ignitis group

Twelve months 2023

Interim report

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

Renewables-Focused Integrated Utility

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

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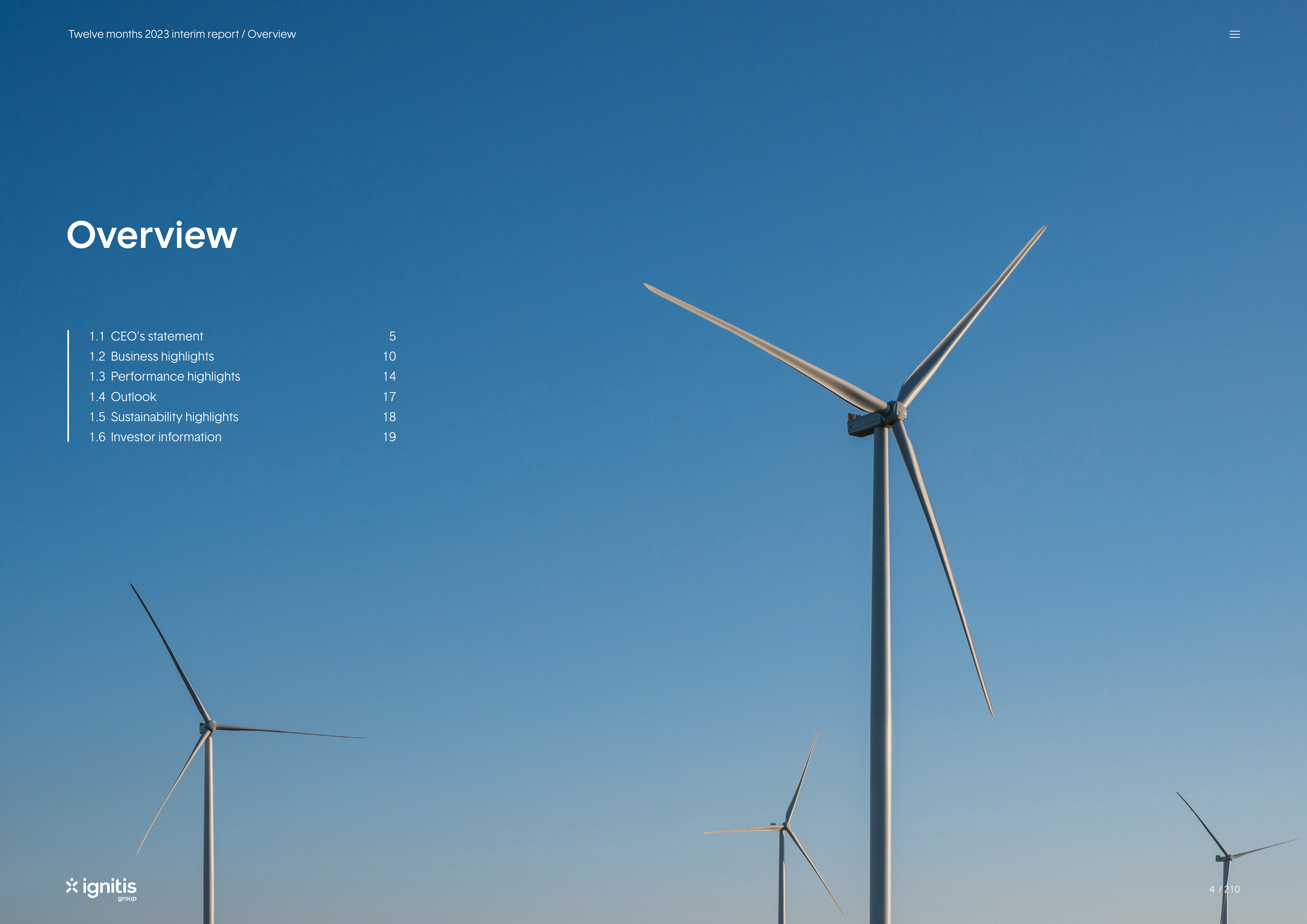


Overview

1.1 CEO's statement

Highlights

Performance

Our Adjusted EBITDA amounted to EUR 484.7 million (+3.3% YoY) and exceeded our full-year guidance range (EUR 430–480 million).

Adjusted EBITDA growth was recorded across all business segments except Green Generation. Despite this, the Green Generation segment remains the largest contributor with a 45.9% share of our total Adjusted EBITDA.

Our Investments increased by 79.6% YoY and reached a record high level of EUR 937.1 million.

S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating.

In line with our Dividend Policy, we intend to distribute a dividend of EUR 1.286[1] per share for 2023, corresponding to EUR 93.0 million and a yield of 6.8–6.9% for ordinary registered shareholders and global depositary receipt holders (based on year-end closing prices).

For 2024, we expect Adjusted EBITDA to be in the range of EUR 440–470 million and Investments in the range of EUR 850–1,000 million.

Business development

Since the beginning of 2023, our Green Generation Portfolio increased to 7.1 GW (from 5.1 GW), Secured Capacity to 2.9 GW (from 1.6 GW) and Installed Capacity to 1.3 GW (from 1.2 GW).

We achieved a number of significant milestones in the expansion and development of our Green Generation Portfolio, including:

- the Group, together with its partner Ocean Winds, were confirmed as the winners of the 700 MW Lithuanian offshore wind tender;
- the Group, together with its partner Copenhagen Infrastructure Partners, secured the seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW in the Estonian offshore wind tender;
- Mažeikiai WF (63 MW) has reached COD in August 2023;
- Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023;
- Silesia WF I (50 MW) in Poland supplied first power to the grid;
- the Group made a Final Investment Decisions for Latvian solar portfolio I (239 MW) and Kruonis PSHP expansion project (110 MW);

[1] *A dividend of EUR 1.286 per share for 2023 comprises of a dividend of EUR 0.643 paid for H1 2023 and a proposed dividend of EUR 0.643 for H2 2023, which is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024.*

Darius Maikštėnas
Chair of the Management Board and CEO

- the Group signed the largest external 10- year corporate PPA with Umicore Poland Sp. Z o. o. It covers a substantial part of the expected electricity production of Silesia WF II (137 MW);
- Moray West offshore wind project (882 MW) has reached the financial close.

On the Networks front, the WACC methodology was updated in July 2023, which entered into force from 2024. For 2024, this update has resulted in an electricity WACC increase to 5.09% (from 4.17% in 2023) and a natural gas WACC increase to 5.03% (from 3.99% in 2023). In addition, the total number of installed smart meters exceeded 700 thousand.

In the Customers & Solutions business segment, we approved a plan to invest up to EUR 115 million in the development of an EV charging network in the Baltics over the next 3–5 years.

Sustainability

Our Taxonomy-aligned share of Adjusted EBITDA amounted to 61.4%.

Our Green Share of Generation (electricity) accounted for 85.0% of the total generation.

Scope 1 and Scope 2 GHG emissions decreased by 1.8% and 15.6% respectively, while total emissions amounted to 5.29 million t CO_2-eq and increased by 2.5% YoY.

GHG emissions intensity from power generation increased by 27 g CO_2e/kWh YoY to 228 g CO_2e/kWh due to the start of operations of Vilnius CHP biomass unit and higher generation in Reserve Capacities segment.

No fatal accident occurred and employee Total recordable injury rate for employee was 0.79, for contractors – 0.93, both well below the targeted level. eNPS remained high at 57.5%.

Guidance beat, all time high investments and largest renewable energy projects in the Baltics secured

Performance

In 2023, the Group's Adjusted EBITDA amounted to EUR 484.7 million, with an increase of 3.3% YoY, and exceeded our guidance communicated to the market (EUR 430–480 million). Adjusted EBITDA growth was recorded across all business segments except Green Generation. Despite this decline, Green Generation remained the largest contributor with 45.9% share of our total Adjusted EBITDA.

Higher Reserve Capacities segment's result was related to commercial activities, driven by utilised optionality to earn additional return in the market on top of regulated return.

On the Networks front, Adjusted EBITDA in 2023 grew mainly due to higher RAB, which is increasing as a result of continued Investments into distribution network.

Customers & Solutions segment's Adjusted EBITDA increased in both electricity and natural gas supply activities. Electricity B2B segment turned profitable in 2023, after experiencing significant losses in 2022, mainly due the ineffective hedging issue, which is now resolved. Natural gas business recorded a positive effect from adjusted methodology for calculation of income related to consumer over-declaration.

The decrease in Green Generation segment's result was primarily influenced by lower captured electricity prices, mainly due to overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland.

The Group's Investments in 2023 increased by 79.6% and reached a record high level of EUR 937.1 million. More than half of the Investments were made in the Green Generation segment, which, in turn, more than doubled and reached EUR 542.7 million, with the majority of the Investments directed towards new onshore wind farms in Lithuania and Poland. Additionally, Investments in the Networks segment increased by 29.4% YoY to EUR 346.8 million as a result of a higher number of new connection points and upgrades in the electricity distribution grid as well as higher contractor fees.

Regarding the balance sheet strength, despite the increase in Net Debt, our leverage metrics remained strong. The Group's Net Debt increased by 33.5% (EUR 1,317.5 million as of 31 December 2023 compared to EUR 986.9 million as of 31 December 2022), mainly due to negative FCF, which was influenced by high Investments. Our FFO/Net Debt ratio remained at a solid level of 29.4% (compared to 49.1% as of 31 December 2022).

Also, in October 2023 an international credit ratings agency, S&P Global Ratings, affirmed 'BBB+' (stable outlook) credit rating following its annual review. This credit rating affirmation confirms that we follow through on our goals, ensure that our finances are sustainable and are prepared to implement our investment plan.

Finally, in terms of return to shareholders, we remain committed to our Dividend Policy. For 2023, we intend to distribute a dividend of EUR 1.286 per share, corresponding to EUR 93.0 million, and a yield of 6.8–6.9 % for ordinary registered shareholders and global depositary receipt holders (based on year-end closing prices). It is important to note that a dividend of EUR 0.643 per share (out of EUR 1.286) for H2 2023 is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024.

For 2024 we expect our Adjusted EBITDA to be in the range of EUR 440–470 million. We assume that Adjusted EBITDA of our largest segment, Green Generation, will increase, mainly influenced by Silesia WF I and II in Poland reaching COD in 2024. Additionally, we expect Adjusted EBITDA growth in our second largest segment, Networks, mainly as a result of approved higher WACC. Also, for 2024 we expect our Investments to be in the range of EUR 850–1,000 million.

Business development

2023 marked a year of breakthroughs as we entered the offshore wind development market and reached significant milestones in the development our Green Generation Portfolio across all project phases, thus supporting the achievement of our strategic goals.

The Group's Green Generation Portfolio increased by 2.0 GW to 7.1 GW (from 5.1 GW) as a result of the acquisition of onshore wind development projects (Kelmė WF I & II) in Lithuania with a total capacity of 0.3 GW, the secured seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW in the Estonian offshore wind tender and the greenfield capacity additions of around 0.7 GW.

Our Secured Capacity grew by 1.4 GW to 2.9 GW (from 1.6 GW) as number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW) and Tauragė solar project (22.1 MW), reached the construction stage, and the 700 MW Lithuanian offshore WF project reached the awarded/contracted stage.

Additionally, two projects under construction were completed as Mažeikiai WF (63 MW) in Lithuania reached COD in August 2023, and Vilnius CHP biomass unit achieved partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. However, due to ongoing final testing procedures, achievement of COD for the remaining capacity of 23 MWe and 20 MWth is ongoing.

In addition, there are a few areas on the development front worth mentioning separately. We made substantial progress in the offshore wind development area. In July 2023, together with the strategic partner for the development of offshore wind farm projects, Ocean Winds, we participated in the first-ever 700 MW Lithuanian offshore wind tender. During the real time bidding process, we submitted the highest development fee of EUR 20 million and were confirmed as the winners of the tender.

On top of that, we entered into another partnership with Copenhagen Infrastructure Partners to participate in the upcoming Estonian and Latvian offshore wind tenders, and we have already successfully participated in two Estonian offshore wind tenders, after placing the highest bid of EUR 2.9 million in total. First, we secured the Liivi 2 seabed site in December 2023. After the reporting period, we secured the second seabed site, Liivi 1, which we see as a natural extension of the Liivi 2 site, allowing for a greater synergy and optimisation while developing the sites as a single offshore wind project. While the theoretical potential capacity of both sites is calculated to be 2.3 GW, depending on the environmental impact assessment results, site optimisation as well as other factors, the actual capacity of the offshore wind farm is expected to be 1–1.5 GW. The Group currently includes the minimum size (1 GW) of the actual capacity in the Portfolio. The project is expected to become operational around 2035.

By securing an offshore project in Lithuania with COD until 2030 and another one in our home markets with COD post-2030, we have achieved the Group's strategic goal and made a significant step towards increasing our Green Generation installed capacity 4 times from 1.2 GW in 2022 to 4–5 GW by the end of 2030.

Another highlight in 2023 relates to the conclusion of the largest external 10-year corporate PPA for the supply of renewable electricity to Umicore Poland's electric vehicle battery materials plant in Nysa, Poland. It covers a significant portion of the expected electricity production of Silesia WF II (137 MW), which is currently under construction in southwestern Poland. The conclusion of the PPA is a strategic milestone for us, supporting our commitment to providing green and flexible energy solutions and enhancing the Group's ability to deliver consistent supply of clean energy to

Our Adjusted EBITDA exceeded full-year guidance and amounted to EUR 484.7 million. For 2024, we expect Adjusted EBITDA to be in the range of EUR 440–470 million.

partners in the Baltic states and Poland.

Regarding the Networks segment, we would like to highlight two significant events. The first was the WACC methodology update for electricity and natural gas activities, which took place in July 2023 and entered into force from 2024. Specifically, this update has resulted in an electricity WACC increase to 5.09% (from 4.17% in 2023) and a natural gas WACC increase to 5.03% (from 3.99% in 2023). The second is the successful implementation of the smart meter roll-out. In 2023, the total number of installed smart meters reached around 729 thousand. Our target of completing the mass roll-out by the end of 2025 remains unchanged.

Finally, on the Customers & Solutions front, we approved a plan to invest up to EUR 115 million in the development of an EV charging network in the Baltics over the next 3–5 years.

Sustainability

Our commitment to sustainability remains a cornerstone of our strategy, with an intensified focus on health and safety, and steadfast progress towards decarbonisation. Our approach is holistic and incorporates environmental, social, and economic dimensions as we navigate the evolving landscape of energy transition towards a more sustainable world.

We are proud to present our latest Sustainability report, which is integrated into this document and aligned with best practices and Global Reporting Initiative (GRI) standards, reflects our ongoing commitment to transparency and provides stakeholders with a comprehensive view of our achievements and future directions. Our Sustainability report includes disclosures made on a materiality basis and highlights our progress in implementing the United Nations Global Compact (UNGC) principles and our contributions to the United Nations Sustainable Development Goals (SDGs). Furthermore, we are on our way to align with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and integrate the European Sustainability Reporting Standards (ESRS), thus showcasing our commitment to leading sustainability reporting frameworks. Additionally, the report features a detailed assessment of our compliance with the EU Taxonomy Regulation, underlines our dedication to meeting rigorous environmental standards and contribution to sustainable economic activities as outlined by the European Union. For the first time, we provide a voluntary limited assurance from KPMG on the selected sustainability indicators in the Sustainability report.

Reflecting on the year 2023, which we designated as the ‘Year of Safety’, we have made remarkable progress in the occupational health and safety (OHS) area. We are pleased to report that our diligent efforts resulted in a year with no fatalities and only a small number of injuries, a significant improvement from previous years. This success can be attributed to the implementation of the ‘Is it Safe?’ programme, which focused on extensive training, heightened awareness and enhanced communication and management practices in OHS, including collaborations with our contractors.

Additionally, we have placed significant emphasis on employee mental health and wellbeing, recognising that they are paramount. Our innovative ‘Well-being Mentors’ project has expanded, now involving a larger number of mentors. We are particularly proud of the increased participation of male mentors, reflecting a more diverse and inclusive approach. This expansion underscores our unwavering commitment to supporting the emotional and psychological health of our employees. As we progress into 2024, we remain dedicated to building upon these strong foundations and continuously striving to achieve even higher standards in employee health, safety and wellbeing.

Over the past year, our journey towards decarbonisation has been strategic and impactful, with a focus on identifying key areas for action, implementing targeted measures and meticulously monitoring their impact. In 2023, the Group reported a total of 5.29 million tonnes of CO_2 equivalent in greenhouse gas (GHG) emissions. Throughout this period, the Group responsibly managed its environmental impact, and this steadfast commitment to sustainability is evident in our reductions in different emission scopes. We observed a 1.8% decrease in Scope 1 emissions and an 15.6% reduction in Scope 2 emissions compared to 2022. These targeted decreases highlight our ongoing efforts to refine our operations and contribute to a more sustainable future, even as we navigate the complexities of managing the overall emissions.

> **Since the beginning of 2023, our Green Generation Portfolio increased to 7.1 GW (from 5.1 GW), Secured Capacity to 2.9 GW (from 1.6 GW) and Installed Capacity to 1.3 GW (from 1.2 GW). In total, our Investments increased by 79.6% YoY and reached a record high level of EUR 937.1 million. For 2024, we expect Investments to be in the range of EUR 850–1,000 million.**

As we intensify our efforts, our commitment extends to strengthening our decarbonisation activities. We are ambitiously aiming for net zero emissions between 2040 and 2050. A critical component of this strategy is the expansion of our Green Generation segment, dedicated to renewable energy development. This plays a pivotal role in our accelerated decarbonisation efforts, aligns with our long-term sustainability goals and reinforces our position as a leader in environmental efforts within the industry.

In 2023, we have continued our efforts in evaluating our suppliers according to our Supplier Code of Ethics, an important step in promoting sustainable and ethical business practices throughout our supply chain. This ongoing process is essential in ensuring that our collective impact is both positive and far reaching.

In addition to these evaluations, we have conducted several educational activities and events aimed at reinforcing these principles. Notably, one of these events focused on setting climate targets and providing valuable insights and guidance to our suppliers. These initiatives are part of our commitment to fostering a more sustainable and ethically conscious business environment both within our operations and across our broader supply chain.

Also, in 2023 we upheld our status as a Top Employer, demonstrating our consistent dedication to exemplary corporate governance and employee wellbeing. Our focus this year has been on enhancing our sustainability initiatives.

Finally, we are proud to announce that our unwavering commitment to sustainability continues to be recognised, as evidence we received a high 'B' rating from CDP, reflecting our ongoing effectiveness in climate change mitigation and adaptation. This year, we've also achieved several high evaluations in other ESG ratings, further solidifying our position as a leader in addressing significant sustainability risks.

Looking ahead

Our purpose to create a 100% green and secure energy ecosystem for current and future generations is marked by our continuous efforts and reflected in both our strategic and financial performance. Our performance affirms our commitment to sustainability and value creation for our shareholders and the society. While embracing a forward-thinking approach, we remain committed to leading the energy transition in our home markets.

Darius Maikštėnas
Chair of the Management Board and CEO

Tauragė wind farm, Lithuania

1.2 Business highlights

January

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

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

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

February

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

March

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

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

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

April

Green Generation:
- The Group made a Final Investment Decision regarding a 110 MW expansion project (5th unit) in Kruonis PSHP. The planned investments into all project-related activities are around EUR 150 million and the project's COD is expected to take place by the end of 2026. In addition, contracts with a consortium of contractors that won the tender as well as FIDIC for engineering and maintenance services were concluded.
- Moray West offshore WF project (882 MW), with expected COD by the end of 2025, reached the financial close. The project is owned by Ocean Winds and the Group (a minority shareholder with a stake of 5%). The GBP 2 billion secured for the project's financing are being used to secure the remaining elements of the supply chain for offshore installation works.

Finance:
- The Group secured a credit facility with Citibank N.A. London Branch for EUR 100 million to manage working capital needs.
- In line with the Dividend Policy, for H2 2022 a dividend of EUR 0.624 per share, corresponding to EUR 45.2 million, was distributed.

May

Governance:
- An updated Letter of Expectations was received from the Ministry of Finance of the Republic of Lithuania (Majority Shareholder). The letter expresses the Majority Shareholder's expectations regarding the continuity of the Group's strategic objectives.

Strategy:
- The Group announced an updated strategy and Strategic plan 2023–2026 as well as long-term incentive plan targets.

Finance:
- The Group secured two credit facilities with MUFG Bank (Europe) N.V. and MUFG Bank (Europe) N.V. Germany Branch for a total of EUR 225 million to manage working capital needs.

June

Green Generation:
- A conditional agreement for an acquisition of onshore WFs in Lithuania (Kelmė WF I & II) with targeted total capacity of 300 MW and expected COD in 2025 has been concluded.
- The first heat was supplied to the grid by Vilnius CHP biomass unit (73 MWe, 169 MWth).

Innovation:
- Smart Energy Fund outperformed its total investments of EUR 11.4 million and at that time has generated a return of EUR 15.6 million by selling part of the company shares in its portfolio. The obtained funds are being used to further invest in innovative start-ups through the second fund, World Fund, which the Group joined on 13 July 2023.

Governance:
- The governance model of Ignitis (Customers & Solutions) was optimised by changing it from a two-tier to a one-tier model and appointing two new members – Roger Hunter and Toma Sasnauskienė. Now the Ignitis Board with a supervisory function comprises 5 members: 2 independent members, 2 shareholder representatives, and 1 civil servant.

July

Networks:
- NERC has approved the amendments to the methodology for determining electricity and natural gas WACC, entering into force from 2024.

Customers & Solutions:
- The Group announced its plans to invest up to EUR 115 million in the development of the EV charging network in the Baltics over 3–5 years.

August

Green Generation:
- The Group and Copenhagen Infrastructure Partners entered a partnership to participate in the upcoming Estonian and Latvian offshore wind tenders.
- Mažeikiai WF (63 MW) in Lithuania has reached COD.

Networks, Customers & Solutions:
- 2024 WACC for electricity and natural gas has been approved. For 2024, electricity WACC increased to 5.09% (from 4.17% in 2023) and natural gas WACC increased to 5.03% (from 3.99% in 2023).

September

Green Generation:
- A settlement agreement has been signed between Vilnius CHP and Rafako, a former contractor of the biomass unit. Under the terms and conditions of the agreement, the Group is being compensated almost EUR 30 million. In addition, almost EUR 2 million has already been recovered the form of equipment and documents.
- Anu Eslas, an executive with international experience in offshore and onshore wind business development, has joined Ignitis Renewables and will oversee international business development.

Customers & Solutions:
- The Group and Baltisches Haus, a company that develops and manages commercial real estate (mainly retail stores) throughout Lithuania, have entered into a strategic partnership agreement to provide at least 110 public charging points for electric vehicles in 15 cities across Lithuania.

Sustainability:
- Global ESG rating agencies updated the Group's ESG ratings: ISS ESG – to 'B-' from 'C', MSCI remains at 'AA'. The updated EcoVadis rating for Ignitis remains at 78 out of 100. These ratings place the Group among the top peers globally.

Innovation:
- The Group confirmed an investment of around EUR 25 million into start-ups focused on energy and climate change solutions through a venture capital fund, World Fund.

Finance:
- The Group extended three short-term credit lines with AB SEB bankas, AS SEB Pank, AS "SEB Banka", and OP Corporate Bank plc Lithuanian branch for a total amount of EUR 344 million to manage working capital needs and maintain adequate liquidity of the Group.

Governance:
- An EGM was held on 21 September, where resolutions, such as allocation of dividends for H1 2023 (EUR 0.643 DPS, or a total of EUR 46.5 million), were passed.

October

Green Generation:
- The Group, together with its partner Ocean Winds, were confirmed as the winners of the 700 MW Lithuanian offshore wind tender after submitting the highest bid of EUR 20 million.
- Vilnius CHP biomass unit (73 MWe, 169 MWth) started to generate and supply heat to Vilnius.
- The Group and Umicore Poland Sp. Z o. o. signed the largest external 10-year corporate PPA. It covers a substantial part of the expected electricity production of Silesia WF II, currently under construction, with total capacity of 137 MW.
- The Group completed the acquisition of Kelmė WF I & II in Lithuania with up to 300 MW capacity.

Networks:
- The regulator (NERC) has set the income level for electricity distribution services in 2024 at EUR 318.04 million.

Sustainability:
- The Group was acknowledged as the best company for sustainability reporting at the Corporate ESG Awards 2023. Besides that, the Group was also a finalist in three other categories: Best company for climate transition (finalist); Best company for diversity, equity and inclusion (finalist); Best company for ESG & sustainability (finalist and runner-up).

Finance:
- In line with the Dividend Policy, for H1 2023 a dividend of EUR 0.643 per share, corresponding to EUR 46.5 million, was distributed.
- The Group extended three short-term credit lines with Citibank N.A. London Branch and Citibank Europe plc for a total amount of EUR 150 million. An additional credit line of EUR 70 million was concluded with Swedbank AB.
- S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating.

Governance:
- For the fifth consecutive year, the Group has been awarded the highest 'A+' governance rating in Lithuania and acknowledged as the leader in the category of large SOEs in the Good Corporate Governance Index.

Regulatory:
- The European Commission has approved EUR 193 million support scheme to foster the development of offshore wind farms.
- The European Council has agreed on a general approach for changes to the European Union's Electricity Market Design. The aim is to make electricity prices less dependent on volatile fossil fuel prices, protect consumers from price spikes, speed up the energy transition and improve consumer protection. Among the measures agreed on are the promotion of power purchase agreements (PPAs), two-way contracts for differences (CfDs) for new power plants, the establishment of a capacity mechanism by member states with no limits on CO_2 emissions until the end of 2028, the establishment of a free choice of electricity supplier, etc.
- The Balticconnector, a natural gas link between Estonia and Finland, was shut down due to the potential leak in the undersea pipeline.

November

Green Generation:
- The Group made the Final Investment Decision regarding the Latvian solar portfolio I (239 MW).
- The Group appointed Fugro to conduct a seabed survey for the Lithuanian offshore WF (700 MW) site.

December

Green Generation:
- The Group, together with its partner CIP, won the first seabed site (Liivi 2) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.7 million.
- Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of total 73 MWe, 169 MWth).
- The Group concluded a EUR 64 million non-resource project financing agreement with the EIB and NIB for Mažeikiai WF. It covers around 75% of the total investment in Mažeikiai WF.

Finance:
- The Group has increased a credit line limit with OP Corporate Bank plc Lithuanian branch to EUR 150 million (from EUR 74 million). As at 31 December 2023, the Group has secured credit lines for a total amount of EUR 845 million, with EUR 211 million utilised to manage working capital needs and maintain adequate liquidity.

Regulatory:
- The European Council and Parliament have agreed on common market rules for renewable energy, natural gas, and hydrogen, aimed at reducing dependence on imported fossil fuels while enabling the development of renewable energy and low-carbon gases.
- The European Union Agency for the Cooperation of Energy Regulations (ACER) has reached an agreement that there is no need for an alternative electricity bidding zone configuration in the Baltic States.
- A Political Declaration was signed between the European Commission and representatives of the governments of the Baltic States and Poland, confirming the synchronisation of the Baltic States' electricity grid to continental Europe via Poland by February 2025. Importantly, an alternative onshore design of the Harmony Link interconnector has been endorsed, thus adding security and resilience to the grid, and in turn avoiding cost over-runs and construction delays.

After the reporting period

Green Generation:
- The Group, together with its partner CIP, won the second seabed site (Liivi 1) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.2 million.
- Silesia WF I (50 MW) in Poland supplied first power to the grid.

Networks:
- ESO has agreed with the regulator (NERC) to amend the repayment schedule of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

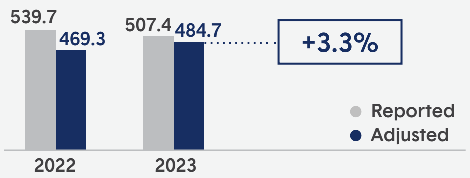
Reserve Capacities:
- For the first time, units 7, 8 and CCGT of Elektrėnai Complex were operating simultaneously and, together with Kruonis PSHP and Kaunas HPP (Green Generation), supplied electricity to customers and covered more than 65% of the national electricity demand.

Governance:
- Bent Christensen resigned as an independent member of the Group's Supervisory Board.

1.3 Performance highlights

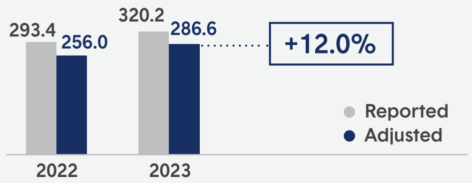
Financial

EBITDA APM
EURm



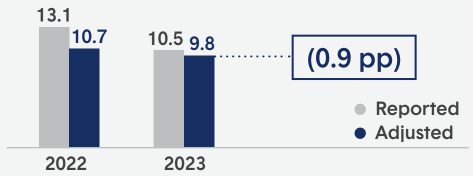
Adjusted EBITDA growth was recorded across all business segments except Green generation. However, the Green Generation segment remains the largest contributor to Adjusted EBITDA (EUR 222.6 million, or 45.9% of the Group's total).

Net profit APM
EURm



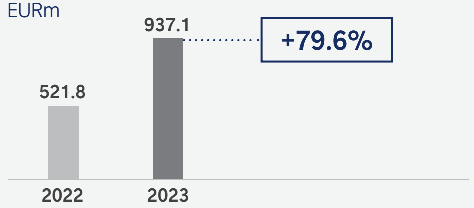
Adjusted Net Profit increase was driven by Adjusted EBITDA growth, higher interest income and lower income tax expenses. The increase was partly offset by higher depreciation and amortisation and interest expenses. The reported net profit increase was partially related to the successful Smart Energy Fund's activities.

ROCE LTM APM
%



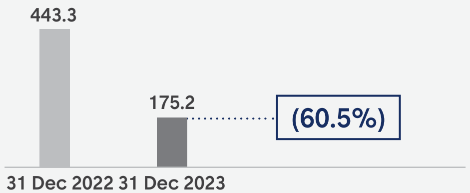
Adjusted ROCE LTM decreased to 9.8%, mainly due to the lag between the deployment of capital in investments and the subsequent realisation of returns. Due to the significant investments made, the average Capital Employed increased by 13.0% from EUR 2,962.8 million to EUR 3,346.7 million, while Adjusted EBIT increased by 3.8%, from EUR 317.4 million to EUR 329.5 million.

Investments APM
EURm



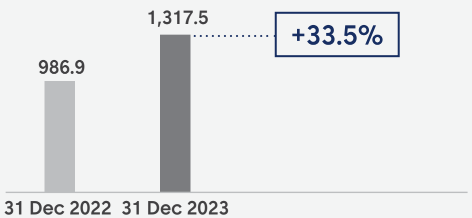
In 2023, Investments have increased significantly. More than half of the Investments were made in the Green Generation segment (57.9% of total Investments), which more than doubled and amounted to EUR 542.7 million, with the majority directed to onshore wind farms. Additionally, Investments in the Networks segment increased by 29.4% to EUR 346.8 million as a result of a higher number of new connections and upgrades in the electricity distribution grid as well as higher contractor fees.

Net Working Capital APM
EURm



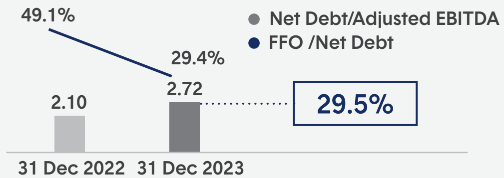
Net Working Capital decreased by 60.5%. The main drivers for the change were lower market prices for electricity and natural gas, which resulted in a decrease in inventory, trade receivables, prepayments and signed trade financing agreements.

Net Debt APM
EURm



Net Debt increased by 33.5% due to negative FCF (EUR -212.4 million) and dividends paid (EUR 91.7 million) EUR. Negative FCF was mainly driven by the growth in Investments.

Net Debt/Adjusted EBITDA, FFO/Net Debt APM
Times, %



FFO/Net Debt ratio decreased to 29.4% due to higher Net Debt and lower FFO. In 2023 FFO amounted to EUR 387.4 million, while in 2022 amount to EUR 484.1 million.

Results comparison with the outlook for 2023

Adjusted EBITDA APM, EURm

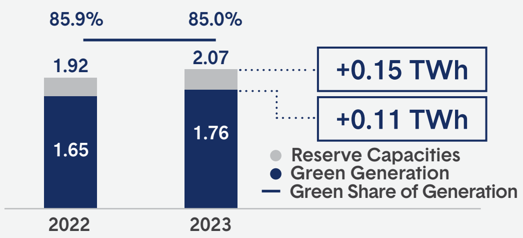
Guidance 2023 (28 Feb 2023)	430–480
Guidance 2023 (23 May 2023)	430–480
Guidance 2023 (22 Aug 2023)	430–480
Guidance 2023 (21 Nov 2023)	430–480
Realised 2023	484.7

Adjusted EBITDA amounted to EUR 484.7 million and exceeded our guidance communicated to the market (EUR 430-480 million). The outperformance was observed across all business segments with Reserve Capacities exceeding expectations the most, influenced by better market conditions (favourable clean spark spread) during Q4 2023.

ESG

Electricity Generated (net), Green Share of Generation

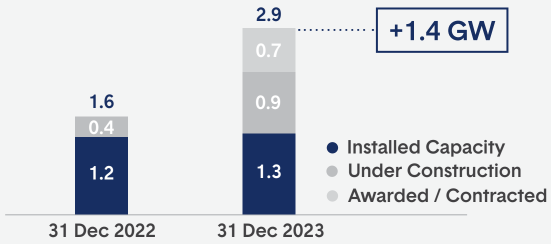
TWh, %



A 0.15 TWh, or 7.6%, increase in Electricity Generated (net) was driven by generation in Mažeikiai WF, which reached COD in August 2023. The Green Share of Generation decreased by 1.0 pp to 85.0%, due to proportionally higher electricity generation in CCGT (Reserve Capacities).

Secured Capacity

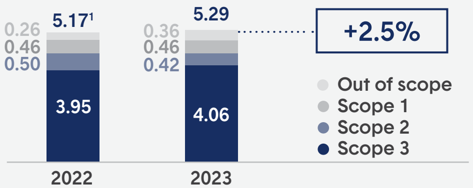
GW



Green Generation Secured Capacity increased to 2.9 GW (from 1.6 GW) as a number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW), and Tauragė solar project (22.1 MW) reached the construction phase and 700 MW Lithuanian offshore WF project reached the Awarded / Contracted phase. Installed Capacity increased to 1.3 GW (from 1.2 GW) as Mažeikiai WF (63 MW) in Lithuania reached COD in August 2023, and Vilnius CHP biomass unit achieved partial COD (for the capacity of 50 MWe, 149 MWth out of 73 MWe, 169 MWth) in December 2023.

Climate action

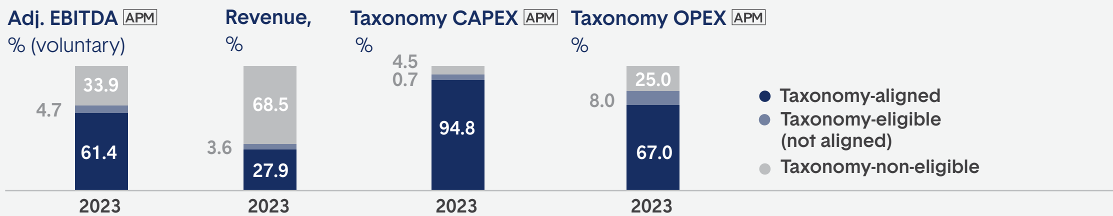
GHG emissions, million t CO_2-eq



The Group's market-based GHG emissions rose by 2.5% compared to 2022, mainly due to a 39.4% increase in out of scope (biogenic) emissions from starting the Vilnius CHP biomass unit. Electricity sales growth and higher emission factors led to a 2.8% rise in Scope 3 emissions. Despite higher emission factors, Scope 2 emissions dropped 15.6% through using renewable energy guarantees for some electricity distribution losses (meeting green public procurement requirements). Scope 1 emissions fell by 1.8%.

Sustainable finance

%

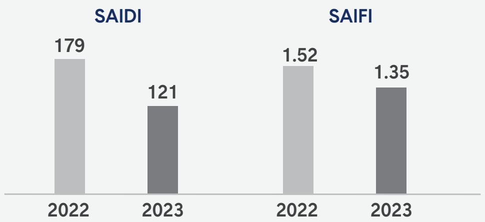


In 2023, the increase was observed in the share of Revenue (+7.0 pp), Taxonomy CAPEX (+4.8 pp) and Taxonomy OPEX (+2.1 pp) generated by business activities aligned with EU Taxonomy Regulation, while the share of Adjusted EBITDA (-11.4 pp) decreased compared to the previous year. The decrease in the share of Adjusted EBITDA contributed by Taxonomy-aligned activities was mainly related to the better result of the activities, which are Taxonomy-non-eligible and the lower result of the Green Generation segment.

[1] *2022 emissions indicators differ from those in our Annual report 2022 due to revised calculations.*

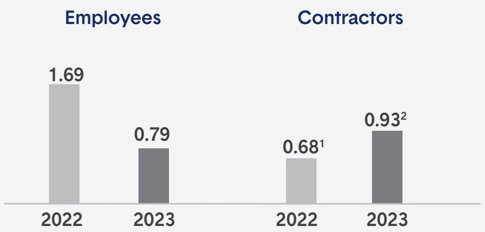
ESG (cont.)

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



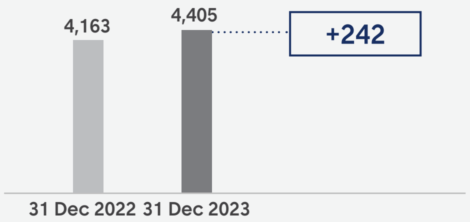
Electricity quality indicators improved YoY significantly, due to higher number of installed automatic solutions, management of staff levels based on weather forecast, and more favourable weather conditions during the first half of the year.

Safety
TRIR



The YoY total recordable injury rate (TRIR) for employees improved to 0.79 as the number of safety incidents decreased from 12 to 6, out of which one was life threatening. 7 contractor TRIR incidents occurred during 2023. No fatal accidents were recorded in 2023, and 3 fatal accidents were recorded in 2022, between employees and contractors.

Number of employees
Headcount



The Group's headcount increased by 242, or 5.8%. The employee growth was driven by the Green Generation segment in efforts to facilitate the growing renewables Portfolio.

Supervisory and Management Boards
Nationality and gender diversity

As of 31 December 2023, the main governing bodies of the Group were represented by 42% female and 42% international members. A Supervisory Board member, Bent Christensen, resigned on 4 January 2024.

[1] 2022 contractor TRIR indicator covers a period from June to December 2022, as we started measuring contractor TRIR in June 2022.
[2] Contractor TRIR indicator only includes contracts above 0.5 EURm/year.

1.4 Outlook

Adjusted EBITDA guidance

For 2024 we expect our Adjusted EBITDA to be in the range of EUR 440–470 million driven by our two largest segments Green Generation and Networks.

The guidance does not include any gains from asset rotation.

Green Generation – higher

Adjusted EBITDA for Green Generation segment is expected to increase, due to new projects reaching COD in 2024, mainly Silesia WF I and II in Poland. Partly offset by lower power prices.

Networks – higher

Adjusted EBITDA for the Networks segment is expected to increase mainly as a result of approved higher WACC. Approved weighted average WACC for 2024 is 5.08% (+0.94% YoY).

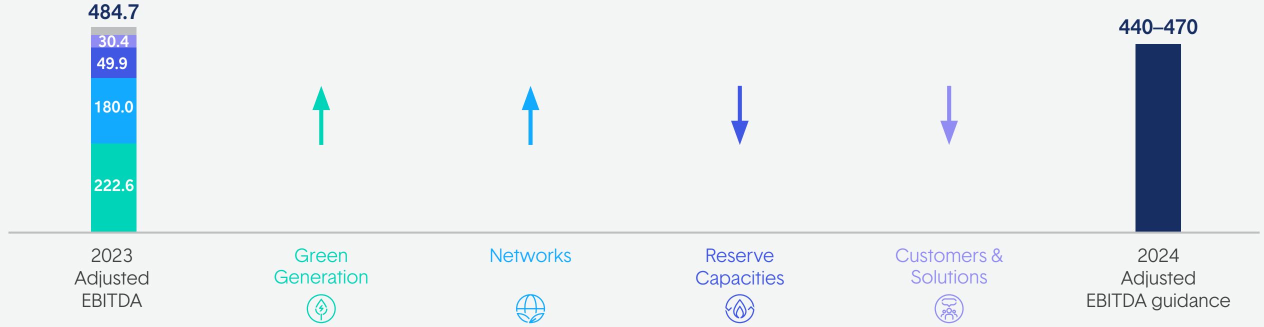
Reserve Capacities – lower

Adjusted EBITDA for Reserve Capacities segment is expected to decrease compared to 2023 due to forecasted worse market conditions (less favourable clean spark spread).

Customers & Solutions – lower

Adjusted EBITDA result is expected to be lower mainly due to better than usual result in 2023.

Adjusted EBITDA APM guidance for 2024[1]
EURm



[1] *Adjusted EBITDA indication for the Group is the prevailing guidance, whereas directional effect per business segment serves as a mean to support it. Higher/stable/lower indicates the direction of the business segment's performance in 2024 relative to the actual results in 2023.*

Investments guidance

Our Investments for 2024 are expected to amount in the range of EUR 850-1,000 million, mainly driven by:

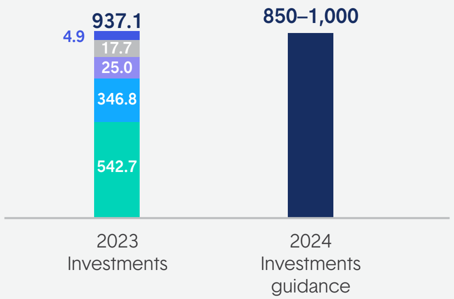
- Green Generation (Kelmė WF I and II; Latvian solar portfolio I and Kruonis PSHP expansion project);
- Networks due to expansion and maintenance of electricity network.

The guidance does not include M&A activities.

Forward-looking statements

The interim report contains forward-looking statements. For further information, see section '5.5 Legal notice'.

Investments APM guidance for 2024,
EURm



1.5 Sustainability highlights

Key achievements in 2023

We adopt a comprehensive approach, encompassing all levels and functions, to integrate key sustainability principles throughout the Group. Our primary focus is on the strategic sustainability priorities within the environmental, social and governance (ESG) pillars.

In 2023, we achieved a reduction in our GHG emissions in Scope 1 and Scope 2 by 1.8% and 15.6% respectively. We prioritised the health and safety of our employees and contractors, which resulted in a year free from fatalities and with a minimal number of injuries. Overall employee satisfaction remained high in 2023, evidenced by 57.5% of our employees endorsing the Group as an employer. We launched several initiatives aimed at enhancing gender balance in the coming years. Our investment strategy is centred on creating sustainable value, evidenced by the proportion of our CAPEX aligned with the EU Taxonomy amounted to 94.8% and our sustainable Adjusted EBITDA share amounted to 61.4%.

We provide comprehensive details of all targets, initiatives and achievements across the Group in section '6. Sustainability report (Corporate social responsibility report)' of Integrated Annual Report 2023. Our Sustainability report has been accompanied for the first time with a voluntary limited assurance on selected sustainability indicators. Our consistent efforts contribute to our excellence in sustainability, as recognised in the ratings listed on the right. This positions the Group among the top utility peers globally.

ESG ratings and rankings

	ISS ESG	MSCI	SUSTAINALYTICS	CDP	ecovadis
Rank compared to utility peers	2nd decile	Top 40%[2]	Top 30%	Among 37% in Management level[3]	Top 4%[5]
ignitis group	**B- (Prime)** *Last rating change in September 2023 (improved)*	**AA (Leader)** *Last rating change in July 2021 (improved)*	**25.2 (Medium risk)** *Last rating change in October 2023 (downgraded)*	**B (Management)** *Last rating change in February 2024 (downgraded)*	**78 (Platinum)** *Last rating change in August 2023 (maintained)*
Utiities average	N/A	A[1,2]	31.6[1]	B[4]	N/A
Rating scale (worst to best)	D- to A+	CCC to AAA	100 to 0	D- to A	0 to 100

[1] Based on publicly available data. [2] MSCI utilities rank and average based on utilities included in the MSCI ACWI index. [3] Among 37% of companies that reached Management level in Energy utility networks. [4] In energy utility networks activity group. [5] In electricity, gas, steam and air conditioning supply industry. Assessment of the Group's subsidiary UAB "Ignitis" (Customers & Solutions)

Contributing to global initiatives

WE SUPPORT – UN Global Compact

We are committed to adhering to the principles of the United Nations Global Compact

SUSTAINABLE DEVELOPMENT GOALS

Through our activities, we aim to contribute to the achievement of the Sustainable Development Goals of the United Nations

SCIENCE BASED TARGETS – DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We are committed to reduce net GHG emissions to zero by 2040–2050 and have our near-term targets validated by the SBTi

UN WOMEN – United Nations Entity for Gender Equality and the Empowerment of Women

We signed the Women's Empowerment Principles to advance gender equality and women's empowerment

1.6 Investor information

Overview

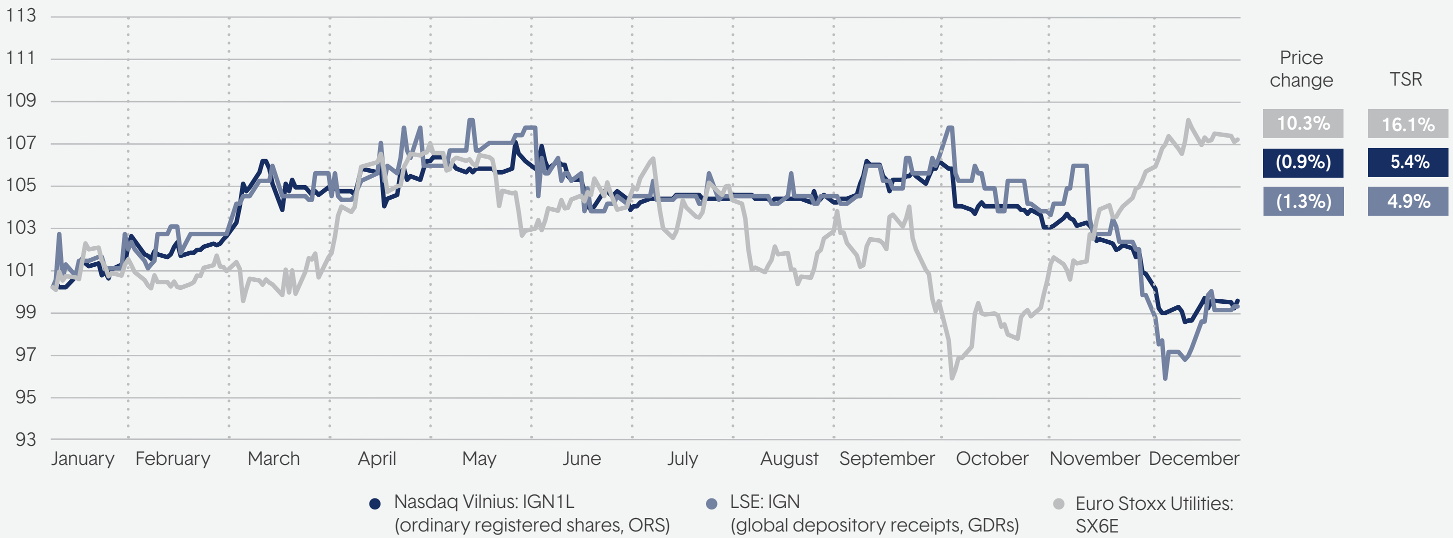
In 2023, the Group's ordinary registered shares (ORS) and global depositary receipts (GDRs) have generated a total shareholder return (TSR) of 5.4% and 4.9% respectively. During the same period, the TSR of our benchmark index (Euro Stoxx Utilities) equalled to 16.1%.

In 2023, the total (ORS and GDRs) turnover was EUR 84.31 million (EUR 63.30 million on Nasdaq Vilnius and EUR 21.01 million on London Stock Exchange, LSE), whereas the average daily turnover totalled to EUR 0.37 million (EUR 0.25 million on Nasdaq Vilnius and EUR 0.12 million on LSE).

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

Currently, the Group is covered by 6 equity research analysts. Their recommendations and price targets are available on our website.

Price development in 2023[1], EUR



Shareholder return KPIs[2, 3]

	2023	2022	Δ	Δ, %
Dividends declared, EURm	93.0	90.3	*2.7*	*3.0%*
EPS APM, EUR	4.42	4.04	*0.38*	*9.4%*
DPS APM, EUR	1.29	1.24	*0.05*	*4.0%*
Dividend pay-out APM, %	29.1	30.8	*(1.7 pp)*	*n/a*
Dividend yield[4] APM, %				
For ORS owners	6.8	6.6	*0.2 pp*	*n/a*
For GDR owners	6.9	6.6	*0.3 pp*	*n/a*

[1] Indexed at 100.
[2] Data provided based on the dividends distributed or to be distributed for a specified period. A dividend of EUR 1.286 per share for 2023 comprises a dividend of EUR 0.643 paid for H1 2023 and a proposed dividend of EUR 0.643 for H2 2023, which is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024.
[3] DPS, EPS indicators for 2022 and 2023 were calculated using the weighted average number of nominal ORS.
[4] Dividend yield is calculated by dividing DPS by the year end price of the ordinary registered share or GDR for the respective period: (i) dividend yield for ordinary registered shares holders is calculated using the EUR 19.02 and EUR 18.84 year end closing prices for 2022 and 2023 respectively; (ii) dividend yield for GDR holders is calculated using the EUR 18.80 and EUR 18.60 year end prices for 2022 and 2023 respectively.

The Group's securities are included in the MSCI Frontier Markets 100 Index (since 30 November 2020), MSCI Baltic States IM index (since Q3 2023), MSCI Baltic States IM index (since Q3 2023), the Nasdaq OMX Baltic Benchmark Index (since 4 January 2021), and OMX Baltic 10 (since 1 July 2021).

Dividends

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

Following our dividend commitment, for 2023 we intend to distribute a dividend of EUR 1.286 per share, corresponding to EUR 93.0 million and a yield of 6.8% for ORS and 6.9% for GDR holders (considering the year-end closing prices). A dividend of EUR 0.643 per share for H2 2023, corresponding to EUR 46.5 million, is subject to the decision of our Annual General Meeting of Shareholders to be held on 27 March 2024. Earlier, in Q3 2023, the Extraordinary General Meeting of Shareholders has made a decision on the distribution of a dividend of EUR 0.643 per share, or a total of EUR 46.5 million, for H1 2023. The dividends were distributed in October 2023.

Looking at the dividend pay-out, it is expected to reach 29.1% for 2023, compared to 30.8% for 2022.

Share capital

The parent company's share capital is divided into 72,388,960 ORS registered in Lithuania. They are all the same class of shares, each entitled to equal voting and dividend rights, specifically – one vote at the General Meetings of Shareholders, and to equal dividend. During the reporting period there were no changes in the parent company's share capital. The parent company does not own any of its own shares and did not make any acquisitions in 2023.

Performance information in 2023

	Nasdaq Vilnius	LSE	*Combined*
Year opening[1], EUR	19.06	19.30	-
Year high[1] (date), EUR	20.95 (23 May)	21.00 (9 May)	*21.00*
Year low[1] (date), EUR	18.56 (13 Dec)	17.60 (7 Dec)	*17.60*
Year VWAP[2], EUR	19.95	19.36	*19.77*
Year end[1], EUR	18.84	18.55	-
P/E (year-end), times	4.24	4.18	-
Annual turnover (average daily), EURm	63.30 (0.25)	21.01 (0.12)	*84.31 (0.37)*
Market capitalisation, year-end[1], EURbn	-	-	*1.4*

Parameters of the securities issues

	Nasdaq Vilnius	LSE	*Combined*
Type	Ordinary registered shares (ORS)	Global Depositary Receipts (GDR)	-
ISIN-code	LT0000115768	Reg S: US66981G2075 Rule 144A: US66981G1085	-
Ticker	IGN1L	IGN	-
Nominal value, EUR	-	-	*22.33 per share*
Number of shares (share class)	-	-	*72,388,960 (one share class)*
Number of treasury shares (%)	-	-	-
Free float, shares (%)	-	-	*18,105,203 (25.01%)*
ORS vs GDRs split	71.0%	29.0%	*100%*

[1] As of closing trading market price.
[2] VWAP – volume-weighted average price.
[3] In 2022, the total (ORS and GDRs) turnover was EUR 105.84 million (EUR 78.20 million on Nasdaq Vilnius exchange and EUR 27.64 million on LSE), whereas the average daily turnover totalled to EUR 0.45 million (EUR 0.31 million on Nasdaq Vilnius exchange and EUR 0.14 million on LSE).

The Group's securities are constituents of the below indices

Benchmark index	Benchmark index	Benchmark index	Tradable index
MSCI Frontier Markets 100 Index	MSCI Baltic States IM index	OMX Baltic Benchmark	OMX Baltic 10
MSCI	MSCI	Nasdaq	Nasdaq

Shareholder composition

At the end of 2023, the Group had 22,260 shareholders. Over the last year, our investor base increased by 14.53% compared to the end of 2022 (19,436 shareholders) and more than tripled compared to the IPO in 7 October 2020 (6,901 shareholders), mostly due to the growing number of retail investors.

The Republic of Lithuania (the authority implementing the shareholder's rights – the Ministry of Finance of the Republic of Lithuania, the Majority Shareholder) owns 74.99% of the parent company's share capital, with the remaining being held by the institutional (15.92%) and retail investors (9.09%). There are no other parties holding more than 5% of the parent company's share capital.

The composition of the parent company's shareholder structure by type and geography is provided on the right side.

General Meetings of Shareholders

In 2023, three General Meetings of Shareholders were held, during which resolutions were passed on dividend distribution, election of the auditor and other issues. Our next Annual General Meeting of Shareholders will be held on 27 March 2024. Further details, including the shareholders' rights, are available in section '4 Governance report' of this report and on our website.

Credit rating

On 24 October 2023, after an annual review, credit rating agency S&P Global Ratings affirmed 'BBB+' (stable outlook) credit rating of the Group. Further information on the credit rating, including credit rating reports, is available on our website.

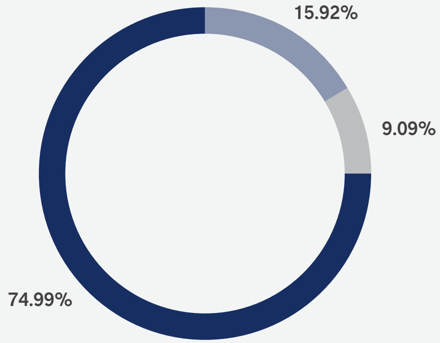
Investor relations

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

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

Additionally, further information on the parent company's ORS, GDRs and bonds is disclosed in section '7.1 Further investor related information' of Integrated Annual Report 2023.

