, consists of a broad array of experts from different business units with expertise in different subfields of sustainability. The Committee is tasked with reviewing the Group's sustainability performance, providing suggestions for improvement as well as monitoring projects financed with green bonds.
- Several policies of Ignitis Group were updated this quarter, and a significant portion of the Group's policy documents were made accessible to the public on the Group's website (*link*). Among the updated policies are the Group's Sustainability Policy that sets out the general sustainability commitments of the Group and the Environmental Protection Policy that further details the environmental commitments, especially as regards GHG emissions reduction and energy efficiency improvement. The updated Equal Opportunity and Diversity Policy reaffirms the importance of non-discrimination, respect for human rights and diversity in the Group's operations.
- The Group published a set of ESG data in accordance with the Nasdaq ESG Guide in the 2020 six month interim report (*link*). An expanded and updated ESG data set will be released with the 2020 sustainability report during the first quarter of 2021.

# People & Culture

The Group has a strong focus on its people, and a key part of its strategy at the organisational level is maintaining an engaged, agile and constantly developing workforce, dedicated to its customers and passionate about innovation. The Group seeks diversity in skills and competencies to provide it with unique perspectives, while also empowering its teams for speed, flexibility and innovation. The Group aims to foster new and different models of collaboration in order to create an energy smart world, with its workforce able to adapt to different approaches of developing core and new energy-related competencies. This strategy is supported by the Group's training system, which enables a constantly growing organisation and the personal development of its employees.

## Number of employees

The number of Group employees was 2.2% higher at 30 September 2020 compared to the same month end of 2019. This was mainly due to Green Generation expansion and particularly Vilnius CHP.

At the end of September 2020, the number of employees in the Company decreased by 12.1%. This was caused by the part of employees being transferred to the Group service centre (Ignitis Grupės Paslaugų Centras).

Total employee turnover rate decreased by 1.7% to 6.4% at the end of September 2020 compared to the preceding period in 2019. This was mainly due to the people not willing to change their jobs in uncertain economic environment due to the COVID-19 crisis.

Our efforts to improve work environment led to increase employee net promoter scoreby 31.2% at 30 September 2020 compared to the same month end of 2019. This was mainly achieved by providing safe working environment and flexibility as well as aligning the pay gaps within same level of employees.

## Employee diversity

We target to unfold employees' potential not dependent on gender, age, race, nationality or other traits and encourage all potential candidates to apply regardless of their differences.

At the end of September 2020, 72% of Group employees were men and 28% - women. Within specialist employee category 36% were women. The gender distribution within senior (middle level) executives remains similar, including 32% female managers. The largest share of the Group employees falls within the range of 37-56 years (~47%), followed by the age group of 17-36 years (34%). The smallest group (18%) includes employees in the age group from 57 to 76 years. These figures have not significantly changed compared to the same month end of 2019.

***Number of Group employees* as of 30 September 2020***

| | 2020.09.30 | 2019.09.30 | Δ,% |
|---|---|---|---|
| **Total employees** | **3,829** | **3,746** | **2.2%** |
| **Employees by companies** | | | |
| Energijos Skirstymo Operatorius | 2,421 | 2,356 | 2.8% |
| Ignitis Grupės Paslaugų Centras | 465 | 623 | (25.4%) |
| Ignitis Gamyba | 363 | 351 | 3.4% |
| Ignitis | 281 | 104 | 170.2% |
| Ignitis Grupė | 87 | 99 | (12.1%) |
| Vilnius CHP | 85 | 37 | 129.7% |
| Kaunas CHP | 38 | 35 | 8.6% |
| Transporto Valdymas | 23 | 50 | (54.0%) |
| Ignitis Polska | 12 | 11 | 9.1% |
| Ignitis Latvija | 11 | 8 | 37.5% |
| Ignitis Renewables | 11 | 7 | 57.1% |
| Energetikos Paslaugų ir Rangos Organizacija | 9 | 21 | (57.1%) |
| Gamybos Optimizavimas | 7 | 7 | 0.0% |
| Elektroninių Mokėjimų Agentūra | 5 | 3 | 66.7% |
| NT Valdos | 3 | 14 | (78.6%) |
| Pomerania WF | 3 | 2 | 50.0% |
| Eurakras | 1 | 1 | 0.0% |
| Vėjo Gūsis | 1 | 1 | 0.0% |
| Vėjo Vatas | 1 | 1 | 0.0% |
| VVP Investment | 1 | 1 | 0.0% |
| Tuuleenergia | 1 | 1 | 0.0% |
| Ignitis Eesti | 0 | 0 | 0.0% |
| Duomenų Logistikos Centras** | - | 13 | (100.0%) |
| **Employees by countries** | | | |
| Lithuania | 3,802 | 3,724 | 2.1% |
| Poland | 15 | 13 | 15.4% |
| Latvia | 11 | 8 | 37.5% |
| Estonia | 1 | 1 | 0.0% |
| **Total employee turnover rate** | 6.4% | 8.1% | (1.7%) |
| **Employee Net Promoter Score** | 54.0% | 22.8% | 31.2% |

** In the interim report the number of employees refers to the headcount.*
***During the reporting period, Duomenų Logistikos Centras was sold.*


## Occupational health and safety

The Group has been dedicating significant attention to developing the health and safety working culture and strengthening the responsibility of its employees. Our approved 'Occupational Health and Safety Policy' policy is designed to build safe organisational culture based on personal responsibility and cooperation.

The overall safety performance significantly improved during the nine months of 2020 compared with the same period in 2019. Total recordable injuries decreased by almost 80% to only 9, 5 of which involved employees working for our contractors.

***Statistics on safety for the periods of 9M 2020 and 9M 2019***

| Indicator | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|
| **Total recorded injuries** | 9 | 44 | (79.5%) |
| Employees | 4 | 31 | (87.1%) |
| Contractors | 5* | 12 | (58.3%) |
| **Fatalities** | 1** | 1* | 0.0% |
| **Permanent disability cases** | 0 | 0 | 0.0% |

** Includes number of people injured/died during the works which are not nor employees nor contractors.*
*** Contractor.*

In order to mitigate the COVID-19 pandemic related risk, Group has appointed crisis coordinators in each company and Group global crisis management team to coordinate COVID response and preventative actions to ensure health and safety and business continuity. Since the end of February there were 19 COVID cases for Group employees, preventative isolation has been invoked for 282 employees. Group acquired 93k of respirators, 99k of masks, 4k gloves, 18k litres of disinfectant. During the lockdown, around 60% of Group employees were working remotely. In order to get ready for the second wave a 6-week PPE reserve has been formed for each company of the Group. In addition, we also provided influenza and pneumonia vaccines for all employees.

## Human rights and equal opportunities

In the provision of its services and activities in different communities, the Group operates in accordance with the principles of the protection of human rights, promotes and respects the protection of internationally proclaimed human rights in its sphere of influence, ensures that it does not contribute to violations of human rights and advocates against any violations thereof.

The Group implements a fair and transparent remuneration policy, complies with the laws governing overtime and working hours, opposes any discrimination (with regard to employees or during employment) and forced or child labour, respects the right of employees to rest, and promotes work-family balance.

The Group has implemented a Code of Conduct which defines the principles and standards of business ethics, conduct and values which the Group expects each of its stakeholders to adhere to. The key principles are respect and equal opportunities, promoting a culture of safe work and environment, open and fair activities in the market, responsibility and transparency, and enabling and protecting partnerships. The Group also has a few other policies and rules that apply to all stakeholders, including the Anti-Corruption Policy, the Gifts and Entertainment Management Procedures, the Conflict of Interest Management Procedures and the Rules on the Trust Line (whistleblowing).

The Code of Ethics and the Equal Opportunity and Diversity Policy, applicable to the entire Group, outlines the principles of equal opportunities throughout the Group, measures for their implementation and describes the procedure for reporting and dealing with equal opportunity violations. Reports of human rights, equal opportunity or other violations may be made directly to the head of the Company's Human Resources Department by email or confidentially via the Trust Line by e-mail pasitikejimolinija@ignitis.lt or by leaving a message on the answering machine +370 640 88889. During the period of nine months 2020, no reports of discrimination or other incidents related to human rights violations have been received in the Group's companies.

# Results

# Key operating indicators

| | | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity** | | | | | |
| Electricity distributed | TWh | 6.99 | 7.07 | (0.07) | (1.0%) |
| Electricity generated | TWh | 1.80 | 0.81 | 0.99 | 2.2x |
| Green share of generation | % | 50.7% | 97.8% | - | (47.1%) |
| Green electricity generated | TWh | 0.91 | 0.79 | 0.12 | 15.4% |
| Green Generation capacity | MW | 1,520 | 1,350 | 170.0 | 12.6% |
| Green Generation installed capacity | MW | 1,101 | 1,077 | 24.0 | 2.2% |
| Green Generation projects under construction | MW | 249 | 210 | 39.0 | 18.6% |
| Green Generation projects under development | MW | 170 | 63 | 107.0 | 2.7x |
| Electricity sales in retail market | TWh | 4.97 | 4.21 | 0.76 | 18.0% |
| Electricity wholesale trading | TWh | 1.79 | 3.47 | (1.68) | (48.5%) |
| New connection points and upgrades | units | 29,840 | 29,515 | 325.0 | 1.1% |
| SAIDI | min. | 195.53 | 73.58 | 121.96 | 2.7x |
| SAIFI | units | 1.12 | 1.05 | 0.07 | 6.5% |
| **Gas** | | | | | |
| Gas distributed | TWh | 4.58 | 4.70 | (0.13) | (2.7%) |
| Gas sales | TWh | 10.86 | 6.56 | 4.30 | 65.6% |
| New connection points and upgrades | units | 6,159 | 9,127 | (2,968.0) | (32.5%) |
| SAIDI | min. | 0.85 | 1.02 | (0.17) | (16.4%) |
| SAIFI | units | 0.007 | 0.007 | 0.00 | 0.5% |
| **Heat** | | | | | |
| Heat generated | TWh | 0.18 | 0.06 | 0.12 | 2.8x |

# Analysis of key operating indicators

## Electricity

Distributed electricity in 9M 2020 decreased by 1.0% and amounted to 6.99 TWh, compared to 7.07 TWh in 9M 2019. Decrease was mainly influenced by COVID-19. B2B distribution decreased by about 4.5%, which was partly offset by an increase in B2C distribution by 6.6%.

Electricity generated increased 2 times in comparison to 9M 2019 and amounted to 1.80 TWh in 9M 2020. Increase was mainly driven by higher electricity generation in the CCGT at Elektrenai Complex, Kruonis PSHP and Kaunas CHP. Electricity generation volumes in the CCGT at Elektrėnai Complex increased almost 65.5 times from 0.01 TWh in 9M 2019 to 0.87 TWh, in 9M 2020. This was the result of favorable gas and emission allowance prices and changes in the regulation of provided ancillary services. Electricity generation volumes at Kruonis PSHP increased by 26.8% as a result of effective utilisation of fluctuations in electricity prices in 9M 2020.

SAIDI ratio deteriorated and was 195.53 minutes compared to 73.58 minutes in 9M 2019. SAIFI indicator was equal to 1.12 interruptions, up from 1.05 in 9M 2019. Deterioration of quality indicators of continuous electricity supply was mainly caused by storm Laura (12-13$^{th}$ March).

During 9M 2020, 29,840 new connection points and upgrades were completed in the electricity distribution network and 4,113 prosumers and producers included under total new connection points and upgrades. The number of new electricity connection points and upgrades slightly increased by 1.1% compared to 9M 2019.

## Gas

Gas distribution volume decreased by 2.7% and amounted to 4.58 TWh in 9M 2020, compared to 4.70 TWh in 9M 2019. In 9M 2020, higher average air temperatures were the main contributor to the reduction in gas distribution. The volume of gas sold increased by 65.9% and amounted to 10.89 TWh in 9M 2020, comparing with 6.56 TWh in 9M 2019. This was mainly influenced by entry into Finnish gas market and higher gas sales in Latvian market.

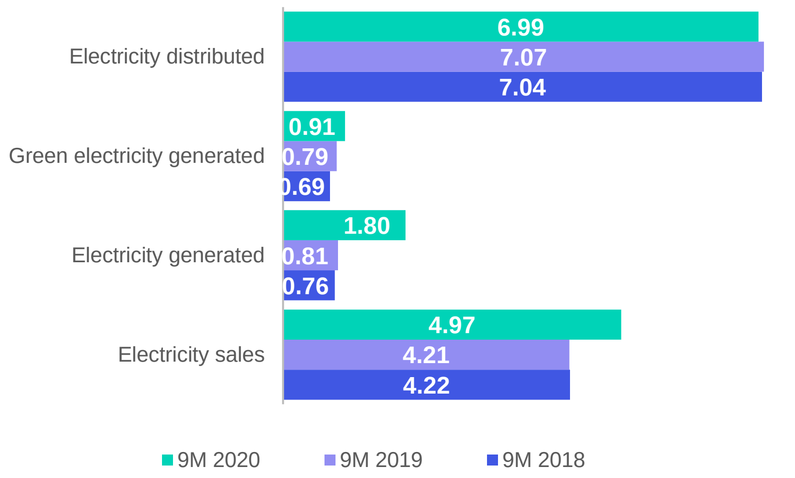
Gas distribution SAIDI ratio improved in 9M 2020 and was 0.85 minutes, comparing with 1.02 minutes in 9M 2019. SAIFI ratio stayed stable and was equal to 0.007 interruptions in 9M 2020. Improvement of the quality indicators resulted from the decrease in network disruptions by third parties.

In 9M 2020, 6,159 new connection points and upgrades were completed in the gas distribution network, which is 32.5% less than during 9M 2019 because blocks are no longer formed and the tariff per user became higher.

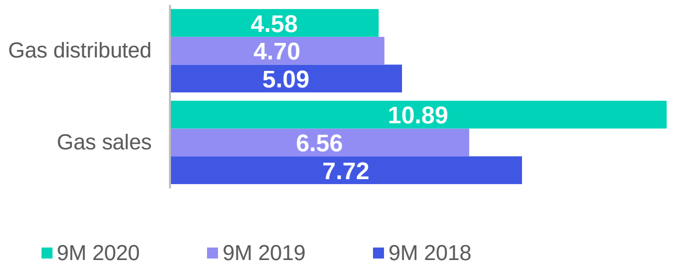
## Heat

Heat generation in 9M 2020 increased 2.8 times, compared to 9M 2019, as a result of Kaunas CHP Plant which commenced commercial operation in August 2020.

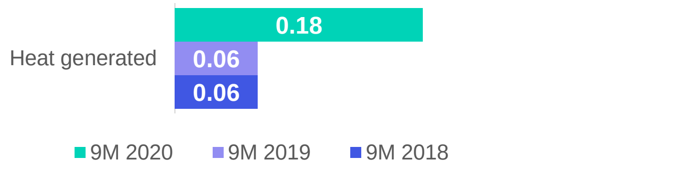
*Electricity distributed, generated and sold, TWh*




*Gas distributed and sold, TWh*




*Heat generated, TWh*



# Key financial indicators

| | | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| Revenue | EURm | 874.1 | 802.5 | 71.6 | 8.9% |
| EBITDA APM | EURm | 229.6 | 153.9 | 75.7 | 49.2% |
| EBITDA margin APM | % | 26.3% | 19.2% | - | - |
| Adjusted EBITDA APM | EURm | 199.3 | 187.8 | 11.5 | 6.1% |
| Adjusted EBITDA margin APM | % | 23.7% | 22.5% | - | - |
| EBIT APM | EURm | 143.1 | 64.2 | 78.9 | 122.9% |
| Adjusted EBIT APM | EURm | 115.3 | 105.9 | 9.4 | 8.9% |
| Net profit | EURm | 108.3 | 43.7 | 64.6 | 147.8% |
| Adjusted net profit APM | EURm | 80.6 | 74.5 | 6.1 | 8.2% |
| Investments APM | EURm | 270.8 | 318.1 | (47.3) | (14.9%) |
| FFO APM | EURm | 207.6 | 141.6 | 66.0 | 46.6% |
| FCF APM | EURm | (1.0) | (155.5) | 154.5 | 99.4% |
| | | 2020.09.30 | 2019.12.31 | Δ | Δ,% |
| Total assets | EURm | 3,440.1 | 3,198.1 | 242.0 | 7.6% |
| Equity | EURm | 1,329.6 | 1,348.6 | (19.0) | (1.4%) |
| Net debt APM | EURm | 1,026.8 | 966.5 | 60.3 | 6.2% |
| Net working capital APM | EURm | 22.2 | 52.6 | (30.4) | (57.8%) |
| ROE LTM APM | % | 9.3% | 4.4% | - | - |
| Adjusted ROE LTM APM | % | 8.4% | 8.0% | - | - |
| ROCE LTM APM | % | 7.0% | 3.8% | - | - |
| Adjusted ROCE LTM APM | % | 6.9% | 6.9% | - | - |
| Net debt/EBITDA LTM APM | times | 3.63 | 4.67 | - | - |
| Net debt/Adjusted EBITDA LTM APM | times | 3.79 | 3.72 | - | - |
| FFO LTM/Net debt APM | % | 24.9% | 19.6% | - | - |

# Analysis of Key Financial Indicators

## Revenue

In 9M 2020 Revenue* increased by 8.9% compared to the same period last year, and totalled EUR 574.0 million. The main reasons causing Revenue changes were as follows:

1. **Higher Revenue of the Networks segment (EUR +45.5 million compared to 9M 2019).** The increase was mainly driven by higher electricity distribution revenue (EUR +31.3 million) and transmission revenue (EUR +22.1 million) due to on average 11% higher tariff of power distribution service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulator. Increase was partly offset by decreased supply of last resort of electricity revenue (EUR -8.7million) due to decrease of electricity market price.
2. **Higher Revenue of the Customers and Solutions segment (EUR +23.6 million compared to 9M 2019).** The increase was mainly driven by increase of B2B electricity supply revenue (EUR +31.6 million) due to higher volume of sold electricity and increase of B2C electricity supply revenue due to higher electricity tariff set by the regulator (+14.6 % for H1 2020 and +5,6% for Q3 2020 comparing to the same periods in 2019) and higher sales volumes by 5.8% (EUR +14.9 million). Increase was partly offset by lower gas sales revenue for B2B customers due to lower gas market price (EUR -15.8 million) and lower B2C gas sales due to lower tariff set by regulator (on average by 20% % for H1 2020 and 35% for Q3 2020 compared to the same periods in 2019) (EUR -6.4 million).
3. **Higher Revenue of the Flexible Generation segment (EUR +7.4 million compared to 9M 2019).** The segment's Revenue increase was mainly driven by higher revenue of CCGT (EUR +25.6 million) due to CCGT provision of isolated regime instead of tertiary reserve services. 9M 2019 revenue were boosted by one-off compensation received in Q1 2019 for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009 (EUR -9.3 million). 9M 2019 revenues were also boosted by sale of no longer in use fuel oil stocks (EUR -4.3 million). Also, sales in 9M 2020 were lowered by lower revenue of 7 and 8 units of Elektrėnai Complex (EUR -2.2 million).
4. **Lower Revenue of the Green Generation segment (EUR -4.5 million compared to 9M 2019).** Revenue decrease was driven by lower revenue of Kaunas HPP (EUR -4.1 million) due to lower water level in Nemunas river and lower electricity prices and lower sales of Kruonis PSHP (EUR -1.3 million). That outweighed higher sales of Kaunas CHP (EUR +2.0 million).

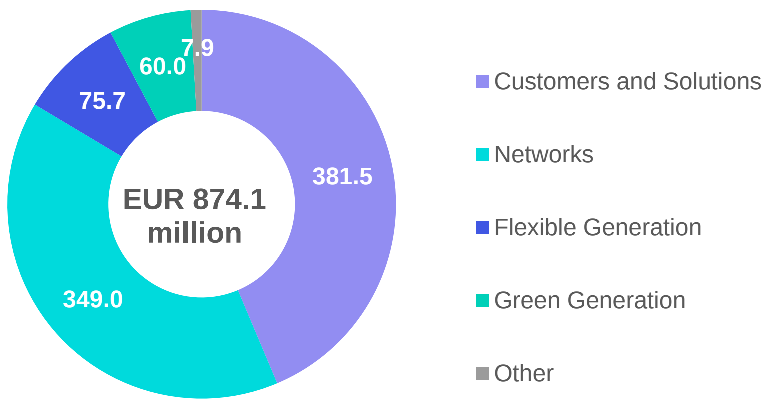
** Revenue by segments presented in this report correspond to Sales revenue from external customers presented in Consolidated Interim Financial statements for 9M 2020, Note 24 "Operating segments".*

*Revenue by segment, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Customers and Solutions | 381.5 | 357.9 | 23.6 | 6.6% |
| Networks | 349.0 | 303.5 | 45.5 | 15.0% |
| Flexible Generation | 75.7 | 68.3 | 7.4 | 10.8% |
| Green Generation | 60.0 | 64.5 | (4.5) | (7.0%) |
| Other** | 7.9 | 8.3 | (0.4) | (4.8%) |
| **Revenue** | **874.1** | **802.5** | **71.6** | **8.9%** |

*** Other – other activities and eliminations.*

*Revenue by segment 9M 2020, EURm*




In 9M 2020, the Group earned 90.2% of its revenue in Lithuania (EUR 788.2 million). The Group's Revenue from foreign countries (Latvia, Estonia, Poland and Finland) increased by 49.7% and reached EUR 85.9 million (9M 2019: EUR 57.4 million).

*Revenue by country, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% | 9M 2020, % |
|---|---|---|---|---|---|
| Lithuania | 788.2 | 745.1 | 43.1 | 5.8% | 90.2% |
| Other | 85.9 | 57.4 | 28.5 | 49.7% | 9.8% |
| **Revenue** | **874.1** | **802.5** | **71.6** | **8.9%** | **100.0%** |

## Expenses

In 9M 2020 total operating expenses decreased by 1.0% compared to the same period last year, and totalled EUR 730.9 million.

**Purchases of electricity and gas**

The Group's purchases of electricity and gas amounted to EUR 525.1 million in 9M 2020 and decreased by 2.8% compared to Q3 2019. Decrease was caused by lower gas purchases for trade (EUR -12.3 million) due to lower gas market price and lower electricity purchases (EUR -8.8 million) due to lower electricity market price.

**SG&A expense**

In 9M 2020 SG&A expense was equal to EUR 118.1 million and rose by 9.3% (EUR +10.0 million). This change was mainly driven by increase in Salaries and related expenses by EUR 9.3 million (or +15.0%) which increased mainly due to an increase of headcount, the Group's average salary growth, increased vacation accrual and increased overtime resulted from repair of failures in the electricity distribution network after storm Laura in Q1 2020.

Also other SG&A expenses increased by EUR 2.8 million (or +11.6%) which increased mainly due to higher IT expenses (EUR +1.3 million), management and other fees of „Smart Energy Fund powered by Ignitis Group" for the years 2017-2020 which were capitalised in balance sheet and now transferred to expenses (EUR +0.8 million).

**Other operating expenses**

Depreciation expenses increased by EUR 2.1 million in 9M 2020 because of the increase of non-current assets resulting from new Investments.

*Operating expenses, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **Purchases of electricity and gas** | **525.1** | **540.2** | **(15.1)** | **(2.8%)** |
| Purchases of electricity and related services | 352.3 | 361.1 | (8.8) | (2.4%) |
| Purchases of gas for trade and related services | 149.5 | 161.8 | (12.3) | (7.6%) |
| Purchases of gas for production | 23.3 | 17.3 | 6.0 | 34.7% |
| **SG&A expense** APM | **118.1** | **108.1** | **10.0** | **9.3%** |
| Salaries and related expenses | 71.1 | 61.8 | 9.3 | 15.0% |
| Repair and maintenance expenses | 20.0 | 22.1 | (2.1) | (9.5%) |
| Other | 27.0 | 24.2 | 2.8 | 11.6% |
| Depreciation charge | 84.0 | 81.9 | 2.1 | 2.6% |
| Impairment expenses and write-offs of property, plant and equipment | 2.8 | 7.3 | (4.5) | (61.6%) |
| Write-offs and impairments of short term and long-term receivables, inventories and other | 1.2 | 0.2 | 1.0 | n.m. |
| Revaluation of emission allowances | (0.3) | 0.6 | (0.9) | (150.0%) |
| **Total operating expenses** | **730.9** | **738.3** | **(7.4)** | **(1.0%)** |

## Adjusted EBITDA

Adjusted EBITDA* amounted to EUR 199.3 million in 9M 2020 and was 6.1% or EUR 11.5 million higher than in 9M 2019. Adjusted EBITDA margin reached 23.7% (9M 2019: 22.5%).

**Adjusted EBITDA by segments**

The main reasons causing 9M 2020 Adjusted EBITDA changes compared to 9M 2019 were as follows:

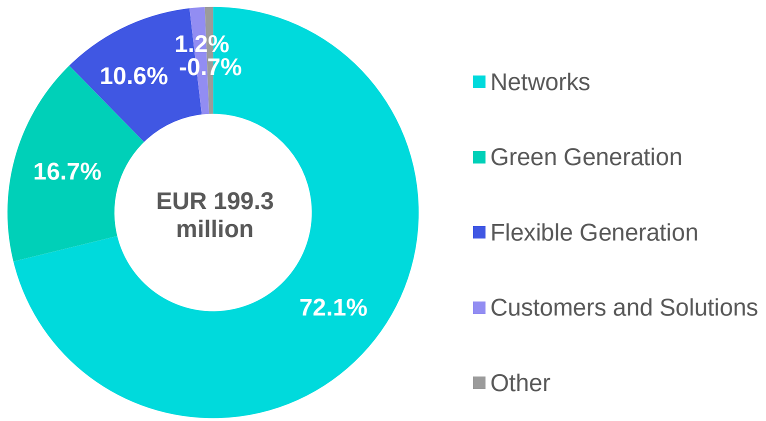
1. **Networks grew by EUR 12.9 million.** The increase was mainly driven by the growing value of regulated assets. Electricity distribution regulated assets increased from EUR 1,227 million in 2019 to EUR 1,401 million in 2020, gas distribution regulated assets increased from EUR 189 million in 2019 to EUR 227 million in 2020. WACC of electricity distribution increased from 5.04% in 2019 to 5.28% in 2020, WACC of gas distribution increased from 3.59% in 2019 to 3.84% in 2020. Adjusted EBITDA also increased due to positive changes in new connection and upgrade fees.
2. **Green Generation decreased by EUR 1.0 million.** The decrease was mainly influenced by worsened result of Kaunas HPP (EUR -4.1 million) due to lower water level in Nemunas river and lower captured electricity prices. Segment's adjusted EBITDA decrease was also influenced by the increased SG&A expense of Vilnius CHP project, as the launch of plant is approaching (EUR -1.3 million). The decrease was partly offset by better result of Kruonis PSHP (EUR +5.3 million) which was mainly caused by effective utilisation of fluctuations in electricity market prices.
3. **Flexible Generation increased by EUR 4.2 million.** Increase was mainly caused by better result from CCGT (EUR +3.7 million) due to commercial CCGT activities. Also increase was caused by better results of 7 and 8 units of Elektrėnai Complex regulated activities as in 2019 these two units were delivering ancillary services only one and two months respectively and in 2020 they provide tertiary reserve services all year long (EUR +1.0 million). 9M 2019 Adjusted EBITDA was boosted by gain from sale of fuel oil stocks (EUR -1.8 million).
4. **Customers and Solutions increased by EUR 2.4 million.** The increase was mainly driven by increase of export result (EUR +4.5 million) due to gas export to Finland and higher B2B gas results due to increased sales volumes (+24,7% YoY in Lithuanian B2B gas retail market) and positive hedge results (EUR +6.9 million). Increase was partly offset by lower B2B electricity results (EUR -6.4 million) due to negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers portfolio because of COVID-19 that was not fully compensated by positive effect from increased B2B electricity sales volumes (+50.3% YoY in Lithuanian B2B electricity retail market).
5. **Result from other activities decreased by EUR 7.0 million** mainly due to lower results of parent company, group service centre and non-core businesses which are gradually being divested.

*Adjusted EBITDA by segments, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Networks | 143.7 | 130.8*** | 12.9 | 9.9% |
| Green Generation | 33.3 | 34.3 | (1.0) | (2.9%) |
| Flexible Generation | 21.2 | 17.0 | 4.2 | 24.7% |
| Customers and Solutions | 2.4 | 0.0 | 2.4 | 100.0% |
| Other** | (1.3) | 5.7 | (7.0) | (122.8%) |
| **Adjusted EBITDA** APM | **199.3** | **187.8** | **11.5** | **6.1%** |

**Adjusted EBITDA is based on management adjustments. A more detailed description of the management adjustments is presented in Consolidated Interim Financial statements for 9M 2020, Note 24 "Operating segments".*
*** Other – other activities and eliminations.*
*** 9M 2019 adjusted EBITDA was reduced by EUR 1.7 million after change of its calculation method which affected monthly distribution of adjusted EBITDA.

*Adjusted EBITDA 9M 2020, EURm*



### Adjusted EBITDA by types of activities

In 9M 2020 Adjusted EBITDA of regulated and contracted activities amounted to 86.0% of the total Adjusted EBITDA (9M 2019: 86.5%).

Regulated activities include:

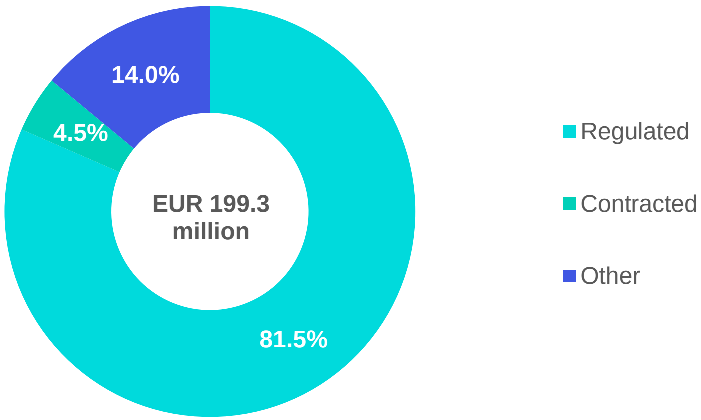
1. Electricity and gas distribution;
2. Reserve and Ancillary services provided to the transmission system operator;
3. Public supply and last resort supply of electricity, gas supply to residents of Lithuania and designated liquefied natural gas supplier service.

Contracted activity includes wind farms with fixed long-term feed-in or feed-in premium tariffs.

*Adjusted EBITDA by types of activities, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% | 9M 2020, % |
|---|---|---|---|---|---|
| Regulated | 162.5 | 153.0 | 9.5 | 6.2% | 81.5% |
| Contracted | 8.9 | 9.4 | (0.5) | (5.3%) | 4.5% |
| Other | 27.9 | 25.4 | 2.5 | 9.8% | 14.0% |
| **Adjusted EBITDA** APM | **199.3** | **187.8** | **11.5** | **6.1%** | **100%** |

*Adjusted EBITDA by types of activities 9M 2020, %*




### EBITDA adjustments

*EBITDA adjustments, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **EBITDA** APM | **229.6** | **153.9** | **75.7** | **49.2%** |
| *Adjustments* | | | | |
| Temporary regulatory differences (1)* | (39.8) | 25.9 | (65.7) | n.m. |
| Temporary fluctuations in fair value of derivatives (2) | 0.5 | 9.4 | (8.9) | (94.7%) |
| Cash effect of new connection points and upgrades (3) | 9.9 | 11.2 | (1.3) | (11.6%) |
| Other (4) | (0.9) | (12.6) | 11.7 | 92.9% |
| **Total adjustments** | **(30.3)** | **33.9** | **(64.2)** | **n.m.** |
| **Adjusted EBITDA** APM | **199.3** | **187.8** | **11.5** | **6.1%** |
| *Adjusted EBITDA margin* APM | *23.7%* | *22.5%* | - | - |

(1) Elimination of the difference between the actual profit earned during the reporting period and profit allowed by the regulator. Decreased mainly due to higher Networks (EUR -31.1 million) and Customers and Solutions (EUR -40.7 million) segments profit earned from regulated activities during the reporting period than profit allowed by the regulator. Networks segment's temporary regulatory differences resulted from actual regulated operating expenses savings compared to regulated operating expenses level set by regulator. Customers and Solutions segment's temporary regulatory differences resulted from lower actual electricity and gas prices compared to prices set by regulator.

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

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

(4) Other adjustments include add-backs of inventory and receivables impairments and write-offs and elimination of gains or losses from disposal of non-current assets. 9M 2020 other adjustments also include EUR 0.5 million elimination of management and other fees of „Smart Energy Fund powered by Ignitis Group" related to the previous periods (years 2017 - 2019), leaving only fees related to 9M 2020 in Adjusted EBITDA. 9M 2019 other adjustments contains of received compensation of EUR 9.28 million for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of the AB Lietuvos Elektrinė in 2005–2009.

** Calculation method of Networks segments Adjusted EBITDA was changed in 9M 2020 and retrospectively Adjusted EBITDA 9M 2019 was corrected. Change of calculation method affect only monthly amounts distribution. Adjusted EBITDA 9M 2019 without this change would be EUR 1.7 million higher.*

## Adjusted EBIT

In 9M 2020, Adjusted EBIT amounted to EUR 115.3 million, which was 8.9% (or EUR 9.4 million) higher than in 9M 2019.

*Adjusted EBIT by segments, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Networks | 82.2 | 70.0 | 12.2 | 17.4% |
| Green Generation | 22.9 | 24.8 | (1.9) | (7.7%) |
| Flexible Generation | 12.6 | 8.3 | 4.3 | 51.8% |
| Customers and Solutions | (2.6) | (1.0) | (1.6) | (160.0%) |
| Other* | 0.2 | 3.8 | (3.6) | (94.7%) |
| **Adjusted EBIT** APM | **115.3** | **105.9** | **9.4** | **8.9%** |
| *Adjusted EBIT margin* APM | *13.7%* | *12.7%* | - | - |

** Other – other activities and eliminations.*

## Adjusted net profit

Adjusted net profit amounted to EUR 80.6 million in 9M 2020 and was 8.2% higher than in 9M 2019. Adjusted EBITDA increase (EUR +11.5 million effect) had the biggest impact on the change. Deferred income tax expenses increased due to income tax relief for the investment project use which lowers deferred income tax assets, also some tax relief related assets were transferred to another Group company. Financial expenses increased due to issued additional bonds.

