ignitis group

# First half year 2022

## Interim report

Consolidated interim report for the six-month period ended 30 June 2022 and the condensed consolidated and the condensed parent company's financial statements for the six-month period ended 30 June 2022, prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union

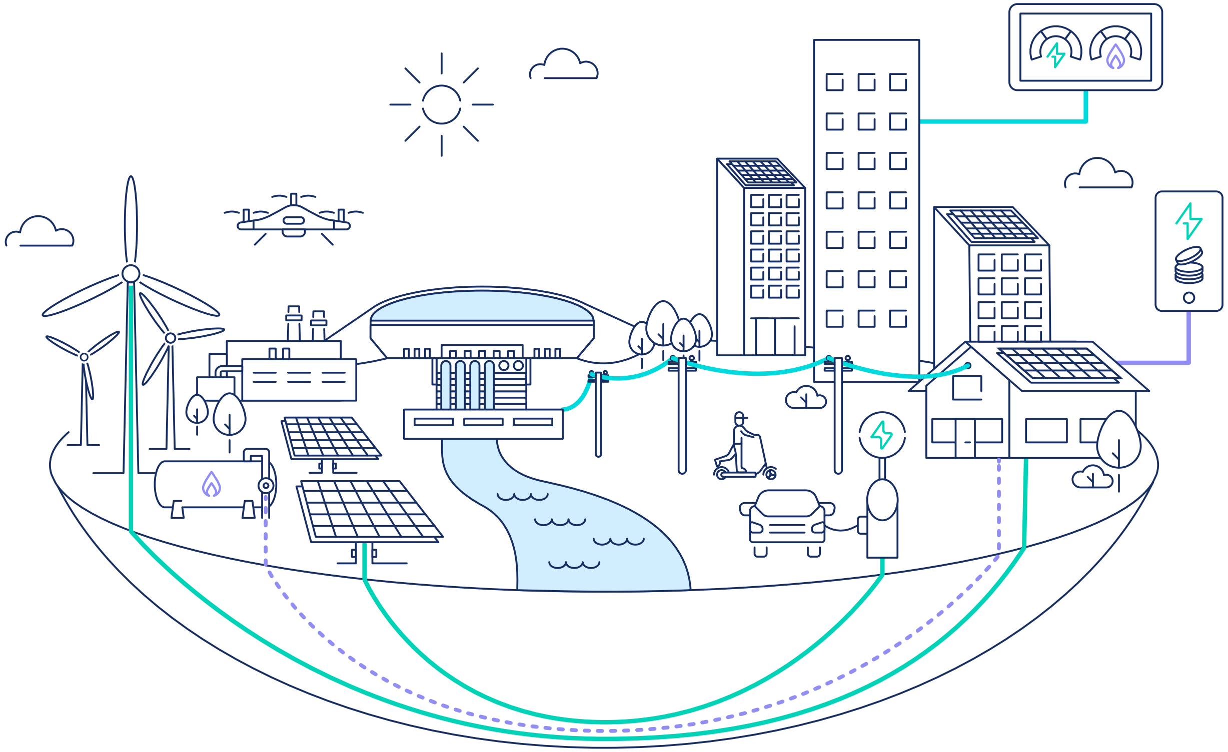
# Ignitis Group – creating an energy smart world

## Who we are

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

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

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



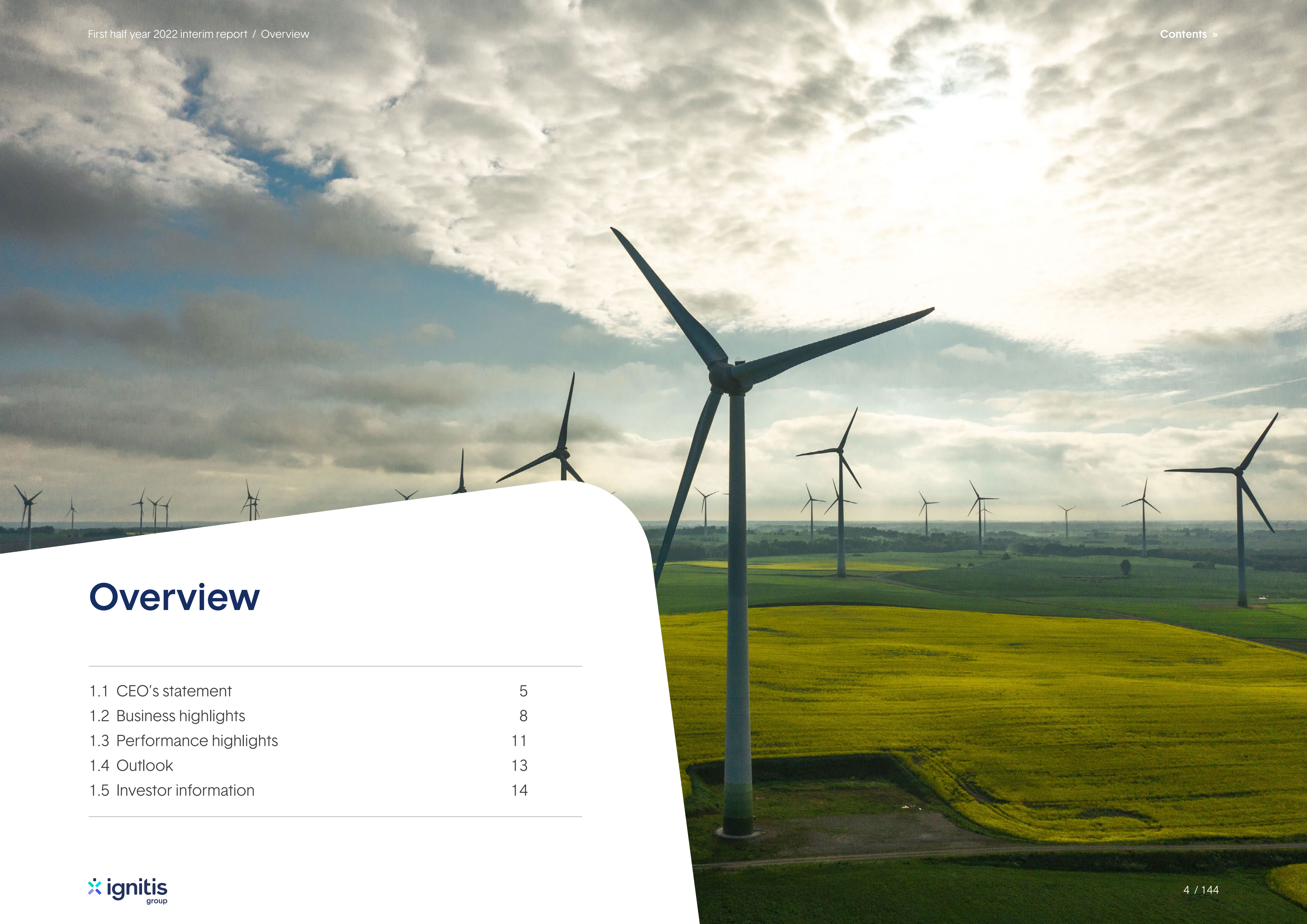
**Networks**
Resilient and efficient energy distribution networks enabling the energy transition.

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

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

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

# Contents



# Overview

# 1.1 CEO's statement

## Highlights

### Performance

Adjusted EBITDA grew by 38.8% to EUR 206.5 million compared to H1 2021. The increase was mainly driven by the Green Generation segment due to the launch of Pomerania WF in Poland and better results of our operating assets. Green Generation Adjusted EBITDA accounted for almost 60% of the Group's total result in H1 2022. Increase of Adjusted EBITDA was partially offset by Customers & Solutions result mainly due to ineffective electricity 'proxy' hedges.

2022 guidance for Adjusted EBITDA has been increased to EUR 360–420 million from EUR 330–360 million indicated in First quarter 2022 Interim report.

Subject to approval at our Extraordinary General Meeting of Shareholders, in line with the Dividend Policy, for H1 2022 we propose to distribute a dividend of EUR 0.624 per share corresponding to EUR 45.2 million

In H1 2022, the Group's green share of generated electricity increased by a third to 92.3% (from 61.0% in H1 2021).

S&P Global Ratings, after annual credit rating review in July 2022, affirmed BBB+ (stable outlook) rating.

### Business development

Since the end of 2021, we expanded our Green Generation pipeline by around 750 MW to 2.2 GW. This was mainly driven by the accelerated greenfield portfolio development. In H1 2022, it increased by around 345 MW to a total of around 515 MW. After the reporting period, we secured land plots for further 385 MW and now our greenfield pipeline comprises a total of around 900 MW.

We also started the development of the first hybrid solar park in Lithuania (Tauragė solar project) with a capacity of 22 MW while our Silesia WF (50 MW) in Poland reached the construction phase, and Moray West offshore wind project, in which we hold a minority stake (5%), should reach final development steps in the coming months.

On the Networks side, after the first batch of smart meters was received and tested in Q1 2022, we installed them in Q2 2022, which was followed by the mass roll-out kick off shortly afterwards. Our target to finalize the mass roll-out process by the end of 2025 remains unchanged.

Even though natural gas supply is not the core business of the Group, in relation to the Russia's invasion of Ukraine, we suspended natural gas purchases from Gazprom by replacing its supply with LNG cargoes.

## Strong Green Generation performance and continued expansion

### Energy independence

After Russia's unprovoked invasion of Ukraine, which the Group continues to condemn, energy independence topic is being discussed across the globe. It mostly covers renewables expansion and an assurance of natural gas needs, especially for the upcoming winter season.

In most of our home market countries, renewables targets and policies has been reviewed to enhance its expansion. For example, Lithuanian Parliament approved the energy "Breakthrough" package (link in Lithuanian) and confirmed Lithuanian offshore wind framework, while Poland amended renewables related legislation, both having the same target – to accelerate renewables capacity expansion by easing its development and construction restrictions, like excess requirements for environmental impact assessment and wind turbines distance from residential properties.

On natural gas side, safety threats and upcoming winter season forced European countries to search for alternatives to Gazprom gas. On this front, we can proudly say that Lithuania became the first EU member state which swapped Russian natural gas for LNG cargoes (mainly from USA and Scandinavia), meaning that, since the beginning of April 2022[1], the Group has stopped the purchases from Gazprom. Additionally, on 1 July 2022, the Law entered into force prohibiting natural gas imports from Russia and other countries posing a threat to the country's national security. Thus, even though natural gas is not the core business of the Group, we actively participate in every possible way to reduce natural gas dependency on Russia while ensuring uninterrupted supply of natural gas to our customers.

[1] *Lithuania has stopped importing electricity from Russia since fall 2021 and since May 2022 all three Baltic states stopped importing electricity from Russia after Europe's Nord Pool power exchange stopped Russian electricity trading.*

We stand with the people of Ukraine and will continue to do so. Since the beginning of the invasion, we contributed to and initiated actions that helped both the people of Ukraine and our colleagues who were willing to support family members, friends or people fleeing the war. Items of medical and other humanitarian aid were collected and sent to the conflict zone. In addition, we financially support our employees who volunteer by transporting people from the war zone and arranging safe accommodation. This invasion goes against our values, and we have taken and will continue to take actions supporting Ukraine and its people as well as human rights and energy independence.

**Performance**

In H1 2022, Adjusted EBITDA increased by 38.8% compared to the same period last year, reaching EUR 206.5 million. The increase was mainly driven by the Green Generation segment with the segment's Adjusted EBITDA accounting for almost 60% of the Group's result in H1 2022. This, in turn, has been driven by Pomerania WF, which reached COD in December 2021, and better performance of our operating assets, mostly due to higher electricity prices. The higher Adjusted EBITDA result was partly offset by the lower Customers & Solutions segment result, mainly due to ineffective electricity 'proxy' hedges as the correlation of chosen hedge products deteriorated.

Following the solid performance of the Green Generation segment in H1 2022, we are increasing our Adjusted EBITDA guidance for the full-year of 2022 and expect it in the range of EUR 360–420 million (previous guidance EUR 330–360 million).

In Q2 2022, in the light of increasing prices of energy resources, Lithuanian Parliament has amended legislation to provide consumers with partial price compensation. From H2 2022, increasing prices as well as the regulatory differences of regulated supply customers accumulated by the end of H1 2022 will be partially compensated directly from the State budget through a tariff. Out of the planned EUR 570 million to be allocated from the budget, the State will use a significant portion of the funds to compensate the regulatory differences (EUR 365 million) accumulated by the end of H1 2022 while EUR 205 million will be allocated to compensate H2 2022 energy prices for the customers of all independent suppliers. It should prevent the Group's net working capital from increasing further in H2 2022 as well as reduce the currently accumulated debts that have been used to finance regulatory differences until the second half of this year.

Turning to our shareholder returns, for the second half of 2021 a dividend of EUR 0.600 per share was confirmed at our Annual General Meeting of Shareholders. In line with our Dividend Policy, we paid out a dividend of EUR 1.19 per share for the year 2021, corresponding to a total of EUR 87.6 million, and assured the annual dividend increase of at least 3%.

We are continuing our dividend commitment and subject to approval at the Group's Extraordinary General Meeting of Shareholders to be held on 29 September 2022, for H1 2022 we propose to distribute a dividend of EUR 0.624 per share, corresponding to EUR 45.2 million.

Finally, after the reporting period, in July 2022, S&P Global Ratings affirmed 'BBB+' (stable outlook) rating after annual credit rating review, which, once again, confirms solid and resilient financial position of the Group even during such turbulent times

**Business development**

Since the end of 2021, we have successfully continued working on our Green Generation expansion by increasing pipeline by around 750 MW to 2.2 GW and achieving significant milestones across project development.

In H1 2022, we materially increased our greenfield portfolio with additions of around 345 MW to a total of around 515 MW. After the reporting period, we secured land plots for further 385 MW and now our greenfield pipeline comprises a total of around 900 MW. It includes the most advanced solar project with a capacity of 252 MW for which grid connection was secured in Lithuania. This project's investments are estimated to reach up to EUR 200 million and COD to take place by the end of 2024.

We also started the development of the first hybrid solar park in Lithuania (Tauragė solar project) with a capacity of 22 MW in the vicinity of an existing Vėjo Gūsis WF (19.1 MW) while our Silesia WF (50 MW) reached the construction phase.

On the offshore wind front, significant milestones were reached as well. Moray West offshore wind project (850–900 MW), in which we hold a minority stake (5%), after selecting Siemens Gamesa to deliver wind turbines, should reach final development steps in the coming months. Additionally, after the reporting period, the project reached another milestone – it was awarded a 15-year CfD for 294 MW (out of the total capacity), which brings closer to the final investment decision. Also, earlier this year, we sent our team for a secondment to gain the offshore development related knowledge from Ocean Winds, which we believe is crucial in order to succeed in the Lithuanian Offshore WF I project.

Turning to the Networks segment, since the end of 2021, we have successfully continued maintenance and expansion works,

Our Adjusted EBITDA grew by 38.8% to EUR 206.5 million compared to H1 2021. The launch of Pomerania WF in Poland and better results of our operating Green Generation assets continues to be the key drivers of our strong performance.

including smart meter roll-out. After the first batch of smart meters was received and tested in Q1 2022, we installed them in Q2 2022, which was followed by the mass roll-out kick off shortly afterwards. Our target to finalize the mass roll-out process by the end of 2025 remains unchanged. Same as previously, we continue to face the risk of supply chain disruptions due to the global supply issue ('the semiconductor crisis') as well as the geopolitical crisis, potentially causing disruption in the production of smart meters and, thus, affecting the project by having the smart meters delivered in smaller quantities than planned and/or within a longer timeframe.

**Sustainability**

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

In Q1 2022, we presented our GRI-aligned comprehensive Sustainability Report for 2021. We continue to refine our disclosures to provide a wide set of stakeholders a clear view of our performance and progress.

Occupational safety and health issues of employees and contractors is one of the priorities of the Group. However, at the time of publishing the report, we had three fatal incidents – two contractors and one employee of the Group were fatally injured during work. As such cases severely shock the Group, we are taking all necessary steps based on our internal procedures in place to prevent such tragedies in the future.

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

Moreover, we are pleased to share that, after the reporting period, Ignitis (Customers & Solutions) received a platinum medal for its sustainability practices from EcoVadis, a ratings platform that focuses on sustainable supply chains. Ignitis was listed among the top 1% of the companies assessed globally by EcoVadis and among top 3% of assessed companies in the sector. This is a great achievement not only for Ignitis, but also for the entire Group.

In the second half of this year, we will continue to devote more attention to our strategic sustainability priorities: focus on fine-tuning our decarbonisation plan to be in line with science-based targets, and also devote significant attention to Taxonomy alignment, biodiversity, and waste impact assessments, strengthening employee and contractor safety practices and streamlining our efforts to increase diversity and inclusion.

**Corporate changes**

Reporting period was also marked with changes on the Group's corporate governance front as new members of the Management Board have been elected by the Supervisory Board. 3 out of 5 of the members have served in the previous term of the Management Board, including CEO, thus, allowing to comfortably continue the Group's development.

**Looking ahead**

The Group's strong performance during such geopolitically and economically turbulent times is evidence of our robust business profile. Despite potential uncertainty we might face for the rest of this year, and especially during the winter, we continue working on enabling energy transition to increase the energy independence both in Lithuania and our neighboring countries.

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

# 1.2 Business highlights

## January

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

## February

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

**Green Generation:**
Thierry Aelens, a well-respected executive with extensive experience in development of offshore wind projects in leading energy companies, was appointed as the new CEO of Ignitis Renewables.

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

**Strategy:**
2022–2025 Strategic Plan was published.

## March

**Green Generation:**
Lithuanian legislation setting general offshore development framework approved.

## April

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

**Governance:**
An international Top Employer 2022 Lithuania Certificate was awarded to the Group for applying the highest HR management standards.

**Governance:** Vilnius District Court dismissed the case on the incentive share options programme for employees of the Group.

**Customers & Solutions:**
In relation to the Russian invasion of Ukraine, the Group suspended natural gas purchases from Gazprom by replacing its stock with LNG cargoes.

## May

**Green Generation:**
A contract was signed with Valmet for the installation of biomass boiler systems of Vilnius CHP biomass unit. Accordingly, due to a global supply chain disruption and workforce shortage, mainly affected by the Russian invasion of Ukraine, generation of first energy in Vilnius CHP biomass unit was rescheduled to Q1 2023. However, COD in Q2 2023 remains unchanged.

**Green Generation:**
Gary Bills, an executive with a vast experience in the development and construction of renewable energy projects gained while working at consultancy companies and leading manufacturers, was appointed as COO for wind and solar development of Ignitis Renewables.

**Customers & Solutions:**
Baltic states stopped importing electricity from Russia after Europe's Nord Pool power exchange stopped Russian electricity trading. As a result activity of Russian related market players as 'Inter RAO Lietuva' was stopped which in turn opened opportunities to expand B2B client portfolio.

**Customers & Solutions:**
The gas interconnection between Poland and Lithuania (GIPL) started commercial operation, allowing Lithuanian-Polish natural gas exchange which strengthens the energy independence of the region and increases trading opportunities.

## June

**Green Generation:**
The development of the first Lithuania's hybrid solar park (Tauragė solar project) with a capacity of 22 MW was initiated in the vicinity of an existing Vėjo Gūsis WF (19.1 MW). COD is expected to take place by the end of 2024.

**Green Generation:**
Installation of wind turbines has been started in Mažeikiai WF (63 MW).

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

After the reporting period

## July

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

**Customers & Solutions:**
Lithuanian Parliament amended all legal acts related to providing customers with partial compensation due to increasing prices of energy resources. From H2 2022, increasing prices as well as the regulatory differences of regulated supply customers accumulated by the end of H1 2022 will be partially compensated directly from the State budget through a tariff. Out of the planned EUR 570 million to be allocated from the budget, the State will use a significant portion of the funds to compensate the regulatory differences (EUR 365 million) accumulated by the end of H1 2022 while EUR 205 million will be allocated to compensate H2 2022 energy prices for the customers of all independent suppliers, having a positive effect on the Group's working capital and debt level.

**Green Generation:**
Grid connection for the largest Group's greenfield solar park project so far with a capacity of 252 MW was secured in Lithuania. Investments are estimated to reach up to EUR 200 million and COD to take place by the end of 2024.

**Sustainability:**
Ignitis (Customers & Solutions) received a platinum medal (previously received a silver medal) for its sustainability practices from EcoVadis, and now falls among the top 1% of all companies assessed.

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

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

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

## August

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

**Finance:**
Due to the increase in power prices as well as to ensure market demand and uninterrupted natural gas supply, the Group concluded additional short-term loan agreements to fund growth in working capital needs, with a total limit of around EUR 500 million (as of report issue date).

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

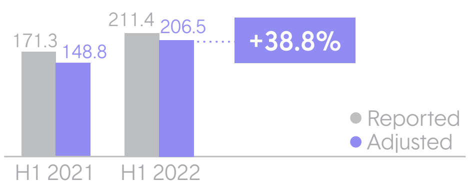
# Almost 60%

Green Generation Adjusted EBITDA accounted for almost 60% of the Group's total result in H1 2022 (EUR 119.4 million out of EUR 206.5 million).