Shareholders composition (at the end of the reporting period)



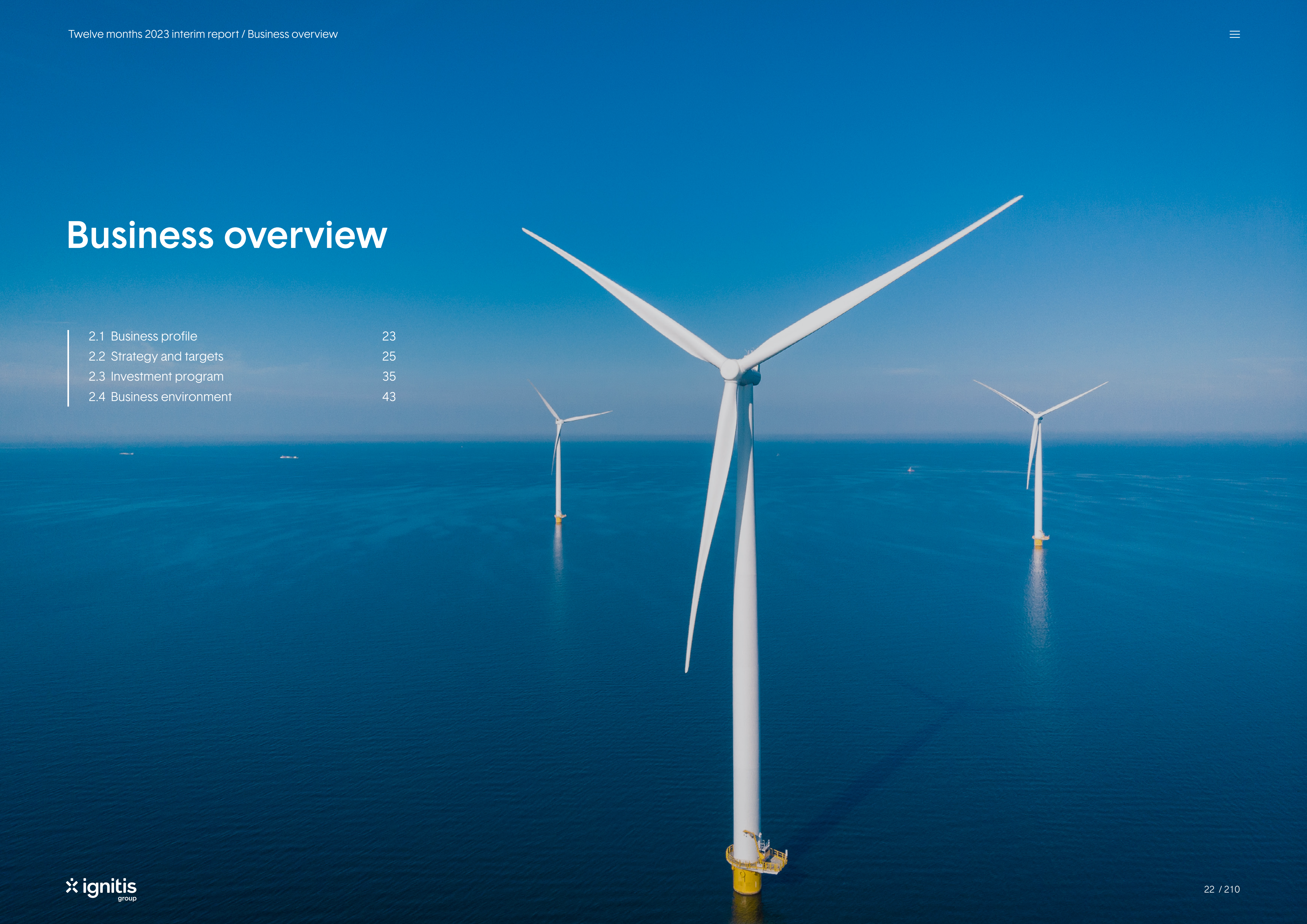
- **Majority Shareholder 74.99%**
  (Ministry of Finance of the Republic of Lithuania)
- **Institutional investors 15.92%**
  Baltics 47.48%
  United Kingdom 28.16%
  Nordics 15.45%
  Continental Europe 5.99%
  Other 2.92%
- **Retail investors 9.09%**
  Lithuania 74.49%
  Estonia 21.54%
  Latvia 3.03%
  Other 0.95%

Financial calendar 2024

27 March 2024	Annual General Meeting of Shareholders
10 April 2024	Expected Ex-Dividend Date (for ORS)
11 April 2024	Expected Record Date for dividend payment (for ORS)
15 May 2024	Interim report for the first three months of 2024
14 August 2024	Interim report for the first six months of 2024
11 September 2024	Extraordinary General Meeting of Shareholders (regarding the potential allocation of dividends for the six-month period ended 30 June 2024)
24 September 2024	Expected Ex-Dividend Date (for ORS)
25 September 2024	Interim report for the first nine months of 2024
13 November 2024	Expected Record Date for dividend payment (for ORS)

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

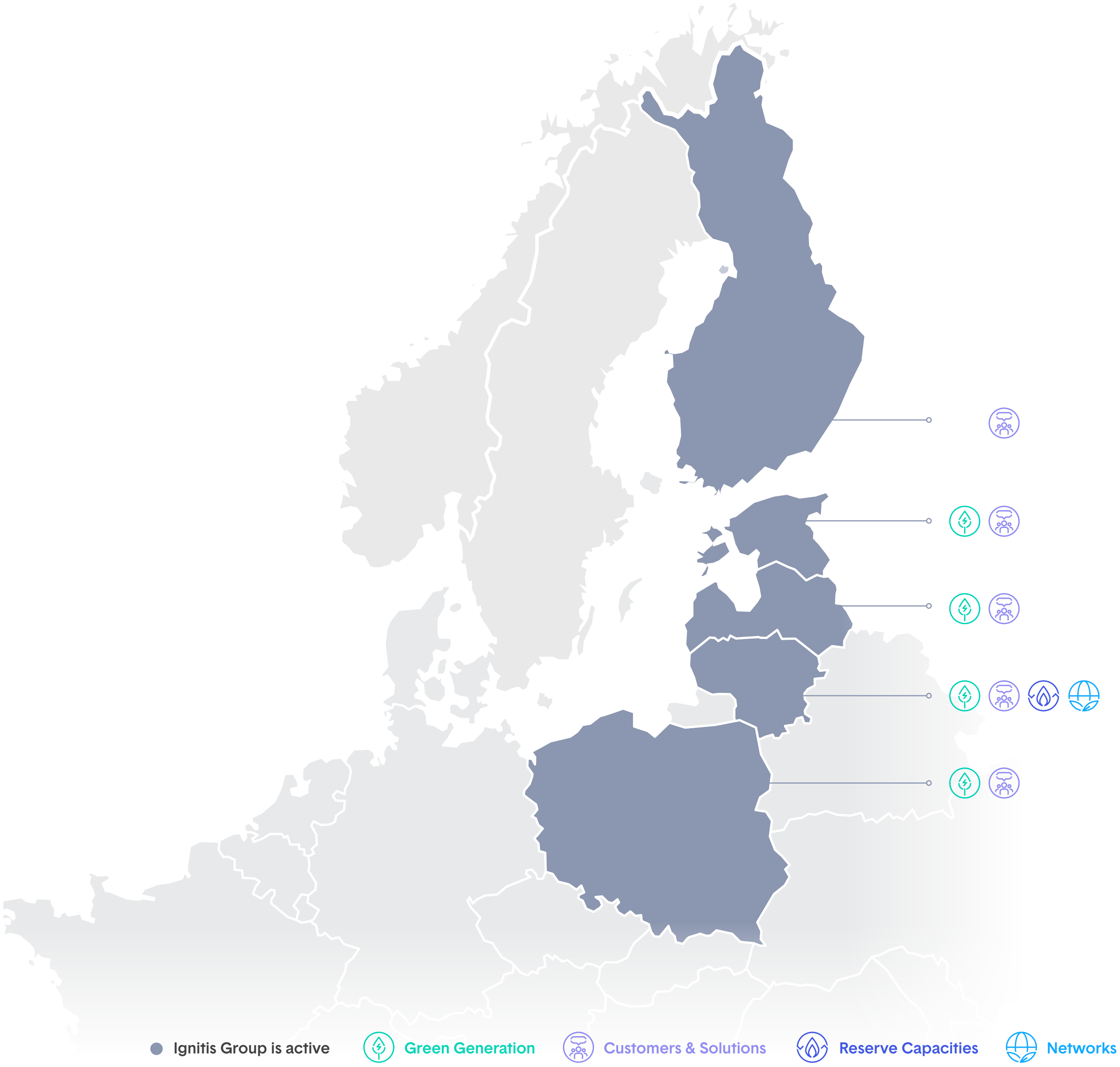
Business overview



2.1 Business profile

Ignitis Group

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



Integrated business model

Green Generation

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

Installed capacity: 1.3 GW
Pipeline: 5.8 GW
Total portfolio: 7.1 GW

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

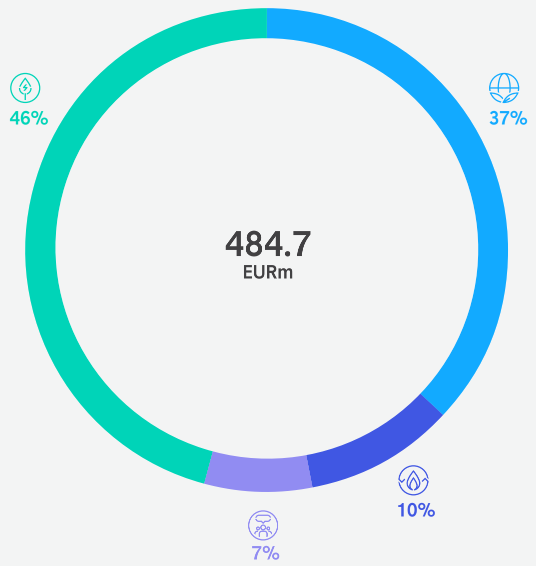
Customers & Solutions

#1 in the Baltics[1]

The largest customer portfolio in the Baltics:
1.4 million customers

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

Adjusted EBITDA 2023



Networks

#1 in the Baltics[2]

Fully regulated country-wide natural monopoly

Regulated asset base (RAB):
EUR 1.4 billion

Strategic focus
Expanding a resilient and efficient network that enables electrification

Reserve Capacities

#1 in Lithuania[3]
#2 in the Baltics[3]

Highly regulated gas-fired power plants mainly operating as system reserve

Strategic focus
Contributing to the security of the energy system

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

2.2 Strategy and targets

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

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

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

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

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

Purpose-driven priorities

Green
1
Growing green capacities

Flexible
2
Creating a flexible system that can operate on 100% green energy in the short, medium, and long term

Integrated
3
Utilising the integrated business model to enable green and flexible generation build-out

Sustainable
4
Maximising sustainable value

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

Leveraging strong position in the Baltics:

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

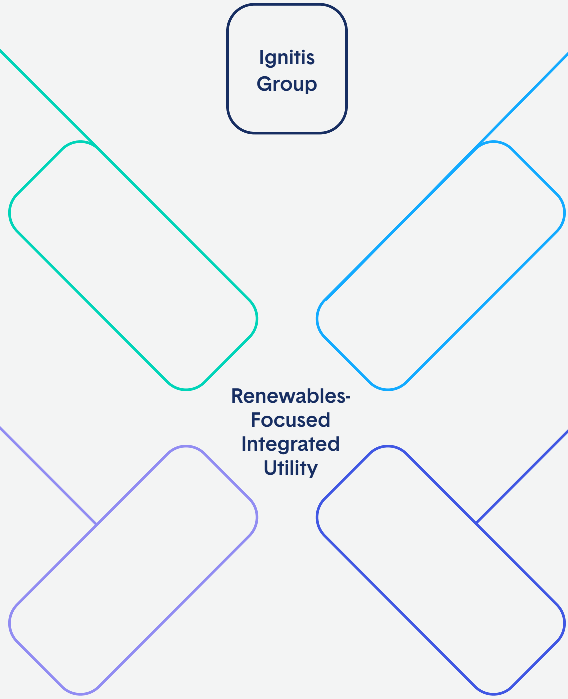
Net zero by 2040–2050

ESG leadership

Taxonomy-aligned investments

≥3% annual dividend growth

Strategic priorities by business segments



Green Generation

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

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

Networks

Strategic priorities

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

Customers & Solutions

Strategic priorities

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

Reserve Capacities

Strategic priorities

1. Contributing to the security of the energy system

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

Sustainability

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

People

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

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

Employees in the daily environment

Our values

RESPONSIBILITY
Care. Do. For Earth.
Starting with myself

PARTNERSHIP
Diverse. Strong.
Together

OPENNESS
See. Understand. Share.
Open to the world

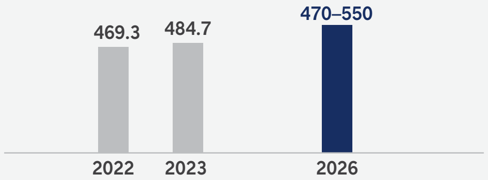
GROWTH
Curious. Bold.
Everyday

Our strategic targets for 2023–2026

Our strategic targets are defined based on our purpose-driven priorities to ensure our strategy execution. The Group reviews it's strategy and updates its strategic plan every year for the next 4-year period. The latest Group's strategic plan is published on our website. Additionally, incentive based short-term (annual) and long-term targets (for a strategic 4-year period) as well as an overview of their achievement are set out in more detail in our Integrated Annual Report 2023 and on our website.

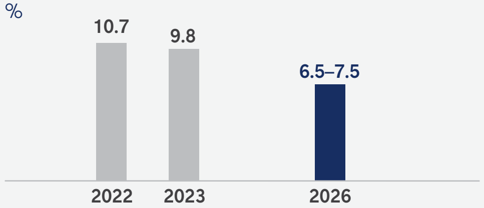
Financial targets

Adjusted EBITDA APM
EURm



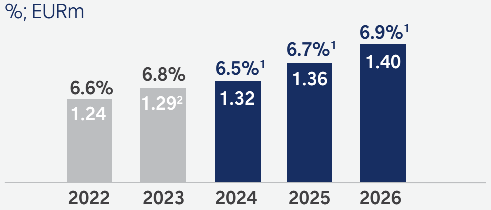
Adjusted EBITDA is expected to reach EUR 470–550 million in 2026, or grow up to 17% compared to 2022. The growth will be driven by the Green Generation segment.

Adjusted ROCE APM
%



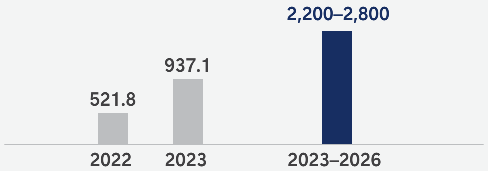
Average Adjusted ROCE during 2023-2026 is expected to be around 6.5–7.5%. Targeted level for 2023-2026 is lower compared to 2022 as results for 2022 was exceptionally strong.

Minimum DPS and dividend yield
%; EURm



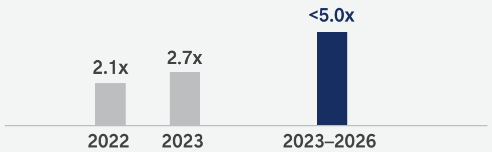
We aim to grow the dividends paid to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million with EUR 90.3 million declared for 2022 and EUR 93.0 million for 2023. Implied dividend yield for 2023–2026: 6.3–6.9%.

Investments APM
EURm



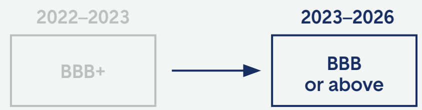
We aim to invest EUR 2.2–2.8 billion over 2023–2026 period, and >85–90% of it will be sustainable investments. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, automation, digitalisation and expansion of our electricity distribution network.

Net debt / Adjusted EBITDA APM
Times



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

Credit rating
S&P

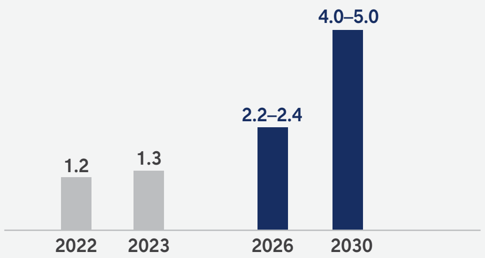


We are committed to a solid investment-grade rating. We expect to maintain 'BBB' or a better rating over the 2023–2026 period.

[1] Calculated based on the No. of shares (72,388,960 ordinary shares) for the 2024-2026 period. Implied dividend yield is calculated based on the Group's share price: 20.5 EUR/share.
[2] A dividend of EUR 1.286 per share comprises of a dividend of EUR 0.643 paid for H1 2023 and a dividend of EUR 0.643 for H2 2023, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 27 March 2024.

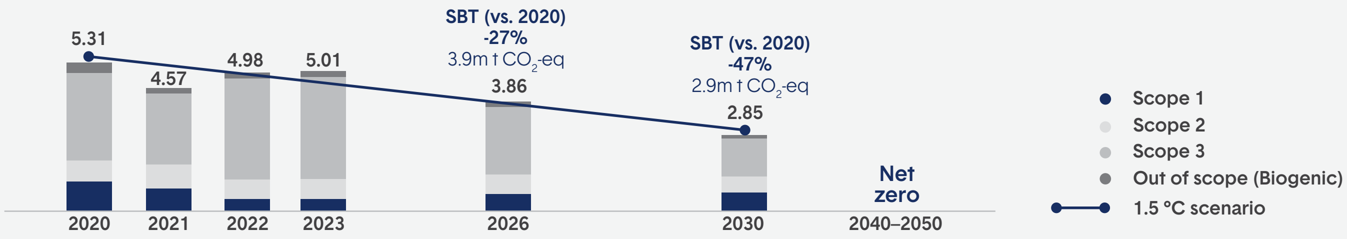
Sustainability targets

Green Generation installed capacity
GW



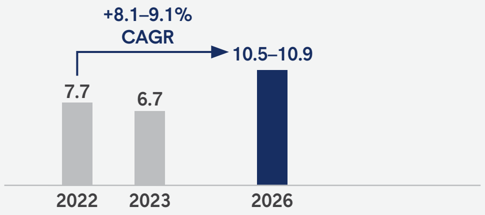
We expect to reach 2.2–2.4 GW of installed Green Generation capacity by 2026 and 4–5 GW by 2030 (green and flexible capacities).

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



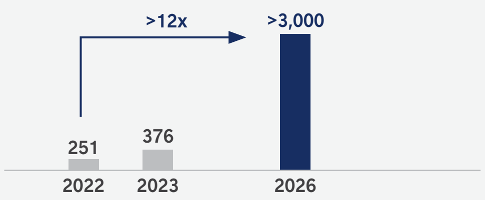
By 2030, we plan to reduce GHG emissions by half in accordance with the GHG emission management plan validated by SBTi in 2021.

Customer portfolio
Electricity supply, TWh



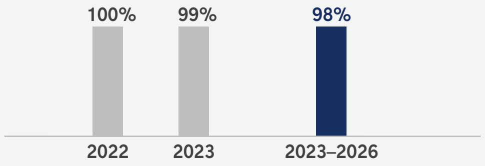
We are utilising and further expanding our customer portfolio to enable Green Generation build-out through internal power purchase agreements (PPAs). We aim to increase electricity sales volumes to around 10.5–10.9 TWh in 2026 (implying a 8.1–9.1% CAGR for 2023–2026) and speeding up transition from gas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

Public EV charging network
Charging points, #



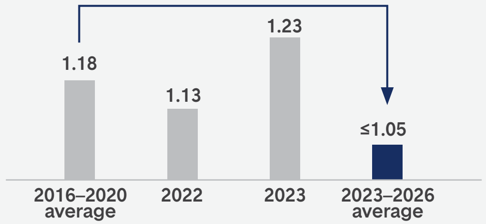
We are building a leading EV public charging network in the Baltics and targeting to reach ~50% market share of public EV charging infrastructure by 2026 (>3,000 charging points by 2026) as well as become fast charging leaders in the Baltics. Our EV network will become a significant offtaker of green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

Reserve Capacities
Availability[2], %



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

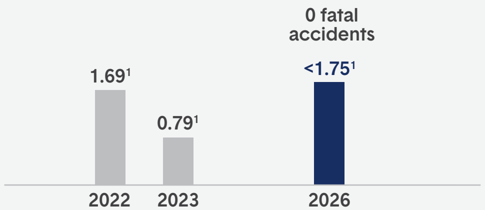
Electricity SAIFI[3]
Interruptions per customer



We invest into electricity network expansion and ensure its resilience. We are targeting to decrease the SAIFI indicator to an average of ≤1.05 interruptions per customer over the 2023–2026 period. We are improving network automation to have 63% of consumers connected to automated control lines by 2026. Average technological losses in the electricity network should remain ≤5.0% over the 2023–2026 period. We are expecting to complete the smart meters rollout 1.1–1.2 million units by 2026.

[1] In this graph, GHG emissions from Vilnius CHP are not included since this power plant only began its waste-to-energy unit tests at the end of 2020, and only a very small amount of Vilnius CHP emissions (0.02m t CO_2-eq) is included in 2020 base. As a result, the targets were set without including Vilnius CHP. After Vilnius CHP has operated with fully operational waste-to-energy and biomass units for at least a year, its comprehensive effects will be evaluated, and the Group's targets will be revalidated. This also applies to other excluded categories (for more information see the Group's GHG inventory reports).
[2] Excluding planned refurbishment works. [3] Excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.

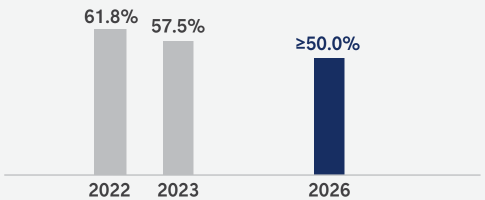
Safety
# of fatal accidents & TRIR



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

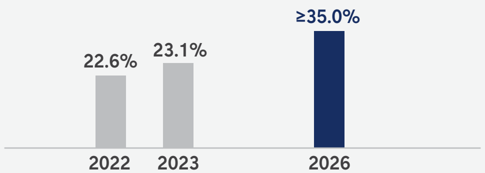
Engaged employees
Employee NPS, %

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



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

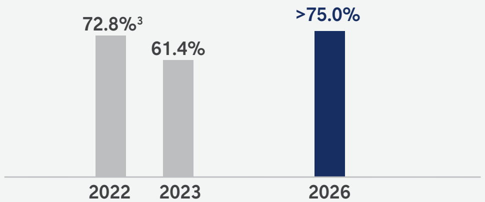
Diversity
% of women in top management (period end)



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

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

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



We plan to grow a sustainable Adjusted EBITDA share to 75% or more by 2026 (driven by a sustainable investment share of ≥85–90% over 2023–2026; in 2022 it was 90.0%[3], in 2023 it was 94.8%).

[1] TRIR of own employees. TRIR of contractors targeted to be below 3.5 in 2026.
[2] Taxonomy-aligned.
[3] These figures have been restated compared to the previous reporting period. For more information see section '5.1 Notes on restated figures' of this report.

Strategic enablers

We are focusing on innovation and digitalisation to keep the pace with the rapidly changing energy sector. These strategic enablers ensure sustainable growth and operational efficiency.

Innovation

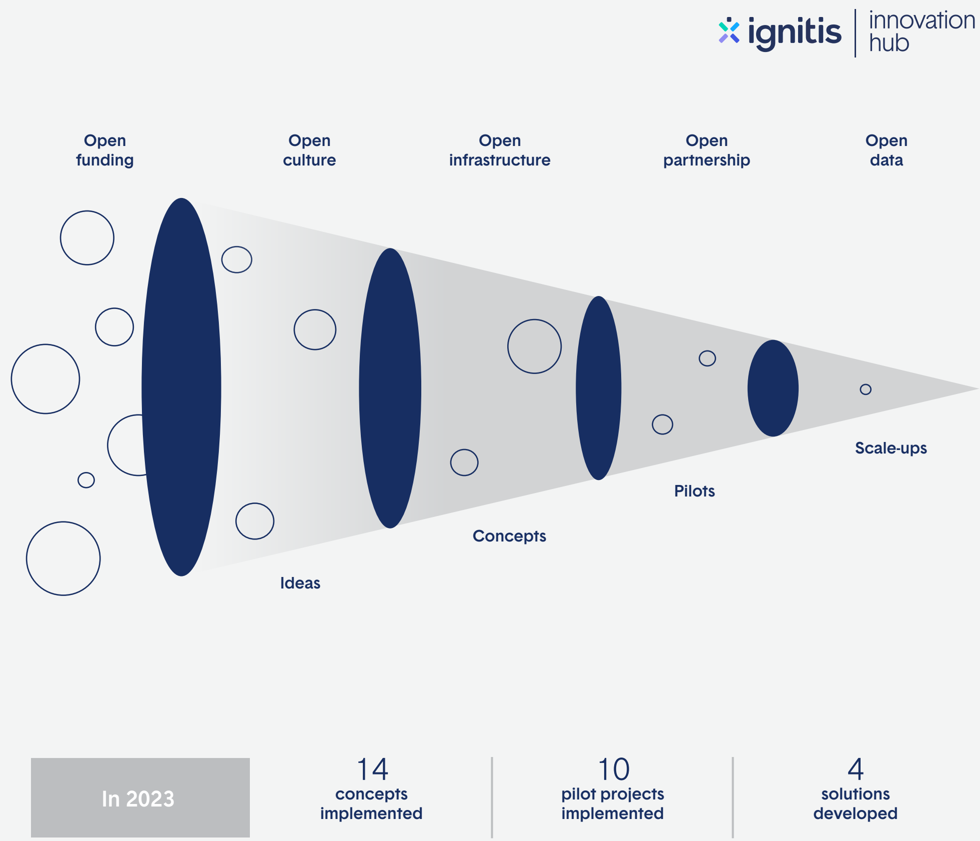
Ignitis Innovation Hub

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

Over the period of 2020–2024, Ignitis Innovation Hub aims to develop at least 50 scenarios for the use of innovative solutions and expects to implement at least 35 pilot projects. In 2023, the hub implemented 14 concepts and 10 pilot projects, and developed 4 solutions, including the key highlights of the progress made in 2023:

- **established power-to-X (P2X) competence centre and conducted 5 studies.** Demand side response (DSR), flexible energy consumption solutions and eFuel production are key to accelerating the expansion of the renewables capacity. This has been one of the main priorities of the hub this year, therefore, it estalbished a P2X competence centre within the Group and carried out 5 studies. This has provided a solid foundation of the competences in the areas of carbon capture and storage (CCS), production of hydrogen and derivative fuels, or efuels, battery energy storage systems (BESS) and understanding the regulatory environment;
- **integrated Plexos into the Group's activities.** Power markets worldwide are undergoing a significant transformation due to the green transition, with added complexities arising from the advancements in renewable energy technologies and decentralized generation. In this dynamic environment, possessing comprehensive market insights and knowledge is a strategic advantage. To maintain the forefront position in the Baltics, at the end of 2022, Ignitis Innovation Hub acquired a class-leading market modelling tool, Plexos. The tool combines different energy system inputs into one optimisation solution to forecast electricity prices or other parameters of an energy system, allowing the Group to estimate various market price scenarios, evaluate the impact of strategic variable changes or optimise business cases. We have been successfully using the Plexos tool in 2023 with several case studies analysed and are planning it further in 2024. Advanced market modelling will provide us with the essential information required for a successful and sustainable transformation;

Open-innovation pillars and the process of idea development



- **integrated artificial intelligence (AI), a visual recognition model has been tested and implemented at Kaunas CHP.** 2023 was a year of focus on health and safety for the Group, and we implemented technologically advanced solutions to ensure progress on the issue. For example, we deployed an AI visual recognition model, which is able to identify whether all personnel and contractors wear safety equipment to a high degree of accuracy and in real-time while recognising the anomalies, such as a person that fell down or is not moving, and immediately inform the safety officer.

EUR 37.1 million	EUR 15.6 million	30	11	100+
committed capital	**returns to date**	**different companies**	**countries**	**investment partners**

Venture capital activities

In 2017 the Group anchored the first energy-oriented venture capital fund in the Baltics, the Smart Energy Fund powered by Ignitis Group, managed by Contrarian Ventures. The fund has finished its investment period and has generated a return of EUR 15.6 million so far. The fund has also found strategic success as multiple pilot projects of the companies in its portfolio enabled the Group to offer new services to its customers. Considering the success of the first fund, in 2023 the Group joined the European climate tech venture capital fund, World Fund, committing about EUR 25 million of capital to support early- and growth-stage startups operating in the climate technology area. The fund's manager was selected through an international public tender.

Priorities for 2024

The main objectives of the Group's innovation team for 2024 are to pursue new technologies that can be applied within the Group's business activities, proceed with building essential competences in the P2X field, ensure improved decision-making by utilising the modelling capabilities of Plexos and continue providing expertise on the Group's strategic activities.

Digitalisation

Digitalisation aims to improve the digital experience of employees, increase the operational efficiency and help create the greatest possible added value for the organisation. We do this by taking into account the needs of different teams and analysing the digital experience of the Group employees. In 2023, we focused on applying and disseminating design thinking principles across the Group, organising hackathons, enhancing employees' digital skills, decentralizing automation and piloting AI technologies.

Overview of activities in 2023

Hackathons

To address the internal and external challenges affecting the Group, we organised an internal hackathon. This year's hackathon had two sets of topics. The first focused on involving more colleagues in overall trainings that are organised within the Group and attracting and teaching more interns in engineering professions. Teams suggested ideas that redeveloped internship plans, created apps to match interns with managers and proposed monthly competitions to improve our trainings. The second set of topics covered the possibilities of AI within the Group and the safety issues around it. Teams analysed the threat of deepfakes in our business, created optical character recognition (OCR) solutions to be used in the installation of smart meters and created large language model add-ins for Office programs.

Improving digital skills

In 2023 we continued the digital skills training programme for our colleagues. The main objective remained the same as before: to upskill and reskill the Group employees, to increase their efficiency and ensure the sufficiency of digital skills for the future. We included even more topics in the programme to meet the needs of even more different employee groups. We also ran a 13-week-long digital skills training specifically designed for our managers. In total, more than 90% of the Group's employees participated in the digital skills development programme.

Piloting AI technologies

In 2023 ChatGPT and other large language models saw a rapid development, thus we proactively started to pilot AI technologies in various areas of our business. The current pilots are focused on automating the call centre's functions, automating the email creation, improving our chatbots and customer NPS analysis. To boost the usage of AI tools, we also started organising trainings on ChatGPT and created access for everyone to try it safely in their work environment.

Plans ahead

In 2024 the digitalisation will greatly shift towards adopting AI technologies in different areas of our work. We are planning to do more than 20 pilots, some of which will be implemented in our processes and will bring real value to the business. Furthermore, we will focus on the digital skills programme and fostering the digital culture while making AI solutions widespread within the Group, expecting that at least 15% of employees will regularly use these technologies in their day-to-day work.

Ignitis Group employees in hackathon

2.3 Investment program

Overview

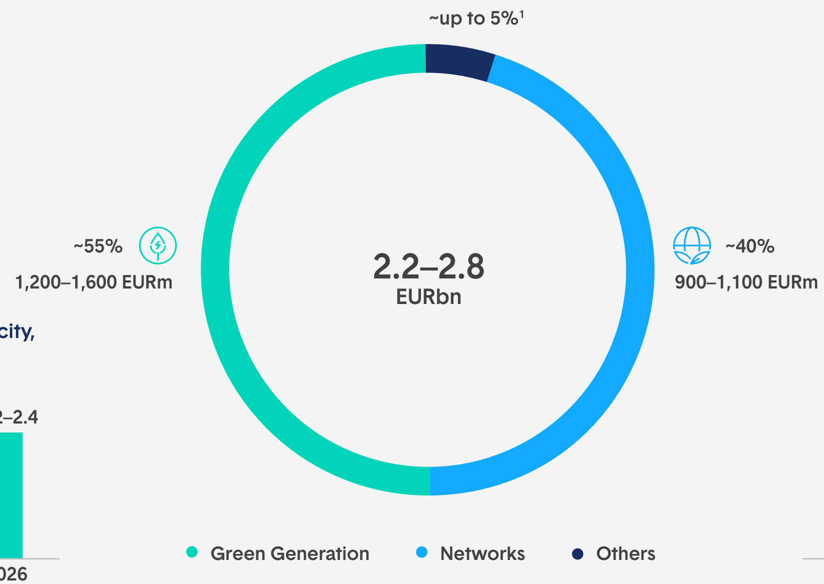
The Group makes investment decisions based on a four-year investment plan. Over the period 2023–2026, the Group targets to invest EUR 2.2–2.8 billion or around EUR 550–700 million annually, primarily directed towards sustainable growth in Green Generation and Networks business segments. Out of total, around 55% of the investments are aimed towards Green Generation capacity expansion, while around 40% of the investments are focused on the Networks segment, its maintenance and expansion.

To successfully implement our investment plan while achieving financial targets, including a commitment to increase dividends annually, we have established and apply a disciplined investment policy. We disclose the updates on our key investments in the Green Generation and Networks segments in our interim and annual reports. More information on both matters, is available in the following sections of this report.

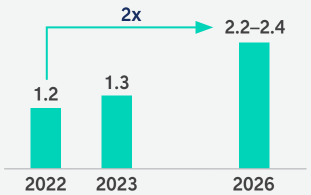
Aligned with EU Taxonomy

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

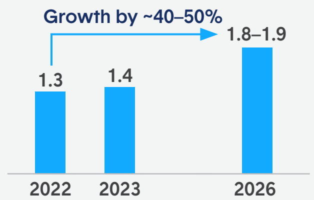
Investments over 2023–2026



Green Generation capacity,
GW



Regulated Asset Base,
EURbn



[1] Includes investments in Reserve Capacities, Customers & Solutions business segments, IT and other investments.

Green Generation

Investment policy

The Group applies a disciplined investment framework with hurdle rates for returns on Green Generation projects to ensure value-creating growth. Our investment policy targets a spread of 100 to 350 basis points over WACC on an unlevered basis, depending on the risk profile on a project-by-project basis.

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

Target markets
Primarily the Baltics and Poland

Technologies
Offshore wind, onshore hybrid, Power-to-X & storage

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

Financing
Targeted 60–75% leverage at the project level

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

Target returns
- 100-350 bps over WACC on an unlevered basis
- It depends on the risk profile on a project-by-project basis

Update on key ongoing and planned Investments

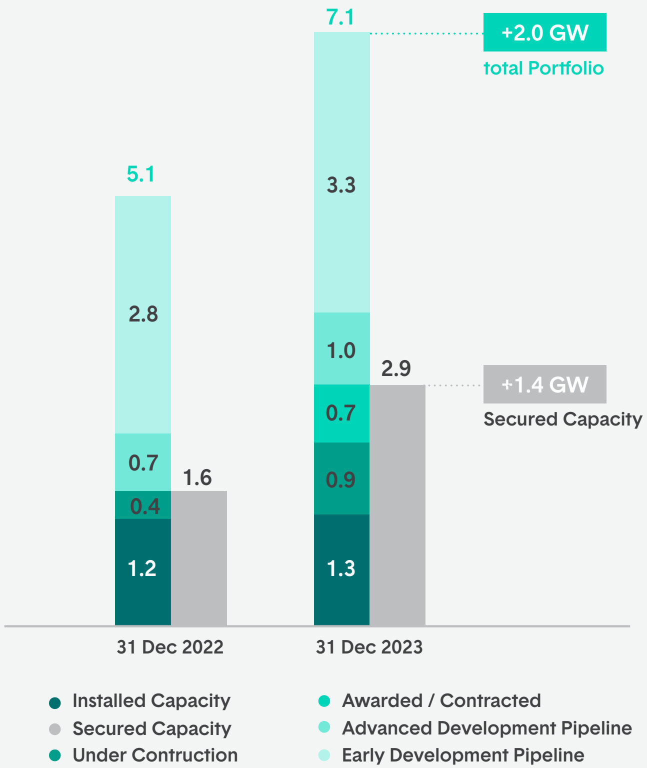
In 2023, our Green Generation Portfolio increased by 2.0 GW to 7.1 GW (from 5.1 GW) as a result of the acquisition of onshore wind development projects (Kelmė WF I & II) in Lithuania with a total capacity of 0.3 GW, securing the seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW[1] in the Estonian offshore wind tender and greenfield capacity additions of around 0.7 GW. Our Secured Capacity increased by 1.4 GW to 2.9 GW (from 1.6 GW) as a number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW), and Tauragė solar project (22.1 MW) reached the construction and 700 MW Lithuanian offshore WF project reached the awarded/ contracted phases.

Additionally, two projects under construction were completed as Mažeikiai WF (63 MW) in Lithuania reached COD August 2023, and Vilnius CHP biomass unit achieved partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. However, due to ongoing final testing procedures, achievement of COD for the remaining capacity of 23 MWe and 20 MWth is ongoing.

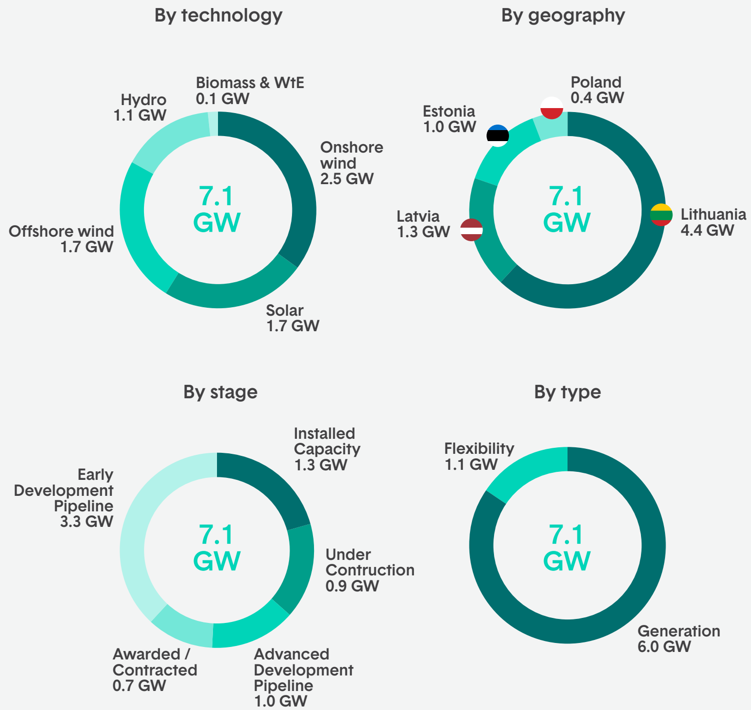
In addition, projects with a total capacity of up to 670 MW reached the construction phase and projects with a total capacity of up to 620 MW entered the advanced development phase.

The implementation of the Green Generation Portfolio is progressing as planned with no significant changes since Q3 2023, and information on the key Portfolio development milestones achieved since the beginning of 2023 is available in the visual on the following page.

Green Generation Portfolio, GW



Green Generation Portfolio split



[1] While the theoretical potential capacity of secured seabed sites is calculated to be 2.3 GW, depending on environmental impact assessment results, site optimisation as well as other factors, the actual capacity of the offshore wind farm is expected to be 1–1.5 GW. The Group currently includes the minimum size (1 GW) of the actual capacity in the Portfolio.

Key Green Generation Portfolio development milestones

JANUARY

Mažeikiai WF (63 MW) supplied first power to the grid.

MARCH

Hot tests in Vilnius CHP biomass unit (73 MWe, 169 MWth) have begun.

Tauragė solar project (22 MW) reached a construction phase.

APRIL

Kruonis PSHP expansion project (110 MW) has reached a construction phase.

Moray West offshore wind project (882 MW) has reached the financial close.

Jonava solar project (252 MW) reached advanced development stage.

MAY

Tume solar project (<300 MW) reached advanced development stage.

JUNE

Vilnius CHP biomass unit (73 MWe, 169 MWth) supplied the first power to the grid.

JULY

Lithuanian offshore WF project has reached Awarded / Contracted stage.

AUGUST

Mažeikiai WF (63 MW) has reached COD.

Eurakras hybrid project (37.5 MW) reached advanced development stage.

Tauragė solar project II (25.2 MW) has reached an advanced development stage, after securing the grid.

The Group and Copenhagen Infrastructure Partners entered a partnership to participate in the upcoming Estonian and Latvian offshore wind tenders.

OCTOBER

Kelmė WF II (<195 MW) has reached a construction phase.

Signed with Umicore Poland Sp. Z o. o. a the largest external 10-year corporate PPA. It covers a substantial part of the expected electricity production of Silesia WF II, currently under construction, with total capacity of 137 MW.

Completed the acquisition of up to 300 MW of Kelmė WF I & II in Lithuania.

Vilnius CHP biomass unit (73 MWe, 169 MWth) started to generate and supply heat to Vilnius.

NOVEMBER

Latvian solar portfolio I (239 MW) has reached a construction phase, after FID made.

The Group appointed Fugro to conduct a seabed survey for the Lithuanian offshore WF (700 MW) site.

DECEMBER

The Group, together with its partner CIP, won the first seabed site (Liivi 2) in Estonia's offshore wind tender.

Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023.

All turbines in were erected in the Silesia WF II (137 MW) in Poland.

All solar modules were installed in the Tauragė solar project I (22.1 MW) in Lithuania.

After the reporting period

The Group, together with its partner CIP, won the second seabed site (Liivi 1) in Estonia's offshore wind tender.

Silesia WF I (50 MW) in Poland supplied first power to the grid.

Status on key investment projects / UNDER CONSTRUCTION

Project name	Vilnius CHP (biomass unit)	Polish solar portfolio	Silesia WF I	Silesia WF II	Tauragė solar project	Moray West offshore wind project[7]	Latvian solar portfolio I	Kelmė WF I	Kelmė WF II	Kruonis PSHP expansion	TOTAL
Country	Lithuania	Poland	Poland	Poland	Lithuania	The United Kingdom	Latvia	Lithuania	Lithuania	Lithuania	
Technology	Biomass	Solar	Onshore wind	Onshore wind	Solar	Offshore wind	Solar	Onshore wind	Onshore wind	Hydro pumped storage	
Capacity	73 MWe, 169 MWth[2]	30 MW	50 MW	137 MW	22.1 MW	882 MW	239 MW	105.4 MW	194.6 MW	110 MW	**1.0 GWe / 0.2 GWth**
Turbine / module / other type of unit manufacturer	1 x 73 MWe Siemens; 2 x 84.5 MWth Rafako	17 MW Jinko Solar; 13 MW JA Solar	14 x 3.6 MW Nordex	38 x 3.6 MW Nordex	22.1 MW Trina Solar	60 x 14.7 MW Siemens Gamesa	239 MW Trina Solar	16 x 6.6 MW Nordex	28 x 7.0 MW Nordex	1 x 110 MW Voith Hydro	
Investment	~EUR 270 million[3]	~EUR 18 million	~EUR 75 million[5]	~EUR 240 million[5]	~EUR 16 million	Not disclosed	~EUR 178 million[5]	~EUR 190 million[5]	~EUR 360 million[5]	~EUR 150 million	**~EUR 1.5 billion[8]**
Investments made by 31 December 2023	~EUR 256 million	~EUR 14 million	~EUR 69 million	~EUR 230 million	~EUR 11 million	Not disclosed	~EUR 22 million	~EUR 104 million	~EUR 107 million	~EUR 20 million	**~EUR 0.8 billion[8]**
Proportion of secured revenue[1]	80%	100%	100%	100%	0%	85%	0%	65%	0%	0%	
Type of secured revenue	PPA	CfD	CfD	CfD / PPA	–	CfD / PPA	-	PPA	-	-	
Ownership	100%[4]	0%[6]	100%	100%	100%	5%[7]	100%	100%	100%	100%	
Partnership	n/a	n/a	n/a	n/a	n/a	Ocean Winds	n/a	n/a	n/a	n/a	
Progress											
FID made	+	+	+	+	+	+	+	+	+	+	
WTGs erected (units) / Solar modules & inverters installed (MW) / Other type of turbines or units installed (units)	3 / 3	27 / 30	14 / 14	38 / 38	22 / 22	0 / 60	0 / 239	0 / 16	0 / 28	0 / 1	
First power / heat to the grid supplied	+	+	+	–	–	–	–	–	–	–	
Expected COD	Q4 2023[2]	Q1 2024–Q4 2024	Q1 2024	H2 2024	2024	2025	2025	2025	2025	2026	
Status	Time delay	Time delay	On track	On track	On track	On track	On track	On track	On track	On track	

[1] Secured revenue timeframe differs on a project-by-project basis. [2] Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023. However, due to ongoing final testing procedures, achievement of COD for the remaining capacity of 23 MWe and 20 MWth is ongoing. [3] Includes EU CAPEX grant for Vilnius CHP (i.e., waste-to-energy (operational since Q1 2021) and biomass units) which in total amounts to ~EUR 140 million. [4] 49% to be divested post COD according to EU CAPEX grant rules. [5] Including project acquisition and construction works. [6] Ownership will be 100% after full completion of construction works. [7] As the Group owns a minority stake of 5%, the project's capacity is not consolidated and is not reflected in the data of Green Generation Portfolio. [8] Excluding not disclosed investments.

ignitis group

Status on key investment projects / AWARDED / CONTRACTED

Project name	Lithuanian offshore WF
Country	Lithuania
Technology	Offshore wind
Capacity	700 MW
Investment	Not disclosed
Proportion of secured revenue[1]	0%
Type of secured revenue	-
Ownership	51%
Partnership	Ocean Winds
Progress	
Seabed secured	+
Grid connection secured	+
EIA completed	-
Expected COD	2029
Status	On track

[1] *Secured revenue timeframe differs on a project-by-project basis.*

Ignitis Renewables Offshore team

Networks

Investment policy

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

Target markets
Lithuania

Technologies
Electricity and natural gas distribution networks

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

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

Target returns
In line with WACC set annually by the regulator (NERC)

Update on key ongoing and planned Investments

Since the end of 2022, we have successfully continued working on grid maintenance and expansion, including the smart meter roll-out. Smart meter installation for private and business customers whose energy consumption exceeds 1,000 kWh a year began in July 2022 and smoothly continues today. In 2023, around 519 thousand smart meters have been installed, reaching around 729 thousand installed smart meters in total (out of 1.1–1.2 million smart meters to be installed). The smart metering system was successfully deployed with full functionality at the end of 2023. Now that the system is up and running day-to-day operations, we will continue to improve it, develop and integrate new features in 2024. The integration of the smart meter information system with the distribution management system is being analysed, with a target to fully integrate it by mid-2025. We are also working on the development of the meter readings hub, with the aim of creating a cloud-based big data platform for collecting smart meter data and analytics. Our target of finalizing the mass roll-out process by the end of 2025 remains unchanged as, currently, the production and delivery of smart meters is progressing smoothly.

Status on key investment projects

Project name	Maintenance and other	Expansion *New customer connections and upgrades*	Expansion *Smart metering*	TOTAL
Country	Lithuania	Lithuania	Lithuania	–
Investments 2021–2030 (10-year investment plan)[1]	~ EUR 1 billion	~ EUR 750 million	~ EUR 150 million	**~ EUR 1.9 billion**
Investments 2023–2026 (Strategic plan)	~ EUR 350–450 million	~ EUR 470–600 million	~ EUR 80–120 million[2]	**~ EUR 0.9–1.1 billion**
Financing structure	Partially (11.0%, 3-year average) covered by EU funds (on a project-by-project basis)	Partially (30.7%, 3-year average) covered by customers' fees	Fully (100%, 3-year average) covered by the Group	**Mostly (80.5%, 3-year average) covered by the Group**
Ownership	100%	100%	100%	**100%**
Progress	In 2023, around 930 km of power lines were reconstructed (with 245 km reconstructed in Q4 2023). Around 95% of the reconstructed lines were replaced with underground cables.	In 2023, 50,891 new electricity customers were connected and 25,119 capacity upgrades were carried out. It resulted in around 975 km of new power lines installed (with 254 km installed in Q4 2023).	In total, around 729 thousand smart meters were installed (with around 71% of the meters installed in 2023).	
Status	On track	On track	On track	

[1] The figures represent the latest 10-year investment plan for 2021–2030 approved by the regulator (National Energy Regulatory Council, NERC). During the reporting period, the updated 10-year investment plan for 2022–2031 period, with a significant increase in total investment to around EUR 2.5 billion, was submitted to NERC for review. According to the procedure, the plan will be updated after approval by NERC.

[2] Sagemcom Energy & Telecom SAS (France) is responsible for supplying the smart meters and implementing related IT services (data transfer technology – Narrowband Internet of Things).

2.4 Business environment

The Group's performance continues to be affected by macroeconomic and industry dynamics, particularly in the specific markets in which it operates. In order to assess the business environment and identify potential opportunities and challenges, we closely monitor economic indicators and industry developments. Our commitment to providing a comprehensive overview extends to highlighting relevant changes in the regulatory framework, ensuring a nuanced understanding of the markets in which we operate.

Macroeconomic environment

GDP

In 2023, GDP in the euro area and European Union (EU) remained stable compared to 2022. Looking ahead, the GDP in the euro area is expected to grow by 1.2% in 2024 and 1.6% in 2025, and, on a similar note, the EU's GDP is expected to grow by 1.3% and 1.7% respectively. Meanwhile, Lithuania's GDP in 2023 is down by 0.3% compared to last year. However, it is expected to grow by 2.5% in 2024 and by 3.4% in 2025. According to Eurostat's autumn forecast, our home markets' GDP growth prospects for 2024 and 2025 surpass the EU and the euro area (with the exception of Finland).

Inflation

In December 2023 the annual inflation rate in the euro area settled around 2.9%, down from 4.3% in September 2023. Out of all the countries we operate in, Poland had the highest inflation, reaching 15.3% at the end of the year. Inflation in Poland and Finland was above both the euro area and EU averages, while in other countries it was lower than in the EU and the euro area. Similarly, Poland is expected to have the highest harmonised CPI in 2024 and 2025, while all other home market countries are expected to have inflation either slightly below or similar to the EU and euro area.

GDP change, %

	2023 vs 2022	2024F	2025F
Lithuania	(0.3)	+2.5	+3.4
Latvia	+0.4	+2.4	+3.0
Estonia	-[1]	+1.9	+2.7
Finland	-[1]	+0.8	+1.5
Poland	-[1]	+2.7	+3.2
Euro area	**0.0**	**+1.2**	**+1.6**
EU	**0.0**	**+1.3**	**+1.7**

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

Inflation rate change measured by harmonised CPI, %

	2023	2024F	2025F
Lithuania	+1.6	+2.9	+2.5
Latvia	+0.9	+3.2	+1.9
Estonia	+4.3	+3.5	+2.1
Finland	+1.3	+1.9	+2.0
Poland	+15.3	+6.2	+3.8
Euro area	**+2.9**	**+3.2**	**+2.2**
EU	**+3.4**	**+3.5**	**+2.4**

Source: Eurostat.

Industry environment

Overview of energy industry trends

- Falling electricity prices throughout the Baltic region were mainly the result of comfortable natural gas storage levels, falling demand, and a stabilised hydro balance in Scandinavia. The maintenance of electricity lines as a result of efforts to synchronise with the EU power systems was seen as the cause of price fluctuations throughout the Baltic region.
- Healthy storage levels, mild winter conditions, improved LNG import possibilities, and below long-term average consumption levels were the main factors contributing to the decline in natural gas prices.
- Higher wind and solar generation levels contributed to the increase in Lithuania's electricity generation and higher hydro generation led to more electricity generated in Latvia. In addition, the increase in electricity generation in Finland was led by higher generation by nuclear power plants. In contrast, generation in Estonia decreased due to lower production from shale oil, while a decrease in generation in Poland was linked to lower consumption.
- Energy demand continues to decline in all countries for the second year in a row. For electricity, it is due to the energy-intensive industries not yet being recovered from last year's production slump and the demand destruction process. Furthermore, the reduction in consumption can be attributed to the successful implementation of energy-saving measures. On the natural gas side, even though it currently has a better relative competitive position to oil products compared to 2022, an overall limited impact on demand in home markets was observed during 2023, with a continued decline in demand in Lithuania, Latvia and Estonia.

Electricity

Consumption, TWh

	2023	2022	Δ, %
Lithuania	11.7	12.2	*(4.1%)*
Latvia	6.5	6.8	*(4.4%)*
Estonia	8.1	8.2	*(1.2%)*
Finland	79.1	79.2	*(0.1%)*
Poland	166.9	172.9	*(3.5%)*
Total	**272.3**	**279.3**	***(2.5%)***

Generation, TWh

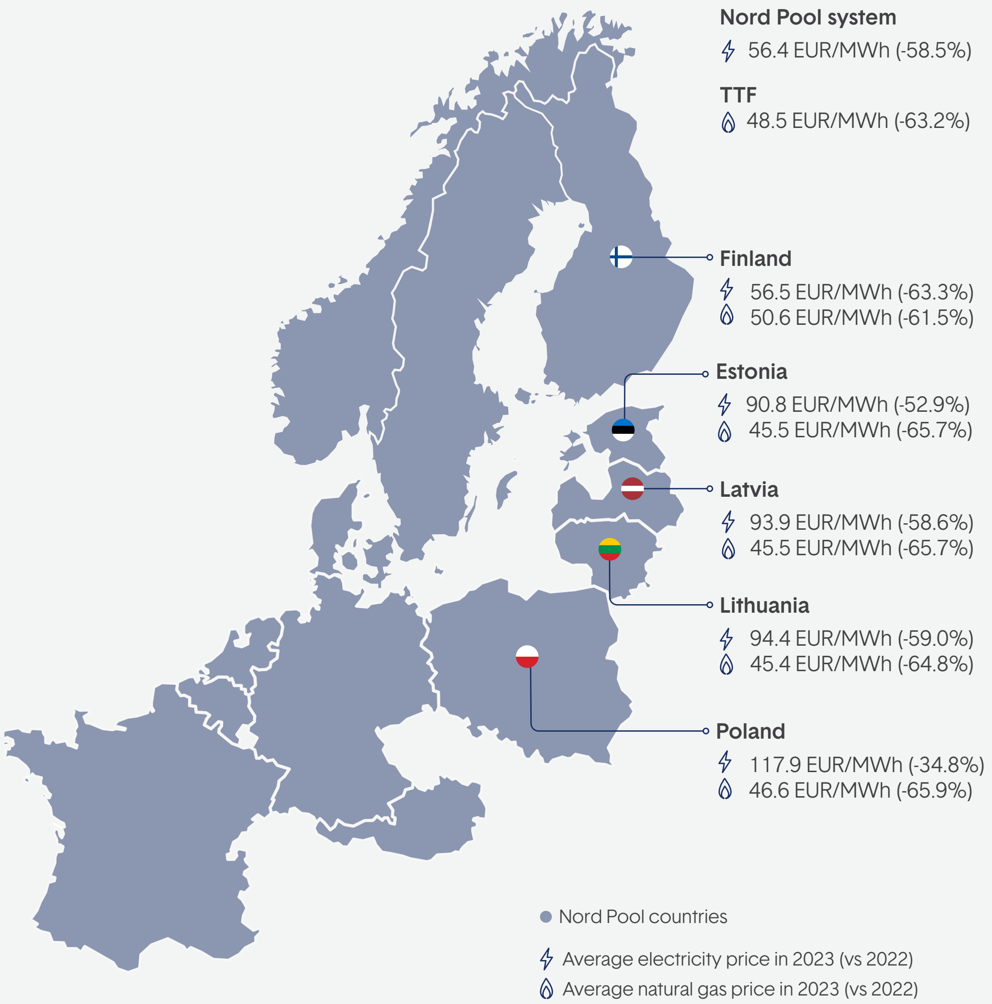
	2023	2022	Δ, %
Lithuania	6.2	4.2	*47.6%*
Latvia	5.7	4.4	*29.5%*
Estonia	4.6	6.9	*(33.3%)*
Finland	74.0	60.4	*22.5%*
Poland	164.8	176.2	*(6.5%)*
Total	**255.3**	**252.1**	***(1.3%)***

Natural gas

Consumption, TWh

	2023	2022	Δ, %
Lithuania	14.9	15.7	*(5.1%)*
Latvia	8.2	8.8	*(6.8%)*
Estonia	3.4	3.7	*(8.1%)*
Finland	13.4	11.5	*16.5%*
Poland	179.9	177.5	*1.4%*
Total	**219.8**	**217.2**	***(1.2%)***

Electricity and natural gas prices in home markets

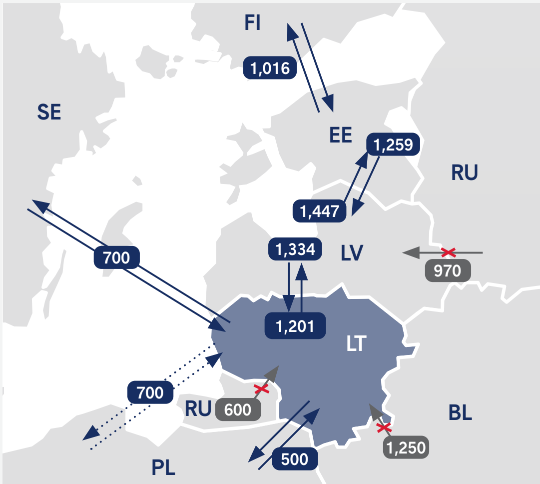


Regional interconnections and infrastructure

In recent years, there have been significant changes in terms of power and natural gas flows in our region. Electricity imports from Russia and Belarus to Lithuania have been stopped since autumn 2021 due to the launch of the Belarusian Astravyets Nuclear Power Plant (Belarusian ANPP). In addition, all Baltic countries have stopped importing electricity from Russia since Q2 2022, after Europe's Nord Pool power market stopped trading Russian electricity. It's important to note that Lithuania is one of the most interconnected countries in Europe, which allows it to cover its electricity demand despite the reduction in flows from third countries. The resilience and reliability of its electricity system is expected to increase even further after the synchronization project with the continental Europe is completed in 2025.

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

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



xx Transmission capacity (MW)

Interconnections with Russia and Belarus no longer in use

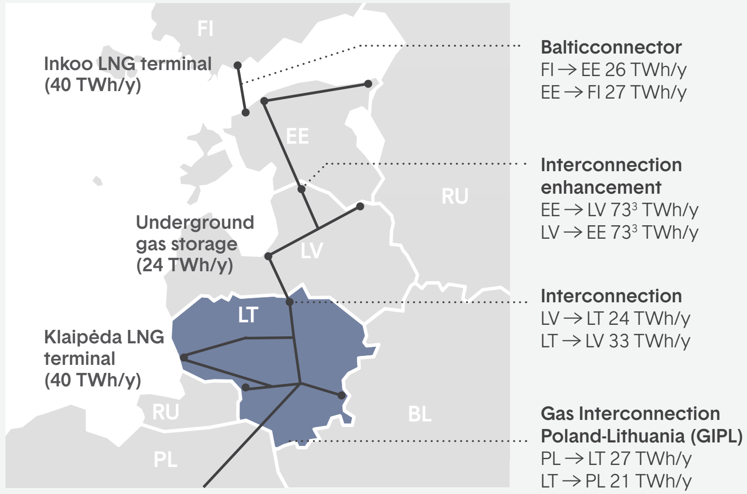
Interconnections in place

Interconnection under construction (Harmony Link, expected to be operational around 2028)

Lithuanian power capacity

Pre-war	Current	In 2028	**Peak demand**
4.1 GW	2.5 GW	3.2 GW	2.2 GW

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



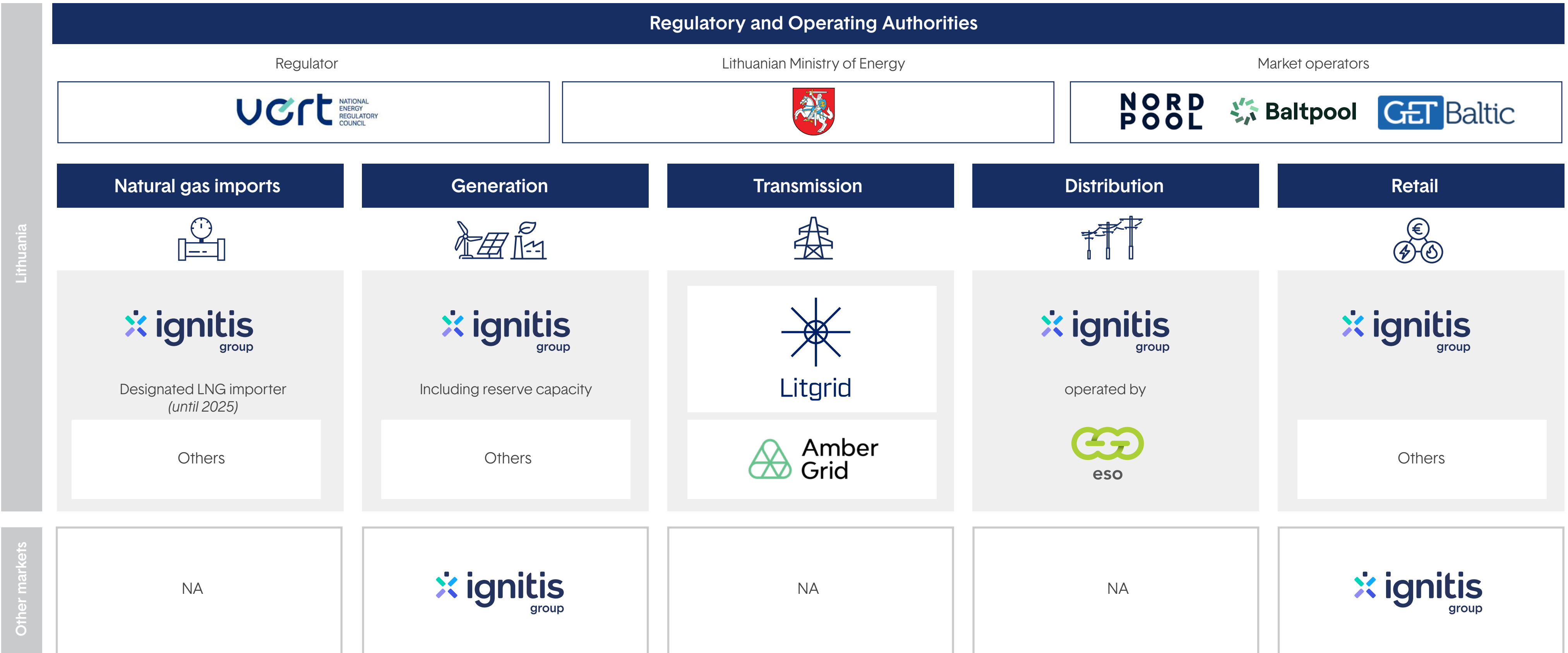
	Annual natural gas demand 2023, TWh/y	Change in natural gas consumption 2023 vs 2022,%
Poland	177.9	*(1.4%)*
Lithuania	14.9	*(5.1%)*
Finland	13.4	*16.5%*
Latvia	8.2	*(6.8%)*
Estonia	3.4	*(7.7%)*
Total	**219.8**	***(1.2%)***

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

The Group's role in home market countries

As the Group operates in the Baltic countries, Poland, and Finland, its role varies from country to country. In Lithuania, the Group plays a critical role in the energy value chain by participating in all energy-related activities, except the transmission services. By comparison, in other countries we either own and operate power generation assets, manage the retail business, or both. For further details, see the figure below.

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



Regulatory environment: EU wide

Changes in EU emissions trading system (ETS)

As part of the 'Fit for 55' package, the ETS directive has been revised to align it with the new EU target set in the European Climate Law to reduce net greenhouse gas emissions by 55% (compared to 1990 levels) by 2030. Following this revision, the European Commission updated several regulatory acts for the implementation of the ETS.

This initiative updated the rules for monitoring and reporting emissions, which define in detail the regulated entities (according to the amendment to the ETS directive, the EU ETS II system includes the regulated entities supplying fuel to buildings, the road transport and additional sectors) that will be required to purchase the emission allowances to cover the greenhouse gas emissions of the fuel they used at the auctions.

Date of adoption: 10 May 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated but expected not to have a significant impact on the Group level.

Revision of the Energy Efficiency Directive

To ensure that the EU's 2030 target of reducing greenhouse gas emissions by at least 55% (compared to 1990) can be met, the revised Energy Efficiency Directive was adopted on 13 September 2023. The revised directive raises new EU energy efficiency targets to reduce the EU's final energy consumption by 11.7% by 2030 as well as sets requirements for the EU countries to achieve cumulative end-use energy savings for the entire obligation period (running from 2021 to 2030). Also, the directive establishes "energy efficiency first" as a fundamental principle of the EU's energy policy, therefore, energy efficiency must be considered by the EU countries in all relevant policy and major investment decisions made in the energy and non-energy sectors. According to the directive, Member States have obligations to prioritise vulnerable customers and social housing within the scope of their energy savings measures and to put a stronger focus on alleviating energy poverty. Additionally, the directive expands the scope of energy audit obligations to include all those companies, regardless of their size (i.e., including small and medium enterprises), which are consuming energy above a certain threshold and makes energy management systems a mandatory requirement for large industrial energy consumers.