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

*Adjusted net profit, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **Adjusted EBITDA** APM | **199.3** | **187.8** | **11.5** | **6.1%** |
| Depreciation and amortisation expenses | (84.0) | (81.9) | (2.1) | (2.6%) |
| **Adjusted EBIT** APM | **115.3** | **105.9** | **9.4** | **8.9%** |
| Impairment expenses and write-offs of non-current assets (excluding material one-off non-cash asset revaluation, impairment and write-off effects) | (2.8) | (7.3) | 4.5 | 61.6% |
| Write-offs of inventories and receivables | (1.2) | (0.2) | (1.0) | n.m. |
| Financial income | 1.7 | 1.3 | 0.4 | 30.8% |
| Financial expenses | (17.4) | (13.9) | (3.5) | (25.2%) |
| Current year income tax (expenses)/benefit | (7.8) | (6.7) | (1.1) | (16.4%) |
| Deferred income tax (expenses)/benefit | (11.4) | (1.2) | (10.2) | n.m. |
| Adjustments' impact on income tax | 4.2 | (3.4) | 7.6 | n.m. |
| **Adjusted net profit** APM | **80.6** | **74.5** | **6.1** | **8.2%** |

*Adjusted net profit adjustments, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **Net profit** | **108.3** | **43.7** | **64.6** | **147.8%** |
| *Adjustments* | | | | |
| Temporary regulatory differences | (39.8) | 25.9 | (65.7) | n.m. |
| Temporary fluctuations in fair value of derivatives | 0.5 | 9.4 | (8.9) | (94.7%) |
| Cash effect of new connection points and upgrades | 9.9 | 11.2 | (1.3) | (11.6%) |
| Other adjustments (1) | (2.5) | (12.3) | 9.8 | 79.7% |
| Adjustments' impact on income tax | 4.2 | (3.4) | 7.6 | n.m. |
| **Total adjustments** | **(27.7)** | **30.8** | **(58.5)** | **(189.9%)** |
| **Adjusted net profit** APM | **80.6** | **74.5** | **6.1** | **8.2%** |
| *Adjusted ROE LTM* APM | *8.4%* | *8.9%* | - | - |
| *ROE LTM* | *9.3%* | *(0.8%)* | - | - |

(1) Other adjustments consist of: i) changes in market value of emission allowances, ii) gains or losses from disposals of non-current assets, iii) management and other fees of „Smart Energy Fund powered by Ignitis Group" related to previous periods, and iv) received compensations related to the previous periods.

## Reported net profit

Reported net profit in 9M 2020 increased to EUR 108.3 million, compared to net profit of EUR 43.7 million in 9M 2019. Reported net profit was higher mainly due to higher EBITDA of Networks and Customers and Solutions segments due to higher segment's profit earned from regulated activities during the reporting period than profit allowed by the regulator.

*Reconciliation of reported net profit with EBIT and EBITDA, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **EBITDA** APM | **229.6** | **153.9** | **75.7** | **49.2%** |
| Depreciation and amortisation expenses | (84.0) | (81.9) | (2.1) | (2.6%) |
| Impairment expenses and write-offs of non-current assets | (2.8) | (7.2) | 4.4 | 61.1% |
| Expenses of the revaluation of emission allowances | 0.3 | (0.6) | 0.9 | (150.0%) |
| **EBIT** APM | **143.1** | **64.2** | **78.9** | **122.9%** |
| Finance income | 1.7 | 1.3 | 0.4 | 30.8% |
| Financial expenses | (17.3) | (13.9) | (3.4) | (24.5%) |
| **Profit (loss) before tax** | **127.5** | **51.6** | **75.9** | **147.1%** |
| Current year income tax expenses | (7.8) | (6.7) | (1.1) | (16.4%) |
| Deferred income tax income (expenses) | (11.4) | (1.2) | (10.2) | n.m |
| **Net profit (losses)** | **108.3** | **43.7** | **64.6** | **147.8%** |

## Investments

In 9M 2020, Investments amounted to EUR 270.8 million and were EUR 47.3 million lower than in 9M 2019. The largest investments were made in construction of Kaunas CHP (26.0% from total Investments), construction of Pomerania WF (24.4%), construction of Vilnius CHP (15.1%), electricity distribution network expansion (14.3%), electricity distribution network maintenance (7.8%) and gas distribution network expansion (6.4%).

Green Generation segment investments increased to EUR 179.5 million in 9M 2020 and were EUR 7.8 million higher than in 9M 2019. Major contributor to that was higher investments in construction of Kaunas CHP (EUR +44.9 million) and Pomerania WF (EUR +22.3 million). Increase was partly offset by lower investments in construction of Vilnius CHP (EUR -60.4 million) according to schedule as well as some postponement due to COVID-19.

Networks segment investments amounted EUR 85.9 million and were lower by EUR 54.3 million compared to 9M 2019. Decrease was mainly driven by lower investments in expansion of the electricity distribution network due to decrease in new customers connection and upgrades contract work fees (EUR -23.7 million) and maintenance of the electricity distribution network due to postponement of 9M 2020 reconstruction works of electricity network objects for later periods (EUR -12.3 million). 29.8k new connection points and upgrades were completed in the electricity distribution network in 9M 2020, 1.1% more than in 9M 2019. Admissible electric power of new connection points and upgrades reached 287.5 MW in 9M 2020 and was 3% higher than in 9M 2019 (279.1 MW). In 9M 2020 investments in the expansion of gas distribution network was lower by EUR 20.5 million compared to 9M 2019. 167.1 km of the new gas pipelines were constructed in 9M 2020 (418.1 km in 9M 2019).

The Group received EUR 19.2 million subsidies for Investments in 9M 2020. It contains of subsidies for Vilnius CHP project (EUR 16.7 million), the remaining subsidies were related to electricity and gas distribution networks. The Group also received distribution network new customers connections and upgrades and infrastructure equipment transfers contribution (EUR 18.9 million).

*Investments by segment, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Green Generation | 179.5 | 171.7 | 7.8 | 4.5% |
| Kaunas CHP | 70.4 | 25.5 | 44.9 | 176.1% |
| Pomerania WF | 66.0 | 43.7 | 22.3 | 51.0% |
| Vilnius CHP | 41.0 | 101.4 | (60.4) | (59.6%) |
| Other Green Generation investments | 2.1 | 1.1 | 1.0 | 90.9% |
| Networks | 85.9 | 140.2 | (54.3) | (38.7%) |
| Expansion of the electricity distribution network | 38.8 | 62.5 | (23.7) | (37.9%) |
| Expansion of gas distribution network | 17.2 | 37.7 | (20.5) | (54.4%) |
| Maintenance of the electricity distribution network | 21.1 | 33.4 | (12.3) | (36.8%) |
| Maintenance of the gas distribution network | 5.8 | 4.7 | 1.1 | 23.4% |
| Other Networks Investments | 3.0 | 1.9 | 1.1 | 57.9% |
| Customers and Solutions | 0.8 | 1.6 | (0.8) | (50.0%) |
| Flexible Generation | 0.7 | 0.4 | 0.3 | 75.0% |
| Other* | 3.9 | 4.2 | (0.3) | (7.1%) |
| **Investments** APM | **270.8** | **318.1** | **(47.3)** | **(14.9%)** |
| Subsidies | (19.2) | (38.2) | 19.0 | 49.7% |
| Investments covered by customers** | (18.9) | (20.2) | 1.3 | 6.4% |
| **Investments (excl. subsidies and investments covered by customers)** | **232.7** | **259.7** | **(27.0)** | **(10.4%)** |

** Other – other activities and eliminations.*

*** Investments covered by customers includes new customers connections and upgrades and infrastructure equipment transfers.*

## Balance sheet

### Assets

As of 30 September 2020, total assets reached EUR 3,400.1 million (7.6% increase from 31 December 2019). The growth was mainly influenced by the increase in cash and cash equivalents due to additional bond issuance. Also, non-current fixed assets increased, resulting from investments made in 9M 2020.

### Equity

As at 30 September 2020, equity amounted to EUR 1,329.6 million. 1.4% decrease from 31 December 2019 mostly due to redemption of shares of Ignitis Gamyba and ESO.

### Liabilities

Total liabilities increased by 14.1% or EUR 261.0 million during 9M 2020.

Non-current liabilities rose by 33.3% or EUR 449.6 million, which was mainly influenced by the issuance of bonds (EUR +300.0 million) and increased loans from banks (EUR +130.4 million).

Current liabilities decreased by 37.8% or EUR 188.6 million. It was caused by decrease of Bank overdrafts (EUR -191.3 million) and current portion of non-current borrowings (EUR -20.7 million).

***Balance sheet, EURm***

| | 2020.09.30 | 2019.12.31 | Δ | Δ,% |
|---|---|---|---|---|
| Non-current assets | 2,917.6 | 2,770.6 | 147.0 | 5.3% |
| Current assets | 522.5 | 427.5 | 95.0 | 22.2% |
| **TOTAL ASSETS** | **3,440.1** | **3,198.1** | **242.0** | **7.6%** |
| Equity | 1,329.6 | 1,348.6 | (19.0) | (1.4%) |
| Total liabilities | 2,110.5 | 1,849.5 | 261.0 | 14.1% |
| Non-current liabilities | 1,800.1 | 1,350.5 | 449.6 | 33.3% |
| Current liabilities | 310.4 | 499.0 | (188.6) | (37.8%) |
| **TOTAL EQUITY AND LIABILITIES** | **3,440.1** | **3,198.1** | **242.0** | **7.6%** |
| *Asset turnover ratio LTM* APM | *0.34* | *0.34* | | |
| *ROA LTM* APM | *3.8%* | *1.9%* | | |
| *Current ratio* APM | *1.68* | *0.78* | | |
| *Working capital/Revenue LTM* APM | *2.0%* | *4.8%* | | |

## Financing

### Net debt

As of 30 September 2020, Net debt amounted to EUR 1,026.8 million, an increase of 6.2% or EUR 60.3 million compared to 31 December 2019 was mostly influenced by bonds issuance (which were used to refinance banks overdrafts) and by new loans obtaining (which were used to finance investments to Pomerania WF, Vilnius CHP and Kaunas CHP). During 9M 2020, Gross debt increased by 19.2% or EUR 210.8 million, and on 30 September 2020 amounted to EUR 1,309.1 million (on 31 December 2019 – EUR 1,098.3 million). Main factors for the increase was bonds issuance (EUR +300.0 million) and increase of loans from banks (EUR +130.4 million), that was partly offset by lower bank overdrafts (EUR -191.3 million) and current portion of non-current borrowings (EUR -20.7 million). FFO/Net debt improved from 19.6% at 31 December 2019 to 24.9% at 30 September 2020.

***Net debt, EURm***

| | 2020.09.30 | 2019.12.31 | Δ | Δ,% |
|---|---|---|---|---|
| **Total non-current financial liabilities** | **1,273.6** | **855.7** | **417.9** | **48.8%** |
| Non-current loans | 362.1 | 231.7 | 130.4 | 56.3% |
| Bonds | 886.6 | 590.1 | 296.5 | 50.2% |
| Interests payable (including accrued) | 0.2 | 0.1 | 0.1 | 100.0% |
| Finance lease | 0.0 | 0.0 | 0.0 | 0.0% |
| Lease liabilities (IFRS 16) | 24.7 | 33.8 | (9.1) | (26.9%) |
| **Total current financial liabilities** | **35.5** | **242.6** | **(207.1)** | **(85.4%)** |
| Current portion of non-current loans | 16.8 | 37.5 | (20.7) | (55.2%) |
| Current loans | 0.0 | 0.0 | 0.0 | 0.0% |
| Current portion of finance lease liabilities | 0.0 | 0.0 | 0.0 | 0.0% |
| Lease liabilities (IFRS 16) | 14.0 | 8.4 | 5.6 | 66.7% |
| Banks overdrafts | 0.0 | 191.3 | (191.3) | (100.0%) |
| Interests payable (including accrued) | 4.7 | 5.4 | (0.7) | (13.0%) |
| **Gross debt** | **1,309.1** | **1,098.3** | **210.8** | **19.2%** |
| **Cash, cash equiv. and short-term inv.** | **282.3** | **131.8** | **150.5** | **114.2%** |
| Cash and cash equivalents | 282.3 | 131.8 | 150.5 | 114.2% |
| Short-term investments | 0.0 | 0.0 | 0.0 | 0.0% |
| **Net debt** APM | **1,026.8** | **966.5** | **60.3** | **6.2%** |
| EPSO-G receivable | 150.7 | 158.7 | (8.0) | (5.0%) |
| **Net debt less EPSO-G receivable** | **876.1** | **807.8** | **68.3** | **8.5%** |
| *Net debt / Adjusted EBITDA LTM* APM | *3.79* | *3.72* | - | - |
| *Net debt / EBITDA LTM* APM | *3.63* | *4.67* | - | - |
| *FFO LTM / Net debt* APM | *24.9%* | *19.6%* | - | - |
| *Gross debt/Equity* APM | *0.98* | *0.81* | - | - |
| *Equity ratio* APM | *0.39* | *0.42* | - | - |

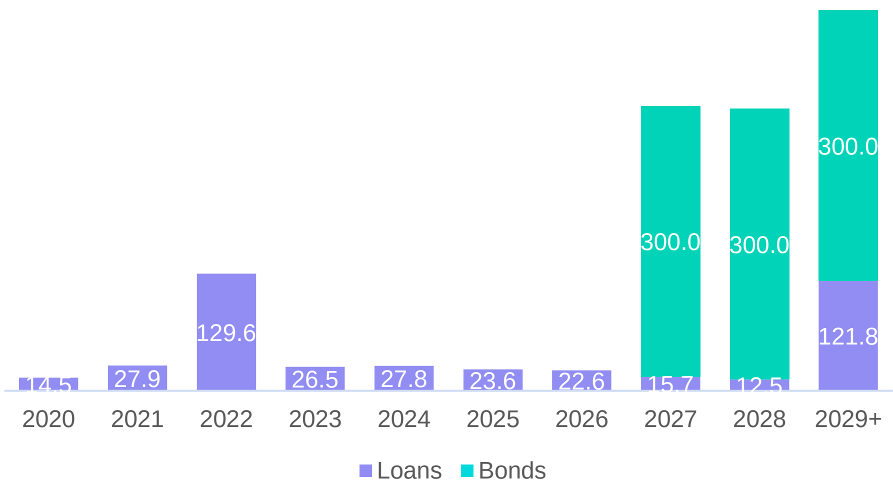
** A more detailed description presented in Consolidated Interim Financial statements for 9M 2020, Note 9.*

**Maturities**

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

The average maturity of the borrowings as at 30 September 2020 was 9.3 years (31 December 2019: 6.3 years). Average maturity increased mainly due to overdraft refinanced using 10-year bonds.

*Group's borrowings repayment schedule, EURm*




**Interest rate, currency, and liquidity risk**

On 30 September 2020, borrowings amounting to EUR 1,200.7 million were subject to the fixed interest rate (91.7% of the gross debt) and the remaining amount of borrowings was subject to the floating interest rate. 95.7% of gross debt were in EUR, while 4.3% – in PLN.

The Group manages liquidity risk by entering into the credit line agreements with banks. On 30 September 2020, credit line facilities amounted to EUR 270 million of which all are undrawn, EUR 19 million are frozen for redemption of shares of Ignitis Gamyba and ESO. All the credit lines are committed, i.e. funds must be paid by the bank upon request.

## Cash flows

Net cash flows from operating activities (CFO) amounted to EUR 271.8 million in 9M 2020. Compared to 9M 2019, CFO increased by EUR 122.0 million mainly due to increase of net profit. Net cash flows to investing activities (CFI) amounted to EUR -213.0 million in 9M 2020. Compared to 9M 2019, CFI decreased by EUR 83.3 million due to lower Investments and prepayments for non-current assets. Net cash flows from financing activities (CFF) amounted to EUR 91.7 million in 9M 2020. Compared to 9M 2019, CFF increased by EUR 63.5 million mostly due to bonds issuance used to refinance overdrafts.

*Cash flows, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **Cash and cash equivalents at the beginning of the period** | **131.8** | **127.8** | **4.0** | **3.1%** |
| CFO | 271.8 | 149.8 | 122.0 | 81.4% |
| CFI | (213.0) | (296.3) | 83.3 | 28.1% |
| CFF | 91.7 | 155.2 | (63.5) | (40.9%) |
| **Increase (decrease) in cash and cash equival.** | **150.5** | **8.7** | **141.8** | **n.m.** |
| **Cash and cash equivalents at the end of period** | **282.3** | **136.5** | **145.8** | **106.8%** |

In 9M 2020, the Group's FFO ratio increased by 46.6% (EUR 66.0 million) and amounted to EUR 207.6 million. The main reason for the growth was growth in EBITDA.

*FFO, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| EBITDA | 229.6 | 153.9 | 75.7 | 49.2% |
| Interest received | 0.5 | 1.1 | (0.6) | (54.5%) |
| Interest paid | (15.0) | (11.6) | (3.4) | (29.3%) |
| Income tax paid | (7.5) | (1.8) | (5.7) | n.m. |
| **FFO** APM | **207.6** | **141.6** | **66.0** | **46.6%** |

*FCF, EURm*

| | 9M 2020 | 9M 2019 | Δ | Δ,% |
|---|---|---|---|---|
| FFO | 207.6 | 141.6 | 66.0 | 46.6% |
| Investments | (270.8) | (318.1) | 47.3 | 14.9% |
| Grants received | 19.2 | 38.2 | (19.0) | (49.7%) |
| Proceeds from sale of property, plant and equipment and intangible asset | 12.5 | 35.3 | (22.8) | (64.6%) |
| Change in net working capital | 30.5 | (52.5) | 83.0 | 158.1% |
| **FCF** APM | **(1.0)** | **(155.5)** | **154.5** | **99.4%** |

# Business segments' results

# Business segments

## Networks

**Adjusted EBITDA (EURm)**

| | |
|---|---|
| 9M 2019 | 130.8 |
| 9M 2020 | 143.7 |

**Main indicators 9M 2020 (EURm)**

| | |
|---|---|
| Revenue | 349.0 |
| Adjusted EBIT | 82.2 |
| Investments | 85.9 |
| Net debt | 672.1 |

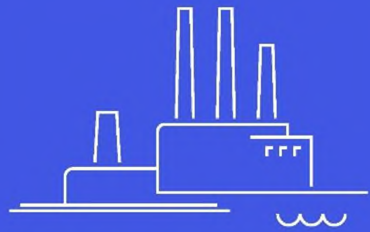
## Green Generation

**Adjusted EBITDA (EURm)**

| | |
|---|---|
| 9M 2019 | 34.3 |
| 9M 2020 | 33.3 |

**Main indicators 9M 2020 (EURm)**

| | |
|---|---|
| Revenue | 60.0 |
| Adjusted EBIT | 22.9 |
| Investments | 179.5 |
| Net debt | 433.1 |



## Flexible Generation

**Adjusted EBITDA (EURm)**

| | |
|---|---|
| 9M 2019 | 17.0 |
| 9M 2020 | 21.2 |

**Main indicators 9M 2020 (EURm)**

| | |
|---|---|
| Revenue | 75.7 |
| Adjusted EBIT | 12.6 |
| Investments | 0.7 |
| Net debt | -101.9 |

## Customers and Solutions

**Adjusted EBITDA (EURm)**

| | |
|---|---|
| 9M 2019 | 0.0 |
| 9M 2020 | 2.4 |

**Main indicators 9M 2020 (EURm)**

| | |
|---|---|
| Revenue | 381.5 |
| Adjusted EBIT | -2.6 |
| Investments | 0.8 |
| Net debt | 42.9 |

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

# Networks

## Operating performance in 9M 2020

**Electricity distribution**

Distributed electricity in 9M 2020 amounted to 6.99 TWh and decreased by 1.0% , compared to 7.07 TWh in 9M 2019. Decrease was mainly influenced by COVID-19. B2B distribution decreased by about 4.5%, which was partly offset by an increase in B2C distribution by 6.6%.

SAIDI ratio deteriorated and was 195.53 minutes compared to 73.58 minutes in 9M 2019. SAIFI indicator was equal to 1.12 interruptions, up from 1.05 in 9M 2019. Deterioration of quality indicators of continuous electricity supply was mainly caused by storm Laura (12-13th March). The Laura ‘s record whirlwind wind of 28-31 m/s left more than 250 thousand of residents without electricity. The hurricane Erwin of such a scope stroke Lithuania for the last time in 2005. More than 90 percent of the storm’s consequences were eliminated, and electricity was restored in the record time - only in two or three days.

During 9M 2020, 29,840 new connection points and upgrades were completed in the electricity distribution network and 4,113 prosumers and producers included under total new connection points and upgrades. The number of new electricity connection points and upgrades slightly increased by 1.1% compared to 9M 2019.

**Gas distribution**

Gas distribution volume decreased by 2.7% and amounted to 4.58 TWh in 9M 2020 in comparison with 4.70 TWh in 9M 2019. In 9M 2020, higher average air temperatures were the main contributor to the reduction in gas distribution.

Gas distribution SAIDI ratio improved in 9M 2020 and was 0.85 minutes, comparing with 1.02 minutes in 9M 2019. SAIFI ratio stayed stable and was equal to 0.007 interruptions in 9M 2020. Improvement of the quality indicators resulted from the decrease in network disruptions by third parties.

In 9M 2020, 6,159 new connection points and upgrades were completed in the gas distribution network, which is 32.5% less than during 9M 2019 because blocks are no longer formed and the tariff per user became higher.

*Networks key operating indicators*

| | | 9M 2020 | 9M 2019 | ∆,% |
|---|---|---|---|---|
| **Electricity** | | | | |
| Electricity distributed | TWh | 6.99 | 7.07 | (1.0%) |
| B2C | TWh | 2.27 | 2.13 | 6.6% |
| B2B | TWh | 4.72 | 4.94 | (4.5%) |
| Electricity distribution network | thous. km | 126.0 | 125.4 | 0.5% |
| Technological losses in electricity distribution network | % | 5.17% | 5.76% | (0.6%) |
| New connection points and upgrades | thous. | 29.8 | 29.5 | 1.1% |
| New connection points | thous. | 16.8 | 17.8 | (5.9%) |
| Upgrades | thous. | 13.1 | 11.7 | 11.8% |
| Prosumers and producers (included under new connection points and upgrades) | thous. | 4.1 | 1.4 | 3.0x |
| Time to connect (average) | c. d. | 28.9 | 32.2 | (10.4%) |
| SAIDI | min. | 195.53 | 73.58 | 2.7x |
| SAIFI | unit | 1.12 | 1.05 | 6.5% |
| **Gas** | | | | |
| Gas distributed | TWh | 4.58 | 4.70 | (2.7%) |
| Gas distribution network | thous. km | 9.6 | 9.4 | 2.9% |
| Technological losses in gas distribution network | % | 2.50% | 2.35% | 0.2% |
| New connection points and upgrades | thous. | 6.2 | 9.1 | (32.5%) |
| Time to connect (average) | c. d. | 53.8 | 69.4 | (22.5%) |
| SAIDI | min. | 0.85 | 1.02 | (16.4%) |
| SAIFI | unit | 0.007 | 0.007 | 0.5% |

## Financial results in 9M 2020

In 9M 2020, Networks Revenue reached EUR 349.0 million and was 15.0% or EUR 45.5 million higher than in 9M 2019. The increase was mainly driven by higher electricity distribution revenue (EUR +31.3 million) and transmission revenue (EUR +22.1 million) due to on average 11% higher tariff of power distribution service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulator. Increase was partly offset by decreased supply of last resort of electricity revenue (EUR -8.7million) due to decrease of electricity market price.

In 9M 2020, Adjusted EBITDA reached EUR 143.7 million and was 9.9% or EUR 12.9 million higher than in 9M 2019. The increase was mainly driven by the growing value of regulated assets. Electricity distribution regulated assets increased from EUR 1,227 million in 2019 to EUR 1,401 million in 2020, gas distribution regulated assets increased from EUR 189 million in 2019 to EUR 227 million in 2020. WACC of electricity distribution increased from 5.04% in 2019 to 5.28% in 2020, WACC of gas distribution increased from 3.59% in 2019 to 3.84% in 2020. Adjusted EBITDA also increased due to positive changes in new connection and upgrade fees.

Compared to 9M 2019, segment's property, plant and equipment, intangible and right-of-use assets increased by 1.9% or EUR 30.0 million due to Investments made. However, compared to 9M 2019, Investments decreased by EUR 54.4 million or 38.8%, mainly resulting from lower investments in expansion (EUR -23.7 million) and maintenance (EUR -12.3 million) of the electricity distribution network and expansion of gas distribution network (EUR -20.5 million).

*Main financial results of Networks segment, EURm*

| | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|
| Revenue | 349.0 | 303.5 | 15.0% |
| Adjusted EBITDA* APM | 143.7 | 130.8 | 9.9% |
| EBITDA APM | 141.3 | 100.3 | 40.9% |
| Adjusted EBIT APM | 82.2 | 70.0 | 17.4% |
| EBIT | 70.7 | 36.1 | 95.8% |
| Property, plant and equipment, intangible and right-of-use assets | 1,635.5 | 1,605.5 | 1.9% |
| Net debt APM | 672.1 | 660.8 | 1.7% |
| Investments APM | 85.9 | 140.3 | (38.8%) |
| Adjusted EBITDA margin, % APM | 41.0% | 39.2% | - |

** 9M 2019 adjusted EBITDA was adjusted negatively by EUR 1.7 million after change of its calculation method which affected monthly distribution of adjusted EBITDA.*

# Green Generation

## Operating performance in 9M 2020

**Electricity generation**

Electricity generated in Green Generation segment increased by 15.4% in 9M 2020, compared to 9M 2019. This mainly resulted from higher electricity generation in hydro portfolio. Electricity generation volumes at Kruonis PSHP increased by 26.8% as a result of effective utilisation of fluctuations in electricity prices in 9M 2020, which was slightly offset by decrease in Kaunas HPP by 16.2% caused by a lower level of water in the Nemunas river. Volume of electricity generated at wind farms was 0.17 TWh, which is 5.9% more compared to 9M 2019. Increase in wind farms generation portfolio were impacted by higher load factors due to better weather conditions and availability factors. Volume of electricity generated from waste incineration increased due to of Kaunas CHP, which commenced commercial operation in August 2020.

**Heat generation**

Heat generation in 9M 2020 increased 2.8 times, compared to 9M 2019, as a result of Kaunas CHP Plant commercial operation commencement.

*Green Generation key operating indicators*

| | | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|---|
| Electricity generated: | TWh | 0.91 | 0.79 | 15.4% |
| Wind | TWh | 0.17 | 0.16 | 5.9% |
| Hydro | TWh | 0.71 | 0.63 | 12.4% |
| Waste | TWh | 0.03 | - | - |
| Heat generated: | TWh | 0.18 | 0.06 | 2.8x |
| Waste | TWh | 0.10 | - | - |
| Biomass | TWh | 0.06 | 0.06 | (6.7%) |
| Gas | TWh | 0.02 | - | - |
| Wind farms availability factor | % | 98% | 98% | 0.9% |
| Wind farms load factor | % | 34% | 33% | 4.4% |
| Installed capacity: | | | | |
| Installed capacity - electricity | MW | 1,101 | 1,077 | 2.2% |
| Wind | MW | 76 | 76 | 0.0% |
| Hydro | MW | 1,001 | 1,001 | 0.0% |
| Waste | MW | 24 | - | - |
| Projects under construction and under development - electricity | MW | 419 | 273 | 53.5% |
| Installed capacity - heat | MW | 110 | 40 | 175% |
| Projects under construction and under development - heat | MW | 229 | 299 | (23%) |

## Financial results in 9M 2020

In 9M 2020, Green Generation Revenues amounted to 60.0 million and was 7.0% or EUR 4.5 million lower than in 9M 2019. Revenue decrease was driven by lower revenue of Kaunas HPP (EUR -4.1 million) due to lower water level in Nemunas river and lower captured electricity prices and lower sales of Kruonis PSHP (EUR -1.3 million).The above reasons outweighed higher sales of Kaunas CHP (EUR +2.0 million).

In 9M 2020, Adjusted EBITDA reached EUR 33.3 million and was 2.9% or EUR 1.0 million lower than in 9M 2019. The decrease was mainly influenced by worsened result of Kaunas HPP (EUR -4.1 million) due to lower water level in Nemunas river and lower captured electricity prices. Segment's adjusted EBITDA decrease was also influenced by the increased SG&A expense of Vilnius CHP project, as the launch of plant is approaching (EUR -1.3 million). The decrease was partly offset by better result of Kruonis PSHP (EUR +5.3 million) which was mainly caused by effective utilisation of fluctuations in electricity market prices.

Compared to 9M 2019, property, plant and equipment, intangible and right-of-use assets in the Green Generation segment grew due to ongoing Investments in Vilnius and Kaunas CHPs and Pomerania WF. The segment's Net debt increased accordingly.

*Main financial results of Green Generation segment, EURm*

| | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|
| Revenue | 60.0 | 64.5 | (7.0%) |
| Adjusted EBITDA APM | 33.3 | 34.3 | (2.9%) |
| EBITDA APM | 33.3 | 34.2 | (2.6%) |
| Adjusted EBIT APM | 22.9 | 24.8 | (7.7%) |
| EBIT | 22.8 | 24.7 | (7.7%) |
| Property, plant and equipment, intangible and right-of-use assets | 604.0 | 437.8 | 38.0% |
| Net debt APM | 433.1 | 190.3 | 127.6% |
| Investments APM | 179.5 | 171.7 | 4.5% |
| Adjusted EBITDA margin, % APM | 55.5% | 53.2% | - |

# Flexible Generation

## Operating performance in 9M 2020

Electricity generation volumes at the Elektrėnai Complex increased almost 50 times in 9M 2020, compared with 9M 2019, and reached 0.89 TWh, as a result of favorable gas and emission allowance prices and changes in the regulation of provided ancillary services.

In 2019, the tertiary active power reserve in the capacity of 260 MW was ensured by the CCGT unit while in 2020 tertiary power reserve is ensured by Elekrėnai Complex 7 and 8 units with the scope of 475 MW.

In 2020, CCGT is providing the service of operation of the isolated network with the scope of 370 MW. The rest isolated system operation service is provided by 8 unit with the scope of 45 MW.

*Flexible Generation key operating indicators*

| | | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|---|
| Electricity generated | TWh | 0.89 | 0.02 | 49.8x |
| Total reserve and Isolated Regime Services | MW | 890 | 260 | 3.4x |
| Tertiary Power Reserve Services | MW | 475 | 260 | 82.7% |
| Isolated Regime Services | MW | 415 | -* | - |
| Installed capacity: | | | | |
| Installed capacity – electricity | MW | 1,055 | 1,055 | 0% |

** Both Units No. 7 and 8 were in preservation mode most of the year when providing this service; the exact power dedicated for the service was not indicated and is thus not provided in the table.*

## Financial results in 9M 2020

In 9M 2020, Flexible Generation Revenue reached 75.7 million and was 10.8% or EUR 7.4 million higher than in 9M 2019. The segment's Revenue increase was mainly driven by higher revenue of CCGT (EUR +25.6 million). Due to CCGT provision of isolated regime instead of tertiary reserve services. 9M 2019 revenue were boosted by one-off compensation received in Q1 2019 for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009 (EUR -9.3 million). 9M 2019 revenue were also boosted by sale of no longer in use fuel oil stocks (EUR -4.3 million). Also, sales in 9M 2020 were lowered by lower revenue of 7 and 8 units of Elektrėnai Complex (EUR -2.2 million).

In 9M 2020, Adjusted EBITDA reached EUR 21.2 million and was 24.77% or EUR 4.2 million higher than in 9M 2019. Increase was mainly caused by better result from CCGT (EUR +3.7 million) due to commercial CCGT activities. Also increase was caused by better results of 7 and 8 units of Elektrėnai Complex regulated activities as in 2019 these two units were delivering ancillary services only one and two months respectively and in 2020 they provide tertiary reserve services all year long (EUR +1.1 million). 9M 2019 Adjusted EBITDA was boosted by gain from sale of fuel oil stocks in 9M 2019 (EUR -1.8 million).

*Main financial results of Flexible Generation segment, EURm*

| | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|
| Revenue | 75.7 | 68.3 | 10.8% |
| Adjusted EBITDA APM | 21.2 | 17.0 | 24.7% |
| EBITDA APM | 21.6 | 33.5 | (35.5%) |
| Adjusted EBIT APM | 12.6 | 8.3 | 51.8% |
| EBIT | 13.3 | 23.9 | (44.4%) |
| Property, plant and equipment, intangible and right-of-use assets | 495.0 | 397.3 | 24.6% |
| Net debt APM | (101.9) | (11.3) | n.m. |
| Investments APM | 0.7 | 0.4 | 75.0% |
| Adjusted EBITDA margin, % APM | 28.2% | 32.1% | - |

# Customers and Solutions

## Operating performance in 9M 2020

**Electricity sales**

Total electricity sales in retail market in 9M 2020 increased by 20.6% compared to 9M 2019 and totalled 4.65 TWh. Increase was mainly caused by higher sales in Lithuania for B2B as a result of new contracts signed at the end of 2019 for the following year. Electricity sales volume in the wholesale market decreased by 48.5%, as a result of smaller trading portfolio in Polish market, in comparison to 9M 2019.

**Gas sales**

The volume of gas sold increased by 65.9% and amounted to 10.89 TWh in 9M 2020 (9M 2019: 6.56 TWh). This was mainly influenced by entry into Finnish gas market and higher gas sales in Latvian market. Gas sales in Lithuanian retail market increased by 19.1%. Sales in wholesale gas market decreased by 5.3% in 9M 2020 compared with the same period last year influenced by decrease in sales through LNG terminal, which was partly offset by an increase in sales through Get Baltic gas exchange.

***Customers and Solutions key operating indicators***

| | | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|---|
| **Electricity sales** | | | | |
| Retail | TWh | 4.65 | 3.86 | 20.6% |
| Lithuania | TWh | 4.00 | 3.26 | 22.5% |
| B2C | TWh | 2.16 | 2.04 | 5.8% |
| B2B | TWh | 1.84 | 1.22 | 50.3% |
| Latvia | TWh | 0.64 | 0.59 | 8.0% |
| Other | TWh | 0.01 | 0.00 | 458.2x |
| Wholesale trading | TWh | 1.79 | 3.47 | (48.5%) |
| Electricity customers | m | 1.70 | 1.67 | 2.0% |
| **Gas sales** | **TWh** | **10.89** | **6.56** | **65.9%** |
| Retail | TWh | 9.49 | 5.09 | 86.5% |
| Lithuania | TWh | 5.38 | 4.52 | 19.1% |
| B2C | TWh | 1.40 | 1.33 | 5.6% |
| B2B | TWh | 3.98 | 3.19 | 24.7% |
| Latvia | TWh | 1.88 | 0.57 | 3.3x |
| Finland | TWh | 2.23 | - | - |
| Wholesale | TWh | 1.39 | 1.47 | (5.3%) |
| Gas customers | m | 0.61 | 0.60 | 1.4% |

## Financial results in 9M 2020

In 9M 2020, Customers and Solutions Revenue reached EUR 381.5 million and was 6.6% or EUR 23.6 million higher than in 9M 2019. The increase was mainly driven by increase of B2B electricity supply revenue (EUR +31.6 million) due to higher volume of sold electricity and increase of B2C electricity supply revenue due to higher electricity tariff set by the regulator (+14.6 % for H1 2020 and +5,6% for Q3 2020 comparing to the same periods in 2019) and higher sales volumes by 5.8% (EUR +14.9 million). Increase was partly offset by lower gas sales revenue for B2B customers due to lower gas market price (EUR -15.8 million) and lower B2C gas sales due to lower tariff set by regulator (on average by -20% % for H1 2020 and -35% for Q3 2020 compared to the same periods in 2019) (EUR -6.4 million).

In 9M 2020, Adjusted EBITDA reached to EUR 2.4 million and was EUR 2.4 million higher than in 9M 2019. The increase was mainly driven by increase of export result (EUR +4.5 million) due to gas export to Finland and higher B2B gas results due to increased sales volumes (+24.7% YoY in Lithuanian B2B gas retail market) and positive hedge results (EUR +6.9 million). Increase was partly offset by lower B2B electricity results (EUR -6.4 million) due to negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers portfolio because of COVID-19 that was not fully compensated by positive effect from increased B2B electricity sales volumes (+50.3% YoY in Lithuanian B2B electricity retail market).

Compared to 9M 2019, Net debt decreased mostly because of higher EBITDA (EUR +52,6 million: EUR 34,9 million in 9M 2020 and EUR -17.7 million in 9M 2019).