# 1.3 Performance highlights

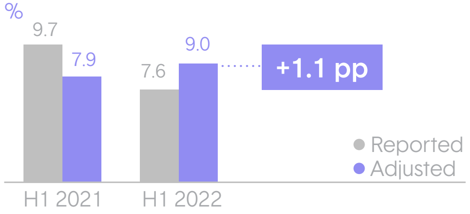
## Financial[1,2]

### EBITDA, Adjusted EBITDA APM
EURm



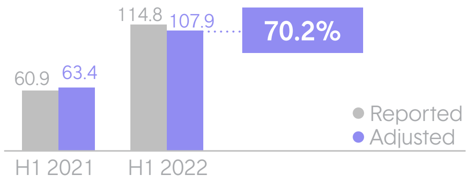

Adjusted EBITDA growth was driven by Green Generation segment. Main contributors to the growth were the launch of Pomerania WF in Poland and better results of our operating Green Generation assets, both driven by higher electricity market price. Adjusted EBITDA result was partly offset by a decrease in Customers & Solutions segment result mainly due to ineffective electricity "proxy" hedges as the correlation of chosen hedge products deteriorated.

### ROCE LTM, Adjusted ROCE LTM APM
%



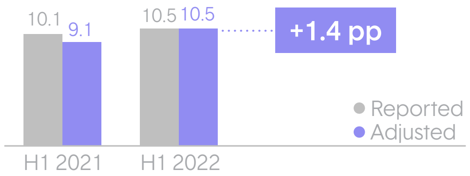

Adjusted ROCE LTM increased to 9.0%, mostly impacted by an increase in Adjusted EBITDA.

### Net profit, Adjusted net profit APM
EURm



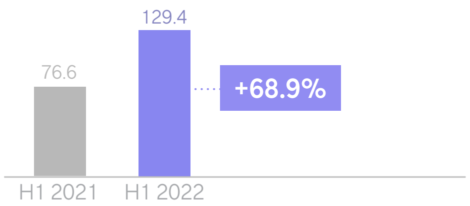

Adjusted Net Profit increase was driven by the growth in Adjusted EBITDA, which was partly offset by higher depreciation and amortisation as well as income tax expenses.

### ROE LTM, Adjusted ROE LTM APM
%



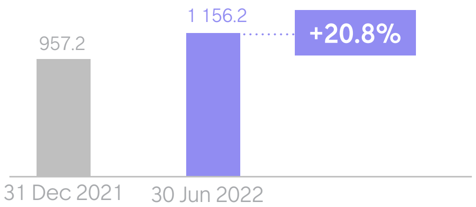

Adjusted ROE LTM increased to 10.5% mainly due to increased Adjusted net profit.

### Investments APM
EURm



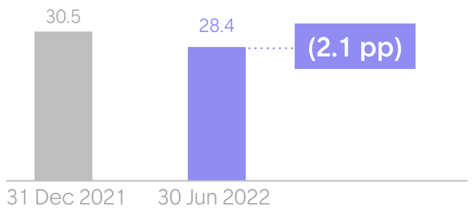

Investments increased mainly due to higher investments in electricity distribution network expansion and maintenance as a result of more new connection points and renovated objects as well as increased contractors fees. Contractors fees increased on average by 35% per client for new connections and by 43% per object for maintenance.

### Net debt APM
EURm




Net debt increased by 20.8% mainly due to higher need for working capital influenced by growth in inventories and accrued amounts receivable for regulatory differences which was impacted by high energy prices and suspended purchase of Gazprom's natural gas. The increase was partly offset by positive FFO and a receivable from EPSO-G obtained.

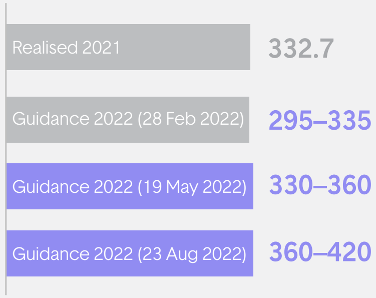
### FFO LTM/Net debt APM
%




FFO/Net debt decreased from 30.5% to 28.4% due to increased Net debt which was partly offset by increased FFO.

### Outlook for 2022

#### Adjusted EBITDA APM
EURm



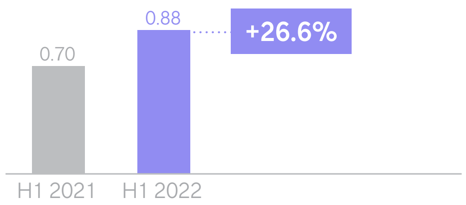

In the outlook announced in the First quarter 2022 Interim report, we projected the Adjusted EBITDA to be in the range of EUR 330–360 million for 2022. Following the solid performance of the Green Generation segment in H1 2022 we are increasing our guidance to EUR 360–420 million.

*[1] To simplify the reporting the management have decided to cease using a part of management's adjustments (for more information see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021'). Due to the change of APM made in the last two quarters of 2021, the measures of 2021 quarters were recalculated accordingly. [2] Due to the Networks Methodology update, change in accounting policy and reclassifications, all financial indicators were recalculated retrospectively for the quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021').*

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

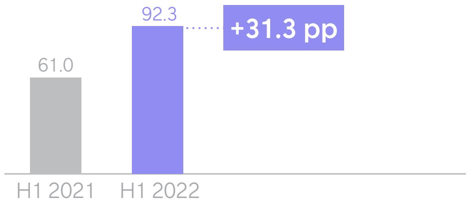
# Environment

### Green electricity generated (net)
TWh



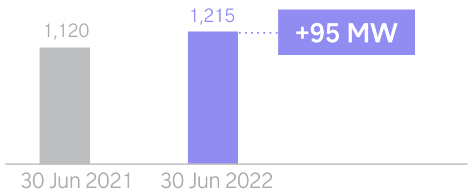

The 26.6% increase in green electricity generated (net) was driven by Pomerania WF (COD in December 2021) and Kaunas HPP due higher levels of water in the Nemunas river. The increase was offset by lower generation of Kruonis PSHP due to fewer favourable days for generation.

### Green share of generation
%



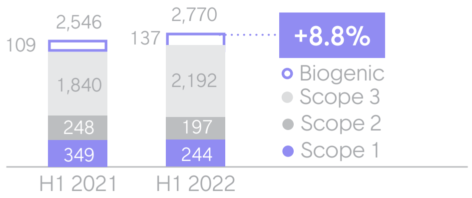

Green share of generation reached 92.3% as a result of increased green electricity generated (net) and a decline in electricity generated (net) from CCGT (Flexible Generation).

### Green Generation installed capacity
MW




Installed Green Generation capacity increased by 94 MW since Pomerania WF reached COD in December 2021.

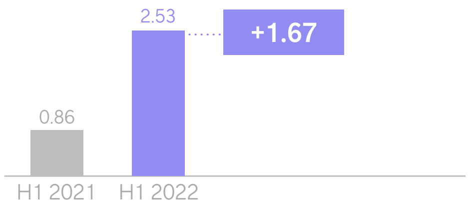
### Climate action
GHG emissions, thousand t $CO_2$ eq




GHG emissions in H1 2022 increased by 8.8% due to increased gas and electricity sales of UAB "Ignitis" (scope 3) and increased biofuel consumption (biogenic). GHG emissions level decreased in scope 1 (by 30%) mainly due to lower volumes of gas fired generation at Elektrėnai complex (Flexible Generation).

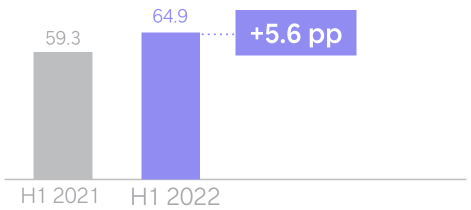
# Social

### Safety
TRIR, times




The increase of TRIR results was largely due to the challenging weather conditions in winter resulting in occurrences of slipping, and the failure to follow proper safety precautions. At the time of publishing the report, three fatal accidents were recorded in 2022 (2 contractors and 1 employee). Inspections are ongoing and measures will be taken accordingly.

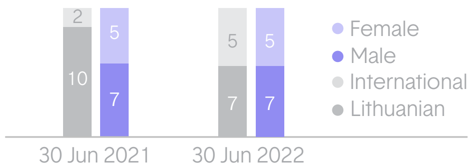
### Employee satisfaction
eNPS, % (1-100)




During H1 2022 employee experience has improved, which is indicated by an increase in eNPS of 5.6 pp to 64.9%.

# Governance

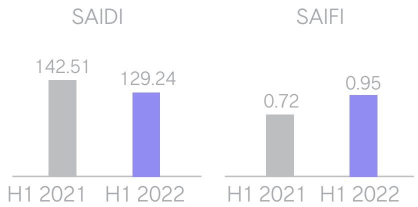
### Supervisory and Management Boards
Nationality and gender diversity




The share of female and international professionals in Management and Supervisory Boards is ~42%. The number of international board members' increased from 2 to 5 after the new Supervisory Board was formed in October 2021 while the number of female members remained constant.

# Operational efficiency

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




Electricity quality indicators during H1 2022 were affected by extreme conditions/natural disasters (that caused 4 mass disconnection in January and February 2022) and strong winds local storms. Increased number of installed automatic solutions, as well as proactive management of staff levels based on the weather forecast, resulted in reduced average interuption duration.

# 1.4 Outlook

## Adjusted EBITDA guidance

In the outlook announced in our Annual report 2021, we expected Adjusted EBITDA to be in the range of EUR 290–335 million for 2022. In May with our First quarter 2022 Interim report we have increased our guidance to EUR 330–360 million.

Following the solid performance of the Green Generation segment in H1 2022, we are increasing our guidance to EUR 360–420 million and reiterate our directional Adjusted EBITDA guidance for business segments.

In 2022, compared to 2021, we expect an increase in results of both of our core segments – Green Generation and Networks. Green Generation is expected to grow mainly due to the full year effect of Pomerania WF, which reached COD in December 2021, as well as due to the implementation of asset rotation programme. Additionally, due to increased electricity prices in the market we expect better results from our existing Green Generation units' unhedged portfolio part. Better results in the Networks segment are related to the additional tariff component established in the updated regulatory Methodology (for more information, see our the Annual report 2021 section 'Significant changes in reporting period of 2021'). However, in the Customers & Solutions segment ineffective electricity 'proxy' hedges are expected to have a negative impact.

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

| | Realised 2021 | Guidance 28 February 2022 | Guidance 19 May 2022 | Guidance 23 August 2022 |
|---|---|---|---|---|
| **Adjusted EBITDA** APM | **332.7** | **290–335** | **330–360** | **360–420** |
| Networks | 145.4 | Higher | Higher | Higher |
| Green Generation | 107.5 | Higher | Higher | Higher |
| Flexible Generation | 37.2 | Lower | Lower | Lower |
| Customers & Solutions | 40.6 | Lower | Lower | Lower |
| Other | 2.0 | Stable | Stable | Stable |

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

## Forward-looking statements

The interim report contains forward-looking statements, which reflect current views and are, by nature, subject to risks and uncertainties. Because they relate to events and circumstances that will occur in the future, the actual development may differ materially from our expectations. We are unable to predict the impact of these events. For further information about the risks relevant to the Group's activities, see section 4.4 'Risk and risk management'.

# 1.5 Investor information

## Overview

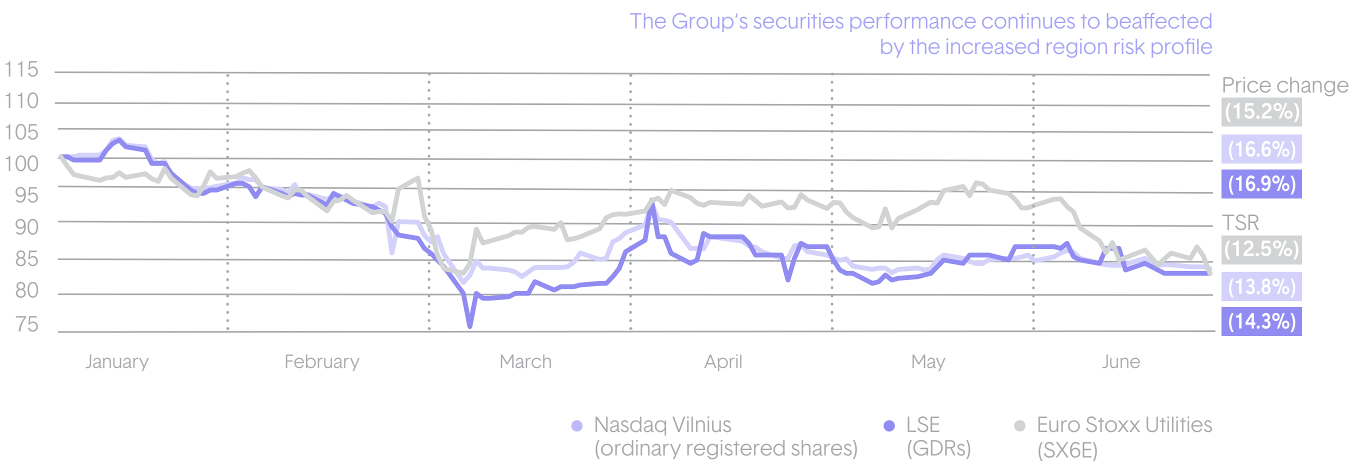
In H1 2022, the Group's shares and GDRs have generated TSR of (12.5%) and (13.8%) respectively. During the same period, the TSR of our benchmark index (Euro Stoxx Utilities) equaled to (14.3%).

Since the beginning of 2022, the total (shares and GDRs) turnover was equal to EUR 69.4 million (EUR 48.8 million on Nasdaq Vilnius exchange and EUR 20.6 million on LSE), whereas the average daily turnover totaled to EUR 0.6 million (EUR 0.4 million on Nasdaq Vilnius exchange and EUR 0.2 million on LSE). Compared to H1 2021, both the total turnover and the average daily turnover decreased by 47.8% and 45.5%[1] respectively.

At the end of the reporting period, the Group's market capitalisation was EUR 1.3 billion.

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

### Price development and return in H1 2022[2]




### The Group is a constituent of the below indices

**Benchmark index**
MSCI Frontier Markets Index

**Tradable index**
OMX Baltic 10

**Benchmark index**
OMX Baltic Benchmark

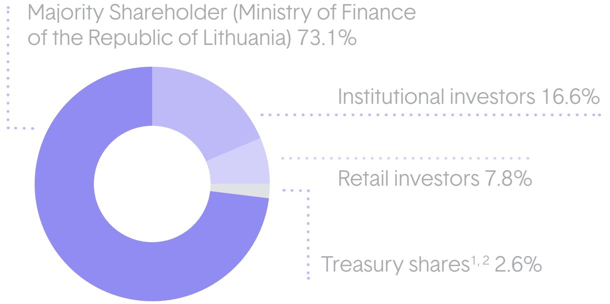
### Price performance information in H1 2022

| | Nasdaq Vilnius | LSE | Combined |
|---|---|---|---|
| **Period opening[1], EUR** | 21.20 | 21.10 | - |
| **Period high[1] (date), EUR** | 21.95 (13 Jan) | 21.60 (13 Jan) | 21.95 |
| **Period low[1] (date), EUR** | 17.56 (7 Mar) | 16.00 (8 May) | 16.00 |
| **Period VWAP[2], EUR** | 19.39 | 18.47 | 19.02 |
| **Period end[1], EUR** | 17.98 | 17.60 | - |
| **Period turnover (average daily), EURm** | 48.81 (0.4) | 20.57 (0.2) | 69.38 (0.6) |
| **Market capitalisation, period end, EURbn** | - | - | 1.3 |

*[1] In H1 2021, total (shares and GDRs) turnover was equal to EUR 132.9 million (EUR 74.0 million on Nasdaq Vilnius exchange and EUR 58.9 million on LSE), whereas the average daily turnover totalled to EUR 1.1 million (EUR 0.6 million on Nasdaq Vilnius exchange and EUR 0.5 million on LSE).*
*[2] Index = 100.*
*[3] As of closing trading market price.*
*[4] Weighted average volume price.*

# Shareholders composition

### Shareholders composition (at the end of the reporting period)




During the reporting period, share of the Republic of Lithuania (the authority implementing shareholder's rights – the Ministry of Finance of the Republic of Lithuania, Majority Shareholder) remained unchanged (73.1%) and there are no other parties holding more than 5% of the parent company's share capital.

However, after the reporting period each investor's shareholdings proportionally increased, as a result of the reduction of the parent company's share capital (more information detailed below), leaving Majority Shareholder now holding 74.99% of shares.

## Credit rating

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

For further investor related information, see our Annual report 2021 or visit 'Investors' section on our website.

S&P Global Ratings BBB+ /Stable/ --

### Parameters of the securities issues

| | Nasdaq Vilnius | LSE | Combined |
|---|---|---|---|
| **Type** | Ordinary registered shares | Global Depositary Receipt (GDR) | - |
| **ISIN-code** | LT0000115768 | Reg S: US66981G2075; Rule 144A:US66981G1085 | - |
| **Ticker** | IGN1L | IGN | - |
| **Nominal value, EUR** | - | - | 22.33 per share |
| **Number of shares (share classes)[1]** | - | - | 74,283,757 (one share class) |
| **Number of treasury shares[2]** | - | - | 1,894,797 (2.6%) |
| **Free float, shares (%)[1,3]** | - | - | 18,105,203 (24.4%) |
| **Ordinary registered shares vs GDRs split** | 64.6% | 35.4% | 100% |

### Financial calendar 2022

| | |
|---|---|
| **29 September 2022** | Extraordinary General Meeting of Shareholders |
| **12 October 2022** | Expected Ex-Dividend Date (for ordinary registered shares) |
| **13 October 2022** | Expected Record Date for dividend payment (for ordinary registered shares) |
| **22 November 2022** | Interim report for the first nine months of 2022 |

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

## General shareholders' meetings, dividends & share capital

In Q1 2022, the Annual General Meeting of Shareholders has been held, during which a dividend of EUR 0.60 per share for the second half of 2021, corresponding to EUR 43.85 million, has been confirmed. In line with our Dividend Policy, we paid out a dividend of EUR 1.19 per share for the year 2021, corresponding to EUR 87.6 million.

In line with our dividend commitment, for H1 2022 we propose to distribute a dividend of EUR 0.624 per share, corresponding to EUR 45.2 million. However, it is still subject to approval at the Group's Extraordinary General Meeting of Shareholders to be held on 29 September 2022.

During H1 2022, the parent company's share capital remained unchanged. However, after the reporting period, on 9 August 2022, in relation to the post-IPO stabilisation, share capital was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of the parent company's acquired own ordinary registered shares. As a result, a total number of ordinary registered shares decreased to 72,388,960 (from 74,283,757) causing a decrease in the free float to 25.01% (from 26.92% level at IPO) and a proportional increase in each investor's shareholdings. Accordingly, a new wording of the Articles of Associations was approved.

Further relevant information regarding general meetings of shareholders is available in the 'Governance' section of this report and on our website.

*[1] After the reporting period, on 9 August 2022, in relation to the post-IPO stabilisation, share capital of the parent company was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of the parent company's acquired own ordinary registered shares. As a result, a total number of ordinary registered shares decreased to 72,388,960 (from 74,283,757) causing a free float change to 25.01% (the free float increased from 24.4%, compared to the number before the annulment of treasury shares, and decreased from 26.96%, compared to the level during the IPO). [2] In relation to the post-IPO stabilisation, the parent company implemented 2 acquisitions of its own ordinary registered shares during 2021–2022 and in total acquired 1,894,797 units of its securities. [3] Excluding treasury shares.*

# Business overview

# 2.1 Business profile

## Creating an Energy Smart world

### Core businesses

#### Networks

Resilient and efficient energy distribution enabling the energy transition.

**Activities**

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

**Revenue model**

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

**$CO_2$ neutral strategy support**

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

**Network size[1]**

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

#### Green Generation

Focused, sustainable, and profitable growth.

**Activities**

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

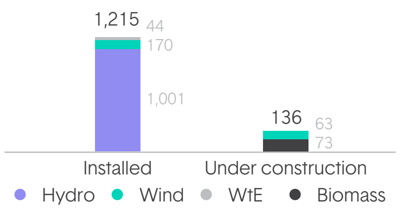
**Revenue model**

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

**$CO_2$ neutral strategy support**

Through development of zero carbon electricity generating assets.

**Electricity capacity, MW[1]**




1.48 TWh

**Electricity generated (net)**

### Complementary businesses

#### Flexible Generation

Reliable and flexible power system.

**Activities**

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

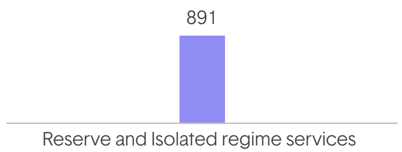
**Revenue model**

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

**$CO_2$ neutral strategy support**

Enabling the system to integrate more renewable energy capacities.

**Electricity capacity, MW[1]**




0.82 TWh

**Electricity generated (net)**

#### Customers & Solutions

Innovative solutions for easier life and energy evolution.

**Activities**

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

**Revenue model**

Regulated tariffs and commercial contracts.