Date of adoption: 13 September 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated.

Introduction of Wind Power Package

On 24 October 2023, the European Commission (EC) published the Wind Power Package, which includes Communication on the Wind Power Action Plan and Communication on delivering the EU offshore renewable energy ambitions. The Wind Power Action Plan sets out 15 actions that should be urgently taken together by the EC, the Member States and the industry to support EU companies in the wind sector and improve their competitiveness to ensure that the EU wind industry can continue to play a key role in the green transition.

The Communication on delivering the EU offshore renewable energy ambitions underlines the EC's continued commitment to offshore renewable energy and reaching the new offshore ambitions. It also takes stock of the progress achieved so far and addresses the main challenges ahead and proposes a way forward to realise the new offshore targets.

Two of the actions outlined in the Wind Power Action Plan have already been taken. Firstly, 26 national Ministers of Energy and high-level representatives of the wind sector have committed to a European Wind Charter, which contains a number of voluntary commitments aimed to align and swiftly implement the actions of the EC, the Member States and the wind sector. Secondly, 21 Member States have committed to specific, concrete pledges on wind energy deployment volumes for at least the 2024–2026 period.

Date of adoption: 24 October 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's <ins>Strategy</ins>.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: EU wide (cont.)

Hydrogen and gas markets decarbonisation package

The Council and the Parliament reached a provisional political agreement on a (i) regulation that establishes common internal market rules for renewable and natural gases and hydrogen; and (ii) the directive to establish common rules for the internal markets in renewable and natural gases and in hydrogen. The package is part of the Fit for 55 package. They are aimed at creating a regulatory framework for dedicated hydrogen infrastructure and markets and integrated network planning. They also establish rules for consumer protection and strengthen security of supply.

(i) Hydrogen and Gas Regulation
The purpose of regulation is to facilitate the penetration of renewable and low-carbon gases into the energy system, in particular hydrogen and biomethane. Relevant novelties include the following:
- provides for a separate new entity in the hydrogen sector: an EU entity for Hydrogen Network Operators (ENNOH);
- provisions allowing member states to adopt restrictions to the supply of natural gas, including liquefied natural gas (LNG), from Russia or Belarus;
- establish default provisions to operationalise the solidarity principle in case of a crisis, where bilateral agreements are not in place;
- for the hydrogen market every national regulatory authority must consult the neighbouring national regulatory authorities on the draft tariff methodology and submit it to the Agency for the Cooperation of Energy Regulators (ACER);
- acknowledgment of the EU's ambition to increase production of biomethane.

(ii) Hydrogen and Gas Directive
The directive seeks to facilitate the penetration of renewable and low-carbon gases into the energy system, enabling a shift from natural gas, with a view to reaching the EU's goal of climate neutrality in 2050.

Relevant novelties include the following:
- agreed on the split between Transmission System Operators (TSOs) and Distribution System Operators (DSOs) for hydrogen;
- member states must ensure that the right to switch supplier or market participant is granted to customers in a non-discriminatory manner in terms of cost, effort and time;
- member states empowered to decide how to protect vulnerable customers from disconnections;
- increased coordination between network development plans for hydrogen, electricity and natural gas is established.

Date of adoption: regulation - 15 December 2023 (proposal); directive - 14 December 2023 (proposal)

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

REMIT

The European Union has agreed on the regulation to improve the EU's protection against market manipulation in the wholesale energy market (REMIT). The REMIT regulation supports an open and fair competition in the European wholesale energy markets and sets the ground for increased market transparency and integrity.

REMIT is part of a wider reform of the EU's electricity market design. Relevant regulatory updates include the following:
- market participants are obliged to ensure that their representative has the necessary powers and means to ensure the market participant's efficient and timely compliance with the decisions and cooperation with the requests for information of the national regulatory authorities or the European Union Agency for the Cooperation of Energy Regulators (ACER);
- review of ACER's decision-making powers and competence to impose sanctions. ACER will now be able to conduct on-site inspections and issue requests for information as well as make statements;
- establishing the objection procedures to the exercise of ACER's investigation power;
- sanctions for legal and natural persons for the breaches of REMIT.

Date of adoption: 13 December 2023 (proposal)

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated but expected not to have a significant impact on the Group level.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Pan-Baltic

EU electricity market design update

The European Union has agreed to reform the EU's electricity market design to:

- accelerate a surge in renewables and the phase-out of gas;
- make consumer bills less dependent on volatile fossil fuel prices;
- better protect consumers from future price spikes and potential market manipulation;
- make the EU's industry clean and more competitive.

The new electricity market design aims to make electricity prices less dependent on volatile fossil fuel prices, protect consumers from price spikes, speed up the energy transition and improve consumer protection. Among the measures agreed on are the promotion of power purchase agreements (PPAs), two-way contracts for differences (CfDs) for new power plants, the establishment of a capacity mechanism by member states with no limits on CO_2 emissions by the end of 2028, the establishment of freedom to choose an electricity supplier, etc.

Other relevant regulatory updates include the following:

- introduction of dedicated measurement devices and energy sharing;
- updated network tariff methodologies;
- enhanced role of flexibility;
- defined TSO/DSO cooperation;
- updated activities of the supplier of last resort, etc.

Date of adoption: 19 December 2023 (proposal)

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Agreement to synchronise the grids of the Baltic countries with the Continental Europe

On 2 August 2023 TSOs of Lithuania, Latvia, and Estonia, agreed on concrete steps and terms to synchronise the electricity networks of the Baltic countries with the Continental Europe, which will take place in February 2025. This is almost a year earlier than the previous deadline of the end of 2025. The agreement also stipulates that in the summer of 2024, half a year before the synchronisation, the Baltic countries will jointly withdraw from the BRELL contracts concluded with Russian and Belarusian operators. On 19 December 2023 the European Commission and the representatives of the Governments of Estonia, Latvia, Lithuania and Poland signed a corresponding political declaration, confirming their commitment to proceed at full speed to connect the electricity networks of the three Baltic states with the Continental Europe via Poland by February 2025. The Harmony Link project for synchronizing electricity grids with Europe is being considered to be replaced by an onshore connection instead of connection via the Baltic Sea.

Date of adoption: 2 August 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

ACER Decision No 17/2023 on the alternative bidding zone configurations to be considered in the bidding zone review process for the Baltic region

On 21 December 2023 ACER has reached a decision that no alternative electricity bidding zone configurations need to be investigated in the Baltic region. The procedure to decide started on 26 September 2023. ACER's Decision is based on the feedback received from stakeholders in 2021, as well as on the following information provided by Transmission System Operators (TSOs): (i) the alternative configurations previously submitted to ACER; and (ii) the outcome of locational marginal pricing simulations (following the bidding zone review methodology approved in November 2020). ACER concludes that the current bidding zone configuration in the Baltic region is adequate, and no alternatives should be sought with priority. Nonetheless, this conclusion does not preclude the possibility to investigate potential mergers of the Baltic bidding zones in future reviews.

Date of adoption: 21 December 2023

Relevance to the Group's business segments:

Impact on the Group: As of report announcement date, financial impact cannot be evaluated.

Green Generation | Networks | Customers & Solutions | Reserve Capacities

Regulatory environment: Lithuania

Lithuanian offshore wind legal framework

The Lithuanian government has been very active in developing the legal framework for offshore wind tenders and has adopted several laws and secondary legislation to define and improve the conditions for offshore tenders. The Lithuanian government decided to launch two offshore tenders:

- the first non-incentive offshore tender for the development of an offshore wind farm with a maximum permitted generation capacity of 700 MW and a minimum installed capacity of 580 MW was launched on 30 March 2023 and finished on 12 October 2023. Ignitis Renewables and its partner Ocean Winds were announced as the winners of the tender after bidding with the highest development fee of EUR 20 million;
- the second offshore tender with the application of incentive measures for the development of an offshore wind farm with a maximum permitted generation capacity of 700 MW and a minimum installed capacity of 700 MW. The tender is expected to be launched on 15 January 2024, following the European Commission's decision not to raise objections to the Lithuanian support scheme for offshore wind farms as of 4 October 2023 on the grounds that the aid under this support scheme is compatible with EU State aid rules. The maximum CfD price for the second tender was calculated and set by the National Energy Regulatory Council at 107.18 EUR/MWh and the minimum CfD price was set at 64.31 EUR/MWh.

Date of adoption: over the year 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Introduction of the installed capacity cap

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

- Resolution No. 66 established that after the limit of 2 GW of installed capacity of solar power plants is reached, further development of solar power plants will be carried out while applying the connection and operation restrictions (curtailment);
- Resolution No. 65 established the proportion of the grid capacities allocated for onshore wind and solar photovoltaic power plants.

Additionally, on 6 March 2023, the Lithuanian National Energy Regulatory Council adopted the LITGRID AB Description of the Procedure for the Use of Electricity Transmission Networks, which, among other things, set out rules for the further development of solar power plants after the limit of 2 GW of installed capacity is reached. On 7 November 2023 the Constitutional Court of Republic of Lithuania issued a Ruling on the Law on Energy from Renewable Sources and Resolution No. 66, which determined that the actions to be taken after the limit of 2 GW of installed capacity of solar power plants is reached, and the status and of network users that have already started the procedure of requesting access to the network by the time the limit was reached needed to be regulated by law. Hence on 19 December 2023 the Amendments to the Law on Energy from Renewable Sources were adopted by the Parliament, establishing that:

- after the limit of 2 GW of installed capacity of solar power plants is reached, further development of such power plants shall be allowed while applying connection and operation restrictions (curtailment);
- network users that have already started the procedure of requesting access to the network by the time the limit of 2 GW of installed capacity of solar power plants was reached shall develop their projects with a percentage of curtailment determined by the regulatory authority;
- after the limit of the generation capacity prescribed by the Government to the prosumers is reached, further development of prosumer power plants shall be allowed while applying connection and operation restrictions (curtailment).

Moreover, according to the Council Regulation 2022/1854, the regulation of mandatory cap on market revenues on inframarginal rents expired on the 30 June 2023.

Date of adoption: 1 February 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, a negative but not significant impact is expected on the Group level.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania (cont.)

Limiting the electricity suppliers' flexibility in B2C contract terms

The amendments to the Law on Electricity of the Republic of Lithuania stipulate that the new contracts with private customers, small and very small enterprises will prohibit suppliers:

- from unilateral contract termination by the clients;
- from asking to return any received discounts in case of unilateral contract termination by the clients;
- from switching fees or penalties for unilateral contract termination;
- from introducing termination fees when concluding new contracts.

Date of adoption: 27 April 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated.

Regulation of long term inter-zonal hedging products

Lithuanian regulator (NERC), pursuant to European Commission regulation, has obliged AB "Litgrid" (TSO), within the timeframe of 6 months, to ensure that wholesale electricity market participants have the possibility to purchase long term inter-zonal hedging products within the timeframe. However, TSO delays in implementing this commitment without the need to provide long-term transmission rights.

Date of adoption: 27 June 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected.

Amendments to the Methodology of separating the heat and electricity costs of cogeneration plants

The amendments to the Methodology of separating the heat and electricity costs of cogeneration plants are changing how the electricity revenues generated by a CHP are treated when the plant is in condensing mode due to the excess heat demand. The main changes include the following:

- changes in the wording and allocation of fixed costs by classifying repairs and servicing costs as fixed costs;
- changes how the electricity revenues generated by a CHP are treated when the plant is in condensing mode due to the excess heat demand;
- changes to the principles of the redistribution of a share of WtE cogeneration plant's profits/losses.

Date of adoption: 28 September 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania (cont.)

Changes related to the state-owned companies' and their subsidiaries' right to provide humanitarian aid

According to the amendment to the Law on Development Cooperation and Humanitarian Aid, state-owned companies and their subsidiaries will now be able to provide humanitarian aid in the form of assets and cash after obtaining approvals and recommendations from competent authorities. This will allow the Group companies to contribute to providing aid to countries affected by disasters or war, including the EUR 12 million aid to the Ukraine as agreed by the General Meeting of Shareholders of the parent company on 30 March 2023.

Date of adoption: 14 December 2023

Relevance to the Group's business segments: The Group

Impact on the Group: as planned and approved by the General Meeting of Shareholders of the parent company on 30 March 2023.

Introducing the net-billing accounting system

There have been several amendments made to the laws (the Law on Energy from Renewable Sources and the Law on Electricity) to introduce the net-billing accounting system.

The amendments also include the following changes and requirements:

– setting a target of at least 55% of electricity produced from renewable energy sources compared to electricity consumption by 2030;

– ensuring a harmonious and balanced development of power plants using renewable energy resources;

– clarifying the conditions and procedures for connecting and accessing electricity networks to/by the hybrid power plants and storage facilities as well as amending the rules for network capacity reservation and changing the type of activities in the electricity sector.

Date of adoption: 19 December 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Announcement on draft Hydrogen Guidelines 2024–2050

On 8 December 2023, the Lithuanian Government announced public consultations on the draft Hydrogen Guidelines 2024–2050. It is Lithuania's main strategic document for creating the regulatory environment for hydrogen, promoting hydrogen use in the transport sector and the industrial sector, promoting synergies between the hydrogen and the electricity sectors, creating hydrogen valleys and transport systems, evaluating hydrogen storage possibilities, establishing a hydrogen competence development system.

Date of adoption: planned approval in Q1 2024

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Lithuania (cont.)

Amendments to the Methodology for determining the price caps for electricity transmission, distribution and public supply services

ESO (Networks) has agreed with the regulator (NERC) to amend the repayment period of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC upgraded the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO net debt/ ESO adjusted EBITDA, both calculated based on NERC approved methodology), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.

According to the amendment, the regulatory differences for B2C customers (EUR 57.1 million, including accrued interest) will be repaid over a period of 2 years and 3 months (from on 1 April 2024 to 30 June 2026). For B2B customers (EUR 100.6 million, including accrued interest), the repayment period is 7 years and 9 months (from 1 April 2024 to 31 December 2031).

The regulatory difference mentioned above relates to the changes in the Networks methodology in 2021 and, in turn, the recalculated ROI and D&A for the period 2018–2021. Accordingly, after the agreement made the Methodology for determining the price caps for electricity transmission, distribution and public supply services has been changed.

Date of adoption: 5 January 2024

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected.

The ongoing network modernisation

Regulatory environment: Latvia

Amendments to the Energy Law and the Electricity Market Law

On 14 July 2023 the Latvian Parliament approved amendments to the Energy Law and the Electricity Market Law. The new regulations provide the following:

- increasing the ability of households and businesses to produce and consume their own energy. Regulations allow apartment and home owners to agree on shared solar projects for personal consumption;
- simplifying the procedure for applying for permits for electricity generation facilities;
- introducing the regulations on active users, electricity sharing, energy communities, and the expansion of the net-metering system, which can be used by both individuals and legal entities;
- introducing payments to municipalities for wind farm development as a form of compensation for the inconvenience caused by the wind farm development;
- stipulating that from now on permits for the development of power generation facilities will be required from the Ministry of Economics only if the planned generation capacity exceeds 500 kW (currently the limit is indicated at 11.1 kW).

Date of adoption: 14 July 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Changes in capacity permits regulation

New regulations on permits for the development of new electricity production equipment or for increasing the electricity production capacity have been introduced. Permits will now be issued by the State Construction Control Bureau.

The security deposit to develop a new power generation facility, increase or renew power generation capacity is EUR 200 for each MW provided in the permit. Additionally, hybrid have been made available for the development of hybrid energy generation facilities, solar and wind power plants. In the application for obtaining a hybrid permit, the developer has to indicate the production capacity and the percentage of the power of each type of the power plant. If one type of the power plants is being developed with a lower capacity than specified in the hybrid permit, the capacity of the other power under development must be reduced according to the proportion specified in the hybrid permit after the limit of the generation capacity prescribed by the Government to the prosumers is reached, further development of prosumer power plants shall be allowed while applying connection and operation restrictions (curtailment)

Date of adoption: Q4 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Regulatory environment: Estonia

Proposal to amend the Estonian Building Code

Currently, in order to construct an offshore wind farm in Estonia, a separate superficies licence, a water permit and a building permit are needed. The legislative amendments consolidate the previous requirements of three different permitting procedures (the superficies license, the environmental permit for special water use (water permit), and the building permit) into a single consolidated offshore wind farm superficies license. Also, a state fee for the superficies licences has been introduced, which must be paid after the decision to initiate the superficies licence procedure is made. The amount of the state fee may be adjusted based on the environmental impact assessment (EIA). The EIA proceedings are streamlined and should take less time than under the current regulations.

Date of adoption: planned approval in H1 2024

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Poland

Amendments to the Renewable Energy Sources Act

On 1 October 2023, the amendments to the Renewable Energy Sources Act (the "RES Act") entered into force. The new rules implemented the provisions of the EU directive RED II on the support of renewable energy in the electricity and heat markets. The changes included, inter alia, introduction of an expanded definition of the "modernisation" of a RES installation to the RES Act, and such modernised RES facilities shall be eligible to participate in auctions for the sale of electricity, together with new RES installations (there will be no separate auctions for modernised facilities). Two support systems for modernised installations using different types of biogas, hydropower or biomass were also introduced, one for the installations with a capacity less than 500 kW (feed-in-tariff) and the other for those with a capacity not less than 500 kW, however, not exceeding 1 MW (feed-in premium). Moreover, certain regulations on the promotion of energy clusters and the use of biomethane were also introduced. At the same time, the amendment increased the total capacity of offshore wind farms to be covered by the auction system for such installations from 5 GW to 12 GW, adding two additional auctions to be held in 2029 and 2031.

Date of adoption: 1 October 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

Energy Price Caps Act

On 31 December 2023, an amendment to the Energy Price Caps Act came into force. It extends the validity of the mechanism for freezing the energy prices for end-consumers, but from the perspective of the renewable energy producers, the most important change concerns the means of financing the Price Difference Payment Fund (in Polish, Fundusz Wypłaty Różnicy Ceny). From 1 January 2024 to 30 June 2024, the fund will be financed exclusively from the contributions paid by the entities extracting natural gas from deposits located on the territory of Poland, which means that energy producers as well as energy traders will no longer be obliged to pay the write-offs to the fund.

Date of adoption: 7 December 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected on the Group level.

Auctions

In November 2023 the President of the Energy Regulatory Office held seven auctions for the sale of electricity to be generated from renewable energy sources. Out of those seven auctions, only two were conclusive, i.e., an auction for PV and onshore wind farms with a capacity not exceeding 1 MW and one with a capacity exceeding this value respectively. Photovoltaic power plants made up 97% of all the winning offers. Nearly 88 TWh of electricity with a maximum value of about PLN 40,8 billion was auctioned for sale, but in the end only 6 TWh were contracted (with a value of nearly PLN 2 billion). The auctions for RES installations using biomass and non-farm biogas, for new farm biogas plants with a capacity exceeding 1 MW and for RES installations using bioliquids, geothermal and hydropower installations were not resolved due to the insufficient number of offers.

Date of adoption: November 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, no significant financial impact is expected on the Group level.

Green Generation Networks Customers & Solutions Reserve Capacities

Regulatory environment: Poland (cont.)

Amendments to the Energy Law

Amendments to the Energy Law included the following:

1. Termination of energy supply fixed-term agreements.
According to the amendment to the Article 4j(3a) of the Energy Law, the end consumer may terminate the contract concluded for a fixed period without incurring costs and compensations other than those resulting from the content of the contract by submitting a declaration of its termination to the trading company. The amount of these costs and compensation may not exceed the amount of direct economic losses suffered by the trading company as a result of the termination of the contract by the end consumer.

2. Dynamic price contracts.
A trading company selling energy to at least 200,000 end users is obliged to offer the sale of electricity under a contract with a dynamic electricity price and publish offers for a contract with a dynamic electricity price on its website. A contract with a dynamic price reflects the market price fluctuations. (Article 5(4g) of the Energy Law).

Date of adoption: 24 October 2023

Relevance to the Group's business segments:

Impact on the Group: as of report announcement date, financial impact cannot be evaluated.

Elections and new Government in Poland

Following the elections in October 2023, a new centre-right coalition government was sworn in on 13 December 2023. A change in the policy directions towards RES and green energy is expected, as already in November 2023 the soon-to-be coalition proposed a law amendment, which included liberalization of rules for the location and construction of wind farms in Poland, i.e., reduction the minimum distance of wind turbines from 700 to 500 meters. The changes also included provisions regarding locating wind farms dependent on the intensity of the sound they emit, and not, as currently, on their height. The provision have not been adopted yet and will constitute subject of a separate act in the future. In addition, this government is also expected to implement the RED III Directive.

Date of adoption: 13 December 2023

Relevance to the Group's business segments:

Impact on the Group: overall a positive impact as amendments aim to accelerate the energy transition which is in line with the Group's Strategy.

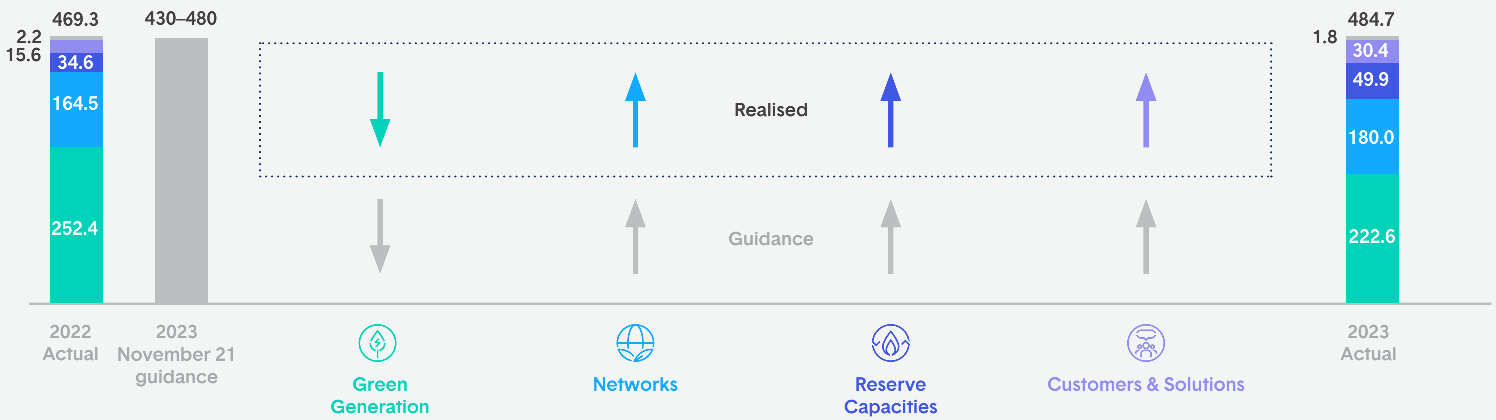
Results

3.1 Annual results

Follow-up on 2023 guidance

In the outlook provided in our Annual report 2022 and reiterated in all of our interim reports during 2023 we expected Group's Adjusted EBITDA for 2023 to be in the range of EUR 430–480 million. Adjusted EBITDA amounted to EUR 484.7 million and surpassed the higher end of our guidance communicated to the market by 1.0%. The outperformance was observed across all business segments with Reserve Capacities exceeding the expectations the most due to better market conditions (favourable clean spark spread) during Q4 2023. Additionally, results of all our segments were in line with provided directional guidance.

Adjusted EBITDA APM, EURm



Guidance history, EURm

28 February 2022	430–480
23 May 2023	430–480
22 August 2023	430–480
21 November 2023	430–480

Revenue

In 2023, total revenue decreased by EUR 1,837.8 million compared to 2022 and amounted to EUR 2,549.1 million. The decrease was recorded across all business segments, and the largest decrease occurred in the Customers & Solutions segment. A more detailed information is provided in section '6 Consolidated financial statements', note '6 Revenue'.

- Customers & Solutions segment's revenue was EUR 1,437.0 million lower than in 2022. The YoY decrease in revenue was recorded in both electricity and natural gas businesses. Revenue from natural gas business decreased (EUR -758.8 million), mainly due to a lower average TTF gas price index (-63.1%) and lower volume supplied (-33.8%). Revenue from electricity business also decreased (EUR -679.4 million) due to lower market prices (-58.7% average price in the Lithuanian market area) and lower retail volume supplied (-13.7%).
- Green Generation segment's revenue was EUR 115.8 million lower than in 2022. Revenue decreased primarily as a result of lower captured electricity prices, mainly due to the overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland (CfD price is significantly lower compared to electricity market prices). In 2023 Pomerania WF sold 100% of the total electricity generated under the CfD subsidy scheme, while in 2022 only around 27% of the total electricity generated by the wind farm was sold under CfD.
- Reserve Capacities segment's revenue was EUR 112.2 million lower than in 2022. The decrease was driven by lower revenue from regulated activities (EUR -76.6 million), mainly due to additional regulatory revenue (EUR -64.6 million) in 2022, covering the expenses related to the acquisition of a supplementary natural gas reserve, and lower commercial activities (EUR -35.7 million), driven by lower market prices compared to 2022.

Consolidated statement of profit or loss, EURm

	2023	2022	Δ	Δ, %	2023	2022	Δ	Δ, %
	Adjusted				Reported			
Total revenue	**2,526.4**	**4,316.5**	***(1,790.1)***	***(41.5%)***	**2,549.1**	**4,386.9**	***(1,837.8)***	***(41.9%)***
Purchase of electricity, natural gas and other services	(1,757.7)	(3,608.7)	*1851.0*	*(51.3%)*	(1,757.7)	(3,608.7)	*1851.0*	*(51.3%)*
Ineffective energy hedging result	(8.1)	(18.5)	*10.4*	*(56.2%)*	(8.1)	(18.5)	*10.4*	*(56.2%)*
OPEX APM	(275.9)	(220.0)	*(55.9)*	*25.4%*	(275.9)	(220.0)	*(55.9)*	*25.4%*
Salaries and related expenses	(136.7)	(115.8)	*(20.9)*	*18.0%*	(136.7)	(115.8)	*(20.9)*	*18.0%*
Repair and maintenance expenses	(61.1)	(40.6)	*(20.5)*	*50.5%*	(61.1)	(40.6)	*(20.5)*	*50.5%*
Other OPEX	(78.1)	(63.6)	*(14.5)*	*22.8%*	(78.1)	(63.6)	*(14.5)*	*22.8%*
EBITDA APM	**484.7**	**469.3**	***15.4***	***3.3%***	**507.4**	**539.7**	***(32.3)***	***(6.0%)***
Depreciation and amortization	(153.1)	(137.7)	*(15.4)*	*11.2%*	(153.1)	(137.7)	*(15.4)*	*11.2%*
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.1)	(14.2)	*12.1*	*(85.2%)*	(2.1)	(14.2)	*12.1*	*(85.2%)*
Operating profit (EBIT) APM	**329.5**	**317.4**	***12.1***	***3.8%***	**352.2**	**387.8**	***(35.6)***	***(9.2%)***
Finance activity, net	(15.1)	(27.1)	*12.0*	*(44.3%)*	1.7	(50.5)	*52.2*	*n/a*
Income tax (expenses)/benefit	(27.8)	(34.3)	*6.5*	*(19.0%)*	(33.7)	(43.9)	*10.2*	*(23.2%)*
Net profit	**286.6**	**256.0**	***30.6***	***12.0%***	**320.2**	**293.4**	***26.8***	***9.1%***
Basic earnings per share (in EUR) APM	4.42	4.04	*0.38*	*9.4%*	4.42	4.04	*0.38*	*9.4%*
Dividends per share (in EUR) APM	1.29	1.24	*0.05*	*4.0%*	1.29	1.24	*0.05*	*4.0%*

Revenue, EURm

	2023	2022	Δ	Δ, %
Customers & Solutions	1,646.8	3,083.8	*(1,437.0)*	*(46.6%)*
Networks	592.0	681.1	*(89.1)*	*(13.1%)*
Green Generation	342.6	458.4	*(115.8)*	*(25.3%)*
Reserve Capacities	128.5	240.7	*(112.2)*	*(46.6%)*
Other activities and eliminations	(160.8)	(77.1)	*(83.7)*	*108.6%*
Total revenue	**2,549.1**	**4,386.9**	***(1,837.8)***	***(41.9%)***

- Networks segment's revenue was EUR 89.1 million lower than in 2022. The decrease was mainly driven by lower revenue from electricity transmission (EUR -97.4 million), due to lower tariffs set by the regulator, and lower revenue from the supply of last resort (EUR -45.8 million), due to lower electricity market prices. The result was partly offset by higher revenue from natural gas distribution (EUR +31.2 million) and electricity distribution (EUR +17.5 million) as higher electricity and natural gas distribution tariff components were approved by the regulator. The increase in tariffs was related to expectations that expenses from technological losses would be higher as a result of increasing electricity and natural gas prices.

EBITDA

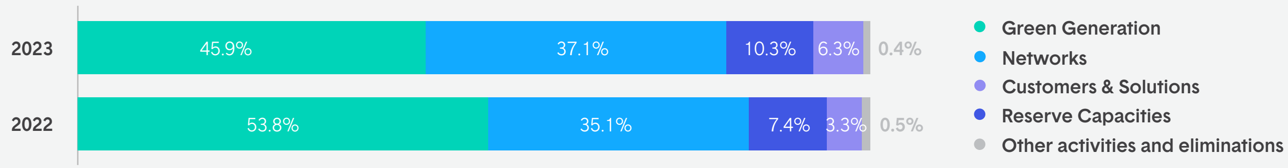
Adjusted EBITDA amounted to EUR 484.7 million in 2023 and was EUR 15.4 million, or 3.3%, higher than in 2022.

- Green Generation segment's Adjusted EBITDA was EUR 29.8 million lower than in 2022. Adjusted EBITDA decreased primarily as a result of lower captured electricity prices, mainly due to the overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland. In 2023 Pomerania WF sold 100% of the total electricity generated under the CfD subsidy scheme, while in 2022 only around 27% of the total electricity generated by the wind farm was sold under CfD. Additionally, the Adjusted EBITDA decrease was also influenced by intensive expansion, which led to increased operating expenses.
- Networks segment's Adjusted EBITDA was EUR 15.5 million higher than in 2022, mainly due to the higher RAB effect (EUR +10.7 million).
- Reserve Capacities segment's Adjusted EBITDA was EUR 15.3 million higher than in 2022. The increase was related to the commercial activities' result (EUR +17.7 million), driven by utilised optionality to earn additional return in the market on top of the regulated return.
- Customers & Solutions segment's Adjusted EBITDA was EUR 14.8 million, higher than in 2022. The increase of the results was recorded in both electricity and natural gas supply businesses. In 2023 the electricity B2B segment turned profitable (in 2022 it experienced significant losses), mainly due to the resolved ineffective hedging, while the natural gas business recorded a positive effect as a result of adjusted methodology for calculation of income related to consumer over-declaration.

EBITDA, EURm

	2023	2022	Δ	Δ, %
Green Generation	222.6	252.4	*(29.8)*	*(11.8%)*
Networks	180.0	164.5	*15.5*	*9.4%*
Reserve Capacities	49.9	34.6	*15.3*	*44.2%*
Customers & Solutions	30.4	15.6	*14.8*	*94.9%*
Other activities and eliminations	1.8	2.2	*(0.4)*	*(18.2%)*
Adjusted EBITDA APM	**484.7**	**469.3**	***15.4***	***3.3%***

EBITDA, EURm



Operating profit (EBIT)

In 2023, Adjusted EBIT amounted to EUR 329.5 million and was EUR 12.1 million, or 3.8%, higher than in 2022. The main effect of the increase was higher Adjusted EBITDA (EUR +15.4 million) (the reasons behind the increase are described in the 'EBITDA' section above) and lower write-off and impairment expenses (EUR +12.1 million), which were partly offset by higher depreciation and amortisation expenses (EUR -15.4 million).

Operating profit (EBIT), EURm

	2023	2022	Δ	Δ, %
Green Generation	193.4	221.7	*(28.3)*	*(12.8%)*
Networks	77.1	62.6	*14.5*	*23.2%*
Reserve Capacities	39.1	23.1	*16.0*	*69.3%*
Customers & Solutions	27.3	13.4	*13.9*	*103.7%*
Other activities and eliminations	(7.4)	(3.4)	*(4.0)*	*117.6%*
Adjusted EBIT APM	**329.5**	**317.4**	***12.1***	***3.8%***

Net profit

Adjusted Net Profit amounted to EUR 286.6 million in 2023 and was 12.0% higher than in 2022. The increase is related to the positive EBIT impact (EUR +12.1 million) and lower income tax expenses (EUR +6.5 million). Additionally, the effect of higher interest expenses (EUR -5.0 million) was outweighed by higher interest income (EUR +15.9 million). The reported net profit increase was partially related to the successful activities of Smart Energy Fund.

Investments

In 2023, Investments amounted to EUR 937.1 million and were EUR 415.3 million, or 79.6%, higher compared to 2022. The increase was driven by new Green Generation projects and higher Networks Investments.

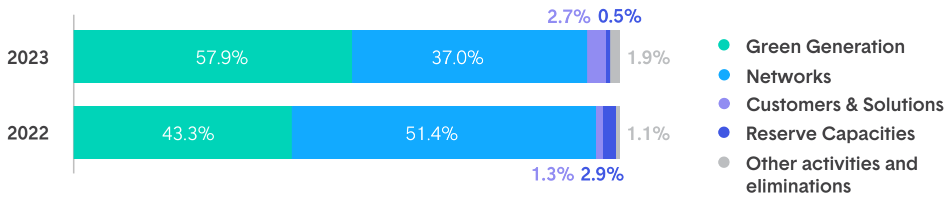
The largest share of Investments made were in the Green Generation segment (57.9% of total Investments). In total, Investments in the Green Generation segment more than doubled and reached EUR 542.7 million. The majority of Green Generation Investments were directed towards onshore wind farms in Lithuania and Poland, mainly in Kelmė WF I and II, Silesia WF I and II, Vilnius CHP's biomass unit as well as Kruonis PSHP expansion project.

Investments in the Networks segment in 2023 amounted to EUR 346.8 million and were 29.4%, or EUR 78.7 million, higher compared to 2022. Investments in the expansion of the electricity distribution network (excluding smart meters) increased by EUR 56.9 million, or 47.0%, and amounted to EUR 178.0 million. The main reasons behind the increase were higher number of new connections and upgrades as well as higher contractor fees. Additionally, Investments in smart meters increased by EUR 21.0 million in comparison to 2022 and amounted to EUR 44.7 million.

In 2023, grants and Investments covered by customers amounted to EUR 74.7 million and accounted for 8.0% of the total Investments. A part of the Investments into the Networks segment that is related to new connections, upgrades and infrastructure equipment transfers was covered by customers (EUR 58.8 million). Also, the Group received EUR 15.9 million in grants for Investments during 2023, which were related to the Vilnius CHP project (EUR 9.4 million) and the maintenance of electricity and natural gas distribution networks (EUR 6.5 million).

In 2023, EUR 686.6 million of the Investments were made in Lithuania. This amount represents 73.3% of the total Investments. The second largest share of Investments (EUR 208.9 million) was made in Poland.

Distribution of Investments, 2023, %



Investments by segment, EURm

	2023	2022	Δ	Δ, %
Green Generation	542.7	226.2	*316.5*	*139.9%*
Onshore wind	386.3	130.7	*255.6*	*195.6%*
Biomass / WtE	53.4	63.8	*(10.4)*	*(16.3%)*
Offshore Wind	50.8	20.8	*30.0*	*144.2%*
Solar	26.8	9.4	*17.4*	*185.1%*
Other	25.4	1.5	*23.9*	*1,593.3%*
Networks	346.8	268.1	*78.7*	*29.4%*
Total electricity network investments:	319.2	243.8	*75.4*	*30.9%*
Expansion of electricity distribution network (excl. smart meters)	178.0	121.1	*56.9*	*47.0%*
Expansion of electricity distribution network (smart meters)	44.7	23.7	*21.0*	*88.6%*
Maintenance of the electricity distribution network	96.6	99.0	*(2.4)*	*(2.4%)*
Total gas network investments:	14.6	14.7	*(0.1)*	*(0.7%)*
Expansion of gas distribution network	7.8	8.3	*(0.5)*	*(6.0%)*
Maintenance of the gas distribution network	6.8	6.4	*0.4*	*6.2%*
Other	12.9	9.6	*3.3*	*34.4%*
Customers & Solutions	25.0	6.8	*18.2*	*267.6%*
Reserve Capacities	4.9	15.0	*(10.1)*	*(67.3%)*
Other activities and eliminations	17.7	5.7	*12.0*	*210.5%*
Investments APM	**937.1**	**521.8**	***415.3***	***79.6%***
Total grants and Investments covered by customers:	(74.7)	(71.2)	*(3.5)*	*4.9%*
Grants	(15.9)	(29.0)	*13.1*	*(45.2%)*
Investments covered by customers[1]	(58.8)	(42.2)	*(16.6)*	*39.3%*
Investments (excl. grants and investments covered by customers)	**862.4**	**450.6**	***411.8***	***91.4%***

Investments by countries, EURm

	2023	2022	2023, %	2022, %
Lithuania	686.6	412.1	*73.3%*	*79.0%*
Poland	208.9	86.4	*22.3%*	*16.6%*
Other countries[2]	41.6	23.3	*4.4%*	*4.5%*
Total Investments:	**937.1**	**521.8**	***100.0%***	***100.0%***

[1] Investments covered by customers include new connections and upgrades, and infrastructure equipment transfers.
[2] Other countries mainly represent Investments in the United Kingdom and Latvia.

Capital Employed

Capital Employed

As of 31 December 2023, the Group's Capital Employed amounted to EUR 3,580.9 million and increased by EUR 468.4 million compared to 31 December 2022, mainly due to significant investments made.

Equity

As of 31 December 2023, Equity increased by EUR 137.8 million, or 6.5%, compared to 31 December 2022, mostly due to net profit earned in 2023 (EUR +320.2 million). The increase was partly offset by the dividends paid (EUR -91.7 million) and the decline in hedging reserve (EUR -102.3 million), resulting from the deteriorated market prices to hedged prices ratio, which was very high last year due to extreme market prices. A more detailed information is provided in section '8 Consolidated financial statements', note '23 Equity'.

Net Working Capital

As of 31 December 2023, Net Working Capital amounted to EUR 175.2 million and decreased by EUR 268.1 million compared to 31 December 2022. The decrease was mainly driven by lower energy prices. The drivers behind the changes were the following:

- a decrease in total inventory (EUR -295.6 million), mainly in Customers & Solutions (EUR -288.4 million), due to the decrease in value of stored natural gas mainly due to lower market prices;
- lower trade receivables (EUR -158.5 million), mainly in Customers & Solutions (EUR -142.1 million), due to lower energy prices and lower volumes sold;
- lower prepayments (EUR -77.2 million), mainly in Reserve Capacities, mostly due to significant prepayments made in Q4 2022 for natural gas to fix the clean spark spread.

The decrease was partly offset by:

- a decrease in mark-to-market (MtM) reserve related to the Nasdaq commodities market (the cash part of all open derivatives positions[1]) (EUR +98.5 million);
- lower VAT payables (EUR +89.2 million);
- a decrease in the current portion of deferred revenue (EUR +79.6 million).

Additionally, in 2023 the Group started using trade financing agreements. As at December 31 2023, trade financing amounted to EUR 123.6 million. Trade financing agreements influenced the decrease of Net Working Capital as they are accounted as trade payables, due to which the trade payables' amounts remained at the same level despite the decrease in energy prices and volumes purchased.

Capital employed, EURm

	31 Dec 2023	31 Dec 2022	Δ	Δ, %
Non-current assets	4,216.9	3,249.5	*967.4*	*29.8%*
Net Working Capital APM	175.2	443.3	*(268.1)*	*(60.5%)*
Other assets	15.4	68.9	*(53.5)*	*(77.6%)*
Grants and subsidies	(300.1)	(296.8)	*(3.3)*	*1.1%*
Deferred income	(241.6)	(205.5)	*(36.1)*	*17.6%*
Deferred tax liabilities	(87.4)	(55.2)	*(32.2)*	*58.3%*
Non-current provisions	(60.7)	(17.6)	*(43.1)*	*244.9%*
Other assets and liabilities	(136.8)	(74.2)	*(62.6)*	*84.4%*
Capital Employed APM	**3,580.9**	**3,112.5**	***468.4***	***15.0%***
Equity	**2,263.4**	**2,125.6**	***137.8***	***6.5%***
Net Debt APM	**1,317.5**	**986.9**	***330.6***	***33.5%***
Adjusted ROCE APM	9.8%	10.7%	*(0.9 pp)*	*n/a*

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

Financing

Net Debt

As of 31 December 2023, Net Debt amounted to EUR 1,317.5 million and increased by 33.5%, or EUR 330.6 million, compared to 31 December 2022, mainly due to negative FCF. In 2023 FCF was negative due to the significant amount of Investments made. The FFO / Net Debt ratio decreased from 49.1% to 29.4%. A more detailed information is provided in section '6 Consolidated financial statements', notes 19 and 20.

Interest rate

As of 31 December 2023, financial liabilities amounting to EUR 1,282.5 million were subject to a fixed interest rate (78.5% of gross debt), and the remaining amount of financial liabilities were subject to a floating interest rate and the effective interest rate was 2.59%.

Currency rate

As of 31 December 2023, 95.0% of the total debt is in EUR, and 5.0% in PLN.

Maturities

Bonds maturing in 2027 (EUR 300.0 million, green), in 2028 (EUR 300.0 million, green) and in 2030 (EUR 300.0 million) comprise the largest portion of the Group's financial liabilities. The average maturity of financial liabilities as of 31 December 2023 was 5.8 years (5.7 years on 31 December 2022).

Net debt, EURm

	31 Dec 2023	31 Dec 2022	Δ	Δ, %
Gross Debt APM	1,633.2	1,680.9	*(47.7)*	*(2.8%)*
Short-term deposits (including accrued interests)	110.4	-	*110.4*	*n/a*
Cash and cash equiv.	205.3	694.1	*(488.8)*	*(70.4%)*
Net Debt APM	**1,317.5**	**986.9**	***330.6***	***33.5%***
Net Debt / Adjusted EBITDA APM	2.72	2.10	*0.62*	*29.5%*
Net Debt / EBITDA APM	2.60	1.83	*0.77*	*42.1%*
FFO / Net Debt APM	29.4%	49.1%	*(19.7 pp)*	*n/a*

Debt summary, EURm

	Outstanding as of 31 Dec 2023	Effective interest rate (%)	Average time to maturity (years)	Fixed interest rate	Euro currency
Bonds (incl. interest)	900.9	1.96	5.3	100.0%	100.0%
Non-current loans including current portion of non-current loans	597.2	3.11	7.0	63.9%[1]	86.4%
Bank overdrafts, credit lines, and current loans	87.6	5.61	1.3	0.0%	100.0%
Lease liabilities	47.5	-	6.1	-	100.0%
Gross Debt APM	**1,633.2**	**2.59**	**5.8**	**78.5%**	**95.0%**

[1] As of 31 December 2023, one loan with a floating interest rate (with a residual value of EUR 110 million) was classified as fixed interest rate loan because an interest rate swap was carried out for this loan.

Bond issues

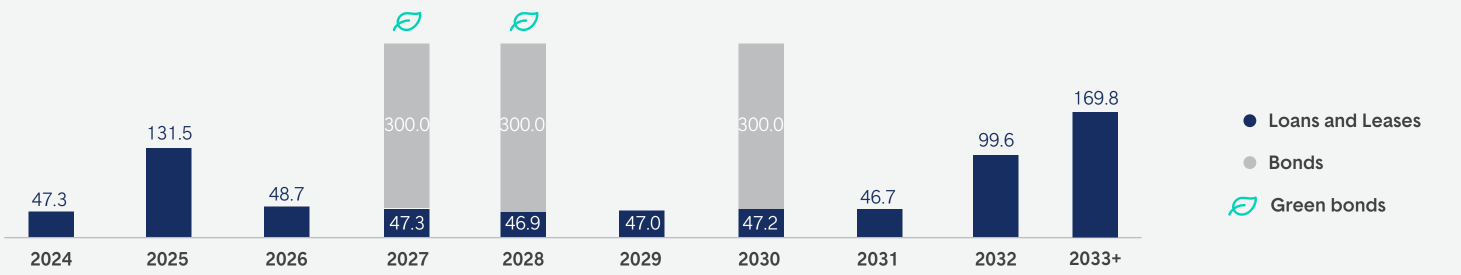
The Group has three bond issues with a total nominal outstanding amount of EUR 900.0 million. Two of them are green bonds (EUR 600.0 million).

During the reporting period, there have been no material changes regarding the bonds. The related information, including the structure of bondholders as of the issue date, is available in section '7.1 Further investor related information' of our Integrated Annual Report 2023.

Outstanding bond issues

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

Repayment schedule of the Group's financial liabilities[1], EURm



[1] The nominal value of issued bonds amounts to EUR 900 million. As of 31 December 2023, bonds accounted for EUR 891.8 million in the Consolidated statement of financial position as the nominal remaining capital will be capitalised until maturity according to IFRS.

Cash flows

CFO

Net cash flows from operating activities (CFO) in 2023 amounted to EUR 800.8 million. Compared to 2022, CFO increased by EUR 236.9 million, mainly due to the cash inflow from changes in the working capital (EUR 420.3 million in 2023 compared to EUR -25.4 million in 2022) and higher net profit (EUR +26.8 million). They were partly offset by reversal of inventory write down to NRV (EUR -88.6 million in 2023 compared to the write down to net realizable value of EUR +103.0 million in 2022).

CFI

Net cash flows from investing activities (CFI) amounted to EUR -1,081.1 million in 2023. The CFI indicator was more negative (EUR -625.4 million), mainly due to higher cash outflows related to the acquisition of PPE and intangible assets (EUR -399.2 million) and subsidiary acquisitions (EUR -114.3 million) compared to 2022 as well as the deposit (EUR -109.0 million) made by the Group.

CFF

Net cash flows from financing activities (CFF) amounted to EUR -208.5 million in 2023. CFF was negative due to repaid credit lines and overdrafts (EUR -341.1 million). Negative CFF was partly offset by additional loans received in the amount of EUR 285.9 million for Vilnius CHP and financing the Net Working Capital. In comparison, CFF in 2022 was positive, mainly due to additional bank credit lines and overdrafts received in the amount of EUR 172.9 million and due to the loans received in the amount of EUR 223.0 million, which were partly offset by repaid loans in the amount of EUR 119.7 million.

A more detailed information is provided in section '6.5 Interim condensed consolidated statement of cash flows.

FFO

In 2023, the Group's FFO decreased by 20.0% (EUR -96.7 million) and amounted to EUR 387.4 million. The main reason for the decrease was lower EBITDA and more income tax and interest paid.

FCF

In 2023, the Group's FCF amounted to EUR -212.4 million. The main reason for the negative FCF was significant Investments made, which was partly offset by the positive changes in the working capital.

Cash flows, EURm

	2023	2022	Δ	Δ, %
Cash and cash equiv. at the beginning of the period	**694.1**	**449.1**	***245.0***	***54.6%***
CFO	800.8	563.9	*236.9*	*42.0%*
CFI	(1,081.1)	(455.7)	*(625.4)*	*137.2%*
CFF	(208.5)	136.8	*(345.3)*	*n/a*
Increase (decrease) in cash and cash equiv.	**(488.8)**	**245.0**	***(733.8)***	***n/a***
Cash and cash equiv. at the end of period	**205.3**	**694.1**	***(488.8)***	***(70.4%)***

FFO and FCF, EURm

	2023	2022	Δ	Δ, %
EBITDA APM	507.4	539.7	*(32.3)*	*(6.0%)*
Interest received	-	0.6	*(0.6)*	*(100.0%)*
Interest paid	(39.0)	(28.8)	*(10.2)*	*35.4%*
Income tax paid	(81.0)	(27.4)	*(53.6)*	*195.6%*
FFO APM	**387.4**	**484.1**	***(96.7)***	***(20.0%)***
Interests received	10.7	-	*10.7*	*n/a*
Investments APM	(937.1)	(521.8)	*(415.3)*	*79.6%*
Grants received	15.9	29.0	*(13.1)*	*(45.2%)*
Cash effect of new connection points and upgrades	39.7	28.2	*11.5*	*40.8%*
Proceeds from sale of PPE and intangible assets[1]	2.9	2.4	*0.5*	*20.8%*
Change in Net Working Capital	268.1	(4.6)	*272.7*	*n/a*
FCF APM	**(212.4)**	**17.3**	***(229.7)***	***n/a***

[1] Cash inflow indicated in the CF statement line 'Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets' exclude the gain or loss which is already included in FFO.

Key operating indicators

In 2023, our Green Generation Portfolio increased by 2.0 GW to 7.1 GW (from 5.1 GW) as a result of the acquisition of onshore wind development projects (Kelmė WF I & II) in Lithuania with a total capacity of 0.3 GW, securing the seabed sites (Liivi 1 & 2) for the expected capacity of 1–1.5 GW[1] in the Estonian offshore wind tender and greenfield capacity additions of around 0.7 GW.

Secured Capacity increased to 2.9 GW (from 1.6 GW) as a number of projects, including Latvian solar portfolio I (239 MW), Kelmė WF I (105.4 MW) and Kelmė WF II (194.6 MW), Kruonis PSHP expansion project (110 MW), and Tauragė solar project (22.1 MW) reached the construction phase and 700 MW Lithuanian offshore WF project reached the Awarded / Contracted phase. Installed Capacity increased to 1.3 GW (from 1.2 GW) as Mažeikiai WF (63 MW) in Lithuania reached COD in August 2023, and Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023.

Electricity Generated (net) increased by 0.15 TWh, or 7.6%, YoY and in 2023 amounted to 2.07 TWh. The increase in the Electricity Generated (net) was driven by Mažeikiai WF (63 MW), which reached COD in August 2023.

The electricity sales decreased by 1.10 TWh, or 13.7%, compared to 2022. The decline was noticed across both B2B and B2C segments and was driven by a generally lower consumption in the region, growing prosumers' generation as well as increased competition.

Total distributed electricity volume decreased by 0.28 TWh, or 2.8%, YoY. The decrease was driven by the B2B segment due to a noticeable decline in industrial production, a decrease in electricity consumption by retail and service industries as well as an increase in prosumers' generation.

Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, improved compared to the previous year and was 1.35 interruptions (1.21 interruptions in 2022). Electricity SAIDI indicator, which shows the average duration of unplanned interruptions, improved to 121 minutes (compared to 179 minutes in 2022). Electricity quality indicators were significantly better due to the higher number of installed automatic solutions, management of staff levels based on weather forecast and favourable weather conditions over the first half of 2023.

In 2023, Heat Generated (net) amounted to 1.07 TWh and increased by 0.18 TWh, or 20.8%, YoY due to the higher generation at Vilnius CHP.

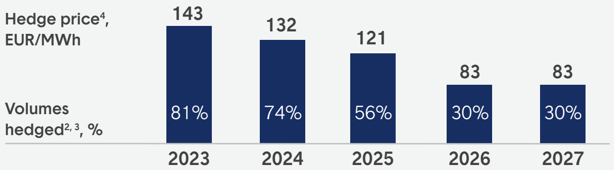
The natural gas sales decreased by 3.51 TWh, or 27.4%, mainly due to a fall in retail sales across all markets, except Poland. The main causes were warmer weather and lower consumption of industrial customers. In Lithuania, natural gas distribution volumes dropped by 0.36 TWh, or 5.4%, YoY.

[1] While the theoretical potential capacity of secured seabed sites is calculated to be 2.3 GW, depending on environmental impact assessment results, site optimisation as well as other factors, the actual capacity of the offshore wind farm is expected to be 1–1.5 GW. The Group currently includes the minimum size (1 GW) of the actual capacity in the Portfolio.

Key operating indicators

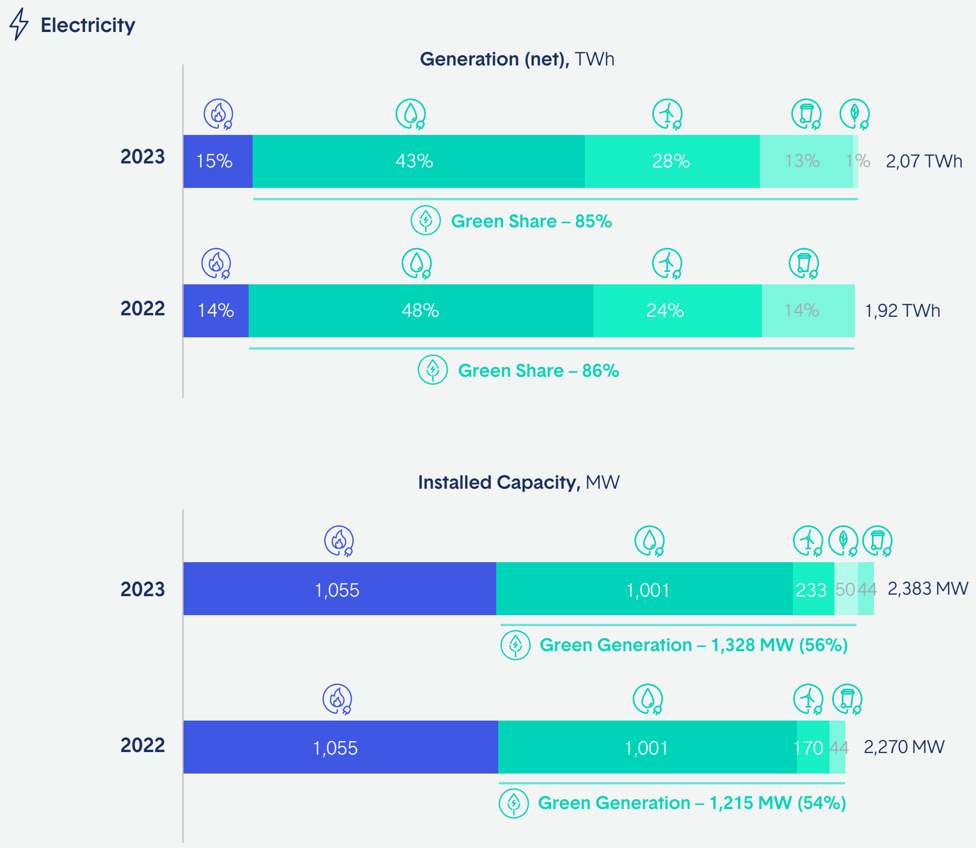
		31 Dec 2023	31 Dec 2022	Δ	Δ, %
Electricity	GW				
Green Generation Portfolio	GW	7.1	5.1	2.0	39.4%
Secured Capacity	GW	2.9	1.6	1.4	87.4%
Installed Capacity	GW	1.3	1.2	0.1	9.3%
Under Construction	GW	0.9	0.4	0.6	158.1%
Awarded / Contracted	GW	0.7	-	0.7	-%
Advanced Development Pipeline	GW	1.0	0.7	0.2	34.0%
Early Development Pipeline	GW	3.3	2.8	0.4	14.3%
Heat					
Heat Generation Capacity	GW	0.3	0.3	-	-%
Installed Capacity	GW	0.3	0.2	0.1	82.8%
Under Construction	GW	0.0	0.2	(0.1)	(88.2%)
		2023	**2022**	**Δ**	**Δ, %**
Electricity					
Electricity Generated (net)	TWh	2.07	1.92	0.15	7.6%
Green Electricity Generated (net)	TWh	1.76	1.65	0.11	6.4%
Green Share of Generation	%	85.0%	85.9%	(1.0 pp)	n/a
Electricity sales	TWh	6.88	7.98	(1.10)	(13.7%)
Electricity distributed	TWh	9.73	10.01	(0.28)	(2.8%)
SAIFI	units	1.35	1.52	(0.17)	(11.0%)
SAIDI	min.	121	179	(58)	(32.4%)
Heat					
Heat Generated (net)	TWh	1.07	0.89	0.18	20.8%
Natural gas					
Natural gas sales	TWh	9.29	12.80	(3.51)	(27.4%)
Natural gas distributed	TWh	6.32	6.68	(0.36)	(5.4%)

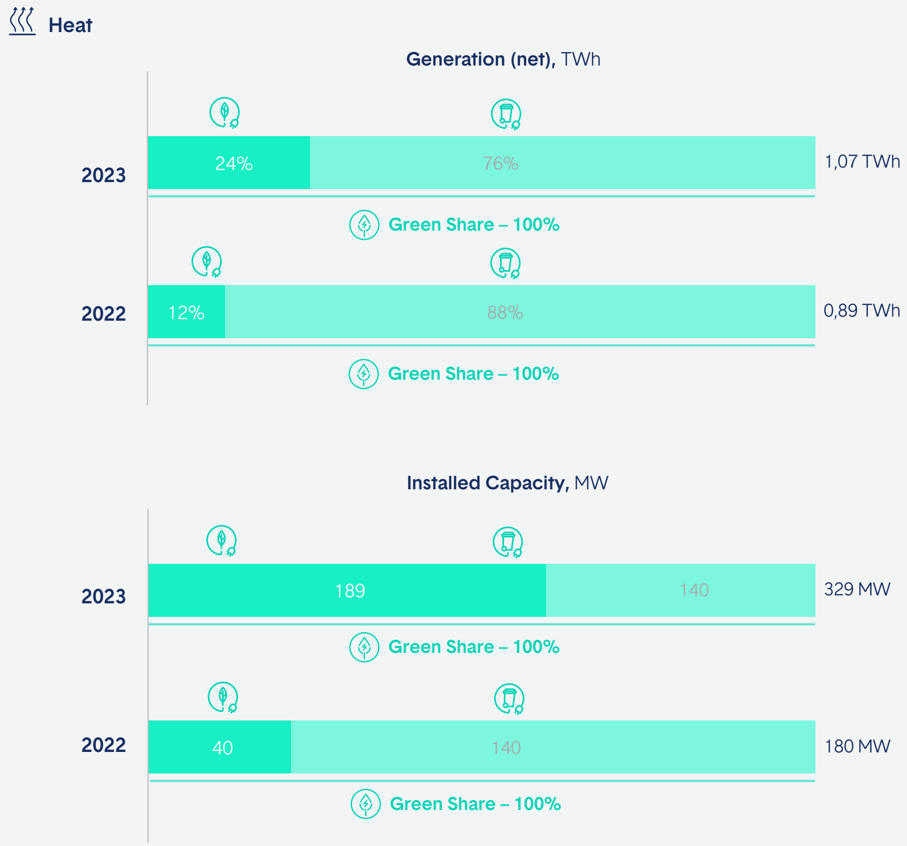
Generation Portfolio hedging levels[1]



[1] Hedging levels are provided for the duration of the strategic period. [2] Generation Portfolio includes the total electricity generation of Secured Capacity projects , except Kruonis PSHP as well as units 7, 8 and CCGT at Elektrėnai Complex. [3] Some of the PPAs are internal, the graph above illustrates the Green Generation segment's outlook (generated volumes). [4] Most PPAs are concluded for the base load, therefore, the actual effective hedge price can differ from the price in the contract due to the profile effect.