***Main financial results of Customers and Solutions segment, EURm***

| | 9M 2020 | 9M 2019 | Δ,% |
|---|---|---|---|
| Revenue | 381.5 | 357.9 | 6.6% |
| Adjusted EBITDA APM | 2.4 | 0.0 | n.m. |
| EBITDA APM | 34.9 | (17.1) | n.m. |
| Adjusted EBIT APM | (2.6) | (1.0) | 160.0% |
| EBIT | 29.9 | (18.1) | n.m. |
| Property, plant and equipment, intangible and right-of-use assets | 36.1 | 43.7 | (17.4%) |
| Net debt APM | 42.9 | 109.1 | (60.7%) |
| Investments APM | 0.8 | 1.6 | (50.0%) |
| Adjusted EBITDA margin, % APM | 0.7% | 0.0% | - |

# Governance

# Corporate governance

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

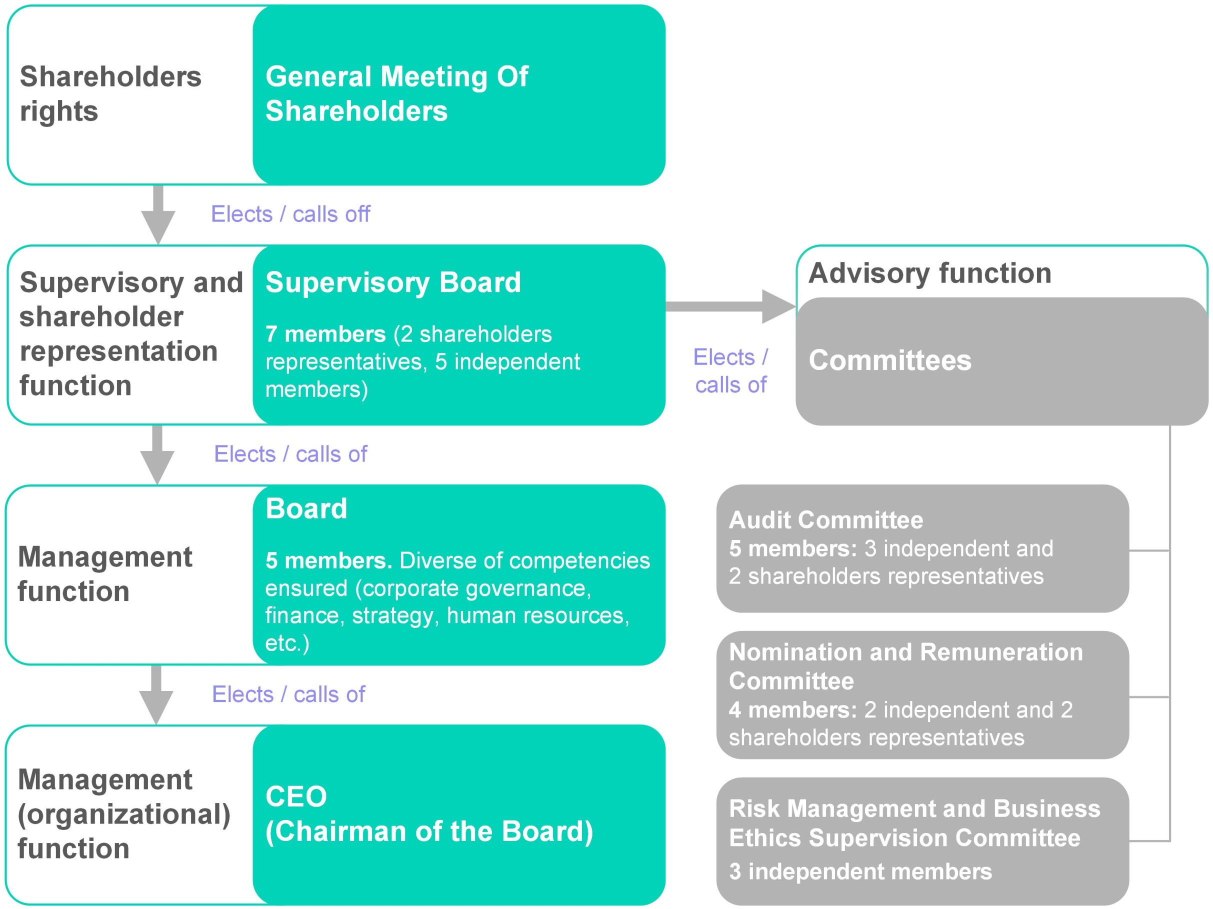
The corporate governance model of the Group was implemented following the governance guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013. The guidelines were updated several times and the current version was approved on 7 September 2020 (*link*).

The primary goal of the corporate governance is to achieve the effect of synergy aligning different activities of the Ignitis Group companies and targeting them at the achievement of the common goals at the Group level.

Corporate governance activities are concentrated at the level of the parent company of the Group – the responsibilities of which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities.

Use this *link* for the description of the corporate governance principles and of the governance and control system. More information on the management bodies ant its members, committees etc. is provided in the annual report of the Company (*link*).

*Corporate governance structure*



# Supervisory board

## Supervisory board

Under the Corporate Management Guidelines, the Supervisory Board is a collegial supervisory body provided in the Articles of Association of the Company. The Supervisory Board is elected by the General Meeting of Shareholders for the period of four years. The Supervisory Board of the Company consists of 7 members: 2 representatives of the Ministry of Finance and 5 independent members. The Supervisory Board elects its Chairman from its members. Such method for the formation of the Supervisory Board is in line with the corporate management principles. No members of the Supervisory Board have any participation in the capital of the company or group enterprises.

The main functions and responsibilities of the Supervisory Board are consideration and approval of the business strategy of the Company and the Group companies' activities, analysis and evaluation of the information on the implementation of the business strategy, provision of this information to the annual General Meeting, election and removal of the Members of the Board, supervision of activities of the Board and the CEO, provision of comments to the General Meeting of Shareholders on a set of financial statements, appropriation of profit or loss, and annual report. The Supervisory Board also addresses other matters within its competence.

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 Company, but also to the activities of its subsidiaries or the activities of their management and supervisory bodies.

Term of office of the current Supervisory board is from 30 August 2017 to 29 August 2021. There were no changes in the composition of the Company's Supervisory Board during the reporting period. After the reporting period during, the general meeting of shareholders on 12 November 2020, two additional independent members were elected – Judith Buss and Bent Christensen.

***Members of the Supervisory Board (at the end of reporting period)***


### 1. DARIUS DAUBARAS, chairman, independent member (since 30/08/2017)

**Education:** University of Cambridge, Master's degree in International Relations; University of Pennsylvania, USA, Business Administration Master's Degree in the field of finance and business management; University of Denver, USA, Bachelor's Degree in Business Administration with a major in finance and management;
**Place of employment, position:** Senior Executive in Strategic Finance & Development Department (part of Treasury) in Financial Advisory Division, and Project manager of strategic and M&A at Saudi Aramco; Supervisory Board Member (independent) at Valstybės investicijų valdymo agentūra, company code 305612545, Lukiškių st. 2, Vilnius, (since 23/07/2020).

### 2. DAIVA LUBINSKAITĖ-TRAINAUSKIENĖ, independent member (since 30/08/2017)

**Education:** ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Vilnius University, Diploma of a Specialist in Philology
**Place of employment, position:** Thermo Fisher Scientific Baltics UAB, company code 122351387. Address: V.A. Graičiūno st. 8 Vilnius, Director of Personnel. Association of Personnel Management Professional, company code 300563101, address J. Galvydžio st. 5, Vilnius, Member of the Board.

### 3. ANDRIUS PRANCKEVIČIUS, independent member (since 22/12/2017)

**Education:** Kaunas University of Technology, Bachelor's degree in Business Administration and Master's degree in Marketing Management; Harvard Business School, Leadership Development
**Place of employment, position**: Linas Agro Group AB, company code 148030011, address Smėlynės st. 2C, Panevėžys, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Kekava, Kekavos r., Kekavos mun., Kekava PF, Chief Executive Officer and Chairman of the Board; Linas Agro AB, company code 147328026, address Smėlynės st. 2C, LT-35143 Panevėžys Member of the Board; Lielzeltini SIA,"Mazzeltiņi", Janeikas, Ceraukstes pag., Bauskas nov., Latvija Chairman of the Board; Broileks SIA, company code. 50103262981, address "Mazzeltiņi", Janeikas, Ceraukstes pag., Bauskas nov., LV Chairman of the Board; (Cerova SIA, company code 43603019946, address Bauskas nov., Ceraukstes pag., Mūsa, Centra iela 11, LV, Chairman of the Board; Žilvista ŽŪB, company code 302299020, address Panevėžio r. sav., Velžio mun., Staniūnų k., Paplentės g. 20 Member.

### 4. DAIVA KAMARAUSKIENĖ, member (since 1/2/2019)

**Education:** Vilnius University Faculty of Economics, master's degree.
**Place of employment, position:** Ministry of Finances, company code 288601650, Lukiškių st., Vilnius, Budget Department of the Ministry of Finance, Director.

### 5. AUŠRA VIČKAČKIENĖ, member (since 30/08/2017)

**Education:** Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration **Place of employment, position:** Ministry of Finances, company code 288601650, Lukiškių st., Vilnius, Assets Management Department, Finance, Director; Būsto paskolų draudimas UAB, company code 110076079, Ulonų st. 5 Vilnius, Member of the Board (until 21/10/2020); Valstybės investicijų valdymo agentūra, company code 305612545, Lukiškių st. 2, Vilnius, Member of the Supervisory Board (since 21/10/2020).

## Committees of the Supervisory Board

In order to perform its functions and duties effectively the Company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the 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 shall be independent, except for the Audit Committee, which must aim for at least 2/3 of the members to be independent. The members of the committees are elected for the period of four years.

The following committees of the Supervisory Board are operating:

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

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.). On the day when this report was announced, the committees of Risk management and business ethics supervision, Audit and Nomination and remuneration were operating in the Company. In addition, by the decision of the Supervisory Board, the Steering Committee of the Company's IPO has been formed from the representatives of the Company's shareholder, members of the Supervisory Board and the Board.

Composition of the Committees at the date of publication of the interim report is provided to the right. There were no changes in the composition of the Committees during the reporting period. None of the members of the Committees holds shares of the Group companies.

Detailed information on education, place of employment and position of the members of the Committees is provided in the annual report of the Company (link).

### *Members of the Risk Management and Business Ethics Supervision Committee*

| Committee member | Term of office |
|---|---|
| **ANDRIUS PRANCKEVIČIUS**<br>**Chairman, independent member** | From April 2018 to April 2022 |
| **DARIUS DAUBARAS**<br>**Independent member** | From April 2018 to April 2022 |
| **ŠARŪNAS RAMEIKIS**<br>**Independent member** | From April 2018 to April 2022 |

The term of office of the current Risk Management and Business Ethics Supervision Committee will last until 23 April 2022.

### *Members of the Audit Committee*

| Committee member | Term of office |
|---|---|
| **IRENA PETRUŠKEVIČIENĖ**<br>**Chairwoman, independent member** | From October 2017 to October 2021 |
| **DANIELIUS MERKINAS**<br>**Independent member** | From October 2017 to October 2021 |
| **ŠARŪNAS RADAVIČIUS**<br>**Independent member** | From May 2018 to October 2021 |
| **INGRIDA MUCKUTĖ**<br>**Member** | From May 2018 to October 2021 |
| **AUŠRA VIČKAČKIENĖ**<br>**Member** | From October 2017 to October 2021 |

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

### *Members of the Nomination and Remuneration Committee*

| Committee member | Term of office |
|---|---|
| **DAIVA LUBINSKAITĖ-TRAINAUSKIENĖ**<br>**Chairwoman, independent member** | From September 2017 to September 2021 |
| **LĖDA TURAI-PETRAUSKIENĖ**<br>**Independent member** | From March 2018 to September 2021 |
| **DAIVA KAMARAUSKIENĖ**<br>**Member** | From March 2019 to September 2021 |
| **AUŠRA VIČKAČKIENĖ**<br>**Member** | From September 2017 to September 2021 |

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

# Management body

## Board

The Board is a collegial management body provided for in the Articles of Association of the Company. The activities of the Board are regulated by the Law on Companies, its implementing legislation, the Guidelines for Corporate Governance of State-Owned Energy Group, the Articles of Association of the Company and the Rules of Procedure of the Board. During the reporting period, the rules governing the election of the members of the Board of the Company were not amended. The members of the Board are employees of the Company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. The Board consists of 5 members and elects the Chairman, the CEO of the Company, from among its members.

The main functions and responsibilities of the Board include implementation of the strategy of the Group, financial management and reporting, performance management, assets, participation in other legal entities, making decisions on approval of significant transactions. The competence of the Board of the Company also includes decisions on the common rules and principles (policies, guidelines, recommendations) applicable to the Group, decisions related to the general interest of the Group, and achievement of its objectives, the structure of the Group and the issues of service activities.

The term of office of the current Board is from 1 February 2018 to 31 January 2022. There were no changes in the composition of the Company's Board during the reporting period.

### *Members of the Board (at the date of reporting period)**


**1. DARIUS MAIKŠTĖNAS, Chairman of the Board, CEO**

**Education:** Harvard Business School, General Management Program; Baltic Management Institute, Executive MBA degree; Kaunas University of Technology, Bachelor's degree in Business Administration.
**Place of employment, position:** AB Energijos Skirstymo Operatorius, company code 304151376, address Aguonų st. 24, Vilnius, Chairman and member of the Supervisory board, Eurelectric, member of the Board.

**2. DARIUS KAŠAUSKAS, Member of the Board, Finance and Treasury Director**

**Education:** ISM University of Management and Economics, Doctoral studies of Social Sciences in the field of Economics; ISM University of management and Economics, BI Norwegian Business School, Master's degree in Management; Vilnius University, Master's degree in Economics.
**Place of employment, position**: UAB Duomenų Logistikos Centras, company code 302527488, address A.Juozapavičiaus st. 13 Vilnius, Chairman of the Board (until 07/07/2020); Lietuvos Energijos Paramos Fondas, company code K. 303416124, address Žvejų st. 14, Vilnius, Member of the Board (until 16/10/2020); 288th DNSB Vingis, Member of the Revision Commission; AB Energijos skirstymo operatorius, company code 304151376, address Aguonų st. 24, Vilnius, Member of the Supervisory board.

**3. VIDMANTAS SALIETIS, Member of the Board, Commerce and Services Director**

**Education:** Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business.
**Place of employment, position:** UAB Ignitis, company code 303383884, address: Žvejų st. 14, Vilnius Chairman and member of the Supervisory Board; UAB Elektroninių mokėjimų agentūra, company code 136031358, address Žvejų st. 14, Vilnius Member of the Board; NT Valdos, UAB company code 300634954, address P.Lukšio st. 5B, Vilnius, Chairman of the Board; UAB Gamybos Optimizavimas, company code 304972024, address Žvejų st. 14, Vilnius Member of the Board.

**4. ŽIVILĖ SKIBARKIENĖ, Member of the Board, Organisational Development Director**

**Education:** Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; Vilnius University, Faculty of Law, Master's degree in Law .
**Place of employment, position:** UAB Ignitis grupės paslaugų centras, company code 303200016, address A. Juozapavičiaus st. 13, Vilnius,Chairwoman and member of the Board; UAB Elektroninių mokėjimų agentūra, company code 136031358, address Žvejų st. 14, Vilnius Member of the Board; AB Ignitis Gamyba, company code 302648707, address Elektrinės st. 21 Member of the Supervisory Board.

**5. DOMINYKAS TUČKUS, Member of the Board, Infrastructure and Development director**

**Education:** L. Bocconi University (Italy), Master's degree in Finance; L. Bocconi University (Italy), Bachelor's degree in Business Management and Administration.
**Place of employment, position:** AB Ignitis Gamyba, company code 302648707, address Elektrinės st. 21, Elektrėnai, Chairman and member of the Supervisory board; UAB Ignitis, company code 303383884, address: Žvejų st. 14, Vilnius Member of the Supervisory Board; UAB Vilniaus kogeneracinė jėgainė, company code 303782367, address Žvejų st. 14, Chairman and member of the Board; UAB Ignitis Renewables, company code 304988904, address P. Lukšio st. 5B, Vilnius, Member of the Board; Smart Energy Fund KŪB, powered by Ignitis Group, company code 304596351, address Antakalnio st. 17, Vilnius, Member of the Advisory Committee.

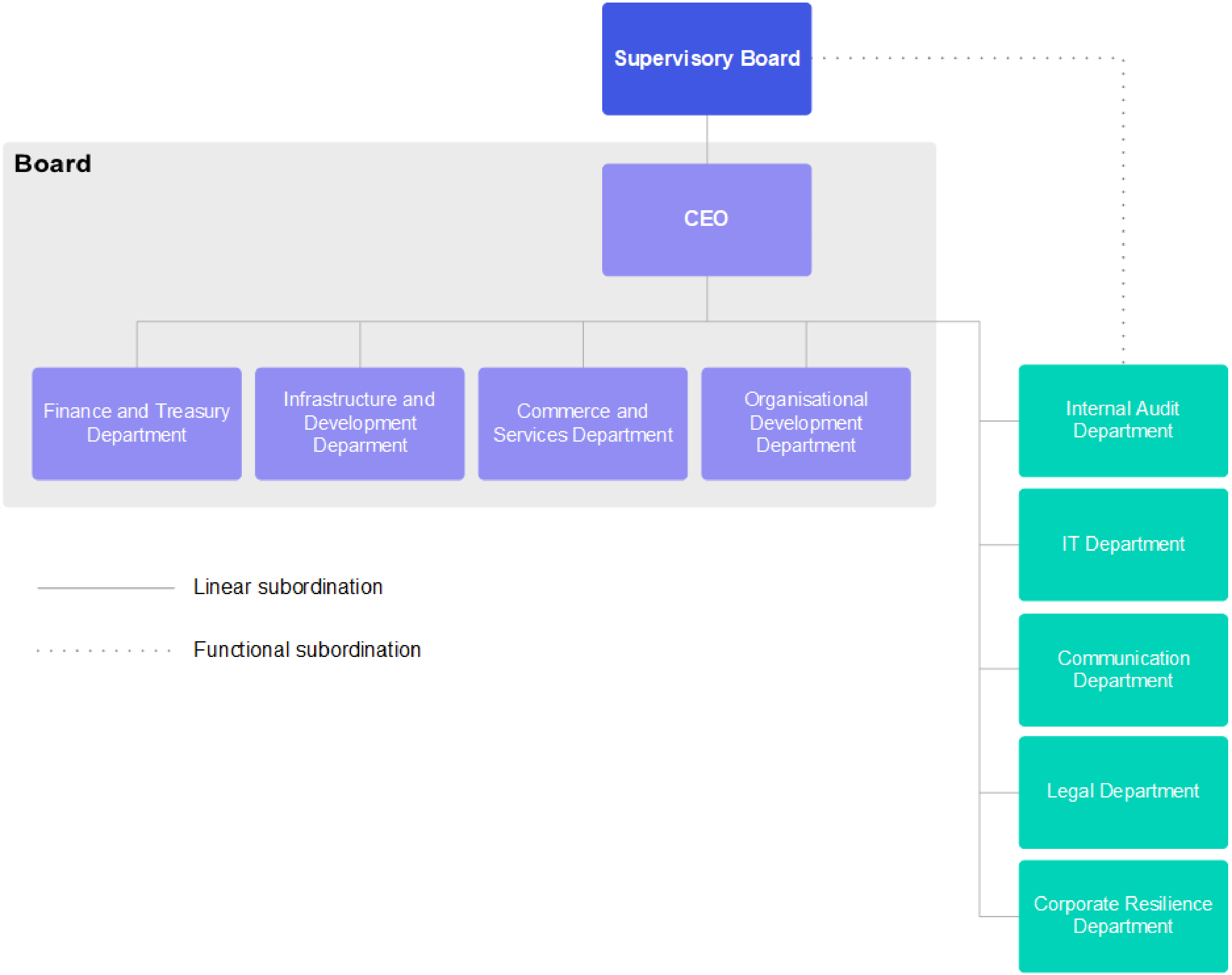
** All members of the Board hold Company's shares and the stake held by each member is less than 0.05%. None of the Board members hold shares in the subsidiaries of the Company.*

## CEO

CEO is a single-person management body of the Company, who organizes, directs, acts on behalf of the Company and concludes transactions unilaterally, except as provided by the Law on Companies, its implementing legislation and the Articles of Association of the Company.

The competence of CEO, the procedure of appointment and removal, the terms of office shall be established by the Law on Companies, its implementing legislation, the Guidelines for Corporate Governance of State-Owned Energy Group and the Articles of Association of the Company. In accordance with the Guidelines for Corporate Governance of State-Owned Energy Group, the Chairman of the Board elected by the Board is appointed as CEO of the Company. It should be noted that CEO of the Company, as a state-owned enterprise, is also subject to the special recruitment features provided for in the Law on Companies, according to which the term of CEO is limited to 5 years. It is also stipulated that the same person may not be elected as CEO for more than two consecutive terms.

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



# Remuneration

*Number and average monthly remuneration of the employees of the Company and the Group during the reporting period (before taxes, Eur)*

| Employee category | Headcount at the end of the reporting period | | Fixed monthly remuneration | | Paid monthly share of annual variable remuneration | |
|---|---|---|---|---|---|---|
| | The Company | The Group | The Company | The Group | The Company | The Group |
| CEO | 1 | 19 | 9,939 | 6,623 | 2,902 | 1,906 |
| Top level executives | 10 | 34 | 7,391 | 6,392 | 2,193 | 1,844 |
| Mid-level executives | 24 | 374 | 5,240 | 3,454 | 1,060 | 613 |
| Experts, specialists | 52 | 2,661 | 3,173 | 1,916 | 503 | 344 |
| Workers | - | 737 | - | 1,532 | - | 384 |
| **Total/Average** | **87** | **3,829** | **4,265** | **2,052** | **868** | **398** |

# Information for the security holders

## For shareholders

After the reporting period, on 7 October 2020, newly issued 20,000,000 shares has been admitted to the Main Trading List of Nasdaq Vilnius and the global depositary receipts (GDRs) representing the Company's shares to the standard listing segment on the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.

*Share information*

| | | |
|---|---|---|
| Issuer | Ignitis Group | |
| Nominal value | EUR 22.33 per share | |
| Number of shares | 74,283,757 | |
| Type | Ordinary shares | Global depositary receipts (GDRs) |
| ISIN-code | LT0000115768 (shares) | US66981G2075 (GDRs Reg S)<br>US66981G1085 (GDRs Rule 144A) |
| Exchange (ticker) | Nasdaq Vilnius (IGN1L) | London Stock Exchange (IGN) |

### Share capital

The Company's share capital is divided into 74,283,757, same voting and dividend rights shares.

### Composition of shareholders

At the day of this report, Republic of Lithuania (authority implementing shareholder's rights - Ministry of Finance of the Republic of Lithuania) is holding 73,08% of the share capital. Approximately 2.5% of the share capital is owned by Lithuania, Latvian and Estonian retail investors.

### General shareholders meetings

Since the day of admission one Extraordinary General Meeting of Shareholders has been held during which 2 members of the Supervisory Board has been appointed.

### Dividend policy

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

*Dividends paid, EURm*


Updated dividend policy is available at *ignitisgrupe.lt/en/dividends*.

## For debt holders

As at 30 September 2020, the Company had three bond issues outstanding (two of them being green bonds), listed on the Luxembourg and NASDAQ Vilnius stock exchanges. Total nominal value of these bonds was EUR 900 million.

*Outstanding bonds*

| | | | |
|---|---|---|---|
| Issuer | Ignitis Group | Ignitis Group | Ignitis Group |
| Issued amount | EUR 300,000,000.00 | EUR 300,000,000.00 | EUR 300,000,000.00 |
| Coupon | 2.000% | 1.875% | 2.000% |
| Maturity date | 2027.07.14 | 2028.07.10 | 2030.05.21 |
| ISIN-code | XS1646530565 | XS1853999313 | XS2177349912 |
| Credit rating | BBB+ | BBB+ | BBB+ |

### Credit rating

In May 2020, after yearly review, credit rating agency S&P Global Ratings affirmed BBB+ (negative outlook) credit rating for the Company. After the reporting period, due to the strengthened capital structure, the rating has been reviewed and changed to BBB+ (stable outlook).

## 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 Company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius decided to delist the shares of ESO and Ignitis Gamyba from trading on the Baltic Main List on 1 July 2020 (the last trading day on the Baltic Main list of shares was on 30 June 2020). On 17 August, 2020 the buy-out of Ignitis Gamyba shares has been finished after which the Company increased its holdings in Ignitis Gamyba to 98.20%. The buy-out of ESO shares has been temporarily suspended and ended on 3 November 2020 after which the Company increased its holding in ESO to 98.53%.

# Other information about the Company and the Group

| | |
|---|---|
| **Company name** | AB “Ignitis Grupė”* |
| **Company code** | 301844044 |
| Issued capital | EUR 1,658,756k** |
| Paid-up share capital | EUR 1,658,756k |
| Address | Žvejų st. 14, LT-09310, Vilnius, Lithuania |
| Telephone | (+370 5) 278 2998 |
| Fax | (+370 5) 278 2115 |
| E-mail | grupe@ignitis.lt |
| Website | www.ignitisgrupe.lt |
| Legal form | Public Limited Liability Company* |
| Date and place of registration | 28 August 2008, Register of Legal Entities |
| Register accumulating and storing data about the Company | Register of Legal Entities, State Enterprise the Centre of Registers |

** The change in name and legal form of the Company is valid from July 28, 2020, when the updated Articles of Association of the Company were registered.*
*** Company’s share capital was increased on 5 October 2020.*

The company‘s principal shareholder is the Republic of Lithuania which, at the date of publication of this report, owns 73,08% of Company’s shares. As of 13 February 2013, the institution implementing Company’s principal shareholder’s rights is the Ministry of Finance.

With effect from 30 August 2013, the Company’s name Visagino Atominė Elektrinė was changed to Lietuvos Energija. As from 6 September 2019, the name of the Company was changed to Ignitis Grupė.

As of 30 September 2020, the issued capital was divided into ordinary registered shares with the nominal value of EUR 22.33 each (the nominal value of the Company's shares was changed from EUR 0.29 on 31 August 2020). All the shares are fully paid.

## During the reporting period, these entities* were controlled, directly or indirectly, by the Group

| Company | Company code | Registered office address | Effective ownership interest (%) | Share capital EUR | Profile of activities |
|---|---|---|---|---|---|
| Ignitis Gamyba | 302648707 | Elektrinės st. 21, Elektrėnai | 98.20 | 187,921 | Production electricity |
| Energijos Skirstymo Operatorius | 304151376 | Aguonų st. 24, Vilnius | 97,66** | 259,443 | Distribution and supply of electricity to the consumers; distribution of natural gas |
| Ignitis | 303383884 | Žvejų st. 14, Vilnius | 100 | 40,140 | Supply of electricity and gas and trade |
| Ignitis Latvija | 40103642991 | Cēsu st. 31 k-2, , LV-1012, Riga | 100 | 5,500 | Supply of electricity |
| Ignitis Eesti | 12433862 | Narva st. 5, 10117 Tallinn | 100 | 35 | Supply of electricity |
| Ignitis Polska | 0000681577 | Puławska 2-B, PL-02-566, Warshaw | 100 | PLN 10 million | Supply and trading of electricity |
| Ignitis Renewables | 304988904 | P. Lukšio st. 5B, Vilnius | 100 | 3 | Analysis and coordination of the activities of legal entities belonging to the Company |
| Tuuleenergia Osaühing | 10470014 | Žvejų st. 14, Vilnius | 100 | 499 | Production of renewable electricity |
| Eurakras | 300576942 | Žvejų st. 14, Vilnius | 100 | 4,621 | Production of renewable electricity |
| Vėjo Gūsis | 300149876 | Žvejų st. 14, Vilnius | 100 | 7,443 | Production of renewable electricity |
| Vėjo Vatas | 110860444 | Žvejų st. 14, Vilnius | 100 | 2,896 | Production of renewable electricity |
| VVP Investment | 302661590 | Žvejų st. 14, Vilnius | 100 | 250 | Development of a renewable energy (wind) power plant project |
| Pomerania Wind Farm | 0000450928 | Al. Grunwaldzka 82/368, 80-244 Gdańsk | 100 | PLN 44k | Development of a renewable energy (wind) power plant project |
| Vilniaus Kogeneracinė Jėgainė | 303782367 | Žvejų st. 14, Vilnius | 100 | 52,300 | Modernization of the provision of centralized supply of heat in Vilnius city |
| Kauno Kogeneracinė Jėgainė | 303792888 | Žvejų st. 14, Vilnius | 51 | 40,000 | Modernization of the provision of centralized supply of heat in Kaunas city |
| Gamybos Optimizavimas | 304972024 | Žvejų st. 14, Vilnius | 100 | 350 | Planning, optimization, forecasting, trading, brokering and other electricity related services |
| Ignitis Grupės Paslaugų Centras | 303200016 | A. Juozapavičius st. 13, Vilnius | 100 | 12,269*** | Shared business support services |
| Elektroninių Mokėjimų Agentūra | 136031358 | Žvejų st. 14, Vilnius | 100 | 1,370 | Payment aggregation |
| NT Valdos | 300634954 | P. Lukšio st. 5B, Vilnius | 100 | 5,000 | Management and other related services of real estate |
| Transporto Valdymas | 304766704 | Kirtimų st. 47, Vilnius | 100 | 2,359 | Vehicle rental, leasing, repair, maintenance, renewal and service |
| Duomenų Logistikos Centras**** | 302527488 | A. Juozapavičius st. 13, Vilnius | 79.64 | 4,033 | Information technology and telecommunication services |
| Energetikos Paslaugų ir Rangos Organizacija | 304132956 | Motorų st. 2, Vilnius | 100 | 350 | Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures |
| Lietuvos Energijos Paramos Fondas | 303416124 | Žvejų st. 14, Vilnius | 100 | - | Provision of support to projects, initiatives and activities, relevant to the society |

** More information about the entities and their financial indicators provided in the Company's website (link).*
*** The mandatory buy-out of ESO shares has finished on 3 November, 2020 after that Company's ownership interest has increased to 98,53 %.*
**** The change in the company's share capital is valid from July 14, 2020, when the updated Articles of Association of the company were registered.*
***** Shares of Duomenų logistikos centras owned by the Company has been sold on 7 July 2020.*

# Financial statements

# 2020

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

Interim condensed consolidated financial and the Company's statements for the nine month period ended 30 September 2020, prepared according to International accounting standard 34 'Interim financial reporting' as adopted by the European Union (unaudited)

**www.ignitisgrupe.lt/en**

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

# Contents



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

Interim condensed consolidated and the Company's financial statements prepared for the nine month period ended 30 September 2020 were prepared by Ignitis grupė AB management and signed on 13 November 2020:

| **Darius Maikštėnas** | **Darius Kašauskas** | **Giedruolė Guobienė** |
|---|---|---|
| Chief Executive Officer | Finance and Treasury Director | Ignitis grupės paslaugų centras UAB, Head of Accounting Department acting under Order No. IS-88-20 of 10 April 2020 |

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

as at 30 September 2020

All amounts in thousands of euro unless otherwise stated

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 5 | 145,877 | 142,737 | 1,874 | 1,874 |
| Property, plant and equipment | 6 | 2,540,374 | 2,347,817 | 76 | 86 |
| Right-of-use assets | 7 | 60,012 | 61,044 | 574 | 838 |
| Prepayments for non-current assets | | 244 | 27,809 | 144 | 144 |
| Investment property | | 5,183 | 5,530 | - | - |
| Investments in subsidiaries | 8, 9 | - | - | 1,232,001 | 1,204,494 |
| Non-current receivables | 10 | 149,062 | 165,031 | 885,229 | 723,201 |
| Other financial assets | | 4,481 | 3,735 | 4,421 | 3,474 |
| Other non-current assets | | 5,087 | 5,087 | - | - |
| Deferred tax assets | | 7,301 | 11,770 | 712 | 763 |
| **Total non-current assets** | | **2,917,621** | **2,770,560** | **2,125,031** | **1,934,874** |
| **Current assets** | | | | | |
| Inventories | | 30,536 | 46,621 | - | - |
| Prepayments and deferred expenses | 12 | 45,192 | 50,548 | 1,079 | 32 |
| Trade receivables | 13 | 114,380 | 117,867 | - | - |
| Other receivables | | 47,039 | 31,780 | 29,496 | 380 |
| Other current assets | | 1,505 | 5,796 | - | - |
| Prepaid income tax | | 116 | 2,434 | - | - |
| Current loans and interest receivable | 11 | - | - | 94,400 | 270,949 |
| Cash and cash equivalents | 14 | 282,326 | 131,837 | 71,362 | 144 |
| | | **521,094** | **386,883** | **196,337** | **271,505** |
| Assets held for sale | 15 | 1,394 | 40,643 | 77 | 7,141 |
| **Total current assets** | | **522,488** | **427,526** | **196,414** | **278,646** |
| **TOTAL ASSETS** | | **3,440,109** | **3,198,086** | **2,321,445** | **2,213,520** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Issued capital | 16 | 1,212,156 | 1,212,156 | 1,212,156 | 1,212,156 |
| Reserves | | 259,868 | 259,651 | 82,330 | 80,720 |
| Retained earnings (deficit) | | (143,478) | (172,188) | 76,529 | 36,525 |
| **Equity attributable to equity holders of the parent** | | **1,328,546** | **1,299,619** | **1,371,015** | **1,329,401** |
| Non-controlling interests | | 1,009 | 49,001 | - | - |
| **Total equity** | | **1,329,555** | **1,348,620** | **1,371,015** | **1,329,401** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Non-current loans and bonds | 17 | 1,248,822 | 821,929 | 929,987 | 639,465 |
| Non-current lease liabilities | 18 | 24,806 | 33,818 | 327 | 563 |
| Grants and subsidies | 10 | 279,430 | 267,949 | - | - |
| Deferred tax liabilities | | 48,022 | 38,408 | - | - |
| Provisions | 19 | 36,977 | 35,564 | - | - |
| Deferred income | 20 | 161,219 | 151,910 | - | - |
| Other non-current amounts payable and liabilities | | 865 | 883 | - | - |
| **Total non-current liabilities** | | **1,800,141** | **1,350,461** | **930,314** | **640,028** |
| **Current liabilities** | | | | | |
| Current portion of non-current loans | 17 | 16,828 | 37,454 | 12,276 | 32,901 |
| Current loans | 17 | 4,701 | 196,737 | 4,700 | 196,737 |
| Lease liabilities | 18 | 13,975 | 8,400 | 247 | 277 |
| Trade payables | | 73,971 | 78,567 | 586 | 259 |
| Advances received | 20 | 41,710 | 51,745 | 56 | 52 |
| Income tax payable | | 6,115 | 6,171 | - | - |
| Provisions | 19 | 25,220 | 19,818 | - | - |
| Deferred income | 20 | 10,375 | 9,749 | - | - |
| Other current amounts payable and liabilities | | 117,518 | 85,042 | 2,251 | 13,865 |
| | | **310,413** | **493,683** | **20,116** | **244,091** |
| Liabilities directly associated with the assets held for sale | | - | 5,322 | - | - |
| **Total current liabilities** | | **310,413** | **499,005** | **20,116** | **244,091** |
| **Total liabilities** | | **2,110,554** | **1,849,466** | **950,430** | **884,119** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,440,109** | **3,198,086** | **2,321,445** | **2,213,520** |

*The accompanying notes form an integral part of these interim condensed consolidated and the Company's financial statements.*