**$CO_2$ neutral strategy support**

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

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

| | B2C | B2B |
|---|---|---|
| **Electricity** retail sales 6.77 TWh | 2.91 TWh | 3.86 TWh |
| **Natural gas** retail sales 8.93 TWh | 2.84 TWh | 6.09 TWh |

15.70 TWh

**Total retail sales**

[1] *Information reflects data for the full-year 2021, except for electricity capacity which reflects data as of 30 June 2022.*

Contents »

# 2.2 Market presence

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

**GREEN GENERATION PORTFOLIO (3,373 MWe, 349 MWth)**
- **Operational: 1,215 MWe, 180 MWth**
- **Under construction: 186 MWe, 169 MWth**
- **Under development (advanced stage): up to 212 MW**
- **Under development (early stage): around 1,760 MW**

### LITHUANIA

**Networks**
- Country-wide electricity and natural gas distribution

**Green Generation:**

**OPERATIONAL (1,143 MWe, 180 MWth)**
- Kruonis PSHP (900 MW)
- Kaunas HPP (101 MW)
- Eurakras WF (24 MW)
- Vėjo gūsis WF (19 MW)
- Vėjo vatas WF (15 MW)
- Kaunas CHP (24 MWe, 70 MWth)
- Vilnius CHP's WtE unit (20 MWe, 70 MWth)
- Biomass boiler in Elektrėnai (40 MWth)

**UNDER CONSTRUCTION (136 MWe, 169 MWth)**
- Vilnius CHP's biomass unit (73 MWe, 169 MWth)
- Mažeikiai WF (63 MW)

**UNDER DEVELOPMENT (ADVANCED STAGE) (132 MW)**
- Kruonis PSHP (110 MW)
- Tauragė solar park (22 MW)

**UNDER DEVELOPMENT (EARLY STAGE) (around 1,485 MW)**
- Lithuanian offshore WF I (700 MW)
- Greenfield portfolio (around 785 MW)

**Flexible Generation**

**OPERATIONAL(1,055 MW)**
- Two natural gas fired reserve power units in Elektrėnai (600 MW)
- Combined Cycle Gas Unit in Elektrėnai (455 MW)

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

### FINLAND

**Customers & Solutions**
- B2B supply of natural gas

### ESTONIA

**Green Generation:**

**OPERATIONAL (18 MW)**
- Tuuleenergia WF (18 MW)

**Customers & Solutions**
- B2B supply of electricity

### LATVIA

**Green Generation**

**UNDER DEVELOPMENT (EARLY STAGE) (around 160 MW)**
- Latvian onshore WF portfolio I (around 160 MW)

**Customers & Solutions**
- B2B supply of electricity and natural gas

### POLAND

**Green Generation**

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

**UNDER CONSTRUCTION (50 MW)**
- Silesia WF (50 MW)

**UNDER DEVELOPMENT (ADVANCED STAGE) (up to 80 MW)**
- Polish solar portfolio II (up to 80 MW)

**UNDER DEVELOPMENT (EARLY STAGE) (around 115 MW)**
- Greenfield portfolio (around 115 MW)

**Customers & Solutions**
- B2B supply of electricity

[1] *Information reflects data as of report announcement date (23 August 2022).*

# 2.3 Strategy

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

In our strategy we focus on four key strategic priorities. First, we are creating a sustainable future. ESG criteria are an integral part of our strategic goals with strong commitment to a more sustainable future. We align our business targets with the United Nations' Sustainable Development Goals and we are committed to reducing net carbon dioxide emissions to zero by 2050. We also strive to align our businesses with science-based targets to a 1.5°C-compliant business model. Second, we are ensuring resilience and flexibility of the energy system, as well as enabling energy transition and evolution. Third, we are growing renewables to meet regional energy commitments. We target to reach 4 GW of installed green generation capacity by 2030. Fourth, we are capturing growth opportunities and developing innovative solutions to make life easier for the energy smart.

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

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

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

## Our values

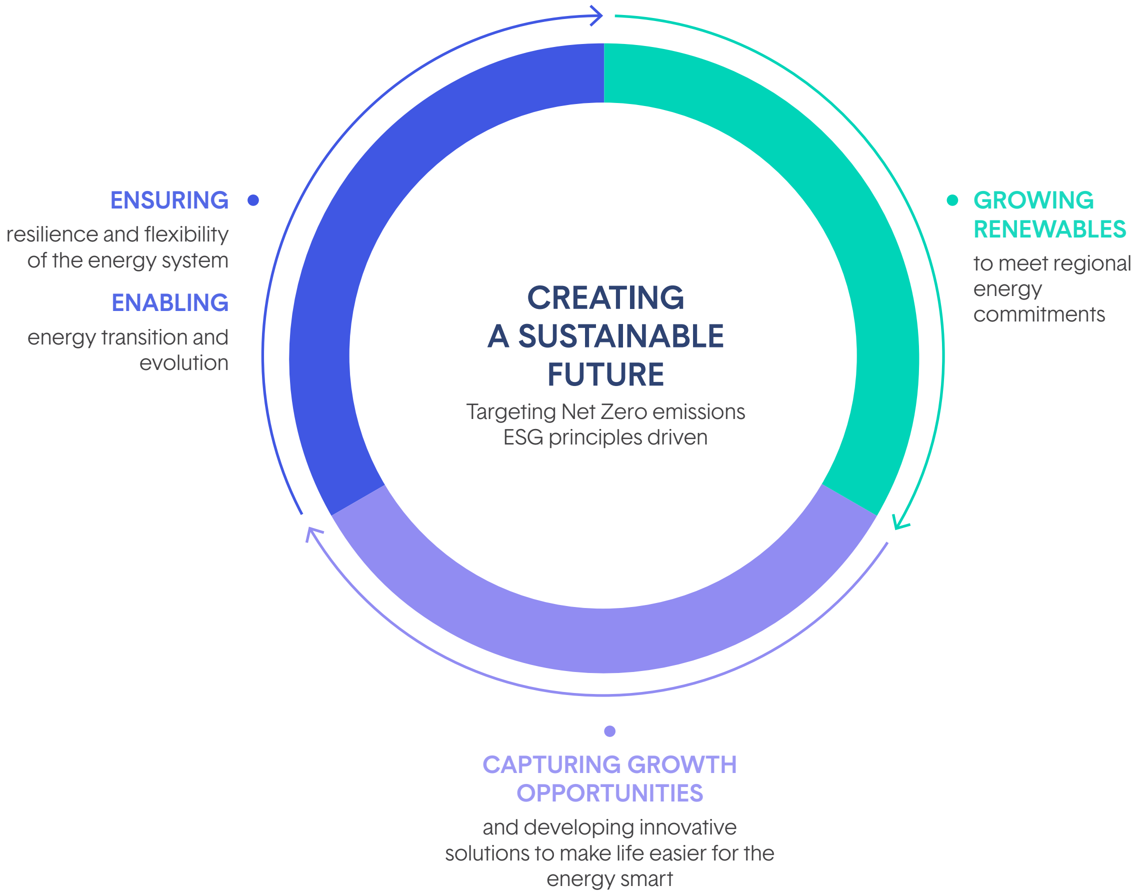
**RESPONSIBILITY**
Care. Do. For Earth. Starting with myself.

**PARTNERSHIPS**
Diverse. Strong. Together.

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

**GROWTH**
Curious. Bold. Everyday.

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




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

# Our strategic goals

Our Strategic Plan 2022–2025 establishes the Group's ambition to work towards decarbonisation and focus on investments into the Green Generation and Networks segments and describes the implementation of priorities and directions of our Corporate Strategy. We provide you with the summary of key targets we aim to deliver by the end of 2025 below.

| FINANCIAL | |
|---|---|
| Adjusted EBITDA, 2025 | 370–410 EURm |
| of which a sustainable share, 2025 | ≥70% |
| Adjusted EBITDA growth, 2025 vs. 2021 | +11–23% |
| | |
| Average ROCE, 2022–2025 | 5.5–6.5% |
| | |
| Dividend policy | minimum 3% annual grow rate |
| Minimum DPS[1], 2025 | ≥1.35 EUR |
| Dividend yield[1], 2022–2025 | 6.0–6.6% |
| | |
| Total CAPEX, 2022–2025 | 1.7–2.0 EURbn |
| of which a sustainable share, 2022–2025 | >90% |
| | |
| Net Debt/Adjusted EBITDA, 2022–2025 | <5x |
| | |
| Solid investment–grade rating (S&P), 2022–2025 | 'BBB' or above |

*[1] Minimum dividend per share is calculated based on the No. of shares (73,040,514 ordinary registered shares). Dividend yield is calculated based on the Ignitis group share price: 20.5 €/sh.*

| BUSINESS | |
|---|---|
| Green generation installed capacity: | |
| 2025 | 2.0–2.2 GW |
| 2030 | 4.0 GW |
| | |
| Science-based emissions reduction (to align with 1.5 °C scenario alongside an explicit net-zero-by-2050 commitment): | |
| 2025 vs. 2020 | (23%) |
| 2030 vs. 2020 | (47%) |
| | |
| Safety at work: | |
| Fatal accidents of own employees and contractors, 2025 | 0 |
| Total recordable injury rate (TRIR) of own employees, 2025 | <1.90 |
| | |
| Engaged employees, diverse and inclusive workplace: | |
| Employee Net promoter score (eNPS), 2022–2025 | ≥50% |
| Share of women in top management, 2025 | ≥34% |
| | |
| Electricity SAIFI[2]: average 2022–2026 | ≤1.06 |
| | |
| Network digitalisation: # of smart meters in 2025 | 1.1–1.2 million |
| | |
| Market position in ancillary services in Lithuania, 2022–2025 | #1 |
| | |
| Green electricity share in our supply portfolio, 2025 | >50% |

*[2] Calculated based on the National Energy Regulatory Council methodology, excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.*

# Update on key ongoing and planned Investments

The Group's sustainable growth is led by investments in our core business segments – Green Generation and Networks. In total, we expect to deploy around EUR 1.7–2.0 billion of capital over 2022–2025, or around EUR 425–500 million per annum. A large part, or around 50%, of the investments will be directed towards the expansion of Green Generation capacity to around 2.0–2.2 GW. At the end of H1 2022, the operational portfolio amounted to 1.2 GW. The second largest proportion of funds, or around 45%, will be directed to Networks maintenance and expansion. The funds will be used for grid maintenance, which will increase its security and reliability, developing new customer connections and upgrades, and digitalising the Lithuanian energy sector with the smart electricity metering programme.

### Green Generation

Generation pipeline by around 750 MW to 2.2 GW. This was mainly driven by the accelerated greenfield portfolio development. In H1 2022, it increased by around 345 MW to a total of around 515 MW. After the reporting period, we secured land plots for further 385 MW and now our greenfield pipeline comprises a total of around 900 MW. We also started the development of the first hybrid solar park in Lithuania (Tauragė solar project) with a capacity of 22 MW in the vicinity of an existing Vėjo Gūsis WF (19.1 MW) while our Silesia WF (50 MW) reached the construction phase, and Moray West offshore wind project (850–900 MW), in which we hold a minority stake (5%), should reach final development steps in the coming months. months. There are no changes in key milestones of other projects since Q1 2022.

## Status on key investment projects

### Under construction

**Mažeikiai WF**

- **Technology:** onshore wind
- **Capacity:** 63 MW
- **Expected COD:** Q1 2023
- **Investment:** ~ EUR 80–85 million
- **Revenue model:** merchant (PPA)
- **Ownership:** 100%
- **Status:** On track
- **Progress:**
  - Installation of wind turbines (Nordex) has been started.
  - Construction works of laying underground 110 kV and 30 kV electric cables were completed and a 110/30 kV transformer station was erected.
  - Substation and grid connection point are under construction.
  - Testing procedures of internal electricity grid and WF connection point have been started.

**Vilnius CHP (biomass unit)**

- **Technology:** biomass
- **Capacity:** 73 MWe, 169 MWth
- **Expected COD:** Q2 2023
- **Investment:** ~ EUR 232 million[1]
- **Revenue model:** merchant (PPA)
- **Ownership:** 100% (49% to be divested post COD according to EU CAPEX grant rules)
- **Status:** Time delay and / or budget deviation
- **Progress:**
  - Public procurement procedures for the remaining construction works were finished and all the contracts were activated.
  - All construction works are in line with the schedule.

**Silesia WF**

- **Technology:** onshore wind
- **Capacity:** 50 MW
- **Expected COD:** Q4 2023
- **Investment:** ~ EUR 70 million[2]
- **Revenue model:** 15-year indexed CfD at ~ 55 EUR/MWh[3]
- **Ownership:** 100%
- **Status:** On track
- **Progress:**
  - All contracts required to begin contruction works (incl. wind turbines and BoP) have been signed.
  - After the reporting period, the project approached construction phase.
  - Delivery of wind turbines and its components (Nordex) are expected to start in Q3 2023.

*[1] Includes EU CAPEX grant for Vilnius CHP (i.e., waste-to-energy (operational since Q1 2021) and biomass units) which in total amounts to ~ EUR 140 million.*
*[2] Including project acquisition and construction works.*
*[3] 237.5 PLN/MWh, applying inflation index of 1.07 and 4.6904 PLN/EUR rate as of 30 June 2022.*

On track | Time delay and / or budget deviation

## Under development (advanced)

### Polish solar portfolio II

- **Technology:** solar
- **Capacity:** up to 80 MW
- **Expected COD:** 2022–2023
- **Investment:** ~ EUR 50 million
- **Revenue model:** 15-year indexed CfD (partly secured at ~53–56 EUR/MWh[1]) / PPA
- **Ownership:** 100%[2]
- **Status:**
- **Progress:**
  - Portfolio projects are under active development and preparation for constructions with expected COD around the end of 2022 and 2023.
  - Currently, 30 projects with a total capacity of around 30 MW have already secured CfD in the range of ~53–56 EUR/MWh[1].

### Tauragė solar project

- **Technology:** solar
- **Capacity:** 22 MW
- **Expected COD:** 2024
- **Investment:** n/a
- **Revenue model:** merchant (PPA)
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - The solar project will be constructed in the vicinitiy of our existing Vėjo Gūsis WF (19.1 MW) in Tauragė and will be connected to the same transformer as the WF.
  - This will be the first solar-wind hybrid park in Lithuania.
  - Currently, the grid capacity was secured and development permit was received.

### Moray West offshore wind project

- **Technology:** offshore wind
- **Capacity:** 850–900 MW
- **Expected COD:** 2025
- **Investment:** not disclosed
- **Revenue model:** 15-year indexed CfD (294 MW at ~50 EUR/MWh[3]) / Merchant (PPA)
- **Ownership:** 5% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
- **Status:**
- **Progress:**
  - Bank launch preparations continuing.
  - Siemens Gamesa has been awarded the order for the delivery of 60 wind turbines 14.7 MW each.
  - The project has been awarded by the UK government with a 15-year CfD for 294 MW (out of the total capacity) to sell the generated energy at a price of ~50 EUR/MWh[3].

### Kruonis PSHP expansion

- **Technology:** hydro
- **Capacity:** 110 MW
- **Expected COD:** 2025[4]
- **Investment:** ~ EUR 80 million[5]
- **Revenue model:** n/a
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In Q2 2022 public procurement procedures for acquisition of FIDIC Engineer services were started and initial proposals were received. Service provider should be selected in Q4 2022.
  - During the reporting period, the Environmental Impact Assessment was finished (full scale Environmental Impact Assessment is not required).
  - A decision on FID is expected around Q4 2022.

[1] *228–268 PLN/MWh, applying inflation index and 4.6904 PLN/EUR rate as of 30 June 2022.*
[2] *After full completion of construction works.*
[3] *37.35 GBP/MWh (in 2012 prices), applying inflation index and 0.8582 GBP/EUR rate as of 30 June 2022.*
[4] *Tentative schedule is targeted to be aligned with Lithuania's synchronisation with the synchronous grid of Continental Europe project.*
[5] *Preliminary estimate is equal to the value of tender offer announced in January 2022.*

On track   Time delay and / or budget deviation

## Under development (early stage)

### Greenfield portfolio

- **Technology:** onshore wind & solar
- **Capacity:** 900 MW[1]
- **Expected COD:** 2024–2026[2]
- **Investment:** not disclosed
- **Revenue model:** merchant (PPA)
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In H1 2022, our greenfield portfolio increased by around 345 MW to a total of around 515 MW. After the reporting period, we secured land plots for further 385 MW and now our greenfield pipeline comprises a total of around 900 MW. It includes the most advanced solar project with a capacity of 252 MW for which grid connection was secured in Lithuania. This project's investments are estimated to reach up to EUR 200 million and COD to take place by the end of 2024.
  - After securing the land necessary to build reasonable capacity, EIA, spatial planning and other procedures for the specific locations are usually initiated.

### Latvian onshore WF portfolio I

- **Technology:** onshore wind
- **Capacity:** around 160 MW
- **Expected COD:** 2025–2027
- **Investment:** ~ EUR 200 million
- **Revenue model:** merchant (PPA)
- **Ownership:** 100%[3]
- **Status:**
- **Progress:**
  - The project is under active development.
  - EIA procedures in progress.
  - Working on design milestones.
  - Agreement with TSO was signed for a 70 MW connection to the grid.

### Lithuanian offshore WF I

- **Technology:** offshore wind
- **Capacity:** 700 MW
- **Expected COD:** 2028
- **Investment:** not disclosed
- **Revenue model:** 15-year CfD[4]
- **Ownership:** 51% (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
- **Status:**
- **Progress:**
  - The project is undergoing public consultations on SEIA (Strategic Environmental Impact Assessment) and EIA (Environmental Impact Assessment) prepared by the Energy Agency, the Ministry of Energy of the Republic of Lithuania, together with external consultants.
  - On 31 March 2022 the Parliament of Lithuania adopted amendments to legislation supporting the development of offshore wind in the Baltic Sea and foreseeing the tender to take place on 1 September 2023.
  - In June 2022, State Seaport Authority and a port company (AB "Klaipėdos jūrų krovinių kompanija") signed Klaipėda port's infrastructure upgrade agreement for offshore wind development in Lithuania.
  - In Q2 2022, seabed survey in Lithuania has been started and the first results were received by the contracting authority.

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

On track    Time delay and / or budget deviation

## Networks

Since the end of 2021 we have successfully continued working on grid maintenance and expansion, including smart meter roll-out. On the latter, the project is on track with meters undergoing metrological certification in the EU and registration by Lithuanian Metrology Inspectorate. Also, after the first batch of smart meters was received and tested in Q1 2022, we installed them in Q2 2022, which was followed by the mass roll-out kick off shortly afterwards. Our target to finalize the mass roll-out process by the end of 2025 remains unchanged. Same as previously, we continue to face the risk of supply chain disruptions due to the global supply issue ('the semiconductor crisis') as well as the geopolitical crisis, potentially causing disruption in the production of smart meters and, thus, affecting the project by having the smart meters delivered in smaller quantities than planned and/or within a longer timeframe.

## Status on key investment projects

### Maintenance

- **Investments 2022–2030 (10-year investment plan)** ~EUR 1 billion
- **Investments 2022–2025 (Strategic plan):** EUR 390–410 million
- **Revenue model:** partially covered by EU funds (on a project by project basis)
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In H1 2022 over 493 km of electricity lines were reconstructed (out of which 290 km in Q2 2022). Over 95% of these lines are underground cables.
  - Reconstruction of the most affected lines are being continued.

### Expansion
*New customer connections and upgrades*

- **Investments 2022–2030 (10-year investment plan):** ~EUR 750 million
- **Investments 2022–2025 (Strategic plan):** EUR 320–340 million
- **Revenue model:** partially covered by customers' fees
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In H1 2022 over 14,000 new electricity customers and almost 11,000 capacity upgrades were accordingly connected and upgraded. It resulted in around 372 km of new electricity lines (out of which 222 km in Q2 2022).
  - New customer connections and capacity upgrades are being continued.

### Expansion
*Smart meter roll-out*

- **Investments 2022–2030 (10-year investment plan):** ~ EUR 150 million
- **Investments 2022–2025 (Strategic plan):** EUR 100–120 million[1]
- **Revenue model:** n/a
- **Ownership:** 100%
- **Status:**
- **Progress:**
  - In Q2 2022 we installed the first batch of smart meters for testing.
  - Shortly after the end of H1 2022, we kicked off a mass smart meter roll-out.

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

### TOTAL

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

On track   Time delay and / or budget deviation

# 900 MW

Since the end of 2021, we increased our Green Generation greenfield portfolio by around 730 MW to a total of around 900 MW.

# 2.4 Business environment

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

## Macroeconomic environment

### GDP

Russia's invasion of Ukraine disrupted supplies of materials essential to industrial processes, which added to the logistical and supply constraints brought on by the pandemic. Despite the eased regulations and less severe COVID-19 variant spread, GDP growth forecasts for the following two years have been reduced since Q1 2022. In H1 2022 4.0% growth across the euro area is anticipated compared to H1 2021, with full-year GDP growth of 2.6% and 1.4% in 2022 and 2023, respectively. In Lithuania, compared to the same period last year, the GDP growth increased by 2.8%. In the years 2022 and 2023, respectively, Lithuania's economy is projected to grow by 1.9% and 2.5%. Undoubtedly, the forecasts are sensitive to ongoing geopolitical instability.

**GDP change, %**

| | H1 2022 vs H1 2021 | 2022F | 2023F |
|---|---|---|---|
| Lithuania | +2.8 | +1.9 | +2.5 |
| Latvia | +2.5 | +3.9 | +2.2 |
| Estonia | -[1] | +1.6 | +1.9 |
| Finland | -[1] | +1.8 | +1.2 |
| Poland | -[1] | +5.2 | +1.5 |
| **Euro area** | **+4.0** | **+2.6** | **+1.4** |
| **EU** | **+4.0** | **+2.7** | **+1.5** |

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

### Inflation

The euro area's harmonised CPI reached 8.6% in June 2022, with the energy sector accounting for the majority (41.9%) of the increase. Among our home market countries, Estonia had the highest harmonised CPI (+22.0%), followed by Lithuania (+20.5%), and Latvia (+19.2%). In contrast, Finland once again had the lowest harmonised CPI growth rate among our home markets, reaching 8.1% in June 2022. Opposite to GDP forecast detailed above, expected inflation levels for full-year 2022 as well as 2023 was revised to the higher level compared to Eurostat Q1 2022 forecast.