Installed Capacity and generation mix overview





Green Generation | Hydro | Wind | Biomass | Waste to energy | Reserve Capacities | Natural gas

3.2 Five-year annual summary

Key financial indicators

		2023	2022	2021	2020	2019	*2023 Δ 2022*	*Δ, %*
Total revenue	EURm	2,549.1	4,386.9	1,898.7	1,223.1	1,099.3	*(1,837.8)*	*(41.9)*
EBITDA APM	EURm	507.4	539.7	343.2	334.3	207.1	*(32.3)*	*(6.0%)*
EBITDA margin APM	%	19.9%	12.3%	18.1%	27.6%	18.8%	*7.6 pp*	*n/a*
Adjusted EBITDA APM	EURm	484.7	469.3	332.7	245.9	259.9	*15.4*	*3.3%*
Green Generation	EURm	222.6	252.4	107.5	50.4	43.4	*(29.8)*	*(11.8%)*
Networks	EURm	180.0	164.5	145.4	137.7	180.5	*15.5*	*9.4%*
Reserve Capacities	EURm	49.9	34.6	37.2	29.3	22.0	*15.3*	*44.2%*
Customers & Solutions	EURm	30.4	15.6	40.6	26.7	10.9	*14.8*	*94.9%*
Other activities and eliminations	EURm	1.8	2.2	2.0	1.8	3.1	*(0.4)*	*(18.2%)*
Adjusted EBITDA margin APM	%	19.2%	10.9%	17.6%	24.8%	22.6%	*8.3 pp*	*n/a*
Operating profit (EBIT) APM	EURm	352.2	387.8	192.1	215.0	83.1	*(35.6)*	*(9.2%)*
EBIT margin APM	%	13.8%	8.8%	10.1%	17.6%	7.6%	*5.0 pp*	*n/a*
Adjusted EBIT APM	EURm	329.5	317.4	206.4	126.6	135.0	*12.1*	*3.8%*
Net profit	EURm	320.2	293.4	160.2	170.6	59.0	*26.8*	*9.1%*
Net profit margin APM	%	12.6%	6.7%	8.4%	13.8%	5.4%	*5.9 pp*	*n/a*
Adjusted Net profit APM	EURm	286.6	256.0	162.8	95.5	106.0	*30.6*	*12.0%*
Investments APM	EURm	937.1	521.8	234.9	346.8	453.2	*415.3*	*79.6%*
Green Generation	EURm	542.7	226.2	32.3	197.0	253.9	*316.5*	*139.9%*
Networks	EURm	346.8	268.1	191.2	141.1	179.0	*78.7*	*29.4%*
Reserve Capacities	EURm	4.9	15.0	0.2	1.5	0.5	*(10.1)*	*(67.3%)*
Customers & Solutions	EURm	25.0	6.8	2.9	3.2	3.2	*18.2*	*267.6%*
Other activities and eliminations	EURm	17.7	5.7	8.3	4.0	16.6	*12.0*	*210.5%*
FFO APM	EURm	387.4	484.1	299.4	309.4	189.5	*(96.7)*	*(20.0%)*
FCF APM	EURm	(212.4)	17.3	(240.6)	5.1	(189.8)	*(229.7)*	*n/a*
ROE APM	%	14.6%	14.7%	8.7%	10.6%	4.4%	*(0.1 pp)*	*n/a*
Adjusted ROE APM	%	13.1%	12.9%	8.9%	6.0%	8.0%	*0.2 pp*	*n/a*
ROCE APM	%	10.5%	13.1%	7.3%	9.1%	3.8%	*(2.6 pp)*	*n/a*
Adjusted ROCE APM	%	9.8%	10.7%	7.9%	5.4%	6.2%	*(0.9 pp)*	*n/a*
ROA APM	%	6.1%	6.2%	3.9%	4.8%	1.9%	*(0.1 pp)*	*n/a*
Basic earnings per share APM	EUR	4.42	4.04	2.16	2.30	1.04	*0.38*	*9.4%*
Dividends per share APM	EUR	1.29	1.24	1.19	1.14	0.52	*0.05*	*4.0%*

Key financial indicators (cont.)

		31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	*2023 Δ 2022*	*Δ, %*
Total assets	EURm	5,244.4	5,271.6	4,258.1	3,920.9	3,198.1	*(27.2)*	*(0.5%)*
Equity	EURm	2,263.4	2,125.6	1,855.9	1,813.3	1,348.6	*137.8*	*6.5%*
Net debt APM	EURm	1,317.5	986.9	957.2	600.3	966.5	*330.6*	*33.5%*
Net working capital APM	EURm	175.2	443.3	438.7	94.4	52.6	*(268.1)*	*(60.5%)*
Net working capital/Revenue APM	%	6.9%	10.1%	23.1%	7.7%	4.8%	*(3.2 pp)*	*n/a*
Capital Employed APM	EURm	3,580.9	3,112.5	2,813.2	2,413.6	2,315.1	*468.4*	*15.0%*
Equity ratio APM	times	0.43	0.40	0.44	0.46	0.42	*0.03*	*7.5%*
Net debt/EBITDA APM	times	2.60	1.83	2.79	1.80	4.67	*0.77*	*42.1%*
Net debt/Adjusted EBITDA APM	times	2.72	2.10	2.88	2.44	3.72	*0.62*	*29.5%*
Gross Debt/Equity APM	times	0.72	0.79	0.76	0.71	0.81	*(0.07)*	*(8.9%)*
FFO/Net debt APM	%	29.4%	49.1%	31.3%	51.5%	19.6%	*(19.7 pp)*	*n/a*
Current ratio APM	times	1.55	1.87	1.87	3.36	0.78	*(0.32)*	*(17.1%)*
Asset turnover APM	times	0.48	0.92	0.46	0.34	0.36	*(0.44)*	*(47.8%)*

Key operating indicators

		31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2023 Δ 31 Dec 2022	Δ, %
Electricity								
Green Generation Portfolio	GW	7.1	5.1	2.6	2.6	1.4	2.0	39.4%
Secured Capacity	GW	2.9	1.6	1.4	1.4	1.3	1.4	87.4%
Installed Capacity	GW	1.3	1.2	1.2	1.1	1.1	0.1	9.3%
Under Construction	GW	0.9	0.4	0.1	0.2	0.2	0.6	158.1%
Awarded / Contracted	GW	0.7	-	-	-	-	0.7	-%
Advanced Development Pipeline	GW	1.0	0.7	0.1	-	0.1	0.2	34.0%
Early Development Pipeline	GW	3.3	2.8	1.1	1.0	-	0.4	14.3%
Heat								
Heat Generation Capacity	GW	0.3	0.3	0.3	0.3	0.3	-	-%
Installed Capacity	GW	0.3	0.2	0.2	0.1	0.0	0.1	82.8%
Under Construction	GW	0.0	0.2	0.2	0.2	0.3	(0.1)	(88.2%)
		2023	**2022**	**2021**	**2020**	**2019**	**2023 Δ 2022**	**Δ, %**
Electricity								
Electricity Generated (net)	TWh	2.07	1.92	2.36	2.52[1]	1.11[1]	0.15	7.6%
Green Electricity Generated (net)	TWh	1.76	1.65	1.55	1.32[1]	1.09[1]	0.11	6.4%
Green Share of Generation	%	85.0%	85.9%	65.4%	52.4%[1]	97.9%[1]	(1.0 pp)	n/a
Electricity sales	TWh	6.88	7.98	7.11	6.79	5.86	(1.10)	(13.7%)
Electricity distributed	TWh	9.73	10.01	10.37	9.55	9.55	(0.28)	(2.8%)
SAIFI	units	1.35	1.52	1.45	1.34	1.31	(0.17)	(11.0%)
SAIDI	min.	121	179	202	208	92	(58)	(32.4%)
Heat								
Heat Generated (net)	TWh	1.07	0.89	0.85	0.32	0.09	0.18	20.8%
Natural gas								
Natural gas sales	TWh	9.29	12.80	11.55	14.70	9.84	(3.51)	(27.4%)
Natural gas distributed	TWh	6.32	6.68	8.49	7.06	6.97	(0.36)	(5.4%)

[1] *Figures have been restated to include the quantities generated for balancing services.*

3.3 Results Q4

Financial results

Revenue

Q4 2023 revenue amounted to EUR 707.5 million and decreased by EUR 651.6 million, or 47.9%, in comparison to Q4 2022. The decrease was recorded across all business segments, and the largest decrease occurred in the Customers & Solutions (EUR 504.7 million) segment, mainly due to lower natural gas and electricity prices and natural gas volumes sold.

Adjusted EBITDA

Q4 2023 Adjusted EBITDA amounted to EUR 139.4 million and increased by EUR 27.3 million, or 24.4%, in comparison to Q4 2022. The increase was mainly related to better results of the Customers & Solutions segment (EUR +29.2 million) as B2B electricity supply turned positive, mainly due to the resolved ineffective hedging, and natural gas business recorded a positive as a result of adjusted methodology for calculation of income related to consumer over-declaration.

Adjusted Net Profit

Q4 2023 Adjusted Net Profit amounted to EUR 93.5 million and increased by EUR 39.8 million, or 74.1%, in comparison to Q4 2022, mainly due to higher Adjusted EBITDA (EUR 27.3 million).

Investments

Q4 2023 Investments amounted to EUR 303.4 million and increased by EUR 149.4 million, or 97.0%, mainly due to higher Investments in the Green Generation segment, specifically, onshore wind farms in Lithuania and Poland.

Key financial indicators, EURm

		Q4 2023	Q4 2022	Δ	Δ, %
Total revenue	EURm	707.5	1,359.1	*(651.6)*	*(47.9%)*
EBITDA APM	EURm	159.2	206.2	*(47.0)*	*(22.8%)*
Adjusted EBITDA APM	EURm	139.4	112.1	*27.3*	*24.4%*
Adjusted EBITDA margin APM	%	20.3%	8.9%	*11.4 pp*	*n/a*
Operating profit (EBIT) APM	EURm	118.3	162.6	*(44.3)*	*(27.2%)*
Adjusted EBIT APM	EURm	98.5	68.5	*30.0*	*43.8%*
Net profit	EURm	107.6	108.5	*(0.9)*	*(0.8%)*
Adjusted Net Profit APM	EURm	93.5	53.7	*39.8*	*74.1%*
Investments APM	EURm	303.4	154.0	149.4	*97.0%*
FFO APM	EURm	142.9	197.2	*(54.3)*	*(27.5%)*
FCF APM	EURm	(97.1)	*652.9*	*(750.0)*	*n/a*

Operating performance

As of 31 December 2023, the Green Generation Portfolio increased to 7.1 GW (from 6.3 GW as of 30 September 2023). The Secured Capacity reached 2.9 GW, as Latvian solar portfolio I (239 MW) and Kelmė WF II (194.6 MW) in Lithuania have reached the construction stage.

Electricity Generated (net) increased by 0.11 TWh, or 20.1%, QoQ. The increase was mainly driven by higher generation at Mažeikiai WF (63 MW), which reached COD in August 2023. Electricity sales decreased by 0.03 TWh, or 1.4%, compared to Q4 2022 and were mainly driven by lower B2B sales in all countries, except Poland.

The electricity distribution quality indicator SAIFI increased to 0.40 interruptions (compared to 0.31 in Q4 2022), and electricity SAIDI increased to 46 minutes (compared to 34 minutes in Q4 2022). Quarterly quality indicators deteriorated due to strong winds/local storms that caused mass disconnections during the fourth quarter of 2023.

Heat Generated (net) in Q4 2023 was 0.15 TWh, or 62.6%, higher compared to Q4 2022. The increase was mainly driven by generation at Vilnius CHP biomass unit that has achieved a partial COD (for the capacity of 149 MWth out of 169 MWth) in December 2023.

A QoQ decrease in natural gas sales by 1.19 TWh, or 31.0%, was mainly driven by significantly (1.00 TWh, or 34.5%) lower retail sales. In Lithuania, the natural gas distribution volumes increased by 0.24 TWh, or 11.8%, QoQ due to the increased needs of the B2B segment.

Key operating indicators

		31 Dec 2023	30 Sep 2023	Δ	Δ, %
Electricity					
Green Generation Portfolio	GW	7.1	6.3	*0.9*	*14.1%*
Secured Capacity	GW	2.9	2.5	*0.4*	*17.3%*
Installed Capacity	GW	1.3	1.3	*0.1*	*3.9%*
Under Construction	GW	0.9	0.5	*0.4*	*72.9%*
Awarded / Contracted	GW	0.7	0.7	-	-%
Advanced Development Pipeline	GW	1.0	1.4	*(0.4)*	*(31.3%)*
Early Development Pipeline	GW	3.3	2.4	*0.9*	*37.5%*
Heat					
Heat Generation Capacity	GW	0.3	0.3	-	-%
Installed Capacity	GW	0.3	0.2	*0.1*	*82.8%*
Under Construction	GW	0.0	0.2	*(0.1)*	*(88.2%)*
		Q4 2023	**Q4 2022**	**Δ**	**Δ, %**
Electricity					
Electricity Generated (net)	TWh	0.67	0.56	*0.11*	*20.1%*
Green Electricity Generated (net)	TWh	0.51	0.42	*0.09*	*21.6%*
Green Share of Generation	%	76.6%	75.7%	*0.9 pp*	*n/a*
Electricity sales	TWh	1.88	1.91	*(0.03)*	*(1.4%)*
Electricity distributed	TWh	2.70	2.51	*0.18*	*7.4%*
SAIFI	units	0.40	0.31	*0.09*	*27.7%*
SAIDI	min.	46	34	*12*	*35.0%*
Heat					
Heat Generated (net)	TWh	0.40	0.25	*0.15*	*62.6%*
Natural gas					
Natural gas sales	TWh	2.65	3.83	*(1.19)*	*(31.0%)*
Natural gas distributed	TWh	2.26	2.02	*0.24*	*11.8%*

3.4 Quarterly summary

Key financial indicators

		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Total revenue	EURm	707.5	471.2	442.1	928.3	1,359.1	1,294.7	741.9	991.2	733.2	427.3	344.7	393.4
EBITDA APM	EURm	159.2	108.3	44.7	195.3	206.2	122.1	119.8	91.6	88.0	83.8	83.8	87.4
Adjusted EBITDA APM	EURm	139.4	91.8	103.6	149.9	112.1	150.8	95.1	111.4	111.8	72.2	70.6	78.1
Adjusted EBITDA Margin APM	%	20.3%	20.2%	20.7%	17.0%	8.9%	11.4%	13.3%	11.0%	14.7%	17.4%	21.3%	20.3%
Operating profit (EBIT) APM	EURm	118.3	69.1	8.1	156.6	162.6	83.3	84.7	57.2	29.5	53.0	52.5	57.0
Adjusted EBIT APM	EURm	98.5	52.7	67.1	111.3	68.5	112.0	60.0	76.9	78.0	41.4	39.3	47.7
Net profit	EURm	107.6	56.8	28.6	127.2	108.5	70.1	68.0	46.8	47.9	51.2	18.0	43.0
Adjusted Net Profit APM	EURm	93.5	42.9	61.4	88.7	53.7	94.4	46.8	61.1	70.2	29.2	28.3	35.1
Investments APM	EURm	303.4	231.1	281.8	120.8	154.0	188.1	117.5	62.0	103.1	54.1	48.7	29.0
FFO APM	EURm	142.9	82.8	(23.7)	185.3	197.2	101.4	96.2	89.3	82.9	67.4	65.1	84.0
FCF APM	EURm	(97.1)	(165.5)	(157.8)	208.0	652.9	(385.5)	(92.8)	(157.2)	(278.5)	(47.3)	54.3	30.9
ROE LTM[1] APM	%	14.6%	14.8%	15.9%	18.4%	14.7%	11.5%	10.8%	8.6%	8.7%	11.1%	10.1%	12.0%
Adjusted ROE LTM[1] APM	%	13.1%	11.4%	14.2%	13.9%	12.9%	13.7%	10.7%	10.0%	8.9%	9.1%	9.1%	8.9%
ROCE LTM[1] APM	%	10.5%	11.4%	13.0%	16.7%	13.1%	8.3%	7.9%	7.1%	7.3%	9.9%	9.7%	10.2%
Adjusted ROCE LTM[1] APM	%	9.8%	8.6%	11.3%	12.1%	10.7%	10.7%	9.1%	8.8%	7.9%	7.8%	7.9%	7.7%
		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 Jun 2021	31 Mar 2021
Total assets	EURm	5,244.4	5,067.9	5,049.7	4,928.2	5,271.6	5,304.7	4,614.5	4,623.0	4,258.1	4,131.1	3,967.5	3,975.2
Equity	EURm	2,263.4	2,100.9	2,083.6	2,060.3	2,125.6	2,228.2	2,127.8	2,005.3	1,855.9	1,811.2	1,831.0	1,810.7
Net Debt APM	EURm	1,317.5	1,114.1	966.7	762.9	986.9	1,512.8	1,156.2	1,000.7	957.2	620.4	571.6	579.2
Net Working Capital APM	EURm	175.2	216.8	191.0	314.8	443.3	1,030.0	717.4	633.6	438.7	169.5	99.1	129.7
Capital Employed APM	EURm	3,580.9	3,214.8	3,050.1	2,823.3	3,112.5	3,741.0	3,284.0	3,006.0	2,813.2	2,431.6	2,402.6	2,389.9
Net Debt/EBITDA LTM APM	times	2.60	2.01	1.70	1.19	1.83	3.65	3.08	2.95	2.79	1.72	1.61	1.61
Net Debt/Adjusted EBITDA LTM APM	times	2.72	2.44	1.87	1.50	2.10	3.23	2.96	2.73	2.88	1.99	1.83	1.92
FFO LTM /Net Debt APM	%	29.4%	39.6%	47.6%	76.0%	49.1%	23.9%	28.4%	29.7%	31.3%	51.3%	55.4%	57.5%

[1] *These figures have been restated compared to the 2022 Annual report. For more information, see section '5.1 Notes on restated figures' of this report.*

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Key operating indicators

		31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sept 2021	30 Jun 2021	31 Mar 2021
Electricity													
Green Generation Portfolio	GW	7.1	6.3	5.7	5.3	5.1	3.6	3.0	2.7	2.6	2.8	2.7	2.6
Secured Capacity	GW	2.9	2.5	1.8	1.6	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Installed Capacity	GW	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.1
Under Construction	GW	0.9	0.5	0.6	0.4	0.4	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Awarded / Contracted	GW	0.7	0.7	-	-	-	-	-	-	-	-	-	-
Advanced Development Pipeline	GW	1.0	1.4	1.3	0.9	0.7	0.1	0.3	0.2	0.1	-	-	-
Early Development Pipeline	GW	3.3	2.4	2.6	2.8	2.8	2.1	1.4	1.1	1.1	1.2	1.1	1.0
Heat													
Heat Generation Capacity	GW	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Installed Capacity	GW	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Under Construction	GW	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Electricity													
Electricity Generated (net)	TWh	0.67	0.44	0.41	0.55	0.56	0.37	0.41	0.59	0.61	0.58	0.59	0.58
Green Electricity Generated (net)	TWh	0.51	0.36	0.36	0.53	0.42	0.31	0.37	0.55	0.52	0.30	0.37	0.36
Green Share of Generation	%	76.6%	81.1%	88.4%	95.6%	75.7%	83.3%	90.9%	93.8%	84.4%	51.6%	62.1%	62.4%
Electricity sales	TWh	1.88	1.56	1.56	1.89	1.91	1.81	2.07	2.19	1.97	1.67	1.67	1.81
Electricity distributed	TWh	2.70	2.22	2.22	2.60	2.51	2.29	2.44	2.77	2.77	2.45	2.43	2.72
SAIFI	units	0.40	0.37	0.32[1]	0.27[1]	0.31	0.28	0.31	0.62	0.35	0.38	0.36	0.37
SAIDI	min.	46	42[2]	14	19	34	19	20	105	29	31	45	98
Heat													
Heat Generated (net)	TWh	0.40	0.20	0.20	0.28	0.25	0.16	0.18	0.30	0.28	0.12	0.21	0.23
Natural gas													
Natural gas sales	TWh	2.65	1.34	1.45	3.86	3.83	2.52	2.44	4.01	2.85	1.39	2.07	5.25
Natural gas distributed	TWh	2.26	0.78	0.97	2.31	2.02	0.77	1.21	2.68	2.74	1.02	1.41	3.32

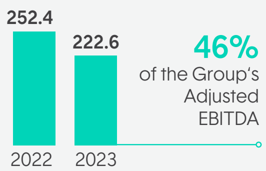
[1] Previously reported SAIFI values for Q1 2023 – 0.26 and Q2 2023 – 0.31 were corrected.
[2] Previously reported SAIDI value for Q3 2023 – 41 was corrected.

3.5 Results by business segments

Overview

Green Generation

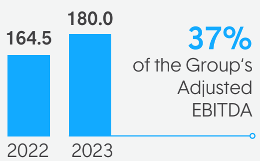
Adjusted EBITDA, EURm



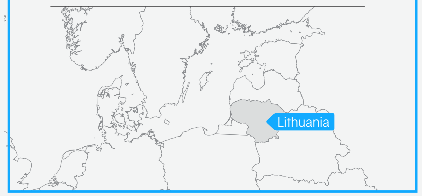
Revenue, EURm	342.6
Adjusted EBIT, EURm	193.4
Investments, EURm	542.7

Networks

Adjusted EBITDA, EURm

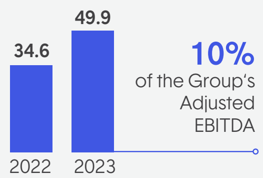


Revenue, EURm	592.0
Adjusted EBIT, EURm	77.1
Investments, EURm	346.8

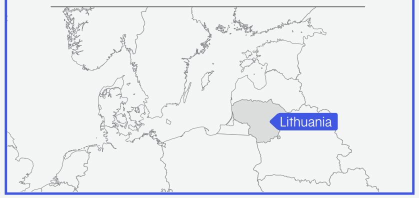


Reserve Capacities

Adjusted EBITDA, EURm

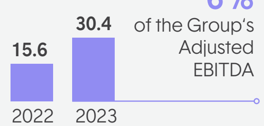


Revenue, EURm	128.5
Adjusted EBIT, EURm	39.1
Investments, EURm	4.9

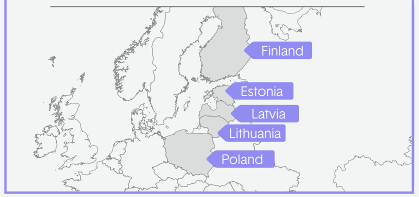


Customers & Solutions

Adjusted EBITDA, EURm



Revenue, EURm	1,646.8
Adjusted EBIT, EURm	27.3
Investments, EURm	25.0



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

Green Generation

2023 Q4 Highlights

- Since the beginning of 2023, our Green Generation Portfolio increased to 7.1 GW (from 5.1 GW), and our Secured Capacity grew to 2.9 GW (from 1.6 GW). For more information on Portfolio milestones, see section '2.3 Investment program' of this report.
- In October 2023, the Group, together with its partner Ocean Winds, were confirmed as the winners of the 700 MW Lithuanian offshore wind tender after submitting the highest development fee of EUR 20 million.
- In October 2023, Vilnius CHP biomass unit (73 MWe, 169 MWth) started to generate and supply heat to Vilnius city.
- In October 2023, the Group and Umicore Poland signed a 10-year corporate PPA for 137 MW Silesia WF II.
- In October 2023, the Group completed the acquisition of Kelmė WF I & II projects (up to 300 MW) in Lithuania.
- In November 2023, the Group made the Final Investment Decision regarding the Latvian solar portfolio I (239 MW).
- In November 2023, the Group appointed Fugro to conduct a seabed survey for the Lithuanian offshore WF (700 MW) site.
- In December 2023, the Group, together with its partner CIP, won the first seabed site (Liivi 2) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.7 million.

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	342.6	458.4	*(115.8)*	*(25.3%)*	105.3	130.1	*(24.8)*	*(19.1%)*
Adjusted EBITDA APM	222.6	252.4	*(29.8)*	*(11.8%)*	68.2	66.6	*1.6*	*2.4%*
EBITDA APM	223.0	253.2	*(30.2)*	*(11.9%)*	68.6	67.4	*1.2*	*1.8%*
Adjusted EBIT APM	193.4	221.7	*(28.3)*	*(12.8%)*	60.7	59.8	*0.9*	*1.5%*
Operating profit (EBIT) APM	193.7	222.4	*(28.7)*	*(12.9%)*	61.0	60.5	*0.5*	*0.8%*
Investments APM	542.7	226.2	*316.5*	*139.9%*	180.8	59.8	*121.0*	*202.3%*
Adjusted EBITDA Margin APM	65.1%	55.2%	*9.9 pp*	*n/a*	65.1%	51.5%	*13.6 pp*	*n/a*
	31 Dec 2023	**31 Dec 2022**	**Δ**	**Δ, %**	**31 Dec 2023**	**30 Sep 2023**	**Δ**	**Δ. %**
PPE, intangible and right-of-use assets	1,325.3	856.0	*469.3*	*54.8%*	1,325.3	1,085.0	*240.3*	*22.1%*

- In December 2023, Vilnius CHP biomass unit reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth).
- In December 2023, the Group concluded a EUR 64 million non-recourse project financing agreement with EIB and NIB for Mažeikiai WF. It covers around 75% of the total investments in Mažeikiai WF.

After the reporting period:

- In January 2024, the Group, together with its partner CIP, won the second seabed site (Liivi 1) in Estonia's offshore wind tender after submitting the highest bid of EUR 1.2 million.
- In January 2024, Silesia WF I (50 MW) in Poland supplied the first power to the grid.

Financial results

Q4 results

In Q4 2023, the Green Generation segment's revenue amounted to EUR 105.3 million and was EUR 24.8 million, or 19.1%, lower than in Q4 2022. The revenue decrease was primarily a result of lower captured electricity prices due to the overall lower electricity market prices and the CfD subsidy scheme applied to Pomerania WF in Poland (CfD price is significantly lower compared to electricity market prices). In 2023 Q4 Pomerania WF sold 100% of the total electricity generated under the CfD subsidy scheme, while in 2022 Q4 only around 41% of the total electricity generated by the wind farm was sold under the CfD.

Adjusted EBITDA in Q4 2023 increased by 2.4%, or EUR 1.6 million, in comparison to Q4 2022 and amounted to EUR 68.2 million.

In Q4 2023 Investments increased by EUR 121.0 million, or 202.3%, compared to Q4 2022. The majority of Green Generation Investments were directed towards onshore wind farms in Lithuania and Poland, mainly in Kelmė WF I and II and Silesia WF II.

Operating performance

Q4 results

As of 31 December 2023, the Green Generation Portfolio increased to 7.1 GW (from 6.3 GW as of 30 September 2023). The Secured Capacity reached 2.9 GW, as Latvian solar portfolio I (239 MW) and Kelmė WF II (194.6 MW) in Lithuania have reached the construction phase.

Electricity Generated (net) increased by 0.09 TWh, or 21.6%. The increase was mainly driven by higher generation at Mažeikiai WF (63 MW), which reached COD in August 2023. Heat Generated (net) in Q4 2023 was 0.15 TWh, or 62.6%, higher compared to Q4 2022, due to generation at Vilnius CHP biomass unit that has reached partial COD for the capacity of 50 MWe and 149 MWth (out of 73 MWe, 169 MWth) in December 2023.

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ, %	31 Dec 2023	30 Sep 2023	Δ	Δ, %
Electricity									
Green Generation Portfolio	MW	7,144	5,125	*2,019*	*39.4%*	7,144	6,259	*886*	*14,1%*
Secured Capacity	MW	2,939	1,568	*1,371*	*87.4%*	2,939	2,505	*434*	*17.3%*
Installed Capacity	MW	1,328	1,215	*113*	*9.3%*	1,328	1,278	*50*	*3.9%*
Onshore wind	MW	233	170	*63*	*37.0%*	233	233	*-*	*-%*
Hydro	MW	1,001	1,001	*-*	*-%*	1,001	1,001	*-*	*-%*
Pumped-storage	MW	900	900	*-*	*-%*	900	900	*-*	*-%*
Run-of-river	MW	101	101	*-*	*-%*	101	101	*-*	*-%*
Waste	MW	44	44	*-*	*-%*	44	44	*-*	*-%*
Biomass	MW	50	-	*50*	*-%*	50	-	*50*	*-%*
Under Construction	MW	911	353	*558*	*158.1%*	911	527	*384*	*72.9%*
Onshore wind	MW	487	250	*237*	*94.8%*	487	292	*195*	*66.8%*
Solar	MW	291	30	*261*	*870.0%*	291	52	*239*	*459.6%*
Hydro	MW	110	-	*110*	*-%*	110	110	*-*	*-%*
Biomass	MW	23	73	*(50)*	*(68.5%)*	23	73	*(50)*	*(68.5%)*
Awarded / Contracted	MW	700	-	*700*	*-%*	700	700	*-*	**-%**
Advanced Development Pipeline	MW	955	712	*242*	*34.0%*	955	1,390	*(435)*	*(31.3%)*
Early Development Pipeline	MW	3,251	2,845	*406*	*14.3%*	3,251	2,364	*887*	*37.5%*
Heat									
Heat Generation Capacity	MW	349	349	*-*	*-%*	349	349	*-*	*-%*
Installed Capacity	MW	329	180	*149*	*82.8%*	329	180	*149*	*82.8%*
Under Construction	MW	20	169	*(149)*	*(88.2%)*	20	169	*(149)*	*(88.2%)*
		2023	**2022**	**Δ**	**Δ, %**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ, %**
Electricity									
Electricity Generated (net)	TWh	1.76	1.65	*0.11*	*6.4%*	0.51	0.42	*0.09*	*21.6%*
Onshore wind	TWh	0.58	0.47	*0.11*	*23.6%*	0.21	0.13	*0.08*	*61.6%*
Hydro	TWh	0.89	0.92	*(0.03)*	*(3.2%)*	0.22	0.22	*(0.01)*	*(2.7%)*
Pumped-storage	TWh	0.52	0.54	*(0.02)*	*(4.4%)*	0.14	0.16	*(0.01)*	*(9.4%)*
Run-of-river	TWh	0.37	0.38	*(0.01)*	*(1.5%)*	0.08	0.07	*0.01*	*13.2%*
Waste		0.27	0.26	*0.01*	*4.4%*	0.07	0.07	*0.01*	*7.7%*
Biomass	TWh	0.01	-	*0.01*	*-%*	0.01	-	*0.01*	*-%*
Onshore wind farms availability factor	%	95.8%	98.7%	*(2.9 pp)*	*n/a*	96.8%	98.1%	*(1.3 pp)*	*n/a*
Onshore wind farms load factor	%	31.5%	31.6%	*(0.1 pp)*	*n/a*	40.6%	34.4%	*6.2 pp*	*n/a*
Wind speed	m/s	7.0	7.0	*0.0*	*0.3%*	7.7	6.6	*1.1*	*16.0%*
Heat									
Heat Generated (net)	TWh	1.07	0.89	*0.18*	*20.8%*	0.40	0.25	*0.15*	*62.6%*
Waste[1]	TWh	0.81	0.78	*0.03*	*4.2%*	0.23	0.22	*0.01*	*4.8%*
Biomass	TWh	0.26	0.11	*0.15*	*140.8%*	0.17	0.02	*0.14*	*591.8 %*

[1] *Vilnius CHP and Kaunas CHP can use natural gas for starting/stopping the plant, running tests, etc., which are included in the reported values of 'Waste'.*

Networks

2023 Q4 Highlights

- In October 2023 NERC established the income level for electricity distribution services for 2024, comprising EUR 318.0 million, which is 19.6% lower compared to the income level set for 2023 (EUR 395.5 million). The income level change was mainly caused by lower expenses from electricity technological losses, which have decreased due to lower electricity purchase prices (the purchase prices have decreased 3 times compared to the purchase prices in 2023).
- The smart meter roll-out was started in July 2022. As of 31 December 2023, we have successfully installed around 729 thousand smart meters, with around 120 thousand installed in Q4 2023.

After the reporting period:

- In January 2024 ESO has agreed with the regulator (NERC) to amend the repayment schedule of the EUR 160 million regulatory difference to 2024–2031 (from 2024–2036). In this regard, NERC updated the methodology for calculating the additional tariff component and linked it to the leverage level cap of 5.5x (ESO Net Debt/ ESO Adjusted EBITDA, both calculated based the methodology approved by NERC), which means that if ESO's leverage level exceeds the predetermined cap, the additional tariff component will increase proportionally.
- On 16 January 2024, NERC updated ESO electricity distribution price cap for 2024 (link in Lithuanian).

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	592.0	681.1	*(89.1)*	*(13.1%)*	166.6	283.8	*(117.2)*	*(41.3%)*
Adjusted EBITDA APM	180.0	164.5	*15.5*	*9.4%*	51.3	47.8	*3.5*	*7.3%*
EBITDA APM	292.2	148.0	*144.2*	*97.4%*	73.8	109.0	*(35.2)*	*(32.3%)*
Adjusted EBIT APM	77.1	62.6	*14.5*	*23.2%*	24.9	15.3	*9.6*	*62.7%*
Operating profit (EBIT) APM	189.3	46.1	*143.2*	*310.6%*	47.3	76.6	*(29.3)*	*(38.3%)*
Investments APM	346.8	268.1	*78.7*	*29.4%*	100.2	89.6	*10.6*	*11.8%*
Adjusted EBITDA Margin APM	37.5%	23.6%	*13.9 pp*	*n/a*	35.4%	21.5%	*13.9 pp*	*n/a*
	31 Dec 2023	**31 Dec 2022**	**Δ**	**Δ, %**	**31 Dec 2023**	**30 Sep 2023**	**Δ**	**Δ. %**
PPE, intangible and right-of-use assets	2,046.5	1,805.3	*241.2*	*13.4%*	2,046.5	1,977.7	*68.8*	*3.5%*

Financial results

Q4 results

Revenue was 41.3%, or EUR 117.2 million, lower compared to Q4 2022. The decrease was mainly driven by the advance recovery of expenses from technological losses at the end of 2022 and lower revenue from the electricity transmission tariff component (EUR -48.1 million) in Q4 2023 due to lower tariffs set by the regulator.

Adjusted EBITDA was 7.3%, or EUR 3.5 million, higher compared to Q4 2022. The increase was mainly driven by the higher RAB effect (EUR +2.9 million).

Investments were 11.8%, or EUR 10.6 million, higher due to higher Investments made in the expansion of the electricity distribution network (EUR +4.9 million).

Operating performance

Q4 results

Electricity distributed increased by 0.18 TWh, or 7.4%, QoQ. The growth was driven by both the B2B segment, due to higher industrial production, and the B2C segment, due to higher electricity consumption.

The Q4 2023 electricity distribution quality indicator SAIFI increased to 0.40 interruptions (compared to 0.31 in Q4 2022), and the Q4 2023 electricity SAIDI increased to 46 minutes (compared to 34 minutes in Q4 2022). The quarterly quality indicators deteriorated due to strong winds/local storms that caused mass disconnections during the fourth quarter of 2023.

Key regulatory indicators

		2024[1]	2023[1]	2022[1]
Regulated activity share in Adjusted EBITDA	%	**100.00**	**100.00**	**100.00**
Total				
RAB	EURm	1,584	1,429	1,345
WACC (weighted average)	%	5.08	4.14	4.13
D&A (regulatory)	EURm	79.3	74.9	67.8
Additional tariff component	EURm	40.0	28.0	28.0
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[3]	22.3	16.7
Electricity distribution				
RAB	EURm	1,332	1,183	1,097
WACC	%	5.09	4.17	4.16
D&A (regulatory)	EURm	67.6	64.5	58.5
Additional tariff component	EURm	40.0	28.0	28.0
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[3]	20.7	15.2
Natural gas distribution				
RAB	EURm	252	246	248
WACC	%	5.03	3.99	3.98
D&A (regulatory)	EURm	11.7	10.4	9.3
Deferred part of investments covered by clients and electricity equipment transfer[2]	EURm	n/a[3]	1.6	1.5

[1] Numbers approved and published by the regulator (NERC).
[2] Actual numbers for 2023 from the Networks segment's Statement of Profit or Loss.
[3] Not determined by the regulator, only factual numbers used.

In Lithuania, the distributed natural gas volume in Q4 2023 increased by 0.24 TWh, or 11.8%, amounting to 2.26 TWh. The growth was driven by increased consumption in the B2B segment, while the B2C consumption decreased due to warmer weather conditions.

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ,%	31 Dec 2023	30 Sep 2023	Δ	Δ,%
Electricity									
Distribution network	thousand km	128	128	*1*	*0.7%*	128	128	*0*	*0.2%*
Number of customers	thousand	1,851	1,825	*26*	*1.4%*	1,851	1,845	*6*	*0.3%*
of which prosumers and producers	thousand	65	35	*30*	*84.1%*	65	60	*5*	*7.7%*
admissible power of prosumers and producers	MW	1,117	588	*529*	*89.9%*	1,117	1,029	*88*	*8.6%*
Number of smart meters installed	thousand	729	210	*519*	*246.6%*	729	609	*120*	*19.7%*
Natural gas									
Distribution network	thousand km	10	10	*0*	*0.5%*	10	10	*0*	*0.1%*
Number of customers	thousand	626	624	*2*	*0.3%*	626	625	*1*	*0.2%*
		2023	**2022**	**Δ**	**Δ,%**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ,%**
Electricity									
Electricity distributed	TWh	9.73	10.01	*(0.28)*	*(2.8%)*	2.70	2.51	*0.18*	*7.4%*
of which B2C	TWh	3.25	3.20	*0.05*	*1.6%*	0.94	0.84	*0.10*	*11.8%*
of which B2B	TWh	6.47	6.81	*(0.34)*	*(4.9%)*	1.75	1.67	*0.08*	*5.1%*
Technological losses	%	4.1%	5.0%	*(1.0 pp)*	*n/a*	5.0%	6.3%	*(1.3 pp)*	*n/a*
New Connection Points	thousand	50.9	37.8	*13.1*	*34.5%*	9.4	12.1	*(2.7)*	*(22.1%)*
Connection Point Upgrades	thousand	25.1	26.2	*(1.1)*	*(4.0%)*	5.5	6.8	*(1.3)*	*(18.7%)*
Admissible power of new connection points and upgrades	MW	556	525	*31*	*6.0%*	126	137	*(12)*	*(8.7%)*
Time to connect (average)	c. d.	42	64	*(22)*	*(33.7%)*	40	68	*(28)*	*(41.5%)*
SAIFI	unit	1.35	1.52	*(0.17)*	*(11.0%)*	0.40	0.31	*0.09*	*27.7%*
SAIDI	min.	121	179	*(58)*	*(32.4%)*	46	34	*12*	*35.0%*
Supply of Last Resort	TWh	0.23	0.26	*(0.03)*	*(13.2%)*	0.06	0.06	*(0.00)*	*(4.9%)*
Natural gas									
Natural gas distributed	TWh	6.32	6.68	*(0.36)*	*(5.4%)*	2.26	2.02	*0.24*	*11.8%*
of which B2C	TWh	2.29	2.50	*(0.21)*	*(8.5%)*	0.87	0.89	*(0.02)*	*(2.0%)*
of which B2B	TWh	4.03	4.19	*(0.15)*	*(3.6%)*	1.39	1.13	*0.26*	*22.7%*
New connection points and upgrades	thousand	2.5	4.8	*(2.3)*	*(47.9%)*	0.7	1.0	*(0.3)*	*(34.7%)*
Technological losses	%	1.8%	1.8%	*(0.0 pp)*	*n/a*	1.5%	0.9%	*0.6 pp*	*n/a*
Time to connect (average)	c. d.	55	58	*(3)*	*(4.9%)*	59	56	*3*	*4.5%*
SAIFI	unit	0.003	0.003	*0.000*	*2.9%*	0.001	0.001	*0.000*	*14.7%*
SAIDI	min.	0.30	0.27	*0.02*	*8.3%*	0.04	0.04	*0.00*	*2.1%*
Customer experience									
NPS (Transactional)	%	52.1%	52.9%	*(0.8 pp)*	*n/a*	53.2%	58.5%	*(5.3 pp)*	*n/a*

Reserve Capacities

2023 Q4 Highlights

- In December 2023 TSOs of Lithuania, Latvia and Estonia agreed on concrete steps and a deadline to synchronize the Baltic countries' electricity networks with the synchronous grid of Continental Europe by February 2025. The agreement also stipulates that in the summer of 2024, half a year before the synchronization, the Baltic countries will refuse to extend the BRELL contracts concluded with Russian and Belarusian operators.
- During the reporting period, the segment's electricity generation assets contributed to the success of a unique test, organised by Litgrid (TSO), during which the Lithuanian electricity system operated completely independently.

After the reporting period:

- For the first time, units 7, 8 and CCGT of Elektrėnai Complex were operating simultaneously and, together with Kruonis PSHP and Kaunas HPP (Green Generation), supplied electricity to customers and covered more than 65% of the national electricity demand.

Financial results

Q4 results

Revenue was 43.0%, or EUR 32.3 million, lower compared to Q4 2022. The decrease was driven by commercial activities (EUR -27.6 million), driven by lower market prices compared to Q4 2022.

Adjusted EBITDA was 31.4%, or EUR 5.3 million, lower compared to Q4 2022. The decrease was driven by lower commercial activities' result (EUR -4.8 million) due to less favourable clean spark spread.

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	128.5	240.7	*(112.2)*	*(46.6%)*	42.9	75.2	*(32.3)*	*(43.0%)*
Adjusted EBITDA APM	49.9	34.6	*15.3*	*44.2%*	11.6	16.9	*(5.3)*	*(31.4%)*
EBITDA APM	50.0	37.9	*12.1*	*31.9%*	11.7	20.2	*(8.5)*	*(42.1%)*
Adjusted EBIT APM	39.1	23.1	*16.0*	*69.3%*	9.0	14.4	*(5.4)*	*(37.5%)*
Operating profit (EBIT) APM	39.2	26.5	*12.7*	*47.9%*	9.1	17.8	*(8.7)*	*(48.9%)*
Investments APM	4.9	15.0	*(10.1)*	*(67.3%)*	2.6	0.4	*2.2*	*550.0%*
Adjusted EBITDA Margin APM	38.9%	14.6%	*24.3 pp*	*n/a*	27.2%	23.6%	*3.6 pp*	*n/a*

	31 Dec 2023	31 Dec 2022	Δ	Δ, %	31 Dec 2023	30 Sep 2023	Δ	Δ, %
PPE, intangible and right-of-use assets	278.6	288.9	*(10.3)*	*(3.6%)*	278.6	279.4	*(0.8)*	*(0.3%)*

Key regulatory indicators

		2024[1]	2023[1]	*2022[1]*
Regulated activity share in Adjusted EBITDA	%	-	**22.0**	***39.0***
Total				
RAB	EURm	-	-	*32.0*
WACC	%	-	-	*4.03*
D&A (regulatory)	EURm	11.2	10.6	*13.2*
CCGT				
RAB	EURm	-	-	-
WACC	%	-	-	-
D&A (regulatory)	EURm	7.2	7.6	*9.3*
Units 7 and 8				
RAB	EURm	-	-	*32.0*
WACC	%	-	-	*4.03*
D&A (regulatory)	EURm	4.0	3.0	*3.9*

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

Operating performance

Q4 results

The QoQ Electricity Generated (net) at CCGT as well as units 7 and 8 at Elektrėnai Complex amounted to 0.16 TWh and increased by 0.02 TWh, or 15.6%, compared to Q4 2022, due to a more favourable Clean Spark spread over Q4 2023.

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

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ,%	31 Dec 2023	30 Sep 2023	Δ	Δ,%
Electricity									
Installed electricity capacity	MW	1,055	1,055	-	-%	1,055	1,055	-	-%
Total reserve and isolated regime services	MW	891	891	-	-%	891	891	-	-%
Tertiary power reserve services	MW	-	519	*(519)*	*(100.0%)*	-	-	-	-%
Isolated system operation services	MW	891	372	*519*	*139.5%*	891	891	-	-%
		2023	**2022**	**Δ**	**Δ,%**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ,%**
Electricity									
Electricity Generated (net)	TWh	0.31	0.27	*0.04*	*15.0%*	0.16	0.14	*0.02*	*15.6%*
Availability factor[1]	%	99.4%	100.0%	*(0.6 pp)*	*n/a*	97.9%	100.0%	*(2.1 pp)*	*n/a*
Load factor	%	3.4%	2.9%	*0.4 pp*	*n/a*	6.7%	5.8%	*0.9 pp*	*n/a*

[1] *Excluding planned refurbishment works.*

Customers & Solutions

2023 Q4 Highlights

- Purchase and sale agreements have been signed with four EV equipment suppliers, which will provide Ignitis with the latest charging equipment for developing the public charging network in all three Baltic states.
- Ignitis has experienced disruptions in natural gas supplies to its Finnish clients due to an incident in October related to the Balticconnector gas pipeline between Estonia and Finland, which was shut down since then.

Financial results

Q4 results

Revenue was 53.3%, or EUR 504.7 million, lower compared to Q4 2022. The decrease was driven by lower market prices of natural gas (-72.1% TTF gas price index) and electricity energy (-58.6% average price in the Lithuanian market area) as well as lower natural gas retail volumes sold (-34.5%).

Adjusted EBITDA was EUR 29.2 million higher compared to Q4 2022. In 2023 the electricity B2B segment turned profitable (in 2022 it experienced significant losses) mainly due to the resolved ineffective hedging, while the natural gas business recorded a positive effect as a result of adjusted methodology for calculation of income related to consumer over-declaration.

Key financial indicators, EURm

	2023	2022	Δ	Δ,%	Q4 2023	Q4 2022	Δ	Δ,%
Total revenue	1,646.8	3,083.8	*(1,437.0)*	*(46.6%)*	442.3	947.0	*(504.7)*	*(53.3%)*
Adjusted EBITDA APM	30.4	15.6	*14.8*	*94.9%*	9.5	(19.7)	*29.2*	*n/a*
EBITDA APM	(59.9)	98.3	*(158.2)*	*n/a*	6.1	9.0	*(2.9)*	*(32.2%)*
Adjusted EBIT APM	27.3	13.4	*13.9*	*103.7%*	8.7	(20.4)	*29.1*	*n/a*
Operating profit (EBIT) APM	(62.9)	96.1	*(159.0)*	*n/a*	5.3	8.3	*(3.0)*	*(36.1%)*
Investments APM	25.0	6.8	*18.2*	*267.6%*	19.6	4.2	*15.4*	*366.7%*
Adjusted EBITDA Margin APM	1.8%	0.5%	*1.3 pp*	*n/a*	2.1%	(2.1)	*4.2 pp*	*n/a*
	31 Dec 2023	**31 Dec 2022**	**Δ**	**Δ, %**	**31 Dec 2023**	**30 Sep 2023**	**Δ**	**Δ. %**
PPE, intangible and right-of-use assets	25.0	10.7	*14.3*	*133.6%*	25.0	11.2	*13.8*	*123.2%*

Operating performance

Q4 results

In Q4 2023 electricity sales decreased by 0.02 TWh, or 1.3%, compared to Q4 2022. The decrease was mainly driven by lower B2B sales in all countries, except Poland. Generally lower demand and increased competition continue to be the main reasons for the lower electricity sales. The decrease in natural gas sales by 1.19 TWh, or 31.0%, QoQ was mainly driven by significantly, i.e., 1.00 TWh, or 34.5%, lower retail sales.

Key operating indicators

		31 Dec 2023	31 Dec 2022	Δ	Δ,%	31 Dec 2023	30 Sep 2023	Δ	Δ,%
Electricity									
Number of customers	m	1.4	1.4	*(0.0)*	*(2.7%)*	1.4	1.4	*0.0*	*0.2%*
EV charging points	Units	376	251	*125*	*49.8%*	376	316[1]	*60*	*19.0%*
Natural gas									
Number of customers	m	0.6	0.6	*(0.0)*	*(0.3%)*	0.6	0.6	*(0.0)*	*(0.4%)*
Gas inventory	TWh	1.7	3.0	*(1.2)*	*(42.1%)*	1.7	2.5	*(0.7)*	*(30.3%)*
		2023	**2022**	**Δ**	**Δ,%**	**Q4 2023**	**Q4 2022**	**Δ**	**Δ,%**
Electricity sales									
Lithuania	TWh	5.22	6.18	*(0.97)*	*(15.6%)*	1.41	1.54	*(0.13)*	*(8.6%)*
Latvia	TWh	0.75	1.12	*(0.37)*	*(33.0%)*	0.19	0.19	*(0.00)*	*(0.8%)*
Estonia	TWh	0.00	0.00	*(0.00)*	*(22.0%)*	0.00	0.00	*(0.00)*	*(16.1%)*
Poland	TWh	0.69	0.41	*0.27*	*65.8%*	0.22	0.10	*0.11*	*105.8%*
Total retail	TWh	6.65	7.71	*(1.06)*	*(13.7%)*	1.82	1.84	*(0.02)*	*(1.3%)*
of which B2C	TWh	2.19	2.57	*(0.38)*	*(14.7%)*	0.62	0.64	*(0.03)*	*(4.2%)*
of which B2B	TWh	4.46	5.15	*(0.68)*	*(13.3%)*	1.20	1.20	*0.00*	*0.3%*
Natural gas sales	TWh	9.29	12.80	*(3.51)*	*(27.4%)*	2.65	3.83	*(1.19)*	*(31.0%)*
Lithuania	TWh	4.58	5.32	*(0.74)*	*(13.9%)*	1.58	1.78	*(0.20)*	*(11.3%)*
Latvia	TWh	0.31	0.68	*(0.38)*	*(55.3%)*	0.08	0.21	*(0.14)*	*(64.2%)*
Estonia	TWh	0.01	0.02	*(0.01)*	*(53.0%)*	0.00	0.01	*(0.00)*	*(75.2%)*
Poland	TWh	0.34	0.16	*0.18*	*111.5%*	0.09	0.04	*0.05*	*122.2%*
Finland	TWh	1.34	3.76	*(2.42)*	*(64.4%)*	0.16	0.87	*(0.71)*	*(82.0%)*
Total retail	TWh	6.58	9.94	*(3.37)*	*(33.8%)*	1.91	2.91	*(1.00)*	*(34.5%)*
of which B2C	TWh	2.34	2.55	*(0.21)*	*(8.2%)*	0.89	0.91	*(0.02)*	*(1.9%)*
of which B2B	TWh	4.24	7.40	*(3.16)*	*(42.7%)*	1.02	2.01	*(0.99)*	*(49.2%)*
Wholesale market	TWh	2.71	2.86	*(0.14)*	*(5.0%)*	0.74	0.92	*(0.18)*	*(20.0%)*
Customer experience									
NPS (B2C – Transactional)	%	67.3%	56.5%	*10.8 pp*	*n/a*	68.2%	57.0%	*11.2 pp*	*n/a*
NPS (B2B – Transactional)	%	73.0%	53.0%	*20.0 pp*	*n/a*	65.0%	64.0%	*1.0 pp*	*n/a*

[1] *Previously reported value for EV Charging points as of 30 Sep 2023 – 312, was corrected.*

Governance report

4.1 Supervisory Board Chair's statement

Extensive expansion requires involvement of Supervisory Board

It is with great pleasure that I present, for the third consecutive year, an overview of our Supervisory Board's activities and priorities of the Group. As members of the Supervisory Board, we diligently monitor the progress of the Group's strategic goals, always considering the interests of all Group shareholders. Our active involvement and oversight as members of the Supervisory Board have been instrumental in guiding the Group towards its purpose to create a 100% green and secure energy ecosystem for current and future generations.

I am pleased to report that the Group has made significant steps towards achieving the strategic objectives set by the Supervisory Board. In the coming year, our focus will remain steadfast on upholding the highest standards of governance excellence.

Governance excellence and continuity

As members of the Supervisory Board, we consider it imperative that the Group continues to be a leader in energy, sustainability, and, in particular, in governance excellence. On the latter, the corporate governance excellence of the Group is reflected in numerous ratings and rankings, including ESG risk ratings. Nevertheless, we will continue to strive for the highest standards of corporate governance.

Separately worth noting, that at the end of last year, our colleague Bent Christensen informed us of his decision to resign from both the Supervisory Board and its Nomination and Remuneration Committee after three years. I want to thank Bent for his contribution to the work of the Supervisory Board. His experience in the field of renewable energy was invaluable in helping the Group to pursue ambitious strategic goals.

Nevertheless, during the transition period following Bent's resignation, the remaining members of the Supervisory Board will continue to function as usual, ensuring uninterrupted oversight and governance.

Continuing strategic performance oversight

In 2023, the Group made substantial steps towards its goal increasing its Green Generation capacity 4 times from 1.2 GW in 2022 to 4–5 GW by 2030. To date, the Group's renewables Portfolio has reached 7.1 GW and already exceeds the 2030 target. Notably, the Group secured a 700 MW offshore wind tender in Lithuania seabed sites (Liivi 1&2) for the expected capacity of 1–1.5 GW in the Estonian offshore wind tender. These achievements mark a significant milestone, fulfilling its strategic objective of securing offshore wind farm development projects in its home markets, and necessitate considerable involvement from the Supervisory Board to ensure that the interests of shareholders and stakeholders are prioritised, and the highest standards of corporate governance are maintained.

Alfonso Faubel
Chair of the Supervisory Board

Having said that, as members of the Supervisory Board, we hold a firm conviction that the role of the Supervisory Board's extends beyond merely setting strategic goals – it is about actively supporting and leveraging our expertise, sharing insights, and comprehending the challenges of the different business areas. For that purpose, two-day strategic sessions took place in April and September 2023, where the development of the energy sector, challenges, and opportunities as well as the updated strategy of the Group, its strategic plan and the key strategic topics were discussed.

We believe that it is essential to guide the Group towards targeted performance. Thus, the Supervisory Board is committed to ensuring continuity in our guidance, reinforcing the Group's resilience and long-term success in a rapidly evolving industry.

Focus on health and safety as well as other sustainability issues

In 2023, health and safety were a top priority for the Group. The Supervisory Board devoted significant attention to this matter, addressing it from different angles at nearly every meeting. We see the health and safety culture growing within the Group, and to be even more focused on this topic, the Risk Management and Sustainability Committee (previously the Risk Management and Business Ethics Supervision Committee) was enhanced by increasing the number of its members and attracting professionals with extensive experience in health and safety as well as risk management.

In addition, the Supervisory Board remains committed to the Group's ambitious decarbonisation goals and the target of net-zero emissions by 2040–2050. We encourage the Group to devise a specific, actionable transition plan.

It is also worthwhile to highlight that in the past year, the Supervisory Board and its committees have diligently worked to understand the impact that evolving sustainability regulations, such as the Corporate Sustainability Reporting Directive, will have on the Group. A significant part of our focus has been on ensuring that robust mechanisms for both the sustainability governance and its effective management are firmly in place.

Looking ahead

In 2023, we take pride in the significant progress achieved by both the Supervisory Board and the management of the Group. Looking ahead to the upcoming year, our commitment remains steadfast in serving the best interests of the Group's stakeholders, guided by the highest standards of governance. Key focus areas for 2024 will include supervising Environmental, Social and Governance (ESG) matters, with a particular emphasis on safety initiatives and the expansion of Green Generation. We are delighted to continue offering our insights and expertise, thus contributing to the ongoing success of the Group, a leading success story in the Baltic region.

Alfonso Faubel
Chair of the Supervisory Board


Ignitis Group Supervisory Board

4.2 Governance framework

Overview of the Group's corporate governance

The Group's governance structure and model have been developed on the basis of the most advanced international and national practices, by following the G20/OECD Principles of Corporate Governance, the OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOEs) and the recommendations published by the OECD, having regard to the Corporate Governance Code for the companies listed on Nasdaq Vilnius. Additionally, the corporate governance model of a state-owned energy group was implemented in accordance with the Description of Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania.

The parent company acknowledges the importance of good corporate governance and follows the Corporate Governance Code for the companies listed on Nasdaq Vilnius to the extent possible. This code is based on the principle of "comply or explain". In accordance with Article 12(3) of the Law on Securities and Paragraph 25.4 of the Nasdaq Vilnius Listing Rules, the parent company must disclose annually how it complies with, or reasons for non-compliance with, the Nasdaq Vilnius Corporate Governance Code (including its specific provisions or recommendations). For a detailed description, please see section '7 Additional information' of Integrated Annual Report 2023.

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

Ignitis Group headquarters

Group's governance model

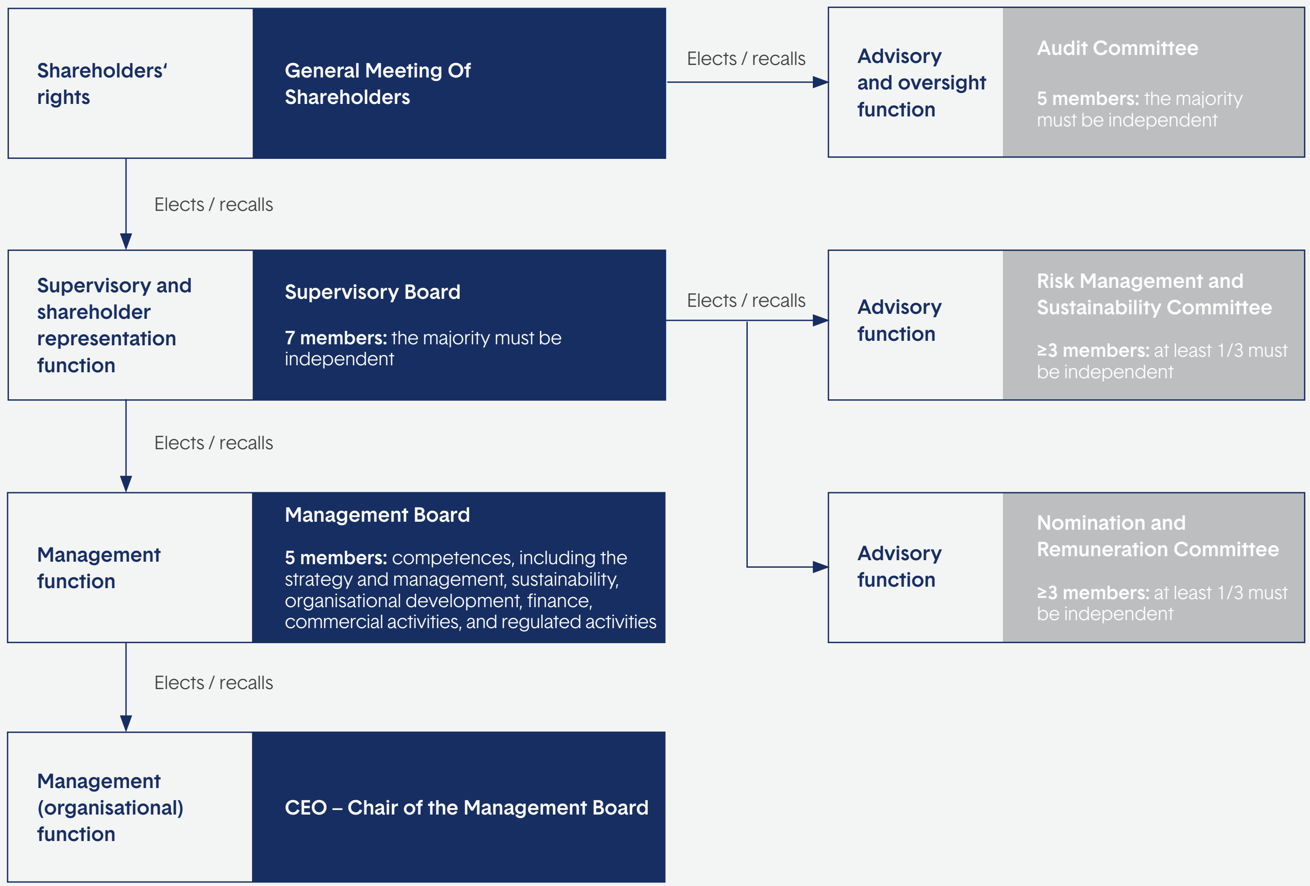
The parent company employs a corporate governance system designed to manage and control the Group as a whole and aimed at achieving common objectives. The corporate governance of the Group is exercised through the parent company's functions, i.e., by coordinating common areas such as finance, law, risk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

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

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

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

Corporate governance model



Key competences of the Group's bodies and committees

1. **The General Meeting** is the highest decision-making body of the parent company. Shareholders can use their votes during the General Meeting to vote on important matters related to the parent company.
   – **The Audit Committee** is responsible for monitoring the preparation process of financial statements of the Group, the effectiveness of the Group's internal control and risk management systems affecting the audited Group's financial statements as well as the effectiveness of internal audit. Also, the committee is responsible for supervising the audit of the annual financial statements of the Group companies which are public interest entities and the consolidated financial statements of the Group.
2. **The Supervisory Board** is a collegial supervisory body responsible for the effective oversight of the activities of the parent company's management bodies and approval of the Group's strategy. The Supervisory Board has established two committees that submit proposals and conclusions to the Supervisory Board in these key areas:
   – **The Risk Management and Sustainability Committee** oversees the functioning of the management and internal control system, key risk factors, the status of implementation of risk management measures within the Group, sustainability management, ethical business practices and corruption risks.
   – **The Nomination and Remuneration Committee** assesses candidates for the management and supervisory bodies of the Group, their structure, composition and performance, the continuity of the activities of the management and supervisory bodies and compliance with the Remuneration Policy of the Group.
3. **The Management Board** is a collegial management body responsible for the implementation of the key functions of corporate management.
4. **The CEO** represents the parent company in all matters and, together with the Management Board, is responsible for its management. The CEO manages the parent company's day-to-day operations and is entitled to solely represent the parent company.