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

**for three and nine month periods ended 30 September 2020**

All amounts in thousands of euro unless otherwise stated

| Group | Notes | 2020, I-III qtr. | 2020, III qtr. | 2019, I-III qtr. (restated*) | 2019, III qtr. (restated*) |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 21 | 862,998 | 274,724 | 794,791 | 237,990 |
| Other income | | 11,065 | 8,427 | 7,718 | 6,652 |
| **Revenue** | | **874,063** | **283,151** | **802,509** | **244,642** |
| **Operating expenses** | | | | | |
| Purchases of electricity, gas for trade, and related services | | (501,801) | (157,816) | (522,933) | (154,285) |
| Purchases of gas | | (23,304) | (6,585) | (17,313) | (5,363) |
| Depreciation and amortisation | | (83,999) | (29,476) | (81,853) | (27,475) |
| Salaries and related expenses | | (71,122) | (21,406) | (61,808) | (19,908) |
| Repair and maintenance expenses | | (19,986) | (8,752) | (22,067) | (6,718) |
| Revaluation of property, plant and equipment | | (112) | (112) | (442) | (442) |
| (Impairment) / reversal of impairment of amounts receivable and loans | | (502) | 345 | 755 | (324) |
| (Impairment) / reversal of impairment of property, plant and equipment | | (230) | 471 | (3,409) | (1,125) |
| Other expenses | | (29,887) | (10,110) | (29,262) | (10,855) |
| **Total operating expenses** | | **(730,943)** | **(233,441)** | **(738,332)** | **(226,495)** |
| **Operating profit (loss) (EBIT)** | | **143,120** | **49,710** | **64,177** | **18,147** |
| Finance income | | 1,707 | 737 | 1,299 | 5 |
| Finance expenses | | (17,371) | (7,197) | (13,870) | (3,998) |
| **Profit (loss) before tax** | | **127,456** | **43,250** | **51,606** | **14,154** |
| Current year income tax (expenses)/benefit | | (7,750) | (2,288) | (6,715) | (2,139) |
| Deferred income tax (expenses)/benefit | | (11,367) | (4,548) | (1,161) | 2,876 |
| **Net profit** | | **108,339** | **36,414** | **43,730** | **14,891** |
| Attributable to: | | | | | |
| Equity holders of the parent | | 109,102 | 36,744 | 41,645 | 14,416 |
| Non-controlling interest | | (763) | (330) | 2,085 | 475 |
| **Other comprehensive income (loss)** | | | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | | |
| Revaluation of property, plant and equipment, net of deferred income tax effect | | 104 | (4) | - | - |
| Revaluation of emission allowances | | 3,090 | (731) | 241 | (2,653) |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | | 334 | (1) | (162) | 2 |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | | **3,528** | **(736)** | **79** | **(2,651)** |
| **Items that may be reclassified to profit or loss in subsequent periods** | | | | | |
| Exchange differences on translation off foreign operations into the Group's presentation currency | | (2,277) | (526) | 22 | (5) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | **(2,277)** | **(526)** | **22** | **(5)** |
| **Total other comprehensive income (loss)** | | **1,251** | **(1,262)** | **101** | **(2,656)** |
| **Total comprehensive income (loss) for the period** | | **109,590** | **35,152** | **43,831** | **12,235** |
| Attributable to: | | | | | |
| Equity holders of the parent | | 110,266 | 35,488 | 41,746 | 11,836 |
| Non-controlling interests | | (676) | (336) | 2,085 | 399 |

**Certain amounts presented above do not correspond to the interim condensed consolidated financial statements prepared for the period of 2019 I-III qtr. and 2019 III qtr. and reflect correction of error, reclassifications and changes in accounting methods, disclosed in Note 4.*

*The accompanying notes form an integral part of these interim condensed consolidated and the Company's financial statements.*

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

**for three and nine month periods ended 30 September 2020**

All amounts in thousands of euro unless otherwise stated

| Company | Notes | 2020, I-III qtr. | 2020, III qtr. | 2019, I-III qtr. | 2019, III qtr. |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 21 | 2,298 | 727 | 2,430 | 952 |
| Other income | | 1,464 | 1,463 | 26 | 2 |
| Dividend income | 22 | 118,483 | 14,635 | 25,918 | 18,194 |
| **Revenue** | | **122,245** | **16,825** | **28,374** | **19,148** |
| **Operating expenses** | | | | | |
| Depreciation and amortisation | | (205) | (67) | (201) | (68) |
| Salaries and related expenses | | (4,023) | (1,303) | (4,079) | (1,369) |
| Repair and maintenance expenses | | (4) | (4) | - | - |
| (Impairment) / reversal of impairment of investments in subsidiaries | | (3,833) | - | 213 | 213 |
| (Impairment) / reversal of impairment of amounts receivable and loans | | 806 | - | - | - |
| Other expenses | | (3,746) | (1,202) | (2,017) | (689) |
| **Total operating expenses** | | **(11,005)** | **(2,576)** | **(6,084)** | **(1,913)** |
| **Operating profit (loss) (EBIT)** | | **111,240** | **14,249** | **22,290** | **17,235** |
| Finance income | | 14,539 | 5,573 | 11,025 | 4,015 |
| Finance expenses | | (14,674) | (5,817) | (12,975) | (4,056) |
| **Profit (loss) before tax** | | **111,105** | **14,005** | **20,340** | **17,194** |
| Current year income tax (expenses)/benefit | | - | - | - | - |
| Deferred income tax (expenses)/benefit | | 509 | 107 | 527 | 125 |
| **Net profit** | | **111,614** | **14,112** | **20,867** | **17,319** |
| **Total other comprehensive income (loss)** | | - | - | - | - |
| **Total comprehensive income (loss) for the period** | | **111,614** | **14,112** | **20,867** | **17,319** |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for nine month period ended 30 September 2020**

All amounts in thousands of euro unless otherwise stated

| Group | Notes | Equity, attributed to equity holders of the parent | | | | | | Non-controlling interest (restated*) | Total (restated*) |
|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital | Legal reserve | Revaluation reserve | Other reserves | Retained earnings (restated*) | Subtotal (restated*) | | |
| **Balance at 31 December 2018 as previously reported** | | **1,212,156** | **49,851** | **162,935** | **16** | **(156,763)** | **1,268,195** | **48,356** | **1,316,551** |
| Correction of error and change of accounting methods** | | - | - | - | - | (13,231) | **(13,231)** | (798) | **(14,029)** |
| **Restated balance as at 1 January 2019 (restated*)** | | **1,212,156** | **49,851** | **162,935** | **16** | **(169,994)** | **1,254,964** | **47,558** | **1,302,522** |
| Revaluation of emission allowances | | - | - | 232 | - | - | **232** | 9 | **241** |
| Exchange differences on translation of foreign operations into the Group's presentation currency | | - | - | - | 22 | - | **22** | - | **22** |
| Result of change in actuarial assumptions | | | | - | - | (153) | **(153)** | (9) | **(162)** |
| **Total other comprehensive income (loss)** | | **-** | **-** | **232** | **22** | **(153)** | **101** | **-** | **101** |
| Net profit (loss) for the reporting period (restated*) | | - | - | - | - | 41,645 | **41,645** | 2,085 | **43,730** |
| **Total comprehensive income for the period (restated*)** | | **-** | **-** | **232** | **22** | **41,492** | **41,746** | **2,085** | **43,831** |
| Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax) | | - | - | (11,991) | - | 11,991 | **-** | - | **-** |
| Transfer to reserves and movement in reserves | | - | 62,797 | - | (75) | (62,722) | **-** | - | **-** |
| Dividends | 22 | - | - | - | - | (13,000) | **(13,000)** | (896) | **(13,896)** |
| Ignitis grupės paslaugų centras UAB issued capital increase portion to non-controlling interest | | - | - | - | - | - | **-** | 8 | **8** |
| **Restated balance as at 30 September 2019 (restated*)** | | **1,212,156** | **112,648** | **151,176** | **(37)** | **(192,233)** | **1,283,710** | **48,755** | **1,332,465** |
| **Balance at 1 January 2020** | | **1,212,156** | **112,647** | **146,993** | **11** | **(172,188)** | **1,299,619** | **49,001** | **1,348,620** |
| Revaluation of non-current assets, net of deferred income tax effect | | - | - | 104 | - | - | **104** | - | **104** |
| Revaluation of emission allowances | | - | - | 3,003 | - | - | **3,003** | 87 | **3,090** |
| Exchange differences on translation of foreign operations into the Group's presentation currency | | - | - | - | (2,277) | - | **(2,277)** | - | **(2,277)** |
| Result of change in actuarial assumptions | | - | - | - | - | 334 | **334** | - | **334** |
| **Total other comprehensive income (loss)** | | **-** | **-** | **3,107** | **(2,277)** | **334** | **1,164** | **87** | **1,251** |
| Net profit (loss) for the reporting period | | - | - | - | - | 109,102 | **109,102** | (763) | **108,339** |
| **Total comprehensive income for the period** | | **-** | **-** | **3,107** | **(2,277)** | **109,436** | **110,266** | **(676)** | **109,590** |
| Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of deferred income tax) | | - | - | (11,418) | - | 11,418 | **-** | - | **-** |
| Emission allowances utilised | | | - | (294) | - | 294 | **-** | - | **-** |
| Transfer to reserves, movement in reserves | | - | 2,523 | - | - | (2,523) | **-** | - | **-** |
| Dividends | 22 | - | - | - | - | (70,000) | **(70,000)** | (2,524) | **(72,524)** |
| Equity acquisition from non-controlling interest | 9 | - | 1,207 | 7,717 | - | (20,263) | **(11,339)** | (43,651) | **(54,990)** |
| Sale of disposal group | 15 | | (348) | - | - | 348 | **-** | (1,141) | **(1,141)** |
| **Balance at 30 September 2020** | | **1,212,156** | **116,029** | **146,105** | **(2,266)** | **(143,478)** | **1,328,546** | **1,009** | **1,329,555** |

**Certain amounts presented above do not correspond to the interim condensed consolidated financial statements prepared for the period of 2019 I-III qtr. and 2019 III qtr. and reflect correction of error, reclassifications and changes in accounting methods, disclosed in Note 4.*

***Preparing annual financial statements for 2019, corrections of errors and changes in accounting methods disclosed in Note 4 paragraphs "Correction of error applied retrospectively in 2019 and previous year annual financial statements" and "Changes in accounting methods" were applied retrospectively*

*The accompanying notes form an integral part of these interim condensed consolidated and the Company's financial statements.*

## INTERIM CONDENSED COMPANY'S STATEMENT OF CHANGES IN EQUITY

**for nine month period ended 30 September 2020**

All amounts in thousands of euro unless otherwise stated

| Company | Notes | Issued capital | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | | **1,212,156** | **19,811** | **78,231** | **1,310,198** |
| Other comprehensive income | | - | - | - | - |
| **Total other comprehensive income (loss)** | | - | - | - | - |
| Net profit for the reporting period | | - | - | 20,867 | 20,867 |
| **Total comprehensive income for the period** | | - | - | **20,867** | **20,867** |
| Dividends | 22 | - | - | (13,000) | (13,000) |
| Transfers to legal reserve | | - | 60,909 | (60,909) | - |
| **Balance as at 30 September 2019** | | **1,212,156** | **80,720** | **25,189** | **1,318,065** |
| **Balance at 1 January 2020** | | **1,212,156** | **80,720** | **36,525** | **1,329,401** |
| Other comprehensive income | | - | - | - | - |
| **Total other comprehensive income (loss)** | | - | - | - | - |
| Net profit for the reporting period | | - | - | 111,614 | 111,614 |
| **Total comprehensive income for the period** | | - | - | **111,614** | **111,614** |
| Dividends | 22 | - | - | (70,000) | (70,000) |
| Transfers to legal reserve | | - | 1,610 | (1,610) | - |
| **Balance as at 30 September 2020** | | **1,212,156** | **82,330** | **76,529** | **1,371,015** |

## INTERIM CONDENSED CONSOLIDATED AND COMPANY'S STATEMENT OF CASH FLOWS

for nine months ended 30 September 2020

All amounts in thousands of euro unless otherwise stated

| | Notes | Group 2020 I-III qtr. | Group 2019 I-III qtr. (restated*) | Company 2020 I-III qtr. | Company 2019 I-III qtr. |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Net profit* | | 108,339 | 43,730 | 111,614 | 20,867 |
| **Adjustments for non-monetary expenses (income):** | | | | | |
| Depreciation and amortisation expenses | | 90,385 | 88,432 | 205 | 201 |
| Impairment of property, plant and equipment, including held for sale | | (33) | 3,409 | - | - |
| Revaluation of property, plant and equipment | | (78) | 442 | - | - |
| Revaluation of investment property | | 112 | - | - | - |
| Revaluation of derivatives | | 5,983 | (201) | - | - |
| Impairment/(reversal of impairment) of financial assets | | 1,069 | (755) | (806) | - |
| Income tax expenses | | 19,117 | 7,876 | (509) | (527) |
| Amortisation of grants | | (6,695) | (6,579) | - | - |
| Increase/(decrease) in provisions | 19 | 14,756 | (2,333) | - | - |
| Inventory write-off to net realizable value/(reversal) | | 29 | (12) | - | - |
| Expenses/(income) of revaluation of emission allowances | | (308) | 604 | - | - |
| Emission allowances utilised | | (2,626) | 987 | - | - |
| **Elimination of results of investing activities:** | | | | | |
| Dividend income | 22 | - | - | (118,483) | (25,918) |
| Loss on disposal/write-off of property, plant and equipment | | 3,970 | 2,818 | (1,462) | - |
| Results of the revaluation and closing of derivative financial instruments | | (2,319) | - | - | - |
| **Elimination of results of financing activities:** | | | | | |
| Interest income | | (1,043) | (1,217) | (14,539) | (11,023) |
| Interest expenses | | 14,039 | 11,632 | 13,001 | 10,813 |
| Other expenses of financing activities | | 2,668 | 2,156 | 1,673 | 2,160 |
| **Changes in working capital:** | | | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | | 11,812 | 47,019 | (7,617) | 1,304 |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | | 19,023 | (28,636) | (1,047) | 679 |
| Increase/(decrease) in amounts payable, deferred income and advance amounts received | | 1,149 | (17,733) | (1,566) | (1,833.00) |
| Income tax paid | | (7,531) | (1,810) | 560 | - |
| **Net cash flows from (to) operating activities** | | **271,818** | **149,829** | **(15,143)** | **(3,490)** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment and intangible assets | | (246,929) | (341,590) | - | (43) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 12,530 | 35,314 | 6,167 | - |
| Loans granted | | - | - | (217,000) | (183,533) |
| Loan repayments received | | - | 37 | 208,219 | 49,728 |
| Acquisition of a subsidiary, net of cash acquired | | - | (27,965) | (40,295) | - |
| Disposal of subsidiary | | - | - | - | 26,448 |
| Grants received | | 19,201 | 38,191 | - | - |
| Interest received | | 522 | 1,098 | 15,964 | 12,550 |
| Dividends received | | - | - | 118,483 | 7,724 |
| Financial lease payments received | | 1,636 | - | - | - |
| Other increases/(decreases) in cash flows from investing activities | | - | (1,365) | - | (1,921) |
| **Net cash flows from (to) investing activities** | | **(213,040)** | **(296,280)** | **91,538** | **(89,047)** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Loans received | 10 | 139,786 | 79,502 | - | - |
| Issue of bonds | 17 | 295,657 | - | 295,657 | - |
| Repayments of borrowings | | (29,866) | (54,913) | (26,551) | (43,051) |
| Lease payments | | (8,269) | (6,580) | (235) | (171) |
| Interest paid | | (14,999) | (11,626) | (12,757) | (12,903) |
| Dividends paid | | (72,524) | (13,916) | (70,000) | (13,000) |
| Equity acquisition from non-controlling interest | | (26,783) | - | - | - |
| **Net cash flows from (to) financing activities** | | **283,002** | **(7,533)** | **186,114** | **(69,125)** |
| **Increase/,(decrease) in cash and cash equivalents (including overdraft)** | | **341,780** | **(153,984)** | **262,509** | **(161,662)** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | 14 | (59,454) | 85,575 | (191,147) | (42,029) |
| **Cash and cash equivalents (including overdraft) at the end of the period** | 14 | **282,326** | **(68,409)** | **71,362** | **(203,691)** |

**Certain amounts presented above do not correspond to the interim condensed consolidated financial statements prepared for the period of 2019 I-III qtr. and 2019 III qtr. and reflect correction of error, reclassifications and changes in accounting methods, disclosed in Note 4.*

*The accompanying notes form an integral part of these interim condensed consolidated and the Company's financial statements.*

All amounts in thousands of euro unless otherwise stated

# 1 General information

Ignitis grupė AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. The Company's registered office address is Žvejų str. 14, LT-09310, Vilnius, Lithuania. The Company is a limited liability profit-oriented entity registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044, VAT payer's code LT10004278519. The Company has been founded for an indefinite period.

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

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

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

The Company is wholly owned by the State of the Republic of Lithuania.

| Company's shareholder | 30 September 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Issued capital, in EUR '000 | % | Issued capital, in EUR '000 | % |
| Republic of Lithuania represented by the Lithuanian Ministry of Finance | 1,212,156 | 100 | 1,212,156 | 100 |

# 2 Accounting principles

## 2.1 Basis of preparation

These interim condensed consolidated financial statements, prepared for the nine months period ended 30 September 2020, cover interim condensed financial statements of the parent company Ignitis grupė AB and interim condensed consolidated financial statements of the Group (hereinafter "interim financial statements"). These interim financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union and applicable to interim financial reporting (International Accounting Standard (hereinafter "IAS") 34 "Interim Financial Reporting"). These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

In year 2019 the management of the Group has made certain error correction, reclassifications of the statements' captions and restatements due to changes in accounting methods. Identified error, reclassifications of the statements' captions and changes in accounting methods are disclosed in Note 4. The originally issued and published interim financial statements for the nine month period ended 30 September 2019 did not reflect this correction of accounting error, reclassifications and changes in accounting methods. As the 2020 I-III qtr. interim financial statements present comparative information for the previous reporting period, the Group presents figures for 2019 I-III qtr. and 2019 III qtr. as restated as described in Note 4.

## 2.2 New standards, amendments and interpretations

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2019, with the exception of the new standards which entered into force as at 1 January 2020.

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

*New and/or amended International financial reporting standards and International financial reporting interpretation committee (hereinafter "IFRIC") interpretations, which entered into force from 1 January 2020 and have been endorsed in EU during the 2020 I-III qtr.*

*Amendments to References to the Conceptual Framework in IFRS Standards*
*(published 29 March 2018, effective from 1 January 2020)*

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The IASB has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its purpose is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. These amendments had no impact on these interim financial statements of the Group and the Company.

*Amendments to IFRS 3: Definition of a Business*
*(published 22 October 2018, effective from 1 January 2020)*

The IASB issued amendments to the definition of a business in IFRS 3 (amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity is determining whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occur on or after the beginning of that period, with earlier adoption permitted. These amendments had no impact on these interim financial statements of the Group and the Company but may impact future periods if the Group and the Company enters to any business combinations.

*Amendments to IAS 1 and IAS 8: Definition of a Material*
*(published 31 October 2018, effective from 1 January 2020)*

The amendments clarify the definition of 'material' and how it should be applied. New definition clarifies that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRSs. These amendments had no impact on these interim financial statements of the Group and the Company, nor is there expected to be any future impact to them.

*Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*
*(published 26 September 2019, effective from 1 January 2020 and must be applied retrospectively)*

Amendments to IFRS 9, IAS 39 and IFRS 7 conclude phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). These amendments had no impact on these interim financial statements of the Group and the Company.

*Amendments to IFRS 16: COVID-19 related rent concessions/discounts*
*(published 28 May 2020, effective from 1 July 2020)*

Issued IASB amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

In the opinion of the Group's and the Company's management, the application of these amendments does not have a material impact on the Group's and the Company's financial statements as no significant concessions/discounts have been received during the reporting period and are not expected to be received in subsequent periods.

*Standards, amendments and interpretations issued but not yet effective*

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2020 and have not been early adopted when preparing these interim financial statements are presented below:

*IFRS 17: Insurance Contracts*
*(published 18 May 2017, effective from 1 January 2023)*

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This IFRS will not have any impact on the financial position or performance of the Group and the Company as insurance services are not provided. The standard has not yet been endorsed by the EU.

*Amendments to IFRS 17 and IFRS 4: The deferral of effective dates for IFRS 17 and IFRS 9 for insurers (published 25 June 2020, effective from 1 January 2021)*

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

These amendments have not yet been endorsed in the EU. The management has assessed that these amendments will not have any impact on the Group's and the Company's financial statements.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current (published 23 January 2020, effective from 1 January 2022)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of interim condensed consolidated financial position (hereinafter "statement of financial position"), debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The Group and the Company is currently assessing the impact of this amendment on their interim financial statements. These amendments have not yet been endorsed by the EU.

*Amendments to IFRS 3 Business combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent liabilities and Contingent Assets as well as Annual Improvements (amendments) (published 14 May 2020, effective from 1 January 2022)*

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

These amendments have not yet been endorsed in the EU. The Group's and the Company's management is currently assessing the impact of these amendments on the Group's and the Company's financial statements.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published 11 September 2014, effective date not appointed)*

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IFRS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that adoption of these amendments will have no significant effect on the Group's and the Company's financial statements.

# 3 Critical accounting estimates and judgements used in the preparation of these interim financial statements

Preparing these interim financial statements the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as used in preparing the annual financial statements for the year ended 31 December 2019, except those accounting estimates and judgements presented below:

## 3.1 Impact of COVID-19 on critical accounting estimates, management judgements and estimation uncertainties

Below there are presented accounting estimates and judgements the uncertainty of which is changed due to COVID-19 pandemic. The following key areas considered by the Group's and the Company's management in assessing the impact of COVID-19 are presented below:

**The Group**

*Going concern*
The Group's management assessed cash flows due to deferral of electricity and gas payments, reduction and slower recovery of electricity and gas consumption, as well as cash flows related to the risk of delays in major infrastructure projects, probability of bad debt growth, potential disruptions to funding sources, the risk of COVID-19 infection by workers performing critical functions. The assessment used all currently available information on the threats posed by COVID-19. The Group's management has not identified any threats to the Group's going concern when assessing the potential impact of key COVID-19 factors on the Group's results. The Group has taken actions to manage the risks that have arisen.

*Residual value and useful life of property, plant and equipment*
Management considered the effect of COVID-19 on the useful life and residual value of the non-current assets used in gas and electricity distribution, thermal, hydro and wind power plants and, finding that there was no change in the expected nature and purpose of these assets, did not determine any effect of COVID-19 on the asset's residual value and useful life. The review of the nature and purpose of the use of non-current assets was based on foreseeable events and economic conditions that could result from a future COVID-19 pandemic. Management has not identified any disruptions in the use of property, plant and equipment neither in the short nor in the long term.

*Assessment of expected credit losses*
The Group's management has assessed past events, current and future economic conditions as at the date of issue of these interim financial statements in determining the expected credit losses due to impact of COVID-19. The Group's management has determined that the future economic situation due to COVID-19 does not significantly change the matrix of loss ratios used in the calculation of 2020 September 30 expected credit losses on the Group's financial assets comparing to the matrix of loss coefficients that was used for 2019 December 31 expected credit losses' calculation. . Also the Group reviewed expected credit losses for financial assets, the assessment of which is performed individually, no significant impairment losses were identified due to COVID-19. It should also be noted that the part of the Group's business regulated by the National Energy Regulatory Council (hereinafter – "NERC") has a possible short-term impact due to the increased level of the COVID-19 pandemic in 2020 October and the introduction of quarantine in the Republic of Lithuania and other neighbouring countries, but potential losses in the medium and long term due to the impact of COVID-19 will be compensated to the Group in accordance with the regulatory mechanism approved by NERC, including direct credit losses and potential additional short-term financing costs.

*Fair value measurement and impairment of property, plant and equipment*
Management has reviewed the key assumptions that are used to measure a fair value and in impairment tests of property, plant and equipment:
- due to COVID-19 there were no changes in the NERC legal regulatory framework that would have a significant effect on fair value of property, plants and equipment;
- due to COVID-19 NERC did not change any regulatory ratios that were previously approved, e.g. price caps, WACC (Weighted Average Capital Cost), return on investments;
- due to COVID-19 the Group did not realize any significant gap between budgeted and factual figures of expenses and revenues. Also, the management does not anticipate significant deviations in the future between the budget and the fact;
- due to COVID-19 the Group doesn't have any disruptions in investments' strategies that are forecasted 10 years forward;
- the management didn't identify any significant changes in discount rate used to calculate discounted cash flows.

After reviewing the key assumptions, the management has not identified any significant circumstances related to COVID-19 that would require to make fair value measurement (for assets recognized at revalued amount) and impairment tests (for assets recognized at acquisition cost less depreciation and impairment). Therefore, the management concluded that the net book value of property, plant and equipment, which is accounted at revalued value as at 30 September 2020, corresponds to its fair value and the net book value of property, plant and equipment, which is accounted at acquisition cost less depreciation and impairment – not less than its recoverable value.

*Impairment of goodwill*
The management did not identify any COVID-19 related circumstances that goodwill may be impaired.

*Net realisable value of inventory*
As the business activities were not disrupted due to COVID-19 the management evaluated that the carrying amount of inventory as at 30 September 2020 corresponds to at least its net realisable value.

*Classification of financial instruments as current and non-current*
Management has also reviewed the criteria for classifying received and issued loans and other financial debts, as well as other receivables / payables, into current and non-current, and has not identified any circumstances that would require a material adjustment in their classification.

All amounts in thousands of euro unless otherwise stated

*Lease contracts: Revised lease term and discount rate (incremental borrowing rate)*

The management assessed all relevant facts and circumstances that create an economic incentives for Group companies that are lessees to exercise the following options or not:

- to exercise an option to extend the term of the lease;
- to exercise an option to purchase the underlying asset at the end of the lease; or
- not to exercise an option to terminate the lease earlier.

The Group did not experience any significant disruptions due to COVID-19 in business activity, investments strategies and development of ongoing projects. COVID-19 had no impact on the Group's expectations to exercise or not options, stated above. Also, the Group did not receive any significant concessions due to COVID-19. The management has concluded that COVID-19 did not cause the need to remeasure the lease liability and right of use assets.

*General information on the impact of COVID-19 on the Group's operations*

In relation to the emergency situation the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping the people. On 16 March 2020 the Government took the decision (Protocol No.14) and concluded a Plan for the economic stimulation and the implementation of measures directed to mitigate the spread of COVID-19 (hereinafter "the Plan"). One of the measures was to make possible to defer or arrange in portions the payments for the consumed electricity and natural gas to the Company's subsidiary Ignitis UAB. This means that the Company's subsidiary Ignitis UAB and accordingly other Company's subsidiary Energijos skirstymo operatorius AB directly experienced delays in customers' payments for services. Requests for payments' deferrals were approved only during the quarantine period 16 March 2020 – 16 June 2020. Payments were deferred for the following period: for household customers payments were deferred for the whole quarantine period and additional 1 month after the quarantine ended, business customers – for the whole quarantine period and additional 3 month. Insignificant part exclusively was deferred for up to 9 – 12 months from the end of quarantine. The management didn't identify any significant financing component.

Due to the increase in the number of COVID-19 diseases in 2020 October, a second quarantine has been announced throughout Lithuania since 7 November 2020 until 29 November 2020, but the restrictions on business are lower than during the first quarantine period.

The main factors affecting the Group's operations due to the situation described above in relation to COVID-19 are set out below:

| Factors | Effect |
|---|---|
| Cash flows from electricity and gas payments, settlement delays, agreements on longer debt repayments and expected increase in bad debts | In accordance with the recommendations of the Government of the Republic of Lithuania, during the quarantine period from 16 March 2020 till 16 June 2020 the Group provided special payment deferrals to customers who have encountered financial difficulties due to announced quarantine. Requests from private and business customers for the distribution and supply of electricity and gas individually were accepted and analysed, and decisions were made within the prescribed amount.<br>During the three-month quarantine period until the 30 June 2020 the total amount of overdue debts due to COVID-19 was EUR 7.2 million (including deferred payments - EUR 4.3 million). The level of overdue debts has returned to the pre-quarantine period and deferred payments are repaid on an agreed schedule. Following the announcement of the second quarantine in Lithuania, the risk of late payments will increase depending on its duration.<br>Refer to the Note 13 for more information on total credit losses booked as at 30 September 2020. |
| Cash flow from declining electricity and gas consumption during the quarantine period and slower recovery after it | The change in electricity consumption that took place during the quarantine period 16 March 2020 - 16 June 2020, when B2B consumption decreased by at around 8-9% and B2C consumption increased by 5-6%, stabilized. It should be noted that, comparing to 2019 I-III qtr., Ignitis UAB increased its customer portfolio, therefore the total electricity consumption increased by 20.6% (from 3.86 to 4.65 TWh), of which B2C increased by 5.8% (from 2.04 to 2.16 TWh), B2B - 50.3% (from 1.22 to 1.84 TWh).<br>Following the announcement of the second quarantine in Lithuania, depending on its duration, the risk of negative impact on electricity consumption in certain business segments increases (there are prohibited activities of health service centres, public catering establishments, restaurants, cafes, bars, night clubs, gambling salons, betting outlets, all commercial and non-commercial cultural, entertainment, sports events, celebrations, fairs, festivals and etc., but the electricity consumption will probably increase in the segment of private customers (due to the recommended working and education in distance, etc.)).<br>Natural gas consumption. During the start of the quarantine period, no decrease in the amount of natural gas distributed in the network of Energijos skirstymo operatorius AB was observed, which could be directly related to the impact of quarantine.<br>**B2B (abbr. of "business-to-business", i.e. business segment),*<br>*B2C (abbr. of "business-to-customers", i.e. household segment)* |
| Cash flows related to the risk of delays in major infrastructure projects' development (construction and development of new power plants) | Due to impact of COVID-19 and the quarantine restrictions applied, the expected risk of delays in development projects or their individual phases is approximately proportional to the duration of quarantine, so some planned investments may be carried over to later periods: late 2020 or early 2021. At the date of issue of these interim financial statements, there are no significant indications of delays in achieving the set targets, but after the announcement of the second quarantine in Lithuania the risk of delays may increase depending on quarantine duration. |

*Risk management of COVID-19 infection in employees*

During the quarantine period, the Group strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. The Group has all the conditions for efficient work remotely and does not experience any disruption in the performance of direct functions of employees. The Group's management pays special attention to manage the risk of infection of employees whose functions are to ensure the smooth operation of electricity generation, stable operation of the electricity system, electricity and gas distribution network's and supply's equipment, as well who work on construction sites. These employees are provided with additional personal protection and personal hygiene measures, prepared and implemented actions to ensure their substitutability. Equipment control points are isolated (can only be accessed by authorized personnel), the seating arrangements for dispatchers have been changed to ensure the widest possible distribution of staff on the premises, shift transmission is performed over a distance, reducing potential contact, direct contact with customers is limited, non-critical work at customers' homes (e.g. meter write-offs) are stopped, customer flows are controlled in customers service centres, employees work in shifts that change every two weeks, areas are separated by partitions on construction sites, etc.

At the date of issue of these interim financial statements, the Group did not experience any issues with the functions performed by these employees due to COVID-19.

*Management of Group's liquidity risk*
The Group manages its liquidity risk by using these instruments:
- Short-term liquidity risk is managed by maintaining obligatory lines of credit and overdrafts, borrowing within the Group through the Cashpool platform. The period of these credit lines and overdrafts must be at least two years, and they must account for at least 20% of the Group's consolidated net debt. Non-obligatory credit lines can be used for maintaining extra liquidity, their extent is not limited. Liquidity is also maintained by means of the Group's investment in short-term debt instruments with a high credit rating (debt securities of states and corporations), short-term deposits or their certificates, and other money-market instruments that meet the requirements of liquidity and security of investments set forth in the Treasury Management Policy of the Group.
- Long-term liquidity risk is managed through continuous assurance by the Finance and Treasury Department of possibilities to finance the activities of the Group using at least two sources, i.e. debt securities, investment bank loans or commercial bank loans, and other means. By diversifying portfolio of long-term loans the Group aims that 20 to 40 percent of the Group's consolidated long-term debt would consist of financing from sources other than commercial bank loans.

During the period of 2020 I-III qtr. the Group:
- entered into the loan agreement with Swedbank AB bank for amount of EUR 100 million,
- issued emission of obligations for amount of EUR 300 million,
- on 10 March 2020 entered into a loan agreement with the European Investment Bank (hereinafter – "EIB") under which PLN 258 million (about EUR 57 million) was paid out to the Group company Pomerania Wind Farm Sp. z o. o.

As well, refer to the Note 28 where events after reporting date which has a significant influence to the liquidity of the Group are presented.

At the date of issue of these interim financial statements, the Group did not experience any significant liquidity problems.

**The Company**

*Going Concern*
The Company's management assessed cash flows, probability of bad debt growth, potential disruptions to funding sources, the risk of COVID-19 infection by workers performing critical functions. Assessment was based on all currently available information on the threats posed by COVID-19. The Company's management has not identified any threats to the Company's going concern when assessing the potential impact of key COVID-19 factors on the Company's results. The Company has taken steps to manage the risks.

*Management of the Company's liquidity risk*
The following measures are applied by the Company to manage liquidity risk:
- Short-term liquidity risk is managed by maintaining through banks' obligatory lines of credit and overdrafts. The duration of these credit lines are at least two years. Typically, unless the Group has accumulated significant balances in bank accounts, credit lines consist at least 20% of the Group's consolidated net debt. Non-obligatory credit lines can be used for maintaining extra liquidity, their extent is not limited.
- Long-term liquidity risk is managed through continuous assurance by the Treasury Department of the Partnership of possibilities to finance the activities of the Group using at least two sources, i.e. debt securities, investment bank loans or commercial bank loans, and other means.

During the period of 2020 I-III qtr. the Company:
- entered into the loan agreement with Swedbank AB bank for amount of EUR 100 million,
- issued emission of obligations for amount of EUR 300 million.

As well, refer to the Note 28 where events after reporting date which has a significant influence to the liquidity of the Company are presented.

At the date of issue of these interim financial statements, the Company's liquidity risk is not significant.

*Risk management of COVID-19 infection in employees*
During the quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. All the conditions are in place for efficient teleworking without any disruptions in the performance of principal job.

*Change in impairment of non-trade receivables*
The Company's management, having assessed the potential impact of COVID-19 factors on the impairment of non-trade receivables, has not identified any circumstances that would require the recognition of an impairment loss of non-trade receivables.

*Classification of financial instruments as current and non-current*
Management has also reviewed the criteria for classifying loans and borrowings, as well as other receivables/payables, as non-current or current, and has not identified any circumstances that would require a significant adjustment to this classification.

*General information on the impact of COVID-19 on the Company's operations*
The Company's management, having assessed the potential impact of COVID-19 factors on the Company's operations, did not identify any threats to the Company's operations.

## 3.2 The Company's assets held for sale

The Company's property, plant and equipment and disposal groups are recognised as assets held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, The asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and its sale must be highly probable. Management must be committed to a plan to sell the asset or disposal group, and an active programme to locate a buyer and complete the plan must have been initiated. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

All amounts in thousands of euro unless otherwise stated

The investment to subsidiary Transporto valdymas UAB was accounted in the Company's assets held for sale balance "Investments in subsidiaries for an amount of EUR 2,359 thousand was reclassed from Assets held for sale to Investments in subsidiaries (Note 15).