**Inflation rate change measured by harmonised CPI, %**

| | H1 2022 | 2022F | 2023F |
|---|---|---|---|
| Lithuania | +20.5 | +17.0 | +2.5 |
| Latvia | +19.2 | +15.5 | +6.0 |
| Estonia | +22.0 | +17.0 | +4.7 |
| Finland | +8.1 | +6.4 | +2.8 |
| Poland | +14.2 | +12.2 | +9.0 |
| **Euro area** | **+8.6** | **+7.6** | **+4.0** |
| **EU** | **+9.6** | **+8.3** | **+4.6** |

*Source: Eurostat.*

## Industry environment

### Commodity market overview

In Q2 2022 energy market continued to be driven by the geopolitical tensions across Europe. The natural gas market, largely due to the reduction of Russian natural gas flows to Europe, was one of the main drivers for all energy prices going up in H1 2022. While Gazprom had maintained its shipments of natural gas to the continent since the start of the Ukraine war, the Kremlin decided to toughen its stance by targeting flows through Nord Stream 1. While the EU managed with imports to Bulgaria, Finland, Poland, Netherlands, and Denmark being halted over May–June 2022, Gazprom announced ahead of the decision made by Germany, France, and Italy to accelerate Ukraine's admission to the EU to reduce natural gas flows through Nord Stream 1. Consequently, but under the appearance of technical issues, Nord Stream 1 exports were cut by 60% compared to the original agreements in H1 2022 and to 0% in July 2022.  Additionally, the explosion on 8 June 2022 at the Freeport LNG terminal in Texas, USA, further exacerbated the tightness in natural gas supply. That resulted in TTF index rising by 420.5% in H1 2022 compared to H1 2021.

Unsurprisingly, the situation in the natural gas market cascaded into the coal market since, in the light of possible shortage of natural gas in Europe in the coming winter, Germany decided to reactivate its coal, lignite and oil power plants from the grid and emergency reserve. Now the coal plant closures initially scheduled for 2022 and 2023 will be postponed until the end of March 2024. In total, this amounts to 10.4 GW of additional non-gas generation capacity. However, this also means more coal and emission allowances will be needed. Therefore, the bearish impact from having more capacity available was offset by higher coal and carbon prices as well as higher risk premiums on natural gas. Furthermore, the Netherlands removed the 35% cap on coal-based generation, which was just introduced earlier in 2022 to reduce emissions. Also, France authorized the 580 MW coal unit Cordemais 5 to operate until 2026 (instead of 2022/2023) and the 595 MW Emile Huchet 6 to restart this winter. Similar coal activities were also observed in other European countries (e.g., Czech Republic). Given all the above, a 151.9% rise in coal prices was observed during the reporting period compared to H1 2021.

**Development of commodities in H1 2022 compared to H1 2021[2]**

| | | H1 2022 | H1 2021 | Δ, % |
|---|---|---|---|---|
| Oil – Brent | USD / bbl | 104.9 | 65.2 | *60.9%* |
| Coal – API2 | USD / t | 185.9 | 73.8 | *151.9%* |
| Natural gas – TTF | EUR / MWh | 101.5 | 19.5 | *420.5%* |
| $CO_2$ (EU ETS) | EUR / t $CO_2$ | 84.3 | 45.3 | *86.1%* |

*[2] Daily futures price average for the year.*

During the reporting period, carbon prices at the European Union Emissions Trading System (EU ETS) were mainly influenced by two factors – expected recession and higher demand due to burning coal, as described above. In H1 2021 European Commission announced Fit For 55 package, which has boosted demand for carbon allowances and resulted in increase in prices at ETS. However, carbon prices remained stable at 80–90 EUR/tCO2 level during H1 2022. This was mainly influenced by the two following reasons: first – the fear of recession, which would potentially result in significantly lower energy and carbon allowance demand, and second – higher coal production and, thus, consumption level resulting in demand increase in the EU ETS.

### Wholesale electricity market

Lithuania is part of Nord Pool, which is a leading power market in Europe.

During H1 2022, prices continued to increase materially across Nord Pool power exchange countries compared to H1 2021 with depleted hydropower stocks in Scandinavia region, high fuel, and carbon prices being the main reason behind the increase. Another driver of upward movement in electricity prices was the halt of power imports from Russia to Lithuania, Latvia and Finland. Particularly due to the latter resulted in higher peak-hour prices as imports, on average, cover 10% of Finnish local power demand.

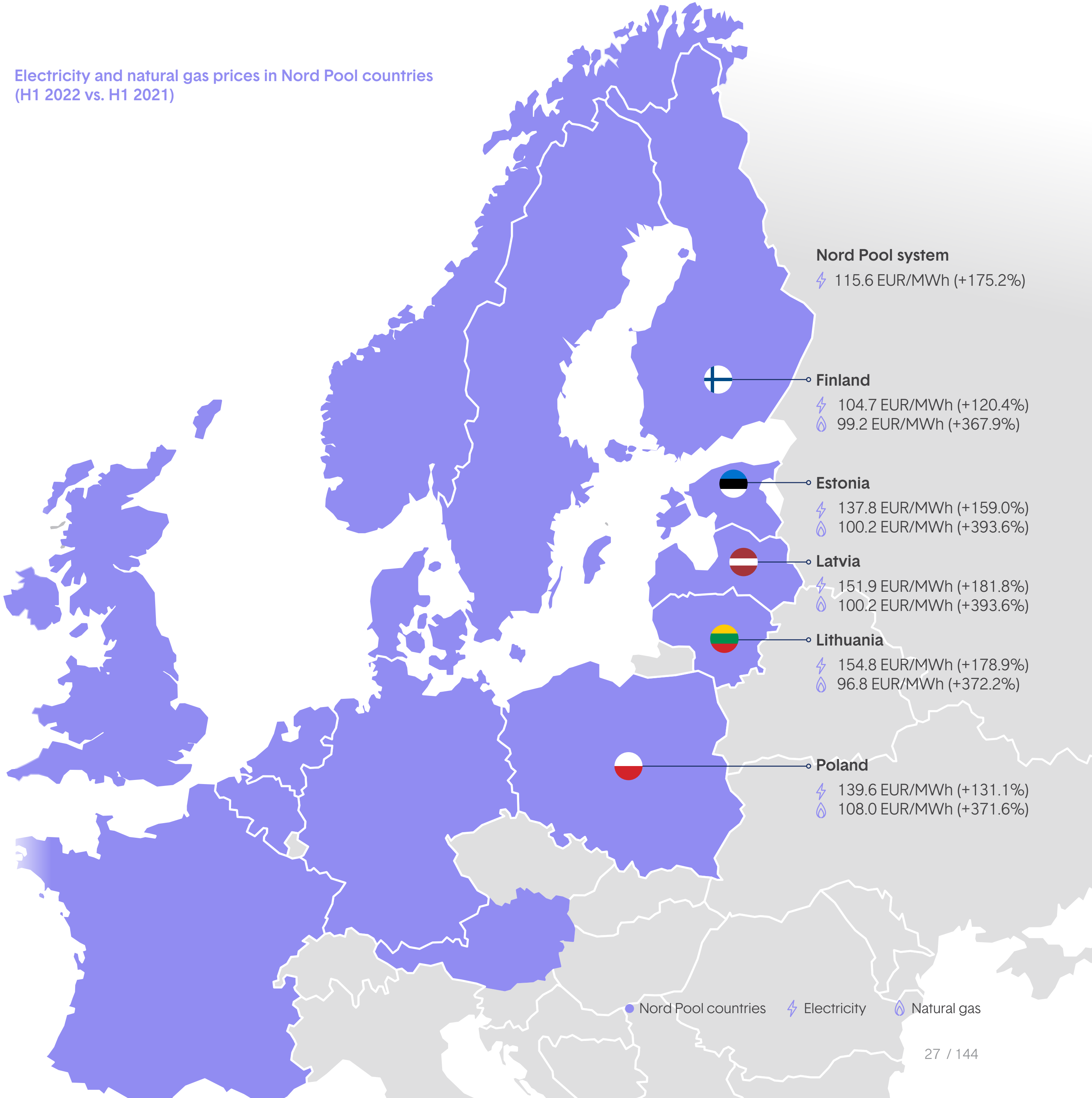
The average system price was 175.2% higher in H1 2022 compared to the same period last year. The largest increase of 181.8% within our home market was recorded in Latvia, where prices in H1 2022 reached 151.9 EUR/MWh. Meanwhile, the growth as well as the price level in Lithuania and Estonia followed closely behind – in Lithuania and Estonia prices increased by 178.9% and 159.0% to 154.8 EUR/MWh and 137.8 EUR/MWh respectively. Nord Pool system price and electricity prices in the Baltics continue to be mainly driven by tense geopolitical situation and natural gas and power prices in the other countries of Continental Europe. It is important to note that in Q2 2022 the Core Flow-Based Market Coupling project was introduced across the whole Core capacity calculation region. This has led to Baltic (Lithuania) market zone coupling more often with the Central European markets instead of Scandinavia's price zones.

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

| | H1 2021 | H1 2022 | 2023F[1] | H1 2022 vs H1 2021 Δ, % | 2023F vs H1 2022 Δ, % |
|---|---|---|---|---|---|
| Nord Pool system | 42.0 | 115.6 | *112.3* | *175.2%* | *(2.9%)* |
| Lithuania | 55.5 | 154.8 | *203.3*[2] | *178.9%* | *33.3%* |
| Latvia | 53.9 | 151.9 | *203.3* | *181.8%* | *33.8%* |
| Estonia | 53.2 | 137.8 | *193.9* | *159.0%* | *40.7%* |
| Finland | 47.5 | 104.7 | *137.3* | *120.4%* | *31.1%* |
| Poland | 60.4 | 139.6 | *253.8* | *131.1%* | *81.8%* |

*[1] 1-year future price as of 30 June 2022.*
*[2] Based on Latvia's forward price (as there is no separate Lithuanian zone).*

**Electricity and natural gas prices in Nord Pool countries (H1 2022 vs. H1 2021)**



The largest electricity generation changes across our home market countries were captured in Estonia, Lithuania and Latvia. Estonia generated 40.0% more electricity compared to H1 2021, mainly due to higher generation levels at oil shale-fired power plants (increased by 38.8%). In the same manner, Lithuania generated 9.5% more electricity compared to H1 2021, mainly due to higher wind energy generation levels (increased by 50.1%) and higher run-of-river hydro power generation (increased by 45.2%). However, Latvia generated 20.6% less power due to lower generation levels of its fossil fuel power plants (decreased by 71.4%).

**Electricity generation change in H1 2022 compared to H1 2021,** TWh

| | H1 2022 | H1 2021 | Δ, % |
|---|---|---|---|
| Lithuania | 2.3 | 2.1 | 9.5% |
| Latvia | 2.7 | 3.4 | (20.6%) |
| Estonia | 3.5 | 2.5 | 40.0% |
| Finland | 32.4 | 32.5 | (0.3%) |
| Poland | 84.4 | 83.1 | 1.6% |

In terms of domestic generation and consumption, our home market countries remained deficit countries during the reporting period. There were also no material changes in electricity consumption across the countries in H1 2022 compared to H1 2021. Only a slight decrease was captured across Estonia, Latvia and Finland, which was mainly driven by a milder winter in H1 2022 compared to the same period last year.

**Electricity consumption change in H1 2022 compared to H1 2021,** TWh

| | H1 2022 | H1 2021 | Δ, % |
|---|---|---|---|
| Lithuania | 6.2 | 6.1 | 1.6% |
| Latvia | 3.5 | 3.6 | (2.8%) |
| Estonia | 4.2 | 4.3 | (2.3%) |
| Finland | 41.0 | 43.2 | (5.1%) |
| Poland | 86.9 | 86.3 | 0.7% |

### Wholesale natural gas market

Tension in natural gas market persisted during H1 2022 with a rise in prices across our home market countries more than 400% compared to H1 2021. The halt of natural gas imports to a number of countries across Europe and drastically reduced volumes through Nord Stream 1 supported the increase in prices the most. Before the start of the war in Ukraine Gazprom had maintained its shipments of natural gas to the continent of an average level of 250 MCM/day, which has decreased since the invasion. The month of June 2022 marked a new milestone in Europe's natural gas imports as Europe imported more LNG from the US then it did import via pipelines from Russia. In the light of explosion that occurred at the Freeport LNG terminal in Texas, further capacity potential of LNG cargoes to Europe has been reduced.

Storage levels in underground natural gas storage facilities in Europe as of the end of the reporting period were at around 58.0%, compared to 48.0% during the same period a year ago, but were a tad lower than a five-year average of 60.0%. It might be hard to reach a goal of 80% storage fills by October 2022 given the fact that the summer is very hot in Continental Europe as well as a restart of Nord Stream 1 after the maintenance on 21 July 2022 with capacity of only 20%. Europe is facing a potentially bleak winter with likely insufficient storage inventory and permanent threat of Russian cut-offs. This means a growing role for governments to secure supply, and continuing volatility in the markets.

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

| | H1 2021 | H1 2022 | 2023F[1] | *H1 2022 vs H1 2021 Δ, %* | *2023F vs H1 2022 Δ, %* |
|---|---|---|---|---|---|
| TTF[2] | 19.5 | 101.5 | 106.8 | *420.5%* | *5.2%* |
| Lithuania[4] | 20.5 | 96.8 | - | *372.2%* | - |
| Latvia – Estonia[3,4] | 20.3 | 100.2 | - | *393.6%* | - |
| Finland[4] | 21.2 | 99.2 | - | *367.9%* | - |
| Poland[5] | 22.9 | 108.0 | 127.2 | *371.6%* | *17.8%* |

*[1] 1-year future price as of 30 June 2022.*
*[2] TTF natural gas front month index.*
*[3] Latvia and Estonia is a common natural gas balancing zone, therefore, data is the same.*
*[4] GET Baltic daily markets, there is no futures market, thus, no information is provided.*
*[5] Weighted Average Day Ahead Price (EUR/MWh).*

Natural gas consumption figures during H1 2022 compared to H1 2021 were down in all home market countries. This was led by high natural gas prices, mild winter temperatures, uncertainty if businesses would pass rising energy costs onto final consumers, and fuel switching.

**Natural gas consumption change in H1 2022 compared to H1 2021,** TWh

| | H1 2022 | H1 2021 | Δ, % |
|---|---|---|---|
| Lithuania | 9.6 | 14.8 | *(35.1%)* |
| Latvia | 4.8 | 7.0 | *(31.4%)* |
| Estonia | 2.3 | 2.9 | *(20.7%)* |
| Finland | 7.4 | 14.7 | *(49.7%)* |
| Poland | 103.9 | 112.4 | *(7.6%)* |

### Heat market

Comparing H1 2022 to the same period the last year, material changes in local heat price levels were recorded, which were mainly caused by an increase in the price of biomass which we expect to continue over Q3 2022 as well. This has led to the price of heat energy growing significantly in both districts where our CHP assets operate.

**Local heat price,** EUR/MWh

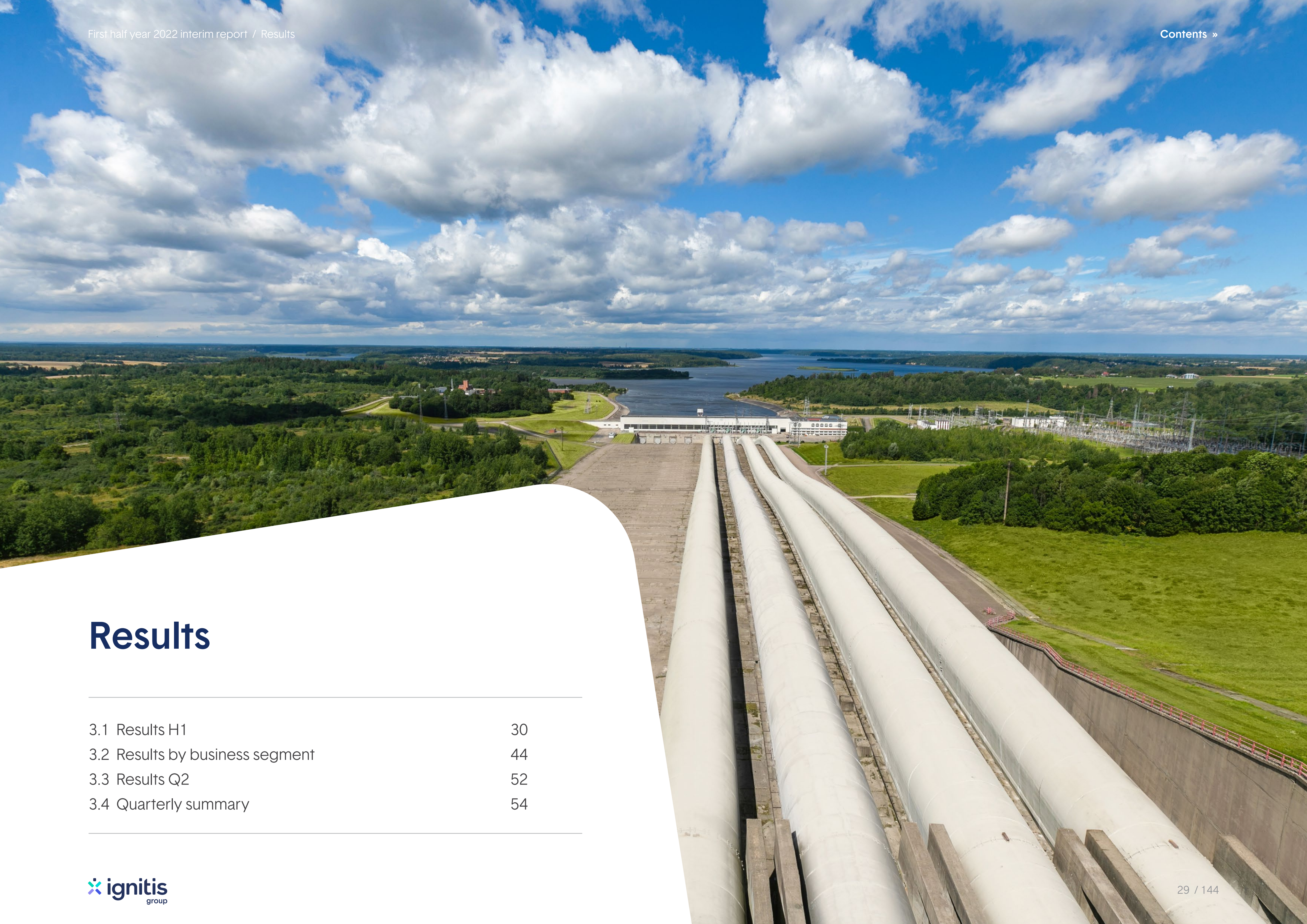
| | H1 2022 | H1 2021 | Δ, % |
|---|---|---|---|
| Kaunas district | 27.6 | 14.7 | *87.8%* |
| Vilnius district | 38.5 | 21.1 | *82.5%* |

### Waste incineration market

During H1 2022, 85,300 tonnes of waste were delivered to Vilnius CHP. Turning to Kaunas CHP, the power plant incinerated a total of 96,000 tonnes of waste. The total annual capacity of Vilnius CHP and Kaunas CHP remains the same at 160,000 and 200,000 tonnes respectively. The gate fee of waste incineration remained constant with a moderate increase recorded in Kaunas CHP.