Parent company's governance model

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

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

Corporate governance recognitions

The corporate governance excellence of the Group is reflected in numerous ratings and rankings. Additionally, ESG rankings are available in section '6.7 Additional information' of Integrated Annual Report 2023.

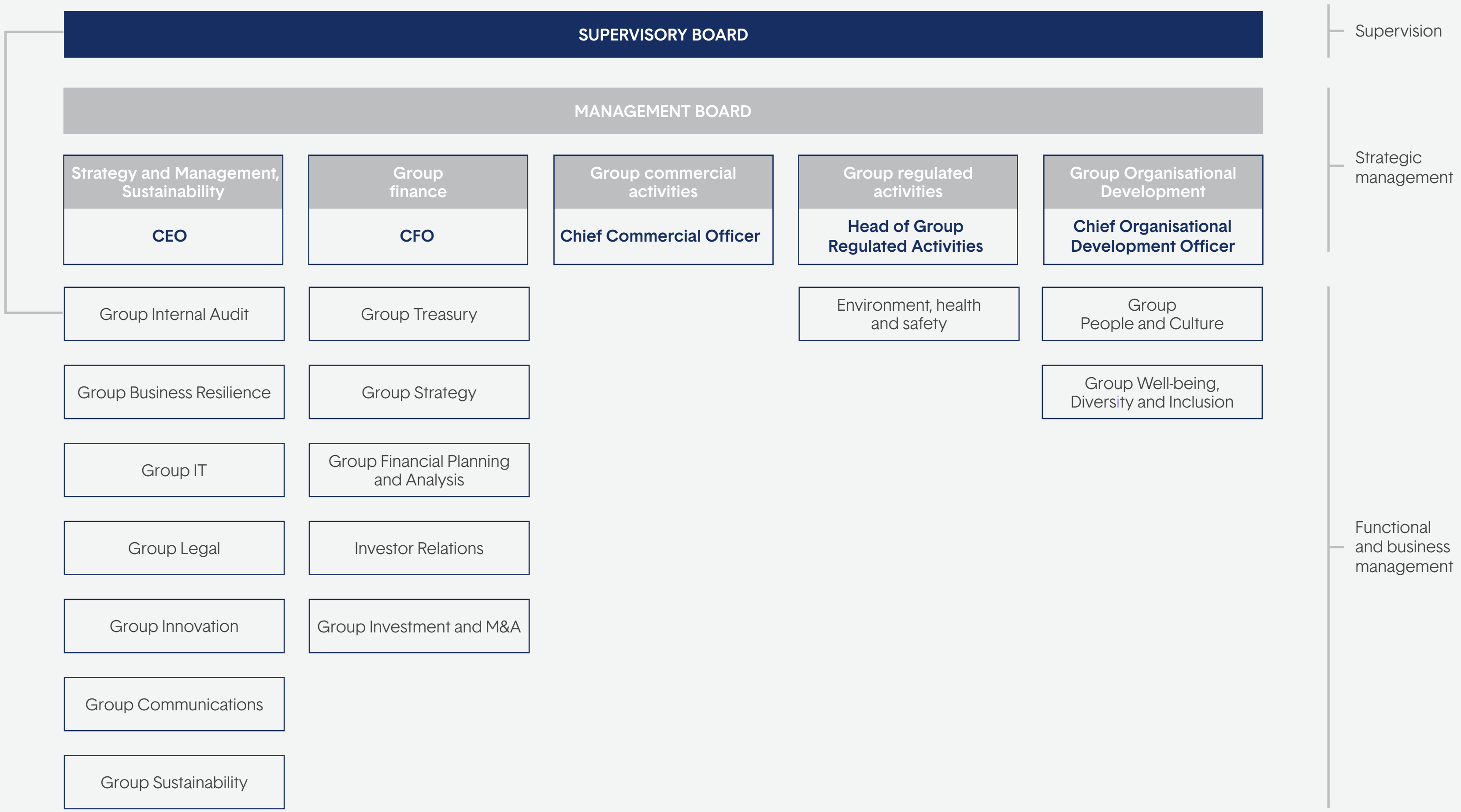
Governance ratings and rankings

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

Corporate Governance Index of SOEs in 2022/2023

Highest possible rating since 2012 in the assessment of how SOEs have implemented good governance practices

The parent company's organisational structure (as of the report announcement date)



4.3 General Meetings

Shareholders' rights and General Meetings

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

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

The parent company is not aware of any restrictions on shareholders' voting rights and agreements between shareholders.

Shareholders' competence

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

- electing and removing individual members of the Supervisory Board or the Supervisory Board of the parent company, making decisions on the payment of remuneration to independent members of the Supervisory Board of the parent company;
- amending the Articles of Association of the parent company;
- approving the sets of annual financial statements of the parent company and annual consolidated financial statements of the Group companies;
- making decisions on the allocation of profit (loss);
- making decisions on the allocation of dividends for a period shorter than the financial year;
- agreeing or not agreeing to the annual report of the parent company and the consolidated annual report of the Group companies;
- making decisions on increasing or reducing the authorised capital of the parent company;
- making decisions on the reorganisation or separation of the parent company and the approval of the terms and conditions thereof as well as on the restructuring, liquidation or cancelation of the liquidation of the parent company;
- agreeing or not agreeing to the decisions of the Management Board of the parent company regarding the parent company becoming a founder or participant of other legal entities;
- agreeing or not agreeing to the decisions (on the establishment of branches and representative offices of the parent company; the approval of nominations for members of the supervisory and/or management bodies of the companies of the parent company's group of the Group companies and the parent company's branches and representative offices; the approval of the Articles of Association of companies in which the parent company is a shareholder) of the Management Board of the parent company regarding the Group companies which are important to national security and engage in generation, distribution and supply activities in the energy sector as well as companies directly managed by the parent company which engage in energy generation activities.

General Meetings

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

On 30 March 2023, the Annual General Meeting passed the following resolutions:

- agreed to AB "Ignitis grupė" consolidated annual report for the year 2022, except for the part of the remuneration report;
- agreed to the remuneration report of AB "Ignitis grupė", as part of the consolidated annual report of AB "Ignitis grupė" for the year 2022;
- approved the set of audited annual financial statements of AB "Ignitis grupė" and the set of consolidated financial statements of AB "Ignitis grupė" group of companies for the year 2022;
- allocated the profit (loss) of AB "Ignitis grupė" for the year 2022;
- agreed to the allocation of aid to Ukraine;
- selected the audit firm and determined the conditions of payment for audit services;
- approved the updated Remuneration Policy of AB "Ignitis grupė" group of companies;
- approved the new wording of the Articles of Association of AB "Ignitis grupė" and the power of attorney.

On 29 June 2023, the Extraordinary General Meeting passed the following resolutions:

- agreed to the reduction of the share capital of AB "Ignitis gamyba", a subsidiary of AB "Ignitis grupė";
- agreed to the decision of the Management Board of AB "Ignitis grupė" to approve AB "Ignitis grupė" becoming a participant of the legal entity WF World Fund I GmbH & Co. KG.

On 21 September 2023, the Extraordinary General Meeting passed the following resolutions:

- agreed to the consolidated interim report of AB "Ignitis grupė" for the six-month period ended 30 June 2023;
- approved the set of audited interim condensed financial statements of AB "Ignitis grupė" for the six-month period ended 30 June 2023;
- allocated dividends to the shareholders of AB "Ignitis grupė" for a period shorter than the financial year;
- agreed to increase the share capital of UAB "Ignitis", a subsidiary of AB "Ignitis grupė".

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

Ignitis Group employees

Majority Shareholder

The Majority Shareholder of the parent company, the Republic of Lithuania, held 74.99% of the parent company's shares at the end of the reporting period. The rights and obligations of the Republic of Lithuania are exercised by the Ministry of Finance of the Republic of Lithuania (Majority Shareholder). The management of the shares will be carried out in accordance with the current version of the Law on Companies (link in Lithuanian), which establishes property and non-property rights and obligations of all shareholders, the Description of the Procedure of the Implementation of State Property and Non-Property Rights in State-Owned Enterprises approved by the Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012 (the Property Guidelines), and the latest version of the Articles of Association (see from page 21) of the parent company.

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

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

For further information on the parent company's shareholders, see section '1.6 Investor information' of this report.

Expectations of Majority Shareholder

In accordance with the Property Guidelines (link in Lithuanian), the Majority Shareholder submits a Letter of Expectations to the parent company at least once every four years on the objectives pursued by the Majority Shareholder in the SOE and its expectations. With that in mind, the Letter of Expectations regarding the activities of the Group was approved by the order of the Minister of Finance on 11 May 2023.

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

- to prioritise focused, sustainable and profitable development of green generation capacities in order to significantly contribute to energy security and green transition in the region;
- to ensure the availability and the long-term operational capacity of the infrastructure that is important for national and energy security;
- to strive to increase electricity supply in the region by supplying final consumers with clean energy generated by its green generation assets;
- to ensure the resilience of the electricity distribution network to external factors, efficient distribution, network development, facilitation of the energy market and electrification in Lithuania;
- to ensure the reliability and flexibility of the Lithuanian energy system and its development while contributing to the implementation of changes in the energy sector in Lithuania and across the region;
- to ensure sustainable development of the Group activities.

4.4 Supervisory Board and committees

Overview

Supervisory Board

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

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

The Supervisory Board is elected by the General Meeting for the period of four years. The Supervisory Board of the parent company comprises seven members: five independent members and two representatives of the Majority Shareholder. The Supervisory Board also elects its Chair from its members.

Key competence of the Supervisory Board covers the following:

- considering and approving the business strategy, annual budget and investment policy of the parent company and the Group;
- analysing and evaluating the implementation of the business strategy, providing this information to the General Meeting;
- electing and removing members of the Management Board;
- supervising activities of the Management Board and the CEO;
- providing comments to the General Meeting on a set of financial statements, allocation of profit or loss and annual reports;
- making decisions regarding the parent company's transactions planned to be entered into with a related party;
- approving the Policy on Related Party Transactions of the Group.

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

Information on selection criteria of the Supervisory Board members

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

The decision on the election of Supervisory Board members is made by the General Meeting.

Information on remuneration of the Supervisory Board members during the reporting period

The remuneration of the members of the Supervisory Board is paid to them in accordance with the Articles of Association, the Group Remuneration Policy and the Description of the Procedure for the Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipal-Owned Enterprises approved by the Resolution No 1092 of the Government of the Republic of Lithuania of 14 January 2015 (link in Lithuanian). The terms and conditions of the agreements with the members of the Supervisory Board, including the remuneration of members, are determined by the General Meeting.

Details of the remuneration paid to the members of the Supervisory Board during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

Conflicts of interest

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

Overview of the Supervisory Board and its committees (during the reporting period)

	Supervisory Board	Risk Management and Sustainability Committee	Nomination and Remuneration Committee
Term of office	26 October 2021 – 25 October 2025	22 April 2022 – 25 October 2025	3 November 2021 – 25 October 2025
Independence, including the Chair	71%	100%	67%
Meeting attendance	100%	100%	100%
Shareholdings of the parent company or its subsidiaries	None	None	None

Members of the Supervisory Board and its committees and their meeting attendance[1] (during the reporting period)

	Supervisory Board	Risk Management and Sustainability Committee	Nomination and Remuneration Committee
Alfonso Faubel Ⓘ	19/19 Ⓒ	10/10	-
Ana Riva Ⓘ	-	8[3]/10	-
Aušra Vičkačkienė Ⓜ	19/19	-	12/12
Bent Christensen[2] Ⓘ	19/19	-	12/12
Ingrida Muckutė Ⓜ	19/19	-	-
Judith Buss Ⓘ	19/19	-	-
Lorraine Wrafter Ⓘ	19/19	-	12/12 Ⓒ
Tim Brooks Ⓘ	19/19	10/10 Ⓒ	-
Wolf Willems Ⓘ	-	8[4]/10	-

[1] The numbers indicate how many meetings the members have attended out of total meetings during the reporting period.
[2] On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.
[3] Ana Riva joined the Risk Management and Sustainability Committee on 1 April 2023 and has attended each meeting of the committee since joining.
[4] Wolf Willems joined the Risk Management and Sustainability Committee on 1 April 2023 and has attended each meeting of the committee since joining.

Ⓘ *- Independent member*
Ⓜ *- Majority Shareholder's representative*
Ⓒ *- Chair*

Supervisory Board and its committees

In order to perform its functions and duties effectively, the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. A committee must have at least three members, where at least one member is a member of the Supervisory Board and at least 1/3 of the members are independent. Members of the committees are elected for a maximum term of four years. Where individual members are elected to a committee, they shall be elected only for a period until the end of the term of office of the existing committee.

The committees of the Supervisory Board:

- **the Risk Management and Sustainability Committee** is responsible for submitting comments and proposals to the Supervisory Board on the matters of risk management, sustainability management and business ethics assurance.
- **the Nomination and Remuneration Committee** is responsible for submitting comments and proposals to the Supervisory Board on the matters of election, removal or promotion of the CEO and the Management Board members of the parent company and the members of the supervisory and/or management bodies of the parent company's subsidiaries: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation). The committee's functions also include the formation of a common remuneration policy for the Group companies, determining 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 specific issues, to prepare, supervise or coordinate strategic projects, etc.). At the end of the reporting period and as of the date of this report, only the committees of Risk Management and Sustainability and Nomination and Remuneration were operating in the parent company.

Overview of the Supervisory Board and its committees

Activities, composition of the Supervisory Board and its committees as well as information on members' education, experience, place of employment and shareholdings in the Group companies at the end of the reporting period are provided below in the report. Furthermore, details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

During the reporting period there were no changes in the composition of the Supervisory Board and the Nomination and Remuneration Committee and there was change in the composition of the Risk Management and Sustainability Committee – about which the information in detail is provided in the following sections. However, on 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

Competence matrix

Area of competence	Alfonso Faubel Renewable energy	Ana Riva[2] Risk management	Aušra Vičkačkienė Public policy and governance	Bent Christensen[3] Strategy development and international development	Ingrida Muckutė Public policy and governance	Judith Buss Finance management	Lorraine Wrafter Organisational development	Tim Brooks Sustainable development and risk management	Wolf Willems[4] Occupational health and safety and Sustainability/ESG
Experience in:									
Top-level management	+	+	+	+	+	+	+	+	+
Non/Executive management bodies	+	+	+	+	+	+	+	+	+
International development/expansion	+			+		+	+	+	+
Energy sector	+	+	+	+	+	+	+	+	+
Renewable energy field	+	+	+	+	+	+	+	+	+
Listed company	+	+	+	+	+	+	+	+	+
Regulated business	+	+	+	+	+	+	+		
Competence[1] in:									
Corporate finance	+	+	+		+	+			
Audit		+			+	+			
Business strategy	+	+	+	+	+	+	+	+	+
Mergers & acquisitions	+		+	+		+	+		+
Risk management	+	+		+	+	+		+	
Innovation/Digitalisation	+	+		+				+	
Public policy and governance			+		+				+
Sustainability-related:	+	+	+	+	+	+	+	+	+
Environment (incl. climate change)	+			+		+		+	+
Organisational development / HR / Diversity, equity, and inclusion	+		+	+		+	+	+	
Health & Safety	+			+			+	+	+
ESG regulatory frameworks (incl. CSRD, EU Taxonomy)		+			+	+		+	+

[1] Competences are assigned according to the competences members have had during the hiring procedure and acquired while managing different strategic areas and targets and participating in various trainings.
[2] Ana Riva joined the Risk Management and Sustainability Committee on 1 April 2023.
[3] On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.
[4] Wolf Willems joined the Risk Management and Sustainability Committee on 1 April 2023.

Supervisory Board

Information about the Supervisory Board

The Supervisory Board is a collegial supervisory body established in the Articles of Association of the parent company. The Supervisory Board comprises seven members, five of them are independent and two represent the Majority Shareholder. The Supervisory Board members were elected by the General Meeting on 26 October 2021, their term of office ends on 25 October 2025.

There were no changes in the composition of the Supervisory Board during the reporting period. However, on 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

The selection of the Supervisory Board of the parent company is carried out in accordance with Resolution No 631 of the Government of the Republic of Lithuania "On the Approval of the Description of the Selection of Candidates for a Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipal-Owned Company or its Subsidiary" (link in Lithuanian), which sets out the obligation to ensure fair and equitable treatment of candidates in the selection process.

The members of the Supervisory Board were selected on the basis of the general expectations and competences set out in the Competence Profile of the Supervisory Board.

Information on education, experience and place of employment of the Supervisory Board members is available below. Furthermore, details on remuneration paid during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

No members of the Supervisory Board had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Supervisory Board had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the Supervisory Board

Overview

The Supervisory Board plans and operates its activities according to the annual action plan. On 16 December 2022 the Supervisory Board approved its 2023 action plan, which was implemented properly. After evaluating the implementation of the strategy, the Supervisory Board noted that a significant progress has been made, including the Green Generation Portfolio's increase to 7.1 GW (from 5.1 GW) since the beginning of 2023. The oversight of ESG issues, especially occupational health and safety, and Green Generation expansion remained the key topics discussed by the Supervisory Board throughout 2023. The Supervisory Board's objective for 2024 is to continue overseeing the Group's progress in reaching its ambitious goals.

The Supervisory Board's meetings are held at least once a quarter but planned on a monthly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 19 meetings of the Supervisory Board were held in 2023, covering the following key areas:

- issues related to the annual report and annual financial statements for the year 2022;
- the submission of opinions to the Management Board on the nominations of the members of the management bodies of the main subsidiaries;
- the change in the composition of the Risk Management and Sustainability Committee of the Supervisory Board, the appointment of new members, the amendment of its regulations and the change in the name of the committee;
- the approval of the Group's planning documents and targets for 2024;
- sustainability issues, including health and safety;
- the approval of the strategy and the Strategic Plan 2023–2026 of the Group;
- strategic investment issues;
- issues related to the remuneration system of the Group, including the long-term incentive programme for executives;
- the approval of the long-term incentive plan targets of the Group for the 2023–2026 period, material terms and conditions of the Non-Compete Agreements for the members of the Management Board;
- the approval of the updated Policy on Related Party Transactions of the Group;
- issues related to the consolidated interim report of the parent company for the six months period ended 30 June 2023 and the set of audited interim condensed financial statements for the six months, and the allocation of dividends to shareholders.

In addition, intensive two-day strategic sessions took place in April and September 2023, where the latest situation in the energy sector, challenges and opportunities as well as the updated strategy of the Group, its strategic plans and the key strategic topics were discussed.

After the reporting period

Overall 3 meetings of the Supervisory Board were held from 1 January 2024 until 28 February 2024, covering the following key areas:

- the Integrated Annual Report, the audited annual financial statements, the profit (loss) allocation, the Sustainability report and the Remuneration report of AB "Ignitis grupė", including independent auditor's draft report and the Audit Committee's report;
- evaluating the achievement of the Group's annual targets for 2023 and making a decision on the payment of the variable part of remuneration to the Management Board members and the CEO of AB "Ignitis grupė";
- evaluating the achievement of the Group's long-term targets;
- the Supervisory Board committees' reports for 2023;
- the Group's strategic plan;
- the CSRD implementation.

Performance evaluation

In line with good governance practices and the Majority Shareholder's expectations, each year, on its own initiative, the Supervisory Board conducts a self-assessment and agrees on further actions to improve the functioning of the Supervisory Board. It is also notable that at least once every three years, the parent company contracts an independent external consultant to carry out evaluation of the Supervisory Board's performance. The first such evaluation was conducted in 2021. The next evaluation is planned in 2024.

Members of the Supervisory Board

Alfonso Faubel

Chair, member since 26/10/2021
Independent
Competence: renewable energy
Committees: Risk Management and Sustainability Committee
Term of office expires: 25/10/2025

Experience
Alfonso has held executive responsibilities in Siemens Gamesa, Alstom/GE (which are leading players in the global wind power & energy markets) and Delphi Automotive. As CEO he has led the turn-around and integration of Siemens Gamesa, secured key target projects for over EUR12 billion in new orders across Alstom/GE's power businesses, and earlier opened 16 new markets worldwide for their wind power business. Alfonso Faubel is an executive with a career that spans 34 years and five continents in automotive, digitization and energy industries and is valued for his skills in business turnaround, improving operational excellence, working with teams in different cultural environments on assignments worldwide.

Education
University of Cologne, Business Administration & Economics; Richmond American University London, Bachelor's degree in Business Administration; INSEAD, Executive Education.

Other current place of employment, position
None.

Owned shares of the parent company
None.

Aušra Vičkačkienė

Member since 30/08/2017
Re-elected on 26/10/2021
Majority shareholder's representative
Competence: public policy and governance
Committees: Nomination and Remuneration Committee
Term of office expires: 25/10/2025

Experience
Aušra has more than 20 years of experience in civil service. For the last 14 years she has been the Director of Asset Management Department of the Ministry of Finance, previously managed the Financial Services Division of the Ministry's Financial Markets Department, and was the Head of the Loan and Guarantee Supervision Division. In addition to this, Aušra has served on management boards of various state-owned companies: Būsto Paskolų Draudimas, Turto Bankas and Viešųjų Investicijų Plėtros Agentūra, where she was elected as the Chair of the Management Board.

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

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

Owned shares of the parent company
None.

[1] *On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.*

Bent Christensen

Member since 12/11/2020
Re-elected on 26/10/2021
Independent
Competence: strategic management and international development
Committees: Nomination and Remuneration Committee
Term of office expired: 04/01/2024[1]

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

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

Other current place of employment, position
Christensen Management Consulting Holding ApS, Chief Executive Officer and owner; Christensen Management Consulting ApS, Chief Executive Officer and owner; Chair of the Supervisory Board of Wind Estate A/S, Member of the Supervisory Board of Aker Carbon Capture ASA.

Owned shares of the parent company
None.

Ingrida Muckutė

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

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

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

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

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

Owned shares of the parent company
None.

Judith Buss

Member since 12/11/2020
Re-elected on 26/10/2021
Independent
Competence: financial management
Committees: Audit Committee
Term of office expires: 25/10/2025

Experience
Judith has held senior executive leadership positions in the E.ON Group (a leading European energy company in the DAX-40 Group) for more than 20 years, including as Chief Financial Officer of the global E.ON Climate & Renewables Group with a portfolio of assets >10bn€ in development, construction and operations of onshore and offshore wind and solar assets in Europe, North America and APAC. Judith has broad experience in the global energy industry and in financial markets/M&A, as well as in corporate governance and sustainability, serving as a member of several boards of directors in companies operating in Germany, Lithuania, Norway, the UK, Russia and Algeria.

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

Other current place of employment, position
Member of the Supervisory Board of Uniper SE; Chair of Audit Committee of Uniper SE; Member of Supervisory Board of Hella GmbH & Co. KGaA, Lippstadt, Germany; Member of Shareholder's Committee of Hella GmbH & Co. KGaA, Lippstadt, Germany; Chair of Audit Committee of Hella GmbH & Co. KGaA, Lippstadt, Germany.

Owned shares of the parent company
None.

Lorraine Wrafter

Member since 26/10/2021
Independent
Competence: organisational development
Committees: Nomination and Remuneration Committee
Term of office expires: 25/10/2025

Experience
Lorraine is a global HR director with a specialisation in Organisation Effectiveness (change, culture, M&A, organisation design, reward and talent management), working with boards and executive teams to transform organisations and workforce performance to deliver business value in complex multinational organisations.
Lorraine has more than 30 years of experience in big multinational corporations: CARGILL Inc. and HOLCIM.
Currently she has her own business 'The Problem' and works on varied projects such as organisation transformation, culture, team dynamics, and coaching. She is also a Board Advisor to a German start-up company HACK - CMP.

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

Other current place of employment, position
Consultant and owner of 'The problem'.

Owned shares of the parent company
None.

Tim Brooks

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

Experience
Tim is a senior executive with more than 20 years of experience in sustainable development both as a consultant, and in large corporate entities. Tim has been working at The LEGO Group for 10 years, most recently as a Vice President for Sustainability and regularly contributes to the company's risk and compliance boards. Tim has valuable experience in developing sustainability strategies and working with a broad range of stakeholders to implement industry leading sustainability programmes.

Tim has worked with KIRKBI, the LEGO Group parent company, to support and coordinate over 700 million USD of funding for renewable energy projects resulting in construction of two offshore wind parks, and delivery of over 70MW of building and ground mounted solar PV for LEGO buildings. He has also launched the 'Engage2Reduce' supply chain engagement programme and the 450 million USD LEGO Group Sustainable Materials programme. Currently, he serves as a Board Trustee of the Global Action Plan and a Board Member of the Honnold Foundation.

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

Other current place of employment, position
Vice President, Corporate Responsibility at LEGO System A/S; Board Trustee, the Global Action Plan; Member of the Board, the Honnold Foundation.

Owned shares of the parent company
None.

71%
Independence, including the Chair

57%
Share of women in the Supervisory Board

Risk Management and Sustainability Committee

Overview

The Risk Management and Sustainability Committee is responsible for submitting comments and proposals to the Supervisory Board on the matters of risk management, sustainability management and business ethics assurance.

The key responsibilities of the Risk Management and Sustainability Committee are the following:

- monitoring and overseeing how the risks relevant to the achievement of the parent company's and the Group companies' objectives are identified, assessed and managed, providing recommendations;
- assessing the adequacy of internal control procedures, operational ethics and risk management measures for identified risks;
- assessing the status of implementation of risk management measures;
- monitoring the implementation of the risk management process;
- assessing the risks and the risk management plan of the parent company and the Group companies;
- assessing the periodic risk identification and assessment cycle;
- assessing whether risk registers are compiled, analysing their data, submitting proposals;
- monitoring the preparation of internal documents related to the risk management;
- monitoring the implementation of the business continuity management process;
- monitoring the sustainability policy and the strategic directions related to the ESG targets of the Group companies, providing an opinion and recommendations on these targets, with a particular focus on ensuring OHS and reducing the impact on the climate;
- assessing the adequacy of internal control procedures related to the implementation of the sustainability policy, strategic directions and ESG targets as well as risk management in these areas;
- assessing the status of implementation of the Sustainability Policy, the strategic directions and ESG targets, in particular, in the area of ensuring occupational health and safety and reducing the impact on the climate, reviewing and analysing the related information;
- assessing the sufficiency and adequacy of a company's internal documents governing the measures for preventing bribery and corruption as well as periodically monitoring their implementation/compliance;
- periodically monitoring the information related to operational ethics, management actions, events and unresolved incidents (ensuring transparency, prevention of bribery, corruption risk management/prevention, etc.);
- performing other functions assigned to the competence of the committee by the decision of the Supervisory Board;
- preparing and submitting a report on its activities to the Supervisory Board at least every 6 months.

Information about the Risk Management and Sustainability Committee

There were changes in the composition of the Risk Management and Sustainability Committee during the reporting period. In the process of expanding and strengthening the competences of the Risk Management and Sustainability Committee, its composition was expanded and two new independent members, Ana Riva and Wolf Willems, have been selected to join the committee. They are responsible for the oversight of risk management and occupational health and safety as well as sustainability. They joined the committee on 1 April 2023, and the end of their term of office is the same as the Supervisory Board's, which is 25 October 2025.

The Risk Management and Sustainability Committee comprises four members in total: two members of the Supervisory Board (Tim Brooks, the Chair of the committee, and Alfonso Faubel) and two external independent members (Ana Riva and Wolf Willems). In addition, the committee's name was changed to the Risk Management and Sustainability Committee (from the Risk Management and Business Ethics Supervision Committee).

Information on education, experience and place of employment of the Risk Management and Sustainability Committee's members is available below. Furthermore, the details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

No members of the Risk Management and Sustainability Committee had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Risk Management and Sustainability Committee had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the Risk Management and Sustainability Committee

The Risk Management and Sustainability Committee plans and operates its activities according to the annual activity plan. The committee's objective for 2024 is to continue overseeing the Group's progress in reaching its ambitious goals, and the ESG, especially OHS, issues, the preparation for the full implementation of CSRD and the climate mitigation issues will be the key topics to be discussed by the committee throughout 2024.

The Risk Management and Sustainability Committee's ordinary meetings are held at least once a quarter but planned on a monthly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 10 meetings of the Risk Management and Sustainability Committee were held in 2023, covering the following key areas:

- occupational health and safety;
- periodical risk management reports of the Group;
- consolidated risk register and risk management plan of the Group;
- business continuity management system of the Group;
- internal controls' governance of the Group;
- sustainability governance of the Group;
- preparation to comply with the requirements of CSRD;
- anticorruption management system of the Group;
- cooperation with the Audit Committee;
- performance report of the committee.

After the reporting period

Overall 2 meetings of the Risk Management and Sustainability Committee were held from 1 January until 28 February 2024, covering the following key areas:

- status update on CSRD implementation;
- environmental, health and safety, issues, including quarterly report on the Group's occupational health and safety;
- enterprise risk management, including quarterly report on the Group's risk management;
- Group internal controls report;
- Sustainability report (Corporate social responsibility report);
- performance report of the committee.

100%
Independence, including the Chair

25%
Share of women in the Risk Management and Sustainability Committee

Members of the Risk Management and Sustainability Committee

Tim Brooks

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

Experience
See page 103.

Alfonso Faubel

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

Experience
See page 102.

Ana Riva

Member since 01/04/2023
Independent
Competence: risk management
Term of office expires: 25/10/2025

Experience
Ana has more than 20 years of experience in international companies and consulting firms, including Nouryon, Grundfos and Big4. While working in these companies, she was developing and leading internal audit and risk management strategies as well as leading financial, performance and business risk audits. She also oversaw the transformation of internal audit and risk functions at the companies while focusing on strategic partnership, digitalisation and business continuity issues.

Education
IMD Business school, Leading Digital Business Transformation; University of Oxford, Said Business School, Finance Strategy; Baltic Management Institute (EMBA), joint program by HEC & CBS; Vilnius University, Applied Macroeconomics; Vilnius University, Audit and Financial Accounting.

Other current place of employment, position
Chief Audit Executive at a Swiss company, COFRA Group.

Owned shares of the parent company
None.

Wolf Willems

Member since 01/04/2023
Independent
Competence: occupational health and safety and sustainability/ESG
Term of office expires: 25/10/2025

Experience
Wolf has over 27 years of experience in the areas of sustainability, health and safety management, security and environmental affairs. During his career, Wolf has focused on improving organisational performance by aligning governance and strategies with business models, improving organisational culture, identifying and implementing the best practices and developing leadership. He assumed executive positions in such companies as Stora Enso Oyj, AT&T, Chassis Brakes International (now Hitachi Astemo) and LVX Consulting.

Education
Liverpool John Moores University, Security Management (in progress); Business School Nederland, Business Administration; HAS Green Academy, Environmental Engineering; National Committee on Sustainable Development & COS, Sustainable Development.

Other current place of employment, position
LVX Consulting, Head of Sustainability and HSSE.

Owned shares of the parent company
None.

[1] *The term of the Risk Management and Sustainability Committee ends on 25 October 2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore, the term of office of individual Supervisory Board members on the committee is aligned with the term of the current Supervisory Board.*

Nomination and Remuneration Committee

Overview

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

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

- submitting proposals in relation to the long-term remuneration policy of the parent company and the Group companies (fixed base salary, performance-based incentives, pension insurance, other guarantees and forms of compensation, severance pay, other items in the compensation package), and the principles of compensation for expenses related to the person's activities;
- monitoring the compliance of remuneration and bonus policies of the parent company and the Group companies with the international practices, including good governance guidelines, and providing suggestions for their improvement;
- assessing the terms and conditions of the agreements between the parent company or the Group companies and the members of the management and/or supervisory bodies;
- assessing the procedures for recruiting and hiring candidates for the management bodies of the parent company and for the management and/or supervisory bodies of the parent company's subsidiaries: ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation), as well as establishing qualification requirements for them, also submitting comments and proposals thereof to the Supervisory Board;
- assessing the structure, size, composition and activities of management and/or supervisory bodies of the parent company and the Group companies;
- overseeing and assessing the implementation of measures ensuring the business continuity of the management and/or supervisory bodies of the parent company and the Group companies;
- performing other functions falling within the scope of competence of the committee as decided by the Supervisory Board.

Information about the Nomination and Remuneration Committee

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

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

Information on education, experience, and place of employment of the Nomination and Remuneration Committee members is available below. Furthermore, details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

There were no changes in the composition of the Nomination and Remuneration Committee during the reporting period. However, on 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024. Following the resignation of Bent Christensen, the committee will function as usual with the remaining members.

No members of the Nomination and Remuneration Committee had any participation in the capital of the parent company or its subsidiaries. Additionally, no members of the Nomination and Remuneration Committee had 5% or more shareholdings in other companies that are the parent company's business partners, suppliers, clients, and other related companies.

Activities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee plans and operates its activities according to the annual activity plan. The committee's objective for 2024 is to continue overseeing the Group's progress in reaching its ambitious goals, and the long-term remuneration policy of the parent company and the Group companies as well as the planning of the strategic workforce within the Group to ensure the talent pipeline for the Group's strategic projects will be the key topics to be discussed by the committee throughout 2024.

The Nomination and Remuneration Committee ordinary meetings are held at least once a quarter but planned on a monthly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 12 meetings of the Nomination and Remuneration Committee were held in 2023, covering the following key areas:

- issues related to the development of the remuneration policy, including long-term incentives of employees;
- issues related to determining long-term incentives for key executives;
- issues related to executive remuneration;
- evaluating the nominees for the Risk Management and Sustainability Committee and the management bodies of the parent company's subsidiaries, including the Boards of ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation), Ignitis (Customers & Solutions) and Ignitis Renewables (Green Generation);
- issues on succession planning of strategic positions in the parent company;
- assessing the independence of the independent members of the collegial bodies of the parent company and its subsidiaries;
- issues related to the optimisation of the corporate governance of the parent company's subsidiaries, including ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation) and Ignitis (Customers & Solutions);
- issues related to the implementation of the parent company's strategy and objectives in the area of people and culture;
- issues related to the selection of the CEO of Ignitis Gamyba (Reserve Capacities and Green Generation);
- committee's organisational issues.

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

After the reporting period

Overall 3 meetings of the Nomination and Remuneration Committee were held from 1 January 2024 until 28 February 2024, covering the following key areas:

- the performance report for the year 2023 of the committee;
- reviewing the remuneration report (part of the performance report) of the parent company for 2023;
- issues related to the organisational development of the parent company and its subsidiaries;
- evaluating candidates for the management bodies of the parent company's subsidiaries (Ignitis Gamyba (Green Generation and Reserve Capacities);
- submitting an opinion on amendments to the Remuneration Policy;
- issues related to the development and implementation of the Remuneration Policy.

Members of the Nomination and Remuneration Committee

Lorraine Wrafter

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

Experience
See page 103.

Aušra Vičkačkienė

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

Experience
See page 102.

Bent Christensen

Member since 03/11/2021
Independent
Competence: strategy development and international development
Term of office[1] expires: 25/10/2025[2]

Experience
See page 102.

67%
Independence

67%
Share of women in the Nomination and Remuneration Committee

[1] The term of the Nomination and Remuneration Committee ends on 2 November 2025, however according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore, the term of office of the individual Supervisory Board members on the committee is aligned with the term of the current Supervisory Board.
[2] On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

4.5 Audit Committee's report

2023 highlights

Overview

The work plan of the Audit Committee in 2023 was updated to reflect the areas identified for additional focus. The new areas of focus included overseeing ESG reporting and the status of CSRD implementation.

Activities of the committee

During the reporting period

In implementing the functions laid down in the Regulations of the Audit Committee of the parent company, the Audit Committee held 17 meetings.

In addition, to improve cooperation the Audit Committee and the Risk Management and Sustainability Committee held a joint meeting to discuss topics of mutual interest, mainly CSRD implementation matters. All members of the committees attended this joint meeting.

Key areas covered in 2023

The committee carried out the following activities.

Financial reporting:
- monitored the preparation process of financial statements of the Group companies and discussed the financial statements;
- ensured that financial statements are prepared in the European Single Electronic Format (ESEF);
- discussed accounting policies;
- discussed taxation matters;
- discussed legal disputes in which the Group companies were involved.

External audit:
- ensured the independence of the financial statements auditor;
- reviewed the external audit strategy, scope and materiality as well as key audit matters;
- periodically assessed updates from the independent audit company on the external audit process;
- discussed the independent audit company's reports on the public interest companies of the Group including key audit matters;
- assessed the need of audit of the companies of Ignitis Renewables during the year 2023;
- discussed the National Audit Office's report on the Management of the Electricity Sector.

Internal audit:
- discussed the internal audit activity reports of the Group Internal Audit;
- discussed several internal audit reports;
- regularly followed the implementation of actions resulting from Internal Audit's reports;
- reviewed the implementation of Internal Audit's plan;
- discussed the developments in the Standards of Professional Practice for Internal Audit and the issues arising from the impact of the changes in the standards;
- reviewed the changes to the Internal Audit Charter and approved the updated Internal Audit Charter.

Governance and risk management including internal controls affecting financial statements:
- reviewed periodic reports on the Group's financial performance;
- reviewed the updated Policy on Related Party Transactions of the Group;
- discussed the financial reporting risks;
- discussed the process of preparation for reporting on sustainability.

The Audit Committee declares that in 2023 there were no factors restricting the activity of the Audit Committee and the Audit Committee received from the Group all the information necessary for the exercise of its functions.

After the reporting period

Overall, 3 meetings of the Audit Committee were held from 1 January 2024 until 28 February 2024, where committee members carried out the following activities:

- discussed the update on the Group's internal control governance and the Audit Committee's role therein;
- discussed legal disputes in which the Group companies were involved;
- reviewed the corruption and fraud risk management processes;
- reviewed and approved the Internal Audit Plan for 2024;
- discussed the annual report of implementation of actions resulting from the internal audit reports;
- submitted a semi-annual Audit Committee's report on its activities to the Supervisory Board of the Group for 2023/2024;
- reviewed periodic reports on the Group's financial results;
- the Audit Committee, together with the Risk Management and Sustainability Committee, discussed organisational readiness for CSRD implementation.

Plans for 2024

The Audit Committee in the future will continue to follow:

- the developments of reporting on sustainability and its assurance;
- the changes in Internal Audit Standards and their impact on the Audit Committee's activities;
- the implementation of recommendations resulting from internal and external audits.

Irena Petruškevičienė
Chair of the Audit Committee

Mažeikiai wind farm, Lithuania

Audit Committee overview

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

Audit Committee and internal Audit function

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

Key responsibilities of the Audit Committee are the following:

Financial reporting

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

External audit

- monitoring the independence of the independent auditor and submitting recommendations regarding the selection of an audit company;
- making sure that the rotation requirements for independent audit companies and key audit partners are not violated.

Internal audit

- monitoring the effectiveness of the Internal Audit function, submitting recommendations to the Supervisory Board regarding selection, appointment and dismissal of the Head of Group Internal Audit, periodically coordinating and evaluating the work of the Group Internal Audit, discussing the verification results, the removal of identified deficiencies and the implementation of internal audit plans;
- approving the operational rules of the Group Internal Audit and the Internal Audit Plan.

Internal control and risk management

- monitoring the effectiveness of the Group companies' internal control and risk management systems affecting the audited company's financial statements;
- submitting opinions to the parent company regarding the transactions with related parties as provided in Paragraph 5 of Article 37^2 of the Law on Companies.

Governance

- assessing and analysing the issues assigned to the competence of the committee;
- performing the functions related to the committee's functions and provided in the legal acts of the Republic of Lithuania and the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius.

Information about the Audit Committee

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

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

Information on education, experience and place of employment of the Audit Committee members is available below. Furthermore, details of remuneration paid to the members during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

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

Overview of the Audit Committee (during the reporting period)

Term of office	27 September 2021 – 26 September 2025
Independence, including the Chair	80%
Meeting attendance	96%
Shareholdings of the parent company or its subsidiaries	None

Members of the Audit Committee and their meeting attendance[1] (during the reporting period)

Member	Attendance
Irena Petruškevičienė Ⓘ©	17/17
Ingrida Muckutė Ⓜ	15/17
Judith Buss Ⓘ	17/17
Saulius Bakas Ⓘ	17/17
Marius Pulkauninkas Ⓘ	16/17

Ⓘ - Independent member
Ⓜ - Majority Shareholder's representative
© - Chair

Competence matrix

	Irena Petruškevičienė	Ingrida Muckutė	Judith Buss	Saulius Bakas	Marius Pulkauninkas
Experience in:					
Top-level management	+	+	+	+	+
Non/Executive management bodies	+	+	+	+	+
International companies and organisations	+	+	+	+	+
Energy sector	+	+	+		+
Listed company	+	+	+	+	+
Regulated business	+	+	+	+	+
Competence[2] in:					
Accounting or financial statements auditing	+	+	+	+	+
Accounting or financial statements auditing, internal auditing in energy sector	+	+	+	+	+
Audit of public-interest entities	+	+	+	+	+
Risk management	+	+	+	+	+

[1] The numbers indicate how many meetings the members have attended out of the total meetings during the reporting period.
[2] Competences are assigned according to the competences members have had during the hiring procedure and acquired while managing different strategic areas and targets as well as participating in various trainings.

Members of the Audit Committee

Irena Petruškevičienė

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

Experience
Irena has over 30 years of experience in the field of auditing acquired in Lithuania and at international organisations. She worked for 10 years at an audit and consulting company PricewaterhouseCoopers, was a Head of Financial Strategy & Management Programme at ISM University of Management and Economics. Irena also worked for many years at international institutions, including the European Court of Auditors, the European Commission and the UN World Food Programme and European Stability Mechanism. She is a member of the Lithuanian Association of Certified Auditors and the Association of Chartered Certified Accountants (ACCA), and a member of the Association of Internal Auditors. She was elected as a member of the parent company's Audit Committee for the first time in November 2014.

Education
Vilnius University, Diploma in Economics.

Other current place of employment, position
Maxima Grupė, Chair of the Audit Committee. State Enterprise Centre of Registers, Member of the Audit Committee. UAB "Vilniaus viešasis transportas", Member of the Audit Committee.

Owned shares of the parent company
None.

Ingrida Muckutė

Member since 23/03/2018
Re-elected on 15/12/2021
Majority Shareholder's representative
Term of office[1] expires: 26/09/2025

Experience
See page 102.

Judith Buss

Member since 15/12/2021
Independent
Term of office[1] expires: 26/09/2025

Experience
See page 103.

[1] *The term of the Audit Committee ends on 26 September 2025, however, according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore, the term of office of the individual Supervisory Board members on the committee is linked to the term of the current Supervisory Board.*

Marius Pulkauninkas

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

Experience
Marius is a highly experienced finance and audit professional with a career of 14 years working at an audit and assurance services company Ernst & Young, coupled with business experience as a CFO at KN Energies (former Klaipėdos Nafta), a company operating oil and liquefied natural gas terminals in Lithuania. His business expertise was further developed at Valstybinė miškų ūrėdija, where he held a position of General Manager.

Education
Vilnius University, Master's degree in Business Administration and Management; Baltic Institute of Corporate Governance, Professional Board Member Education Programme.

Other current place of employment, position
General Manager and shareholder at UAB "Kalnų grupė".

Owned shares of the parent company
None.

Saulius Bakas

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

Experience
Saulius is an experienced professional with over 25 years of experience in accounting & reporting, audit and assurance, internal controls and risk management. From the start of his career until 2020 he worked at international accounting and audit firms (Big4) and most recently from 2012 to 2020 was a partner with Deloitte Central Europe and in-charge of audit and assurance business in the Baltics region. Since 2021 he is a partner at Viridis sustainability, a boutique sustainable finance advisory firm. He is a member of the Lithuanian Association of Certified Auditors and a fellow member of the Association of Chartered Certified Accountants (ACCA).

Education
Vilnius University, Master's degree in Economics; Vilnius University, Bachelor's degree in Business Administration.

Other current place of employment, position
Co-founder and CEO at Viridis Sustainability.

Owned shares of the parent company
None.

80%
Independence, including the Chair

60%
Share of women in the Audit Committee

4.6 Management Board

Overview

The Management Board is a collegial management body set out in the Articles of Association of the parent company. The activities of the Management Board are regulated by the Law on Companies (link in Lithuanian), its implementing legislation, the Corporate Governance Guidelines, the Articles of Association of the parent company and the Rules of Procedure of the Management Board. During the reporting period, the rules governing the election of the members of the Management Board of the parent company were not amended. The Management Board comprises five members and elects the Chair, who is also the CEO of the parent company, from among its members.

Key responsibilities of the Management Board are the following:

- analysing and assessing the draft operational strategy of the parent company and the Group companies and the information about the implementation of the operational strategy of the parent company and the Group companies;
- approving the issues of setting and managing the operational guidelines and rules of the Group companies, common policies, annual financial plans, annual rate of return on assets and maximum amounts of debt obligations of the Group companies as well as other operational parameters of the Group companies;
- making decisions regarding the parent company becoming a founder or participant of other legal entities, the establishment of branches and representative offices of the parent company;
- making decisions regarding the approval of candidates for the supervisory and/or management bodies of the Group companies and the parent company's branches and representative offices while having regard to the opinion provided by the Supervisory Board;
- making decisions regarding the acquisition, investment, transfer, lease of non-current assets with a book value which exceeds EUR 3 million (calculated separately for each type of transaction), pledge or mortgage thereof (calculated for the total amount of transactions); the surety or guarantee for the fulfilment of obligations of other entities if the amount exceeds EUR 3 million; the conclusion of other transactions specified in the procedure for concluding transactions to be approved by the Management Board;
- making other decisions assigned to the Management Board by the Law on Companies (link in Lithuanian), the Articles of Association or the decisions of the General Meeting.

The members of the Management Board were selected on the basis of the general expectations and competences set out in the competence matrix of the Management Board, described on the following page. The members were selected based on the following areas of competence: strategy and management, sustainability, organisational development, finance, commercial activities, and regulated activities. Each member of the Management Board has to ensure the appropriate performance of the parent company's activities/ supervise the respective areas at the Group level in the field of their competence. Also, each of them is responsible for the analysis of the issues related to their competence, i.e., the field under his/her supervision directly related to the work at the Management Board on which the respective decision must be made, and for the presentation of all the relevant information to other members of the Management Board so that the necessary decisions of the Management Board can be made in a timely manner.

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

Information on the selection criteria of the members

The members of the Management Board are employees of the parent company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. Each member of the Management Board is elected for a term of four years. The Management Board of the parent company is formed in view of the provision that the competences of the members of the Management Board must be diverse. A member of the Supervisory Board or a person who is not legally entitled to hold this post cannot be a member of the Management Board and neither can a member of a supervisory body, management body or administrative body of a legal entity engaged in electricity or natural gas distribution activities, an auditor or an employee of an audit company who participates and/or participated in the audit of financial statements, if a period of more than 2 years has not elapsed. The members of the Management Board of the parent company must meet the general and specific criteria laid down by the law. The need for specific competences shall be determined by the Supervisory Board while forming the Management Board. The Equal Opportunities and Diversity Policy of the Group is applicable in the selection of the Management Board of the parent company.

Information on remuneration paid to the members during the reporting period

Remuneration for the activities of the Management Board, provided in section '5 Remuneration report' of Integrated Annual Report 2023 and on our website, is paid in accordance with the Group Remuneration Policy. The policy's latest version was approved by the General Meeting on 30 March 2023.

Conflicts of interest

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

Mažeikiai wind farm, Lithuania

Information about the Management Board and its activities

Overview

There were no changes in the composition of the Management Board during the reporting period. The term of the Management Board ends on 17 February 2026.

Information on education, experience and place of employment of the Management Board members is available below. Furthermore, details on remuneration, including the achievement of annual targets, paid to the members during the reporting period are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

All Management Board members hold shares of the Group companies (please refer to the information on the following page). The Group publishes relevant transactions through stock exchanges according to Article 19 of the Market abuse regulation (EU) No. 596/2014 and other relevant disclosure requirements. Additionally, no members of the Management Board had 5% or more shareholdings in other companies which are the parent company's business partners, suppliers or clients and other related companies.

Competence matrix

	Darius Maikštėnas	Jonas Rimavičius	Dr. Živilė Skibarkienė	Vidmantas Salietis	Mantas Mikalajūnas
Area of competence	**Strategy development and management**	**Finance management**	**Organisational development**	**Commercial activities**	**Regulated activities**
Experience in:					
Top-level management	+	+	+	+	+
Non/Executive management bodies	+	+	+	+	+
International development/expansion	+	+	+	+	+
Energy sector	+	+	+	+	+
Renewable energy field	+	+	+	+	+
Listed company	+	+	+	+	+
International companies and organisations	+	+	+	+	+
Regulated business	+	+	+	+	+
Commercial business	+	+	+	+	+
Competence[1] in:					
Corporate finance	+	+	+	+	
Investment portfolio policy	+	+	+	+	
Business strategy	+	+	+	+	+
Mergers & acquisitions	+	+	+	+	+
Risk Management	+	+	+		
IT/Innovation/Digitalisation	+		+	+	+
Public policy and governance	+		+	+	+
Sustainability-related:	+	+	+	+	+
Environment (incl. climate change)	+			+	
Organizational development / HR / Diversity, equity, and inclusion			+		
Health & Safety			+		+
Sustainable finance		+			
ESG reporting		+			

[1] *Competences are assigned according to the competences members have had during the hiring procedure and acquired while managing different strategic areas and targets as well as participating in various trainings.*

Activities of the Management Board

Management Board meetings take place on a weekly basis. Additionally, *ad hoc* meetings are held if necessary.

During the reporting period

Overall 78 meetings of the Management Board were held in 2023, covering the following key areas:
- approving the Group's annual report and submitting it to the Supervisory Board and the General Meeting;
- approving the interim report of the Group for the three-month period ended on 31 March 2023;
- approving the interim report of the Group for the six-month period ended on 30 June 2023 and the set of audited interim condensed financial statements for the six months, proposing to allocate dividends to shareholders and submitting the proposal to the General Meeting;
- approving the interim report of the Group for the nine-month period ended on 30 September 2023;
- agreeing to the updated Group Remuneration Policy and submitting it to the Supervisory Board;
- evaluating the Group's annual financial statements and draft allocation of profit (loss) and submitting comments to the Supervisory Board and the General Meeting;
- evaluating the most significant transactions planned by the Group, approving their conclusion and material terms and conditions of those transactions;
- making decisions on participation and voting in General Meetings of Shareholders of the companies in which the parent company is a shareholder;
- evaluating the organisation of the parent company's and the Group companies' activities and making decisions related thereto;
- evaluating and approving the Group's operational planning documents, taking into account the opinion of the parent company's Supervisory Board;
- making decisions on the approval of the Group's internal policies;
- approving the competence profile of the new Boards of the subsidiaries, nominations for Board members.

After the reporting period

Overall 7 meetings of the Management Board were held from 1 January 2024 until 28 February 2024, covering the following key areas:
- approved of the updated governance and organisational structure of Group;
- AB "Ignitis gamyba" established a subsidiary AB "Ignitis gamyba projektai".

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

Member	Position	Attendance	Number of shares
Darius Maikštėnas	Chair, CEO	78/78	3,000
Jonas Rimavičius	Member, CFO	78/78	500
Dr. Živilė Skibarkienė	Member, Chief Organisational Development Officer	78/78	300
Vidmantas Salietis	Member, Chief Commercial Officer	78/78	200
Mantas Mikalajūnas	Member, Head of Group Regulated Activities	78/78	220

[1] *The numbers indicate how many meetings in 2023 the members have attended out of total meetings during the reporting period.*

Members of the Management Board

Darius Maikštėnas

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

Experience
Darius is a top-level executive with 20+ years of executive experience in energy, telecommunications, IT, and venture capital sectors. He joined Ignitis Group in 2018 and since then he serves as CEO and Chair of the Management Board. Mr. Darius Maikštėnas successfully prepared Ignitis Group for transitioning from a local monopoly to a renewable-focused integrated utility and the largest energy group in the Baltic States, oversaw Ignitis Group's IPO, and has been leading the group towards ESG excellence. Prior to joining Ignitis Group, he had led an international company based in Silicon Valley offering innovative telecommunications solutions and operating in the United States and the UK.

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

Other current place of employment, position
Eurelectric, Member of Board of Directors; Energijos skirstymo operatorius, Member of the Board.

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

Jonas Rimavičius

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

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

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

Other current place of employment, position
Ignitis Renewables, Chair and Member of the Board; Ignitis renewables offshore development, Member of the Board; Ignitis renewables projektai 5, Member of the Board; Ignitis renewables projektai 6, Chair and Member of the Board; Vilniaus Kogeneracinė Jėgainė, Member of the Board.

Owned shares of the parent company[1]
500.

Dr. Živilė Skibarkienė

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

Experience
Živilė is a professional in law and organisational development with over 10 years of executive experience. She joined the Group in 2018 and has since transformed how the Group is governed, resulting in the Group being constantly awarded the highest governance rating by the State Governance Centre. She also led the conversion of the organisation into an attractive employer, whose compliance with the best human resources policies and practices has been certified by the Top Employer's Institute (the Netherlands). This achievement was supported by growing employee net promoter score from 9 to 65 over several years.

Živilė also serves as a Member of the Board at ESO and chairs the Board of Ignitis Grupės Paslaugų Centras. Prior to that, Živilė gained executive experience while working in the financial sector. She was Head of Legal and Administrative Division at Šiaulių Bankas, Member of the Management Board and Deputy CEO at Finasta Bank, as well as Head of Compliance at DNB Bankas (now Luminor), and Head of Legal Department at SEB Bankas. Živilė holds a board member's education certificate issued by the Baltic Institute of Corporate Governance.

Education
Harvard Business School, Business Leadership Program; Saïd Business School, University of Oxford, Executive Leadership Program; Mykolas Romeris University, Doctor in Philosophy (PhD in Law); Vilnius University, Master's degree in Law.

Other current place of employment, position
Ignitis Grupės Paslaugų Centras, Chair and Member of the Board; Energijos skirstymo operatorius, Member of the Board.

Owned shares of the parent company[1]
300.

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

Vidmantas Salietis

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

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

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

Other current place of employment, position
Ignitis, Chair and Member of the Board; Ignitis Gamyba, Chair and Member of the Board; Ignitis Renewables, Member of the Board.

Owned shares of the parent company[1]
200.

Mantas Mikalajūnas

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

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

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

Other current place of employment, position
Ignitis, Member of the Board; Vilniaus Kogeneracinė Jėgainė, Chair and Member of the Board; Kauno kogeneracinė jėgainė, Member of the Board; Ignitis Gamyba, Member of the Board.

Owned shares of the parent company[1]
220.

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

CEO overview

At the executive employee level, the parent company is managed by the CEO and the Management Board. CEO is a single-person management body of the parent company, who organises, directs, acts on behalf of the parent company and concludes transactions unilaterally as provided by the Law on Companies (link in Lithuanian), its implemented legislation and the Articles of Association of the parent company. CEO is entitled to solely represent the parent company and execute documents on the parent company's behalf.

The competence of the CEO, the procedure of appointment and removal and the terms of office are established according to the Law on Companies (link in Lithuanian), its implemented legislation, the Corporate Governance Guidelines and the Articles of Association of the parent company. In accordance with the Corporate Governance Guidelines, the Chair of the Management Board is elected by the Management Board and appointed as CEO of the parent company. It should be noted that the CEO of the parent company, as a SOE, is also subject to special selection features set out in the Law on Companies (link in Lithuanian), according to which the term of a CEO is limited to five years. It stipulates that the same person can only be appointed for two consecutive five-year terms. The Equal Opportunities and Diversity Policy of the Group is applicable in the selection of the parent company's CEO.

The term of the CEO and the Management Board ends on 17 February 2026.

The main functions and responsibilities of the CEO are:

- ensuring the implementation of the Group's strategy and the implementation of decisions of the Management Board;
- employing and dismissing employees, promoting and imposing disciplinary measures;
- ensuring the security of the parent company's assets, appropriate working conditions, security of the parent company's commercial secrets and confidential information;
- submitting proposals to the Management Board regarding the annual budgets of the parent company and the Group companies, being responsible for the preparation of the sets of annual financial statements of the parent company and the annual consolidated financial statements of the Group companies as well as the preparation of the annual reports of the parent company and the consolidated annual reports of the Group companies;
- preparing a decision on the allocation of dividends for a period shorter than the financial year and preparing a set of interim financial statements and an interim report necessary to make a decision on the allocation of dividends for a period shorter than a financial year;
- carrying out other duties set out in the Law on Companies, other laws and legal acts, the Articles of Association and in the job description of the CEO as well as resolving other issues which are not attributed to the competence of other bodies of the parent company under the laws or the Articles of Association.

At the end of the reporting period, the parent company's CEO, Darius Maikštėnas, held 3,000 shares of the parent company.

Information on education, experience and place of employment of the CEO is available in the previous section, and the details of remuneration during the reporting period as well as key contractual terms of his employment contract with the parent company are provided in section '5 Remuneration report' of Integrated Annual Report 2023.

4.7 Risk management

Risk management framework

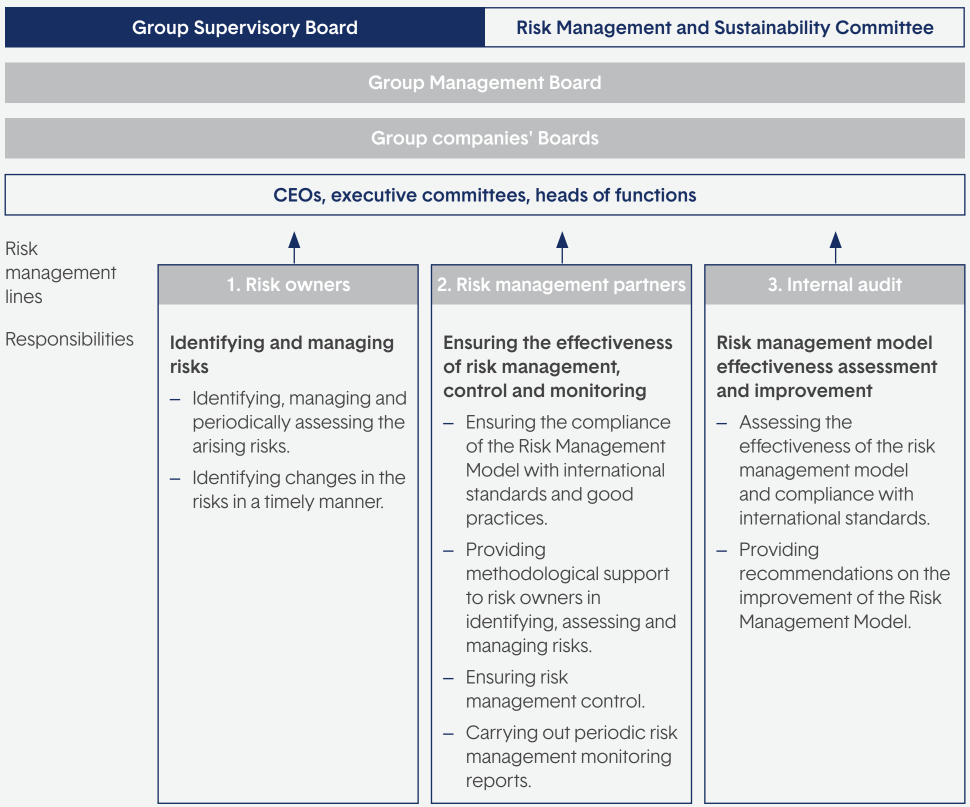
Overview

In connection with the business activities, the Group is exposed to both internal and external risks that might affect our performance. To ensure their mitigation to an acceptable level, we apply uniform risk management principles, which are based on the best market practices, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2018. A clear segregation of risk management and control duties is controlled by applying the 'Three-lines enterprise risk management framework' in the Group (see figure on the right), where the duties are distributed between management and supervisory bodies, structural units, and functions.