On 7 July 2020 the Company together with Litgrid AB (hereinafter 'Litgrid') concluded a share sale-purchase agreement with QEIF II Development Holding Sàrl, a subsidiary of Quaero European Infrastructure Fund II, managed by Quaero Capital, regarding the sale of shares of subsidiary Duomenų logistikos centras UAB (hereinafter 'DLC'). Under the agreement, the Company sold all shares of DLC controlled by the Company which was accounted for an amount of 4,705 in Assets held for sale balance of Disposal group.

## 3.3 Provisions for rights to servitudes and special conditions on land use (protection zones)

*Provisions for rights to servitudes*

On 1 November 2017 Amendments to the Law on Electricity of the Republic of Lithuania entered into force, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator. This law stipulates that when constructing transmission, distribution networks or installing other electrical equipment, one-time compensation for losses will be paid for the establishment of statutory servitudes (which entered into force before 10 July 2004). The servitudes payment methodology came into force in 31 July 2018. Based on this methodology, in 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it. At initial recognition, the Group recognized EUR 28,563 thousands of Intangible assets (assets are stated at cost less impairment, their useful lifetime is indefinite) and a provision for non-current liabilities in accordance with IAS 37, which amounted to EUR 28,725 thousand (provision calculated at discounted value). During period of 31 July 2018 – 30 June 2020 the amount of compensation paid amounted to EUR 1,932 thousand. Therefore, this amount reduced the initial provision for servitudes compensation, which amounted to EUR 27,318 thousand (part of assets) and EUR 27,642 thousand (liabilities side) before further changes in assumptions described below.

However, on 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of the Republic of Lithuania (due to the applied 0.1 coefficient and the principle of determining a value of the land plot, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine requests and apply the methodology where the methodology applied was deemed to be in conflict with Constitution, until the new methodology is set and approved. The ruling is only valid for the future and there is no need to recalculate previously paid compensation. The Group has assessed the following changes as adjusting events and, as appropriate, the Group has recalculated the provision for servitude benefits using new coefficient assumptions:

a) The area of land on which electrical installations were installed before 10 March 1990, a coefficient of 0.1 as specified in the methodology shall apply. Such installations account for 88.93% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.1 is applied to 89 percent of the area when calculating the total value of the payment. Assumption was made, that land with electricity distribution equipment installed before 10 March 1990, the land was acquired with an already installed network, so the ownership of the land was acquired with already established restrictions to the usage of the land, therefore the value and availability of this land has not changed and the servitudes payment coefficient of 0.1 should be used.
b) The area of land on which electrical installations have been installed after 11 March 1990 and until 10 July 2004 , a coefficient of 0.5 shall apply (the amount shall apply to the servitudes determined by contract). Such installations account for 11.07% of all installations installed before 10 July 2004. Therefore, a coefficient of 0.5 is applied to calculate the total value of the payment for 11 percent of the area.

The Group also reviewed other assumptions used in the calculation of the provision, specifically the expected number of applicants, the period over which all benefits will be paid, and the discount rate.

- The discount rate for calculating the provision was selected based on a borrowing rate of 0.345% for similar liabilities (2019 December 31: 0.559%).
- The expected number of applicants was estimated on the basis of available actual historical two-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits - 65% (15% used as at 31 December 2019), which is based on management's assessment and the number of customers actually applying during 2018-2020, where, on average, only about 3% apply per year.
- The period during which customers will apply for compensation has been set at 10 years starting in 2020, as the application of the methodology has been temporarily suspended (the updated methodology is expected to be approved in this year). An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

After assessing the changed circumstances, the Group decided to adjust a provision decreasing the amount of the provision (which was recognized as at 31 December 2019) from EUR 26,952 thousand to EUR 14,576 thousand.

It should be noted that the value of the provision may vary depending on the number of applicants. The sensitivity analysis is as follows:

| 30 September 2020 | Number of applicants, % | | | | | |
|---|---|---|---|---|---|---|
| | 20% | 35% | 50% | 65% | 80% | 95% |
| Change in provision for compensations of servitudes, thousand EUR | -7,231 | - | +7,701 | +15,212 | +22,724 | +30,235 |

*Provision for servitudes of real estate*

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of The Republic of Lithuania not only for the land plots, but also for real estate (due to the applied 0.1 coefficient, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine requests and apply the methodology where the methodology applied was deemed to be in conflict with Constitution, until the new resolution is approved, issued by the Government of the Republic of Lithuania (dated 25 July 2018, resolution no. 725 approved methodology for determining the maximum amount of one-time compensations to be paid for the use of land and other real estate servitudes for the benefit of network operators established by a law or a contract (wording of 22 January 2020; TAR, 2020-01-30, No. 2103) (hereinafter – "the Methodology") provisions.

As the application of the Methodology is suspended and it is not clear how it will be applied in the future and what coefficient will be applied, as no servitude benefit has been paid prior to the Constitutional Court decision, it is not possible to reliably estimate the amount of provision due to:

a) as no compensations have been paid before the decision of Constitutional Court, it is not possible to estimate how many persons would apply for an servitude payment of real estate.
b) it is not clear what coefficient should be applied to statutory servitudes in real estate until the Methodology is updated.

Accordingly, with the requirements of IAS 37, the said obligation does not qualify for provision recognition and is therefore not recognized in the financial statements. Also, the Group does not have sufficient information to estimate financial effect or possibility of any reimbursement of this obligation.

*Provision for special conditions on land use (protection zones)*

The Law on Special Land Use Conditions of the Republic of Lithuania was approved on 6 June 2019, which obliges the Group to register special protection conditions (protection zones) for land near the Group's infrastructure objects and to pay compensations for them. This Law defines the procedure and principles for the registration of such special land territories and provides that compensation must be paid for the use of special land territories in accordance with the procedure approved by the Government of the Republic of Lithuania.

The amendment to the Real Estate Cadastre Regulations necessary for the implementation of the Law on Special Land Use Conditions of the Republic of Lithuania entered into force on 12 February 2020, which details the procedure for changing tags and cadastral provisions for development and for existing networks. This amendment provides for an alternative process for registering protection zones (avoiding the change of cadastral data and the hiring of land surveyors). According to the Law on Special Land Use Conditions of the Republic of Lithuania, the Government has an order to adopt an amendment to this legal act by 1 January 2022 at the latest.

According to the management, the implementation of the obligation provided for in the Law on Special Land Use Conditions of the Republic of Lithuania to register special protection conditions (protection zones) and related provisions for the existing electricity and natural gas distribution network will be subject to a simpler procedure than in 2019. According to the Group, the simplified procedure will lead to lower surveyor costs, as it is expected that only a part of the plots will need to adjust the measurements, which will significantly reduce protection zone's registration costs. The planned amount of expenses related to the registration of protection zones for 2021-2024 is – EUR 12,767 thousand (i.e. for the 4 years period, change compared to 1 year period used for calculation as at 31 December 2019, which in turn increased the amount of the provision).

After assessing the changed circumstances, the Group decided to adjust a provision for asset's security registration expenses for 2021-2024, increasing the amount of the provision (which was recognized as at 31 December 2019) from EUR 8,328 thousand to EUR 12,767 thousand.

In addition to the above, the Ministry of Environment has prepared a methodology for the calculation and payment of Compensation for the application of special land use conditions in the territories specified in the Law on Special Land Use Conditions of the Republic of Lithuania, established in the public interest, which entered into force in 8 April 2020. In the light of the letter of the Ministry of Energy of the Republic of Lithuania issued on 18 June 2020 , which explains that the provisions of the Methodology apply to both the existing network and the newly built network. According to the provisions of the Methodology, compensation for protection zones would be paid upon registration of protection zones, i.e. under the simplified procedure, this would happen after 2023, and the amount of compensation is of an evaluative nature, taking into account the main purpose of the plot, the scope of restrictions, the specific losses incurred and / or incurred by the plot owners based on supporting documents. In view of these Methodological requirements and the data available to the Group, the Group cannot reliably estimate future compensation for registered Special Land Use Conditions (Protected Areas), therefore, in accordance with IAS 37 this liability does not qualify for recognition and is therefore not recognized in the financial statements. In addition, management is not able to provide a quantitative assessment of a possible contingency without having all the necessary information.

# 4 Restatement of comparative figures due to correction of error, reclassifications and changes in accounting methods

Corrections of accounting errors, reclassifications between items and changes in accounting methods done in 2019 annual financial statements must be reflected in the comparative financial information of 2019 I-III qtr. and 2019 III qtr. The Group provides information on restatements of certain figures presented in the interim financial statements for the nine-month period ended 30 September 2020:

*Correction of error applied retrospectively in 2019 and previous year annual financial statements*

1. Error related to revenues from electricity trading exchange market

Group company Ignitis Polska Sp. z o. o., which operates in electricity trading exchange market by concluding forward and future electricity purchase and sale transactions, recognized income and expenses from these transactions aimed to earn a profit from the resulting short-term fluctuations in electricity prices in the separate items of profit or loss and other comprehensive income. However, after a thorough analysis of IFRS 9 Financial Instruments, the Group has determined that these transactions cannot be classified using the exception of "own-use" and only result (i.e. profit or loss) of these transactions should be recognized in the statement of Profit or Loss and Other Comprehensive Income. Correction of this error did not affect figures presented in the statement of cash flow for period 2019 I-III qtr.

*Reclassifications applied in 2019 annual financial statements however not reflected in the interim financial statements prepared for the period 2019 I-III qtr.*

The Group changed presentation of several items in 2019 annual financial statements. As the presentation of these items were shown differently in the interim financial statements for the 2019 I-III qtr., the Group decided to reclassify comparative amounts. The following reclassifications did not have material effect on net profit of the Group.

2. Reclassification of gas for trade purchases

Preparing the 2019 annual financial statements the purchases of gas for trade were reclassified between the line items "Purchases of gas and heavy fuel oil" and "Purchases of electricity, gas for trade and related services" in the statement of Profit or Loss and Other Comprehensive Income. This reclassification did not affect figures presented in the statement of cash flow for period 2019 I-III qtr.

3. Reclassification of related party transactions related to revenue received from electricity balancing services

Preparing the 2019 annual financial statements the additional amount of revenue received from electricity balancing services was reclassified between the line items "Revenue from contracts with customers" and "Purchases of electricity, gas for trade and related services" in the statement of Profit or Loss and Other Comprehensive Income. This reclassification did not affect figures presented in the statement of cash flow for period 2019 I-III qtr.

4. Reclassification of revenue received from sales of inventory, services and emission allowances

Preparing 2019 annual financial statements the Group made reclassification of the revenue received from sales of inventory items (metal scrap and other), some services and emission allowances: in the statement of Profit or Loss and Other Comprehensive Income this revenue was reclassified from "Other income" to "Revenue from contracts with customers". This reclassification did not affect figures presented in the statement of cash flow for period 2019 I-III qtr.

5. Reclassification of depreciation of assets held for sale

Preparing the 2019 annual financial statements the Group identified that depreciation expenses of the disposal group, which includes assets of subsidiaries Transporto valdymas UAB and Duomenų logistikos centras UAB held for sale, must be presented as impairment expenses. Therefore the depreciation expenses presented in the statement of Profit or Loss and Other Comprehensive Income related to the line item of "Depreciation and amortization" were reclassified to the line item "Impairment of property, plant and equipment".

6. Reclassification related to revenue from derivatives

As at 1 June 2019 Energijos tiekimas UAB was merged to Ignitis UAB. Preparing 2019 annual financial statements the Group identified that an additional revenue and related costs from derivatives that were merged during this business combination should be reclassified, therefore reclassifications were made between the following items in the statement of Profit or Loss and Other Comprehensive Income: "Other income" and "Purchases of electricity, gas for trade and related services". This reclassification did not affect figures presented in the statement of cash flow for period 2019 I-III qtr.

7. Other reclassifications

The Group made other not significant reclassifications so that items in 2019 I-III qtr. would match presentation of 2019 annual financial statements. An effect of these reclassifications to the cash flow figures for the period 2019 I-III qtr. is presented in the table "Reclassified captions of the Group's statement of Cash Flow" in this Note.

All amounts in thousands of euro unless otherwise stated

## Corrected and reclassified captions of the Group's statement of Profit or Loss and Other Comprehensive Income

### Correction of error and reclassifications related to nine months period ended as at 30 September 2019

| Group | 2019 I-III qtr. as previously reported | Correction of error | Reclassifications | | | | | | 2019 I-III qtr. after correction of error and reclassifi-cations |
|---|---|---|---|---|---|---|---|---|---|
| | | Netting of revenues and expenses related to electricity trading exchange market | Reclassi-fication of purchases of gas for trade | Reclassification of revenue related to sales electricity balancing services | Reclassification of revenue related to sales of inventory, services and emission allowances | Reclassifi-cation of depreciation of assets held for sale | Reclassifi-cation of revenue from financial derivatives | Other reclassi-fications | |
| Description No. | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
| Revenue from contracts with customers | 1,147,455 | (199,888) | - | (55,810) | 5,863 | - | - | (1,662) | 895,958 |
| Other income | 14,389 | - | - | - | (5,863) | - | (2,990) | 2,182 | 7,718 |
| **Revenue** | **1,161,844** | **(199,888)** | **-** | **(55,810)** | **-** | **-** | **(2,990)** | **520** | **903,676** |
| **Operating expenses** | | | | | | | | | |
| Purchases of electricity, gas for trade and related services | (687,022) | 199,888 | (181,539) | 55,810 | - | - | 2,990 | - | (609,873) |
| Purchases of gas | (198,852) | - | 181,539 | - | - | - | - | - | (17,313) |
| Depreciation and amortisation | (82,315) | - | - | - | - | 3,097 | - | (815) | (80,033) |
| Salaries and related expenses | (61,808) | - | - | - | - | - | - | - | (61,808) |
| Repair and maintenance expenses | (22,067) | - | - | - | - | - | - | - | (22,067) |
| Reversal of (impairment) of amounts receivable and loans | 755 | - | - | - | - | - | - | - | 755 |
| Reversal of (impairment) of property, plant and equipment | (312) | - | - | - | - | (3,097) | - | - | (3,409) |
| Other expenses | (29,262) | - | - | - | - | - | - | - | (29,262) |
| **Total operating expenses** | **(1,081,325)** | **199,888** | **-** | **55,810** | **-** | **-** | **2,990** | **(815)** | **(823,452)** |
| **Profit (loss) from operations** | **80,519** | **-** | **-** | **-** | **-** | **-** | **-** | **(295)** | **80,224** |
| Finance income | 1,299 | - | - | - | - | - | - | - | 1,299 |
| Finance expenses | (13,870) | - | - | - | - | - | - | - | (13,870) |
| **Profit (loss) before tax** | **67,948** | **-** | **-** | **-** | **-** | **-** | **-** | **(295)** | **67,653** |
| Current year income tax (expenses)/benefit | (6,715) | - | - | - | - | - | - | - | (6,715) |
| Deferred income tax (expenses)/benefit | (3,568) | - | - | - | - | - | - | 106 | (3,462) |
| **Net profit (loss) from continuing operations** | **57,665** | **-** | **-** | **-** | **-** | **-** | **-** | **(189)** | **57,476** |
| Net profit (loss) from discontinued operations | - | - | - | - | - | - | - | - | - |
| **Net profit (loss)** | **57,665** | **-** | **-** | **-** | **-** | **-** | **-** | **(189)** | **57,476** |
| Attributable to: | | | | | | | | | |
| Equity holders of the parent | 54,890 | - | - | - | - | - | - | (189) | 54,701 |
| Non-controlling interests | 2,775 | - | - | - | - | - | - | - | 2,775 |
| **Other comprehensive income (loss)** | | | | | | | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | | | | | | |
| Revaluation of Emission allowances | 17 | - | - | - | - | - | - | 224 | 241 |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | (164) | - | - | - | - | - | - | 2 | (162) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | **(147)** | **-** | **-** | **-** | **-** | **-** | **-** | **226** | **79** |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | | | | | | | | |
| Exchange differences on translation of foreign operations into the Group's presentation currency | 22 | - | - | - | - | - | - | - | 22 |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | **22** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **22** |
| **Total other comprehensive income (loss)** | **(125)** | **-** | **-** | **-** | **-** | **-** | **-** | **226** | **101** |
| **Total comprehensive income (loss) for the period** | **57,540** | **-** | **-** | **-** | **-** | **-** | **-** | **37** | **57,577** |
| Attributable to: | | | | | | | | | |
| Equity holders of the parent | 54,761 | - | - | - | - | - | - | 41 | 54,802 |
| Non-controlling interests | 2,779 | - | - | - | - | - | - | (4) | 2,775 |

All amounts in thousands of euro unless otherwise stated

## Reclassified captions of the Group's statement of Cash Flow

**Reclassifications related to nine month period ended as at 30 September 2019**

| Group | 2019, I-III qtr. as previously reported | Reclassifi-cations | 2019, I-III qtr. after reclassifications |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | 57,665 | (189) | 57,476 |
| **Adjustments for non-monetary expenses (income):** | | | |
| Depreciation and amortisation expenses | 88,894 | (2,282) | 86,612 |
| Impairment of property, plant and equipment, including held for sale | 312 | 3,097 | 3,409 |
| Revaluation of property, plant and equipment | 442 | - | 442 |
| Revaluation of derivatives | (201) | - | (201) |
| Impairment/(reversal of impairment) of financial assets | (755) | - | (755) |
| Income tax expenses | 10,283 | (106) | 10,177 |
| Amortisation of grants | (6,579) | - | (6,579) |
| Increase/(decrease) in provisions | (7,235) | 4,902 | (2,333) |
| Inventory write-off to net realizable value/(reversal) | (12) | - | (12) |
| Expenses/(income) of revaluation of emission allowances | 604 | - | 604 |
| Emission allowances utilised | 987 | - | 987 |
| **Elimination of results of investing activities:** | | | |
| (Gain)/loss on disposal/write-off of property, plant and equipment | 2,818 | - | 2,818 |
| **Elimination of results of financing activities:** | | | |
| Interest income | (1,217) | - | (1,217) |
| Interest expenses | 11,632 | - | 11,632 |
| Other (income)/expenses of financing activities | 2,156 | - | 2,156 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | 47,019 | - | 47,019 |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | (28,636) | - | (28,636) |
| Increase/(decrease) in amounts payable, deferred income and advance amounts received | (26,544) | (5,416) | (31,960) |
| Income tax paid | (1,810) | - | (1,810) |
| **Net cash flows from (to) operating activities** | **149,823** | **6** | **149,829** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | (341,590) | - | (341,590) |
| Proceeds from sale of property, plant and equipment and intangible assets | 35,314 | - | 35,314 |
| Loan repayments received | 37 | - | 37 |
| Acquisition of investments in subsidiaries | (27,965) | - | (27,965) |
| Grants received | 38,191 | - | 38,191 |
| Interest received | 1,098 | - | 1,098 |
| Other increases/(decreases) in cash flows from investing activities | (1,365) | - | (1,365) |
| **Net cash flows from (to) investing activities** | **(296,280)** | **-** | **(296,280)** |
| **Cash flows from financing activities** | | | |
| Loans received | 79,502 | - | 79,502 |
| Repayments of borrowings | (54,913) | - | (54,913) |
| Lease payments | (6,580) | - | (6,580) |
| Interest paid | (11,626) | - | (11,626) |
| Dividends paid | (13,910) | (6) | (13,916) |
| **Net cash flows from (to) financing activities** | **(7,527)** | **(6)** | **(7,533)** |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | **(153,984)** | **-** | **(153,984)** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | 85,575 | - | 85,575 |
| **Cash and cash equivalents (including overdraft) at the end of the period** | **(68,409)** | **-** | **(68,409)** |

*Changes in accounting methods*

1. Change in the accounting method for new customers connection fees

From 1 January 2018 connection fees in gas distribution activities were recognized as revenue when the customer's connection to the distribution network is finished. In electricity distribution activities from 1 January 2018 until 1 October 2018 connection fees were recognized as income over the useful life of the related, newly created property, plant and equipment (connection infrastructure), from 1 October 2018 (after the activity of public electricity supply was transferred from one group company to another) – revenue was recognized when the customer's connection to the distribution network is finished. After an in-depth analysis of the provisions stated in IFRS 15 Revenue from Contracts with Customers, the Group changed the accounting treatment for recognition of revenue from connection fees, which are received from new customers for connection to the gas and electricity distribution networks, determining that revenue should be recognized over the useful life of the related assets, which corresponds to the best estimate of customer relationship's period.

2. Change in the accounting method for public service obligations' services (hereinafter – "PSO")

Through the electricity tariff paid by electricity end-users, the Group collects PSO fees from business customers and private individuals connected to the electricity distribution network and transfers them to the PSO fund administrator (Baltpool UAB). The PSO fee, as an integral part of the electricity tariff, was not identified as a separate performance obligation. In 2018, the management considered the Group to be the principal party to the PSO fees, therefore the collected PSO fees were accounted for as revenue and when they were transferred to the PSO fund administrator as an expense. Preparing the 2019 annual financial statements, the Group changed the method of accounting for PSO fees, treating the Group as an agent for PSO fees, and accounted the income from collection and expenses after transfer of PSO fees in one expense line "Purchases of electricity, gas and related services" in the statement of profit or loss and other comprehensive income.

3. Change in accounting method for electricity transfer and gas distribution services supplied in Latvia

During 2018 in providing electricity and gas supply services in Latvia, the Group did not consider electricity transmission and gas distribution services, which are provided by a non-Group company and are included in the total price paid by end users for electricity and gas supply services, as separate performance obligations and therefore treated itself as the main provider of such services. Fees collected from customers for electricity transmission and gas distribution services were recognized as revenue and, when transferred to the electricity transmission network operator and the gas distribution system operator, as expenses. Preparing the 2019 annual financial statements the Group changed the accounting method of fees for electricity transfer and gas distribution services in Latvia, considering itself an agent, and accounted for the collection and transfer of these charges under one expense line "Purchases of electricity, gas for trading and related services".

4. Change in the accounting method for liquified natural gas terminal's security component (hereinafter – "LNGT")

The Group acts as a natural gas supplier, which collects the LNGT security component through a gas tariff paid by final gas customers and transfers it to the operator of transfer system. The LNGT security component, as an integral part of the natural gas tariff, has not been identified as a separate performance obligation. In 2018, the Group, acting as a supplier of natural gas to end users, was treated by management as a main party in respect of LNGT security component, therefore collected LNGT security component fees were accounted for as revenue and after transfer to the operator as an expense. Preparing the 2019 annual financial statements, the Group changed the method of accounting for the LNGT security component treating the Group as an agent in respect to the LNGT security component and collected and transferred LNGT security component fees accounted in one expense line "Purchases of electricity, gas and related services".

The effect of changes in accounting methods to the cash flow figures for period 2019 I-III qtr. is presented in the table "Restated captions of the Group's statement of Cash Flow" in this Note.

All amounts in thousands of euro unless otherwise stated

## Restated captions of the Group's statement of Profit or Loss and other Comprehensive Income

**Restatements related to the nine months period ended at 30 September 2019**

| Group | 2019 I-III qtr. after correction of error and reclassifi-cations | Restatements due to changes in accounting methods | | | | | | 2019 I-III qtr. after correction of error, reclassifi-cations and restatements |
|---|---|---|---|---|---|---|---|---|
| | | Deferral of new customers connection fees revenue over time | Amendments of fair value of gas pipelines related to new connection fees | Impact of amendments to non-controlling interests | Netting of income and expenses related to PSO fees | Netting of income and expenses related to electricity transfer and gas distribution in Latvia | Netting of income and expenses related to LNGT security component | |
| Description No. | | 1 | 1 | 1 | 2 | 3 | 4 | |
| Revenue from contracts with customers | 895,958 | (13,675) | (552) | - | (59,738) | (10,417) | (16,785) | 794,791 |
| Other income | 7,718 | - | - | - | - | - | - | 7,718 |
| **Revenue** | **903,676** | **(13,675)** | **(552)** | **-** | **(59,738)** | **(10,417)** | **(16,785)** | **802,509** |
| **Operating expenses** | | | | | | | | |
| Purchases of electricity, gas for trade and related services | (609,873) | - | - | - | 59,738 | 10,417 | 16,785 | (522,933) |
| Purchases of gas and heavy fuel oil | (17,313) | - | - | - | - | - | - | (17,313) |
| Depreciation and amortisation | (80,033) | (2,372) | 552 | - | - | - | - | (81,853) |
| Salaries and related expenses | (61,808) | - | - | - | - | - | - | (61,808) |
| Repair and maintenance expenses | (22,067) | - | - | - | - | - | - | (22,067) |
| Reversal of (impairment) of amounts receivable and loans | 755 | - | - | - | - | - | - | 755 |
| Impairment of property, plant and equipment | (3,409) | - | - | - | - | - | - | (3,409) |
| Other expenses | (29,262) | - | - | - | - | - | - | (29,262) |
| **Total operating expenses** | **(823,452)** | **(2,372)** | **552** | **-** | **59,738** | **10,417** | **16,785** | **(738,332)** |
| **Profit (loss) from operations** | **80,224** | **(16,047)** | **-** | **-** | **-** | **-** | **-** | **64,177** |
| Finance income | 1,299 | - | - | - | - | - | - | 1,299 |
| Finance expenses | (13,870) | - | - | - | - | - | - | (13,870) |
| **Profit (loss) before tax** | **67,653** | **(16,047)** | **-** | **-** | **-** | **-** | **-** | **51,606** |
| Current year income tax (expenses)/benefit | (6,715) | - | - | - | - | - | - | (6,715) |
| Deferred income tax (expenses)/benefit | (3,462) | 1,206 | 1,095 | - | - | - | - | (1,161) |
| **Net profit (loss) from continuing operations** | **57,476** | **(14,841)** | **1,095** | **-** | **-** | **-** | **-** | **43,730** |
| Net profit (loss) from discontinued operations | - | - | - | - | - | - | - | - |
| **Net profit (loss)** | **57,476** | **(14,841)** | **1,095** | **-** | **-** | **-** | **-** | **43,730** |
| Attributable to: | | | | | | | | |
| Equity holders of the parent | 54,701 | - | - | (13,056) | - | - | - | 41,645 |
| Non-controlling interests | 2,775 | - | - | (690) | - | - | - | 2,085 |
| **Other comprehensive income (loss)** | | | | | | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | | | | | | |
| Revaluation of Emission allowances | 241 | - | - | - | - | - | - | 241 |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | (162) | - | - | - | - | - | - | (162) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | **79** | **-** | **-** | **-** | **-** | **-** | **-** | **79** |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | | | | | | | |
| Exchange differences on translation of foreign operations into the Group's presentation currency | 22 | - | - | - | - | - | - | 22 |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | **22** | **-** | **-** | **-** | **-** | **-** | **-** | **22** |
| **Total other comprehensive income (loss)** | **101** | **-** | **-** | **-** | **-** | **-** | **-** | **101** |
| **Total comprehensive income (loss) for the period** | **57,577** | **(14,841)** | **1,095** | **-** | **-** | **-** | **-** | **43,831** |
| Attributable to: | | | | | | | | |
| Equity holders of the parent | 54,802 | - | - | (13,056) | - | - | - | 41,746 |
| Non-controlling interests | 2,775 | - | - | (690) | - | - | - | 2,085 |

All amounts in thousands of euro unless otherwise stated

## Restated captions of the Group's statement of Cash Flow

**Restatements related to the nine month period ended as at 30 September 2019**

| Group | 2019 I-III qtr. after correction of error and reclassifications | Impact of changes in accounting methods | 2019 I-III qtr. after correction of error, reclassifications and restatements |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | 57,476 | (13,746) | 43,730 |
| **Adjustments for non-monetary expenses (income):** | | | |
| Depreciation and amortisation expenses | 86,612 | 1,820 | 88,432 |
| Impairment of property, plant and equipment, including held for sale | 3,409 | - | 3,409 |
| Revaluation of property, plant and equipment | 442 | - | 442 |
| Revaluation of derivatives | (201) | - | (201) |
| Impairment/(reversal of impairment) of financial assets | (755) | - | (755) |
| Income tax expenses | 10,177 | (2,301) | 7,876 |
| Amortisation of grants | (6,579) | - | (6,579) |
| Increase/(decrease) in provisions | (2,333) | - | (2,333) |
| Inventory write-off to net realizable value/(reversal) | (12) | - | (12) |
| Expenses/(income) of revaluation of emission allowances | 604 | - | 604 |
| Emission allowances utilised | 987 | - | 987 |
| **Elimination of results of investing activities:** | | | |
| (Gain)/loss on disposal/write-off of property, plant and equipment | 2,818 | - | 2,818 |
| **Elimination of results of financing activities:** | | | |
| Interest income | (1,217) | - | (1,217) |
| Interest expenses | 11,632 | - | 11,632 |
| Other (income)/expenses of financing activities | 2,156 | - | 2,156 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | 47,019 | - | 47,019 |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | (28,636) | - | (28,636) |
| Increase/(decrease) in amounts payable, deferred income and advance amounts received | (31,960) | 14,227 | (17,733) |
| Income tax paid | (1,810) | - | (1,810) |
| **Net cash flows from (to) operating activities** | **149,829** | **-** | **149,829** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | (341,590) | - | (341,590) |
| Proceeds from sale of property, plant and equipment and intangible assets | 35,314 | - | 35,314 |
| Loan repayments received | 37 | - | 37 |
| Acquisition of investments in subsidiaries | (27,965) | - | (27,965) |
| Grants received | 38,191 | - | 38,191 |
| Interest received | 1,098 | - | 1,098 |
| Other increases/(decreases) in cash flows from investing activities | (1,365) | - | (1,365) |
| **Net cash flows from (to) investing activities** | **(296,280)** | **-** | **(296,280)** |
| **Cash flows from financing activities** | | | |
| Loans received | 79,502 | - | 79,502 |
| Repayments of borrowings | (54,913) | - | (54,913) |
| Lease payments | (6,580) | - | (6,580) |
| Interest paid | (11,626) | - | (11,626) |
| Dividends paid | (13,916) | - | (13,916) |
| **Net cash flows from (to) financing activities** | **(7,533)** | **-** | **(7,533)** |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | **(153,984)** | **-** | **(153,984)** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | 85,575 | - | 85,575 |
| **Cash and cash equivalents (including overdraft) at the end of the period** | **(68,409)** | **-** | **(68,409)** |

All amounts in thousands of euro unless otherwise stated

# 5 Intangible assets

Movement on the Group's account of intangible assets is presented below:

| Group | Patents and licences | Computer software | Emission allowances | Other intangible assets | Goodwill | In total |
|---|---|---|---|---|---|---|
| As at 31 December 2019 | | | | | | |
| Cost or revaluated amount | 4,665 | 25,958 | 51,805 | 89,164 | 3,611 | **175,203** |
| Accumulated amortisation | (2,435) | (20,207) | - | (9,824) | - | **(32,466)** |
| **Carrying amount** | **2,230** | **5,751** | **51,805** | **79,340** | **3,611** | **142,737** |
| **Carrying amount at 1 January 2020** | **2,230** | **5,751** | **51,805** | **79,340** | **3,611** | **142,737** |
| Additions | - | 116 | 937 | 7,617 | - | **8,670** |
| Revaluation | - | - | 3,765 | - | - | **3,765** |
| Reclassified (to) / from property plant and equipment | - | 1 | - | 3 | 1,316 | **1,320** |
| Reclassified (to) / from assets held for sale | - | (1) | - | 11 | - | **10** |
| Reclassifications between categories | (270) | 6,656 | - | (6,386) | - | **-** |
| Emission allowances utilised | - | - | (385) | - | - | **(385)** |
| Re-measurement of provision related to Rights to servitudes and security zones | - | - | - | (7,607) | - | **(7,607)** |
| Grant received on emission allowances | - | - | 1,992 | - | - | **1,992** |
| Amortisation change | (16) | (2,660) | - | (1,949) | - | **(4,625)** |
| **Carrying amount at 30 September 2020** | **1,944** | **9,863** | **58,114** | **71,029** | **4,927** | **145,877** |
| As at 30 September 2020 | | | | | | |
| Cost or revaluated amount | 2,186 | 28,646 | 58,114 | 82,472 | 4,927 | **176,345** |
| Accumulated amortisation | (242) | (18,783) | - | (11,443) | - | **(30,468)** |
| **Carrying amount** | **1,944** | **9,863** | **58,114** | **71,029** | **4,927** | **145,877** |

As at 30 September 2020 the Group's other intangible assets include rights to servitudes for an amount EUR 18,605 thousand (31 December 2019: EUR 29,975 thousand) and protection zones for an amount EUR 12,777 thousand (31 December 2019: EUR 8,328 thousand). Significant decrease was caused by change in management's assumptions used to evaluate the period-end balance of provisions of rights to servitudes and protection zones: provision for protection zones decreased by EUR 12,046 thousand, provision for rights to servitudes increased by EUR 4,439 thousand (Note 3.3).

Market price of emission allowances increased from EUR 24.93 per unit as at 31 December 2019 to EUR 26.90 per unit as at 30 September 2020.

As at 30 September 2020 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 30 September 2020. The impairment test was performed using the discounted cash flow method and using the following key assumptions:
1. The cash flow forecast covered the period until the year 2040-2047 as usual period of wind farm parks operations last for 25 years;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party or actual volume of production (depends on wind farm park).
3. The price of electricity is equal to agreed tariff or projection of electricity market prices (for those who do not have the agreed tariff). After end of period when agreed tariff is applied, projection of electricity prices prepared by third party are used;
4. The cash flows were discounted using a discount rate of 5.3-6.8% (weighted average cost of capital after tax).