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

| | H1 2022 | H1 2021 | Δ, % |
|---|---|---|---|
| Kaunas district | 46.9 | 41.2 | *13.8%* |
| Vilnius district | 33.1 | 33.1 | *0.0%* |



# Results

# 3.1 Results H1

## Key financial indicators[1]

| | | H1 2022 | H1 2021 | Δ | Δ,% |
|---|---|---|---|---|---|
| Revenue | EURm | 1,733.1 | 738.1 | 995.0 | 134.8% |
| EBITDA APM | EURm | 211.4 | 171.3 | 40.1 | 23.4% |
| Adjusted EBITDA APM | EURm | 206.5 | 148.8 | 57.7 | 38.8% |
| Green Generation | EURm | 119.4 | 35.7 | 83.7 | 234.5% |
| Networks | EURm | 82.6 | 78.9 | 3.7 | 4.7% |
| Flexible Generation | EURm | 8.2 | 16.6 | (8.4) | (50.6%) |
| Customers & Solutions | EURm | (4.7) | 16.3 | (21.0) | n/a |
| Other[2] | EURm | 1.0 | 1.3 | (0.3) | (23.1%) |
| Adjusted EBITDA margin APM | % | 11.9% | 20.8% | (8.9 pp) | n/a |
| EBIT APM | EURm | 141.9 | 109.5 | 32.4 | 29.6% |
| Adjusted EBIT APM | EURm | 137.0 | 87.0 | 50.0 | 57.5% |
| Net profit | EURm | 114.8 | 60.9 | 53.9 | 88.5% |
| Adjusted net profit APM | EURm | 107.9 | 63.4 | 44.5 | 70.2% |
| Investments APM | EURm | 129.4 | 76.6 | 52.8 | 68.9% |
| FFO APM | EURm | 185.5 | 149.1 | 36.4 | 24.4% |
| FCF APM | EURm | (247.2) | 86.7 | (333.9) | n/a |
| ROE LTM APM | % | 10.5% | 10.1% | 0.4 pp | n/a |
| Adjusted ROE LTM APM | % | 10.5% | 9.1% | 1.4 pp | n/a |
| ROCE LTM APM | % | 7.6% | 9.7% | (2.1 pp) | n/a |
| Adjusted ROCE LTM APM | % | 9.0% | 7.9% | 1.1 pp | n/a |
| EPS (Basic) APM | EUR | 1.58 | 0.81 | 0.77 | 95.1% |
| | | 30.06.2022 | 31.12.2021 | Δ | Δ,% |
| Total assets | EURm | 4,614.5 | 4,251.3 | 363.2 | 8.5% |
| Equity | EURm | 2,127.8 | 1,849.0 | 278.8 | 15.1% |
| Net debt APM | EURm | 1,156.2 | 957.2 | 199.0 | 20.8% |
| Net working capital APM | EURm | 812.5 | 486.4 | 326.1 | 67.0% |
| Net debt/EBITDA LTM APM | times | 3.08 | 2.85 | 0.23 | 8.1% |
| Net debt/Adjusted EBITDA LTM APM | times | 2.96 | 2.88 | 0.08 | 2.8% |
| FFO LTM/Net debt APM | % | 28.4% | 30.5% | (2.1 pp) | n/a |

*[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021').*
*[2] Other – other activities and eliminations (consolidation adjustments and related party transactions), including financial results of the parent company. More information about it is disclosed in the section '6.2 Parent company's financial statements'.*

# Highlights

### H1 2022 vs H1 2021

Adjusted EBITDA grew by 38.8% to EUR 206.5 million compared to H1 2021. The increase was mainly driven by the Green Generation segment due to the launch of Pomerania WF in Poland and better results of our operating assets mainly caused by higher electricity market price. Green Generation Adjusted EBITDA accounted for almost 60% of the Group's total results in H1 2022. Despite revenue growth in Customers & Solutions Adjusted EBITDA result of the segment was negative for H1 2022 mainly due to ineffective electricity "proxy hedges" as the correlation of chosen hedge products deteriorated.

| | Networks | Green Generation | Flexible Generation | Customers & Solutions | Other[1] | Total Adjusted | Adjustments | IFRS |
|---|---|---|---|---|---|---|---|---|
| H1 2022 | | | Adjusted | | | | | Reported |
| **Revenue** | **270.5** | **211.3** | **96.4** | **1,176.0** | **(26.0)** | **1,728.2** | **4.9** | **1,733.1** |
| Purchase of electricity, natural gas and other services | (126.3) | (59.0) | (25.0) | (1,158.3) | 1.0 | (1,367.6) | - | (1,367.6) |
| Wages and salaries and related expenses | (32.6) | (5.2) | (4.2) | (6.2) | (9.5) | (57.7) | - | (57.7) |
| Repair and maintenance expenses | (10.9) | (2.5) | (1.5) | - | 0.1 | (14.8) | - | (14.8) |
| Other expenses | (18.1) | (25.2) | (57.5) | (16.2) | 35.4 | (81.6) | - | (81.6) |
| **EBITDA** APM | **82.6** | **119.4** | **8.2** | **(4.7)** | **1.0** | **206.5** | **4.9** | **211.4** |
| Depreciation and amortisation | (44.0) | (14.0) | (6.0) | (1.0) | (2.9) | (67.9) | - | (67.9) |
| Write-offs, revaluation and impairment losses of PPE and intangible assets | (1.6) | - | - | - | - | (1.6) | - | (1.6) |
| **EBIT** APM | **37.0** | **105.4** | **2.2** | **(5.7)** | **(1.9)** | **137.0** | **4.9** | **141.9** |
| Finance activity, net | | | | | | (15.3) | 2.7 | (12.6) |
| Income tax expenses | | | | | | (13.8) | (0.7) | (14.5) |
| **Net profit** | | | | | | **107.9** | **6.9** | **114.8** |
| H1 2021[2] | | | Adjusted | | | | | Reported |
| **Revenue** | **238.9** | **69.6** | **61.2** | **347.0** | **(1.0)** | **715.7** | **22.5** | **738.1** |
| Purchase of electricity, natural gas and other services | (107.5) | (23.9) | (35.2) | (318.5) | 0.2 | (484.9) | - | (484.9) |
| Wages and salaries and related expenses | (27.4) | (3.9) | (3.6) | (5.2) | (9.5) | (49.6) | - | (49.6) |
| Repair and maintenance expenses | (8.8) | (1.5) | (2.5) | - | - | (12.8) | - | (12.8) |
| Other expenses | (16.3) | (4.6) | (3.3) | (7.0) | 11.6 | (19.6) | - | (19.6) |
| **EBITDA** APM | **78.9** | **35.7** | **16.6** | **16.3** | **1.3** | **148.8** | **22.5** | **171.3** |
| Depreciation and amortisation | (40.9) | (9.8) | (5.7) | (0.9) | (2.3) | (59.6) | - | (59.6) |
| Write-offs, revaluation and impairment losses of PPE and intangible assets | (1.0) | - | (1.1) | - | (0.1) | (2.2) | - | (2.2) |
| **EBIT** APM | **37.0** | **25.9** | **9.8** | **15.4** | **(1.1)** | **87.0** | **22.5** | **109.5** |
| Finance activity, net | | | | | | (12.3) | (21.6) | (33.9) |
| Income tax expenses | | | | | | (11.3) | (3.4) | (14.7) |
| **Net profit** | | | | | | **63.4** | **(2.5)** | **60.9** |

*[1] Other – other activities and eliminations (consolidation adjustments and related party transactions).*
*[2] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021'). Adjusted EBITDA reported in 2021 H1 Interim report was EUR 168.4 million.*

# Revenue

In H1 2022, revenue increased by 134.8%, compared to H1 2021, and totaled EUR 1,733.1 million. The main reasons causing revenue changes in our business segments were as follows:

1. **Customers & Solutions (EUR +860.8 million).** Higher revenue from electricity business (EUR +373.2 million) was due to higher market prices (+179% on average) and higher volume sold (+18%). Natural gas business related income increased (EUR +486.3 million), mainly due to higher average TTF gas price index (+417%) which is mainly reflected in the company's gas supply and due to higher volume (+24%). However, higher sales did not translate into significantly better results since sales margins are fixed using hedging instruments (for more information see section 'EBITDA' below).

2. **Green Generation (EUR +145.3 million).** The increase was driven by Pomerania WF (EUR +16.9 million) due to COD reached in December 2021 as well as higher revenue of hydro units – Kruonis PSHP (EUR +43.7 million) driven by higher electricity market prices and Kaunas HPP (EUR +34.0 million) driven by both higher electricity market prices and volumes generated, and waste-to-energy units: Vilnius CHP WtE unit (EUR +14.8 million) due to higher energy prices as well as COD reached in March 2021 and Kaunas CHP (EUR +10.9 million) due to higher electricity and heat prices.

3. **Flexible Generation (EUR +35.3 million).** The increase was driven by higher revenue from power reserve, more specifically revenue (EUR +50.3 million) intended to cover incurred expenses related with gas reserve acquired in order to comply with new requirements for the isolated regime services.The increase was partly offset by lower revenue from CCGT commercial activities (EUR -14.3 million) due to worse market conditions (less favourable days for generation).

4. **Networks (EUR -21.5 million).** The decrease was mainly driven by lower electricity distribution (EUR -20.6 million) and transmission (EUR -10.0 million) revenue due to, on average, 17% lower electricity distribution and transmission tariff components approved by the regulator. The decrease was partly offset by increased revenue from supply of last resort (EUR +9.3 million) due to 179% higher electricity market price.

### Revenue by segment, EURm

| | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|
| Customers & Solutions | 1,206.1 | 345.3 | *860.8* | *249.3%* |
| Networks | 245.3 | 266.8 | *(21.5)* | *(8.1%)* |
| Green Generation | 211.3 | 66.0 | *145.3* | *220.2%* |
| Flexible Generation | 96.4 | 61.1 | *35.3* | *57.8%* |
| Other[1] | (26.0) | (1.1) | *(24.9)* | *2,263.6%* |
| **Revenue** | **1,733.1** | **738.1** | ***995.0*** | ***134.8%*** |

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

### Revenue by country, EURm

| | H1 2022 | H1 2021 | Δ | Δ, % | H1 2022, % |
|---|---|---|---|---|---|
| Lithuania | 1,380.4 | 658.9 | *721.5* | *109.5%* | *79.6%* |
| Other[2] | 352.7 | 79.2 | *273.5* | *345.3%* | *20.4%* |
| **Revenue** | **1,733.1** | **738.1** | ***995.0*** | ***134.8%*** | ***100.0%*** |

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

In H1 2022, the Group earned 79.6% (89.3% in H1 2021) of its revenue in Lithuania (EUR 1,380.4 million). The Group's revenue from foreign countries increased by 345.3%, mostly in Finland, Latvia and Poland, and reached EUR 352.7 million (H1 2021: EUR 79.2 million), mainly due to increased natural gas and electricity prices.

### Revenue by type[3], EURm

| | H1 2022 | H1 2021 | Δ | Δ, % | H1 2022, % |
|---|---|---|---|---|---|
| Electricity related | 1,069.0 | 531.3 | *537.7* | *101.2%* | *61.7%* |
| Natural gas related | 623.3 | 162.5 | *460.8* | *283.6%* | *36.0%* |
| Other | 40.8 | 44.3 | *(3.5)* | *(7.9%)* | *2.4%* |
| **Revenue** | **1,733.1** | **738.1** | ***995.0*** | ***134.8%*** | ***100.0%*** |

[3] *A more detailed description is presented in Interim Consolidated Financial statements for H1 2022, Note 21 'Revenue from contracts with customers'.*

In H1 2022, electricity related revenue increased by EUR 537.7 million, compared to H1 2021, mostly due to higher revenue from sale of electricity (EUR +327.3 million), higher revenue from sale of generated electricity (EUR +95.0 million) and higher revenue from public electricity supply (EUR +100.8 million). Natural gas related revenue increased by EUR 460.8 million, compared to H1 2021, due to higher revenue from natural gas sales (EUR +471.2 million).

# Expenses

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

The Group's purchase of electricity and natural gas amounted to EUR 1,367.6 million in H1 2022 and increased by 182.0% compared to H1 2021. The increase was caused by higher electricity (EUR +437.2 million) and natural gas (EUR +444.9 million) purchases, majorly impacted by increased market prices.

### OPEX

In H1 2022, OPEX was equal to EUR 99.4 million and increased by 21.2% (EUR +17.4 million). This change was driven by higher salaries and related expenses (EUR 8.1 million, or +16.3%), mainly due to the growth in the Group's employee number, average salary and increased overtime resulted from repair of failures in the electricity distribution network after heavy storms in 2022. Other expenses increased by EUR 7.3 million mostly due to higher customer services, IT, taxes, transport and utilities expenses.

### Other

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

Energy hedging expenses from ineffective hedging in H1 2022 were mainly related to the acquired gas reserve in order to comply with new requirements for the isolated regime services (EUR 50.3 million in H1 2022). In H1 2021 the result was positive (EUR 19.5 million) and accounted as other revenue, accordingly.

Depreciation and amortisation increased due to higher expenses of the Networks segment (EUR +3.1 million), mostly due to Investments made as well as Pomerania WF (EUR +1.9 million), as it reached COD in December 2021 and Vilnius CHP's WtE unit (EUR +1.8 million), as it reached COD in March 2021.

**Expenses,** EURm

| | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| **Purchase of electricity, natural gas and other services** | **1,367.6** | **484.9** | ***882.7*** | ***182.0%*** |
| Purchase of electricity and related services | 590.1 | 152.9 | *437.2* | *285.9%* |
| Purchase of natural gas and related services | 765.9 | 321.0 | *444.9* | *138.6%* |
| Other | 11.6 | 11.0 | *0.6* | *5.5%* |
| **OPEX** APM | **99.4** | **82.0** | ***17.4*** | ***21.2%*** |
| Salaries and related expenses | 57.7 | 49.6 | *8.1* | *16.3%* |
| Repair and maintenance expenses | 14.8 | 12.8 | *2.0* | *15.6%* |
| Other | 26.9 | 19.6 | *7.3* | *37.2%* |
| **Other** | **124.2** | **61.7** | ***62.5*** | ***101.3%*** |
| Depreciation and amortisation | 67.9 | 59.6 | *8.3* | *13.9%* |
| Energy hedging | 54.7 | - | *54.7* | *(100%)* |
| Write-offs, revaluation and impairment losses of PPE and intangible assets | 1.6 | 2.1 | *(0.5)* | *(23.8%)* |
| **Total** | **1,591.2** | **628.6** | ***962.6*** | ***153.1%*** |

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

# EBITDA

Adjusted EBITDA amounted to EUR 206.5 million in H1 2022 and was 38.8%, or EUR 57.7 million, higher than in H1 2021. Adjusted EBITDA increase was mainly driven by Green Generation segment. Main contributors to the growth were launch of Pomerania WF in Poland and better results of our operating Green Generation aseets, both driven by higher electricity market prices. Adjusted EBITDA result was partly offset by decrease in Customers & Solutions segment result mainly due to ineffective electricity "proxy" hedges as the correlation of chosen hedge products deteriorated.

The main reasons behind the change in Adjusted EBITDA were as follows:

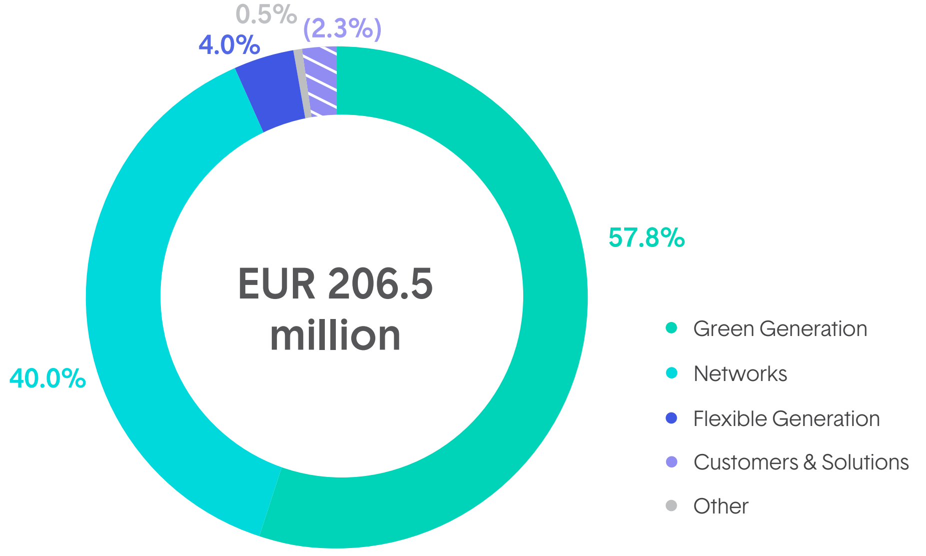
1. **Green Generation (EUR +83.7 million).** The increase was mainly influenced by Pomerania WF (EUR +16.1 million), due to COD reached in December 2021, better results of Kaunas HPP (EUR +26.3 million), due to higher captured electricity prices as well as increase in volumes generated, and Kruonis PSHP (EUR +22.7 million) mainly due to better result of commercial activities exploiting favorable spread between peak and off-peak market prices. The increase was also positively influenced by waste-to-energy units: Kaunas CHP's WtE unit (EUR +8.5 million) due to higher electricity, heat prices, and Vilnius CHP WtE unit (EUR +7.1 million) due to higher energy prices and volumes generated as the COD was reached in March 2021.
2. **Networks (EUR +3.7 million).** The increase was driven by introduction of an additional tariff component (EUR +14.1 million). The increase was partly offset by lower electricity WACC (4.16% in 2022 vs 5.34% in 2021) (EUR -6.1 million) as a result of the updated WACC methodology for the new regulatory period started in 2022. Also, Adjusted EBITDA increase was partly offset due to lower share of allowed return and D&A recognized in H1 2022 vs H1 2021 due to volume effect (EUR -6.0 million). This effect will level off over the course of the year as annual ROI and compensated D&A is fixed for the year but allocated between months based on distributed volumes.
3. **Flexible Generation (EUR -8.5 million).** The decrease was mainly caused by worse results of CCGT unit (EUR -7.0 million) due to lower volumes of generation (-83.9%) as clean spark spread was negatively affected by increased gas prices (less favourable days for generation).
4. **Customers & Solutions (EUR -21.0 million).** Adjusted EBITDA dropped to EUR -4.7 million and was EUR 21.0 million lower than in H1 2021. Negative change in electricity business (EUR -32.1 million) was driven by lower B2B results (EUR -12.6 million), mainly due to ineffective "proxy" hedges as the correlation of chosen hedge products deteriorated. It also is important to note that due to changed internal reporting policy of adjustments, open innefective mark-to-market (MtM) hedge positions (EUR -29.4 million) are no longer eliminated from the adjusted result. Partly offset by B2C activities (EUR +9.1 million) mainly due to over-hedge in independent supply. Positive change of natural gas result (EUR +14.8 million) was driven by B2B results (+21.3 million) mainly due to temporary inventory effect and one-off gains from gas MtM, partly offset by temporary negative B2C results (EUR -6.1 million), mainly due to over-declaration (household consumers tend to declare larger than actual consumption just before the increase in tariff, which results in lower revenue and eventually negative impact on the natural gas result in the subsequent period. However, market regulator considers such cases for compensation through tariff).

**Adjusted EBITDA by segments,** EURm

| | H1 2022 | H1 2021[1] | Δ | Δ, % |
|---|---|---|---|---|
| Green Generation | 119.4 | 35.7 | *83.7* | *234.5%* |
| Networks | 82.6 | 78.9 | *3.7* | *4.7%* |
| Flexible Generation | 8.2 | 16.6 | *(8.4)* | *(50.6%)* |
| Customers & Solutions | (4.7) | 16.3 | *(21.0)* | *n/a* |
| Other[2] | 1.0 | 1.3 | *(0.3)* | *(23.1%)* |
| **Adjusted EBITDA** APM | **206.5** | **148.8** | ***57.7*** | ***38.8%*** |

*[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021'). H1 2021 Adjusted EBITDA was EUR 168.4 million.*
*[2] Other – other activities and eliminations (consolidation adjustments and related party transactions).*

**Adjusted EBITDA H1 2022,** EURm



# Green Generation

Green Generation Adjusted EBITDA accounted for almost 60% of the Group's total results in H1 2022 and was mainly driven by the launch of Pomerania WF in Poland and better results of our operating assets.

### Adjusted EBITDA by activity type

In H1 2022, Adjusted EBITDA from regulated and long-term contracted activities amounted to 48.4% of the total Adjusted EBITDA (H1 2021: 64.7%). The share of such activities decreased due to significantly higher Adjusted EBITDA from Green Generation merchant activities, mainly due to high electricity market prices.

Regulated activities include:

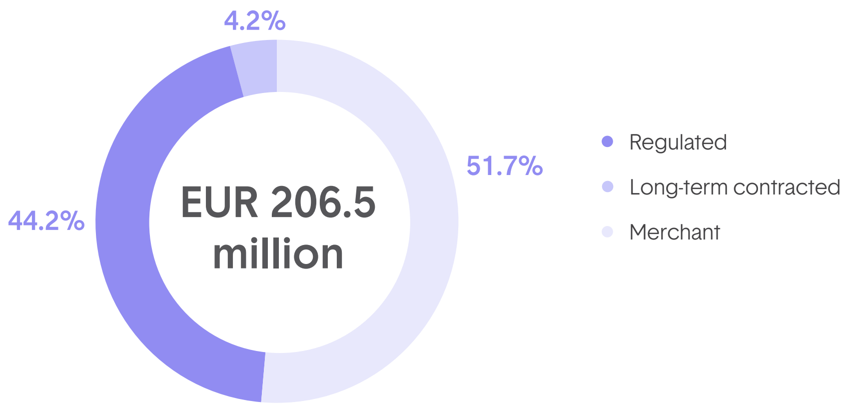
1. electricity and natural gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, natural gas supply to residents of Lithuania and the designated LNG supplier services.

Long-term contracted activities include wind farms with support schemes, i.e., feed-in and feed-in premium tariffs.

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

| | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|
| Regulated | 91.2 | 90.9 | *0.3* | *0.3%* |
| Long-term contracted | 8.6 | 5.4 | *3.2* | *59.3%* |
| Merchant | 106.7 | 52.5 | *54.2* | *103.2%* |
| **Adjusted EBITDA** APM | **206.5** | **148.8** | ***57.7*** | ***38.8%*** |

**Adjusted EBITDA by types of activities H1 2022,** %




### EBITDA adjustments

**EBITDA adjustments,** EURm

| | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|
| **EBITDA** APM | **211.4** | **171.3** | ***40.1*** | ***23.4%*** |
| *Adjustments[1]* | | | | |
| Temporary regulatory differences (1) | (4.9) | (26.1) | *21.2* | *(81.2%)* |
| Result from generation before COD (2) | - | 3.6 | *(3.6)* | *(100%)* |
| **Total EBITDA adjustments** | **(4.9)** | **(22.5)** | ***17.6*** | ***(78.2%)*** |
| **Adjusted EBITDA** APM | **206.5** | **148.8** | ***57.7*** | ***38.8%*** |
| *Adjusted EBITDA margin* APM | 11.9% | 20.8% | *(8.9 pp)* | *n/a* |

*[1] A more detailed description of the management adjustments is presented in the Interim Consolidated Financial Statements of H1 2022, Note 28 'Operating segments'.*

(1) Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator. The H1 2022 adjustment includes:

- add-back of lower Networks segment's profit earned from regulated activities (EUR +25.2 million), which mainly resulted from higher actual electricity and natural gas purchase prices compared to prices set by the regulator for distribution activities;
- add-back of lower Customers & Solutions segment's profit earned from electricity public supply (EUR +5.1 million) and natural gas B2C supply (EUR +7.3 million) activities resulted from higher actual electricity and natural gas purchase prices compared to prices set by the regulator;
- elimination of higher Customers & Solutions segment's profit earned from natural gas designated supply activities (EUR -42.6 million), which mainly resulted from higher actual natural gas market prices compared to prices set by the regulator.