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

In this section we provide in depth information on the Group's risks management governance model, the main parts of the risk management process, the review of key risks of 2023 and the key risk management plan for 2024.

Three-lines risk management framework



Risk management objectives:

- ensuring that all the decisions made to achieve the goals are in line with the values of the Group;
- eliminating or reducing the impact of the risks on the Group's goals for different periods as much as possible;
- ensuring the stability (including financial) and sustainability of the Group's activities;
- ensuring that correct information is provided to relevant parties in a timely manner;
- protecting and ensuring the Group's reputation and reliability;
- protecting the interests of stakeholders.

Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic operating environment, the Group pays special attention to proactive risk management. Therefore, on a quarterly basis, the Group reviews risk levels, plans new risk management measures when needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that our management receives the most relevant information to make the necessary decisions in a timely manner. Also, ESG risks and opportunities are addressed as an integral part of the Group's daily business and are fully integrated into the applied risk management process.

Our risk management process comprises four parts: identifying risks, assessing risks, determining the risk response strategy and monitoring risks.

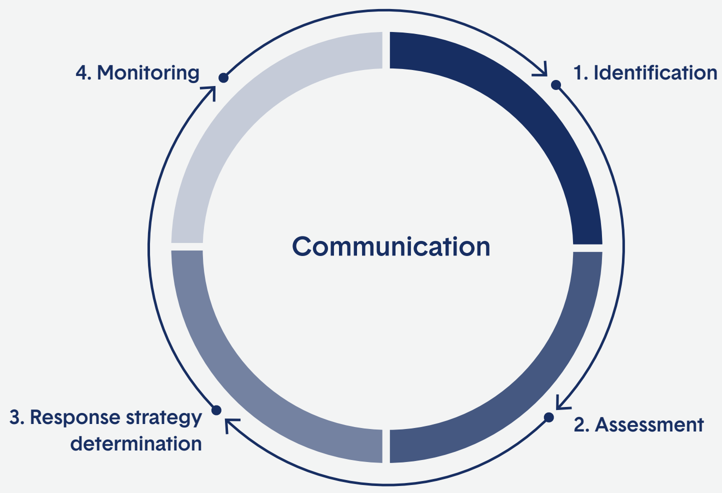
1. Identifying risks. The Group constantly assesses the potential impact of different sources of risks such as climate change, regulatory changes, geopolitical and economic situation, commodity/service/labour market trends, cultural and social issues that affect the achievement of the Group's goals. All Group employees are responsible for identifying risks on time.

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

In addition, based on the potential impact of risks on the Group's goals, all risks are assessed based on the periods of when they could potentially materialise and are categorized as follows:
- short-term (0–1 years), which can influence the annual goals of the Group;
- medium-term (2–4 years), which relate to the implementation of strategic goals defined in the Group's 4-year strategic plans;
- long-term (≥5 years), which can affect the implementation of the Group's strategy.

2. Assessing risks. During the assessment stage, we determine risk's level (from 'low' to 'very high' based on the probability of its occurrence and the potential impact), assign risk to specific category, ESG type and strategic direction (depending on the risk's impact) and establish key risk indicators.

Risk management process



The Group also assess all the risks that meet the ESG risk criteria. We assign an ESG type to the risk based on these criteria, for example, 'E' type is assigned to climate related physical, transitional, and other environmental risks, 'S' to social and 'G' to governance related risks. The Group pays special attention to the potential impact of climate-change-related economic and transitional changes on the Group's activities. This impact may arise from severe (extreme) weather phenomena and from the aspiration of the states to pursue the Green Deal, which could cause additional requirements for energy sector, e.g., complying with new regulations, implementing new technological solutions, managing

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

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

[1] *Financial risks of the Group (market, currency, interest rate, credit, liquidity) which do not exceed the Group's risk appetite and KRI tolerance thresholds, in accordance with the IFRS requirements, are disclosed in section 'Financial statements' of this report.*

reputational risks, responding to fast growing market demand for green solutions, etc. Climate change can be a negative factor in assessing the likelihood of materialisation of various risks and/or assessing the potential impact of risks on finance/reputation/compliance/people's health and safety.

3. Determining the response strategy. At this stage we decide on the risk management strategy (to accept, mitigate, avoid or transfer the risk). The Group only accepts risks that are consistent with the Group's core purpose, strategy and values. The risks exceeding the Group's risk appetite – all 'high' and 'very high' level risks and risks with significant financial impact on the Group (>2% of the Group's Adjusted EBITDA) – must be managed. We then create a risk management plan to implement the risk mitigation strategy. The plan's implementation is controlled in the monitoring stage.

4. Monitoring risks. During each quarterly monitoring of risks, the management and the collegial bodies are presented with risk management measures, key risk indicators, risk signals. This stage also includes the reassessment of the level of risks, registry of new risks and elimination of the risks that are no longer relevant.

Key risks

Risk management in 2023

Overview

The Group's risk management context in 2023 was mostly influenced by the changing energy price environment and the Group's participation in the Lithuanian offshore wind farm tender. In addition, there were three risk management focus areas of strategic importance. The first area is related to the occupational health and safety (OHS) of the Group's and contractors' employees. The Group has put a lot of effort into this area and achieved all key targets set for OHS for 2023. The second area is the management of climate-related risks, which is significant to the Group as it aligns with its core purpose of creating a 100% green and secure ecosystem for current and future generations. The Group initiated a climate change scenarios analysis (CSA) in 2023 to assess and mitigate climate-related risks more efficiently within the Group companies. Finally, the third area is related to the ongoing Russia's invasion of Ukraine. The Group is continuing to regularly assess the impact of the war on the Group's activities. More information on these risks management areas is provided below.

In Q1 2023, 'Financial liquidity risk' was removed from the Group's list of key risks as a result of a decrease in energy prices globally, which led to lower working capital needs. Stronger liquidity position was also supported by concluding additional financing agreements. The 'Risk of not winning the Lithuanian offshore tender' was resolved as the Group, together with its strategic partner for the development of offshore wind farm projects, Ocean Winds, became the winners of the 700 MW Lithuanian offshore wind tender, as announced on 12 October 2023. Nevertheless, the development of offshore projects is complex and of significant importance to the Group's strategic objectives. Recognising this, it is important to emphasise the risk management in the early stages of the project's development. This proactive approach will enable the Group to identify and address potential risks and develop mitigation strategies to ensure the successful achievement of the project's milestones. In line with this objective, in Q4 2023 a new risk 'Risk of not achieving Lithuanian offshore WF project goals' (No 3) was added to the Group's list of key risks.

Additionally, during the annual planning process, after reassessing all the relevant risks in the context of the Group activities and considering the strategic directions, strategic and annual plans of Group companies, we compiled a consolidated key risk register of the Group. Compared to our 9M 2023 Interim report, no changes were identified in Q4 2023.

Occupational health & safety (OHS)

During 2023 no fatal accidents were recorded by the Group or its contractors (in 2022 were three fatal accidents recorded). The number of lost-time injuries of Group's employees significantly decreased as well (from 11 in 2022 to 6 in 2023). From the risk management perspective, the Group-wide OHS programme "Is it safe?" has accelerated in 2023 with many OHS initiatives taking place across all Group companies, including various OHS trainings, competitions, management safety walks, visual preventive measures, the Recognition Programme's expansion, rewarding employees who report unsafe working conditions, and many other initiatives dedicated to the Group's and/or contractors' employees. More information about the Group's initiatives in 2023 and OHS-related plans is available in section '6 Sustainability report (Corporate social responsibility report)' of Integrated Annual Report 2023.

Climate-related risks

In 2023, the Group, in collaboration with a leading climate consultancy, conducted a climate change scenario analysis (CSA). The stages of this assessment included the preparation of an extensive list of all possible climate-related (both physical and transitional) risks, that could have impact on the Group. According to this assessment, levels of some of the existing risks were revaluated, some risks were supplemented with new risk sources or new climate-related risks were identified. Results of the CSA are expected be integrated during 2024.

Russia's invasion of Ukraine

Overview

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

General potential effects that are tightly related to the Group's activities are an increase in electricity and natural gas prices, an increase in net working capital, possible disruptions in supply chains, rising inflation and prices of materials. To manage these effects, proper actions have been taken, including, but not limited to, conclusion of additional short-term loan agreements with banks. Additionally, at the end of 2022 the Lithuanian Parliament (Seimas) has compensated the regulatory differences accrued during 2022. In the first half of 2023, the compensation mechanism remained in effect, but due to the decrease in prices, the use of compensations was lower than anticipated, and the resulting surplus has been returned to the state's budget in August 2023. Compensation mechanism for the second half-year has been terminated for the electricity supply but remained in effect regarding natural gas supply for household consumers until the end of 2023 and has been terminated since the beginning of 2024. Considering the increased number of cyber attacks, the level of cybersecurity vigilance is being raised nationwide. Despite the increased number of attacks, all the threats were handled successfully, therefore the cybersecurity risk level remains unchanged. It must be noted that the Group is classified as an owner of critical infrastructure.

Cyber security

Due to the complicated geopolitical situation, the number of external attacks, scans and distributed of service (DDoS) attacks targeting the IT infrastructure of the Group remains high. To enhance resilience to cyber threats, our monitoring and CERT teams ensure 24/7 monitoring of both external and internal resources by proactively detecting, preventing, and mitigating malicious actions. Employee resistance to cyber threats has been strengthened through simulations of malicious emails and the implementation of the updated digital security training for the Group employees.

During the reporting period, the average rate of employees compromised by the simulated phishing emails was 5%. We have continued the development of digital security solutions to effectively protect the Group's IT infrastructure, leading to a threefold increase in the number of cyber security events analyzed compared to 2022. Approximately 35% of all security events are analyzed and closed automatically.

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

Business segment	Overall impact
Green Generation	– Accelerated development of renewable energy production capacities due to security of power supply and energy transition. – Potentially longer lead times of Green Generation projects due to potential disruptions in the manufacturing and supply chains for renewable energy technologies. – Insufficient transmission network's capacity due to increased development of green energy generation capacities.
Networks	– Uncertainty regarding the supply chain and an increase in the price of key materials.
Reserve Capacities	– Additional natural gas reserve of 1.1 TWh was acquired, which increased the net working capital.
Customers & Solutions	– Increased natural gas and electricity prices had an impact on the net working capital growth. However, as the prices have stabilized the net working capital almost returned to pre-war level.

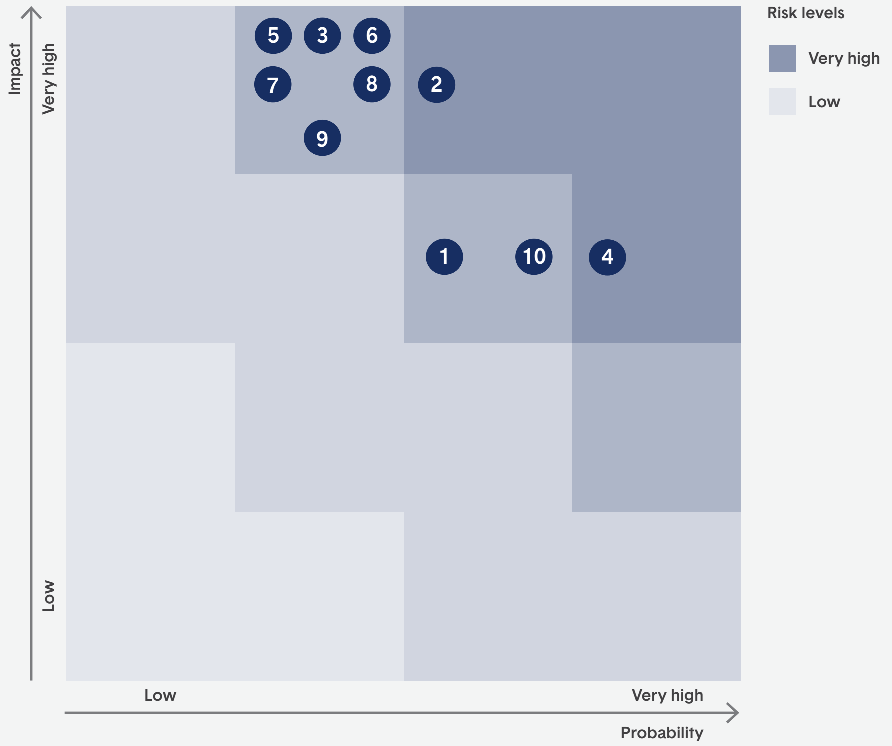
Risk management in 2024

Overview

After the annual risk reassessment, we determined the key risks of the Group for the year 2024, which are listed in the heat map below. The key risks of the Group include the risks that could have a significant impact on the Group's strategy and/or finances.

Heat map of the key risks of the Group

1. ESG Risk of occupational health & safety accidents of employees and contractors (the Group)
2. ESG Risk of insufficient transmission grid capacities (Green Generation)
3. ESG Risk of not achieving Lithuanian offshore WF project goals (Green generation)
4. Risk of liquid hedging products' deficit (Customers & Solutions)
5. ESG Risk of not attracting, developing, and retaining employees (Green Generation)
6. ESG Risk of adverse/unplanned regulatory changes (the Group)
7. Risk of failure to complete the Vilnius CHP biomass unit properly and on time (Green Generation)
8. Risk of repayment of not notified State-aid (Reserve Capacities)
9. Risk of not ensuring the security of Lithuanian electricity system (Reserve Capacities)
10. ESG Risk of high impact cyber attack (the Group)



Management plan of the key risks of the Group

1 Risk of occupational health & safety (OHS) accidents of employees and contractors

Risk level | High

Impact on strategic direction
Sustainability

Primary potential impact
On people's health & safety

ESG type | Social

Risk category | Operational

Period | Long-term

Key sources of risk
- Insufficient risk assessment of workplaces (employees and contractors)
- Lack of practical skills and knowledge
- Failure to comply with safety requirements
- Not efficient enough organisational structure and resources dedicated for OHS

Key mitigation directions
- Training employees according to the approved OHS instructions and the functions assigned to the positions
- Mandatory training of employees (where necessary – certification) in accordance with the applicable requirements
- Training contractors' responsible persons
- OHS control in workplaces (and for contractors' employees)
- Occupational risk assessment of workplaces
- Sharing accident or incident investigation material and conclusions with employees and OHS specialists of other companies (prevention is in progress)
- Continuous communication and sharing best OHS practices within the Group
- Educating contractors and subcontractors and collecting TRIR data
- Standardizing the investigation process of occupational health & safety incidents and accidents
- Implementation of the Group's occupational health & safety programme "Is it safe?"
- Group companies: AB "Energijos skirstymo operatorius", AB "Ignitis gamyba", UAB "Ignitis" and UAB "Ignitis grupės paslaugų centras" are ISO 45001 certified

Monitoring
- Fatal accidents
- Workplaces with violations
- TRIR
- Inspected employees' workplaces
- Control of contractors' workplaces in the facilities of the Group

2 Risk of insufficient transmission grid capacities

Risk level | Very high	Key sources of risk	Key mitigation directions	Monitoring
Impact on strategic direction Green Generation **Primary potential impact** Financial **Risk category** | Strategic **ESG type** | Environmental, climate **Period** | Long-term	– Limited availability of electricity transmission network capacity reservations (both due to the technical capabilities of the network, the decisions of regulatory authorities and due to growing competition in the markets) limits the Group's opportunities to develop Green Generation projects	– Cooperation with the state authorities in the home markets – Project hybridisation – Innovations related to P2X – Development of Green Generation projects in various countries	– Secured gross Green Generation pipeline, GW – Green Generation pipeline, with grid reservations, GW – Green Generation pipeline, limited by grid capacities, GW

3 Risk of not achieving the Lithuanian offshore WF project's goals

Risk level | High	Key sources of risk	Key mitigation directions	Monitoring
Impact on strategic direction Green Generation **Primary potential impact** Financial, Reputation **ESG type** | Environmental, climate **Risk category** | Strategic **Period** | Medium -term	– Lack of competent and experienced employees – Project complexity, engagement of many parties with dependency on each other – Growing demand and competition for securing the supply of the main components for offshore wind farms – Challenges related to securing good external financing conditions due to project parameters	– Hiring consultants in order to have the necessary competences at the current project development stage – Recruitment plan for hiring offshore experts has been prepared and is being implemented – Preparing a detailed project programme to assess the interfaces between different project packages – Approaching all the main suppliers of the components necessary for offshore wind farms' construction	Periodic reporting of risk signals to the management

4 Risk of liquid hedging products' deficit

Risk level | Very high

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk category | Financial

ESG type | Not related

Period | Medium-term

Key sources of risk

- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states

Key mitigation directions

- Daily monitoring of the hedging portfolio
- Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolio
- Contracting long-term PPAs in Lithuania/Latvia

Monitoring

- Portfolio hedge part in RIG zone
- MtM value of portfolio PnL

5 Risk of not attracting, developing, and retaining employees

Risk level | High

Impact on strategic direction
People and culture

Primary potential impact
Financial

ESG type | Social

Risk category | Strategic

Period | Long-term

Key sources of risk

- Difficulty to ensure the sufficient human resources, replacements while taking into account the rapid development of Green Generation projects

Key mitigation directions

- Offering employees a competitive salary and additional benefits
- Identified critically important competences within the Group for the development of Green Generation projects
- Providing employees with opportunities to improve their competence
- Cooperating with human resources agencies in Lithuania and abroad
- Implementing the Energy Smart Start programme
- Promoting internal career possibilities in the green energy field within the Group

Monitoring

- Time-to-hire rate
- Rate of hire
- Employee turnover rate

6 Risk of adverse/unplanned regulatory changes

Risk level | High

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk category | External

ESG type | Governance

Period | Long-term

Key sources of risk

- Uncertainty about future geopolitical environment, EU financial incentives and national priorities after the elections, as well changing regulatory decisions on utility rates, grid modernization and taxation create challenges for the long-term planning and financial performance of the Group.

Key mitigation directions

- Cooperating with regulatory authorities
- Participating in consultations and working groups
- Centralized monitoring, analysis and coordination of regulatory issues

Monitoring

- Periodic reporting of the risk signals to the management

7 Risk of failure to complete the Vilnius CHP biomass unit project properly and on time

Risk level | High

Impact on strategic direction
Green Generation

Primary potential impact
Financial, Reputation

ESG type | Not related

Risk category | Operational

Period | Short-term

Key sources of risk

- Due to the tense geopolitical situation, there is uncertainty of prices and delivery terms of raw materials
- A lengthy process for obtaining a conformity assessment report for boilers under the PED Directive
- The challenges of voluminous documentation and insufficient staff and contractors
- The challenges related to main contractors' change in the middle stage of project implementation

Key mitigation directions

- Actively controlling the contractor's activities, organising subcontracts, work schedules
- Changes in project solutions which would allow to reduce the project budget or help implement the project faster
- Constantly cooperating with the authorities and, in the event of a possible manifestation of the risk, presenting the delay scenario and providing measures

Monitoring

- Biomass power plant project budget deviation (from the approved plan)
- Implementation of the project according to the planned schedule

8 Risk of repayment of not notified State-aid

Risk level | High

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk category | External

ESG type | Not related

Period | Long-term

Key sources of risk

- The EC has not been notified by the state about support allocated to AB "Ignitis gamyba" (Reserve Capacities)

Key mitigation directions

- Continuously collaborating and providing information to the authorities (the EC and the Ministry of Energy of the Republic of Lithuania)
- Centralized coordination of regulatory issues within the Group

Monitoring

- Periodic reporting of risk signals to the management

9 Risk of not ensuring the security of Lithuanian electricity system

Risk level | High

Impact on strategic direction
Reserve Capacities

Primary potential impact
Reputation

ESG type | Not related

Risk category | Operational

Period | Long-term

Key sources of risk

- The Group owns energy generation and storage infrastructure that is important for the Lithuanian energy system's security and is responsible for the infrastructure's proper operation
- Failure to fulfil the contracted services (e.g., as a result of both internal and external factors) may result in failure to ensure the security of the electricity system

Key mitigation directions

- Personnel training, rotating employees between different energy units in order to maintain competence
- Periodic testing of units that provide services to the transmission system operator
- Established quality control procedures for the performance and execution of technical maintenance (including repairs)
- Equipment maintenance schedule and annual review, adjustment, approval and implementation of maintenance and repair plans
- Utilising the integrated asset management system of energy facilities
- Incident drills for operational staff
- Overhauling energy generation units

Monitoring

- Energy units' availability rates
- Energy unit's reliability rates

10 Risk of high impact cyber attack

Risk level | High

Impact on strategic direction
Organisation

Primary potential impact-
Reputation, Compliance

Risk category | Operational

ESG type | Governance

Period | Long-term

Key sources of risk

- Cyber attacks against the Group organised by third parties
- Social engineering attacks, data theft
- Known vulnerabilities in the systems have been removed late or improperly

Key mitigation directions

- Periodically preparing vulnerability reports and submitting them to responsible persons
- Existing vulnerability management process. Vulnerabilities are classified and treated according to their criticality.
- Limiting/isolating critical systems in a local network.
- Cooperating with external partners
- Developing digital security competences by becoming accredited members of the CERT organisation, participating in cyber security exercises with external partners
- Ensuring 24/7 Group-wide cyber security supervision
- Existing incident management process is ensuring effective response

Monitoring

- Number of internal and external critical vulnerabilities
- Average time to fix critical vulnerabilities

Other significant risks and their management directions

Due to the applied effective risk management measures, the risks of not meeting the targets for reducing greenhouse gas emissions, the failure to ensure business continuity and the risks related to corruption and non-compliance have not been included in the Group's key risk register. However, the Group understands the importance of the above-mentioned risks' management for the achievement of sustainability goals and ensuring resilience of Lithuania energy sector, therefore, discloses the information about their management below. More information on the Group's sustainability goals and initiatives is available in section '6 Sustainability report (Corporate social responsibility report)' of Integrated Annual Report 2023.

1 The risk of not meeting the targets for reducing greenhouse gas emissions

Risk level | Medium

Impact on strategic direction
Sustainability

Primary potential impact
Reputation

ESG type | Environmental, climate

Risk category | Strategic

Period | Long-term

Main sources of risk

- Lack and unaffordability of technologies for emission reduction
- Changes in electricity emission factors (residual mix factor increased)
- Decreasing green energy sales (green share) Customers are choosing green energy less because of the increasing price (due to the increasing price of guarantees of origin)

Main risk management directions

- Calculating the Group's emissions every quarter, analysing trends and drawing conclusions
- The Group sets targets for reducing the emissions and their implementation measures
- Centralized coordination on emission reduction issues within the Group

Key risk indicators

- Periodic reporting of risk signals to the management

2 Risk of not ensuring business continuity

Risk level | Medium

Impact on strategic direction
Organisation

Primary potential impact
Compliance, Reputation, Financial, People's health & safety

Risk category | Operational

ESG type | Governance

Period | Long-term

Main sources of risk

- The Group companies that are important for national security must meet the requirements of the legal acts regulating the continuity of the activities of these companies
- Different perception of ensuring the business continuity in the Group, different level of maturity

Main risk management directions

- Updated the Group Business Continuity Policy and Standard (integrating internal and external legal regulations into a unified business continuity model applicable to the entire Group; separating responsibilities, etc.)
- Analysing the business impact and then identifying the processes critical to the Group, preparing/updating the emergency management plans and other plans for ensuring business continuity and carrying out exercises of these plans
- Carrying out periodic trainings for company managers, owners of critical processes
- Testing critical processes, carrying out mandatory exercises and additional exercises (with state institutions)

Key risk indicators

- Periodic reporting of risk signals to the management

3 Corruption risk

Risk level | Medium

Impact on strategic direction
Organisation

Primary potential impact
Compliance, Reputation

ESG type | Governance

Risk category | Operational

Period | Long-term

Main sources of risk

- Abuse of power
- Bribery
- Trading in influence
- Conflicts of public-private interests

Main risk management directions

- Applying the ACMS (anti-corruption management system), LST / ISO 37001:2017
- Standardized Group corruption risk assessment and management processes
- Strengthening and automation of existing control mechanisms
- Trust Line for reporting corruption, unethical behaviour, cases of discrimination, etc.
- Group Code of Ethics
- Group Anti-Corruption Policy
- Periodic anti-corruption training
- The standard for withdrawal and dismissal of the Group employees from the decision making, where possibility for conflict of public-private interests exists
- Gift register, registration standard;
- Due diligence on ongoing procurement (before contracts are awarded)
- Participating in anti-corruption initiatives (e.g., Anti-Corruption Hackathon, 'Integrity academy')

Key risk indicators

- Cases of conflicts of interest
- Investigations on corrupt nature cases
- Misdeclaration or non-declaration of private interests
- Number of corruption-related reports
- Declaration of gifts

4 Risk of non-compliance

Risk level | Medium

Impact on strategic direction
Organisation

Primary potential impact
Compliance, Reputation
Financial

Risk category | Operational

ESG type | Governance

Period | Long-term

Main sources of risk

The Group must comply with:
- GDPR;
- MAR;
- REMIT, EMIR;
- Requirements of the third energy package;
- AML;
- other requirements relevant to the Group.

Main risk management directions
- Centralized coordination of compliance issues in the Group
- Mandatory employee training programmes
- Completed separation of distribution, supply, and production activities
- Improving control mechanisms

Key risk indicators
- Cases of sanctions
- Number of incidents
- Number of complaints

Compliance with financial market transparency rules

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of the issuer's material information. Effective prevention of market abuse is one of our main priorities. The Group is listed in both London and Nasdaq Vilnius stock exchanges and complies with all relevant EU, Lithuanian and UK laws and regulations.

The Group's own internal market abuse prevention and transparency rules are regularly updated, and the main regulations are made available to the public. The Group periodically trains its employees on market abuse and insider rules. The coordination of market abuse prevention is one of the responsibilities of the Group Business Resilience.

The main market abuse prevention projects carried out in 2023 include:

- updating the Group Market Abuse Prevention Policy, the Group's main document that ensures transparency in the field of financial markets;
- updating the Trading Guidelines for the Issuer's Managers and the Persons Closely Associated with them. By implementing Article 19 of the Market Abuse Regulation (EU) No 596/2014 (MAR) the Group has updated and applies a stricter Closed Period calendar than the requirements of Lithuanian and UK legal acts provide, thus aiming to ensure even greater market abuse prevention and transparency. The persons discharging managerial responsibilities and the persons associated with them are under a duty to disclose their transactions related to the parent company's financial instruments when a EUR 5,000 notification threshold has been reached within a calendar year;
- updating the Group's inside information position matrix and presenting specialized inside information management instructions for target groups. The administration process of the insider list has been streamlined, paying particular attention to the regulation of the renewable energy sector;
- significantly updating a specialized inside information management and trading transparency training course. The course was created to ensure that the persons who are on the insider list are able to identify, manage and disclose inside information and are familiar with the established prohibitions.

Also, the Inside Information Disclosure Committee (comprising 5 experts from finance, law, compliance, investor relations and communication areas) is operating successfully by dealing with complex inside information management issues effectively while ensuring maximum transparency. In its activities, the committee follows the principles of ensuring proper competence and the ability to manage emerging risks, promptly making appropriate decisions, constantly improving the knowledge of the Group employees in the field of market abuse prevention and implementing the best practices.

In 2023, same as in the previous years, the Group has successfully ensured the compliance with all MAR requirements.

Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania (link in Lithuanian) when conducting related party transactions. The Policy on Related Party Transactions of the Group was updated by the decision of the Supervisory Board on 16 June 2023 in accordance with changes in the provisions of the Law on Companies of the Republic of Lithuania. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and makes decisions regarding related party transactions of the parent company and the Group companies if these transactions meet all of the following materiality criteria: (i) the type of the transaction is an investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations; (ii) the amount of the transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet; (iii) transactions are conducted under unusual market conditions and/or are not attributable to ordinary economic activities. We disclose information about the concluded related party transactions on our website and, in accordance with the IFRS requirements, in the section '6 Consolidated financial statements' of this report. Additionally, according to Article 37^2(11) of the Law on Companies of the Republic of Lithuania, the Group's annual report must include transactions concluded with related parties regarding the investment, acquisition, transfer, lease, pledge and mortgage of assets, surety or guarantee for the fulfilment of obligations, which are entered into in the ordinary course of business under normal market conditions where a transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet, as well as information on the legal name, registration code, business form, official register and address of the related party and the amount of the transaction, which is also disclosed in section '8 Consolidated financial statements' of Integrated Annual Report 2023.

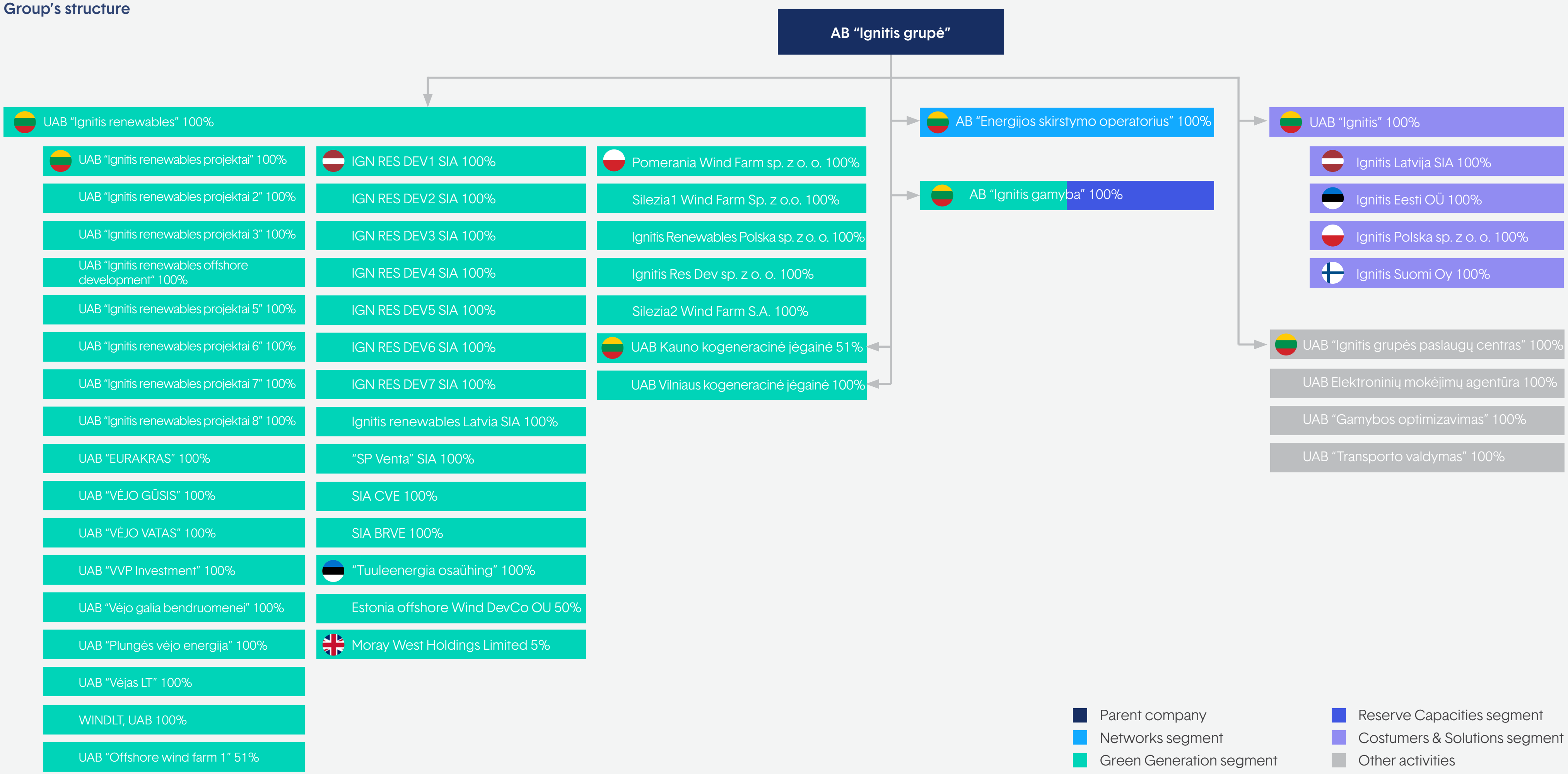
4.8 Group's structure

Overview

AB "Ignitis grupė" is a parent company of the Group, responsible for the coordination of activities and transparent management. Information of the Group companies is presented on the following page. Further information, including the financials of the parent company and its subsidiaries, is available in the section '7 Additional information' of Integrated Annual Report 2023 and on our website.

Ignitis Group employees

Group's structure



Governance model

The entities presented above are directly or indirectly controlled by the Group, which applies the governance model as on the right side:

Changes in collegial bodies during the reporting period

- **A member of the Supervisory Board of Ignitis Polska Sp. z o. o. resigned.** Agnieszka Nosal, Member of the Supervisory Board of Ignitis Polska Sp. z o. o., has resigned and a new member, Haroldas Nausėda, has been appointed on 16 October 2023 to assume the position until the end of the term of office of the current Supervisory Board.
- **New Supervisory Board and Management Board of Ignitis Latvija SIA were selected.** On 18 October 2023, a new Supervisory Board of Ignitis Latvija SIA was selected for a four-year term, comprising three members: Artūras Bortkevičius, Andrius Kavaliauskas and Darius Šimkus. A new Management Board of Ignitis Latvija SIA was also selected for a four-year term, comprising one member, Kristaps Muzikants.
- **A new Board of UAB Vilniaus kogeneracinė jėgainė was selected.** On 20 October 2023, a new Board of UAB Vilniaus kogeneracinė jėgainė was selected for a four-year term, comprising three members: an independent member, Paul K. Dainora, and shareholder representatives, Mantas Mikalajūnas and Jonas Rimavičius.
- **The Boards of Ignitis Eesti OÜ and Ignitis Suomi Oy have been expanded.** In accordance with the sole shareholder's decisions of 27 October 2023, the Boards of Ignitis Eesti OÜ and Ignitis Suomi Oy have been expanded, namely Eimantas Balta has been appointed to the Board of Ignitis Eesti OÜ and Darius Šimkus to the Board of Directors of Ignitis Suomi Oy. Both will serve until the end of term of the current Boards.

Changes in the Group's structure during the reporting period

- In May 2023, Altiplano S.A. name was changed to Silezia 2 Wind Farm S.A.
- In May 2023, UAB "Ignitis renewables" (Green Generation) established three new subsidiaries: UAB "Ignitis renewables projektai 7", UAB "Ignitis renewables projektai 8" (both registered in Lithuania) and IGN RES DEV7 SIA (registered in Latvia).
- In October 2023, UAB "Ignitis renewables" completed the acquisition of UAB "Vėjas LT" and WINDLIT, UAB (Kelmė WF I & II) in Lithuania and acquired 50% shares of an Estonian company, Estonia Offshore Wind DevCo OÜ.
- In December 2023, UAB "Ignitis renewables projektai 4" name was changed to UAB "Ignitis renewables offshore development".
- In December 2023, AB "Ignitis grupė" became the sole shareholder of UAB „Ignitis grupės paslaugų centras". Previously, four companies held the shares of UAB „Ignitis paslaugų centras": AB "Ignitis grupė" held 50.47%, AB "Energijos skirstymo operatorius" held 26.40%, AB "Ignitis gamyba" held 21.45% and UAB "Ignitis" held 1.68% of the company's shares. Since 21 December 2023 AB "Ignitis grupė" is holding 100% of the subsidiary's shares.

Corporate governance model	Group companies
Supervisory Board Management Board CEO	The parent company
Board CEO	AB "Energijos skirstymo operatorius"[1], AB "Ignitis gamyba"[1], UAB "Ignitis"[1], UAB "Ignitis renewables", UAB Vilniaus kogeneracinė jėgainė, UAB Kauno kogeneracinė jėgainė, UAB Elektroninių mokėjimų agentūra, UAB "Ignitis grupės paslaugų centras", UAB "Ignitis renewables offshore development", UAB "Ignitis renewables projektai 5", UAB "Ignitis renewables projektai 6"
Supervisory Board Management Board	Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Silezia2 Wind Farm S.A.
CEO	UAB "VVP Investment", UAB "VĖJO GŪSIS", UAB "VĖJO VATAS", UAB "EURAKRAS", UAB "Ignitis renewables projektai", UAB "Ignitis renewables projektai 2", UAB "Ignitis renewables projektai 3", UAB "Ignitis renewables projektai 7", UAB "Ignitis renewables projektai 8", UAB "Vėjo galia bendruomenei", UAB "Plungės vėjo energija", UAB "Vėjas LT", WINDLIT, UAB, UAB "Offshore wind farm 1", UAB "Gamybos optimizavimas", UAB "Transporto valdymas"
Management Board	Ignitis Eesti OÜ, Ignitis Suomi Oy, Tuuleenergia OÜ, Ignitis renewables Latvia SIA, IGN RES DEV1 SIA, IGN RES DEV2 SIA, IGN RES DEV3 SIA, IGN RES DEV4 SIA, IGN RES DEV5 SIA, IGN RES DEV6 SIA, IGN RES DEV7 SIA, SIA CVE, Pomerania Wind Farm sp. z o.o., Ignitis renewables Polska sp. z o.o., Silezia1 Wind Farm sp. z o.o, Ignitis Res Dev sp. z o.o., Estonia Offshore Wind DevCo OÜ, "SP Venta", SIA, SIA BRVE

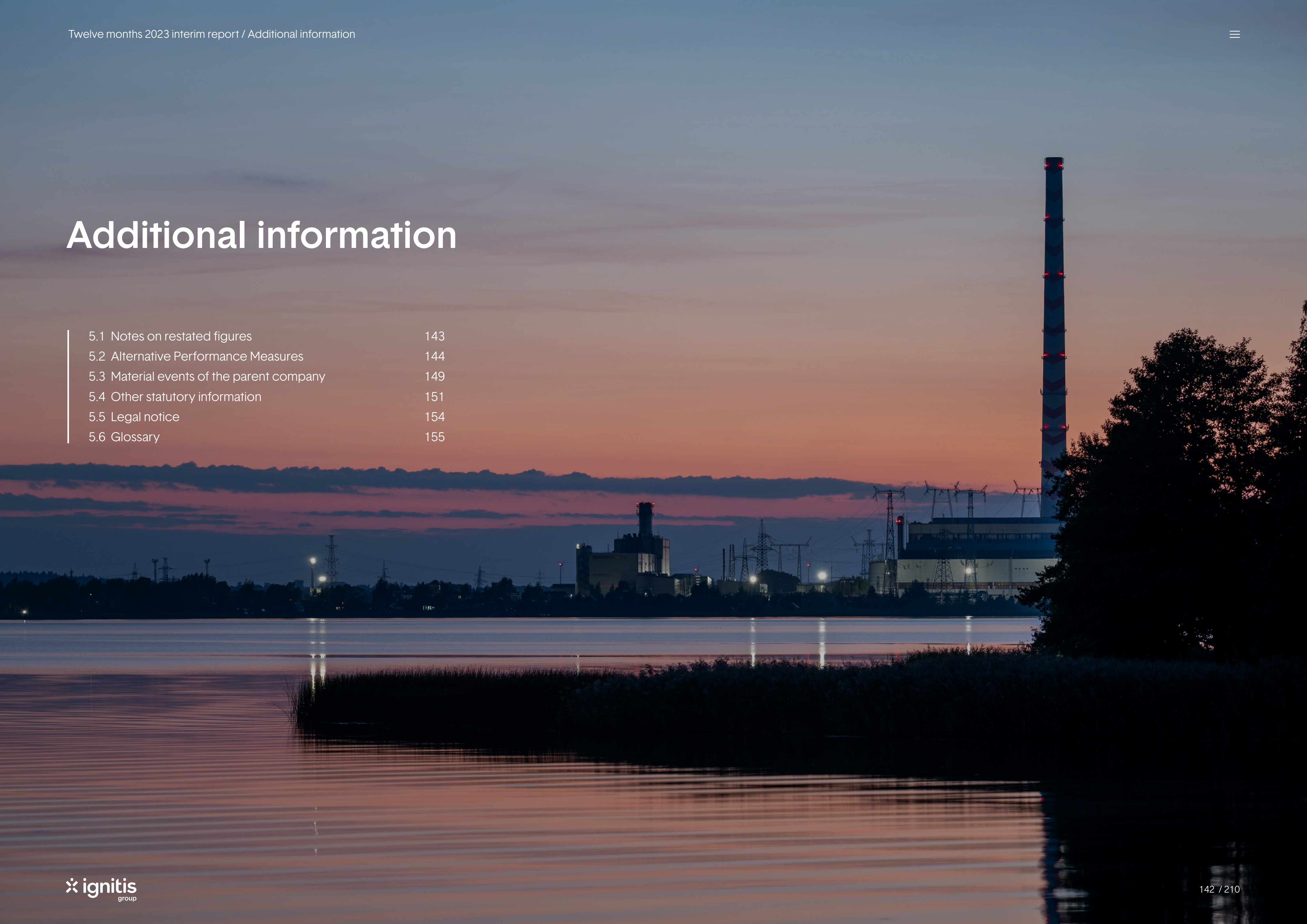
[1] The Group has adopted decisions to replace a two-tier management model applied in the Group's main subsidiaries ESO (Networks), Ignitis Gamyba (Reserve Capacities and Green Generation) and Ignitis (Customers & Solutions) with a one-tier management model, i.e., to remove the Management Boards made up of employees and instead to form Boards with a supervisory function that are made up of at least 1/3 of independent members, civil servants and shareholder representatives. The new model applied in the subsidiaries ensures simpler but, at the same time, more effective governance, which continues to meet the highest standards of governance, speedy decision-making, fast communication, and active involvement of independent members. Given the different expiry dates of the terms of office in the subsidiaries' collegial bodies, the change in the governance model from a two-tier to a one-tier governance model took place in two stages. In the first stage, the governance model of ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation) was changed on 14 February 2023 while the governance model of Ignitis (Customers & Solutions) was optimised on 30 May 2023.

Changes in the Group's structure during the Changes in collegial bodies after the reporting period

- **The composition of the Supervisory Board and the Nomination and Remuneration Committee of AB "Ignitis grupė" has changed.** On 21 December 2023, the parent company received a Letter of Resignation from Bent Christensen, an independent member of the Supervisory Board and the Nomination and Remuneration Committee. Bent Christensen's term as a member of the Supervisory Board and the Nomination and Remuneration Committee ended on 4 January 2024.

Changes in the Group's structure after the reporting period

- In January 2024, AB "Ignitis gamyba" established the new subsidiary named UAB "Ignitis gamyba projektai".



Additional information

5.1 Notes on restated figures

In this section we provide a summary of restated figures, if any, presented in this report compared to previous reporting periods.

1. Regarding LTM indicators for the year 2022

Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see our Annual report 2022, part ' 8 Consolidated financial statements', note '6 Restatement of comparative figures due to changes in the accounting policy'). Due to the adjustment, the LTM indicators for the year 2022 were recalculated retrospectively. Definitions of alternative performance measures can be found on the Group's website.

5.2 Alternative Performance Measures

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted EBIT	Adjusted EBITDA - depreciation and amortization expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items)	Adjusted EBITDA less depreciation and amortization expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets except significant one-off items (if any).	Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT.
Adjusted EBIT margin	$\frac{\text{Adjusted EBIT}}{\text{Total revenue + management adjustments (for revenues)}}$	Profitability ratio, which shows Adjusted EBIT as a percentage of revenue	The higher the indicator value, the higher the profitability of the Group.
Adjusted EBITDA	EBITDA + temporary regulatory differences + result of asset rotation + significant one-off gains or losses	EBITDA after eliminating items, which are nonrecurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA.
Adjusted EBITDA margin	$\frac{\text{Adjusted EBITDA}}{\text{Total revenue + management adjustments (for revenues)}}$	Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency.
Adjusted net profit	Adjusted EBIT + finance income – finance expenses - Income tax (expenses)/benefit - adjustments' impact on income tax	Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance.
Adjusted net profit margin	$\frac{\text{Adjusted net profit}}{\text{Total revenue + management adjustments (for revenues)}}$	Profitability ratio, which shows Adjusted net profit as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted return on equity (Adjusted ROE)	$\frac{\text{Adjusted net profit}}{\text{Average equity at the beginning and end of the reporting period}}$	Profitability ratio of Adjusted net profit in relation to equity.	Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits.
Asset turnover	$\frac{\text{Total revenue}}{\text{Average Total assets at the beginning and end of the reporting period}}$	Efficiency ratio, which measures revenues relative to total assets.	The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets.
Capital employed	Net debt + Equity	Capital employed is a financial metric that represents the total amount of capital used by a company to generate profits	The indicator represents the total amount of financial resources employed in a business.
Current ratio	$\frac{\text{Current assets at the end of the period}}{\text{Current liabilities at the end of the period}}$	Liquidity ratio, which shows how many times current assets cover current liabilities.	Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position.
Dividend pay-out	$\frac{\text{Dividend per share (DPS)}}{\text{Earnings per share (EPS)}}$	The ratio of the total amount of dividends to be paid out to shareholders relative to the net profit of the parent company.	The indicator shows the percentage of earnings to be paid to shareholders via dividends.
Dividend per share (DPS)	$\frac{\text{Total proposed dividend for the reporting period}}{\text{Weighted average numbers of nominal shares for the reporting period}}$	Profitability ratio, which shows proposed dividends for the period attributable to one ordinary nominal share.	The higher the indicator value, the higher the dividends attributable to one security for the period.
Dividend yield	$\frac{\text{DPS}}{\text{Ordinary registered shares or GDR price at the end of reporting period}}$	Profitability ratio, which shows how much a company pays out in dividends each year relative to its security price.	The dividend yield is an estimate of the dividend-only return of a security investment.
Earnings per share (EPS)	$\frac{\text{Net profit of the period attributable to equity holders of the parent company}}{\text{Weighted average numbers of nominal shares for the reporting period}}$	Profitability ratio, which shows net profit for the period attributable to equity holders of the parent to one security at the end of reporting period.	The higher the indicator value, the higher the profitability attributable to one security for the period.

Indicator	Formula	Definition	Meaning and interpretation of indicator
EBIT	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	EBIT – earnings before interest and tax expenses are deducted.	Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortization expenses
EBIT margin	$\frac{\text{EBIT}}{\text{Total revenue}}$	Profitability ratio, which shows EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
EBITDA	Total revenue - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses	EBITDA - earnings before interest, taxes, depreciation, and amortization.	Profit measure used as a proxy for operating cash flow.
EBITDA margin	$\frac{\text{EBITDA}}{\text{Total revenue}}$	Profitability ratio, which shows EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Leverage ratio, which shows the proportion of the total assets financed by equity	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities.
Free Cash Flow (FCF)	FFO + interests received- Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + cash inflow of proceeds from sale of property, plant, and equipment less gain or loss + change in net working capital.	Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures.	The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations.
Funds from operations (FFO)	EBITDA - interest paid - income tax paid	FFO is the proxy for Group's cashflow after taking into account EBITDA, interest paid, and income tax paid.	FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group.
Gross debt	Non-current loans and bonds + Current loans+ Lease liabilities	Total debt of the Group.	Indicator shows the level of debt of the Group.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Gross debt/Equity	Gross debt / Equity	Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity.	The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy.
Investments	Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property + Capital granted (related with development projects with no controlling interest by the Group) + Prepayments for property, plant, and equipment - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets – Contingent considerations (business combinations)	Capital spent on acquiring property, plant and equipment, intangible assets, other financial assets, and investment property, prepayments for non-current assets as well as assets acquired through the acquisition of subsidiaries.	Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels.
Net debt	Non-current loans and bonds + Current loans+ Lease liabilities - Cash and cash equivalents - Short-term deposits	Net debt of the Group is the total debts to financial institutions, issued bonds and related interest payables and lease liabilities, net of cash and cash equivalents and short-term deposits.	Net debt shows the level of indebtedness of the Group if its cash and cash equivalents and short-term deposits were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group.
Net debt/Adjusted EBITDA	Net debt / Adjusted EBITDA	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level.
Net debt/EBITDA	Net debt / EBITDA	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group.
Net working capital	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - other current financial assets - short-term deposits - short term interest receivables – prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + non-current receivables (excluding EPSO-G) - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + current lease liabilities + payable income tax + current portion of deferred revenue related to new customers connection and upgrade fees + derivative financial instruments liabilities + current provision + dividends payable	Net working capital shows the amount of capital, other than that used for investing in noncurrent assets, tied in business operations.	Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Net working capital/ Revenue	$\frac{\text{Net working capital}}{\text{Total revenue}}$	Efficiency ratio, which shows Net working capital as proportion of revenue.	Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds.
OPEX	Salaries and related expenses + repair and maintenance expenses + other expenses - Ineffective energy hedging result	Selling, general and administrative expense.	This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses.
Return on assets (ROA)	$\frac{\text{Net profit}}{\text{Average assets at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its total assets.	This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets.
Return on Capital Employed (ROCE)	$\frac{\text{EBIT}}{\text{Average Capital employed at the beginning and end of the reporting period}}$	Profitability ratio, which shows how well the Group employs its capital.	This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed.
Return on equity (ROE)	$\frac{\text{Net profit}}{\text{Average equity at the beginning and end of the reporting period}}$	Profitability ratio of net profit in relation to equity.	ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits.
Taxonomy CAPEX	Additions (including acquisitions through business combinations) of property, plant and equipment, intangible assets (except goodwill), investment property + additions of right-of-use assets	Capital expenditures calculated as defined by the EU Commission Delegated Regulation 2021/2178.	This indicator shows capital expenditures related with additions and acquisitions through business combinations of property, plant and equipment, intangible assets (except goodwill) and investment property as well as additions of right-of-use assets and is used to calculate capital expenditure KPI under the EU Taxonomy.
Taxonomy OPEX	Repair and maintenance expenses + short-term lease expenses + IT maintenance expenses	Operational expenses calculated as defined by the EU Commission Delegated Regulation 2021/2178 (including differences described in section '6.6 Disclosures under the EU Taxonomy Regulation').	This indicator shows costs related to maintenance and repair, short-term lease, IT maintenance expenses and is used to calculate operating expenditure KPIs under the EU Taxonomy.

5.3 Material events of the parent company

During the reporting period (2023)

Date	Event
22 December	Bent Christensen resigns as an independent member of the Supervisory Board of Ignitis Group
14 December	Ignitis Group concluded EUR 64 million financing agreement with EIB and NIB
13 December	Ignitis Group and CIP are winners of offshore wind tender in Estonia
12 December	Ignitis group continues to secure short-term funding
28 November	Ignitis Group's financial calendar 2024
21 November	First nine months 2023 interim report: all time high investments, start of construction of the largest onshore wind farm in the Baltics, and final investment decision taken for the largest solar portfolio in the Baltics
21 November	Ignitis Group makes final investment decision for 239 MWp Latvian solar portfolio
14 November	Ignitis Group to present 9M 2023 results on 21 November
31 October	Ignitis Group completes acquisition of up to 300 MW onshore wind development project in Lithuania
31 October	Ignitis Group and Umicore Poland sign a corporate PPA for 137 MW Silesia WF II
24 October	Ignitis Group will conclude EUR 70 million credit line agreement with Swedbank AB
24 October	Ignitis Group has retained 'BBB+' credit rating
17 October	Regarding Networks segment income level of electricity distribution for 2024
17 October	Ignitis Group continues to secure short-term funding
12 October	Ignitis Group confirmed as winners of 700 MW Lithuanian offshore wind tender
3 October	AB "Ignitis grupė" continues to secure short-term financing instruments
21 September	Resolutions of the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė"
19 September	International ESG rating agencies positively rated Ignitis Group's progress
11 September	On the settlement agreement between UAB Vilniaus kogeneracinė jėgainė and its former contractor Rafako S.A.
6 September	Update: Regarding the supplementation of the agenda of the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė" and draft resolutions regarding the items set out on the agenda
22 August	Notice on convening the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė"
22 August	First six months 2023 interim report: strong performance and significant offshore wind development progress
17 August	Regarding the approved electricity and natural gas WACC for 2024
16 August	63 MW Mažeikiai wind farm in Lithuania has reached commercial operation date
8 August	Ignitis Group to present 6M 2023 results on 22 August
1 August	Ignitis Group and Copenhagen Infrastructure Partners entered a partnership to participate in Estonian and Latvian offshore wind tenders
27 July	Regarding the updated Networks WACC methodology

Date	Event
12 July	AB “Ignitis grupė” agreed to invest up to EUR 115 million in the development of an EV charging network in the Baltic states
10 July	Ignitis Group and Ocean Winds are provisional winners in 700 MW Lithuanian offshore wind tender
29 Jun	Resolutions of the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė”
27 Jun	Ignitis Group signs an agreement to acquire up to 300 MW onshore wind development project in Lithuania
13 Jun	Update: Regarding the supplementation of the agenda of the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė” and draft resolutions on the items set out on the agenda
23 May	AB “Ignitis grupė” approved strategic long-term incentive plan targets
23 May	AB “Ignitis grupė” strategy update and Strategic plan 2023-2026 establish even more ambitious Green Generation and decarbonisation targets
23 May	First three months 2023 interim report: strong results despite lower power prices
11 May	The Letter of Expectations of the Majority Shareholder has been updated
9 May	Ignitis Group to present 3M 2023 results, Strategy update and Strategic plan 2023-2026 on 23 May
2 May	AB “Ignitis grupė” will conclude EUR 225 million financing agreement with MUFG Bank
28 April	Notice on convening the Extraordinary General Meeting of Shareholders of AB “Ignitis grupė”
25 April	Correction: Financial close achieved for Moray West offshore wind farm
21 April	Financial close achieved for Moray West offshore wind farm
18 April	AB “Ignitis grupė” made a final investment decision regarding a 110 MW expansion project in Kruonis PSHP
4 April	AB "Ignitis Grupė" secures EUR 100 million credit facility from Citibank
3 April	Ana Riva and Wolf Willems have been selected as independent members of Ignitis Group's Risk Management and Sustainability Committee
30 March	Resolutions of the Annual General Meeting of Shareholders of AB “Ignitis grupė”
10 March	Update: Regarding the supplementation of the agenda of the Annual General Meeting of Shareholders of AB “Ignitis grupė” and draft resolutions on the items set out on the agenda
9 March	On the financing agreements for EUR 300 million concluded between AB “Ignitis grupė”, its subsidiary UAB Vilniaus kogeneracinė jėgainė and AB “Swedbank”
28 February	Public appeal to energy companies to provide aid to Ukraine
28 February	Notice on convening the Annual General Meeting of Shareholders of AB “Ignitis grupė”
28 February	Annual report 2022: strong financial and strategic performance dominated by Green Generation growth
28 February	Interim report for the twelve months of 2022
21 February	Ignitis Group to present full-year 2022 results on 28 February
9 February	An expert's report should be ordered in ESO share price case
13 January	On the enforcement of Lithuanian Government's resolution to continue energy price compensation for business customers
10 January	On the award of a Polish capacity mechanism auction for 2027 to Ignitis Gamyba

After the reporting period

Date	Event
17 January	Ignitis Group and CIP win second seabed site in Estonia's offshore wind tender
14 February	Ignitis Group to present full-year 2023 results on 28 February

5.4 Other statutory information

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

The parent company's CEO is responsible for its preparation, while the parent company's Management Board considers and approves the interim report. This report, including consolidated and the parent company's financial statements, was considered and approved by the parent company's Management Board on 27 February 2024. This report has been prepared in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian), the Law on Financial Reporting by Undertakings of the Republic of Lithuania (link in Lithuanian), the Listing of Rules of Nasdaq Vilnius as well as legal acts and recommendations of relevant supervisory authorities and operators of the regulated markets.

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

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

Ignitis Group employees

Material events notifications of the parent company	Material events of the parent company are published on Nasdaq Vilnius, London and Luxembourg stock exchanges as well as on the Group's website.
Information on the parent company's ordinary registered shares account manager	AB SEB bankas (Gedimino pr. 12, Vilnius, tel. (8 5) 268 2800) is appointed as the parent company's ordinary registered shares account manager for the purposes of securities accounting and dividend payment. The owners of Global Depositary Receipts representing the ordinary registered shares (hereinafter – GDR) of the parent company must consult with the GDR issuer (the Bank of New York Mellon), its authorised party or their securities account managers for GDR related information.
Alternative performance measures	Alternative Performance Measures (APM) are adjusted figures used in this report that refer to measures used for internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found in '5.2 Alternative performance measures' section of this report and on the Group's website.
Internal control and risk management systems involved in the preparation of the financial statements	The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The employees of the company providing accounting services to the parent company ensure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems are monitored and managed based on the legal acts governing the preparation of financial statements.
Related party transactions	Related party transactions concluded during the reporting period are disclosed in section '8 Consolidated financial statements' of Integrated Annual Report 2023 and on our website. More detailed information regarding related party transaction policy is available here.
Compliance with the code of corporate governance	This Integrated Annual Report 2023 has been prepared in accordance with Article 12(3) of the Law on Securities of the Republic of Lithuania (link in Lithuanian) and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB. For detailed information of how the parent company complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius AB as well as its specific provisions or recommendations, see section '7.5 Compliance with the Corporate Governance Code' of Integrated Annual Report 2023.

Information on significant arrangements to which the parent company is a party and which would take effect, be amended or terminated in the event of changes in the parent company's control, and their impact, except where by reason of the nature of the arrangements, disclosure would cause material prejudice to the parent company	Significant arrangements concluded by the parent company during the reporting period that would take effect, be amended or terminated in the event of changes in the parent company's control: 1. **9 March 2023:** On the financing agreements for EUR 300 million concluded between AB "Ignitis grupė", its subsidiary UAB Vilniaus kogeneracinė jėgainė and AB "Swedbank"; 2. **4 April 2023:** AB "Ignitis grupė" secures EUR 100 million credit facility from Citibank; 3. **21 April 2023:** Financial close achieved for Moray West offshore wind farm; 4. **2 May 2023:** AB "Ignitis grupė" will conclude EUR 225 million financing agreement with MUFG Bank; 5. **3 October 2023:** AB "Ignitis grupė" continues to secure short-term financing instruments; 6. **17 October 2023:** Ignitis Group continues to secure short-term funding; 7. **12 December 2023:** Ignitis group continues to secure short-term funding; 8. **14 December 2023:** Ignitis Group concluded EUR 64 million financing agreement with EIB and NIB.
Information on agreements concluded between the parent company, the members of the management and supervisory bodies or employees, that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company (official offer)	There are no agreements concluded between the parent company, the members of the management and supervisory bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.
Information on restrictions on the transfer of securities of the parent company imposed by law, articles of association or shareholders' agreements	There are no restrictions on the transfer of securities of the parent company imposed by law, articles of association or shareholders' agreements.
Information on the parent company's branches and representative offices and research and development activities	The parent company has no branches and representative offices and parent company does not carry out research and development activities.
Information on delisted companies	Since September 2021, the parent company owns 100% of shares of ESO (Networks) and Ignitis Gamyba (Reserve Capacities and Green Generation). More information about the delisted companies, including the details of payment for shares, is available in section '7.1 Further investor related information' of Integrated Annual Report 2023 and on our website.
Notice on the language	In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

5.5 Legal notice

This document has been prepared by AB "Ignitis grupė" (Ignitis Group) solely for informational purposes and must not be relied upon, disclosed or published, or used in part for any other purpose.

The document should not be treated as investment advice or provide basis for valuation of Ignitis Group securities and should not be considered as a recommendation to buy, hold, or dispose of any of its securities, or any of the businesses or assets referenced in the document.

The information in this document may comprise information which is neither audited nor reviewed by independent third parties and should be considered as preliminary and potentially subject to change.

This document may also contain certain forward-looking statements, including but not limited to, the statements and expectations regarding anticipated financial and operational performance. These statements are based on the management's current views, expectations, assumptions, and information as of the date of this document announcement as well as the information that was accessible to management at that time. Statements herein, other than statements of historical fact, regarding Ignitis Group's future results of operations, financials, business strategy, plans and future objectives are forward-looking statements. Words such as "forecast", "expect", "intend", "plan", "will", "may", "should", "continue", "predict" or variations of these words, as well as other statements regarding matters that are not a historical fact or regarding future events or prospects, constitute forward-looking statements.