All amounts in thousands of euro unless otherwise stated

# 6 Property, plant and equipment

Movement on the Group's account of property, plant and equipment is presented below:

| Group | Land | Buildings | Structures and machinery | Gas distribution pipelines, gas technological equipment and installations | Assets of Hydro Power Plant, Pumped Storage Power Plant | Wind power plants and their installations | Structures and machinery of Thermal Power Plant | Vehicles | IT and telecommunication equipment | Other property, plant and equipment | Construction-in-progress | In total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | | | | | | | | |
| Cost or revaluated amount | 3,371 | 30,981 | 1,390,318 | 290,446 | 210,729 | 65,234 | 776,583 | 3,618 | 22,827 | 12,574 | 374,248 | **3,180,929** |
| Accumulated depreciation | - | (4,561) | (209,365) | (48,158) | (107,520) | (15,319) | (326,962) | (1,179) | (11,341) | (2,095) | - | **(726,500)** |
| Accumulated impairment | - | - | - | - | - | - | (106,277) | - | - | - | (335) | **(106,612)** |
| **Carrying amount** | **3,371** | **26,420** | **1,180,953** | **242,288** | **103,209** | **49,915** | **343,344** | **2,439** | **11,486** | **10,479** | **373,913** | **2,347,817** |
| **Carrying amount at 1 January 2020** | **3,371** | **26,420** | **1,180,953** | **242,288** | **103,209** | **49,915** | **343,344** | **2,439** | **11,486** | **10,479** | **373,913** | **2,347,817** |
| Additions | - | 6 | 282 | - | 30 | - | 113 | 1,544 | 952 | 407 | 257,447 | **260,781** |
| Sales | - | (9) | (49) | (6) | - | - | - | (274) | (1) | (20) | - | **(359)** |
| Write-offs | - | (2) | (2,224) | (184) | - | - | (28) | - | (6) | (24) | (2) | **(2,470)** |
| Revaluation | - | - | - | - | - | - | - | 78 | - | - | - | **78** |
| Reverse of impairment | - | - | - | - | - | - | 33 | - | - | - | - | **33** |
| Reclassifications between categories | - | 44,954 | 149,554 | 19,115 | 176 | 599 | 48 | 39 | 2,095 | 3,497 | (220,077) | **-** |
| Reclassified from / (to) intangible assets | - | 3 | - | - | - | - | - | (2) | (1) | (1) | (1,319) | **(1,320)** |
| Reclassified from / (to) financial lease | - | - | - | - | - | - | - | (734) | - | - | - | **(734)** |
| Reclassified from / (to) assets held for sale (Note 15) | - | 62 | (42) | - | - | - | - | 16,178 | (18) | (4) | 3 | **16,179** |
| Reclassified from (to) investment property | - | (62) | (17) | - | - | - | 314 | - | - | - | - | **235** |
| Reclassified from (to) inventories | - | - | - | - | 108 | - | (17) | - | (1) | (4) | (15) | **71** |
| Reclassified from (to) right-of-use asset's | - | - | - | - | - | - | - | 356 | - | - | - | **356** |
| Depreciation change | - | (3,623) | (44,409) | (3,471) | (4,320) | (2,531) | (14,894) | (2,685) | (2,855) | (1,505) | - | **(80,293)** |
| **Carrying amount at 30 September 2020** | **3,371** | **67,749** | **1,284,048** | **257,742** | **99,203** | **47,983** | **328,913** | **16,939** | **11,651** | **12,825** | **409,950** | **2,540,374** |
| As at 30 September 2020 | | | | | | | | | | | | |
| Cost or revaluated amount | 3,371 | 75,921 | 1,537,318 | 309,042 | 211,036 | 65,833 | 777,299 | 21,908 | 25,242 | 16,315 | 410,285 | **3,453,570** |
| Accumulated depreciation | - | (8,172) | (253,270) | (51,300) | (111,833) | (17,850) | (342,142) | (4,969) | (13,591) | (3,490) | - | **(806,617)** |
| Accumulated impairment | - | - | - | - | - | - | (106,244) | - | - | - | (335) | **(106,579)** |
| **Carrying amount** | **3,371** | **67,749** | **1,284,048** | **257,742** | **99,203** | **47,983** | **328,913** | **16,939** | **11,651** | **12,825** | **409,950** | **2,540,374** |

All amounts in thousands of euro unless otherwise stated

The Group reviewed the carrying amount of its property, plant and equipment which are recognized at acquisition cost less depreciation and impairment to determine whether there are any indications that those assets have suffered an impairment loss. Assets with carrying amount of EUR 305,113 thousand (attributable to gas distribution CGU) showed some indications (see below point 1) and impairment test was performed. The impairment test showed that there is no need for impairment loss as at 30 September 2020. The following key assumptions were used by the Group in making impairment test:

(1) Depreciation expenses from the share of new customers for the assets, which were entered into operation before 2020, will be included into the income (regulated tariffs) of gas distribution; Depreciation expenses from the share of new customers for the assets, which were entered into operation after 2020, will not be included into the income of gas distribution;
(2) Discount rate was not changed compared to test performed as at 31 December 2019 – 5.07% after tax (5.96% pre-tax);
(3) Updated long-term investment forecast of gas segment and its financing in accordance with the Group's updated 10-year investment plan: 1) based on cost-benefit analysis, the decision was made not to install smart meters (recommendation to update cost-benefit analysis every 4 years); 2) increase investments into new customers, increase financing of new customers.

The Group reviewed the carrying amount of its property, plant and equipment which are recognized at revalued amount (attributable to electricity CGU with carrying amount of EUR 1,222,308 thousand) as at 30 September 2020 to determine whether there are any indications that those assets have suffered an impairment loss or its fair value significantly changed. Analysis did not show any indication of impairment or significant change of fair value compared to 31 December 2019.

The Group did not identify any other assets which could have indications of impairment.

Acquisitions of tangible assets during 2020 I-III qtr. 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 are planned for the end of 2020,
- acquisitions related to the development of the electricity distribution network,
- acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 98,484 thousand as at 30 September 2020 (31 December 2019: EUR 128,504 thousand).

# 7 Right-of-use assets

Movement on Group's account of right-of-use asset is presented below:

| Group | Land | Buildings | Structures and machinery | Wind power plants and their installations | Vehicles | Other property, plant and equipment | In total |
|---|---|---|---|---|---|---|---|
| **31 December 2019** | | | | | | | |
| Acquisition cost | 16,143 | 13,874 | 8,232 | 27,290 | 823 | 317 | **66,679** |
| Accumulated depreciation | (123) | (2,114) | (726) | (2,246) | (345) | (81) | **(5,634)** |
| **Carrying amount at 1 January 2020** | **16,020** | **11,760** | **7,506** | **25,044** | **478** | **236** | **61,044** |
| Additions | 1,615 | 2,913 | 2 | - | - | 292 | **4,822** |
| Write-offs | (77) | - | (5) | - | (83) | (105) | **(270)** |
| Reclassifications between categories | - | 12 | (12) | - | - | - | **-** |
| Reclassified from / (to) tangible assets | - | - | - | - | (356) | - | **(356)** |
| Reclassified from / (to) assets held for sale | - | 144 | 96 | - | - | - | **240** |
| Depreciation | (379) | (2,680) | (575) | (1,685) | (24) | (125) | **(5,468)** |
| **Carrying amount at 30 September 2020** | **17,179** | **12,149** | **7,012** | **23,359** | **15** | **298** | **60,012** |
| As at 30 September 2020 | | | | | | | |
| Acquisition cost | 17,678 | 15,869 | 8,327 | 27,290 | 22 | 504 | **69,690** |
| Accumulated depreciation | (499) | (3,720) | (1,315) | (3,931) | (7) | (206) | **(9,678)** |
| **Carrying amount** | **17,179** | **12,149** | **7,012** | **23,359** | **15** | **298** | **60,012** |

All amounts in thousands of euro unless otherwise stated

# 8 Investments into subsidiaries

Information on the Company's investments in subsidiaries as at 30 September 2020 provided below:

| 30 September 2020 | Acquisition cost | Impairment | Carrying amount | Company's ownership interest, % | Group's effective ownership interest, % |
|---|---|---|---|---|---|
| **Subsidiaries** | | | | | |
| Energijos skirstymo operatorius AB | 731,981 | - | 731,981 | 97.66 | 97.66 |
| Ignitis gamyba AB | 313,720 | - | 313,720 | 98.20 | 98.20 |
| Vilniaus kogeneracinė jėgainė UAB | 52,300 | - | 52,300 | 100.00 | 100.00 |
| Ignitis UAB | 47,136 | - | 47,136 | 51.00 | 51.00 |
| Ignitis renewables UAB | 44,700 | - | 44,700 | 100.00 | 100.00 |
| Kauno kogeneracinė jėgainė UAB | 20,400 | - | 20,400 | 100.00 | 100.00 |
| Tuuleenergia OÜ | 6,659 | - | 6,659 | 100.00 | 100.00 |
| Ignitis grupės paslaugų centras UAB | 5,975 | - | 5,975 | 50.47 | 98.99 |
| NT Valdos UAB | 8,823 | (3,833) | 4,990 | 100.00 | 100.00 |
| Transporto valdymas UAB | 2,359 | - | 2,359 | 100.00 | 100.00 |
| Elektroninių mokėjimų agentūra UAB | 1,428 | - | 1,428 | 100.00 | 100.00 |
| Gamybos optimizavimas UAB | 350 | - | 350 | 100.00 | 100.00 |
| Ignitis paramos fondas | 3 | - | 3 | 100.00 | 100.00 |
| Energetikos paslaugų ir rangos organizacija UAB | 22,711 | (22,711) | - | 51.00 | 100.00 |
| | **1,246,472** | **(26,544)** | **1,232,001** | | |

Information on the Company's investments in subsidiaries as at 31 December 2019 provided below:

| 31 December 2019 | Acquisition cost | Impairment | Carrying amount | Company's ownership interest, % | Group's effective ownership interest, % |
|---|---|---|---|---|---|
| **Dukterinės įmonės:** | | | | | |
| Energijos skirstymo operatorius AB | 710,921 | - | 710,921 | 94.98 | 94.98 |
| Ignitis gamyba AB | 307,997 | - | 307,997 | 96.82 | 96.82 |
| Vilniaus kogeneracinė jėgainė UAB | 52,300 | - | 52,300 | 100.00 | 100.00 |
| Ignitis UAB | 47,136 | - | 47,136 | 51.00 | 51.00 |
| Ignitis renewables UAB | 44,700 | - | 44,700 | 100.00 | 100.00 |
| Kauno kogeneracinė jėgainė UAB | 20,400 | - | 20,400 | 100.00 | 100.00 |
| Tuuleenergia OÜ | 6,659 | - | 6,659 | 100.00 | 100.00 |
| Ignitis grupės paslaugų centras UAB | 3,479 | - | 3,479 | 50.00 | 97.94 |
| NT Valdos UAB | 8,823 | - | 8,823 | 100.00 | 100.00 |
| Elektroninių mokėjimų agentūra UAB | 1,428 | - | 1,428 | 100.00 | 100.00 |
| Gamybos optimizavimas UAB | 350 | - | 350 | 100.00 | 100.00 |
| Verslo aptarnavimo centras UAB | 298 | - | 298 | 100.00 | 100.00 |
| Ignitis paramos fondas | 3 | - | 3 | 100.00 | 100.00 |
| Energetikos paslaugų ir rangos organizacija UAB | 22,711 | (22,711) | - | 51.00 | 98.41 |
| | **1,227,205** | **(22,711)** | **1,204,494** | | |

Movement in the Company's investments during 2020 I-III qtr.:

| Company | 2020 I–III qtr. |
|---|---|
| **Carrying amount at 1 January** | **1,204,494** |
| Increase in issued capital of subsidiaries | 2,197 |
| Buyout of shares in subsidiaries | 26,784 |
| Reclassification from assets held for sale | 2,359 |
| (Impairment)/reversal of impairment of investments in subsidiaries | (3,833) |
| **Carrying amount at the end of the period** | **1,232,001** |

During 2020 I-III qtr. total cash payments for acquisition of investment to subsidiaries amount to EUR 40,295 thousand including EUR 11,314 thousand payment for issued capital of the Company's subsidiary Vilniaus kogeneracinė jėgainė UAB which was increased in 2019 year.

The changes in the Company's investments in subsidiaries during 2020 I-III qtr. half-year were covered by the following events:

*Reorganisation of subsidiaries*

The proceedings of reorganisation of the Company's subsidiaries Ignitis grupės paslaugų centras UAB and Verslo aptarnavimo centras UAB were finalised on 1 January 2020. During the reorganisation Verslo aptarnavimo centras UAB, which ceased its activities without the liquidation procedure, was merged with Ignitis grupės paslaugų centras UAB which continues its activities. All the assets, rights and obligations, including issued capital, of Verslo aptarnavimo centras UAB were taken over by Ignitis grupės paslaugų centras UAB which continues its activities. The Company's carrying amount of investment to Ignitis grupės paslaugų centras UAB increased by EUR 298 thousand and the Company's investment to Verslo aptarnavimo centras UAB of the same carrying amount was written off.

All amounts in thousands of euro unless otherwise stated

*Change in issued capital of subsidiaries*

During 2020 m. I–III qtr., the issued capital of the following subsidiaries of the Company was increased:

| Subsidiary | Issue date | Number of newly issued shares* | Issue price per share, EUR | Total issue price | Amount paid up | Amount not paid up | Date of amendment to Articles of Association |
|---|---|---|---|---|---|---|---|
| Ignitis grupės paslaugų centras UAB | 25/05/2020 | 7,577,391 | 0.29 | 2,198 | 2,198 | - | 25/05/2020 |
| **Total:** | | | | **2,198** | **2,198** | **-** | |

**The number of shares owned by the Company.*

On 4 June 2020, the Company and its subsidiaries Ignitis gamyba AB, Ignitis UAB and Energijos skirstymo operatorius AB decided to increase the issued capital of Ignitis grupės paslaugų centras to EUR 12,269,066 through the issue of 15,015,247 shares with the par value of EUR 0.29 each. The Company acquired 7,577,391 shares for EUR 2,198 thousand by making a cash contribution. On 14 July 2020, the new version of the Articles of Association of the Group's company Ignitis grupės paslaugų centras UAB related to increase in issued capital was registered with the Register of Legal Entities.

During 2020 I half-year, the issued capital of the Company's subsidiaries was not reduced.

On 16 January 2020, the increase of the issued capital of the Company's subsidiary Vilniaus kogeneracinė jėgainė UAB was paid by the Company in the amount of EUR 11,314 thousand (the increase in the issued capital was registered with the Register of Legal Entities on 30 January 2019).

*Reclassification from assets held for sale*

On 1 June 2020, the Board of the Company decided to terminate the sales process of shares of Transporto valdymas UAB and to initiate the termination of the transport management business by gradually reducing the activity of Transporto valdymas UAB, i.e. to the extent necessary to fulfil the existing agreements, and to initiate the procedure for the termination of the activities of Transporto valdymas UAB after the expiry of the vehicle lease agreements with Transporto valdymas UAB.

The Company's investment into Transporto valdymas UAB in the amount of EUR 2,359 thousand, which was accounted for under the line item 'Non-current assets held for sale' was reclassified to 'Investments in subsidiaries'.

*Buyout of shares in subsidiaries*

During April 2020 the Group and the Company have acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (23,932,346 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (4,081,833 shares for the price of 0.64 EUR per share). Acquisition lead to increased percentage of ownership by 2.68% in Energijos skirstymo operatorius AB and 0.63% in Ignitis gamyba AB. Total consideration paid for the acquired shares equal to EUR 25,721 thousand, including premium equal to dividends for year 2019 (EUR 2,048 thousand – Note 22).

As at 18 May 2020, when the Company has exercised its right as the majority shareholder of Energijos skirstymo operatorius AB and Ignitis gamyba AB and has initiated the process of mandatory shares buyout from minority shareholders of these companies, as granted to by the law on securities of the Republic of Lithuania. Deadline for buyout process was set as at 17 August 2020. The price of shares during mandatory buyout was agreed with the Bank of Lithuania and was set at same level as during the non-competitive tender offers (EUR 0.88 per share for Energijos skirstymo operatorius AB and EUR 0.64 per share for Ignitis gamyba AB). On 10 August 2020 the Company received a claim from minority shareholder of Energijos skirstymo operatorius AB and the buyout of this entity was postponed. Process was renewed 29 October 2020 and finished 3 November 2020, for more information see note 9 and 28. The management of the Company determined, that as at 30 September 2020 ownership of the shares has not passed to the Company, the shareholders can still exercise voting rights and are eligible for dividends. Thus, the liability and increase in investment in subsidiaries are not recognized as at 30 September 2020. The Company has accounted for the mandatory buyout offers as derivative financial instruments at fair value through profit or loss. As at 30 September 2020, the fair value of the derivatives is not significant as the offers are exercisable at amounts that approximate fair value of the underlying shares at the date of exercise.

On 21 May 2020 Nasdaq Vilnius AB has made a decision to remove the shares of the Company's subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB from the Official Trading List. The shares of Energijos skirstymo operatorius AB and Ignitis gamyba AB were removed on 1 July 2020 (the last day of trading on the Nasdaq Vilnius shares is 30 June 2020).

*Impairment test for investments into subsidiaries*

On 30 September 2020, the Company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. The Company considered information from external and internal sources of information. During the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate, and such changes are unlikely to occur soon. The Company considered other information from external and internal sources and, having identified impairment indications for investments in subsidiaries, the Company has performed impairment tests of investments as at 30 September 2020, as described below.

Having identified impairment indications for investments in subsidiaries and receivables as at 30 September 2020, the Company performed impairment testing for the following subsidiaries: Energijos skirstymo operatorius AB, Ignitis UAB, Ignitis renewables UAB, Tuuleenergia OÜ, NT Valdos UAB. Impairment indication is determined when at least one of the following indicators are met (except for early stage companies):

1. Actual adjusted EBITDA (Earnings Before Interests Taxes Depreciations and Amortizations) is less than budgeted adjusted EBITDA;
2. The actual adjusted net profit is less than the actual dividends paid;
3. Book value of investment is higher than book value of equity.

*Energijos skirstymo operatorius AB*

As at 30 September 2020, the Company performed an impairment test for investment into subsidiary Energijos skirstymo operatorius AB and determined that recoverable amount of investments into Energijos skirstymo operatorius AB as at 30 September 2020 is in line with carrying amount.

The Company analysed impairment test made as at 31 December 2019 and compared actual cash flows for 2020 to the ones, used in the impairment test and identified that there were no significant fluctuations. No other significant assumptions changed compared to impairment test as at 31 December 2019.

*Ignitis UAB*

As at 30 September 2020, the Company performed an impairment test for investment into subsidiary Ignitis UAB and determined that recoverable amount of investments into Ignitis UAB as at 30 September 2020 is in line with carrying amount.

As at 30 September 2020, the Company tested for impairment its investment in subsidiary Ignitis UAB using the discounted cash flow method (post-tax) and by applying the following key assumptions:

1. The cash flow forecast covered the period until 2030, in accordance with long-term financial plan for 2020-2030;
2. In the period of terminal year (after 2030), cash flow growth is forecasted at 2%
3. Discount rate of 8,7% (post-tax) was used to calculate discounted cash flows.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the recoverable amount of investments into Ignitis UAB.

*Ignitis renewables UAB*

As at 30 September 2020, the Company performed an impairment test for investment into subsidiary Ignitis renewables UAB and determined that recoverable amount of investments into Ignitis renewables UAB as at 30 September 2020 is in line with carrying amount. The scope of impairment test of Ignitis renewables UAB included impairment test of wind farms (Eurakras UAB, Vėjo vatas UAB, Vėjo gūsis UAB) controlled by Ignitis renewables UAB. The impairment test was performed by applying the discounted cash flow method (post-tax) and the following key assumptions:

1. The cash flow forecast covered the period until 2040-2047, with reference to the typical operational period of 25 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. During the first twelve years of operation, the price of electricity is set at the agreed tariff. Following an expiry, a third-party electricity price forecast is applied.
4. Discount rate of 5.3-6,8% was used to calculate discounted cash flows (Weighted average costs of capital after tax).

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the recoverable amount of investments into Ignitis renewables UAB.

*Tuuleenergia OÜ*

As at 30 September 2020, the Company performed an impairment test for investment into subsidiary Tuuleenergia OÜ and determined that recoverable amount for investments into Tuuleenergia OÜ as at 30 September 2020 is in line with carrying amount.

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 2038, with reference to the typical operational period of 25 years;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. During the first twelve years of operation, the price of electricity is the market price plus 53.7 EUR/MWh feed-in premium;
4. Discount rate of 5.3% (post-tax) was used to calculate discounted cash flows.

The Company performed the sensitivity analysis on the impairment test in respect of changes in unobservable inputs. The sensitivity analysis showed that a 1.0 p.p. change in the discount rate would not have impact for the recoverable amount of investments into Tuuleenergia OÜ.

*NT Valdos UAB*

As at 30 September 2020, the Company tested for impairment indications for investment into subsidiary NT Valdos UAB and recognised impairment loss of EUR 3,833 thousand as at 30 September 2020. Impairment test was carried out, taking into account dividends paid by NT Valdos UAB – the carrying amount was decreased to the carrying amount of net assets of the subsidiary.

All amounts in thousands of euro unless otherwise stated

# 9 The structure of the Group

*Directly and indirectly controlled subsidiaries*

The Group's structure as at 30 September 2020:

| Company name | Country of business | Company type | Group's effective ownership interest, % | Non-controlling interest's effective ownership interest, % | Profile of activities |
|---|---|---|---|---|---|
| Ignitis grupė AB | Lithuania | Parent company | - | - | Parent company |
| **Subsidiaries of the Group:** | | | | | |
| Energijos skirstymo operatorius AB | Lithuania | Subsidiary | 97.6578 | 2.3422 | Supply and distribution of electricity to the consumers; distribution of natural gas |
| Ignitis gamyba AB | Lithuania | Subsidiary | 98.1963 | 1.8037 | Electricity generation, supply, import, export and trade |
| NT Valdos UAB | Lithuania | Subsidiary | 100.0000 | - | Disposal of real estate, other related activities and provision of services |
| Energetikos paslaugų ir rangos organizacija UAB | Lithuania | Subsidiary | 100.0000 | - | Construction, repair, technical maintenance of electricity networks and related equipment, connection of users to the electricity networks, repair of energy equipment |
| Elektroninių mokėjimų agentūra UAB | Lithuania | Subsidiary | 100.0000 | - | Provision of collection services |
| Ignitis Eesti, OÜ | Estonia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis Latvija SIA | Latvia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis Polska Sp. z o.o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis grupės paslaugų centras UAB | Lithuania | Subsidiary | 98.9948 | 1.0052 | Provision of information technology and telecommunications and other services |
| Ignitis UAB | Lithuania | Subsidiary | 100.0000 | - | Supply of electricity and gas |
| Ignitis paramos fondas | Lithuania | Subsidiary | 100.0000 | - | Provision of support to projects, initiatives and activities, relevant to the society |
| Vilniaus Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 100.0000 | - | Modernization of the provision of centralized supply of heat in Vilnius city |
| Kauno Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 51.0000 | 49.0000 | Modernization of the provision of centralized supply of heat in Kaunas city |
| Tuuleenergia OÜ | Lithuania | Subsidiary | 100.0000 | - | Production of renewable electricity |
| Eurakras UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Transporto valdymas UAB | Lithuania | Subsidiary | 100.0000 | - | Transport management activity |
| Vėjo Vatas UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Vėjo Gūsis UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Gamybos optimizavimas UAB | Lithuania | Subsidiary | 100.0000 | - | Supply of electricity and natural gas |
| VVP Investment UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Ignitis renewables UAB | Lithuania | Subsidiary | 100.0000 | - | Production of renewable electricity |
| Pomerania Wind Farm Sp. z o. o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |

Despite the claim mentioned in Note 8, the management of the Group determined, that the Group has plan and contractual obligation to buyout all the shares of the abovementioned subsidiaries. Consequently, the liability of EUR 25,920 thousand was recognized under the financial position caption "Other current amounts payable and liabilities" as at 30 September 2020. The management determined that the Company does not have a present ownership interest for the non-controlling interest, and applied an accounting policy of derecognizing the non-controlling interest. The difference between the liability of EUR 25.920 thousand and the non-controlling interest derecognized was recognized in equity, using above mentioned agreed prices of EUR 0.88 per 20 954 226 shares of Energijos skirstymo operatorius AB and EUR 0.64 per 11,688,245 shares of Ignitis gamyba AB. The price per share was determined using recommendation from Bank of Lithuania and was based on 6 months weighted average price of shares. The Group believes that the price for shares will not significantly change. Mandatory buyout of Ignitis gamyba UAB was finished as at 17 August 2020. Upon finalisation of mandatory shares buyout of Ignitis gamyba AB, the Company applied to the court regarding the transfer of ownership rights to the remaining minority shares of the company. Process is still ongoing.

All amounts in thousands of euro unless otherwise stated

The Group's structure as at 31 December 2019:

| Company name | Country of business | Company type | Group's effective ownership interest, % | Non-controlling interest's effective ownership interest, % | Profile of activities |
|---|---|---|---|---|---|
| Ignitis grupė AB | Lithuania | Parent company | - | - | Parent company |
| **Subsidiaries of the Group:** | | | | | |
| Energijos skirstymo operatorius AB | Lithuania | Subsidiary | 94.9827 | 5.0173 | Supply and distribution of electricity to the consumers; distribution of natural gas |
| Ignitis gamyba, AB | Lithuania | Subsidiary | 96.8164 | 3.1836 | Electricity generation, supply, import, export and trade |
| NT Valdos UAB | Lithuania | Subsidiary | 100.0000 | - | Disposal of real estate, other related activities and provision of services |
| Duomenų logistikos centras UAB | Lithuania | Subsidiary | 79.6360 | 20.3640 | Information technology and telecommunication services |
| Energetikos paslaugų ir rangos organizacija UAB | Lithuania | Subsidiary | 100.0000 | - | Construction, repair, technical maintenance of electricity networks and related equipment, connection of users to the electricity networks, repair of energy equipment |
| Elektroninių mokėjimų agentūra UAB | Lithuania | Subsidiary | 100.0000 | - | Provision of collection services |
| Ignitis Eesti, OÜ | Estonia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis Latvija SIA | Latvia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis Polska sp. z o.o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis grupės paslaugų centras, UAB | Lithuania | Subsidiary | 97.9447 | 2.0553 | Provision of information technology and telecommunications and other services |
| Verslo aptarnavimo centras UAB | Lithuania | Subsidiary | 98.4061 | 1.5939 | Organisation and execution of public procurement, accounting, legal, personnel administration services |
| Ignitis UAB | Lithuania | Subsidiary | 100.0000 | - | Supply of electricity and gas |
| Ignitis paramos fondas | Lithuania | Subsidiary | 100.0000 | - | Provision of support to projects, initiatives and activities, relevant to the society |
| Vilniaus Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 100.0000 | - | Modernization of the provision of centralized supply of heat in Vilnius city |
| Kauno Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 51.0000 | 49.0000 | Modernization of the provision of centralized supply of heat in Kaunas city |
| Tuuleenergia OÜ | Lithuania | Subsidiary | 100.0000 | - | Production of renewable electricity |
| Eurakras UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Transporto valdymas UAB | Lithuania | Subsidiary | 100.0000 | - | Transport management activity |
| Vėjo Vatas UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Vėjo Gūsis UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Gamybos optimizavimas UAB | Lithuania | Subsidiary | 100.0000 | - | Supply of electricity and natural gas |
| VVP Investment UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |
| Ignitis renewables UAB | Lithuania | Subsidiary | 100.0000 | - | Production of renewable electricity |
| Pomerania Invall Sp. z o. o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Production of renewable electricity |

*Investments in associates*

The Group's investments in associates did not change during 2020 I-III qtr. and as at 30 September 2020 and 31 December 2019 were as follows:

| | 30 September 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Carrying amount | Group's ownership interest, % | Carrying amount | Group's ownership interest, % |
| Geoterma UAB (Bankrupt) | 2,142 | 23.44 | 2,142 | 23.44 |
| **Total** | **2,142** | | **2,142** | |
| Group's share of losses of associate | (2,142) | | (2,142) | |
| **Carrying amount** | - | | - | |

All amounts in thousands of euro unless otherwise stated

# 10 Non-current receivables

Non-current receivables comprised as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| **Non-current receivables** | | | | |
| Amount receivable on disposal of LitGrid AB | 136,212 | 158,658 | 136,212 | 158,658 |
| Finance lease | 9,567 | 3,043 | - | - |
| Accrued Kaunas cogeneration plant infrastructure installation cost compensation | - | 606 | - | - |
| Accrued revenue related to the capacity reserve | 120 | 475 | - | - |
| Loans granted | 1,812 | 211 | 749,017 | 564,543 |
| Other non-current amounts receivable | 1,351 | 2,126 | - | 88 |
| **Total:** | **149,062** | **165,119** | **885,229** | **723,289** |
| Less: impairment allowance | - | (88) | - | (88) |
| **Carrying amount** | **149,062** | **165,031** | **885,229** | **723,201** |

According to the valid agreement, EPSO-G UAB during the period until 2022 must repay the debt to the Company for the shares of AB Litgrid acquired in 30 September 2012. During 2020 I-III qtr. EPSO-G UAB paid EUR 7,965 thousand of debt. As at 30 September 2020 the amount receivable consisted of the receivable for shares EUR 166,570 thousand (31 December 2019 – EUR 174,535 thousand) and the final price premium, the value of which in the opinion of the management was negative and amounted to EUR 15,877 thousand (31 December 2019 - EUR 15,877 thousand). Amount of the final price premium during 2020 I-III qtr. has not changed. According to the debt repayment schedule EUR 14,481 thousand, which is due within one year, was reclassified to the row item "Other receivables" of the statement of financial position. The amount receivable from EPSO-G UAB for shares is treated as a financial asset at fair value through the profit or loss. The situation is described in more detail in 2019 annual financial statements in notes 3.1 and 4.8.

*Expected credit losses of loans granted*

As at 30 September 2020, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognized.

*Loans granted by the Company*

The Company's loans granted as at 30 September 2020 comprised of loans granted to the following subsidiaries:

| | Interest rate type | Within one year | After one year | Total |
|---|---|---|---|---|
| Energijos skirstymo operatorius AB (green bonds) | Fixed interest | - | 616,288 | 616,288 |
| Energijos skirstymo operatorius AB (loans taken over) | Variable interest | 12,276 | 43,419 | 55,695 |
| Tuuleenergia OÜ | Fixed interest | - | 19,119 | 19,119 |
| Eurakras UAB | Fixed interest | - | 19,355 | 19,355 |
| Ignitis UAB | Variable interest | 40 | 30,500 | 30,540 |
| Transporto valdymas UAB | Variable interest | - | 20,336 | 20,336 |
| Vėjo vatas UAB | Fixed interest | 2,547 | - | 2,547 |
| Ignitis renewables UAB | Fixed interest | 73,922 | - | 73,922 |
| **Carrying amount** | | **88,785** | **749,017** | **837,802** |

On 30 June 2020, the Company signed a long-term loan agreement with Energijos skirstymo operatorius AB, under which EUR 200 million loan is granted to ensure reliability and efficiency of distribution network, and to refinance outstanding liabilities. The repayment date of the loan is 21 May 2030. The fixed interest rate under the agreement coincides with the effective interest rate on the Green Bonds issue and is set as 2.17%. The essential terms and conditions of the agreement coincide with the terms and conditions of the green bonds issue. The agreement does not provide for any other additional obligations (guarantees, warranties, pledges, etc.) to enforce obligations. Under this agreement, the loan was disbursed as at 1 July 2020.

The carrying amounts of the Company's non-current loans granted as at 30 September 2020 by repayments dates are the following:

- From 2 to 5 years – EUR 47,336 thousand (31 December 2019 – EUR 51,936 thousand);
- After 5 years – EUR 701,681 thousand (31 December 2019 – EUR 512,607 thousand).

The Company's loans granted as at 31 December 2019 comprised loans granted to the following subsidiaries:

| | Interest rate type | Within one year | After one year | Total |
|---|---|---|---|---|
| Energijos skirstymo operatorius AB (green bonds) | Fixed interest | | 416,288 | 416,288 |
| Energijos skirstymo operatorius AB (loans taken over) | Variable interest | | 49,345 | 82,247 |
| Tuuleenergia OÜ | Fixed interest | - | 19,119 | 19,119 |
| Eurakras UAB | Fixed interest | - | 24,355 | 24,355 |
| Ignitis UAB | Variable interest | 60,255 | 30,500 | 90,755 |
| Transporto valdymas UAB | Variable interest | - | 24,936 | 24,936 |
| Vėjo vatas UAB | Fixed interest | 2,547 | - | 2,547 |
| Energetikos paslaugų ir rangos organizacija UAB | Variable interest | 1,480 | - | 1,480 |
| Ignitis grupės paslaugų centras UAB | Variable interest | 1,473 | - | 1,473 |
| Ignitis renewables UAB | Fixed interest | 56,922 | - | 56,922 |
| VVP investment UAB | Variable interest | 400 | - | 400 |
| Energijos skirstymo operatorius AB | Variable interest | 105,164 | - | 105,164 |
| Vilniaus kogeneracinė jėgainė UAB | Variable interest | 3,336 | - | 3,336 |
| **Carrying amount** | | **264,479** | **564,543** | **829,022** |

All amounts in thousands of euro unless otherwise stated

# 11 Current loans and interests receivable

The Company's current loans and interests receivable include:

| Company | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Current portion of non-current loans | 7,901 | 35,449 |
| Cash-pool loans | - | 171,708 |
| Current loans | 80,884 | 57,322 |
| Interest receivable | 5,615 | 7,276 |
| **Total:** | **94,400** | **271,755** |
| Less: impairment allowance | - | (806) |
| **Carrying amount** | **94,400** | **270,949** |

During 2020 I-III qtr. the Company reversed an impairment loss related to a cash pool loan granted to one subsidiary. No additional impairment was calculated or accounted for.

# 12 Prepayments and deferred expenses

The Group's current prepayments and deferred expenses as at 30 September 2020 and 31 December 2019 were as follows:

| Group | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Prepayments for natural gas | 14,465 | 8,880 |
| Deposits related to Power Exchange | 23,255 | 19,195 |
| Deferred expenses | 3,561 | 1,306 |
| Prepayments for other goods and services | 1,661 | 13,693 |
| Prepayments for electricity due to over-declaration by customers | - | 5,194 |
| Other prepayments | 2,250 | 2,280 |
| **Carrying amount** | **45,192** | **50,548** |

# 13 Trade receivables

The Group's trade receivables consist of:

| Group | 30 September 2020 | 31 December 2019 |
|---|---|---|
| **Amounts receivable under contracts with customers** | | |
| Trade receivables for electricity | 84,205 | 77,439 |
| Trade receivables for gas from household customers | 2,810 | 3,479 |
| Trade receivables for gas from non-household customers | 20,987 | 31,990 |
| Trade receivables for IT and telecommunications services | - | 173 |
| Trade receivables for sale of heat | 12 | 545 |
| Trade receivables for waste management | 692 | - |
| Trade receivables for exported electricity and electricity produced abroad | 423 | 621 |
| Other trade receivables | 14,177 | 11,675 |
| **Trade receivables from other contracts** | | |
| Trade receivables for lease of assets | 65 | 722 |
| **Total** | **123,371** | **126,644** |
| Less: impairment allowance | (8,991) | (8,777) |
| **Carrying amount** | **114,380** | **117,867** |

As at 30 September 2020 and 31 December 2019, the Group had no pledged the claim rights to trade receivables. Interest is not accrued on receivables under agreements with customers, and the regular settlement term is usually 15-30 days. Settlement term for deferred payments due to COVID-19 (Note 3.1) is described in Note 21.

The assessment model for valuation of amounts receivables did not change during 2020 I-III qtr.: significant amounts receivable – individually, and all immaterial amounts – collectively by using the loss ratio matrix.

The table below presents information on the Group's trade receivables under contracts with customers as at 30 September 2020 that are assessed on a collective basis using the loss ratio matrix.

| Group | Loss ratio | Trade receivables | Impairment |
|---|---|---|---|
| Not past due | 0.50 | 53,570 | 266 |
| Up to 30 days | 1.15 | 7,064 | 81 |
| 30–60 days | 7.17 | 1,395 | 100 |
| 60-90 days | 13.04 | 767 | 100 |
| 90-120 days | 23.26 | 460 | 107 |
| More than 120 days | 68.37 | 9,795 | 6,697 |
| **As at 30 September 2020** | **10.06** | **73,051** | **7,351** |

All amounts in thousands of euro unless otherwise stated

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2019 that are assessed on a collective basis using the loss ratio matrix.

| Group | Loss ratio | Trade receivables | Impairment |
|---|---|---|---|
| Not past due | 0.19 | 46,329 | 86 |
| Up to 30 days | 4.22 | 8,337 | 352 |
| 30–60 days | 7.44 | 833 | 62 |
| 60-90 days | 17.24 | 609 | 105 |
| 90-120 days | 23.16 | 354 | 82 |
| More than 120 days | 49.88 | 13,018 | 6,494 |
| **As at 31 December 2019** | **10.34** | **69,480** | **7,181** |

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

| Group | 30 September 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Trade receivables | Decrease in value | Trade receivables | Impairment |
| Not past due | 47,636 | 517 | 53,824 | 437 |
| Up to 30 days | 1,143 | 65 | 550 | 35 |
| 30–60 days | 86 | 9 | 214 | 28 |
| 60-90 days | 72 | 11 | 78 | 21 |
| 90-120 days | 50 | 6 | 109 | 7 |
| More than 120 days | 1,333 | 1,032 | 2,389 | 1,068 |
| **Total** | **50,320** | **1,640** | **57,164** | **1,596** |

# 14 Cash and cash equivalents

Cash, cash equivalents and a bank overdraft include the following for the purposes of the interim condensed consolidated cash flow statement:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| Cash and cash equivalents | 282,326 | 131,837 | 71,362 | 144 |
| Bank overdraft | - | (191,291) | - | (191,291) |
| **Carrying amount** | **283,265** | **(59,454)** | **71,362** | **(191,147)** |

Cash and cash equivalent as at 30 September 2020 and 31 December 2019 comprise cash in bank accounts.