The H1 2021 adjustment mostly includes retrospective adjustments made after the changes in Networks RAB methodology (EUR -23.7 million in H1 2021).

(2) In H1 2021 the result from generation before COD (and possible formal completion procedures after COD) of Vilnius CHP's WtE unit (EUR 3.6 million) was added as it reflects the result which was capitalised in the Statement of Financial Position according to applicable IAS 16 requirements for the reporting period of H1 2021. From 2022 this adjustment is no longer needed as according to amendments to IAS 16 'Property, Plant and Equipment' implemented from 1st January 2022, proceeds received and related costs incurred while preparing the asset for its intended use is recognized in the Statement of Profit or Loss, previously such sales and costs were deducted from the cost of property, plant and equipment in the Balance sheet.

## EBIT

In H1 2022, Adjusted EBIT amounted to EUR 137.0 million, which was 57.5% (or EUR +50.0 million) higher than in H1 2021. The main effect of the change in Adjusted EBIT was higher Adjusted EBITDA (EUR +57.7 million) (the reasons behind the increase are described in 'EBITDA' section), which was partly offset by higher depreciation expenses (EUR -8.3 million).

### Adjusted EBIT by segments, EURm

| | H1 2022 | H1 2021[1] | Δ | Δ, % |
|---|---|---|---|---|
| Green Generation | 105.4 | 25.9 | *79.5* | *306.9%* |
| Networks | 37.0 | 37.0 | *-* | *-%* |
| Flexible Generation | 2.2 | 9.8 | *(7.6)* | *(77.6%)* |
| Customers & Solutions | (5.7) | 15.4 | *(21.1)* | *n/a* |
| Other[2] | (1.9) | (1.1) | *(0.8)* | *72.7%* |
| **Adjusted EBIT** APM | **137.0** | **87.0** | ***50.0*** | ***57.5%*** |
| *Adjusted EBIT margin* APM | 7.9% | 12.2% | *(4.3 pp)* | *n/a* |

### EBIT adjustments, EURm

| | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|
| **EBIT** APM | **141.9** | **109.5** | ***32.4*** | ***29.6%*** |
| *Adjustments* | | | | |
| Total EBITDA adjustments | (4.9) | (22.5) | *17.6* | *(78.2%)* |
| **Total EBIT adjustments** | **(4.9)** | **(22.5)** | ***17.6*** | ***(78.2%)*** |
| **Adjusted EBIT** APM | **137.0** | **87.0** | ***50.0*** | ***57.5%*** |
| *Adjusted ROCE LTM* APM | 9.0% | 7.9% | *1.1 pp* | *n/a* |
| *ROCE LTM* APM | 7.6% | 9.7% | *(2.1 pp)* | *n/a* |

## Net profit

Adjusted net profit amounted to EUR 107.9 million in H1 2022 and was 70.2% higher than in H1 2021. Adjusted EBITDA's positive impact (EUR +57.7 million) was partly offset by higher depreciation and amortisation (EUR -8.3 million) and income tax (EUR -2.5 million) expenses.

Reported net profit in H1 2022 increased to EUR 114.8 million compared to EUR 60.9 million in H1 2021. Reported net profit increase was higher compared to increase in Adjusted net profit due to Kaunas CHP option fair value increase that resulted to expenses in the Statement of Profit or Loss (EUR -23.5 million) accounted in H1 2021 and which was adjusted when calculating Adjusted net profit.

### Net profit adjustments, EURm

| | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| **Net profit** | **114.8** | **60.9** | ***53.9*** | ***88.5%*** |
| *Adjustments* | | | | |
| Total EBIT adjustments | (4.9) | (22.5) | *17.6* | *(78.2%)* |
| One-off financial activity adjustments (3) | (2.7) | 21.6 | *(24.3)* | *n/a* |
| Adjustments' impact on income tax (4) | 0.7 | 3.4 | *(2.7)* | *(79.4%)* |
| **Total net profit adjustments** | **(6.9)** | **2.5** | ***(9.4)*** | ***n/a*** |
| **Adjusted net profit** APM | **107.9** | **63.4** | ***44.5*** | ***70.2%*** |
| *Adjusted ROE LTM* APM | 10.5% | 9.1% | *1.4 pp* | *n/a* |
| *ROE LTM* APM | 10.5% | 10.1% | *0.4 pp* | *n/a* |

(3) One-off financial activity adjustments include elimination of value increase in Smart Energy Fund's investments (EUR 2.7 million) in 2022 and Kaunas CHP option fair value increase (resulted to expenses in the Statement of Profit or Loss) (EUR -23.5 million) and Smart Energy Fund investments value increase (EUR +1.9 million) in 2021.

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

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

# Investments

In H1 2022, Investments amounted to EUR 129.4 million and were EUR 52.8 million higher compared to H1 2021. The largest part of investments were made to electricity distribution network (69.2% of total Investments).

Investments in the Networks segment amounted to EUR 103.9 million and were 79.4% or EUR 46.0 million higher compared to H1 2021. Investments in expansion of the electricity distribution network increased by EUR 25.0 million or +103.3% and amounted to EUR 49.2 million. Main reasons for the increase were more new connection points and upgrades as well as increased contractors fees. Contractors fees for new connections and upgrades increased on average by 35% per customer. Investments in maintenance of electricity distribution network increased by EUR +18.2 million or +82.4% and amounted to EUR 40.3 million. The increase was caused by more objects renovated and increased contractors fees. Contractors fees for maintenance increased on average by 43% per object.

Investments in the Green Generation segment amounted to EUR 18.8 million in H1 2022 and were EUR 5.2 million higher compared to H1 2021. Investments were higher majorly due to higher (EUR +5.7 million) investments in Vilnius CHP's Biomass unit.

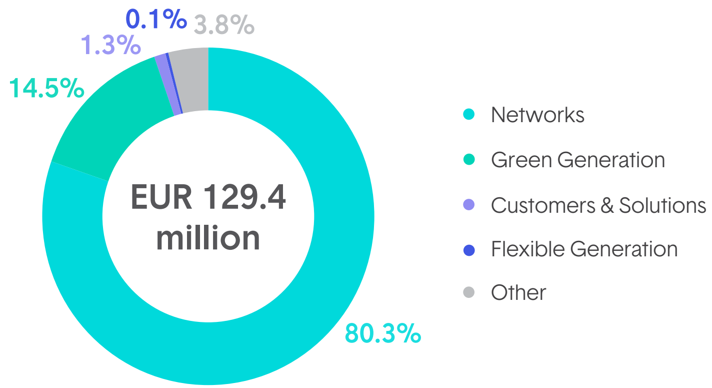
In H1 2022, Investments covered by customers or grants amounted to EUR 28.7 million and accounted for 22.2% of total Investments. The Group received EUR 10.2 million in grants for Investments during H1 2022, mainly related to maintenance of electricity and natural gas distribution networks (EUR 7.4 million) and Vilnius CHP project (EUR 2.8 million). Also, part of investments into Networks related to new customer connections, upgrades and infrastructure equipment transfers were covered by customers (EUR 18.5 million).

## Investments by segment, EURm

| | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|
| Networks | 103.9 | 57.9 | *46.0* | *79.4%* |
| Expansion of the electricity network | 49.2 | 24.2 | *25.0* | *103.3%* |
| Maintenance of the electricity network | 40.3 | 22.1 | *18.2* | *82.4%* |
| Expansion of the gas network | 4.3 | 6.0 | *(1.7)* | *(28.3%)* |
| Maintenance of the gas network | 2.9 | 3.7 | *(0.8)* | *(21.6%)* |
| Other | 7.2 | 1.9 | *5.3* | *n/a* |
| Green Generation | 18.8 | 13.6 | *5.2* | *38.2%* |
| Vilnius CHP | 12.7 | 7.0 | *5.7* | *81.4%* |
| Pomerania WF | 4.3 | 2.4 | *1.9* | *79.2%* |
| Kaunas CHP | - | 1.3 | *(1.3)* | *(100%)* |
| Other | 1.8 | 2.9 | *(1.1)* | *(37.9%)* |
| Customers & Solutions | 1.7 | 0.9 | *0.8* | *88.9%* |
| Flexible Generation | 0.1 | 0.1 | - | - |
| Other[1] | 4.9 | 4.1 | *0.8* | *19.5%* |
| **Investments** APM | **129.4** | **76.6** | ***52.8*** | ***68.9%*** |
| Grants | (10.2) | (9.5) | *(0.7)* | *7.4%* |
| Investments covered by customers[2] | (18.5) | (12.7) | *(5.8)* | *45.7%* |
| **Ilnvestments (excl. grants and investments covered by customers)** | **100.7** | **54.4** | ***46.3*** | ***85.1%*** |

*[1] Other – other activities and eliminations (consolidation adjustments and related party transactions).*
*[2] Investments covered by customers include new customer connections and upgrades, and infrastructure equipment transfers.*

## Investments by segment, H1 2022, %



# Statement of financial position

### Assets

As of 30 June 2022, total assets reached EUR 4,614.5 million (8.5% increase from 31 December 2021).

Non-current assets have increased by EUR 87.9 million, or 3.0%, compared to 31 December 2021. The growth was mainly influenced by an increase in property, plant and equipment (EUR +50.7 million) due to Investments made during H1 2022 and increase in prepayments for non-current assets (EUR +49.6 million) mainly for the construction of Mažeikiai WF.

Current assets increased by EUR 275.3 million, or 21.1%, compared to 31 December 2021, mainly due to an increase in working capital (for more information see section 'Net working capital' below). The increase was partly offset by repaid receivable from EPSO-G for the shares of AB "LitGrid" (EUR 84.1 million).

### Equity

As of 30 June 2022 equity amounted to EUR 2,127.8 million and increased by EUR 278.8 million, or 15.1%, compared to 31 December 2021, mostly due to an increase in hedging reserve (EUR +222.8 million), net profit earned in H1 2022 (EUR +114.8 million), which was partly offset by dividends paid (EUR -43.9 million) for H2 of 2021.

### Liabilities

Total liabilities increased by 3.5% or EUR 84.4 million during H1 2022. The increase was mainly related to increase in bank loans (EUR +89.0 million), which increased mainly due to the loan of EUR 73 million disbursed for implementation of smart meters.

### Net working capital

As of 30 June 2022 Net working capital amounted to EUR 812.5 million and increased by EUR 326.1 million compared to 31 December 2021, mainly driven by high energy prices. The drivers of the change are the following:

- growth in total inventory by EUR +197.4 million, mainly in Flexible Generation (EUR +142.4 million), due to the acquisition of additional natural gas reserve, and Customers & Solutions (EUR +58.0 million), due to increasing volume and value of stored gas;
- increase in accrued regulatory debt (EUR +171.0 million) related to regulated activities of the public supply of electricity and natural gas (Customers & Solutions) due to actual acquisition prices being higher than the ones set in the tariff by the regulator. The regulatory debt for the public supply of gas was normally an off-balance sheet item, however, according to changed legislation, it has been accounted in the balance sheet over the period of H1 2022;
- increase in derivative trading deposits (EUR +51.2 million) due to higher market prices (Customers & Solutions);
- higher prepayments made (EUR +49.6 million) mainly for Mažeikiai wind farm project (Green generation).
- partly offset by an increase in mark-to-market (MtM) related with Nasdaq commodities market (cash part of all open derivatives positions) (EUR -131.9 million), and higher prepayments received (-42.9m effect) for natural gas (Customers & Solutions).

**Balance sheet,** EURm

| | 30.06.2022 | 31.12.2021 | Δ | Δ, % |
|---|---|---|---|---|
| Non-current assets | 3,034.9 | 2,947.0 | *87.9* | *3.0%* |
| Current assets | 1,579.6 | 1,304.3 | *275.3* | *21.1%* |
| **TOTAL ASSETS** | **4,614.5** | **4,251.3** | ***363.2*** | ***8.5%*** |
| Equity | 2,127.8 | 1,849.0 | *278.8* | *15.1%* |
| Total liabilities | 2,486.7 | 2,402.3 | *84.4* | *3.5%* |
| Non-current liabilities | 1,891.7 | 1,704.8 | *186.9* | *11.0%* |
| Current liabilities | 595.0 | 697.5 | *(102.5)* | *(14.7%)* |
| **TOTAL EQUITY AND LIABILITIES** | **4,614.5** | **4,251.3** | ***363.2*** | ***8.5%*** |
| *Capital employed* APM | 3,284.0 | 2,806.2 | *477.8* | *17.0%* |
| *Net working capital* APM | 812.5 | 486.4 | *326.1* | *67.0%* |
| *Net working capital/Revenue LTM* APM | 28.2% | 35.5% | *(7.3 pp)* | *n/a* |
| *Current ratio* APM | 2.65 | 1.87 | *0.78* | *41.7%* |
| *Asset turnover LTM* APM | 0.67 | 0.46 | *0.21* | *45.7%* |
| *ROA LTM* APM | 4.8% | 3.8% | *1.0 pp* | *n/a* |

# Financing

## Net debt

As of 30 June 2022, Net debt amounted to EUR 1,156.2 million, an increase of 20.8%, or EUR 199.0 million, compared to 31 December 2021 mainly due to higher need for working capital and Investments made. It was partly offset by positive FFO and repaid receivable amount by EPSO-G (for more information see section 'Statement of financial position'). FFO LTM /Net debt slightly decreased from 30.5% to 28.4%, however, ratio is above 23% threshold required for BBB+ credit rating.

### Net debt, EURm

| | 30.06.2022 | 31.12.2021 | Δ | Δ, % |
|---|---|---|---|---|
| **Total non-current financial liabilities** | **1,340.0** | **1,164.4** | ***175.6*** | ***15.1%*** |
| Non-current loans | 396.5 | 229.6 | *166.9* | *72.7%* |
| Bonds | 889.4 | 888.5 | *0.9* | *0.1%* |
| Interests payable (including accrued) | - | - | - | *n/a* |
| Lease liabilities (IFRS 16) | 54.1 | 46.3 | *7.8* | *16.8%* |
| **Total current financial liabilities** | **162.4** | **241.9** | ***(79.5)*** | ***(32.9%)*** |
| Current portion of non-current loans | 22.1 | 13.8 | *8.3* | *60.1%* |
| Current loans | 104.0 | 214.1 | *(110.1)* | *(51.4%)* |
| Banks overdrafts | 19.9 | - | *19.9* | *100%* |
| Interests payable (including accrued) | 12.5 | 9.3 | *3.2* | *34.4%* |
| Lease liabilities (IFRS 16) | 3.9 | 4.7 | *(0.8)* | *(17.0%)* |
| **Gross debt** APM | **1,502.4** | **1,406.3** | ***96.1*** | ***6.8%*** |
| **Cash, cash equiv. and cash in escrow acc.** | **346.2** | **449.1** | ***(102.9)*** | ***(22.9%)*** |
| **Net debt** APM | **1,156.2** | **957.2** | ***199.0*** | ***20.8%*** |
| *Net debt / Adjusted EBITDA LTM* APM | 2.96 | 2.88 | *0.08* | *2.8%* |
| *Net debt / EBITDA LTM* APM | 3.08 | 2.85 | *0.23* | *8.1%* |
| *FFO LTM/ Net debt* APM | 28.4% | 30.5% | *(2.1 pp)* | *n/a* |
| *Gross debt/Equity* APM | 0.71 | 0.76 | *(0.05)* | *(6.6%)* |
| *Equity ratio* APM | 0.46 | 0.43 | *0.03* | *7.0%* |

### Debt summary, EURm

| | Outstanding as of 30.06.2022 | Effective interest rate (%) | Average time to maturity (years) | Fixed interest rate | Euro currency |
|---|---|---|---|---|---|
| Bonds (incl. interest) | 911.9[1] | *1.96* | 7.3 | *100.0%* | *100.0%* |
| Bank loans and overdrafts | 543.1 | *1.02* | 6.8 | *54.2%* | *84.7%* |
| Lease liabilities | 58.0 | - | 7.6 | - | *100.0%* |
| **Total** | **1,512.9** | ***1.61*** | **7.1** | ***79.7%*** | ***94.5%*** |

[1] *Nominal value of issued bonds amount to 900 EURm. As of 30 June 2022 bonds accounted for 889.4 EURm in the consolidated balance sheet as the nominal remaining capital will be capitalised until maturity according to IFRS.*

## Bond issues and loans

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

### Outstanding bond issues

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

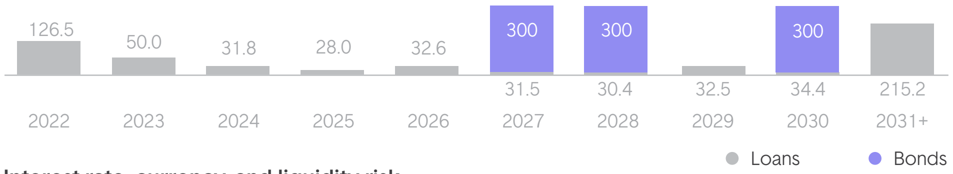
During the reporting period, there have been no material changes regarding bonds. Related information, including the structure of bondholders as of the issue date, is available in the Annual report 2021, section '7.1 Further investor related information'.

As of 30 June 2022 outstanding amount of loans from banks were EUR 543.1 million, of which 61.0% were dedicated for Green Generation segment's projects, 22.8% for working capital of Customers & Solutions segment and 13.4% for implementation of smart meters in Networks segment.

## Maturities

Bonds maturing in 2027 (EUR 300.0 million, green), in 2028 (EUR 300.0 million, green) and in 2030 (EUR 300.0 million) make the largest portion of the Group's financial liabilities. Average maturity of the financial liabilities as of 30 June 2022 was 7.1 years (31 December 2021: 6.4 years).

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




## Interest rate, currency, and liquidity risk

As of 30 June 2022 financial liabilities amounting to EUR 1 206.3 million were subject to fixed interest rate (83.5% of loans, overdrafts, bonds and interests payable) and the remaining amount of financial liabilities were subject to floating interest rate. Effective interest rate was 1.61% as of 30 June 2022. 94.2% of the total debt was in EUR, and 5.8% – in PLN.

The Group manages liquidity risk by entering into credit line agreements with banks. As of 30 June 2022 there were three credit line facilities available in two separate banks with a total limit of EUR 404 million. The disbursed amount was EUR 123,9 million. The credit line facilities are committed, i.e., funds must be paid by the bank upon request.

# Cash flows

### CFO

Net cash flows from operating activities (CFO) amounted to EUR 39.0 million in H1 2022. Compared to H1 2021, CFO decreased by EUR 144.2 million, mainly due to an increase in working capital, which was partly offset by repaid receivable from EPSO-G for the shares of AB "LitGrid" and positive fair value changes of derivatives.

### CFI

Net cash flows from investing activities (CFI) amounted to EUR -157.7 million in H1 2022. Compared to H1 2021, CFI decreased by EUR 79.6 million, mainly due to higher payments for investments EUR +75.7 million compared to H1.

### CFF

Net cash flows from financing activities (CFF) amounted to EUR 15.8 million in H1 2022. CFF was positive due to the loan of EUR 73.0 million disbursed for implementation of smart meters and used overdraft amount of EUR 19.9 million, these effects were partly offset by dividends paid EUR -43.9 million, treasury shares acquisition EUR -14.3 million and interest paid EUR -10.2 million. While during H1 2021 CFF was negative due to dividends paid EUR -44.0 million, equity acquisition from non-controling interest EUR -18.7 million and interest paid EUR -10.2 million.

**Cash flows,** EURm

| | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|
| **Cash and cash equiv. at the beginning of the period** | **449.1** | **658.8** | ***(209.7)*** | ***(31.8%)*** |
| CFO | 39.0 | 183.2 | *(144.2)* | *(78.7%)* |
| CFI | (157.7) | (78.1) | *(79.6)* | *101.9%* |
| CFF | 15.8 | (85.5) | *101.3* | *n/a* |
| **Increase (decrease) in cash and cash equiv.** | **(102.9)** | **19.6** | ***(122.5)*** | ***n/a*** |
| **Cash and cash equiv. at the end of period** | **346.2** | **678.4** | ***(332.2)*** | ***(49.0%)*** |

### FFO

In H1 2022, the Group's FFO increased by 24.4% (EUR 36.4 million) and amounted to EUR 185.5 million. The main reason for the growth was higher EBITDA.

**FFO,** EURm

| | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| EBITDA APM | 211.4 | 171.3 | *40.1* | *23.4%* |
| Interest received | 0.3 | 0.3 | - | -% |
| Interest paid | (10.2) | (10.2) | - | -% |
| Income tax paid | (16.0) | (12.3) | *(3.7)* | *30.1%* |
| **FFO** APM | **185.5** | **149.1** | ***36.4*** | ***24.4%*** |

### FCF

In H1 2022, the Group's FCF amounted to EUR -247.2 million. The main reason for substantially negative FCF was the change in working capital.