Ignitis Group bases forward-looking statements on its current views, which involve a number of risks and uncertainties, which may be beyond Ignitis Group's control or difficult to predict, and could cause the actual results to differ materially from those predicted and from the past performance of Ignitis Group. The estimates and projections reflected in the forward-looking statements may prove materially incorrect and the actual results may materially differ due to a variety of factors, including, but not limited to, legislation and regulatory factors, geopolitical tensions, economic environment and industry development, commodities and markets factors, environmental factors, finance-related risks as well as expansion and operation of generation assets. Therefore, you should not rely on these forward-looking statements. For further risk-related information, please see section '4.2 Risk management update' of our latest interim report and '4.7 Risk management' section of this report, all available at https://ignitisgrupe.lt/en/reports-and-presentations.

Certain financial and statistical information presented in this document is subject to rounding adjustments. Accordingly, any discrepancies between the listed totals and the sums of the amounts are due to rounding. Certain financial information and operating data relating to Ignitis Group presented in this document has not been audited and, in some cases, is based on the management's information and estimates, and is subject to change. This document may also include certain non-IFRS measures (e.g., Alternative Performance Measures, described in '5.2 Alternative performance measures' section of this report and at https://ignitisgrupe.lt/en/reports-and-presentations) which have not been subjected to a financial audit for any period.

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

No responsibility or liability will be accepted by Ignitis Group, its affiliates, officers, employees, or agents for any loss or damage resulting from the use of forward-looking statements in this document. Unless required by the applicable law, Ignitis Group is under no duty and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

5.6 Glossary

#	Number
%	Per cent
'000 / k	Thousand
AB	Joint stock company
Advanced development Pipeline	Projects which have access to the electricity grid secured through preliminary grid connection agreement (agreement signed and grid connection fee has been paid). For offshore wind it also includes projects where public seabed auction has been won, but the grid connection has not yet been secured.
AML	Anti Money Laundering
APM	Alternative performance measure (link)
Awarded / Contracted	Projects with one of the following: (i) awarded in government auctions and tenders (incl. CfD, FiP, FiT, seabed with grid connection), or (ii) for which offtake is secured through PPA or similar instruments (total secured offtake through PPA and other instruments should cover at least 50% of the annual expected generation volume of the asset).
B2B	Business to business
B2C	Business to consumer
bn	Billion
CCGT	Combined Cycle Gas Turbine Plant
CDP	Carbon Disclosure Project
CfD	Contract for difference
CHP	Combined heat and power
Clean spark	Indicative prices giving the difference between the combined cost of gas and emissions, and the equivalent price of electricity.
CO_2	Carbon dioxide
COD	Projects with installed capacity achieved.
CPI	Consumer Price Index
E	Electricity
Early development Pipeline	Projects of planned capacity higher than 50 MW with substantial share of land rights secured.
Electricity Generated (net)	Electricity generated and sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex.
Electricity sales	Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia.
EMIT	European Market Infrastructure Regulation
Energijos Tiekimas	Energijos Tiekimas UAB
eNPS	Employee Net Promoter Score
EPSO-G	EPSO-G is a state-owned group of energy transmission and exchange companies. It consists of the parent management company EPSO-G, five directly owned companies Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells and the indirectly controlled GET Baltic.
ESG	Environmental, social and corporate governance
ESO	AB „Energijos skirstymo operatorius“
etc.	et cetera
EURbn	billion EUR
EURm	million EUR
EU	European Union

Eurakras	UAB „EURAKRAS“
FBS	Fixed base salary
Final investment decision (FID)	Relevant governance body decision to make significant financial commitments related to the project.
FiT	Feed-in Tariff
FIP	Feed-in premium – fixed premium to the electricity market price
FTE	Full-time equivalent
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GDR	Global depositary receipt
GHG	Greenhouse Gas
Green Electricity Generated (net)	Electricity generated and sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant).
Green Generation Portfolio	All Green Generation projects of the Group, which include: (i) secured capacity, (ii) advanced development pipeline and (iii) early development pipeline.
Green Share of Generation,%	Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group.
GRI	Global Reporting Initiative
Group or Ignitis Group	AB „Ignitis grupė“ and its controlled companies
Gross capacity	Total generation capacity, independently from actual/planned share of ownership, if the actual/planned ownership share is 51% or above.
GW	Gigawatt
Heat Generated (net)	Heat sold in CHP plants, waste and biomass plants
Hydro power	Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant
IFRS	International Financial Reporting Standards
Ignitis	Ignitis UAB (former Lietuvos energijos tiekimas and Energijos tiekimas)
Ignitis Eesti	Ignitis Eesti OÜ
Ignitis Gamyba	AB „Ignitis gamyba“
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska sp. z o.o.
Ignitis Renewables	UAB „Ignitis renewables“
Installed capacity	The date at which all the equipment is: (1) installed, (2) connected, (3) authorized by a competent authority to generate energy, and (4) commissioned. Performance testing may still be ongoing.
ISIN	International Securities Identification Number
YoY	Year over year
IPO	Initial Public Offering
ISO	International Organization for Standardization
Kaunas CHP	UAB Kauno kogeneracinė jėgainė
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant
Kruonis PSHP	Kruonis Pumped Storage Hydroelectric Plant
Lietuvos energija	„Lietuvos energija“, UAB (current AB „Ignitis grupė“)
Lietuvos Energijos Tiekimas	Lietuvos Energijos Tiekimas UAB
Litgrid	Litgrid AB
LNG	Liquefied natural gas
LNGT	Liquefied natural gas terminal
LRAIC	Long-run average incremental cost
LTI	Long-Term Incentives

LTM	Last twelve months
m	Million
MAR	Market Abuse Regulation
Mažeikiai	UAB „VVP Investment“
MCM	Million Cubic Meters
min.	Minutes
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NERC	The National Energy Regulatory Council
New connection points and upgrades	Number of new customers connected to the network and capacity upgrades of the existing connection points.
NPS	Net promoter score
NT Valdos	NT Valdos, UAB
OECD	Organisation for Economic Co-operation and Development
Other activities and eliminations	Other activities and eliminations – includes consolidation adjustments, related-party transactions and financial results of the parent company.
Parent company	AB „Ignitis grupė" (former „Lietuvos energija", UAB)
PBM	Payment of the activities of Board member
Pipeline	Portfolio, excluding installed capacity projects.
Pomerania	Pomerania Wind Farm sp. z o. o.
PPA	Power purchase agreement
pp	Percentage point
PPE	Property, plant and equipment
PSO	Public service obligation
Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence.
Q	Quarter
RAB	Regulated asset base
RES	Renewable energy sources
REMIT	Regulation of the European parliament on wholesale energy market integrity and transparency
SAIDI	Average duration of unplanned interruptions in electricity or gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
Secured Capacity	Green Generation projects under the following stages: (i) installed capacity, or (ii) under construction or (iii) awarded / contracted.
SOE	State-owned company
STI	Short-Term Incentives
Supply of last resort	Supply of electricity in order to meet electricity demand of customers who have not selected an independent supplier under the established procedure, or an independent supplier selected by them does not fulfil its obligations, terminates activities or the agreement on the purchase and sale of electricity.
Taxonomy-eligible	An economic activity that is described in the delegated acts supplementing Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.
Taxonomy-non-eligible	Any economic activity that is not described in the delegated acts supplementing Regulation (EU) 2020/852.
Taxonomy-aligned	An economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852.
TCFD	Task Force on Climate-Related Financial Disclosures
TRIR	Total Recordable Incident Rate

Tuuleenergia	„Tuuleenergia osaühing"
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UN	United Nations
Under construction	Project with building permits secured or permitting in process including one of following: (i) notice to proceed has been given the first contractor or (ii) final investment decision has been made.
UNGC	United Nations Global Compact
Units	Units
Vėjo Gūsis	UAB „VĖJO GŪSIS"
Vėjo Vatas	UAB „VĖJO VATAS"
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
vs.	Versus
WACC	Weighted average cost of capital
WF	Wind farm
WtE	Waste-to-energy

Consolidated financial statements

Consolidated financial statements

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

6.1 Interim condensed consolidated statement of profit or loss

For the twelve-month period ended 31 December 2023

EURm	Notes	12M 2023	12M 2022	Q4 2023	Q4 2022
Revenue from contracts with customers	6	2,542.4	4,381.3	705.1	1,357.6
Other income		6.7	5.6	2.4	1.5
Total revenue and other income		2,549.1	4,386.9	707.5	1,359.1
Purchases of electricity, natural gas and other services	7	(1,757.7)	(3,608.7)	(457.5)	(1,180.9)
Salaries and related expenses		(136.7)	(115.8)	(40.1)	(31.6)
Repair and maintenance expenses		(61.1)	(40.6)	(23.3)	(15.2)
Other expenses	8	(86.2)	(82.1)	(27.4)	74.8
Total purchases and expenses		(2,041.7)	(3,847.2)	(548.3)	(1,152.9)
EBITDA	5	507.4	539.7	159.2	206.2
Depreciation and amortisation		(153.1)	(137.7)	(40.7)	(35.1)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets		(2.1)	(14.2)	(0.2)	(8.5)
Operating profit (EBIT)		352.2	387.8	118.3	162.6
Finance income	9	41.7	3.6	7.9	(8.5)
Finance expenses	9	(40.0)	(54.1)	(8.4)	(28.3)
Finance activity, net		1.7	(50.5)	(0.5)	(36.8)
Profit (loss) before tax		353.9	337.3	117.8	125.8
Income tax (expenses)/benefit	10	(33.7)	(43.9)	(10.2)	(17.3)
Net profit for the period		320.2	293.4	107.6	108.5
Attributable to:					
Shareholders in AB “Ignitis grupė”		320.2	293.4	107.6	108.5
Non-controlling interest		-	-	-	-
Basic earnings per share (in EUR)	11	4.42	4.04	1.49	1.50
Diluted earnings per share (in EUR)	11	4.42	4.04	1.49	1.50
Weighted average number of shares	11	72,388,960	72,599,599	72,388,960	72,388,960

6.2 Interim condensed consolidated statement of comprehensive income

For the twelve-month period ended 31 December 2023

EURm	Notes	12M 2023	12M 2022	Q4 2023	Q4 2023
Net profit for the period		**320.2**	**293.4**	**107.6**	**108.5**
Revaluation of property, plant and equipment		3.8	(1.1)	1.3	(1.3)
Change in actuarial assumptions		1.3	0.4	0.2	0.3
Items that will not be reclassified to profit or loss in subsequent periods, total		**5.1**	**(0.7)**	**1.5**	**(1.0)**
Cash flow hedges – effective portion of change in fair value		(136.7)	247.3	(5.6)	(157.2)
Cash flow hedges – reclassified to profit or loss		34.4	(165.3)	40.8	(64.2)
Foreign operations – foreign currency translation differences		24.7	(2.1)	18.4	4.4
Items that may be reclassified to profit or loss in subsequent periods, total		**(77.6)**	**79.9**	**53.6**	**(217.0)**
Total other comprehensive income (loss) for the period		**(72.5)**	**79.2**	**55.1**	**(218.0)**
Total comprehensive income (loss) for the period		**247.7**	**372.6**	**162.7**	**(109.5)**
Attributable to:					
Shareholders in AB “Ignitis grupė”		247.7	372.6	162.7	(109.5)
Non-controlling interests		-	-	-	-

6.3 Interim condensed consolidated statement of financial position

As at 31 December 2023

EURm	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Intangible assets	12	315.4	148.3
Property, plant and equipment	13	3,362.5	2,810.9
Right-of-use assets		49.9	48.6
Prepayments for non-current assets		309.9	125.8
Investment property		5.9	5.5
Non-current receivables		76.3	28.9
Other financial assets	14	37.0	25.6
Other non-current assets		3.5	24.8
Deferred tax assets		56.5	31.1
Total non-current assets		**4,216.9**	**3,249.5**
Current assets			
Inventories	15	274.8	570.4
Prepayments and deferred expenses		14.4	95.8
Trade receivables	16	265.9	424.4
Other receivables	17	126.0	179.7
Other financial assets	14	110.4	-
Other current assets		24.0	56.9
Prepaid income tax		6.2	0.4
Cash and cash equivalents		205.3	694.1
Assets held for sale		0.5	0.4
Total current assets		**1,027.5**	**2,022.1**
TOTAL ASSETS		**5,244.4**	**5,271.6**

EURm	Notes	31 December 2023	31 December 2022
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	1,616.4	1,616.4
Reserves		284.4	344.9
Retained earnings		362.6	164.3
Equity attributable to shareholders in AB “Ignitis grupė”		**2,263.4**	**2,125.6**
Non-controlling interests		-	-
Total equity		**2,263.4**	**2,125.6**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	19	1,521.2	1,423.3
Non-current lease liabilities	20	42.3	45.1
Grants and subsidies		300.1	296.8
Deferred tax liabilities		87.4	55.2
Provisions	21	60.7	17.6
Deferred income	22	241.6	205.5
Other non-current liabilities		66.6	20.7
Total non-current liabilities		**2,319.9**	**2,064.2**
Current liabilities			
Loans	19	64.5	209.0
Lease liabilities	20	5.2	3.6
Trade payables		177.2	177.2
Advances received	6.4	61.8	61.6
Income tax payable		4.9	53.4
Provisions	21	27.6	38.0
Deferred income	22	35.2	114.8
Other current liabilities	23	284.7	424.2
Total current liabilities		**661.1**	**1,081.8**
Total liabilities		**2,981.0**	**3,146.0**
TOTAL EQUITY AND LIABILITIES		**5,244.4**	**5,271.6**

6.4 Interim condensed consolidated statement of changes in equity

For the twelve-month period ended 31 December 2023

EURm	Notes	Issued capital	Treasury shares	Legal reserve	Revaluation reserve	Hedging reserve	Treasury shares reserve	Other reserves	Retained earnings	Shareholders in AB “Ignitis grupė” interest	Non-controlling interest	Total
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**125.8**	**84.1**	**18.6**	**23.0**	**(2.7)**	**(28.7)**	**1,855.9**	**-**	**1,855.9**
Net profit for the period		-	-	-	-	-	-	-	293.4	**293.4**	-	**293.4**
Other comprehensive income (loss) for the period		-	-	-	(1.1)	82.0	-	(2.1)	0.4	**79.2**	-	**79.2**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**(1.1)**	**82.0**	**-**	**(2.1)**	**293.8**	**372.6**	**-**	**372.6**
Transfer of revaluation reserve to retained earnings (net of tax)		-	-	-	(10.0)	-	-	-	10.0	**-**	-	**-**
Transfers to legal reserve		-	-	12.6	-	-	-	-	(12.6)	**-**	-	**-**
Transfer to reserves to acquire treasury shares		-	-	-	-	-	14.7	-	(14.7)	**-**	-	**-**
Treasury shares acquired		-	(10.0)	-	-	-	-	-	(4.3)	**(14.3)**	-	**(14.3)**
Dividends	18.2	-	-	-	-	-	-	-	(89.0)	**(89.0)**	-	**(89.0)**
Share capital reduction		(42.4)	33.0	-	-	-	-	-	9.4	**-**	-	**-**
Other movement		-	-	-	-	-	-	-	0.4	**0.4**	-	**0.4**
Balance as at 31 December 2022		**1,616.4**	**-**	**138.4**	**73.0**	**100.6**	**37.7**	**(4.8)**	**164.3**	**2,125.6**	**-**	**2,125.6**
Balance as at 1 January 2023		**1,616.4**	**-**	**138.4**	**73.0**	**100.6**	**37.7**	**(4.8)**	**164.3**	**2,125.6**	**-**	**2,125.6**
Net profit for the period		-	-	-	-	-	-	-	320.2	**320.2**	-	**320.2**
Other comprehensive income (loss) for the period		-	-	-	3.8	(102.3)	-	24.7	1.3	**(72.5)**	-	**(72.5)**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**3.8**	**(102.3)**	**-**	**24.7**	**321.5**	**247.7**	**-**	**247.7**
Transfer of revaluation reserve to retained earnings (net of tax)		-	-	-	(9.0)	-	-	-	8.4	**(0.6)**	-	**(0.6)**
Transfers to legal reserve		-	-	22.3	-	-	-	-	(22.3)	**-**	-	**-**
Dividends	18.2	-	-	-	-	-	-	-	(91.7)	**(91.7)**	-	**(91.7)**
Dividends paid to non-controlling interest	18.3	-	-	-	-	-	-	-	(14.3)	**(14.3)**	-	**(14.3)**
Other movement		-	-	-	-	-	-	-	(3.3)	**(3.3)**	-	**(3.3)**
Balance as at 31 December 2023		**1,616.4**	**-**	**160.7**	**67.8**	**(1.7)**	**37.7**	**19.9**	**362.6**	**2,263.4**	**-**	**2,263.4**

6.5 Interim condensed consolidated statement of cash flows

For the twelve-month period ended 30 December 2023

EURm	Notes	12M 2023	12M 2022	Q4 2023	Q4 2022
Cash flows from operating activities					
Net profit for the period		320.2	293.4	107.6	108.5
Adjustments to reconcile net profit to net cash flows:					
Depreciation and amortisation expenses		165.7	149.1	43.8	37.7
Depreciation and amortisation of grants		(12.6)	(11.4)	(3.1)	(2.6)
Impairment (reversal) of property, plant and equipment, including held for sale		(1.1)	7.7	(1.1)	7.7
Fair value changes of derivatives	24	6.8	(19.6)	2.7	(106.9)
Fair value change of financial instruments	9	(16.7)	23.4	3.5	26.1
Impairment/(reversal of impairment) of financial assets		-	-	0.4	(1.6)
Income tax expenses/(benefit)	10	33.7	43.9	10.2	17.3
Increase/(decrease) in provisions		36.0	(8.0)	9.2	11.1
Inventory write-off to net realizable value/(reversal)	15	(88.6)	103.0	10.4	78.5
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		3.6	6.5	0.7	1.1
Interest income		(17.6)	(1.7)	(4.6)	(0.9)
Interest expenses		34.6	29.6	10.5	8.5
Other expenses/(income) of financing activities		(1.9)	(0.6)	(9.1)	(3.5)
Other non-monetary adjustments		(0.6)	1.4	(0.6)	1.4
Changes in working capital:					
(Increase)/decrease in trade receivables and other amounts receivable		204.0	56.4	(10.0)	392.0
(Increase)/decrease in inventories, prepayments and other current and non-current assets		495.8	(504.5)	59.5	12.9
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current liabilities		(279.5)	422.7	30.2	123.5
Income tax (paid)/received		(81.0)	(27.4)	(9.5)	(5.1)
Net cash flows from operating activities		**800.8**	**563.9**	**250.7**	**705.7**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(838.6)	(439.4)	(326.3)	(135.0)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		3.4	3.0	1.5	1.9
Acquisition of subsidiaries, net of cash acquired	29	(142.7)	(28.4)	(80.3)	(6.2)
Loans granted		(27.6)	(20.7)	(0.6)	(6.8)
Grants received		15.9	29.0	(2.4)	10.9
Interest received		10.7	0.6	2.3	0.2
Finance lease payments received		1.5	1.6	0.3	0.3
(Increase)/decrease of deposits		(109.0)	-	(59.0)	-
Investments in/(return from) investment funds		5.3	(1.7)	(0.8)	-
Other increases/(decreases) in cash flows from investing activities	14	-	0.3	8.4	-
Net cash flows from investing activities		**(1,081.1)**	**(455.7)**	**(456.9)**	**(134.7)**

EURm	Notes	12M 2023	12M 2022	Q4 2023	Q4 2022
Cash flows from financing activities					
Loans received	20	285.9	223.0	10.1	-
Repayments of loans	20	(180.7)	(119.7)	(11.3)	(6.1)
Overdrafts net change	20	(160.4)	172.9	12.5	(111.4)
Lease payments	20	(5.7)	(5.1)	(1.5)	(1.1)
Interest paid	20	(39.0)	(28.8)	(6.8)	(4.1)
Dividends paid	18.2	(91.7)	(89.0)	(46.5)	(45.1)
Dividends paid to non-controlling interest	18.3	(14.3)	-	-	-
Dividends returned		-	0.4	-	0.1
Treasury shares acquisition		-	(14.3)	-	-
Other increases/(decreases) in cash flows from investing activities		(2.6)	(2.6)	1.5	-
Net cash flows from financing activities		**(208.5)**	**136.8**	**(42.0)**	**(167.7)**
Increase/(decrease) in cash and cash equivalents		**(488.8)**	**245.0**	**(248.2)**	**403.3**
Cash and cash equivalents at the beginning of the period		694.1	449.1	694.1	449.1
Cash and cash equivalents at the end of the period		**205.3**	**694.1**	**445.9**	**852.4**

6.6 Notes

For the twelve-month period ended 31 December 2023

1 General information

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

The parent company and its subsidiaries are hereinafter collectively referred to as ‘the Group’. The Group’s core business is focused on operating Lithuania’s electricity distribution network (Networks) and managing and developing its Green Generation Portfolio (Green Generation). The Group also manages strategically important reserve capacities (Reserve Capacities) and provide services to its customers (Customers & Solutions), including the supply of electricity and natural gas, solar, e-mobility, energy efficiency and innovative energy solutions for private (hereinafter referred to as ‘B2C’) and business (hereinafter referred to as ‘B2B’) customers. Information on the Group’s structure is provided in Note 25.

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

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

These interim consolidated financial statements were prepared and approved by the Group’s management on 27 February 2024. These are interim condensed consolidated financial statements of the Group. The parent company also prepares separate interim condensed financial statements in accordance with International Accounting Standard (hereinafter referred to as ‘IAS’) 34 ‘Interim Financial Reporting’.

2 Basis of accounting

2.1 Basis of accounting

These interim condensed consolidated financial statements are prepared for the twelve-month period ended 31 December 2023 (hereinafter referred to as ‘interim financial statements’) in accordance with IAS 34.

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

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

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

2.2 Alternative performance measures

The Group presents financial measures in the interim financial statements which are not defined according to IFRS. The Group uses these alternative performance measures (hereinafter referred to as ‘APM’) as it believes that these financial measures provide valuable information to stakeholders and the management.
These financial measures should not be considered a replacement for the performance measures as defined under IFRS but rather as supplementary information.
The APM may not be comparable to similarly titled measures presented by other companies as the definitions and calculations may be different.

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

For more information on the APM – see Note 5.

3 Material accounting policies

3.1 Changes in the accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the period ended 31 December 2022, with the except for the adoption of new standards effective as of 1 January 2023. Several amendments the adoption of which is effective from 1 January 2023 were applied, but they did not have a material impact on our interim financial statements. The Group has not applied any standard, interpretation, or amendment for which the early application is permitted but is not yet effective.

3.1.1 New standards, amendments and interpretations

3.1.1.1 Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted the Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. However, there was no impact on the Statement of financial position because the balances were qualified for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to the disclosure of the deferred tax assets and the liabilities recognised.

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

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

Significant accounting estimates and judgments	Note	Estimate/judgement	Significant changes during 12M 2023
Revaluation and impairment of property, plant and equipment, used in electricity distribution	13.1	Estimate/judgement	Change in assumptions
Impairment of property, plant and equipment, used in natural gas distribution		Estimate/judgement	Change in assumptions
Impairment of goodwill	12.1	Estimate	Change in assumptions
Control over UAB Kauno kogeneracinė jėgainė		Estimate/judgement	Change in assumptions
Fair value of Investment funds – at FVTPL	14	Estimate	Change in estimated amount
Provisions for rights to servitudes		Estimate	Change in estimated amount
Provision for servitudes of real estate		Estimate	None
Provision for compensations for the Special Land Use Conditions (Protected Areas)		Estimate	None
Determining whether statutory and contractual servitudes are a lease	20	Judgement	Change in assumptions
Principal or an Agent in relation to electricity transmission and distribution services		Judgement	None
Principal or an Agent in relation to gas distribution services		Judgement	None
Principal or an Agent in relation to gas transmission services		Judgement	None
Principal or an Agent in relation to PSO fees and LNGT security component		Judgement	None
Leases: determining the lease term of contracts with renewal and termination options		Judgement	None
Leases: estimating the incremental borrowing rate	20	Estimate	Change in assumptions
Expected credit losses of trade receivables and other receivables: collective assessment of ECL applying provision matrix and individual assessment of ECL		Estimate/Judgement	Change in estimated amount
Regulated activity: accrual of income and regulatory provision from services ensuring isolated operation of the power system and capacity reserve	22.1	Estimate	Change in estimated amount
Regulated activity: accrual of income and regulatory provision from public electricity supply	22.2	Estimate	Change in estimated amount
Collection of cash on a suspense account		Judgement	None
Separation of the Group's B2C and B2B consumer funds		Judgement	Change in estimated amount

5 Business segments

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

EURm	Green Generation	Networks	Reserve Capacities	Customers & Solutions	Other activities and eliminations	Total adjusted	Adjustments	Total reported
12M 2023								
Total revenue and other income	**342.1**	**479.8**	**128.3**	**1,736.9**	**(160.7)**	**2,526.4**	**22.7**	**2,549.1**
Purchases of electricity, natural gas and other services	(68.9)	(135.5)	(57.8)	(1,658.7)	163.2	(1,757.7)	-	(1,757.7)
Salaries and related expenses	(18.2)	(71.9)	(9.6)	(16.7)	(20.3)	(136.7)	-	(136.7)
Repair and maintenance expenses	(8.7)	(46.2)	(6.0)	-	(0.2)	(61.1)	-	(61.1)
Other expenses	(23.7)	(46.2)	(5.0)	(31.1)	19.8	(86.2)	-	(86.2)
EBITDA	**222.6**	**180.0**	**49.9**	**30.4**	**1.8**	**484.7**	**22.7**	**507.4**
Depreciation and amortization	(29.1)	(101.2)	(11.1)	(3.1)	(8.6)	(153.1)	-	(153.1)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(0.1)	(1.7)	0.3	-	(0.6)	(2.1)	-	(2.1)
EBIT	**193.4**	**77.1**	**39.1**	**27.3**	**(7.4)**	**329.5**	**22.7**	**352.2**
Finance activity, net						(15.1)	16.8	1.7
Income tax expenses						(27.8)	(5.9)	(33.7)
Net profit						**286.6**	**33.6**	**320.2**
Investments	**542.7**	**346.8**	**4.9**	**25.0**	**17.7**	**937.1**	**-**	**937.1**
12M 2022								
Total revenue and other income	**457.6**	**697.6**	**237.3**	**3,001.1**	**(77.1)**	**4,316.5**	**70.4**	**4,386.9**
Purchases of electricity, natural gas and other services	(153.4)	(398.7)	(126.9)	(2,947.8)	18.1	(3,608.7)	-	(3,608.7)
Salaries and related expenses	(11.9)	(64.5)	(8.7)	(13.0)	(17.7)	(115.8)	-	(115.8)
Repair and maintenance expenses	(5.5)	(30.7)	(4.4)	-	-	(40.6)	-	(40.6)
Other expenses	(34.3)	(39.2)	(62.8)	(24.7)	78.9	(82.1)	-	(82.1)
EBITDA	**252.4**	**164.5**	**34.6**	**15.6**	**2.2**	**469.3**	**70.4**	**539.7**
Depreciation and amortization	(28.0)	(90.1)	(11.7)	(2.2)	(5.7)	(137.7)	-	(137.7)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.8)	(11.8)	0.2	-	0.2	(14.2)	-	(14.2)
EBIT	**221.7**	**62.6**	**23.1**	**13.4**	**(3.4)**	**317.4**	**70.4**	**387.8**
Finance activity, net						(27.1)	(23.4)	(50.5)
Income tax expenses						(34.3)	(9.6)	(43.9)
Net profit						**256.0**	**37.4**	**293.4**
Investments	**226.2**	**268.1**	**15.0**	**6.8**	**5.7**	**521.8**	**-**	**521.8**

Performance of business segments (equal to operating segments according to IFRS 8) is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. There are varying levels of integration between segments within the Group. Integration between Green Generation and Customers&Solutions includes incorporating renewable energy option into customer offerings. The Group's Shared Service Center (GSC) provides shared IT, marketing, finance, and other services to the entire Group and is integrated with all segments. Inter-segment pricing is determined on an arm's length basis. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the business segments, has been identified as the Management Board.

The Group is divided into four business segments based on their core activities. For more information about the segments, see sections '2.1 Business profile' and '3.2 Results by business segment' of Integrated Annual report 2023. The list of entities assigned to each segment is provided in Note 25.

The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the interim financial statements. The primary performance measures is Adjusted EBITDA. Additionally, the management also analyses Investments in each individual segment. All measures are calculated using the data presented in the interim financial statements, and selected items which are not defined by IFRS are adjusted by the management.

The Group's management calculates the main performance measures as described by the definitions of alternative performance measures, which can be found in Integrated Annual Report sections '7.3 Alternative Performance Measures'.

5.1 Management's adjustments, Adjusted EBITDA and Adjusted EBIT

Management's adjustments include:

- temporary regulatory differences;
- asset rotation result (if any);
- significant one-off gains or losses (if any).

In management's view, Adjusted EBITDA and Adjusted EBIT more accurately present the results of the operations and enable a better comparison between the periods as they indicate the amount that was actually earned by the Group in the reporting year by eliminating the differences between the permitted return set by NERC and the actual return for the period (temporary regulatory differences).

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

Segment / Management's adjustments, EURm	12M 2023	12M 2022
EBITDA	**507.4**	**539.7**
Adjustments		
Temporary regulatory differences	(22.7)	(70.4)
Total EBITDA adjustments	**(22.7)**	**(70.4)**
Adjusted EBITDA	**484.7**	**469.3**

Segment / Management's adjustments, EURm	12M 2023	12M 2022
EBIT	**352.2**	**387.8**
Adjustments		
Total EBITDA adjustments	(22.7)	(70.4)
Total EBIT adjustments	**(22.7)**	**(70.4)**
Adjusted EBIT	**329.5**	**317.4**

5.2 Temporary regulatory differences

Temporary regulatory differences include elimination of the differences between the actual profit earned during the reporting period and the profit allowed by the regulator (NERC).

6 Revenue from contracts with customers

6.1 Revenue from contracts with customers by type

EURm	12M 2023	12M 2022
Electricity related revenue	**1,556.8**	**2,717.3**
Revenue from the sale of electricity	682.2	1,315.9
Revenue from electricity transmission and distribution	452.8	532.3
Revenue from sale of produced electricity	310.1	497.0
Revenue from services ensuring the isolated operation of power system and capacity reserve	63.3	132.7
Revenue from public electricity supply	48.4	239.4
Gas related revenue	**891.3**	**1,574.1**
Revenue from gas sales	807.0	1,513.2
Revenue from gas distribution	73.1	41.9
Revenue of LNGT security component	11.2	19.0
Other revenue	**94.3**	**89.9**
Revenue from sale of heat energy	39.8	33.0
Revenue from new customers' connection and upgrade fees	10.6	9.2
Other revenue from contracts with customers	43.9	47.7
Total	**2,542.4**	**4,381.3**

6.2 Revenue from contracts with customers by timing

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

EURm	12M 2023	12M 2022[1]
Performance obligation settled over time	2,424.7	3,901.6
Performance obligation settled at a specific point in time	117.7	479.7
Total	**2,542.4**	**4,381.3**

[1] Part of the amounts do not agree with the financial statements issued for the year 2022 due to reclassification of EUR 468.8 million from 'Performance obligation settled over time' to 'Performance obligation settled at a specific point in time'. Reclassification was made in order to provide more reliable information for the users of financial statements.

6.3 Revenue from contracts with customers by geographic segment:

EURm	12M 2023	12M 2022
Lithuania	2,085.1	3,299.5
Finland	167.7	377.0
Poland	132.6	110.8
Latvia	116.9	529.5
Estonia	19.0	45.3
Other countries	21.1	19.2
Total	**2,542.4**	**4,381.3**

6.4 Contract balances

EURm	Notes	31 December 2023	31 December 2022
Trade receivables	16	**265.9**	**424.4**
Contract assets	17	**23.6**	**32.5**
Accrued revenue from electricity related sales		9.5	18.2
Accrued revenue from gas related sales		6.9	7.7
Other accrued revenue		7.2	6.6
Contract liabilities		**338.1**	**381.0**
Advances received		61.3	60.7
Deferred income	22	276.8	320.3

6.5 Obligations for returns and refunds

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

6.6 Performance obligations

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

EURm	31 December 2023	31 December 2022
More than one year	241.6	205.5
Within one year	35.2	114.8
Total	**276.8**	**320.3**

7 Purchases of electricity, natural gas and other services

EURm	12M 2023	12M 2022
Purchases of natural gas and related services	886.1	1,501.3
Purchases of electricity and related services	840.8	2,082.1
Other purchases	30.8	25.3
Total	**1,757.7**	**3,608.7**

8 Other expenses

EURm	12M 2023	12M 2022
Asset management and administration	15.8	12.6
Telecommunications and IT services	12.8	10.5
Customer service	11.6	13.3
Taxes (other than income tax)	9.2	8.7
Ineffective energy hedging result (Note 24.2)	8.1	18.5
People and culture	5.2	3.4
Finance and accounting	5.0	2.3
Communication	3.2	2.4
Legal	2.7	1.3
Other	12.6	9.1
Total	**86.2**	**82.1**

9 Finance activity

EURm	12M 2023	12M 2022
Interest income at the effective interest rate	17.6	1.7
Investment funds – at FVTPL (Note 14.1)	16.7	-
Other income from financing activities	7.4	1.9
Total finance income	**41.7**	**3.6**
Interest expenses	33.4	28.4
Fair value change of put option redemption liability	-	17.1
Investment funds – at FVTPL (Note 14.1)	-	6.2
Interest and discount expense on lease liabilities	1.2	1.2
Other expenses of financing activities	5.4	1.2
Total finance expenses	**40.0**	**54.1**
Finance activity, net	**1.7**	**(50.5)**

10 Income taxes

10.1 Amounts recognised in profit or loss

EURm	12M 2023	12M 2022
Income tax expenses (benefit)	32.4	58.4
Deferred tax expenses (benefit)	1.3	(14.5)
Total	**33.7**	**43.9**

10.2 Reconciliation of effective tax rate

Income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the profit of the Group:

EURm	12M 2023	12M 2023	12M 2022	12M 2022
Profit (loss) before tax		353.9		337.3
Income tax expenses (benefit) at tax rate of 15%	15.00%	53.2	15.00%	50.6
Effect of tax rates in foreign jurisdictions	0.03%	0.1	0.18%	0.6
Non-taxable income and non-deductible expenses	1.32%	4.7	1.36%	4.6
Income tax relief for the investment project	(5.15%)	(18.3)	(3.47%)	(11.7)
Adjustments in respect of prior years	(1.42%)	(5.0)	-	-
Other	(0,25%)	(0.9)	(0,06%)	(0.2)
Total	**9.54%**	**33.7**	**13,02%**	**43.9**

Income tax relief for the investment project' includes the income tax relief for the investment projects during 12M 2023 and the income tax relief from previous periods, for which the deferred tax assets were not recognised.

11 Earnings per share

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

EURm	12M 2023	12M 2022
Net profit	**320.2**	**293.4**
Attributable to:		
Shareholders in AB "Ignitis grupė"	320.2	293.4
Non-controlling interests	-	-
Weighted average number of nominal shares	72,388,960	72,599,599
Basic earnings/(loss) per share attributable to shareholders in AB "Ignitis grupė", (in EUR)	4.42	4.04
Diluted earnings/(loss) per share attributable to shareholders in AB "Ignitis grupė", (in EUR)	4.42	4.04

Indicators of basic and diluted earnings per share have been calculated based on 72,388,960 weighted average number of ordinary shares as at 31 December 2023 (as at December 31 2022: 72,599,599). During 12M 2022, the Group held its own ordinary shares (treasury shares), which are not regarded as outstanding, thus they were excluded from the outstanding shares count at the period during which they were held by AB "Ignitis grupė". On 9 August 2022, the Group has reduced its share capital by annulling the acquired treasury shares.

12 Intangible assets

EURm	Patents and licences	Computer software	Goodwill	Servitudes and security zones	Other intangible assets	Total
Acquisition cost at 31 December 2022	**0.3**	**46.1**	**5.3**	**23.0**	**115.0**	**189.7**
Acquisition cost at 1 January 2023	**0.3**	**46.1**	**5.3**	**23.0**	**115.0**	**189.7**
Additions	-	0.4	-	1.2	25.3	**26.9**
Reclassifications between categories	-	22.3	-	-	(22.3)	**(22.3)**
Re-measurement of provision related to rights to servitudes and security zones	-	-	-	(3.3)	-	**(3.3)**
Reclassifications (to)/from property, plant & equipment	-	-	-	-	2.0	**2.0**
Acquisition through business combination (Note 29)	-	-	10.6	-	138.6	**149.2**
Reclassifications (to)/from other items of Statement of financial position	-	-	-	-	(0.3)	**(0.3)**
Foreign currency exchange difference	-	-	-	-	5.1	**5.1**
Acquisition cost at 31 December 2023	**0.3**	**68.8**	**15.9**	**20.9**	**263.4**	**369.3**
Accumulated amortisation at 31 December 2022	**(0.3)**	**(27.7)**	**-**	**-**	**(13.4)**	**(41.4)**
Accumulated amortisation at 1 January 2023	**(0.3)**	**(27.7)**	**-**	**-**	**(13.4)**	**(41.4)**
Amortisation	-	(8.7)	-	-	(3.6)	**(12.3)**
Foreign currency exchange difference	-	-	-	-	(0.2)	**(0.2)**
Accumulated amortisation at 31 December 2023	**(0.3)**	**(36.4)**	**-**	**-**	**(17.2)**	**(53.9)**
Carrying amount at 31 December 2022	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**
Carrying amount at 31 December 2023	**-**	**32.4**	**15.9**	**20.9**	**246.2**	**315.4**

The Group performed an impairment test of goodwill recognised on acquisitions of the subsidiaries and determined that no impairment is needed as at 31 December 2023.

Change in goodwill and other intangible assets identified through business combination is related to the acquisition of new subsidiaries during the year 2023 (Note 29) and the reassessment of fair values of the assets identified through business combination established in the year 2022 (Note 29).

The Group's acquisition commitments amounted to EUR 4.0 million as at 31 December 2023 (31 December 2022: EUR 1.3 million).

12.1 Significant accounting estimate: Impairment of goodwill

The Group performed an impairment test of goodwill recognised on acquisitions of the subsidiaries and determined that no impairment is needed as at 31 December 2023.

The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. the cash flow forecast covered the period until 2040–2054, with reference to the typical operational period of 30 years.
2. the production volume is stable each year based on a third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. the price of electricity is set at the agreed tariff if the project is awarded in government auctions and tenders or the offtake is secured through PPA (Power Purchase Agreement) or similar instruments. Otherwise, a third-party electricity price forecast is applied;
4. discount rate of 7.3–8.6% after tax (weighted average costs of capital after tax) (7.5–9.6% pre-tax) was used to calculate the discounted cash flows.

13 Property, plant, and equipment

EURm	Land[1]	Buildings[1]	Electricity networks and their structures[1]	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment[1]	Construction-in-progress	Total
Acquisition cost or revalued amount at 1 January 2022	**3.4**	**42.6**	**1,166.5**	**285.8**	**212.2**	**772.5**	**199.0**	**262.5**	**97.3**	**251.3**	**3,293.1**
Restatement due to reclassification[1]	(0.1)	(40.9)	47.9	-	-	-	-	-	(6.9)	-	-
Acquisition cost or revalued amount at 1 January 2022 (restated)[1]	**3.3**	**1.7**	**1,214.4**	**285.8**	**212.2**	**772.5**	**199.0**	**262.5**	**90.4**	**251.3**	**3,293.1**
Additions	-	-	0.7	-	-	0.1	3.4	-	4.5	323.3	**332.0**
Revaluation	-	-	(9.4)	-	-	-	-	-	0.4	-	**(9.0)**
Disposals	-	-	(0.1)	-	-	-	(0.3)	-	(0.4)	-	**(0.8)**
Write-offs	-	-	(4.0)	(0.7)	(0.2)	(1.3)	-	-	-	-	**(6.2)**
Reclassifications from constructions in-progress	-	-	231.3	15.4	0.1	1.5	2.1	6.8	3.4	(260.6)	**-**
Other reclassifications between categories	-	(0.3)	(0.2)	-	-	0.3	-	(0.9)	1.1	-	**-**
Reclassifications (to)/from other items of Statement of financial position	-	(0.2)	0.2	-	0.1	(0.7)	7.8	(0.1)	(0.6)	(0.3)	**6.2**
Acquisition through business combination	-	-	-	-	-	-	-	-	-	5.0	**5.0**
Foreign currency exchange difference	-	-	-	-	-	-	(2.0)	-	-	0.1	**(1.9)**
Acquisition cost or revalued amount at 31 December 2022 (restated)[1]	**3.3**	**1.2**	**1,432.9**	**300.5**	**212.2**	**772.4**	**210.0**	**268.3**	**98.8**	**318.8**	**3,618.4**
Accumulated depreciation and impairment losses at 1 January 2022	**-**	**(0.4)**	**-**	**(22.7)**	**(118.6)**	**(467.1)**	**(27.1)**	**(10.9)**	**(28.2)**	**(0.2)**	**(675.2)**
Restatement due to reclassification[1]	-	-	(0.2)	-	-	-	-	-	0.2	-	-
Accumulated depreciation and impairment losses at 1 January 2022 (restated)[1]	**-**	**(0.4)**	**(0.2)**	**(22.7)**	**(118.6)**	**(467.1)**	**(27.1)**	**(10.9)**	**(28.0)**	**(0.2)**	**(675.2)**
Depreciation	-	(0.1)	(73.8)	(6.6)	(5.0)	(19.8)	(7.6)	(10.8)	(10.0)	-	**(133.7)**
Disposals	-	-	0.1	-	-	-	0.1	-	0.2	-	**0.4**
Revaluation and/or impairment (impairment reversal)	-	-	0.3	0.5	-	-	-	-	-	-	**0.8**
Write-offs	-	-	-	-	0.2	1.1	-	-	-	-	**1.3**
Reclassifications (to)/from other items of Statement of financial position	-	-	(0.1)	-	(0.1)	0.2	(1.7)	-	0.5	-	**(1.2)**
Foreign currency exchange difference	-	-	-	-	-	-	0.1	-	-	-	**0.1**
Accumulated depreciation and impairment losses at 31 December 2022 (restated)[1]	**-**	**(0.5)**	**(73.7)**	**(28.8)**	**(123.5)**	**(485.6)**	**(36.2)**	**(21.7)**	**(37.3)**	**(0.2)**	**(807.5)**
Carrying amount at 31 December 2022 (restated)[1]	**3.3**	**0.7**	**1,359.2**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**61.5**	**318.6**	**2,810.9**

[1]As at 31 December 2023, the Group has performed reclassifications between the property, plant and equipment classes in order to provide a more reliable information for the users of the financial statements. The Group has reclassified a part of 'Land', 'Buildings' and 'Other property, plant and equipment' amounts that are directly related to the electricity networks to 'Electricity networks and their structures' group. Accordingly, the Group has performed reclassifications in comparative periods.

EURm	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment	Construction-in-progress	Total
Acquisition cost or revalued amount at 1 January 2023	**3.3**	**1.2**	**1,432.9**	**300.5**	**212.2**	**772.4**	**210.0**	**268.3**	**98.8**	**318.8**	3,618.4
Additions	-	-	0.6	-	-	0.2	-	0.3	5.8	678.9	685.8
Revaluation	-	-	2.1	-	-	-	-	-	2.9	-	5.0
Disposals	-	-	(3.8)	-	-	(0.5)	(0.2)	-	(0.1)	-	(4.6)
Write-offs	-	-	(2.2)	(0.1)	-	(0.1)	-	-	(0.7)	(0.5)	(3.6)
Reclassifications from constructions in-progress	-	-	323.0	11.4	1.4	5.6	82.4	0.3	4.5	(428.6)	-
Reclassifications (to)/from other items of Statement of financial position	(0.1)	(0.4)	-	-	-	(0.1)	-	-	(0.8)	(3.9)	(5.3)
Acquisitions through business combination (Note 29)	-	-	-	-	-	-	-	-	-	9.7	9.7
Foreign currency exchange difference	-	-	-	-	-	-	8.4	-	-	0.7	9.1
Acquisition cost or revalued amount at 31 December 2023	**3.2**	**0.8**	**1,752.6**	**311.8**	**213.6**	**777.5**	**300.6**	**268.9**	**110.4**	**575.1**	**4,314.5**
Accumulated depreciation and impairment losses at 1 January 2023	**-**	**(0.5)**	**(73.7)**	**(28.8)**	**(123.5)**	**(485.6)**	**(36.2)**	**(21.7)**	**(37.3)**	**(0.2)**	**(807.5)**
Depreciation	-	-	(82.6)	(8.8)	(5.0)	(19.2)	(8.7)	(11.0)	(12.3)	-	**(147.6)**
Revaluation and/or impairment (impairment reversal)	-	-	-	-	-	-	-	-	0.6	-	**0.6**
Disposals	-	-	0.9	-	-	0.5	0.1	-	-	-	**1.5**
Write-offs	-	-	0.2	0.1	-	0.1	-	-	0.6	-	**1.0**
Reclassifications (to)/from other items of Statement of financial position	-	-	-	-	-	0.1	-	-	0.3	-	**0.4**
Foreign currency exchange difference	-	-	-	-	-	-	(0.4)	-	-	-	**(0.4)**
Accumulated depreciation and impairment losses at 31 December 2023	**-**	**(0.5)**	**(155.2)**	**(37.5)**	**(128.5)**	**(504.1)**	**(45.2)**	**(32.7)**	**(48.1)**	**(0.2)**	**(952.0)**
Carrying amount at 31 December 2023	**3.2**	**0.3**	**1,597.4**	**274.3**	**85.1**	**273.4**	**255.4**	**236.2**	**62.3**	**574.9**	**3,362.5**

Additions of property, plant and equipment during 12M 2023 include the following major acquisitions:

- acquisitions for the construction of a new biomass unit in the cogeneration plant, the final exploitation and the commercial activities of which are planned to start in 2024;
- acquisitions related to the development of the electricity distribution network;
- acquisitions for the 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. The Group's acquisition and construction commitments amounted to EUR 801.4 million as at 31 December 2023 (31 December 2022: EUR 364.3 million).

13.1 Significant accounting estimate: revaluation of property, plant and equipment

Revaluation of property, plant and equipment used in electricity distribution

The carrying amount of PPE allocated to this CGU is EUR 1,691.6 million as at 31 December 2023 (EUR 1,324.9 million as at 31 December 2022).

The Group performed assessment of fair value of this CGU and decided not to perform the full revaluation. For this, the Group analysed whether the assumptions made in the full revaluation in 2023 had not changed significantly – it was noted that only several assumptions changed:

- discount rate (after-tax) was 4.33% (5.09% pre-tax);
- rate of return set by NERC in 2024 – 5.09% (approximates the pre-tax discount rate);
- the advance schedule for returning the EUR 157.7 million regulatory difference, which has formed due to the long run average increase costs ('LRAIC') model, will reduce the Group's revenue by EUR 157.7 million in 2024–2031.
- changes in the additional component amount calculation, which will allow to keep the sustainable debt level of 5,5x, as determined in the approved methodology.

However, these changes did not significantly impact the fair value of property, plant and equipment used in electricity distribution. Other assumptions did not change significantly, accordingly were used in the valuation in 2023.

The following key assumptions were used in 31 December 2023 valuation:

– discount rate (after-tax) was 4.33% (5.09% pre-tax).
– WACC (rate of return set by NERC) 2024 – 5.09%, (approximates the pre-tax discount rate).
– an additional tariff component is established for funding of investments, on the basis whereof the amount will be included yearly in the Group's regulated income of the period of 2023-2026 and subsequent periods which will allow the keep sustainable debt level determined in the aprroved methodology. According to the management's assessment, even though there is a possibility that after the forecast period (2023-2036) an additional component (EUR 28 million yearly throughout the forecast period) will remain, however, assumed at a conservative level it is not included in the measurement of a continuous value.
– long-term forecast for investments in the electricity segment was applied, including their funding according to the updated 10-year investment plan of the Group;
– according to the measurement model, the calculated return adjustment, amounting to EUR 157.7 million, formed due to the main network elements' depreciation and investment return level being optimized and not optimized by the long run average increase costs ('LRAIC') model and due to the actual depreciation and investment return level, will reduce the Group's revenue by EUR 157.7 million in 2024–2031 and, in addition, the interest will be charged on the outstanding portion on a yearly basis;
– the fair value of assets was determined using the revenue model when forecasting cash flows until 2038, taking into consideration the projected adjustments of investment returns due to the LRAIC asset depreciation and the expected repayment term of return differences in 2018–2022 (at the end of 2020, the period of 40 years was calculated according to the depreciation term of non-current assets of the principal assets –electrical power lines.

14 Other financial assets

EURm	31 December 2023	31 December 2022
Other non-current financial assets		
Investment funds - at FVTPL	32.0	20.6
Equity securities - at FVOCI	5.0	5.0
Carrying amount	**37.0**	**25.6**
Other current financial assets		
Short-term deposits	110.4	-
Carrying amount	**110.4**	**-**

14.1 Movement of fair value in investment funds

EURm	31 December 2023	31 December 2022
Carrying amount	**20.6**	**25.1**
Additional investments (Smart Energy Fund)	0.3	1.7
Additional investments (World Fund)	10.0	-
Return from investments (Smart Energy Fund)	(15.6)	-
Change in fair value (World Fund)	(0.4)	-
Change in fair value (Smart Energy Fund)	17.1	(6.2)
Carrying amount	**32.0**	**20.6**

14.2 Significant accounting estimates: Investment funds – at FVTPL

The Group has invested into investment funds. The funds are managed by independent entities (managers), which are responsible for the investment decisions. Accordingly, in the Group management's view, the Group does not have the power to manage the activities of the funds and does not have the control over them.

As at 31 December 2023, the carrying value of the Smart Energy Fund amounted to EUR 22.4 million, the carrying value of the World Fund amounted to EUR 9.6 million.

The fair value of the funds was determined by reference to the exits of investments, new investment rounds or other recent events and data (Note 28).

Fair value of the funds corresponds to Level 3 in the fair value hierarchy.

15 Inventories

EURm	31 December 2023	31 December 2022
Natural gas	231.9	514.9
Emission allowances	27.0	33.6
Consumables, raw materials and spare parts	12.8	16.4
Other	3.1	5.5
Carrying amount	**274.8**	**570.4**

The carrying amount of natural gas decreased during 12M 2023 due to lower inventory quantity and lower inventory cost per MWh.

Movements on the account of inventory write-down to net realisable value were as follows:

EURm	12M 2023	12M 2022
Carrying amount at 1 January	**106.0**	**3.2**
Additional write-down to net realisable value	2.3	103.0
Reversal of write-down to net realisable value	(90.9)	(0.2)
Carrying amount at 31 December	**17.4**	**106.0**

During 12M 2023, the reversal of write-down to net realisable value was made because gas purchased in 12M 2023 was purchased at lower prices, and at the end of the year the difference between the cost of inventory and the market prices was substantially lower. The quantity of gas in the inventory was also reduced during 12M 2023.
The write-down is included in 'Purchase of electricity, natural gas and other services' in the Statement of profit or loss.

16 Trade receivables

EURm	31 December 2023	31 December 2022
Amounts receivable under contracts with customers		
Receivables from electricity related sales	168.1	272.8
Receivables from gas related sales	91.3	143.1
Other trade receivables	18.5	20.6
Total	**277.9**	**436.5**
Less: loss allowance	(12.0)	(12.1)
Carrying amount	**265.9**	**424.4**

As at 31 December 2023 and 31 December 2022, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables, and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise an insignificant part of the total trade receivables. The Group doesn't provide a settlement period that is longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlements between related parties, see Note 27.

16.1 Loss allowance of amounts receivable (lifetime expected credit losses)

The Group's trade receivables from Networks and Customers & Solutions segments are usually assessed on a collective basis, and trade receivables in other segments – on an individual basis.

The table below presents information on the Group's trade receivables under contracts with customers that are assessed on a collective basis using the loss ratio matrix:

EURm	Loss ratio	Trade receivables	Loss allowance
Not past due	0.41	195.0	0.8
Up to 30 days	1.04	9.6	0.1
30–60 days	4.17	2.4	0.1
60–90 days	8.33	1.2	0.1
90–120 days	14.29	0.7	0.1
More than 120 days	61.27	17.3	10.6
As at 30 December 2023	**5.22**	**226.2**	**11.8**

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

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

	31 December 2023		31 December 2022	
EURm	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not past due	42.2	-	53.3	-
Up to 30 days	8.8	-	2.6	-
30–60 days	0.3	-	0.1	-
60–90 days	0.1	-	0.1	-
90–120 days	0.1	-	0.1	-
More than 120 days	0.2	0.2	0.3	0.3
As at 31 December 2023	**51.7**	**0.2**	**56.5**	**0.3**

17 Other receivables

EURm	31 December 2023	31 December 2022
Deposits for electricity related derivatives in electricity market	38.5	74.5
Value added tax	27.6	14.1
Deposits for gas related derivatives to commodity traders	10.7	25.0
Accrued revenue from electricity related sales	9.5	18.2
Other accrued revenue	7.2	6.6
Accrued revenue from natural gas related sales	6.9	7.7
Loans granted	0.2	24.2
Other receivables	25.7	9.8
Total	**126.3**	**180.1**
Less: loss allowance	(0.3)	(0.4)
Carrying amount	**126.0**	**179.7**

'Accrued revenue from electricity sales', 'Accrued revenue from natural gas sales' and 'Other accrued revenue' represent contract assets (Note 6.4).

17.1 Loans granted

During 12M 2023 a loan granted to Moray West Holdings Limited was reclassified from 'Other receivables' to 'Non-current receivables' in the Statement of financial position as the loan's repayment was extended till 1 July 2025.

17.2 Deposits for electricity- and gas-related derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the commodities exchange and commodity traders for trading derivatives linked to electricity and gas market prices. The deposits are in a form of cash collateral and the value moves on a daily basis, i.e., depends on market prices. The Group estimates that the whole amount of cash collateral will be recovered as the amounts payable are related to the realization of the future hedge, and the sales contracts will be realized together with the hedge, thus invoices for derivative instruments will be covered with the income from sales, and after this payment the cash collateral will be returned.

18 Equity and reserves

18.1 Issued capital

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

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

18.2 Dividends

Dividends declared by the parent company during the 12M period:

EURm	12M 2023	12M 2022
AB "Ignitis grupė"	91.7	89.0

EUR 46.5 million dividend for the first half of 2023 was approved at the Extraordinary General Meeting of shareholders on 21 September 2023 and EUR 45.2 million dividend for the second half of 2022 was approved at the Ordinary General Meeting of shareholders on 30 March 2023. EUR 43.8 million dividend for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022 and EUR 45.2 million dividends for the first half of 2022 was approved at the Extraordinary General Meeting of shareholders on 29 September 2022.

18.3 Dividends declared to non-controlling interest

The Group uses the anticipated-acquisition method for recognising put option redemption liability. As the interests of the non-controlling shareholders under the anticipated-acquisition method are derecognised when the financial liability is recognised, the underlying interests are presented as already owned by the equity holders of the parent company both in the Statement of financial position and in the Statement of profit or loss and other comprehensive income, even though legally they are still a non-controlling interest.

Due to the above, during 12M 2023 dividends declared by the Group's subsidiary UAB Kauno kogeneracinė jėgainė for the non-controlling interest in the amount of EUR 14.3 million (no dividends declared for 12M 2022) were presented as a separate line in the Statement of changes in equity, but included in 'Shareholders in AB "Ignitis grupė" interest'.

19 Loans and bonds

EURm	31 December 2023	31 December 2022
Non-current		
Issued bonds	891.8	890.1
Bank loans	629.4	533.2
Current		
Current portion of non-current loans	51.9	36.1
Bank overdrafts	12.6	172.9
Total	**1,585.7**	**1,632.3**

Loans and bonds by maturity:

EURm	31 December 2023	31 December 2022
Up to 1 year	64.5	209.0
From 1 to 2 years	114.9	177.0
From 2 to 5 years	734.2	376.6
After 5 years	672.1	869.7
Total	**1,585.7**	**1,632.3**

Loans of the Group are denominated in euros or Polish zlotys, bonds – in euros.

19.1 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2023 and 31 December 2022.

As at 31 December 2023, the Group's unwithdrawn balance of loans, credit lines and bank overdrafts amounted to EUR 566.4 million (31 December 2022: EUR 396.1 million).

During 12M of 2023 the Group has concluded trade financing agreements which are accounted for as trade payables. As at December 2023 the Group's unwithdrawn balance of trade financing facilities amounted to EUR 76.4 million.

20 Net Debt

Net Debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. The management is monitoring the Net Debt metric as a part of its risk management strategy. Only the debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the Net Debt calculation. The management defines the Net Debt measure for the purpose of these financial statements in the manner as presented below.

Net Debt balance:

EURm	31 December 2023	31 December 2022
Cash and cash equivalents	(205.3)	(694.1)
Short-term deposits	(110.4)	-
Non-current loans and bonds	1,521.2	1,423.3
Current loans	51.9	36.1
Bank overdrafts	12.6	172.9
Lease liabilities	47.5	48.7
Net Debt	**1,317.5**	**986.9**

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

	Assets		Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Short-term deposits	Non-current	Current	Non-current	Current	Total
Net Debt as at 1 January 2023	**(694.1)**	**-**	**45.1**	**3.6**	**1,423.3**	**209.0**	**986.9**
Cash changes							
(Increase) decrease in cash and cash equivalents	375.1	-	-	-	-	-	**375.1**
Proceeds from loans	-	-	-	-	285.9	-	**285.9**
Repayments of loans	-	-	-	-	(152.1)	(28.6)	**(180.7)**
Lease payments	-	-	-	(5.7)	-	-	**(5.7)**
Interest paid	-	-	-	(1.1)	-	(37.9)	**(39.0)**
Bank overdraft received (repaid)	-	-	-	-	-	(160.4)	**(160.4)**
Assumed through business combination (Note 29)	4.7	-	-	-	-	-	**4.7**
Reclassifications between items	109.0	(109.0)	-	-	-	-	**-**
Non-cash changes							
Lease contracts concluded	-	-	8.2	1.0	-	-	**9.2**
Accrual of interest receivable	-	(1.4)	-	-	-	-	**(1.4)**
Accrual of interest payable	-	-	-	1.2	1.7	37.9	**40.8**
Remeasurement of lease liabilities	-	-	(7.4)	0.4	-	-	**(7.0)**
Reclassifications between items	-	-	(5.6)	5.6	(43.9)	43.9	**-**
Assumed through business combination (Note 29)	-	-	2.2	0.2	0.4	-	**2.8**
Other non-monetary changes	-	-	-	-	-	0.2	**0.2**
Change in foreign currency	-	-	(0.2)	-	5.9	0.4	**6.1**
Net Debt as at 31 December 2023	**(205.3)**	**(110.4)**	**42.3**	**5.2**	**1,521.2**	**64.5**	**1,317.5**

20.1 Significant accounting estimates and judgement

20.1.1 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter 'IBR') to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain the asset of a similar value to the right-of-use asset in a similar economic environment.

The major lease contracts that were recognised during 2023 by the Group are for land and buildings. The Group also assumed liabilities of lease contracts through business combination (Note 29). To measure the lease liability of those contracts, the following incremental borrowing rate was used:

	Incremental borrowing rate, %
Land lease agreements (including agreements acquired through business combination)	7.32
Buildings lease agreements	4.19–5.82

20.1.2 Determining whether statutory and contractual servitudes are a lease

The management of the Group analysed whether perpetual statutory and contractual servitudes are in scope of IFRS 16 Leases. The management concluded that the statutory servitudes are not in scope since they are not limited in time and can be used by the Group for an indefinite period of time. Perpetual arrangement lacks an essential characteristic of a lease, i.e., it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time. Having analysed the contractual servitudes, the management concluded that part of them share the same characteristics as the statutory ones, and thus do not convey a right to use an underlying asset for a specified period of time.