# 15 Assets held for sale

The Group's and the Company's non-current assets held for sale consist of as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| Property, plant and equipment and investment property | 1,394 | 4,753 | 77 | 77 |
| Disposal group | - | 35,890 | - | - |
| Investments in subsidiaries | - | - | - | 7,064 |
| **Carrying amount** | **1,394** | **40,643** | **77** | **7,141** |

Movement of the Group and the Company's non-current assets held-for-sale during the 2020 I-III qtr. were as follows:

| | Group | Company |
|---|---|---|
| **Carrying amount as at 1 January 2020** | **40,643** | **7,141** |
| Disposals | (13,671) | (4,705) |
| Result of revaluation of non-current assets | (3) | - |
| Change of other assets attributed to disposal group | (827) | - |
| Increase (decrease) in property, plant and equipment and investment property | 5 | - |
| Reclassified (to) from: | | |
| *Intangible assets* | *(10)* | - |
| *Property, plant, and equipment* | *(16,179)* | - |
| *Investments in subsidiaries* | - | *(2,359)* |
| *Non-current receivables* | *(8,564)* | - |
| **Carrying amount as at 30 September 2020** | **1,394** | **77** |

As at 31 December 2019 the line item 'Disposal group' includes assets of subsidiaries Transporto valdymas UAB and Duomenų logistikos centras UAB amounting to EUR 35,890 thousand, which were intended to be disposed by the Group. During 2020 I-III qtr. the management changed its decision to sell a subsidiary Transporto valdymas UAB. A subsidiary Duomenų logistikos centras UAB was sold as at 7 July 2020.

All amounts in thousands of euro unless otherwise stated

# 16 Issued capital

As at 30 September 2020 the Group's issued capital comprised EUR 1,212,156,294 and was divided in to 54,283,757 ordinary registered shares with par value is EUR 22.33 of each. As at 31 December 2019 the Group's issued capital comprised EUR 1,212,156,294 and was divided in to 4,179,849,289 registered ordinary shares with par value is EUR 0.29 of each.

As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Company. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Company is changed from EUR 0,29 to EUR 22,33. Upon the change of the nominal value of one share, the authorized capital of the Company will be divided into 54,283,757 ordinary registered shares.

As at 30 September 2020 and 31 December 2019 all shares were fully paid.

# 17 Loans and bonds

Borrowings of the Group and the Company consisted of:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| **Non-current** | | | | |
| Bonds issued | 886,568 | 590,120 | 886,568 | 590,120 |
| Bank borrowings | 362,254 | 231,809 | 43,419 | 49,345 |
| | **1,248,822** | **821,929** | **929,987** | **639,465** |
| **Current** | | | | |
| Current portion of non-current loans | 16,829 | 37,454 | 12,276 | 32,901 |
| Bank overdrafts | - | 191,291 | | 191,291 |
| Accrued interest | 4,700 | 5,446 | 4,700 | 5,446 |
| | **21,529** | **234,191** | **16,976** | **229,638** |
| **Total borrowings** | **1,270,351** | **1,056,120** | **946,963** | **869,103** |

On 10 March 2020 Pomerania Wind Farm Sp. z o. o. concluded an agreement with the EIB for PLN 258 million (approximately EUR 57 million) loans for the implementation of its wind farm project. As at 30 September 2020 the loan was fully disbursed. The Company and the EIB entered into a first call guarantee agreement to secure this loan. The Company's subsidiary UAB Ignitis renewables, which owns Pomerania Wind Farm Sp. z o. o. shares, entered into an agreement with the EIB for a 100% of the company's shares' pledging in favour of the lender. The date of loan repayment is 31 December 2035.

On 16 April 2020 the Group has signed an overdraft agreement with Swedbank AB for EUR 100 million. As at 30 September 2020, the undrawn credit facilities amounted to EUR 100 million. The repayment date of the loan is 16 October 2020. The contract was not renewed at the date of issue of these interim financial statements.

On 14 May 2020, the Group placed a EUR 300 million issue of bonds with a 10-year term to maturity. Annual interest of 2.00% will be payable for bonds and they have been issued with the yield of 2.148%. Net cash inflows from bond emission comprise 98.55% of the par value of the bond issue or EUR 295,657,500.

For the period of 2020 I-III qtr. expenses related to interest on the issued bonds totalled EUR 11,870 thousand (2019 I-III qtr.: EUR 12,731 thousand). The accrued amount of coupon payable as at 30 September 2020 amounted to EUR 4,700 thousand (31 December 2019: EUR 5,446 thousand).

Non-current borrowings by repayment dates:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| From 1 to 2 years | 119,247 | 32,104 | 7,901 | 7,049 |
| From 2 to 5 years | 64,574 | 95,719 | 23,703 | 21,148 |
| After 5 years | 1,065,001 | 694,106 | 898,383 | 611,268 |
| **Total** | **1,248,822** | **821,929** | **929,987** | **639,465** |

During 2020 I-III qtr. the Group and the Company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current could be changed.

The weighted average interest rates (%) on the Group's and the Company's borrowings payable with fixed and variable interest rates:

| | Group | | Company | |
|---|---|---|---|---|
| | 30 September 2020 | 31 December 2019 | 30 September 2020 | 31 December 2019 |
| **Non-current borrowings** | | | | |
| Fixed interest rate | 1.873 | 2.069 | 1.828 | 2.054 |
| Variable interest rate | 0.858 | 0.958 | 0.765 | 0.911 |
| **Current borrowings** | | | | |
| Variable interest rate | 0.446 | 0.446 | 0.446 | 0.410 |

All amounts in thousands of euro unless otherwise stated

Reconciliation of the Group's cash, borrowings and other financial liabilities except leasing liabilities and cash flows from financing activities:

| Group | Assets | Borrowings and other liabilities | | | | |
|---|---|---|---|---|---|---|
| | Cash | Non-current portion of non-current borrowings | Current portion of non-current borrowings | Current borrowings | Financial derivatives | Total |
| **Balance at 1 January 2020** | **(131,837)** | **821,929** | **37,454** | **196,737** | **(2,741)** | **921,542** |
| **Cash changes** | | | | | | |
| Increase (decrease) in cash and cash equivalents | (150 489) | - | - | - | 519 | (149,970) |
| Proceeds from issued bonds | - | 295,657 | - | - | - | 295,657 |
| Loans received | | 139,786 | - | - | - | 139,786 |
| (Repayments) of borrowings | - | - | (29,866) | - | - | (29,866) |
| Interest paid | - | (857) | (12,250) | (1,339) | - | (14,446) |
| Overdraft | - | - | - | (191,291) | - | (191,291) |
| Result from realization of financial instrument and derivatives | - | - | - | - | (2,838) | (2,838) |
| **Non-cash changes** | | | | | | |
| Accrual of interest payable | - | 6,344 | 7,755 | 1,560 | - | 15,659 |
| Revaluation of financial instruments and derivatives | - | - | - | - | 5,983 | 5,983 |
| Reclassification of interest payable from (to) trade payables | - | (302) | - | (966) | - | (1,268) |
| Reclassifications between items | - | (13,735) | 13,735 | - | - | - |
| **Balance at 30 September 2020** | **(282,326)** | **1,248,822** | **16,828** | **4,701** | **923** | **988,948** |

Reconciliation of the Company's cash, borrowings and other financial liabilities except leasing liabilities and cash flows from financing activities:

| Company | Assets | Borrowings and other liabilities | | | |
|---|---|---|---|---|---|
| | Cash | Non-current portion of non-current borrowings | Current portion of non-current borrowings | Current borrowings | Total |
| **Balance at 1 January 2020** | **(144)** | **639,465** | **32,901** | **196,737** | **868,959** |
| **Cash changes** | | | | | |
| Increase (decrease) in cash and cash equivalents | (71,218) | - | - | - | (71,218) |
| Proceeds from issued bonds | - | 295,657) | - | - | 295,657 |
| (Repayments) of borrowings | - | - | (26,551) | - | (26,551 |
| Interest paid | - | - | (12,011) | (746) | (12,757) |
| Overdraft | - | - | - | (191,291) | (191,291) |
| **Non-cash changes** | | | | | |
| Accrual of interest payable | - | 5,286 | 7,516 | - | 12,802 |
| Reclassifications between items | - | (10,421) | 10,421 | - | - |
| **Balance at 30 September 2020** | **(71,362)** | **929,987** | **12,276** | **4,700** | **875,601** |

# 18 Lease liabilities

Movements in the Group lease liabilities during the 2020 I-III qtr.:

| Group | Non-current lease liabilities | Current lease liabilities | Total |
|---|---|---|---|
| **Balance at 1 January 2020** | **33,818** | **8,400** | **42,218** |
| **Cash changes** | | | |
| Lease payments (principal portion) | (1,212) | (7,057) | (8,269) |
| Interest paid | - | (197) | (197) |
| **Non-cash changes** | | | |
| Lease contracts concluded | 3,698 | 853 | 4.551 |
| Interest charges | 15 | 439 | 454 |
| Reclassifications between items | (11,648) | 11,648 | - |
| Reclassifications (to) / from trade and other payables | (6) | (218) | (224) |
| Reclassification (to) / from liabilities attributable to assets held for sale | 126 | 115 | 241 |
| Interest write-off | - | (8) | (8) |
| Other changes | 15 | - | 15 |
| **Balance at 30 September 2020** | **24,806** | **13,975** | **38.781** |

# 19 Provisions

Current and non-current provisions of the Group consisted of:

| Group | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Non-current provisions | 36,977 | 35,564 |
| Current provisions | 25,220 | 19,818 |
| **Total amount of provisions** | **62,197** | **55,382** |

All amounts in thousands of euro unless otherwise stated

Movement of the Group’s provisions during the 2020 I-III qtr. was as follows:

| Group | Environmental emission allowance liabilities | Provisions for employee benefits | Provisions for rights to servitudes | Other provisions | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **479** | **3,540** | **26,952** | **24,411** | **55,382** |
| Increase during the period | 11,350 | 114 | - | 5,056 | 16,520 |
| Utilised during the period | (390) | (151) | (258) | (464) | (1,263) |
| Revaluation of emission allowances utilised | (90) | - | - | - | (90) |
| Result of change in actuarial assumptions | - | (95) | - | 3,861 | 3,766 |
| Result of change in other assumptions | - | - | (12,118) | - | (12,118) |
| **Balance at 30 September 2020** | **11,349** | **3,408** | **14,576** | **32,864** | **62,197** |

As at 30 September 2020 significant part of other provisions includes:

- provisions for protection zones for an amount of EUR 12,766 thousand (31 December 2019: EUR 8,328 thousand),
- provisions for capacity reserve and system services for an amount of EUR 16,584 thousand (31 December 2019: EUR 12,718 thousand).

Significant change in provisions for rights to servitudes (compensations of servitudes) and protection zones were caused by change in management’s key assumptions used to estimate the period-end balance (Note 3.3).

# 20 Advances received and deferred income

*Deferred income*

Movements in the Group deferred income during 2020 I-III qtr.:

| Group | Current portion | Non-current portion |
|---|---|---|
| **Balance at 1 January 2020** | **9,749** | **151,910** |
| Received during the period | 114 | 15,374 |
| Recognised as income | (5,553) | - |
| Reclassifications between items | 6,065 | (6,065) |
| **Balance at 30 September 2020** | **10,375** | **161,219** |

As at 30 September 2020 and 31 December 2019 deferred income represents an income from connection of new customers to natural gas system and to the electricity grid under the contracts with customers. Revenue from connection of new customers to natural gas system and to electricity grid is recognised over the average useful life of related items of property, plant and equipment. Due to COVID-19 impact the management reviewed useful lives of property, plant and equipment (Note 3.1) and didn’t identify any indications that terms might be changed.

*Advances received*

The Group’s advances received as at 30 September 2020 and 31 December 2019 were as follows:

| Group | 30 September 2020 | 31 December 2019 |
|---|---|---|
| Current prepayments under contracts with customers (contract liabilities) | 41,104 | 51,665 |
| Current prepayments under other contracts | 606 | 80 |
| **Balance** | **41,710** | **51,745** |

# 21 Revenue from contracts with customers

The Group‘s revenue from contracts with customers during 2020 and 2019 I-III qtr. consisted of:

| Group | 2020, I-III qtr. | 2019, I-III qtr. |
|---|---|---|
| **Electricity related revenue** | | |
| Revenue from the sale of electricity | 9,266 | 16,624 |
| Revenue from public electricity supply | 116,107 | 101,229 |
| Revenue from sale of produced electricity | 83,589 | 55,499 |
| Income from capacity reserve services | 40,779 | 51,885 |
| Electricity distribution | 419,365 | 347,190 |
| **Gas related revenue** | | |
| Revenue from gas sales | 122,758 | 144,980 |
| LNGT security component income | 20,861 | 22,103 |
| Gas distribution | 24,265 | 24,423 |
| **Other revenue** | | |
| Revenue from Public service obligation services | 8,086 | 9,716 |
| Connection fees | 5,469 | 3,553 |
| Proceeds from the sale of heat energy | 2,191 | 2,864 |
| Other revenue from contracts with customers | 10,262 | 14,725 |
| **Total** | **862,998** | **794,791** |

The Company’s revenue from contracts with customers for 2020 I-III qtr. consisted of management fee amounted to EUR 2,298 thousand (2019 I-III qtr.: EUR 2,430 thousand).

All amounts in thousands of euro unless otherwise stated

*Balances under contracts with customers*

| Group | Notes | 30 September 2020 | 31 December 2019 |
|---|---|---|---|
| **Trade receivables** | 13 | **114,315** | **117,145** |
| **Contract assets** | | **8,357** | **5,016** |
| Accrued revenue from electricity energy sales | | 8,308 | 4,943 |
| Accrued revenue from gas sales | | 49 | 73 |
| **Contract liabilities** | | **212,698** | **213,324** |
| Prepayments received | 20 | 41,104 | 51,665 |
| Deferred revenue | 20 | 171,594 | 161,659 |

The Company did not have any balances under contracts with customers as at 30 September 2020.

*Rights to returned good assets and refund liabilities*

Rights to returned goods assets and refund liabilities did not change from previous reporting period.

*Performance obligations*

Due to measures taken in respect of quarantine for period 16 March 2020 – 16 June 2020 by the Government of Republic of Lithuania (Note 3.1) to make possible to defer or arrange in portions the payments for the consumed electricity and natural gas, the Group provided special payments deferrals to customers for distribution and supply of electricity and gas.

During the three-month quarantine period until the 30 June 2020 the total amount of overdue debts due to COVID-19 was EUR 7.2 million (including deferred payments - EUR 4.3 million). Payments were deferred for the following period: for household customers payments were deferred for 1 month after the quarantine ended, business customers – 3 months. Insignificant part exclusively was deferred for up to 9 – 12 months from the end of quarantine. The level of overdue debts has returned to the pre-quarantine period and deferred payments are repaid on an agreed schedule. The management didn't identify any significant financing component.

Following the announcement of the second quarantine in Lithuania, the risk of late payments will increase depending on its duration. The management didn't identify any significant financing component.

The regular payment term, except the term of deferred payments above, as at 30 September 2020 and 31 December 2019 was defined 30 days.

There are no warranties specified in the contracts. During 2020 I-III qtr. there were no changes in timing of transfer of the goods and services: performance obligations of gas and electricity sale, supply, distribution, thermal energy, connection fees are satisfied over time, sales of inventory and scrap – at a specific point in time.

# 22 Dividends

*Dividends announced by the Group and the Company*

The Group's and the Company's announced distribution of dividends during 2020 and 2019 I-III qtr.:

| | 2020 I-III qtr. | | 2019 I-III qtr. | |
|---|---|---|---|---|
| | Dividends | Dividends per share | Dividends | Dividends per share |
| Ignitis grupė AB | 70,000 | 1.2895 | 13,000 | 0.0031 |

*Dividends received by the Company*

Dividends received by the Company from subsidiaries during 2020 I-III qtr.:

| Dividend declared date | Dividends declared by | Period for which dividends are allocated | Dividends per share, in EUR | Declared amount of dividends | Dividend income attributable to the Company | Dividends attributable to the Group's non-controlling interest |
|---|---|---|---|---|---|---|
| 2020-04-30 | Energijos skirstymo operatorius AB | 2019 | 0.0760 | 67,992 | 66,399 | 1,592 |
| 2020-04-27 | NT valdos UAB | 2019 | 21.7901 | 3,762 | 3,762 | - |
| 2020-04-22 | Ignitis grupės paslaugų centras UAB | 2019 | 0.0175 | 739 | 385 | 5 |
| 2020-04-14 | Eurakras UAB | 2019 | 14.6225 | 2,333 | 2,333 | - |
| 2020-04-30 | Ignitis gamyba AB | 2019 | 0.0560 | 36,288 | 35,362 | 927 |
| 2020-09-28 | Ignitis gamyba AB | 2020 I half-year | 0.0230 | 14,904 | 14,635 | 269 |
| 2020-08-03 | Vėjo vatas UAB | 2019 | 22.2847 | 2,229 | 2,229 | - |
| 2020-08-03 | Vėjo gūsis UAB | 2019 | 20.3539 | 5,231 | 5,231 | - |
| **Total** | | | | **133,478** | **130,336** | **2,793** |

All amounts in thousands of euro unless otherwise stated

Dividends received by the Company from subsidiaries during 2019 I-III qtr.:

| Dividend declared date | Dividends declared by | Period for which dividends are allocated | Dividends per share, in EUR | Declared amount of dividends | Dividend income attributable to the Company | Dividends attributable to the Group's non-controlling interest |
|---|---|---|---|---|---|---|
| 2019-03-05 | Duomenų logistikos centras UAB | 2018 | 0.0290 | 405 | 324 | 81 |
| 2019-04-30 | Ignitis grupės paslaugų centras UAB | 2018 | 0.0150 | 327 | 164 | 4 |
| 2019-04-30 | Verslo aptarnavimo centras UAB | 2018 | 0.2100 | 123 | 63 | 1 |
| 2019-04-30 | Tuuleenergia OÜ | 2018 | 1.8000 | 899 | 899 | - |
| 2019-04-29 | Eurakras UAB | 2018 | 11.7200 | 1,870 | - | - |
| 2019-04-12 | Ignitis gamyba AB | 2018 II half year | 0.0100 | 6,480 | 6,274 | 206 |
| 2019-09-27 | Ignitis gamyba AB | 2019 I half-year | 0.0290 | 18,792 | 18,194 | 598 |
| **Total** | | | | **28,896** | **25,918** | **890** |

For the purpose of the statement of profit or loss and other comprehensive income, dividend income for 2020 I-III qtr. was reduced by the amount of dividends paid as premium to the former shareholders of Energijos skirstymo operatorius AB and Ignitis gamyba AB (see below the paragraph „Additional bonus equal to the amount of dividends").

*Additional bonus equal to the amount of dividends*

The Tender Offer Circular approved by the Bank of Lithuania on 30 March 2020 indicates that if the Ordinary Meetings of Shareholders of Ignitis gamyba AB and Energijos skirstymo operatorius AB held on 30 April 2020 have adopted the resolution to pay dividends to the shareholders of these companies for the year 2019, to the persons who are not the shareholders of the Company on the rights accounting day as a result of selling their shares to the Company, the Company will pay an additional bonus equal to the amount of dividends that a shareholder would have received in proportion to the shares he/she held and sold to the offeror at the time of the official tender offer, if he had been a shareholder of the Company on the rights accounting day.

In line with the resolution of the General Meeting of Shareholders of Ignitis gamyba AB on 30 April 2020 to pay dividends (EUR 0.056 per share), the Company paid additional bonuses equal to the amount of dividends to the former shareholders of Ignitis gamyba AB in May 2020 in the amount of EUR 229 thousand.

In line with the resolution of the General Meeting of Shareholders of Energijos skirstymo operatorius AB on 30 April 2020 to pay dividends (EUR 0.076 per share), the Company paid additional bonuses equal to the amount of dividends to the former shareholders of Energijos skirstymo operatorius AB in May 2020 in the amount of EUR 1,819 thousand.

# 23 Transactions with related parties

As at 30 September 2020 and 31 December 2019 the ultimate parent was the Republic of Lithuania represented by Ministry of Finance. For the purpose of disclosure of related parties, the Republic of Lithuania does not include central and local government authorities. The disclosures comprise transactions and balances of these transactions with the shareholder, associates and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management and their close family members.

The Group's transactions with related parties during the 2020 I-III qtr. and 2019 I-III qtr. are presented below:

| Related party | 2020 I-III qtr. | | | 2019 I-III qtr. | | |
|---|---|---|---|---|---|---|
| | Sales | Purchases | Finance income (expenses) | Sales | Purchases | Finance income (expenses) |
| **Entity's controlled or under significant influence by the state** | | | | | | |
| EPSO-G UAB | 21 | - | 602 | 25 | - | 816 |
| Litgrid AB | 63,417 | 118,118 | - | 55,135 | 95,971 | - |
| Amber Grid AB | 22,446 | 33,028 | - | 23,456 | 47,624 | - |
| Baltpool UAB | 98,097 | 59,384 | - | 26,818 | 23,564 | - |
| Tetas UAB | 301 | 2,884 | - | 443 | 2,207 | 5 |
| LitGrid Power Link Service UAB | 95 | 157 | - | - | - | - |
| GET Baltic UAB | 17,128 | 17,279 | - | 21,082 | 1,568 | - |
| **Group's associate and other related parties** | 34 | 675 | - | 40 | 605 | - |
| **Total** | **201,539** | **231,525** | **602** | **126,999** | **171,539** | **821** |

The Group's balances with related parties as at 30 September 2020 and 31 December 2019 are presented below:

| Related party | 30 September 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Amounts receivable | Amounts payable | Amounts receivable | Amounts payable |
| **Entity's controlled or under significant influence by the state:** | | | | |
| EPSO-G UAB | 150,696 | - | 158,943 | - |
| Litgrid AB | 11,425 | 14,937 | 10,297 | 14,749 |
| Amber Grid AB | 57 | 4,467 | 4,203 | 6,329 |
| Baltpool UAB | 11,591 | 11,300 | 11,682 | 10,177 |
| Tetas UAB | 66 | 1,847 | 84 | 869 |
| LitGrid Power Link Service UAB | - | 34 | - | - |
| GET Baltic UAB | 458 | 1 | 754 | - |
| **Group's associate and other related parties** | 103 | 217 | 116 | 217 |
| **Total** | **174,396** | **32,803** | **186,079** | **32,341** |

All amounts in thousands of euro unless otherwise stated

The Company's related party transactions conducted during 2020 I-III qtr. and balances arising on these transactions as at 30 September 2020 are presented below:

| Related parties | Amounts receivable | Loans receivable | Amounts payable | Sales | Purchases | Finance income (expenses) |
|---|---|---|---|---|---|---|
| | 30 September 2020 | 30 September 2020 | 30 September 2020 | 2020, I-III qtr. | 2020, I-III qtr. | 2020, I-III qtr. |
| **Subsidiaries** | | | | | | |
| Energijos skirstymo operatorius AB | 115 | 675,602 | - | 820 | (26) | 8,775 |
| Ignitis gamyba AB | 14,684 | - | - | 346 | (5) | - |
| Energetikos paslaugų ir rangos organizacija UAB | - | 2 | - | - | - | 18 |
| Elektroninių mokėjimų agentūra UAB | 3 | - | - | 44 | - | - |
| Transporto valdymas UAB | - | 21,176 | 10 | - | 74 | 227 |
| Ignitis grupės paslaugų centras UAB | 36 | 1 | 192 | 183 | 1,192 | 7 |
| Ignitis UAB | 81 | 30,698 | - | 508 | (6) | 950 |
| Vilniaus kogeneracinė jėgainė UAB | 21 | 186 | - | 78 | - | 1,257 |
| EURAKRAS UAB | - | 19,500 | - | - | - | 486 |
| Tuuleenergia OÜ | - | 19,255 | - | 1 | - | 437 |
| Kauno kogeneracinė jėgainė UAB | 4 | 121 | - | 81 | (15) | 379 |
| Vėjo gūsis UAB | - | 5 | - | - | - | 45 |
| Vėjo vatas UAB | - | 2,812 | - | - | - | 90 |
| Gamybos optimizavimas UAB | 2 | - | 56 | 11 | - | 13 |
| VVP Investment UAB | - | 2 | - | - | - | 15 |
| Ignitis renewables UAB | 53 | 74,015 | - | 227 | (37) | 1,152 |
| Pomerania Wind Farm Sp. z o. o. | - | 42 | - | - | - | 86 |
| **Other related parties** | | | | | | |
| EPSO-G, UAB | 150,693 | - | - | - | - | 602 |
| **Total** | **165,692** | **843,417** | **258** | **2,299** | **1,177** | **14,539** |

The Company's related party transactions conducted during 2019 I-III qtr. and balances arising on these transactions as at 30 September 2019 are presented below:

| Related parties | Amounts receivable | Loans receivable | Amounts payable | Sales | Purchases | Finance income (expenses) |
|---|---|---|---|---|---|---|
| | 30 September 2019 | 30 September 2019 | 30 September 2019 | 2019, I-III qtr. | 2019, I-III qtr. | 2019, I-III qtr. |
| **Subsidiaries** | | | | | | |
| Energijos skirstymo operatorius AB | 180 | 614,331 | - | 296 | - | 2,341 |
| Ignitis gamyba AB | 18,254 | - | - | 100 | - | - |
| Energetikos paslaugų ir rangos organizacija UAB | - | 1,545 | - | 3 | - | 14 |
| Elektroninių mokėjimų agentūra UAB | 1 | - | - | 7 | - | - |
| Energijos tiekimas UAB | - | - | - | 56 | - | 54 |
| Duomenų logistikos centras UAB | - | - | 1 | 4 | - | - |
| NT valdos UAB | - | 1 | - | 20 | - | - |
| Transporto valdymas UAB | - | 28,962 | 161 | - | 25 | 78 |
| Ignitis grupės paslaugų centras UAB | 16 | 1,838 | 38 | 33 | 71 | 1 |
| Ignitis UAB | 56 | 98,990 | - | 49 | - | 37 |
| Verslo aptarnavimo centras UAB | 33 | - | 202 | 43 | 215 | - |
| Vilniaus kogeneracinė jėgainė UAB | 17 | 5,416 | 11,314 | 24 | 10 | 64 |
| EURAKRAS UAB | - | 24,538 | - | 8 | 1 | 175 |
| Tuuleenergia OÜ | - | 19,256 | - | 1 | - | 180 |
| Kauno kogeneracinė jėgainė UAB | 61 | 83 | - | 61 | - | 35 |
| Vėjo gūsis UAB | - | 8 | - | - | - | 16 |
| Vėjo vatas UAB | - | 2,740 | - | - | 1 | 30 |
| Gamybos optimizavimas UAB | 1 | - | - | 2 | - | - |
| VVP Investment UAB | - | 409 | - | - | 1 | 2 |
| Ignitis renewables UAB | 12 | 44,124 | - | - | - | - |
| **Other related parties** | | | | | | |
| UAB „EPSO-G" | 158,658 | - | - | - | - | 269 |
| **Total** | **177,289** | **842,241** | **11,716** | **707** | **324** | **3,296** |

Key management personnel's benefits for 2020 I-III qtr. and 2019 I-III qtr. were as follows:

| | 2020 I-III qtr. | 2019 I-III qtr.* |
|---|---|---|
| Salaries and other short-term benefits | 3,665 | 3,515 |
| Whereof: Termination benefits and benefits to Board Members | 300 | 348 |
| Number of key management personnel | 53 | 59 |

**Data for 2019 I-III qtr. is revised by adding related information of Group companies which register seat is not in Lithuania.*

Key Management personnel includes heads of administration, their deputies and board members.

# 24 Operating segments

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

In year 2018 a new strategy of the Group was approved. This strategy sets out four main lines of business for the Group - strategic generation, green generation, solutions for customers and an activity of distribution grid operator. Following the adoption of the new strategy, steps have been taken to refine the actions due. The scope of the operating segments has been modified following the changes as well as due to the changes in the Group's structure, which were completed in 2nd qtr. of 2019, management from then follows its performance by operating segments that are consistent with the line of business specified in the Group's strategy:

- electricity supply and distribution and gas distribution segment renamed Networks and now includes only the distribution of electricity and gas activities carried out by Energijos skirstymo operatorius AB. Electricity public supply activity transferred to the segment of solutions for customers following the transfer from Energijos skirstymo operatorius AB to Ignitis UAB of this business activity;
- electricity generation segment separated into two segments – Flexible generation and Green generation. Flexible generation segment includes activities carried out by Ignitis gamyba AB (except Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and steam boiler). Green generation segment includes activities carried out by Ignitis gamyba AB (Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and steam boiler), Vilniaus kogeneracinė jėgainė UAB, Kauno kogeneracinė jėgainė UAB, Eurakras UAB, Tuuleenergia OU, Vėjo gūsis UAB, Vėjo vatas UAB, VVP Investment UAB, Ignitis renewables UAB, Pomerania Invall Sp. z o.o.;
- trade in gas and trade in electricity segments merged into one segment named Customers and Solutions. It includes activities carried out by Ignitis UAB, Energijos Tiekimas UAB (until 31 May 2019), Ignitis Eesti OÜ, Ignitis Latvija SIA, Ignitis Polska Sp. z o.o. Electricity energy public supply activity is taken over from networks segment following the transfer from Energijos skirstymo operatorius AB to Ignitis UAB of this business activity.

Other activities and eliminations include:
- support services companies (Ignitis grupės paslaugų centras UAB, Verslo aptarnavimo centras UAB);
- non-core activities companies (Energetikos paslaugų ir rangos organizacija UAB, Duomenų logistikos centras UAB, NT Valdos UAB, Transporto valdymas UAB);
- additional service entities (Elektroninių mokėjimų agentūra UAB, Gamybos optimizavimas UAB);
- parent company Ignitis grupė AB;
- consolidation corrections and eliminations of intercompany transactions.

In 2020 operating segments were changed - parent company does not constitute a separate operating segment and for clarity and easier information for readers is no longer disclosed separately, but is combined with other companies included in other activities, consolidation adjustments and eliminations of intercompany transactions.

The Group has a single geographical segment – the Republic of Lithuania, electricity sales in Latvia, Estonia and Poland are not significant for the Group. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the interim financial statements in accordance with IFRS, i.e. information on profit or loss, including the reported amounts of revenue and expenses. The primary performance measure is adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (adjusted EBITDA – a non-IFRS alternative performance measure). Another performance measure is adjusted Earnings Before Interest and Taxes (adjusted EBIT – a non-IFRS alternative performance measure). Both measures are calculated starting from data presented in the interim financial statements prepared in accordance with IFRS as adjusted by management for selected items which are not defined by IFRS.

The Group management calculates EBITDA as follows:

Revenue -
Operating expenses +
Depreciation and amortisation expenses (Notes 5, 6, 7) +
Expenses on revaluation and provisions for emission allowances +
Impairment expenses of non-current assets (Notes 6) +
Write-off expenses of non-current assets

EBITDA

The Group management calculates adjusted EBIT as follows:

EBIT +
Management adjustments (for revenues)+
Management adjustments (for expenses)-
Impairment and write-offs expenses of non-current assets -
Expenses on revaluation and provisions for emission allowances

Adjusted EBIT

The Group management calculates Investments as follows:

Additions of property, plant and equipment +
Additions of intangible assets +
Assets acquired through the acquisition of subsidiaries +
Additions of other financial assets +
Additions of investment property

Investments

All amounts in thousands of euro unless otherwise stated

The Group management calculates Net debt as follows:

Total borrowings (Note 17) +
Total lease liabilities (Note 18) -
Cash and cash equivalents (Note 14)

Net Debt

*Management's adjustments, adjusted EBITDA and EBIT*

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

| Segment / Management's adjustments | 2020 I-III qtr. | 2019 I-III qtr. |
|---|---|---|
| **Networks** | | |
| Temporary regulatory differences of Energijos skirstymo operatorius AB | (5,885) | 25,214 |
| Cash effect restatement new connection points and upgrades of Energijos skirstymo operatorius AB | 7,845 | 7,741 |
| Compensation received for the previous periods | - | (2,613) |
| Result of disposal of non-current assets | (140) | (213) |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | 658 | 375 |
| **Flexible generation** | | |
| Temporary regulatory differences of Ignitis gamyba AB | - | (6,041) |
| Received compensation related to carried out projects in previous periods | - | (9,276) |
| Temporary fluctuations in fair value of derivatives | (431) | - |
| Result of disposal of non-current assets | (6) | - |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and other assets | 4 | (1,052) |
| **Green generation** | | |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and other assets | - | 4 |
| **Customers and Solutions** | | |
| Temporary regulatory differences of Ignitis UAB | (33,936) | 6,729 |
| Temporary fluctuations in fair value of electricity and gas derivatives of Ignitis UAB and Energijos tiekimas UAB (until 31 May 2019) | 911 | 9,374 |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and other assets | 497 | 980 |
| **Other segments and consolidation adjustment** | | |
| Result of disposal of non-current assets | (2,440) | (693) |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and other assets | 1,028 | (144) |
| Ignitis grupė AB management and other fee's collected from controlled fund "Smart Energy Fund powered by Ignitis Group" for periods other than reporting period. | (495) | - |
| Consolidation adjustment of cash effect restatement for new consumers connection of Energijos skirstymo operatorius AB | 2,061 | 3,457 |
| | **(30,329)** | **33,842** |

Group information about operating segments for 2020 I-III qtr. is provided below:

| | Networks | Flexible generation | Green generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| Sales revenue from external customers | 349,008 | 75,696 | 60,045 | 381,488 | 7,826 | **874,063** |
| Inter-segment revenue (less dividend) | 2,682 | (1,263) | 239 | 9,591 | (11,249) | **-** |
| **Revenue** | **351,690** | **74,433** | **60,284** | **391,079** | **(3,423)** | **874,063** |
| | | | | | | **-** |
| Purchases of electricity, gas for trade, and related services, gas | (135,861) | (41,276) | (15,099) | (339,493) | 6,624 | **(525,105)** |
| Wages and salaries and related expenses | (38,558) | (5,108) | (4,441) | (7,221) | (15,794) | **(71,122)** |
| Repair and maintenance expenses | (13,960) | (3,897) | (1,995) | (4) | (130) | **(19,986)** |
| Other expenses | (22,051) | (2,546) | (5,459) | (9,472) | 11,300 | **(28,228)** |
| **EBITDA** | **141,260** | **21,606** | **33,290** | **34,889** | **(1,423)** | **229,622** |
| Depreciation and amortization | (61,525) | (8,564) | (10,390) | (4,944) | 1,424 | **(83,999)** |
| Impairment and write-offs expenses of non-current assets | (9,032) | (115) | (9) | - | 6,345 | **(2,811)** |
| Expenses on revaluation and provisions for emission allowances | - | 403 | (95) | - | - | **308** |
| **Operating profit (loss) (EBIT)** | **70,703** | **13,330** | **22,796** | **29,945** | **6,346** | **143,120** |
| **EBITDA** | **141,260** | **21,606** | **33,290** | **34,889** | **(1,423)** | **229,622** |
| Management adjustments (for revenues) | 1,820 | (437) | - | (33,025) | (380) | **(32,022)** |
| Management adjustments (for expenses) | 658 | 4 | - | 497 | 534 | **1,693** |
| **Adjusted EBITDA** | **143,738** | **21,173** | **33,290** | **2,361** | **(1,269)** | **199,293** |
| Depreciation and amortisation | (61,525) | (8,564) | (10,390) | (4,944) | 1,424 | **(83,999)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **82,213** | **12,609** | **22,900** | **(2,583)** | **155** | **115,294** |
| Property, plant and equipment, intangible and right-of-use assets | 1,635,454 | 494,963 | 603,981 | 36,112 | (24,247) | **2,746,263** |
| Investments | 85,933 | 702 | 179,478 | 769 | 3,903 | **270,785** |
| Net debt | 672,125 | (101,880) | 433,066 | 42,937 | (19,442) | **1,026,806** |

All amounts in thousands of euro unless otherwise stated

Group information about operating segments for 2019 I-III qtr. is provided below*:

| | Networks | Flexible generation | Green generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| Sales revenue from external customers | 303,510 | 68,276 | 64,490 | 357,861 | 8,372 | **802,509** |
| Inter-segment revenue (less dividend) | 4,210 | (4,133) | (435) | 7,898 | (7,540) | **-** |
| **Revenue** | **307,720** | **64,143** | **64,055** | **365,759** | **832** | **802,509** |
| Purchases of electricity, gas for trade, and related services, gas | (133,850) | (21,184) | (21,323) | (367,009) | 3,120 | **(540,246)** |
| Wages and salaries and related expenses | (32,348) | (5,110) | (2,393) | (3,485) | (18,472) | **(61,808)** |
| Repair and maintenance expenses | (16,463) | (3,555) | (1,462) | (1) | (586) | **(22,067)** |
| Other expenses | (24,723) | (1,550) | (3,912) | (12,372) | 18,090 | **(24,467)** |
| **EBITDA** | **100,336** | **33,462** | **34,247** | **(17,108)** | **2,984** | **153,921** |
| Depreciation and amortization | (60,793) | (10,369) | (7,851) | (1,017) | (1,823) | **(81,853)** |
| Impairment and write-offs expenses of non-current assets | (3,467) | (283) | - | - | (3,537) | **(7,287)** |
| Expenses on revaluation and provisions for emission allowances | - | (604) | - | - | - | **(604)** |
| **Operating profit (loss) (EBIT)** | **36,076** | **23,862** | **24,740** | **(18,125)** | **(2,376)** | **64,177** |
| **EBITDA** | **100,336** | **33,462** | **34,247** | **(17,108)** | **2,984** | **153,921** |
| Management adjustments (for revenues) | 30,129 | (15,317) | - | 16,103 | 2,764 | **33,679** |
| Management adjustments (for expenses) | 375 | (1,113) | 65 | 980 | (144) | **163** |
| **Adjusted EBITDA** | **130,840** | **17,032** | **34,312** | **(25)** | **5,604** | **187,763** |
| Depreciation and amortisation | (60,793) | (8,713) | (9,507) | (1,017) | (1,823) | **(81,853)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **70,047** | **8,319** | **24,805** | **(1,042)** | **3,781** | **105,910** |
| Property, plant and equipment, intangible and right-of-use assets | 1,605,477 | 397,269 | 437,800 | 43,747 | (61,484) | **2,422,809** |
| Investments | 140,303 | 357 | 171,704 | 1,568 | 4,198 | **318,130** |
| Net debt | 660,760 | (11,289) | 190,348 | 109,071 | (23,526) | **925,364** |

**Certain amounts presented above do not correspond to the interim condensed consolidated financial statements prepared for the period of 2019 I-III qtr. and reflect correction of error, reclassifications and changes of accounting methods, disclosed in Note 4.*

# 25 Fair values of financial instruments

*Financial instruments, measured at fair value*

The Group's derivative financial instruments (Level 2 of the fair value hierarchy), the Group's price premium payable and amounts receivable for disposal of Litgrid AB shares (Level 3), the Group's option right to acquire shares in subsidiary (Level 2 of the fair value hierarchy) are measured at fair value.