**FCF,** EURm

| | H1 2022 | H1 2021[1] | Δ | Δ, % |
|---|---|---|---|---|
| FFO APM | 185.5 | 149.1 | *36.4* | *24.4%* |
| Investments | (129.4) | (76.6) | *(52.8)* | *68.9%* |
| Grants received | 10.2 | 9.5 | *0.7* | *7.4%* |
| Cash effect of new connection points and upgrades | 12.0 | 7.1 | *4.9* | *69.0%* |
| Proceeds from sale of PPE and intangible assets[2] | 0.6 | 1.3 | *(0.7)* | *(53.8%)* |
| Change in net working capital | (326.1) | (3.7) | (322.4) | *n/a* |
| **FCF** APM | **(247.2)** | **86.7** | ***(333.9)*** | ***n/a*** |

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

# Key operating indicators

## Electricity

The installed capacity of Green Generation increased by 95 MW since Pomerania WF (94 MW) reached COD in December 2021.

The total distributed electricity volumes remain in line with the prior year. An increase (+1.2%) in electricity distributed is driven by the B2B segment due to overall higher consumption in the retail and service industry.

Electricity generation (net) decreased by 16.3%, compared to H1 2021, and amounted to 0.96 TWh in H1 2022. The decrease in electricity generated (net) was mainly driven by the lower generation of CCGT unit at Elektrėnai Complex (-0.37 TWh), due to an increase in natural gas prices, which negatively affected the clean spark spread, and lower generation of Kruonis PSHP (-0.07 TWh). The decrease was offset by higher Green Generation volumes: Pomerania WF (+0.15 TWh) and Kaunas HPP (+0.08 TWh). Increased electricity generated (net) in wind farms was mainly affected by Pomerania WF as commercial operations started in December 2021. A contributing positive impact of Kaunas HPP was driven by more than 50% higher water levels in the Nemunas river.

An increase in electricity sales (22.4% higher compared to the previous period) was mainly driven by higher B2B sales in Lithuania, Latvia, and Poland. The number of B2B customers nearly doubled, whereas B2C sales slightly decreased due to ongoing electricity market deregulation in Lithuania.

The Electricity SAIFI indicator, which reflects the average number of unplanned long interruptions per customer, increased compared to the previous year and was 0.95 interruptions (0.72 interruptions in H1 2021). Electricity SAIDI indicator, which shows the average duration of unplanned interruptions, improved to 129.24 minutes (compared to 142.51 minutes in H1 2021). H1 2022 quality indicators were negatively affected by extreme weather conditions/natural disasters (that caused 4 mass disconnections in January and February 2022) and strong winds/local storms. Increased number of installed automatic solutions, as well as proactive management of staff levels based on the weather forecast, resulted in reduced average interruption duration.

| | | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|---|
| **Electricity** | | | | | |
| Green Generation capacity | MW | 1,351 | 1,350 | *1* | *0.1%* |
| Green Generation installed capacity | MW | 1,215[1] | 1,120 | *95* | *8.5%* |
| Green Generation projects under construction | MW | 136 | 230 | *(94)* | *(40.8%)* |
| Electricity distributed | TWh | 5.21 | 5.15 | *0.06* | *1.2%* |
| Electricity generated (net) | TWh | 0.96 | 1.15 | *(0.19)* | *(16.3%)* |
| Green electricity generated (net) | TWh | 0.88 | 0.70 | *0.19* | *26.6%* |
| Green share of generation | % | 92.3% | 61.0% | *31.3 pp* | *n/a* |
| Electricity sales | TWh | 4.26 | 3.48 | *0.78* | *22.4%* |
| SAIFI | units | 0.95 | 0.72[2] | *0.22* | *30.6%* |
| SAIDI | min | 129.24 | 142.51[2] | *(13.27)* | *(9.3%)* |
| **Heat** | | | | | |
| Green Generation capacity | MW | 349 | 339 | *10* | *2.9%* |
| Green Generation installed capacity | MW | 180[3] | 170 | *10* | *5.9%* |
| Green Generation projects under construction | MW | 169 | 169 | *-* | *-%* |
| Heat generated (net) | TWh | 0.48 | 0.45 | *0.04* | *8.6%* |
| **Natural gas** | | | | | |
| Natural gas distributed | TWh | 3.89 | 4.73 | *(0.84)* | *(17.7%)* |
| Natural gas sales | TWh | 6.28 | 7.32 | *(1.03)* | *(14.1%)* |
| SAIFI | units | 0.002 | 0.003 | *(0.001)* | *(44.7%)* |
| SAIDI | min | 0.15 | 0.25 | *(0.10)* | *(40.4%)* |

*[1] Vilnius CHP's WtE unit reached COD in Q1 2021 and the actual electricity generation capacity was verified by NERC (+1 MW).*
*[2] Previously reported electricity SAIDI 147.31, SAIFI 0.74 values were adjusted with regards to new information.*
*[3] Vilnius CHP's WtE unit reached COD in March 2021 and the actual heat generation capacity was verified by NERC (+10 MW).*

## Heat

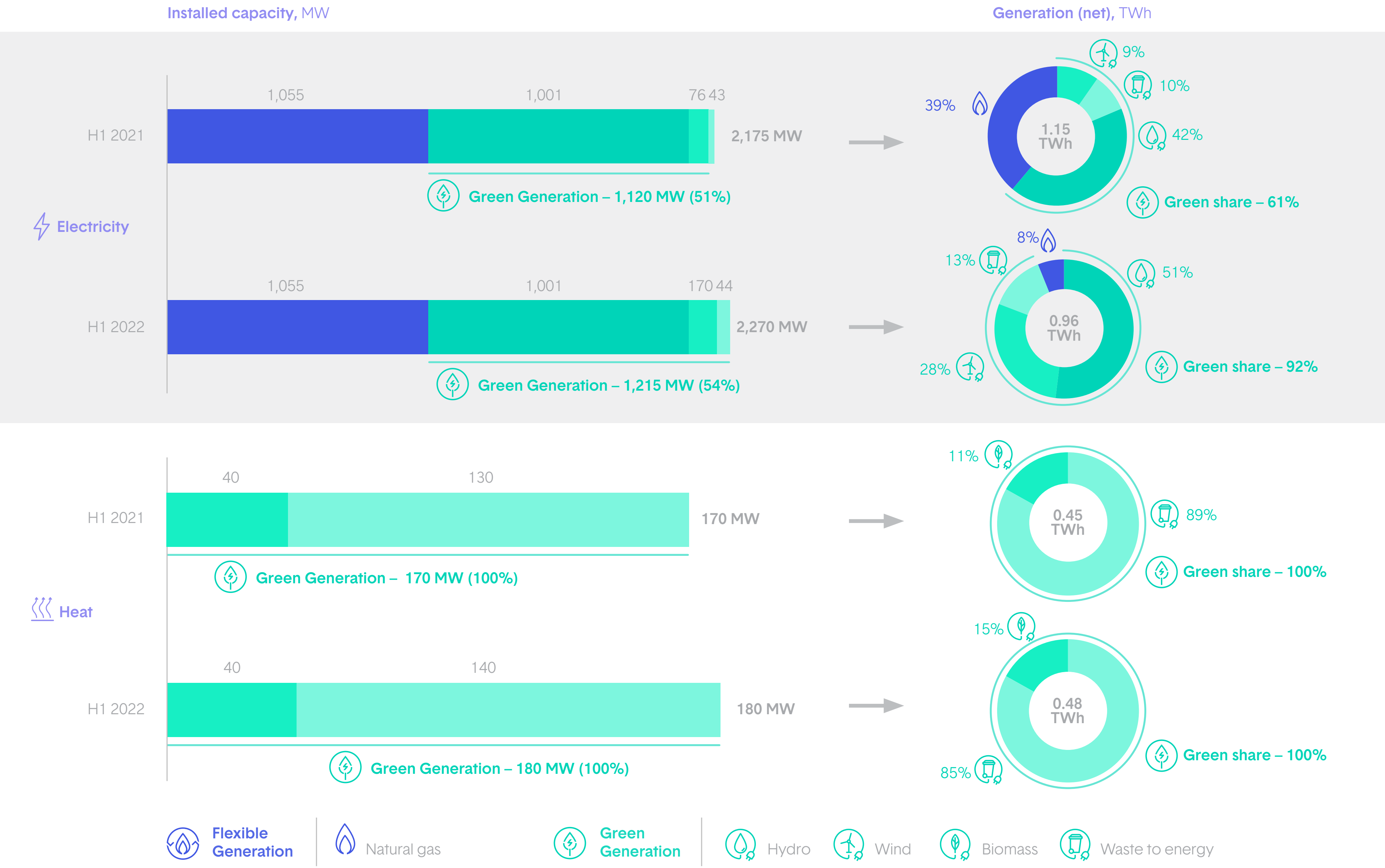
In H1 2022 heat generated (net) amounted to 0.48 TWh and was 8.6% higher compared to H1 2021. This increase was mainly driven by Vilnius CHP's WtE unit which started commercial operations in March 2021.

## Natural gas

Natural gas distribution volumes decreased by 17.7% as a result of warmer weather. The volume of natural gas sold in H1 2022 decreased by 14.1%. The main driver for the decrease is a single wholesale transaction, i.e., a one-off sale of 1.41 TWh LNG cargo last year (Q1 2021). The 13.7% increase in retail natural gas sales is mainly driven by one off sales contracts in Lithuania and Finland (0.56 TWh), due to the need to secure gas supply as a consequence of the geopolitical uncertainty, and also an expansion to Poland, Finland, Latvia, and Estonia.

Natural gas distribution SAIFI and SAIDI indicators improved in H1 2022 compared to the corresponding period last year as there were no significant disruptions during H1 2022. Natural gas SAIFI improved to 0.002 interruptions (from 0.003 interruptions in H1 2021). SAIDI indicator also decreased and was 0.15 minutes (compared to 0.25 minutes in H1 2021).

# Installed capacity and generation mix overview

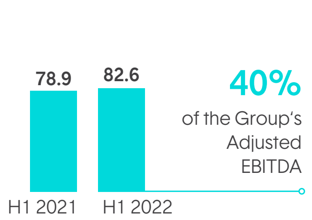


# 3.2 Results by business segment

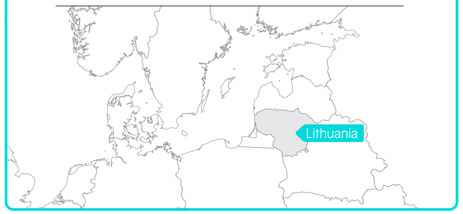
## Overview[1]

### Networks

Adjusted EBITDA, EURm

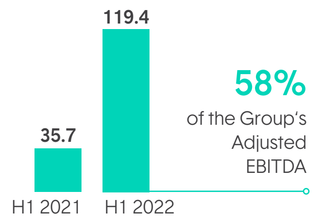



| | |
|---|---|
| Revenue, EURm | 245.3 |
| Adjusted EBIT, EURm | 37.0 |
| Investments, EURm | 103.9 |
| Net debt, EURm | 790.4 |




### Green Generation

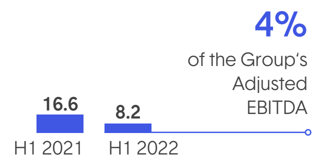
Adjusted EBITDA, EURm



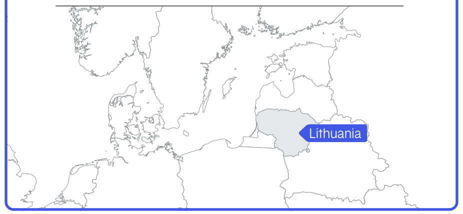

| | |
|---|---|
| Revenue, EURm | 211.3 |
| Adjusted EBIT, EURm | 105.4 |
| Investments, EURm | 18.8 |
| Net debt, EURm | 577.1 |


### Flexible Generation

Adjusted EBITDA, EURm

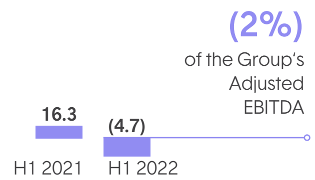



| | |
|---|---|
| Revenue, EURm | 96.4 |
| Adjusted EBIT, EURm | 2.2 |
| Investments, EURm | 0.1 |
| Net debt, EURm | 53.0 |

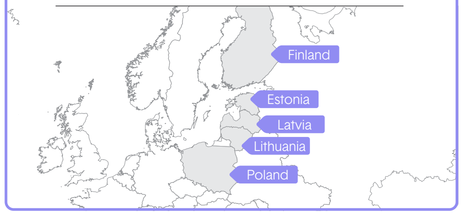



### Customers & Solutions

Adjusted EBITDA, EURm




| | |
|---|---|
| Revenue, EURm | 1,206.1 |
| Adjusted EBIT, EURm | (5.7) |
| Investments, EURm | 1.7 |
| Net debt, EURm | 551.3 |




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

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

Contents »

# Networks

## Highlights

- **Higher Investments compared to H1 2021 driven by increased level of expansion and maintenance Investments into electricity distribution network.**
- **Distributed volumes of electricity in H1 2022 amounted to 5.21 TWh and were 1.2% higher than in H1 2021. Distributed volumes of natural gas in H1 2022 decreased by 17.7%, compared to the same period in 2021, and comprised 3.89 TWh. The decrease in distributed gas volume is due to warmer winter compared to 2021.**
- **Smart meter testing and system deployment were completed in Q2 2022. The smart meter rollout started in July 2022.**
- **Electricity quality indicators (SAIFI and SAIDI) were negatively affected by extreme conditions/natural disasters and strong winds/local storms. Increased number of installed automatic solutions, as well as proactive management of staff levels based on the weather forecast, resulted in reduced average interruption duration.**

## Financial results

### Revenue

In H1 2022, the Networks revenue reached EUR 245.3 million and was 8.1% or EUR 21.5 million lower compared to H1 2021. The decrease was mainly driven by lower electricity distribution (EUR -20.6 million) and transmission (EUR -10.0 million) revenue due to, on average, 17% lower electricity distribution and transmission tariff components approved by the regulator. The decrease was partly offset by increased revenue from supply of last resort (EUR +9.3 million) due to 179% higher electricity market price.

### Adjusted EBITDA

Adjusted EBITDA reached EUR 82.6 million and was 4.7%, or EUR 3.7 million higher than in H1 2021. The increase was driven by introduction of an additional tariff component (EUR +14.1 million). The increase was partly offset by lower electricity WACC (4.16% in 2022 vs 5.34% in 2021) (EUR -6.1 million) as a result of the updated WACC methodology for the new regulatory period started in 2022. Also, Adjusted EBITDA increase was partly offset due to lower share of allowed return and D&A recognized in H1 2022 vs H1 2021 due to volume effect (EUR -6.0 million). This effect will level off over the course of the year as annual ROI and compensated D&A is fixed for the year but allocated between months based on distributed volumes.

### Investments

Investments amounted to EUR 103.9 million and were 79.4% or EUR 46.0 million higher compared to H1 2021. Investments in expansion of the electricity distribution network increased by EUR 25.0 million or +103.3% and amounted to EUR 49.2 million. Main reasons for the increase were more new connection points and upgrades as well as increased contractors fees . Contractors fees for new connections and upgrades increased on average by 35% per customer. Investments in maintenance of electricity distribution network increased by EUR +18.2 million or +82.4% and amounted to EUR 40.3 million.The increase was caused by more objects renovated and increased contractors fees. Contractors fees for maintenance increased on average by 43% per object.

| **Key financial indicators,** EURm | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 245.3 | 266.8 | *(21.5)* | *(8.1%)* |
| Adjusted EBITDA APM | 82.6 | 78.9 | *3.7* | *4.7%* |
| EBITDA APM | 57.4 | 106.8 | *(49.4)* | *(46.3%)* |
| Adjusted EBIT APM | 37.0 | 37.0 | - | -% |
| EBIT APM | 11.9 | 64.8 | *(52.9)* | *(81.6%)* |
| Investments APM | 103.9 | 57.9 | *46.0* | *79.4%* |
| Adjusted EBITDA margin APM | 30.5% | 33.0% | *(2.5 pp)* | *n/a* |
| | **30.06.2022** | **31.12.2021** | **Δ** | **Δ, %** |
| PPE, intangible and right-of-use assets | 1,708.7 | 1,654.6 | *54.1* | *3.3%* |
| Net debt APM | 790.4 | 710.0 | *80.4* | *11.3%* |

| **Key regulatory indicators[2]** | | 2022 | 2021[1] | Δ | Δ,% |
|---|---|---|---|---|---|
| **Regulated activities share in adjusted EBITDA in H1** | % | **100.0** | **100.0** | | |
| **Total** | | | | | |
| RAB | EURm | 1,345 | 1,258 | *87* | *6.9%* |
| WACC (weighted average) | % | 4.13 | 5.05 | *(0.93 pp)* | *n/a* |
| D&A (regulatory) | EURm | 67.8 | 69.1 | *(1.3)* | *(1.9%)* |
| Additional tariff component | EURm | 28.0 | - | *28.0* | *100%* |
| Deferred part of investments covered by clients and electricity equipment transfer in H1 | EURm | 7.8 | 12.7 | *(4.9)* | *(38.4%)* |
| **Electricity distribution** | | | | | |
| RAB | EURm | 1,097 | 1,009 | *88* | *8.7%* |
| WACC | % | 4.16 | 5.34 | *(1.18 pp)* | *n/a* |
| D&A (regulatory) | EURm | 58.5 | 59.6 | *(1.1)* | *(1.8%)* |
| Additional tariff component | EURm | 28.0 | - | *28.0* | *100%* |
| Deferred part of investments covered by clients and electricity equipment transfer in H1 | EURm | 7.1 | 9.0 | *(1.9)* | *(20.8%)* |
| **Natural gas distribution** | | | | | |
| RAB | EURm | 248 | 249 | *(1.0)* | *(0.4%)* |
| WACC | % | 3.98 | 3.90 | *0.08 pp* | *n/a* |
| D&A (regulatory) | EURm | 9.3 | 9.5 | *(0.2)* | *(2.1%)* |
| Deferred part of investments covered by clients and electricity equipment transfer in H1 | EURm | 0.7 | 3.8 | *(3.0)* | *(80.1%)* |

*[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021').*
*[2] RAB, WACC, D&A and additional tariff component approved and published by NERC. Full year numbers unless stated otherwise. Share of regulated activities and deferred part of investments covered by clients and electricity equipment transfer reflect semiannual values. The annual value of deferred part of investments covered by clients and electricity equipment transfer in 2021 comprise 13.5 EURm and 1.4 EURm in electricity and gas respectively.*

## Operating performance

### Electricity distribution

The total distributed electricity increased by 1.2%. The increase was a result of the growing electricity consumption of B2B customers, mainly in the retail and service industry. Technological losses ratio improved by 0.3 pp when compared to the last year, due to the effect of the measures taken to minimize electricity losses and the updated processes, which allowed to detect undeclared distributed volumes. In H1 2022 the number of electricity customers increased by 24.252, which is 1.4% increase compared to H1 2021, which was mainly affected by a growing number of new connections of prosumers and producers and relatively stable growth of traditional B2B and B2C customers. The increase in prosumers and producers is related to the support schemes for solar plants. The average time to connect increased by 66.9% due to the high volume of applications, disrupted supply of materials, and increased workload due to the termination of some contracts by service providers.

Electricity distribution quality indicator SAIFI slightly deteriorated compared to the previous year and was 0.95 interruptions (0.72 interruptions in H1 2021). Electricity SAIDI indicator improved to 129.24 minutes (compared to 142.51 minutes in H1 2021). H1 2022 quality indicators were negatively affected by extreme weather conditions/natural disasters (that caused 4 mass disconnections in January and February 2022) and strong winds/local storms. Increased number of installed automatic solutions, as well as proactive management of staff levels based on the weather forecast, resulted in reduced average interruption duration.