For contractual servitudes with a clear term, or when the term can be reliably determined, or when the term is renewable on a period-by-period basis, IFRS 16 Leases is applied when all other criteria are met listed in IFRS16.

21 Provisions

EURm	31 December 2023	31 December 2022
Non-current	60.7	17.6
Current	27.6	38.0
Total	**88.3**	**55.6**

The movement of the Group's provisions was as follows:

EURm	Emission allowance provision	Provisions for employee benefits	Provisions for servitudes	Regulatory difference of isolated power system operations and system services (Note 21.1)	Regulatory differences of public electricity supply activity (Note 21.2)	Other provisions	Total
Balance as at 1 January 2023	**11.0**	**6.1**	**8.2**	**5.4**	**20.3**	**4.6**	**55.6**
Increase during the period	8.8	1.4	-	48.5	10.9	4.1	**73.7**
Utilised during the period	(11.0)	(0.1)	-	(9.8)	(18.1)	(0.6)	**(39.6)**
Result of change in assumptions	-	(1.4)	(2.7)	-	-	-	**(4.1)**
Discount effect				2.2	-	0.2	**2.4**
Foreign currency exchange difference	-	-	-	-	-	(0.3)	**(0.3)**
Balance as at 31 December 2023	**8.8**	**6.0**	**5.5**	**46.3**	**13.1**	**8.6**	**88.3**
Non-current	-	4.9	4.7	46.3	-	4.8	**60.7**
Current	8.8	1.1	0.8	-	13.1	3.8	**27.6**

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

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

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

21.2 Public electricity supply

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

This resolution also stipulates that if the Group discontinues public supply services, the Group must refund the raised discrepancies between the forecasted and actual costs of providing these services if the costs actually incurred by the Group were less than the income received. The amount must be refunded to the Group if the costs actually incurred by the Group were higher than the income of the transmission system operator. The difference shall be reimbursed till 31 December 2025.

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

22 Deferred income

EURm	31 December 2023 Current portion	31 December 2023 Non-current portion	31 December 2022 Current portion	31 December 2022 Non-current portion
Deferred income under contracts with customers				
Deferred income related to new customers connection and upgrade fees	12.1	241.6	10.5	205.5
Deferred income related to gas over declaration	-	-	33.7	-
Deferred income related to gas	23.1	-	61.1	-
Deferred income related to electricity over declaration	-	-	9.5	-
Total	**35.2**	**241.6**	**114.8**	**205.5**

Movement in the Group's deferred income:

EURm	12M 2023 Current portion	12M 2023 Non-current portion
Balance as at 1 January	**114.8**	**205.5**
Increase during the year	1.7	46.7
Recognised as revenue	(91.9)	-
Reclassifications between items	10.6	(10.6)
Balance as at 31 December	**35.2**	**241.6**

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

23 Other current liabilities

EURm	31 December 2023	31 December 2022
Amounts payable for property, plant and equipment	69.2	55.9
Accrued expenses	56.1	84.7
Put option redemption liability	38.0	38.0
Taxes (other than income tax)	33.5	122.6
Contingent consideration for acquisition of subsidiaries	27.5	6.3
Payroll related liabilities	27.1	21.7
Derivative financial instruments (Note 24)	9.2	14.2
Irrevocable commitment to acquire a minority interest	3.5	3.6
Non-controlling interest dividends	3.3	3.3
Deposits received for derivative financial instruments	-	56.0
Other current liabilities	17.3	17.9
Carrying amount	**284.7**	**424.2**

24 Derivative financial instruments

The Group's derivative financial instruments are related to electricity and natural gas commodities and comprise:
- contracts made directly with other parties – over-the-counter (OTC);
- contracts made through Nasdaq commodities market – Nasdaq;
- other contracts.

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

24.1 Derivative financial instruments included in the Statement of financial position

EURm	31 December 2023	31 December 2022
Other non-current assets	2.6	24.4
Other current assets	8.9	44.2
Other non-current liabilities	(8.1)	(14.9)
Other current liabilities (Note 23)	(9.2)	(14.2)
Carrying amount	**(5.8)**	**39.5**

Movement of derivative financial instruments were as follows:

EURm	12M 2023	12M 2022
Carrying amount as at 1 January	**39.5**	**(57.9)**
Fair value change of derivatives in 'Finance income'	0.1	0.2
Fair value change of derivatives in 'Finance expenses'	(0.8)	-
Fair value change of OTC ineffectiveness	(6.1)	19.4
Unrealised gain (loss) of OTC and other financial instruments ineffectiveness	**(6.8)**	**19.6**
Unrealised gain (loss) of Nasdaq ineffectiveness	**(17.9)**	**(10.6)**
Total Unrealised gain (loss)	***(24.7)***	***9.0***
Fair value change of OTC effectiveness	(38.6)	77.8
Fair value change of Nasdaq effectiveness	(80.7)	17.4
Unrealised gain (loss) in 'Other comprehensive income'	***(119.3)***	***95.2***
Carrying amount at 31 December	**(5.8)**	**39.5**

24.2 Derivatives included in the Statement of profit or loss

EURm	12M 2023	12M 2022
Realised gain (loss) from OTC and Nasdaq	15.9	(27.3)
Unrealised gain (loss)	(24.7)	9.0
Total in profit or loss – ineffective energy hedging result	***(8.8)***	***(18.3)***
Cash flow hedges – reclassified to profit or loss from OCI	(40.5)	194.5
Total in profit or loss – effective energy hedging result	***(40.5)***	***194.5***
Total recognised in 'Statement of profit or loss'	**(49.3)**	**176.2**

25 Structure of the Group

The Group's structure as at 31 December 2023:

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB "Ignitis grupė"	Lithuania	Other activities and eliminations	Parent company – management and coordination of activities of the Group companies	-	-
Subsidiaries of the Group:					
UAB "Ignitis renewables"	Lithuania	Green Generation	Coordination of operation, supervision and development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
Ignitis Renewables Polska Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Ignitis RES DEV Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Pomerania Wind Farm Sp. z o. o.	Poland	Green Generation	Operation of renewable energy projects	100.00	-
Tuuleenergia OÜ	Estonia	Green Generation	Operation of renewable energy projects	100.00	-
UAB "EURAKRAS"	Lithuania	Green Generation	Operation of renewable energy projects	100.00	-
UAB "VĖJO VATAS"	Lithuania	Green Generation	Operation of renewable energy projects	100.00	-
UAB "VĖJO GŪSIS"	Lithuania	Green Generation	Development and operation of renewable energy projects	100.00	-
UAB "VVP Investment"	Lithuania	Green Generation	Development and operation of renewable energy projects	100.00	-
Silezia1 Wind Farm Sp. z o.o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Silesia2 Wind Farm S.A.	Poland	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV1 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV2 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
Ignitis renewables Latvia SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Plungės vėjo energija"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Vėjas LT"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 2"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 3"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV5 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Vėjo galia bendruomenei"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV3 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV4 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV6 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
SP Venta SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
BRVE SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
CVE SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables offshore development "	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 5"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 6"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 7"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Ignitis renewables projektai 8"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV7 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB "WINDLIT"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB "Offshore wind farm 1"	Lithuania	Green Generation	Development of renewable energy projects	51.00	49.00
UAB Kauno kogeneracinė jėgainė	Lithuania	Green Generation	Electricity and heat production from waste	51.00	49.00
UAB Vilniaus kogeneracinė jėgainė	Lithuania	Green Generation	Development and operation of cogeneration power plant project	100.00	-

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB "Ignitis gamyba"	Lithuania	Green Generation Reserve Capacities	Operation and development of renewable energy projects. Operation of reserve capacities assets.	100.00	-
AB "Energijos skirstymo operatorius"	Lithuania	Networks	Distribution of electricity and natural gas, supply of last resort service	100.00	-
UAB "Ignitis"	Lithuania	Customers & Solutions	Supply and trading of energy, EV network development.	100.00	-
Ignitis Polska Sp. z o. o.	Poland	Customers & Solutions	Supply and trading of energy	100.00	-
Ignitis Latvija SIA	Latvia	Customers & Solutions	Supply and trading of energy, EV network development.	100.00	-
Ignitis Eesti, OÜ	Estonia	Customers & Solutions	Supply and trading of energy, EV network development.	100.00	-
Ignitis Suomi OY	Finland	Customers & Solutions	Supply and trading of energy	100.00	-
UAB "Ignitis grupės paslaugų centras"	Lithuania	Other activities and eliminations	Shared business support services	100.00	-
UAB "Gamybos optimizavimas"	Lithuania	Other activities and eliminations	Planning, optimization, forecasting, trading, brokering and other electricity related services	100.00	-
UAB Elektroninių mokėjimų agentūra	Lithuania	Other activities and eliminations	Payment aggregation	100.00	-
UAB "Transporto valdymas"	Lithuania	Other activities and eliminations	Vehicle rental, leasing, repair, maintenance, renewal and service	100.00	-

25.1 Changes in the composition

25.1.1 Acquisition of shares through business combinations

During 12M 2023, the Group acquired the following subsidiaries:

- On 14 March 2023, the Group acquired a 100% shareholding in SP Venta SIA.
- On 17 March 2023, the Group acquired a 100% shareholding in BRVE SIA.
- On 17 March 2023, the Group acquired a 100% shareholding in CVE SIA.
- On 14 July 2023, the Group acquired a 100% shareholding in UAB "Vėjas LT".
- On 30 October 2023, the Group acquired a 100% shareholding in UAB "WINDLIT".

25.1.2 Establishment of new subsidiaries

On 24 March 2023, the Group established new subsidiaries: UAB "Ignitis renewables projektai 4", UAB "Ignitis renewables projektai 5" and UAB "Ignitis renewables projektai 6";
On 25 May 2023, the Group established new subsidiaries: UAB "Ignitis renewables projektai 7", UAB "Ignitis renewables projektai 8", IGN RES DEV7 SIA.
On 6 December 2023, the Group with its partners have established a new subsidiary UAB "Offshore wind farm 1".

25.1.3 Title changed of subsidiaries

On 8 December 2023 UAB "Ignitis renewables projektai 4" title was changed into UAB "Ignitis renewables offshore development".

26 Commitments, contingent liabilities and contingent assets

26.1 Litigations

The most significant litigations as at 31 December 2023:

Litigation	Is the Group or the Group's subsidiary party of the process?	Provision recognised in the Statement of financial position?
Litigation concerning the designated supplier state aid scheme and LNG price component	Yes	No
Investigation by European Commission	No	No
Litigation with UAB Kauno termofikacijos elektrinė	Yes	No

26.1.1 Litigation concerning the state-aid scheme for the designated supplier and the LNG price component

Following the ruling of the General Court on the European Union (the General Court) of 8 September 2022 in the case T-193/19, AB "Achema" initiated the reopening of the previously suspended proceedings in the administrative courts of the Republic of Lithuania in respect of the complaints it has lodged against the National Energy Regulatory Council (hereinafter referred to 'the Council') regarding the Council's decisions on setting the LNG price supplement. The Group's subsidiary UAB "Ignitis" in these cases is intervened as a third party.

The General Court on 8 September 2021 in the case T-193/19 decided to partially annul the European Commission's decision in the case SA.44678 (2018/N) (hereinafter referred to 'Decision') on procedural grounds. The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme, which has been valid for a period from 2016 to 2018, and annulled the Decision on that part, however, maintained the validity of the remainder of the Decision, i.e., the designated supplier state aid scheme being valid from 2019.

Following the General Court's judgment, the Commission has re-examined the compatibility of the 2016 amendments and has decided to open an in-depth investigation under the EU State aid rules. The Commission will now investigate further to determine whether the amount of compensation received by Litgas for the 2016–2018 period, in particular, regarding the boil-off and balancing costs, is in line with the SGEI Framework.

The Supreme Administrative Court of Lithuania in 2023 issued three final rulings in favour of a Group, rejecting complaint of "Achema" AB regarding the setting of the LNG transmission price for 2019 and 2020.

After the formal investigation procedure (which stared in December 2022), there will be more certainty in assessing the actual financial impact on the Group.

26.1.2 Investigation by European Commission

Based on a press release of the European Commission, the Group informs that on 3 June 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Group in the context of a strategic reserve measure.

The Group's management is not aware of any circumstances that could result in potential significant liabilities for the Group in this respect, so therefore no provisions are recognized.

26.1.3 Litigation with UAN Kauno termofikacinė elektrinė

On 17 December 2018, a Group's company UAB „Ignitis" appealed to the Vilnius Court of Commercial Arbitration for compensation of EUR 1,7 million for losses incurred due to UAB Kauno termofikacijos elektrinė failure to acquire the entire required amount of liquefied natural gas assigned for 2015, and for the award of EUR 0.1 million of interest on late payment.

UAB Kauno termofikacijos elektrinė filed a counterclaim in the case, requesting the annulment of one of the terms of the LNG sales and purchase agreement and the additional agreement. The proceedings are suspended until the courts of general jurisdiction have ruled on the non-arbitrable part of the parties' dispute as to whether the national regulatory legislation relevant to the period in question is in conformity with the Constitution and other national laws, as well as with the principles of the EU law.

According to the Group management, the outcome of litigation should not create additional obligations for the Group.

26.2 Regulatory assets and liabilities

26.2.1 Electricity distribution

Regulatory differences are determined in accordance with the Methodology for setting the price caps for electricity transmission, distribution and public supply services (hereinafter – the Methodology) and are of two types: adjusted by NERC or estimated by the company.

The regulatory difference relates to the changes in the Networks methodology in 2021 and, in turn, the recalculated ROI and D&A for the period 2018–2021. Accordingly, after the agreement made the Methodology for determining the price caps for electricity transmission, distribution and public supply services has been changed.

The evaluation of the return on investment for 2022-2023 will be performed in 2024, when setting the electricity distribution price caps for 2025.

The over-collected amount of EUR -284.1 million as at 31 December 2023 will be included in the LNGT security component in the future (as at 31 December 2022 the over-collected amount of was EUR -194.6 million).

26.2.2 Natural gas distribution

Regulatory differences are determined in accordance with the Methodology for setting the price caps for electricity transmission, distribution and public supply services (hereinafter – the Methodology) and are of two types: adjusted by NERC or estimated by the company.

By the Resolution No. O3E-1571 passed on 20 October 2023, NERC has set the upper limit of the natural gas distribution price for 2024 on the basis of a certificate No.O5E-904 issued on 19 October 2023.
The evaluation of the return on investment for 2023 will be performed in 2024, when setting the gas distribution price limits in 2025.

The over-collected amount of EUR -8.3 million as at 31 December 2023 will be included in the LNGT security component in the future (as at 31 December 2022 the under-collected amount of was EUR 2.3 million).

26.2.3 Designated supply of natural gas

Designated natural gas supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognise regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future.

The under-collected amount of EUR 18.0 million as at 31 December 2023 will be included in the LNGT security component in the future (as at 31 December 2022 the over-collected amount of was EUR -53.0 million).

26.2.4 Natural gas distribution to B2C customers

Natural gas supply to B2C customers is regulated by NERC. NERC regulates the natural gas tariff paid by the customers. Regulatory differences, which are defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price, were not recognised in the financial statements as at 31 December 2023 as the Group had no guarantee for this difference to be considered when setting tariffs in the future according to the legislation base.

The under-collected unrecognized amount as of 31 December 2023 is EUR 0.5 million (the over-collected amount of EUR -16.1 million as of 31 December 2022).

27 Related party transactions

Related parties, EURm	**Accounts Receivable 31 December 2023**	**Accounts Payable 31 December 2023**	**Sales 12M 2023**	**Purchases 12M 2023**	**Finance income (expenses) 12M 2023**
“LITGRID” AB	15.4	15.2	143.1	152.2	-
AB “Amber Grid”	6.0	3.4	20.6	24.4	-
“BALTPOOL” UAB	0.1	1.7	72.9	1.0	-
UAB “GET Baltic”	4.2	0.2	116.7	104.1	-
Other related parties of the Group	10.3	3.9	18.5	23.9	-
Total	**36.0**	**24.4**	**371.8**	**278.6**	**-**

Related parties, EURm	**Accounts Receivable 31 December 2022**	**Accounts Payable 31 December 2022**	**Sales 12M 2022**	**Purchases 12M 2022**	**Finance income (expenses) 12M 2022**
“LITGRID” AB	26.5	36.8	198.6	269.0	-
AB “Amber Grid”	6.4	3.1	34.0	42.5	-
“BALTPOOL” UAB	0.2	1.6	(64.9)	10.4	-
UAB “GET Baltic”	84.3	3.8	109.1	119.0	-
Other related parties of the Group	0.1	1.5	0.3	3.4	0,1
Total	**117.5**	**46.8**	**277.1**	**444.3**	**0.1**

Negative sales in 12M 2022 to “BALTPOOL” UAB are related to credit invoices issued for PSO services. Revenue from PSO funds was calculated for 1 MW electricity as the difference between the fixed tariff was set by NERC and the weighted average price of electricity was sold in the power exchange. If the weighted average price on the power exchange exceeds the fixed rate set by NERC, the Group issues credit invoices to “BALTPOOL” UAB.

27.1 Terms of transactions with related parties

The payment term range is set from 15 to 90 days. The closing debt balances are not secured by pledges, do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivables.

27.2 Compensation to key management personnel

EURm	12M 2023	12M 2022
Remuneration, salaries and other short-term benefits to key management personnel	1.3	1.1
Whereof:	-	-
Short-term benefits: wages, salaries and other	*1.1*	*1.0*
Long-term benefits	*0.2*	-
Termination benefits	-	*0.1*
Number of key management personnel	12	12

During 12M 2023 and 12M 2022 members of the Management Board (incl. CEO), Supervisory Board as well as the Chief Executive Officer were considered to be the Group's key management personnel. For more information on the key management personnel, see '4 Governance report' in Integrated Annual report 2022.

28 Fair value of financial instruments

28.1 Financial instruments, measured at fair value

The Group's derivatives (Level 2 of the fair value hierarchy), investments funds measured at FVTPL and equity securities measured at FVOCI (Level 3 of the fair value hierarchy) as well as the put-option redemption liability (Level 2 of the fair value hierarchy) and contingent consideration for acquisition of subsidiaries (Level 3 of the fair value hierarchy) are measured at a fair value .

As at 31 December 2023 and 31 December 2022, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at a fair value and their accounting policies are set out in Note 3.15.3 of annual financial statements prepared for the year 2022. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market is often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at a market value are measured on a recurring basis. The Group attributes derivatives linked to the Lithuanian/Latvian and Estonian/Finish electricity market areas to Level 2 of the fair value hierarchy. Derivatives acquired directly from other market participants (OTC contracts) and the acquired physical transmission rights are estimated based on the prices of the NASDAQ commodities exchange.

As at 31 December 2023 the Group has accounted has accounted for investments funds measured at FVTPL (Note 14) (as at 31 December 2022: only into Smart Energy Fund). The Group accounts for financial assets at fair value, and their accounting policies are set out in Note 3.15.1 of annual financial statements prepared for the year 2022. Their fair value corresponds to Level 3 of the fair value hierarchy. The fair value measurement of these financial assets is based on investment rounds. The fair value of these financial assets will change depending on future investment rounds or other significant events.

As 31 December 2023 and 2022 the Group has accounted for equity securities measured at FVOCI (Note 14). The fair value measurement of this financial asset is based on the valuation performed by external valuator. The valuation was performed based on discounted cash flows. Their fair value corresponds to Level 3 in the fair value hierarchy.

As at 31 December 2023 and 31 December 2022, the Group accounted for the option to acquire all the shares of UAB Kauno kogeneracinė jėgainė held by UAB “Gren Lietuva” (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to UAB “Gren Lietuva” for the redeemable UAB Kauno kogeneracinė jėgainė shares owned by UAB “Gren Lietuva”, if they choose to sell them, equals to the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of the market value). Its fair value corresponds to level 2 of the fair value hierarchy.

As at 31 December 2023, the Group accounted for contingent consideration for acquisition of subsidiaries which relates to the fulfilment of specific sellers obligations set out in the share purchase agreements. The measurement of its fair value is disclosed in Note 29.1.The measurement of the fair values of contingent consideration is attributed to Level 3 of the fair value hierarchy.

28.2 Financial instruments for which fair value is disclosed

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

The fair value of the Group’s issued bonds (Note 19) was calculated by discounting the future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to the issued bonds. The cash flows were discounted using a weighted average discount rate of 3.95% as at 31 December 2023 (31 December 2022 – 5.01%). Discount rates for certain bond issues are determined as bond yields. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group’s fair value of financial liabilities related to loans is calculated by discounting the future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 6.42% for loans above EUR 1 million and 5.58% for loans smaller than EUR 1 million (as at 31 December 2022: accordingly 4.80% and 4.84%). The measurement of financial liabilities related to these debts is attributed to Level 2 of the fair value hierarchy

28.3 Financial instruments’ fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group’s financial instruments as at 31 December 2023:

			Level 1	Level 2	Level 3	
EURm	**Note**	**Carrying amount**	**Quoted prices in active markets**	**Other directly or indirectly observable inputs**	**Unobser-vable inputs**	**Total**
Financial instruments measured at FVTPL or FVOCI						
Assets						
Derivatives	24	**11.5**	-	11.5	-	**11.5**
Investment funds - at FVTPL	14	**32.0**	-	-	32.0	**32.0**
Equity securities - at FVOCI	14	**5.0**	-	-	5.0	**5.0**
Liabilities						
Put option redemption liability	23	**38.0**	-	38.0	-	**38.0**
Derivatives	24	**17.3**	-	17.3	-	**17.3**
Contingent consideration for acquisition of subsidiaries	29	**66.0**	-	-	66.0	**66.0**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted		**55.9**			55.9	**55.9**
Liabilities						
Bonds issued		**900.9**	-	831.8	-	**831.8**
Loans received		**684.7**	-	544.1	-	**544.1**

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2022:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments measured at FVTPL or FVOCI						
Assets						
Derivatives	24	**68.7**	-	68.7	-	**68.7**
Investment funds - at FVTPL	14	**20.6**	-	-	20.6	**20.6**
Equity securities - at FVOCI	14	**5.0**	-	-	5.0	**5.0**
Liabilities						
Put option redemption liability	23	**38.0**	-	38.0	-	**38.0**
Derivatives	24	**29.1**	-	29.1	-	**29.1**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted		**24.1**			24.1	**24.1**
Liabilities						
Bonds issued		**899.3**	-	774.3	-	**774.3**
Loans received		**733.0**	-	620.8	-	**620.8**

29 Business combinations

29.1 Business combinations

The Group applied the acquisition accounting method to account for business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group's management carried out the assessment and established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents other intangible assets

29.1.1 Acquisition of subsidiaries in 2023

At the time of business combinations of newly acquired subsidiaries in 2023 the fair values of assets acquired and liabilities assumed were as follows:

EURm	Note	"WINDLIT", UAB	UAB "Vėjas LT"	SIA SP Venta	Other	Total
Assets acquired						
Intangible assets	12	80.2	22.4	15.4	12.3	**130.3**
Property, plant and equipment	13	1.6	7.2	0.7	0.2	**9.7**
Right-of-use assets		-	2.4	-	-	**2.4**
Prepayments for non-current assets		30.6	38.3	-	-	**68.9**
Other receivables		0.3	0.6	0.1	0.1	**1.1**
Cash and cash equivalents		2.9	1.6	-	0.2	**4.7**
Liabilities assumed						
Loans	20	-	-	-	0.4	**0.4**
Lease liabilities	20	-	2.4	-	-	**2.4**
Deferred tax liability		12.0	3.4	-	-	**15.4**
Other liabilities		0.1	2.7	-	0.1	**2.9**
Total identifiable net assets acquired		**103.5**	**64.0**	**16.2**	**12.3**	**196.0**
Consideration paid		(77.2)	(61.8)	(8.4)	(0.7)	**(148.1)**
Contingent consideration		(34.1)	(2.8)	(8.2)	(13.4)	**(58.5)**
Total consideration transferred		**(111.3)**	**(64.6)**	**(16.6)**	**(14.1)**	**(206.6)**
Goodwill arising from the acquisition of subsidiary	12	7.8	0.6	0.4	1.8	**10.6**
Net cash flows from acquisition of subsidiary						
Cash paid to seller of shares (current period)		(77.2)	(61.8)	(8.4)	-	**(147.4)**
Cash and cash equivalents acquired		2.9	1.6	-	0.2	**4.7**
Net cash flows		**(74.3)**	**(60.2)**	**(8.4)**	**0.2**	**(142.7)**

As at 31 December 2023 the contingent consideration for acquisition of subsidiaries are presented in the Statement of financial position as follows:

mln. Eur	„WINDLIT“, UAB	UAB “Vėjas LT”	SIA SP Venta	Other	Total
Contingent considerations:					
Other non-current liabilities	9.8	2.8	8.2	10.2	**31.0**
Current liabilities	24.3	-	-	3.2	**27.5**
Total	**34.1**	**2.8**	**8.2**	**13.4**	**58.5**

Acquisition of “WINDLIT”, UAB

On 30 October 2023, the Group acquired a 100% shareholding in “WINDLIT”, UAB from a legal entity. As at 31 December 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 111.3 million, EUR 77.2 million of which were paid through a bank account, EUR 34.1 million were identified as contingent consideration, which relates to the fulfilment of specific seller’s obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group’s management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

If the acquisition of WINDLIT, UAB had occurred on 1 January 2023, the management estimates that the Group’s total revenue and net profit for the reporting period would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group incurred acquisition-related costs for amount EUR 0.2 million.

Acquisition of UAB “Vėjas LT“

On 14 July 2023, the Group acquired a 100% shareholding in UAB “Vėjas LT” from a legal entity. As at 31 December 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 64.6 million, EUR 61.8 million of which were paid through a bank account, EUR 2.8 million were identified as contingent consideration, which relates to the fulfilment of specific seller’s obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group’s management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

If the acquisition of UAB “Vėjas LT” had occurred on 1 January 2023, the management estimates that the Group’s total revenue and net profit for the reporting period would not have changed significantly. In determining these amounts, the management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023. The Group incurred acquisition-related costs for amount EUR 0.1 million.

Acquisition of SIA SP Venta

On 14 March 2023, the Group acquired a 100% shareholding in SP Venta SIA from a legal entity. As at 31 December 2023, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 16.6 million, EUR 8.4 million of which were paid through a bank account, EUR 8.2 million were identified as contingent consideration, which relates to the fulfilment of specific seller’s obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group’s management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

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

Acquisition of Other companies

On 17 March 2023, the Group acquired 100% shareholding in SIA BRVE and SIA CVE from a legal entity. As at 31 December 2023 the ownership rights of shares were held by the Group. Total consideration transferred for both entities amounts to EUR 14.1 million, EUR 0.7 million of which were paid through a bank account, EUR 13.4 million were identified as contingent consideration, which relates to the fulfilment of specific seller’s obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific sellers obligations are fulfilled. The Group’s management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2023.

Since the acquisition date, the contributed revenue and profit or loss from the acquiree are not significant for the reporting period.

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

29.1.2 Reassessment of fair values of assets acquired and liabilities assumed through business combination in 2022

In 2023 the Group made the reassessment of fair values of assets acquired and liabilities assumed through business combination of subsidiary UAB "Plungės vėjo energija", which was acquired in 25 November 2022. The Group's management reassessed the amount of consideration transferred and determined that the range of outcomes (undiscounted) is 100% and therefore recognised EUR 7.5 million contingent consideration which relates to the fulfilment of specific seller's obligations set out in the share purchase agreement. As at 31 December 2023 contingent consideration has not been paid and will be paid only if the specific seller's obligations are fulfilled. Reassessment showed that fair values of assets and liabilities should be adjusted. The adjustment is presented below:

EURm	Fair values of assets and liabilities identified as at 25 November 2022	Adjustments due to reassessment	Fair values of assets and liabilities after reassessment
Assets acquired			
Intangible assets	-	9.0	9.0
Liabilities assumed			
Deferred tax liability	-	1.4	1.4
Total identifiable net assets acquired	**-**	**7.6**	**7.6**
Consideration paid (in 2022)	(0.3)	-	(0.3)
Contingent consideration	-	(7.5)	(7.5)
Total consideration transferred	**(0.3)**	**(7.5)**	**(7.8)**
Goodwill arising from the acquisition of subsidiary	0.3	(0.1)	0.2

As at 31 December 2023 the contingent consideration for acquisition of subsidiary EUR 7.5 million is presented as Other non-current liabilities in the Statement of financial position.

30 Events after the reporting period

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

Parent company's financial statements

Parent company's financial statements

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

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

For the twelve-month period ended 31 December 2023

EURm	Notes	12M 2023	12M 2022	Q4 2023	Q4 2022
Revenue from contracts with customers	5	3.2	3.0	0.9	0.7
Other income		-	0.6	-	0.3
Dividend income	6	222.4	97.5	-	-
Total revenue and other income		**225.6**	**101.1**	**0.9**	**1.0**
Salaries and related expenses		(4.1)	(3.6)	(1.3)	(0.9)
Depreciation and amortisation		(2.2)	(1.9)	(0.6)	(0.5)
Other expenses		(6.4)	(5.0)	(1.7)	(1.2)
Total expenses		**(12.7)**	**(10.5)**	**(3.6)**	**(2.6)**
Operating profit (loss)		**212.9**	**90.6**	**(2.7)**	**(1.6)**
Finance income	7	82.5	41.0	14.5	11.8
Finance expenses	7	(29.5)	(25.9)	(9.1)	(8.0)
Finance activity, net		**53.0**	**15.1**	**5.4**	**3.8**
Profit (loss) before tax		**265.9**	**105.7**	**2.7**	**2.2**
Income tax (expenses)/benefit		(6.0)	(3.2)	(0.5)	(2.4)
Net profit for the period		**259.9**	**102.5**	**2.2**	**(0.2)**
Total other comprehensive income (loss) for the period		**-**	**-**	**-**	**-**
Total comprehensive income (loss) for the period		**259.9**	**102.5**	**2.2**	**(0.2)**
Basic earnings per share (in EUR)	8	3.59	1.41	0.03	0.00
Diluted earnings per share (in EUR)	8	3.59	1.41	0.03	0.00
Weighted average number of shares	8	72,388,960	72,599,599	72,388,960	72,388,960

7.2 Interim condensed statement of financial position

As at 31 December 2023

EURm	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Intangible assets		1.7	1.9
Property, plant and equipment		0.1	0.1
Right-of-use assets		16.9	15.7
Investment property		0.1	0.1
Investments in subsidiaries	9	1,388.2	1,255.2
Non-current receivables	10	1,558.8	1,530.1
Other financial assets	12	32.0	20.6
Total non-current assets		**2,997.8**	**2,823.7**
Current assets			
Prepayments and deferred expenses		0.3	0.1
Trade receivables		0.3	0.8
Other receivables		-	0.9
Other financial assets	12	110.4	-
Other current assets		3.5	3.8
Current loans	11	329.6	227.8
Cash and cash equivalents		3.2	24.8
Total current assets		**447.3**	**258.2**
TOTAL ASSETS		**3,445.1**	**3,081.9**
EQUITY AND LIABILITIES			
Equity			
Issued capital	13	1,616.4	1,616.4
Reserves		104.7	99.6
Reserve for treasury shares		37.7	37.7
Retained earnings		342.2	179.1
Total equity		**2,101.0**	**1,932.8**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	14	1,156.1	1,113.1
Non-current lease liabilities	15	15.1	14.2
Deferred tax liabilities		3.2	1.4
Total non-current liabilities		**1,174.4**	**1,128.7**
Current liabilities			
Loans	14	156.4	9.8
Lease liabilities	15	2.1	1.8
Trade payables		0.8	1.1
Income tax payable		3.3	1.8
Other current liabilities		7.1	5.9
Total current liabilities		**169.7**	**20.4**
Total liabilities		**1,344.1**	**1,149.1**
TOTAL EQUITY AND LIABILITIES		**3,445.1**	**3,081.9**

7.3 Interim condensed statement of changes in equity

For the twelve-month period ended 31 December 2023

EURm	Notes	Issued capital	Treasury shares	Legal reserve	Treasury shares reserve	Retained earnings	Total
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**88.1**	**23.0**	**186.4**	**1,933.3**
Net profit for the period		-	-	-	-	102.5	**102.5**
Other comprehensive income (loss) for the period		-	-	-	-	-	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**102.5**	**102.5**
Transfers to legal reserve		-	-	11.5	-	(11.5)	**-**
Transfer to reserves to acquire treasury shares		-	-	-	14.7	(14.7)	**-**
Treasury shares acquired		-	(10.0)	-	-	(4.3)	**(14.3)**
Dividends	6	-	-	-	-	(89.0)	**(89.0)**
Share capital reduction		(42.4)	33.0	-	-	9.4	**-**
Other movement		-	-	-	-	0.3	**0.3**
Balance as at 31 December 2022		**1.616.4**	**-**	**99.6**	**37.7**	**179.1**	**1,932.8**
Balance as at 1 January 2023		**1.616.4**	**-**	**99.6**	**37.7**	**179.1**	**1,932.8**
Net profit for the period		-	-	-	-	259.9	**259.9**
Other comprehensive income (loss) for the period		-	-	-	-	-	**-**
Total comprehensive income (loss) for the period		**-**	**-**	**-**	**-**	**259.9**	**259.9**
Transfers to legal reserve	13	-	-	5.1	-	(5.1)	**-**
Dividends	6	-	-	-	-	(91.7)	**(91.7)**
Balance as at 31 December 2023		**1.616.4**	**-**	**104.7**	**37.7**	**342.2**	**2,101.0**

7.4 Interim condensed statement of cash flows

For the twelve-month period ended 31 December 2023

EURm	Notes	12M 2023	12M 2022	Q4 2023	Q4 2022
Cash flows from operating activities					
Net profit for the period		259.9	102.5	2.2	(0.1)
Adjustments to reconcile net profit to net cash flows:					
Depreciation and amortisation expenses		2.2	1.9	0.6	0.5
Fair value changes of financial instruments	7	(16.7)	6.2	3.5	8.9
Income tax expenses/(income)		6.0	3.3	0.5	2.5
Other expenses/(income) of investing activities		(0.1)	(0.6)	(0.1)	(0.6)
Interest income	7	(65.7)	(41.0)	(17.9)	(14.5)
Interest expenses	7	28.6	21.8	8.5	6.1
Dividend income	6	(222.4)	(97.5)	-	-
Other expenses of financing activities		0.9	(2.2)	0.7	(4.4)
Income tax (paid)/received		(2.2)	0.5	(0.4)	-
Changes in working capital:					
(Increase)/decrease in trade receivables and other receivables		0.9	83.2	(0.3)	(0.8)
(Increase)/decrease in prepayments and deferred expenses, other current assets		0.1	16.2	0.4	(0.1)
Increase/(decrease) in trade payables, advances received, other current liabilities		2.2	0.9	(1.0)	1.6
Net cash flows from (to) operating activities		**(6.3)**	**95.2**	**(3.3)**	**(0.9)**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		(0.1)	(0.1)	-	(0.1)
Proceeds from sale of property, plant and equipment and intangible assets		0.2	-	-	-
Loans granted		(519.5)	(543.0)	(235.7)	35.1
Loan repayments received		540.2	20.8	81.2	4.6
Interest received		62.3	31.8	9.1	5.9
Dividends received	6.2	222.4	197.9	-	-
Return of capital from subsidiaries	9.1	97.9	1.2	58.8	0.2
Investments into subsidiaries	9.1	(230.9)	-	(187.9)	-
(Increase)/decrease of deposits		(109.0)	-	(59.0)	-
Prepayment for subsidiary shares (IGN)		-	-	95.0	-
Investments in/return from investment funds	12	5.3	(1.7)	(0.8)	-
Net cash flows from investing activities		**68.8**	**(293.1)**	**(239.3)**	**45.7**
Cash flows from financing activities					
Loans received	15	270.7	223.0	48.4	-
Repayments of loans	15	(244.8)	-	(32.8)	-
Overdrafts net change	15	12.5	-	12.5	-
Lease payments	15	(1.9)	(1.7)	(0.5)	(0.4)
Interest paid	15	(26.1)	(19.5)	(2.8)	(1.1)
Dividends paid	6.1	(91.7)	(87.8)	(46.5)	(44.0)
Dividends returned		-	0.3	-	-
Treasury shares acquisition		-	(14.3)	-	-
Other increases/(decreases) in cash flows from financing activities		(2.8)	(2.6)	(0.2)	-
Net cash flows from financing activities		**(84.1)**	**97.4**	**(21.9)**	**(45.5)**
Increase/(decrease) in cash and cash equivalents		**(21.6)**	**(100.5)**	**(264.5)**	**(0.7)**
Cash and cash equivalents at the beginning of the period		24.8	125.3	24.8	125.3
Cash and cash equivalents at the end of the period		**3.2**	**24.8**	**(239.7)**	**124.6**

7.5 Notes

For the twelve-month period ended 31 December 2023

1 General information

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

AB "Ignitis grupė" is a parent company, which is responsible for the management and coordination of activities of the group companies directly controlled by the parent company (Note 9) and indirectly controlled by the parent company through its subsidiary UAB "Ignitis renewables". The parent company and its directly and indirectly controlled subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating Lithuania's electricity distribution network (Networks) and managing and developing its Green Generation Portfolio (Green Generation). The Group also manages strategically important reserve capacities (Reserve Capacities) and provide services to its customers (Customers & Solutions), including the supply of electricity and natural gas, solar, e-mobility, energy efficiency and innovative energy solutions for private and business customers.

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

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

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

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

These interim condensed financial statements were prepared and approved by the parent company's management on 27 February 2024. These are interim condensed separate financial statements of the parent company. The Group also prepares consolidated interim condensed financial statements in accordance with International Accounting Standard (hereinafter referred to as 'IAS') 34 'Interim Financial Reporting'.

2 Basis of preparation

2.1 Basis of accounting

These interim condensed financial statements have been prepared for the nine-month period ended 31 December 2023 (hereinafter referred to as 'interim financial statements') in accordance with IAS 34.

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 parent company's annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS'), which were issued by the International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in the European Union.

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

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

3 Material accounting policies

3.1 Changes in the accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the parent's annual financial statements for the period ended 31 December 2022, with the except for the adoption of new standards effective as of 1 January 2023. Several amendments the adoption of which is effective from 1 January 2023 were applied, but they did not have a material impact on our interim financial statements. The Group has not applied any standard, interpretation, or amendment for which the early application is permitted but is not yet effective.

3.1.1 New standards, amendments and interpretations

3.1.1.1 Deferred tax related to assets and liabilities arising from a single transaction

The parent company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities.

The parent company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the parent company has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. However, there was no impact on the Statement of financial position because the balances were qualified for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the parent company relates to disclosure of the deferred tax assets and liabilities recognised.

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

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

Significant accounting estimates and judgments	Note	Estimate/ judgement	Significant changes during 12M 2023
Impairment of investments in subsidiaries	9.3	Estimate	Change in assumptions
Investment Funds – at FVTPL	12.1.1	Estimate	Change in estimated amount
Option agreement over UAB Kauno kogeneracinė jėgainė shares	-	Estimate/ judgement	None
Estimating the incremental borrowing rate	-	Estimate	None

5 Revenue from contracts with customers

EURm	12M 2023	12M 2022
Management fee income	3.2	3.0
Total	**3.2**	**3.0**

The parent company's revenue from contracts with customers during the 12M 2023 and 12M 2022 periods mainly comprised revenue from advisory and management services provided to subsidiaries. The parent company did not present any segment-related information as there is only one segment. All performance obligations of the parent company are settled over time.

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

EURm	31 December 2023	31 December 2022
Trade receivables	0.3	0.8

6 Dividends

6.1 Dividends declared by the parent company

EURm	12M 2023	12M 2022
AB "Ignitis grupė"	91.7	89.0

46,5 mln. Eur dividendų už 2023 m. pirmąjį pusmetį buvo patvirtinti neeilinio visuotinio akcininkų susirinkime, vykusiame 2023 m. rugsėjo 21 d., ir 45,2 mln. Eur dividendų už 2022 m. antrąjį pusmetį buvo patvirtinti eiliniame visuotiniame akcininkų susirinkime, vykusiame 2023 m. kovo 30 d. 43,8 mln. Eur dividendų už 2021 m. antrąjį pusmetį buvo patvirtinti eiliniame visuotiniame akcininkų susirinkime, vykusiame 2022 m. kovo 29 d., ir 45,2 mln. Eur dividendų už 2022 m. pirmąjį pusmetį buvo patvirtinti neeilinio visuotinio akcininkų susirinkime, vykusiame 2022 m. rugsėjo 29 d.

6.2 Dividends received by the parent company

Dividends received by the parent company from the Group companies during the 12M 2023 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the Company	Non-controlling interest dividends
21/03/2023	UAB Elektroninių mokėjimų agentūra	2022	0.5000	0.2	0.2	-
28/03/2023	AB "Energijos skirstymo operatorius"	2022	0.0324	29.0	29.0	-
17/04/2023	UAB Kauno kogeneracinė jėgainė	2022	0.7306	29.2	14.9	14,3
19/04/2023	UAB "Ignitis"	2022	0.1445	20.0	20.0	-
27/04/2023	UAB "Ignitis grupės paslaugų centras"	2022	0.0118	0.9	0.5	-
28/04/2023	AB "Ignitis gamyba"	2022	0.2410	156.2	156.2	-
16/05/2023	UAB "Transporto valdymas"	2022	19.6391	1.6	1.6	-
Total				**237.1**	**222.4**	**14,3**

7 Finance activity

EURm	12M 2023	12M 2022
Finance income		
Interest income at the effective interest rate	65.7	41.0
Investment funds – at FVTPL (Note 12)	16.7	-
Other income from financing activities	0.1	-
Total finance income	**82.5**	**41.0**
Finance expenses		
Interest expenses	28.6	21.8
Other expenses of financing activities	0.9	4.1
Total finance expenses	**29.5**	**25.9**
Finance activity, net	**53.0**	**15.1**

The parent company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 10.2 and 11).

The parent company incurs interest expenses on long-term and short-term loans payable and issued bonds (Note 14).

8 Earnings per share

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

EURm	12M 2023	12M 2022
Net profit	**259.9**	**102.5**
Weighted average number of nominal shares	72,388,960	72,599,599
Basic earnings/(loss) per share attributable to shareholder of the parent company (in EUR)	3.59	1.41
Diluted earnings/(loss) per share attributable to shareholder of the parent company (in EUR)	3.59	1.41

Indicators of basic and diluted earnings per share have been calculated based on 72,388,960 weighted average number of ordinary shares as at 31 December 2023 (as at 31 December 2022: 72,599,599). During 12M 2022 the parent company held its own ordinary shares (treasury shares), which are not regarded as outstanding, thus they were excluded from the outstanding shares count at the period during which they were held by the parent company. On 9 August 2022 the parent company has reduced its share capital by annulling the acquired treasury shares.

9 Investments in subsidiaries

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

EURm	Acquisition cost	Impairment	Carrying amount	Parent company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
AB "Energijos skirstymo operatorius"	750.4	-	750.4	100.00	100.00
AB "Ignitis gamyba"	223.3	-	223.3	100.00	100.00
UAB "Ignitis renewables"	183.2	-	183.2	100.00	100.00
UAB "Ignitis"	142.1	-	142.1	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	52.3	-	52.3	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20.4	-	20.4	51.00	51.00
UAB "Ignitis grupės paslaugų centras"	12.9	-	12.9	100.00	100.00
UAB "Transporto valdymas"	2.4	-	2.4	100.00	100.00
UAB Elektroninių mokėjimų agentūra	0.8	-	0.8	100.00	100.00
UAB "Gamybos optimizavimas"	0.4	-	0.4	100.00	100.00
Total	**1,388.2**	**-**	**1,388.2**		

9.1 Movement of the investments in subsidiaries

EURm	2023
Carrying amount at 1 January	**1,255.2**
Acquisition of shares from non-controlling interest	6.9
Share capital and share premium increase in subsidiaries	224.0
Share capital decrease in subsidiaries	(97.9)
Carrying amount at 31 December	**1,388.2**

9.2 Cash flows from investments in subsidiaries

Reconciliation of cash flows from the parent company's investments into subsidiaries with the data reported in the statement of cash flows:

EURm	31 December 2023	31 December 2022
Share capital and share premium increase in subsidiaries	(224.0)	-
Return of capital from subsidiaries	97.9	1.2
Buyout of shares in subsidiaries	(6.9)	-
Total	**(133.0)**	**1.2**

9.3 Impairment test for investments into subsidiaries

On 31 December 2023, the parent company carried out an analysis to determine the existence of indications of impairment for investments into subsidiaries. By analysing the impairment indications the parent company considered information from external and internal sources of information. As well, for the purpose of determining the impairment indications, the parent company assessed whether at least one of the following conditions exists (except for the early-stage companies):

1. the actual Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) is lower than the budgeted Adjusted EBITDA;
2. the actual Adjusted Net Profit is lower than the actual dividends paid;
3. the carrying amount of investments is higher than the carrying amount of net assets.

In case at least one abovementioned condition existed before performing the impairment tests, additional analysis was performed, helping to determine whether the current conditions show any impairment indications. Additionally, the management assessed whether, during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which the subsidiaries operate.

The parent company did not find any impairment indications for investments in subsidiaries as at 31 December 2023 except in investment into subsidiary UAB "Ignitis". Therefore, as at 31 December 2023 the parent company performed impairment test for the investment into subsidiary UAB "Ignitis". The impairment test did not show any impairment for this investment.

The following key assumptions were used in impairment test of investment into subsidiary UAB "Ignitis" in 2023:

1. the cash flow forecast covered the period until 2032;
2. a discount rate of 7.4% (post-tax) (8.6% pre-tax) was applied to calculate the discounted cash flows;
3. terminal growth rate in year 2032 set at 2.0%
4. valuation includes consolidated operations and cashflow generated by UAB "Ignitis" and its subsidiaries across the Baltics, Poland and Finland;
5. overall business activities gradually transition towards the electricity energy based products which is in line with the Group's long term strategy;
6. significant increase of investments is anticipated due to planned expansion of EV charging stations network across the Baltic states.

The parent company exercised the fair value assessment analysis of unobservable inputs variation, relying on sensitivity of variation of discount rate (WACC). The possible recoverable amount changes due to variation of this input is disclosed in table below (EUR million):

	WACC (post-tax)						
	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%	7.7%
Δ	(0.3%)	(0.2%)	(0.1%)	(0.0%)	0.1%	0.2%	0.3%
Change in recoverable amount	21.7	14.2	7.0	-	(6.7)	(13.1)	(19.3)

10 Non-current receivables

EURm	31 December 2023	31 December 2022
Loans granted	1,558.8	1,530.1
Total	**1,558.8**	**1,530.1**
Less: loss allowance	-	-
Carrying amount	**1,558.8**	**1,530.1**

10.1 Expected credit losses of loans granted

As at 31 December 2023, the parent company assessed whether the credit risk of recipients of non-current loans has increased significantly and did not establish any indications and has no information indicating that the credit risk of loan recipients, on an individual basis, has increased significantly. Therefore, no lifetime expected credit loss was recognised for non-current loans granted.

10.2 Loans granted

The parent company's loans granted comprised loans granted to subsidiaries.

EURm	31 December 2023	31 December 2022
Within one year (Note 11)	329.6	227.8
From 1 to 2 years	7.9	7.9
From 2 to 5 years	226.6	247.4
After 5 years	1,324.3	1,274.8
Carrying amount	**1,888.4**	**1,757.9**

11 Current loans

EURm	31 December 2023	31 December 2022
Cash-pool loans	146.2	197.5
Current loans	150.5	-
Current portion of non-current loans	32.9	30.3
Total	**329.6**	**227.8**
Less: loss allowance	-	-
Carrying amount	**329.6**	**227.8**

11.1 Expected credit losses of current loans

As at 31 December 2023, the parent company assessed whether the credit risk of recipients of current loans has increased significantly and did not establish any indications and has no information indicating that the credit risk of loan recipients, on an individual basis, has increased significantly. Therefore, no lifetime expected credit loss was recognized for the current loans granted.

12 Other financial assets

EURm	31 December 2023	31 December 2022
Other non-current financial assets		
Investment funds – at FVTPL	32.0	20.6
Carrying amount	**32.0**	**20.6**
Other current financial assets		
Short-term deposits	110.4	-
Carrying amount	**110.4**	**-**

12.1 Movement of fair value in investment funds

EURm	31 December 2023	31 December 2022
Carrying amount	**20.6**	**25.1**
Additional investments (Smart Energy Fund)	0.3	1.7
Additional investments (World Fund)	10.0	-
Return from investments (Smart Energy Fund)	(15.6)	-
Change in fair value (World Fund)	(0.4)	-
Change in fair value (Smart Energy Fund)	17.1	(6.2)
Carrying amount	**32.0**	**20.6**

12.1.1 Significant accounting estimates: Investment funds – at FVTPL

The parent company has invested into investment funds. The funds are managed by independent entities (managers), which are responsible for the investment decisions. Accordingly, in the parent company's management's view, the parent company does not have the power to manage the activities of the funds and does not have the control over them.

As at 31 December 2023, the carrying value of the Smart Energy Fund amounted to EUR 22.4 million, the carrying value of the World Fund amounted to EUR 9.6 million.

The fair value of the fund was determined by reference to the exits of investments, new investment rounds or other recent events and data.

The fair value of the funds corresponds to Level 3 in the fair value hierarchy.

13 Equity and reserves

13.1 Capital management

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

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

13.2 Issued capital

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

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

13.3 Reserves

During 12M 2023 the parent company transferred EUR 5.1 million to the legal reserve. The parent company's legal reserve as at 31 December 2023 was not fully formed.

14 Loans and bonds

EURm	31 December 2023	31 December 2022
Non-current		
Issued bonds	891.8	890.1
Bank loans	264.3	223.0
Current		
Current portion of non-current loans	9.6	-
Current loans	134.3	9.8
Bank overdrafts	12.5	-
Total loans and bonds	**1,312.5**	**1,122.9**

The 12M 2023 expenses related to the interest on issued bonds totalled EUR 19.3 million (for the 12M 2022: EUR 19.2 million). The accrued amount of coupon payable as at 31 December 2023 amounted to EUR 9.1 million (31 December 2022: EUR 9.8 million).

Loans and bonds by maturity:

EURm	31 December 2023	31 December 2022
Up to 1 year	156.4	9.8
From 1 to 2 years	84.7	150.0
From 2 to 5 years	641.1	297.0
After 5 years	430.3	666.1
Total	**1,312.5**	**1,122.9**

Loans and bonds are denominated in euros.

14.1 Covenants and unwithdrawn balances

During the 12M 2023, the parent company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current liabilities could be changed.

As at 31 December 2023 the parent company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 633.9 million (31 December 2022: EUR 269.0 million).

15 Net Debt

Net Debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the parent company. Only debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the Net Debt calculation. The management defines the Net Debt measure for the purpose of these financial statements in the manner as presented below.

Net Debt balance:

EURm	31 December 2023	31 December 2022
Cash and cash equivalents	(3.2)	(24.8)
Short-term deposits	(110.4)	-
Non-current loans and bonds	1,156.1	1,113.1
Current loans	143.9	9.8
Bank overdrafts	12.5	-
Lease liabilities	17.2	16.0
Net Debt	**1,216.1**	**1,114.1**

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

	Assets		Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Short-term deposits	Non-current	Current	Non-current	Current	Total
Net Debt as at 1 January 2023	**(24.8)**	**-**	**14.2**	**1.8**	**1,113.1**	**9.8**	**1,114.1**
Cash changes							
(Increase) decrease in cash and cash equivalents	21.6	(109.0)	-	-	-	-	**(87.4)**
Proceeds from loans	-	-	-	-	198.6	72.1	**270.7**
Repayments of loans	-	-	-	-	(150.1)	(94.7)	**(244.8)**
Overdrafts net change	-	-	-	-	-	12.5	**12.5**
Lease payments	-	-	-	(1.9)	-	-	**(1.9)**
Interest paid	-	-	-	(0.3)	-	(25.8)	**(26.1)**
Non-cash changes							
Loan contracts concluded	-	-	-	-	-	148.7	**148.7**
Lease contracts concluded	-	-	2.8	0.3	-	-	**3.1**
Accrual of interest receivable	-	(1.4)	-	-	-	-	**(1.4)**
Accrual of interest payable	-	-	-	0.3	1.7	26.6	**28.6**
Reclassifications between items	-	-	(1.9)	1.9	(7.2)	7.2	**-**
Net Debt as at 31 December 2023	**(3.2)**	**(110.4)**	**15.1**	**2.1**	**1,156.1**	**156.4**	**1,216.1**

16 Contingent liabilities and commitments

16.1 Guarantees issued and received by the parent company

16.1.1 Issued guarantees related to loans

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

Beneficiary of the guarantee	Maximum amount of the guarantee	31 December 2023[1]	31 December 2022[1]
Banks	531.0	288.4	216.1
Group companies	-	-	6.0
Total	**531.0**	**288.4**	**222.1**

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

16.1.2 Other issued guarantees

The parent company has provided the following other guarantees:

Beneficiary of the guarantee	Maximum amount of the guarantee	31 December 2023[2]	31 December 2022[2]
Banks	75.2	75.2	28.9
Other companies	826,3	46,7	128.0
Total	**901,5**	**121,9**	**156.9**

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

The parent company has issued guarantees for its subsidiaries as they entered into supply and installation agreements with wind turbine equipment suppliers. The parent company undertakes and guarantees the performance of all payment obligations under the agreements concluded. The maximum amount of guarantees EUR 497.8 million as at 31 December 2023 (31 December 2022: EUR 83.4 million).

17 Related party transactions

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

Related parties, EURm	Accounts Receivable 31 December 2023	Loans Receivable 31 December 2023	Accounts Payable 31 December 2023	Sales 12M 2023	Purchases 12M 2023	Finance income/ (cost) 12M 2023
Subsidiaries	0.4	1,888.3	0.4	3.4	3.9	57.8
Total	0.4	1,888.3	0.4	3.4	3.9	57.8

Related parties, EURm	Accounts Receivable 31 December 2022	Loans Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 12M 2022	Purchases 12M 2022	Finance income/ (cost) 12M 2022
Subsidiaries	0.8	1,757.9	0.4	3.0	2.4	41.0
Total	**0.8**	**1,757.9**	**0.4**	**3.0**	**2.4**	**41.0**

The parent company's dividend income received from subsidiaries during the 12M 2023 and 2022 periods is disclosed in Note 6.

As at 31 December 2023, the parent company has issued guarantees for loans to its subsidiaries (Note 16)

The loans provided to subsidiaries are disclosed in Notes 10 and 11.

17.1 Compensation to key management personnel

EURm	12M 2023	12M 2022
Remuneration, salaries and other short-term benefits to key management personnel	1.3	1.1
Whereof:		
Short-term benefits - wages, salaries and other	*1.2*	*1.0*
Other long-term benefits	*0.1*	*-*
Termination benefits	*-*	*0.1*
Number of key management personnel	12	12

During 12M 2023 and 2022 members of the Management Board, Supervisory Board as well as the Chief Executive Officer were considered as the parent company's key management personnel. For more information on the key management personnel, see '4 Governance report' in our Annual report 2022.

18 Fair value of financial instruments

18.1 Financial instruments measured at fair value

The parent company's investments into Smart Energy Fund and World Fund (Level 3) were measured at fair value.

As at 31 December 2023 the parent company has accounted for investments into Smart Energy Fund and World Fund (as at 31 December 2022: only into Smart Energy Fund). The fair value measurement of these financial assets is based on investment rounds and exits of investments. The fair value of these financial assets will change depending on exits of investments, future investment rounds or other significant events.

18.2 Financial instruments for which fair value is disclosed

The carrying amount of the parent company's short-term financial assets and financial liabilities is measured at an amortised cost approximated to their fair value, excluding issued bonds, debt liabilities to commercial, state-owned banks and loans granted. The measurement of the financial instruments related to the loans granted and bonds issued is attributed to Level 2 of the fair value hierarchy.

As at 31 December 2023 and 31 December 2022, the fair value of the parent company's amounts receivable related to loans receivable from its subsidiary AB "Energijos skirstymo operatorius" was estimated by discounting the cash flows with a market interest applied for a similar-period bond. The market interest rate for certain bonds' issues was determined as bond yields for certain issued bonds. Cash flows were discounted using an average discount rate of 3.95% as at 31 December 2023 (31 December 2022: 5.01%). The fair value of the amounts receivable is attributed to Level 2 of the fair value hierarchy.

The fair value of loans granted was calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 6.42% as at 31 December 2023 (31 December 2022: 4.80%). The measurement of the financial instruments related to the loans granted attributed to Level 2 of the fair value hierarchy.

The fair value of the parent company's issued bonds (Note 14) was calculated by discounting the future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to the issued bonds. The cash flows were discounted using a weighted average discount rate of 3.95% as at 31 December 2023 (31 December 2022: 5.01%). The discount rates for certain issued bonds were determined as bond yields. The measurement of the fair value of issued bonds is attributed to Level 2 of the fair value hierarchy.

The fair value of loans received from commercial banks and state-owned banks was calculated by discounting the future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 6.57% as at 31 December 2023 (31 December 2022: 4.80%). The measurement of fair value of loans received from commercial and state-owned banks is attributed to Level 2 of the fair value hierarchy.

The levels of the fair value hierarchy within which the parent company's financial instruments are categorised as at 31 December 2023:

			Level 1	Level 2	Level 3	
EURm	**Note**	**Carrying amount**	**Quoted prices in active markets**	**Other directly or indirectly observable inputs**	**Unobser-vable inputs**	**Total**
Financial instruments measured at FVPL						
Assets						
Investment funds - at FVTPL		**32.0**	-	-	32.0	**32.0**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted to subsidiary AB "Energijos skirstymo operatorius"		**624.6**	-	575.1	-	**575.1**
Loans granted to other Group companies		**1,263.4**	-	1,092.8	-	**1,092.8**
Liabilities						
Bonds issued		**900.9**	-	831.8	-	**831.8**
Loans received		**411.5**	-	320.9	-	**320.9**

The levels of the fair value hierarchy within which the parent company's financial instruments are categorised as at 31 December 2022:

			Level 1	Level 2	Level 3	
EURm	**Note**	**Carrying amount**	**Quoted prices in active markets**	**Other directly or indirectly observable inputs**	**Unobser-vable inputs**	**Total**
Financial instruments measured at FVPL						
Assets						
Investment funds - at FVTPL		**20.6**	-	-	**20.6**	**20.6**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted to subsidiary AB "Energijos skirstymo operatorius"		**624.6**	-	535.9	-	**535.9**
Loans granted to other Group companies		**1,131.0**	-	1,001.2	-	**1,001.2**
Liabilities						
Bonds issued		**899.3**	-	774.3	-	**774.3**
Loans received		**223.7**	-	189.9	-	**189.9**

19 Events after the reporting period

19.1 Issued guarantees

On 26 January 2024, parent company has issued a guarantee in favour of AB Klaipėdos nafta for EUR 6.0 million. The guarantee is provided to guarantee the performance of obligations of a subsidiary.

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

Responsibility statement

27 February 2024

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB "Ignitis grupė", Jonas Rimavičius, Chief Financial Officer at AB "Ignitis grupė", and Paulius Žukovskis, Head of Financial Statements and Consultations at UAB "Ignitis grupės paslaugų centras", acting under Decision No 24_GSC_SP_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" interim condensed consolidated and the interim condensed parent company's financial statements for the nine-month period ended 30 September 2023 prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and the parent company's assets, liabilities, financial position, profit or loss, and cash flows for the period, the Interim report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

Paulius Žukovskis
UAB „Ignitis grupės paslaugų centras",
Head of Financial Statements and Consultations,
acting under Decision No 24_GSC_SP_0004
(signed 10 January 2024)

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Publication
28 February 2024