As at 30 September 2020, the Group accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.614% (31 December 2019 – 0.614%).

2020 September 30 the Group accounted for the option to acquire all the shares of Kauno kogeneracinė jėgainė UAB held by Fortum Heat Lietuva UAB (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the call option that the Group will have to pay to Fortum Heat Lietuva UAB for the redeemable Fortum Heat Lietuva UAB owned Kauno kogeneracinė jėgainė UAB shares, if the Group chooses to purchase them, equals the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of market value). Fair value corresponds to level 2 in the fair value hierarchy. The fair value was approximately equal to the carrying amount.

2020 September 30 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 31 to the annual report. Fair value corresponds to level 2 in the fair value hierarchy.

*Financial instruments for which fair value is disclosed*

The Group's and the Company's bond issue debt (Note 17) fair value fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.504% as at 30 September 2020 (31 December 2019 – 1.29%). Discount rates for certain bond issues are determined as 120 base points interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group's and the Company's fair value of financial liabilities related to the debt liabilities to OP Corporate Bank Plc and SEB Bankas AB , which 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 0.697% as at 30 September 2020 (31 December 2019 – 0.973%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

All amounts in thousands of euro unless otherwise stated

The fair value of the loans of the Group's company Ignitis gamyba AB was measured as present value of discounted cash flows at a discount rate of 1.12% (31 December 2019 – 3.00%).

As at 30 September 2020, the fair value of the Company's amounts receivable related to green bond amounts receivable of the subsidiary Energijos skirstymo operatorius AB is estimated by discounting cash flows with reference to the interest rate determined as 120 base points interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The cash flows were discounted using a weighted average discount rates of 2.504% (31 December 2019: 1.29%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

The carrying amount of the Group's and the Company's other financial assets and financial liabilities measured at amortised cost approximated their fair value.

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 30 September 2020 (refer to Note 2.30 of 2019 annual financial statements for the description of the fair value hierarchy levels):

| Group | Note | Balance | Level 1<br>Quoted prices in active markets | Level 2<br>Other directly or indirectly observable inputs | Level 3<br>Unobservable inputs | In total |
|---|---|---|---|---|---|---|
| **Financial instruments measured at fair value through profit (loss)** | | | | | | |
| **Assets** | | | | | | |
| Receivable for the sale of LitGrid AB | 10 | 136,212 | - | - | 136,212 | 136,212 |
| Derivative financial instruments | | 1,456 | - | 1,456 | - | 1,456 |
| **Liabilities** | | | | | | |
| Call option redemption liability | | 16,660 | - | 16,660 | - | - |
| Derivative financial instruments | | 2,379 | - | 2,379 | - | 2,379 |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Liabilities** | | | | | | |
| Bonds issued | 17 | 886,568 | - | 860,697 | - | 860,697 |
| Debt liabilities to OP Corporate Bank Plc and SEB Bankas AB | | 55,695 | - | 50,684 | - | 50,684 |
| Loans of Ignitis gamyba AB | | 22,421 | - | 20,763 | - | 20,763 |

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 30 September 2020 (refer to Note 2.30 of 2019 annual financial statements for the description of the fair value hierarchy levels):

| Company | Note | Balance | Level 1<br>Quoted prices in active markets | Level 2<br>Other directly or indirectly observable inputs | Level 3<br>Unobservable inputs | In total |
|---|---|---|---|---|---|---|
| **Financial instruments measured at fair value through profit (loss)** | | | | | | |
| **Assets** | | | | | | |
| Receivable for the sale of LitGrid AB | 10 | 150,693 | - | - | 150,693 | 150,693 |
| **Financial instruments measured at amortised costs** | | | | | | |
| **Assets** | | | | | | |
| Green bonds receivables from subsidiary Energijos skirstymo operatorius AB | | 616,288 | - | 600,608 | - | 600,608 |
| **Liabilities** | | | | | | |
| Bonds issued | 17 | 886,568 | - | 860,697 | - | 860,697 |
| Debt liabilities to OP Corporate Bank Plc and SEB Bankas AB | | 55,695 | - | 50,684 | - | 50,684 |

# 26 Litigations

During 2020 I-III qtr. there were no significant changes in litigations reported in annual financial statements for 2019 or new significant litigations except for mentioned below. Litigations after the reporting period are disclosed in Note 28.

On 12 March 2020, Šiaulių energija AB brought a claim against group company Energijos skirstymo operatorius AB before the Vilnius Regional Court claiming damages of EUR 1.3 million. The claim is in relation to losses suffered by Šiaulių energija AB due to an accident that occurred on 25 March 2019 on an electricity grid owned by a third person, a Lithuanian electricity transmission system operator, Litgrid AB, who is also a party to these proceedings. The damages account for repair works, electricity costs and loss of earning suffered by Šiaulių energija AB due to the accident. A hearing in relation to this claim is scheduled for 14 December 2020. The Group believes that it will defend its interests these proceedings successfully and has not made provisions for these proceedings.

Court of Appeal of Lithuania in 11 June 2020 replaced the decision of the Vilnius Regional Court that was taken in 28 January 2020 and the claim of Vilniaus energija UAB were completely rejected. Vilniaus energija UAB due to taken decision by the Court of Appeal of Lithuania in 2020 June 11 filed a cassation complaint, which was decided to be accepted by the Supreme Court of Lithuania as at 22 September 2020. The course of proceedings after the date of the financial statements is described in Note 28.

All amounts in thousands of euro unless otherwise stated

# 27 Contingent liabilities and commitments

*Guarantees issued by the Company*

The Company's guarantees issued as at 30 September 2020 and 31 December 2019 were as follows:

| Name of the subsidiary | Beneficiary of the guarantee | Date of issue of the guarantee | Maturity | Maximum amount of the guarantee | As at 30/06/2020 | As at 31/12/2019 |
|---|---|---|---|---|---|---|
| Vilniaus kogeneracinė jėgainė UAB | European Investment Bank | 30/12/2016 | 06/12/2033 | 190,000 | 139,981 | 99,881 |
| Kauno kogeneracinė jėgainė UAB | Swedbank AB | 18/10/2017 | 18/10/2022 | 68,000 | 53,033 | 31,125 |
| Vėjo gūsis UAB | Swedbank lizingas UAB | 29/01/2019 | 28/02/2022 | 9,258 | 4,946 | 6,797 |
| Vėjo vatas UAB | Swedbank lizingas UAB | 29/01/2019 | 28/02/2021 | 9,687 | 5,699 | 7,413 |
| Pomerania Wind Farm Sp. z o.o. | European Investment Bank | 09/03/2020 | 31/12/2035 | 68,100 | 56,728 | - |
| Group companies of Ignitis grupė AB | Group companies of Ignitis grupė AB | 19/02/2019 | 19/02/2024 | - | 20,036 | 54,106 |
| | | | | **345,045** | **331,242** | **199,322** |

The Group companies can lend each other their funds by virtually transferring them to the Group's corporate account (cash-pool) opened at the bank Swedbank AB. The Company guarantees that funds borrowed by the Group companies at the cash-pool account are timely repaid to the Group companies that have lent funds. As at 30 September 2020, the amount lent and borrowed by the Group companies at the Group's cash-pool account totalled EUR 20,075 thousand (31 December 2019: EUR 225,783 thousand), including the amount of EUR 40 thousand (31 December 2019: EUR 171,708 thousand) lent by the Company.

The Pomerania Wind Farm Sp. z o.o., part of the group companies owned by the Company, has entered into an agreement with the EIB by which the loan of PLN 258 million (approx. EUR 57 million) was disbursed to the Company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and EIB. The guarantee amounts to 120% of loan amount – i.e. PLN 309.6 million (approx. EUR 68.1 million). The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm Sp. z o.o. signed an agreement with EIB for pledging 100% of the shares of Pomerania Wind Farm Sp. z o.o. in favour of the lender. The repayment date of the loan is 31 December 2035.

On 5 December 2016, the Company and the EIB (Luxembourg) signed a guarantee and indemnity agreement under which the Company secured fulfilment of all current and future obligations of subsidiary Vilniaus kogeneracinė jėgainė UAB in the amount of EUR 190,000 thousand under the credit agreement signed on 5 December 2016 with the EIB for the term of 17 years. The guarantee cover the repayment of all types of payables related to the usage of the provided loan to the EIB. As at 30 September 2020, amounts withdrawn by Vilniaus kogeneracinė jėgainė UAB from the loan provided by the European Investment Bank totalled EUR 139,981 thousand (31 December 2019: EUR 99,881 thousand).

On 31 May 2017, the Group's subsidiary Kauno kogeneracinė jėgainė UAB and Swedbank AB signed the credit agreement for the amount of EUR 120,000 thousand. The loan is designated for the financing of construction works of the co-generation power plant complex in Kaunas and the financing of the following construction-related expenses of the project being implemented: financing of payments under the agreements on construction, supply of equipment, electrification, general construction works, general systems, installation of automation systems, insurance, management of the construction site, project management, as well as the financing of advance payments (credit funds cannot be used for the financing of interest and unforeseen expenditure), excl. VAT. As at 30 September 2020, amounts withdrawn from the loan provided totalled EUR 103,987 thousand (31 December 2019: EUR 61,029 thousand). Monetary liabilities of Kauno kogeneracinė jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Fortum OYJ (Finland) in proportion to the number of shares of Kauno kogeneracinė jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by FORTUM HEAT LIETUVA UAB.

# 28 Events after the reporting period

On 5 October 2020 a new version of the Company's Articles of Association was registered at State Enterprise Centre of Registers, which, among other amendments, included authorized capital increase of the Company. The Company's issued capital was increased by EUR 446,600,000 to EUR 1,658,756,294 by means of releasing 20,000,000 new ordinary registered shares, the nominal value of which is EUR 22.33.

On 7 October 2020 the Company's whole as at 5 October 2020 newly issued capital consisting of 20,000,000 ordinary registered shares (hereinafter "Shares") has been admitted to the Main Trading List of Nasdaq Vilnius, as well the global depositary receipts (hereinafter "GDR") representing the Shares has been admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority (FCA) and to trading on the Main Market of the London Stock Exchange. The main details of the Initial Public Offering (hereinafter "IPO") are:

- The final IPO price has been set at EUR 22.50 per Share and EUR 22.50 per GDR.
- Based on the final IPO price, the Company's market capitalization at the commencement of conditional dealings on the Nasdaq Vilnius Stock Exchange will amount to approximately EUR 1,671 million and the IPO will raise gross proceeds of EUR 450 million.
- The IPO is solely comprised of 20,000,000 Shares newly issued on 5 October 2020.
- The IPO consists of two tranches: 1) securities in the form of Shares and GDR offered to institutional investors, and 2) securities in the form of Shares offered to retail investors who are residents of Lithuania, Latvia and Estonia.
- During the IPO, institutional investors subscribed for 18,130,699 Shares in the form of Shares and GDRs. Institutional investors in the United Kingdom account for about a third of total demand, the largest pension funds and institutional investors from all three Baltic countries also took an active part. The rest of the demand was made up of balanced Nordic, continental European and other international institutional investors.
- Retail investors subscribed for 1,869,301 Shares during the IPO. The company evaluated the involvement of retail investors and decided to allocate all of them 100% of subscribed Shares. The part of Shares subscribed by retail investors is 9.3% of all Shares subscribed during the IPO. 6,827 retail investors participated in the IPO, 4,691 of them are from Lithuania, 1,836 from Estonia and 300 from Latvia.

- For the purposes of the IPO, the Group has appointed Swedbank AB (acting in conjunction with Kepler Cheuvreux S.A.) (hereinafter "Swedbank") as the IPO Securities Stabilization Manager (the "the Stabilization Manager"). The stabilization was completed in the period from 6 October 2020 until 5 November 2020.

After admission to trading, IPO shares will represent 26.9 percent of the total issued capital of the Company. The Republic of Lithuania, acting through the Ministry of Finance, remained the controlling shareholder of the Company (hereinafter "the Principal Shareholder"), controlling 73.1% of the Company's issued capital after its listing.. If the stabilization transactions would take place and the Company would redeem the shares from the Stabilization Manager, the Principal Shareholder's shares could increase to approximately 75.0%.

On 14 October 2020 the Group company Pomerania Wind Farm sp. z o. o signed an agreement with the Nordic Investment Bank (hereinafter "NIB") for the loan of up to PLN 150 million (approx. EUR 33.5 million) for the implementation of the Pomerania wind farm project which is being developed in Poland. The Company signed the first-call guarantee agreement for this loan between the Company and NIB. The Company's subsidiary UAB Ignitis Renewables, which owns all the shares of Pomerania Wind Farm sp. z o. o., signed an agreement with NIB for pledging 100 percent of the shares of Pomerania Wind Farm sp. z o. o. in favour of the lender. The loan is planned to be repaid by 31 December 2035. The project is expected to be fully operational in the spring of 2021.

On 27 October 2020 the Supreme Court of Lithuania accepted the response submitted by Energijos skirstymo operatorius AB to the cassation appeal filed by Vilniaus energija UAB on 11 June 2020 (Note 26). The date of case has not yet been set.

On 29 October 2020 the Court of Appeal of Lithuania (hereinafter – "the Court") made a decision on lifting the temporary protection measures which were applied by Vilnius Regional Court and on resumption of suspended mandatory buyout of shares of Energijos skirstymo operatorius AB (hereinafter – "ESO"). The Court decided to satisfy 20 October 2020 complaint of Ignitis grupė (hereinafter – "the Complaint") against Vilnius Regional Court decision of 11 April 2020 to apply the temporary protection measures and suspend mandatory buyout of shares of ESO until final decision in this civil case on the determination of the shares' price becomes effective. On 29 October 2020 after the Court satisfied the Complaint, the process of mandatory buyout of shares of ESO was resumed for the period which remained to the end of buyout shares on the day when the temporary protection measures were applied, i.e. for 5 calendar days.

On 3 November 2020 the Company finished the mandatory buyout of its subsidiary ESO shares, according to which it settled the completed share sale transactions on 5 November 2020. During the period of the mandatory buyout, which lasted from 18 May 2020 to 3 November 2020, 7,836,051 share of ESO was buyout, which equals to 0.88 % of the authorized capital of ESO. After the mandatory buyout of shares of ESO, the Company owns 98.53% of the shares of ESO, other shareholders own 1.47% or 13,118,175 of the shares of ESO. At the time of the mandatory buyout of shares of ESO, the Company offered the price agreed with the Bank of Lithuania for the shares, which was the same as that paid during the non-competitive tender offer, i.e. EUR 0.880 per share. Following mandatory buyout, the Company, after having made payments to the deposit account of shareholders who did not sell shares, until 3 December 2020 will apply before the court for an order requiring the account managers to make respective entries in the securities accounts regarding the transfer of ownership of the shares to the Company.

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# Other information

# Other important information

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

The Interim Report has been prepared by the Company's Administration in accordance with the Lithuanian Law on Companies, the Lithuanian Law on Consolidated Financial Reporting.

The 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 Company (Žvejų g. 14, Vilnius), on working days from Mondays through Thursdays from 7.30 a.m. To 4.30 p.m., and on Fridays from 7.30 a.m. to 3.15 p.m. (by prior arrangement).

All public announcements, which are required to be published by the Company according to the effective legal acts of the Republic of Lithuania, are published on the Company's website (*https://ignitisgrupe.lt/en*) and the website of Nasdaq Vilnius stock exchange (*www.nasdaqbaltic.com*).

## Significant arrangements

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

## Detrimental transactions

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

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

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The employees of the company from which the Company outsources the accounting functions, make sure that the financial statements are prepared properly, and that all data 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 on the agreements with auditors

On 25 February 2019, General Meeting of Shareholders of the Company adopts decision regarding the election of the audit company for the audit of the Company's and its subsidiaries financial and consolidated financial reports and the terms of remuneration for the audit services (UAB „Ernst & Young Baltic" was elected as the audit company for the audits of financial reports of the Company and its subsidiaries for the period of 2019-2021). Sum of 2019 annual audit services of the Company and its subsidiaries financial and consolidated financial reports amounted to 299,991.67 EUR (VAT excluded). The Company has not entered any additional arrangements with the entity that audited its financial statements.

## Significant agreements

There are no agreements concluded between the 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 Company. No significant agreements were concluded to which the Company is a party and which would enter into force, change or terminate as a result of the changed control of the Company, as well as their effect, except where because of the nature of the agreements their disclosure would cause significant harm to the Company. During the reporting period, the Company did not conclude any harmful agreements (which do not correspond to the Company's objectives, current market conditions, violate the interests of shareholders or other groups of persons, etc.) or agreements concluded in the event of a conflict of interests between the Company's managers, the controlling shareholders or other related parties obligations to the Company and their private interests and / or other duties.

# Material events of the Company

## During the reporting period (the first nine months of 2020)

| | |
|---|---|
| **30 September** | Preliminary financial data of the Company for 8 months of 2020 |
| **30 September** | The Company’s announcement on pricing guidance |
| **29 September** | Detailed information on the pre-emptive right of the former minority shareholders of ESO and Ignitis Gamyba to acquire shares of the Company |
| **23 September** | Regarding entering into a contract for financing with the European Investment Bank |
| **23 September** | The Company reached the settlement agreement with V. Martikonis, a shareholder of its subsidiary Ignitis Gamyba |
| **22 September** | The Company invites retail investors to the presentation of the company's IPO |
| **21 September** | Announcement of Price Range and Publication of Approved Prospectus of the Company |
| **17 September** | Regarding the approved rules for granting shares of the Company |
| **17 September** | Ignitis Renewables concluded a transaction for the acquisition of a portfolio of solar parks which are being developed in Poland |
| **16 September** | Regarding the adopted order of the Ministry of Finance to increase share capital of the Company and apply for listing of financial instruments |
| **15 September** | Regarding the decision of the Ministry of Finance to pay dividends for a period shorter than the financial year |
| **14 September** | Regarding a contract for financing |
| **14 September** | The Company selected strategic partner for the development of offshore wind farm projects |
| **11 September** | Regarding Confirmation of Intention to Float |
| **10 September** | Correction: Preliminary financial data of the Company for 7 months of 2020 |
| **8 September** | Regarding the amendment of corporate governance guidelines of the Group |
| **4 September** | Regarding the decision to propose to pay dividends for a period shorter than the financial year |
| **4 September** | The renewed Company’s dividend policy has entered into force |
| **4 September** | Correction: Announcement of Publication of Registration Document |
| **4 September** | Announcement of Publication of Registration Document |
| **4 September** | Announcement of Intention to Publish a Registration Document and Potential Intention to Launch an Initial Public Offering |
| **3 September** | Regarding the Extraordinary General Meeting of Shareholders of Ignitis Gamyba |
| **3 September** | Regarding the decision to propose to pay dividends for a period shorter than the financial year |
| **3 September** | Regarding the renewal of the Company’s dividend policy |
| **1 September** | Regarding the amendment of the Articles of Association of the Company |
| **31 August** | Preliminary financial data of the Company for 7 months of 2020 |
| **27 August** | Regarding change of the nominal value and the number of the shares of the Company |
| **26 August** | The Company sees significant increase in overseas revenue in first half of 2020 |
| **25 August** | Correction: Correction: Reporting dates of the Company in 2020 |
| **24 August** | The Ministry of Finance submitted draft resolutions to the Government regarding the amount of dividends of the Company |
| **20 August** | Regarding the decision to appeal the judgement |
| **19 August** | Regarding the completed process of mandatory buyout of shares of Ignitis Gamyba |
| **13 August** | Correction: Regarding the Group’s consolidated annual report for 2019, consolidated and separate financial statements and profit (loss) distribution project |
| **12 August** | Regarding the claim brought before the Court and the temporary protection measures applied |
| **6 August** | Regarding the pre-emptive right of the minority shareholders of Ignitis Gamyba and ESO to acquire the shares of the Company during planned initial public offer |
| **4 August** | Regarding the claim brought before the Court |

| | |
|---|---|
| 31 July | Preliminary financial data of the Company for 6 months of 2020 |
| 30 July | Selection for vacant positions of independent members of the Supervisory Board of the Company is announced |
| 28 July | UAB Ignitis Grupė is converted to AB Ignitis Grupė |
| 23 July | The Ministry of Finance submitted for consideration draft resolutions regarding the amount of dividends of the Company |
| 14 July | Regarding the granting a loan from the Company to Ignitis Renewables |
| 8 July | Regarding the granting a loan from the Company to Ignitis |
| 7 July | Regarding the completion of the sale of the shares of Duomenų Logistikos Centras, a subsidiary of the Company |
| 1 July | Regarding the Investor's Letter of the Company |
| 30 June | The Company will be converted into public limited liability company |
| 30 June | Regarding the conclusion of a long-term financing agreement with ESO |
| 30 June | Preliminary financial data of the Company for 5 months of 2020 |
| 19 June | The Group publishes an updated long-term corporate strategy and the 2020-2023 strategic plan |
| 8 June | Regarding the sale of the shares of Duomenų logistikos centras, a subsidiary of the Company |
| 29 May | Preliminary financial data of the Company for 4 months of 2020 |
| 29 May | The results of the Group in Q1 2020: adjusted EBITDA growth was driven by investments in distribution network; group's revenue from foreign countries increased by 39 percent |
| 22 May | The Company listed new bond emission on the AB Nasdaq Vilnius Stock Exchange |
| 21 May | Regarding decisions to delist the shares of ESO and Ignitis Gamyba from the Nasdaq Vilnius Stock Exchange |
| 18 May | Regarding the beginning of the processes of mandatory buyout of shares of ESO and Ignitis Gamyba |
| 14 May | The Company issued bonds of value EUR 300 million |
| 11 May | The Company plans an issue of bonds |
| 11 May | The Company retained BBB+ credit rating |
| 8 May | Correction: The Company's annual information for the year 2019 |
| 8 May | Summary of the Company's webinar |
| 8 May | The Company's annual information for the year 2019 |
| 8 May | Regarding the resolutions of the Ordinary General Meeting of the Shareholders of the Company |
| 7 May | The Company holds a Webinar regarding the financial results for the year 2019 |
| 7 May | Reminder of a Webinar regarding the financial results for the year 2019 of the Company |
| 5 May | The Bank of Lithuania approved the prices at which Ignitis Grupė will offer the buy-out of ESO and Ignitis Gamyba shares |
| 4 May | Ignitis Group will hold an Investor Conference Webinar to introduce the financial results for the year 2019 |
| 30 April | Preliminary financial data of the Company for 3 months of 2020 |
| 23 April | Regarding the end of the Company's official tender offers for shares of ESO Ignitis Gamyba |
| 22 April | Regarding the Company's consolidated annual report for 2019, consolidated and separate financial statements and profit (loss) distribution project |
| 20 April | Correction: Reporting dates of Ignitis Group in 2020 |
| 16 April | Regarding conclusion of a credit agreement with Swedbank, AB |
| 10 April | Correction: Reporting dates of the Company in 2020 |
| 8 April | The number of members of the Supervisory Board is changed in the Company |
| 2 April | The start of the official tender offer for shares of ESO and Ignitis Gamyba |
| 31 March | Preliminary financial data of the Company for 2 months of 2020 |
| 31 March | Regarding approval of the official tender offer circulars of ESO and Ignitis Gamyba shares |
| 27 March | The number of members of the Supervisory Board will be increased in the Company |
| 23 March | The Company will start preparation for its initial public offering |

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

## After the reporting period

| | |
|---|---|
| **12 November** | S&P Global Ratings improved the credit rating outlook of the Company to stable |
| **12 November** | Resolutions of Extraordinary General Meeting of the Company shareholders |
| **10 November** | The Group to present first nine months of 2020 results on 17 November |
| **5 November** | Regarding the completed process of mandatory buyout of shares of ESO |
| **5 November** | Post-Stabilisation Period Announcement |
| **30 October** | Preliminary financial data of the Company for 9 months of 2020 |
| **30 October** | Correction: Regarding court's decision to lift the temporary protection measures of mandatory buy-out of shares of ESO and resumption of the process of buy-out |
| **30 October** | The General Meeting of Shareholders of the Company of 12 November 2020 will be held by written vote in advance |
| **29 October** | Regarding court's decision to lift the temporary protection measures of mandatory buy-out of shares of ESO and resumption of the process of buy-out |
| **27 October** | The Board of the Company approved signing a new office lease agreement |
| **26 October** | Mid-Stabilisation Period Notice |
| **22 October** | Regarding the setting income caps for natural gas distribution for 2021 |
| **21 October** | Notice convening the Extraordinary General Meeting of the Company |
| **16 October** | Regarding the price-setting for electricity distribution price caps for 2021 |
| **15 October** | Mid-Stabilisation Period Notice |
| **14 October** | An agreement with Nordic Investment Bank for the loan to Pomerania WF, part of the Group is signed |
| **13 October** | Correction: Regarding signing an agreement with Nordic Investment Bank for the loan to Pomerania WF, part of the Group |
| **12 October** | Regarding signing an agreement with Nordic Investment Bank for the loan to Pomerania WF, part of the Group |
| **7 October** | Admission to Trading on the Nasdaq Vilnius Stock Exchange and London Stock Exchange plc |
| **6 October** | The Company's stabilisation notice |
| **6 October** | Regarding the contract termination with the Company's subsidiary Vilnius CHP Plant's contractor Rafako S.A. |
| **5 October** | Regarding the increase of the Company authorised capital and registration of a new version of the Articles of Association |
| **2 October** | Correction: Announcement of the final Offer price |
| **2 October** | Announcement of the final Offer price |

# Glossary

| | |
|---|---|
| **%** | Per cent |
| **000 / k** | Thousand |
| **9M** | The first nine months of the year |
| **AB** | Joint stock company |
| **B2B** | Business to business |
| **B2C** | Business to consumer |
| **BICG** | Baltic Institute of Corporate Governance |
| **bn** | Billion |
| **c.d.** | Calendar days |
| **CCGT** | Combined Cycle Gas Turbine Plant |
| **CO2** | Carbon dioxide |
| **CHP** | Combined heat and power |
| **Customers of independent suppliers** | Electricity users who have selected an independent electricity supplier as their supplier |
| **E** | Electricity |
| **EA** | Emission allowances |
| **Electricity generated** | Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex |
| **Electricity sales in retail market** | Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia |
| **Electricity sales in wholesale market** | Proprietary trading in wholesale market in Poland |
| **Energijos Tiekimas** | Energijos Tiekimas UAB |
| **Enerpro** | UAB Energetikos paslaugų ir rangos organizacija |
| **eNPS** | Employee Net Promoter Score |
| **ESO** | AB „ESO“ |
| **etc.** | et cetera |
| **EU** | European Union |
| **Eurakras** | UAB „EURAKRAS“ |
| **FTE** | Full-time equivalent |
| **GDP** | Gross domestic product |
| **GDPR** | General Data Protection Regulation |
| **Government of the Republic of Lithuania** | Government of the Republic of Lithuania |
| **GPAIS** | Unified Product, Packaging and Waste Record Keeping System |
| **GPC** | UAB „Ignitis grupės paslaugų centras“ |
| **Green electricity generated** | Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants, hydropower plants (including Kruonis pumped storage power plant) |
| **Green Generation capacity installed** | Wind farms, solar power plants, biofuel plants, CHP plants and hydropower plants (including Kruonis pumped storage power plant) that have completed and have passed a final test |
| **Green share of generation,%** | Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group |
| **Group** | Group companies of Ignitis Group UAB |
| **Guaranteed supply** | 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 |
| **Hydro power** | Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant |
| **IFRS** | International Financial Reporting Standards |
| **IFRS** | International Financial Reporting Standards |
| **Ignitis** | Ignitis UAB (former Lietuvos energijos tiekimas and Energijos tiekimas) |
| **Ignitis Eesti** | Ignitis Eesti OÜ |
| **Ignitis Gamyba** | AB „Ignitis gamyba“ |
| **Ignitis Latvija** | Ignitis Latvija SIA |
| **Ignitis Polska** | Ignitis Polska sp. z o.o. |
| **Ignitis Renewables** | UAB „Ignitis renewables“ |
| **Installed capacity** | Where all assets have been completed and have passed a final test |
| **Investments** | Acquisition of property, plant and equipment and intangible assets, acquisition of shareholdings |
| **IPO** | Initial Public Offering |
| **ISO** | International Organization for Standardization |
| **Kaunas A. Brazauskas HPP** | Kaunas Algirdas Brazauskas Hydroelectric Power Plant |
| **Kaunas CHP** | UAB Kauno kogeneracinė jėgainė |
| **Kruonis PSHP** | Kruonis Pumped Storage Hydroelectric Plant |
| **KTU** | Kaunas University of Technology |

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|---|---|
| **Lietuvos energija** | „Lietuvos energija", UAB (current AB „Ignitis grupė") |
| **Lietuvos Energijos Tiekimas** | Lietuvos Energijos Tiekimas UAB |
| **Litgas** | Litgas UAB |
| **Litgrid** | Litgrid AB |
| **LNG** | Liquefied natural gas |
| **LNGT** | Liquefied natural gas terminal |
| **LRAIC** | Long-run average incremental cost |
| **LTM** | Last twelve months |
| **LVPA** | Lithuanian Business Support Agency |
| **m.** | Metai |
| **Mažeikiai** | UAB „VVP Investment" |
| **min.** | Minimum |
| **MLN / m** | Million |
| **mnth.** | Month/months |
| **MW** | Megawatt |
| **MWh** | Megawatt hour |
| **n.m.** | Not meaningful |
| **NEIS** | National Energy Independence Strategy |
| **NERC** | The National Energy Regulatory Council |
| **New connection points and upgrades** | Number of new customers connected to the network and capacity upgrades of the existing connection points |
| **NG** | Natural gas |
| **NPS** | Net promoter score |
| **NT Valdos** | NT Valdos, UAB |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OHS** | Occupational Health and Safety Policy |
| **OPEX** | Operating expenses |
| **Pomerania WF** | Pomerania Wind Farm sp. z o. o. |
| **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 |
| **RBM** | Remuneration of the Board member |
| **RE** | Renewable energy |
| **RES** | Renewable energy sources |
| **RPA** | Robotic process automation |
| **SAIDI** | Average duration of unplanned interruptions in electricity or gas transmission |
| **SAIFI** | Average number of unplanned long interruptions per customer |
| **SOE** | State-owned company |
| **TE-3** | Vilnius Third Combined Heat and Power Plant |
| **The Company / Ignitis Group** | AB „Ignitis grupė" (former „Lietuvos energija", UAB) |
| **Tuuleenergia** | „Tuuleenergia osaühing" |
| **TWh** | Terawatt-hour |
| **UAB** | Private Limited Liability Company |
| **UN** | United Nations |
| **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 |

13/11/2020

## CERTIFICATION STATEMENT

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer of AB Ignitis grupė and, Darius Kašauskas, Finance and Treasury Director of AB Ignitis grupė, and Giedruolė Guobienė Head of Accounting department UAB Ignitis grupės paslaugų centras acting under Order No IS-88-20 of 10 April 2020, hereby confirm that, to the best of our knowledge, AB Ignitis grupė interim condensed consolidated financial statements for the nine month period ended 30 September 2020 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 assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report includes a fair review of the development and performance of the business as well as the condition of AB Ignitis grupė together with the description of the principle risks and uncertainties it faces.

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|---|---|
| AB Ignitis grupė<br>Chief Executive Officer | Darius Maikštėnas |
| AB Ignitis grupė<br>Finance and Treasury Director | Darius Kašauskas |
| UAB Ignitis grupės paslaugų centras,<br>Head of Accounting department,<br>acting under Order No. IS-88-20<br>(signed 10 April 2020) | Giedruolė Guobienė |

**AB Ignitis grupė**
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