### Natural gas distribution

Natural gas distribution volumes decreased by 17.7% because of warmer weather. Average time to connect ratio improved by 17.5% due to stable demand, allowing contractors to complete works within agreed timelines. Both natural gas supply quality indicators SAIFI and SAIDI have improved compared to the same period last year and were equal to 0.002 interruptions and 0.15 minutes respectively. Natural gas quality indicators improved as there were less significant disruptions in H1 2022 compared to H1 2021.

| Key operating indicators | | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|---|
| **Electricity distribution** | | | | | |
| Electricity distributed | TWh | 5.21 | 5.15 | *0.06* | *1.2%* |
| of which B2C | TWh | 1.67 | 1.75 | *(0.08)* | *(4.3%)* |
| of which B2B | TWh | 3.54 | 3.41 | *0.14* | *4.1%* |
| Distribution network | thousand km | 127.12 | 126.45 | *0.67* | *0.5%* |
| Technological losses | % | 4.5% | 4.8% | *(0.3 pp)* | *n/a* |
| Number of customers | thousand | 1,813 | 1,789 | *24* | *1.4%* |
| of which prosumers and producers | thousand | 22 | 14 | *8* | *59.0%* |
| New connection points | thousand | 14.32 | 12.98 | *1.33* | *10.3%* |
| Connection point upgrades | thousand | 11.21 | 10.85 | *0.36* | *3.3%* |
| Admissible power of new connection points and upgrades | MW | 255.93 | 241.88 | *14.05* | *5.8%* |
| Time to connect (average) | c. d. | 58.90 | 35.29 | *23.61* | *66.9%* |
| SAIFI | unit | 0.95 | 0.72[1] | *0.22* | *30.6%* |
| SAIDI | min | 129.24 | 142.51[1] | *(13.27)* | *(9.3%)* |
| **Natural gas distribution** | | | | | |
| Natural gas distributed | TWh | 3.89 | 4.73 | *(0.84)* | *(17.7%)* |
| of which B2C | TWh | 1.45 | 1.62 | *(0.17)* | *(10.3%)* |
| of which B2B | TWh | 2.44 | 3.11 | *(0.67)* | *(21.6%)* |
| Distribution network | thousand km | 9.60 | 9.47[2] | *0.13* | *1.4%* |
| Technological losses | % | 1.9% | 1.6% | *0.3 pp* | *n/a* |
| Number of customers | thousand | 621 | 614 | *7* | *1.2%* |
| New connection points and upgrades | thousand | 2.66 | 3.57 | *(0.91)* | *(25.4%)* |
| Time to connect (average) | c. d. | 58.52 | 70.94 | *(12.42)* | *(17.5%)* |
| SAIFI | unit | 0.002 | 0.003 | *(0.001)* | *(44.7%)* |
| SAIDI | min | 0.15 | 0.25 | *(0.10)* | *(40.4%)* |
| **Customer experience** | | | | | |
| NPS | % | 55% | 36% | *19 pp* | *n/a* |

*[1] Previously reported electricity SAIDI 147.31, SAIFI 0.74 values were adjusted with regards to new information.*
*[2] Previously reported 9.75 value was adjusted with regards to new information.*

# Green Generation

## Highlights

- **More than three times increase in adjusted EBITDA, which reached EUR 119.4 million in H1 2022, driven by new asset launches and better performance of the operating assets.**
- **Volumes of Green electricity generated increased by 26.6% compared to H1 2021 mainly driven by Pomerania WF (COD in December 2021) and higher generation at Kaunas HPP due to higher levels of water in the Nemunas river.**
- **Pomerania WF sold 23% of total electricity generated during H1 2022 via CfD subsidy mechanism and the remaining 77% - at spot price. It is envisaged that approximately 20% of total electricity generated in 2022 will be sold via CfD subsidy mechanism.**
- **Received a favourable Stockholm Chamber of Commerce ruling in the legal dispute with Rafako S.A. confirming their fault for the unfinished Vilnius CHP biomass unit construction works.**

## Financial results

### Revenue

In H1 2022, Green Generation revenue amounted to EUR 211.3 million and was 220,2% or EUR 145.3 million higher than in H1 2021. The increase was driven by:

- Pomerania WF, which reached COD in December 2021 (EUR +16.9 million);
- hydropower plants, as a result of higher revenue in Kruonis PSHP (EUR +43.7 million), due to higher electricity market prices, and Kaunas HPP (EUR +34.0 million), due to both higher electricity prices and volumes generated;
- waste-to-energy units, as revenue increased in Vilnius CHP WtE unit (EUR +14.8 million) due to higher energy prices as well as COD reached in March 2021 and Kaunas CHP (EUR +10.9 million) due to higher electricity and heat prices.

### Adjusted EBITDA

In H1 2022, Adjusted EBITDA reached EUR 119.4 million and was 234.5% or EUR 83.7 million higher than in H1 2021. The main effects were:

- Pomerania WF, which reached COD in December 2021 (EUR +16.1 million);
- better results of Kaunas HPP (EUR +26.3 million) due to higher captured electricity prices and an increase in generated volume;
- better results of Kruonis PSHP (EUR +22.7 million) due to better result of commercial activities in exploiting favourable spread between peak and off-peak market prices;
- positive impact of Kaunas CHP's WtE unit (EUR +8.5 million) and Vilnius CHP's WtE unit (EUR +7.1 million), mainly due to higher electricity and heat prices;
- better results of other operating wind farms (EUR +3.2 million), due to higher electricity prices and higher generated electricity volumes due to more favourable weather conditions.

### Investments

Investments in the Green Generation segment amounted to EUR 18.8 million in H1 2022 and were EUR 5.2 million higher compared to H1 2021. Investments were higher majorly due to higher (EUR +5.7 million) investments in Vilnius CHP Biomass unit.

| Key financial indicators, EURm | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 211.3 | 66.0 | *145.3* | *220.2%* |
| Adjusted EBITDA APM | 119.4 | 35.7 | *83.7* | *234.5%* |
| EBITDA APM | 119.4 | 32.1 | *87.3* | *272.0%* |
| Adjusted EBIT APM | 105.4 | 25.9 | *79.5* | *306.9%* |
| EBIT APM | 105.4 | 22.3 | *83.1* | *372.6%* |
| Investments APM | 18.8 | 13.6 | *5.2* | *38.2%* |
| Adjusted EBITDA margin APM | 56.5% | 51.3% | *5.2 pp* | *n/a* |
| | **30.06.2022** | **31.12.2021** | **Δ** | **Δ. %** |
| PPE, intangible and right-of-use assets | 781.7 | 773.1 | *8.6* | *1.1%* |
| Net debt APM | 577.1 | 390.1 | *187.0* | *47.9%* |

| Key regulatory indicators[2] | | 2022[3] | 2021[3] | Δ | Δ, % |
|---|---|---|---|---|---|
| **Regulated activities share in adjusted EBITDA in H1** | **%** | **0.8** | **2.2** | ***(1.4 pp)*** | ***n/a*** |
| Kruonis PSHP | | | | | |
| RAB | EURm | 16.5[4] | 16.7[4] | *(0.2)* | *(1.2%)* |
| WACC | % | 4.03 | 3.50 | *0.53 pp* | *n/a* |
| D&A (regulatory) | EURm | 1.4 | 1.4 | - | - |

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

## Operating performance

### Electricity generation

Electricity generated (net) in the Green Generation segment increased by 26.6% in H1 2022, compared to H1 2021. This was mainly due to higher electricity generation from wind, driven by Pomerania WF (commercial operations started in December 2021), and hydro by increased generation at Kaunas HPP due to more than 50% higher water level in the Nemunas river. The increase was offset by Kruonis PSHP lower generation (-22% H1 2022 vs H1 2021) due to market conditions (fewer favourable days for generation, but with higher margin).

In H1 2022, electricity generated (net) by wind farms amounted to 0.27 TWh and increased by 0.17 TWh compared to H1 2021: a positive effect of Pomerania WF and a more favorable wind speed this year. The wind speed in H1 2022 was also the main reason for the increase in wind farm load factor, whereas the availability factor of wind farms deteriorated slightly compared to H1 2021 due to a couple of minor breakdowns. Electricity generated (net) by Kaunas HPP amounted to 0.24 TWh, which is 51.3% higher than in H1 2021 due to more than 50% higher water level in the Nemunas river.

### Heat generation

In H1 2022 heat generated (net) amounted to 0.48 TWh and was 8.6% higher compared to H1 2021. This increase was mainly driven by Vilnius CHP's WtE unit that started commercial operations in March 2021.

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

| Key operating indicators | | H1 2022 | H1 2021 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity generation** | | | | | |
| Installed capacity | MW | 1,215 | 1,120 | 95 | 8.5% |
| Wind | MW | 170 | 76 | 94 | 123.0% |
| Hydro | MW | 1,001 | 1,001 | - | -% |
| Pumped storage | MW | 900 | 900 | - | -% |
| Run-of-river | MW | 101 | 101 | - | -% |
| Waste | MW | 44 | 43 | 1 | 2.3% |
| Projects under construction | MW | 136 | 230 | (94) | (40.8%) |
| Wind | MW | 63 | 157 | (94) | (59.8%) |
| Biomass | MW | 73 | 73 | - | -% |
| Electricity generated (net) | TWh | 0.88 | 0.70 | 0.19 | 26.6% |
| Wind | TWh | 0.27 | 0.10 | 0.17 | 169.3% |
| Hydro | TWh | 0.49 | 0.48 | 0.01 | 1.9% |
| Pumped storage | TWh | 0.25 | 0.33 | (0.07) | (22.0%) |
| Run-of-river | TWh | 0.24 | 0.16 | 0.08 | 51.3% |
| Waste | TWh | 0.13 | 0.12 | 0.01 | 8.1% |
| Wind farms availability factor | % | 98.4% | 98.9%[1] | (0.5 pp) | n/a |
| Wind farms load factor[2] | % | 35.9% | 29.7% | 6.2 pp | n/a |
| **Heat generation** | | | | | |
| Installed capacity | MW | 180 | 170 | 10 | 5.9% |
| Projects under construction | MW | 169 | 169 | - | -% |
| Heat generated (net) | TWh | 0.48 | 0.45 | 0.04 | 8.6% |
| Waste[3] | TWh | 0.41 | 0.40 | 0.01 | 3.2% |
| Biomass | TWh | 0.07 | 0.05 | 0.03 | 53.1% |

*[1] Previously reported 98.8% value was adjusted with regards to new information.*
*[2] The wind load factor has been recalculated using weighted average method.*
*[3] Vilnius CHP and Kaunas CHP can use natural gas for starting/stopping the power plant, test runs, etc., which are included in reported values of "Waste".*

# Flexible Generation

## Highlights

- **Considering the current geopolitical uncertainty, natural gas reserve of 1.1 TWh has been acquired according to a supplementary agreement to the isolated regime services contract. The acquisition caused temporary increase in working capital level, however,** the **regulatory mechanism** is supposed to **ensure compensation for additional costs incurred via isolated regime services tariff.**
- **Clean spark spread was negatively affected by increased natural gas prices, which caused significant drop in volumes generated (-83.4%) and consequently led to a material decrease in adjusted EBITDA.**

## Financial results

### Revenue

In H1 2022, Flexible Generation revenue reached EUR 96.4 million and was 57.8% or EUR 35.3 million higher than in H1 2021. The increase was driven by higher revenue from power reserve, more specifically revenue (EUR +50.3 million) intended to cover incurred expenses related with gas reserve acquired in order to comply with new requirements for the isolated regime services. The increase was partly offset by lower revenue from CCGT commercial activities (EUR -14.3 million) due to worse market conditions (less favourable days for generation).

### Adjusted EBITDA

In H1 2022, Adjusted EBITDA amounted to EUR 8.2 million and was 50.6% or EUR 8.4 million lower than in H1 2021. Adjusted EBITDA from regulated activities reached EUR 5.6 million and was 23.3%, or EUR 1.7 million lower than in H1 2021. The decrease in EBITDA of regulated activities was mainly due to adjusted tariffs. Commercial activities amounted to EUR 2.5 million and were 72.6%, or EUR 6.8 million, lower than in H1 2021. The decrease was mainly caused by worse results of CCGT unit (EUR -7.0 million) due to lower volumes of generation (-0.4 TWh) as clean spark spread was negatively affected by increased gas prices (less favourable days for generation).

## Operating performance

Electricity generation (net) volume of CCGT unit as well as units 7 and 8 at Elektrėnai Complex was 0.07 TWh and decreased by 83.4% in H1 2022, compared to H1 2021. Clean spark spread was negatively affected by increased natural gas prices, which caused significant drop in volumes generated.

In H1 2021 the tertiary active power reserve in the capacity of 482 MW was ensured by units 7 and 8 at Elektrėnai Complex, while in H1 2022 the tertiary active power reserve was ensured in the scope of 519 MW by the same units. In H1 2021, the CCGT was providing isolated system operation services in the scope of 371 MW. The remaining part of the isolated system operation services were provided by unit 7 in the scope of 38 MW. In H1 2022, the CCGT was providing isolated system operation services in the scope of 371 MW. The remaining part of the isolated system operation services were provided by unit 8 in the scope of 1 MW.

| **Key financial indicators,** EURm | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 96.4 | 61.1 | *35.3* | *57.8%* |
| Adjusted EBITDA APM | 8.2 | 16.6 | *(8.4)* | *(50.6%)* |
| EBITDA APM | 8.2 | 16.6 | *(8.4)* | *(50.6%)* |
| Adjusted EBIT APM | 2.2 | 9.8 | *(7.6)* | *(77.6%)* |
| EBIT APM | 2.2 | 9.8 | *(7.6)* | *(77.6%)* |
| Investments APM | 0.1 | 0.1 | *-* | *-%* |
| Adjusted EBITDA margin APM | 8.5% | 27.1% | *(18.6 pp)* | *n/a* |
| | **30.06.2022** | **31.12.2021** | **Δ** | **Δ, %** |
| PPE, intangible and right-of-use assets | 296.6 | 307.4 | *(10.8)* | *(3.5%)* |
| Net debt APM | 53.0 | (37.5) | *90.5* | *n/a* |

| **Key operating indicators** | | H1 2022 | H1 2021 | Δ | Δ, % |
|---|---|---|---|---|---|
| Installed electricity capacity | MW | 1,055 | 1,055 | *-* | *-%* |
| Electricity generated (net) | TWh | 0.07 | 0.45 | *(0.37)* | *(83.4%)* |
| Total reserve and Isolated regime services | MW | 891 | 891 | *-* | *-%* |
| Tertiary power reserve services | MW | 519 | 482 | *37* | *7.7%* |
| Isolated system operation services | MW | 372 | 409 | *(37)* | *(9.0%)* |

| **Key regulatory indicators[2]** | | 2022[3] | 2021[3] | Δ | Δ,% |
|---|---|---|---|---|---|
| **Regulated activities share in adjusted EBITDA in H1** | **%** | **68.7** | **44.0** | ***24.8 pp*** | ***n/a*** |
| **Total** | **EURm** | | | | |
| RAB | % | 32.0 | 33.8 | *(1.8)* | *(5.3%)* |
| WACC | EURm | 4.03 | 3.50 | *0.53 pp* | *n/a* |
| D&A (regulatory) | | 13.2 | 14.0 | *(0.8)* | *(5.7%)* |
| CCGT | | | | | |
| RAB | EURm | | | | |
| WACC | % | | | | |
| D&A (regulatory) | EURm | 9.3 | 10 | *(0.7)* | *(7.0%)* |
| Units 7 and 8 | | | | | |
| RAB | EURm | 32.0 | 33.8 | *(1.8)* | *(5.3%)* |
| WACC | % | 4.03 | 3.50 | *0.53 pp* | *n/a* |
| D&A (regulatory) | EURm | 3.9 | 4.0 | *(0.1)* | *(2.5%)* |

*[1] Due to change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021').*
*[2] Full year numbers unless stated otherwise.*
*[3] Numbers approved and published by NERC.*

# Customers & Solutions

## Highlights

- **In H1 2022, Customers & Solutions has terminated purchases of natural gas from Gazprom and therefore has acquired unscheduled liquefied natural gas cargoes mainly to fill its storage at Inciukalns and in H2 plans on purchasing additional cargoes in order to ensure uninterrupted gas supply for the customers.**
- **Net working capital further increased mainly due to more expensive stored gas inventory and increasing regulatory debt.**
- **Lithuanian Parliament amended legislation related to providing consumers with partial compensation due to increasing prices of energy resources. During H2 2022, the State, through the tariff, will compensate prior to 1st of July 2022 accumulated Customers & Solutions regulatory differences (EUR 365 million) and EUR 205 million will be allocated to compensate H2 2022 energy prices for all** customers of independent supply companies.
- **Natural gas inventory has been kept at high level at Incukalns storage facility due to geopolitical uncertainty, at lower average cost compared to increasing market prices, hence generating positive effect in Adjusted EBITDA due to average cost accounting method.**
- **Baltic states stopped importing electricity from Russia after Europe's Nord Pool power exchange stopped Russian electricity trading. As a result activity of Russian related market players as 'Inter RAO Lietuva' was stopped which in turn opened opportunities to expand B2B client portfolio.**
- **The gas interconnection between Poland and Lithuania (GIPL) started commercial operation in May 2022 allowing Lithuanian-Polish gas exchange which strengthens the energy independence of the region and increases trading opportunities.**
- **Continuing B2C electricity market deregulation activities while maintaining leadership in independent supply B2C market share of 67.3% by number of objects.**

## Financial results

### Revenue

In H1 Customers & Solutions revenue reached EUR 1 206.1 million and was 249%, or EUR 860.8 million, higher than in 2021. However, higher sales did not translate into significantly better results since sales margins are fixed using hedging instruments.

Higher revenue from electricity business (EUR +373.2 million) was due to higher market prices (+179% on average) and higher volume sold (+18%). Natural gas business related income increased (EUR +486.3 million), mainly due to higher average TTF gas price index (+417%) which is mainly reflected in the company's gas supply and due to higher volume (+24%).

### Adjusted EBITDA

Adjusted EBITDA dropped to EUR -4.7 million and was EUR 21.0 million lower than in H1 2021.

The main effects were:

- negative change in electricity business (EUR -32.1 million) driven by lower B2B results (EUR -12.6 million), mainly due to ineffective "proxy" hedges as the correlation of chosen hedge products deteriorated. It also is important to note that due to changed internal reporting policy of adjustments, open ineffective mark-to-market (MtM) hedge positions (-29.4 million) are no longer eliminated from the adjusted result. Partly offset by B2C activities (EUR +9.1 million) mainly due to over-hedge in independent supply;
- positive change of natural gas results (EUR +14.8 million) driven by positive B2B results (+21.3 million) mainly due to temporary inventory effect and one-off gain from gas MtM, partly offset by negative B2C results (EUR -6.1 million), mainly due to over-declaration (household consumers tend to declare larger than actual consumption just before the increase in tariff, which results in lower revenue and eventually negative impact on the natural gas result in the subsequent period. However, market regulator considers such cases for compensation through tariff).

| Key financial indicators, EURm | H1 2022 | H1 2021[1] | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 1,206.1 | 345.3 | *860.8* | *249.3%* |
| Adjusted EBITDA APM | (4.7) | 16.3 | *(21.0)* | *n/a* |
| EBITDA APM | 25.4 | 14.5 | *10.9* | *75.2%* |
| Adjusted EBIT APM | (5.7) | 15.4 | *(21.1)* | *n/a* |
| EBIT APM | 24.4 | 13.7 | *10.7* | *78.1%* |
| Investments APM | 1.7 | 0.9 | *0.8* | *88.9%* |
| Adjusted EBITDA margin APM | (0.4%) | 4.7% | *(5.1 pp)* | *n/a* |
| | **30.06.2022** | **31.12.2021** | **Δ** | **Δ, %** |
| PPE, intangible and right-of-use assets | 6.9 | 6.5 | *0.4* | *6.2%* |
| Net debt APM | 551.3 | 474.4 | *76.9* | *16.2%* |
| Net working capital APM | 761.5 | 534.6 | *226.9* | *42.4%* |

| Key regulatory indicators[2] | | 2022[3] | 2021[3] | Δ | Δ,% |
|---|---|---|---|---|---|
| **Regulated activities share in adjusted EBITDA in H1** | % | **(42.7)** | **24.2** | ***(66.9 pp)*** | ***n/a*** |
| RAB[4] | EURm | 14.2 | 25.7 | *(11.5)* | *(44.7%)* |
| WACC | % | 3.05 | 2.93 | *0.12 pp* | *n/a* |

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

### Net working capital

Compared to 31 December 2021, net working capital further increased (EUR +226.9 million). The increase was mainly driven by increased value of gas inventory (EUR +59.5 million), regulated price differences in electricity (EUR +79.7 million) and natural gas (EUR +91.7 million).

### Amortisation of energy price increase

Lithuanian Parliament amended legislation related to providing consumers with partial compensation due to increasing prices of energy resources. From H2 2022, increasing prices as well as accumulated regulatory differences of regulated supply customers up to this point will be partially compensated directly from the state budget. Out of planned EUR 570 million from the state budget, up to EUR 365 million is expected to be allocated through tariff to cover regulatory differences accumulated in 2021 and H1 2022 by Customers & Solutions and the remaining EUR 205 million will be aimed to compensate prices for customers of all independent supply companies where majority would be Ignitis with the largest market share of customers (67.3%). It is expected not only to prevent from further increase in Group's net working capital in H2 2022, but also to reduce currently accumulated debts that have been used to finance regulatory differences until the second half of this year.

## Operating performance

### Electricity volume sales

Total electricity sales in retail market in H1 2022 increased by 26.8% compared to H1 2021. The increase was mainly driven by higher B2B sales in Lithuania, Latvia and Poland. The number of B2B customers nearly doubled due to competitive spot pricing, increased activity in the market and more effective sales processes which helped reaching targeted customers and turned into supply contracts. Sales to B2C customers in Lithuania were lower (-0.06 TWh) and number of customers decreased (-0.02 million) compared to H1 2021, due to electricity market deregulation effect. However, it can be noted that we still maintain the leadership position (67.3% B2C customer share of independent supply market).

### Natural gas volume sales

The volume of natural gas sold in H1 2022 decreased by 14.1%. The main driver for the decrease is a single wholesale transaction, i.e., a one-off sale of 1.41 TWh LNG cargo last year (Q1 2021). The 13.7% increase in retail natural gas sales is mainly driven by one off sales contracts in Lithuania and Finland (0.56 TWh), due to the need to secure gas supply as a consequence of the geopolitical uncertainty, and an expansion to Poland, Finland, Latvia, and Estonia.

### Other

In H1 2022 customer experience (NPS) ratio in the Customers & Solutions segment increased by 7.8 pp and 0.5 pp of both B2C and B2B customers respectively, compared to H1 2021. Proactive communication about changes, new automated processes, and better attraction and retention of call center employees led to improved customer experience.

| Key operating indicators | | H1 2022 | H1 2021 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity sales** | | | | | |
| Lithuania | TWh | 3.27 | 2.78 | *0.50* | *17.8%* |
| Latvia | TWh | 0.66 | 0.44 | *0.22* | *50.3%* |
| Other[1] | TWh | 0.20 | 0.05 | *0.16* | *337.4%* |
| Total retail | TWh | 4.14 | 3.26 | *0.87* | *26.8%* |
| *of which B2C* | TWh | 1.43 | 1.49 | *(0.06)* | *(3.9%)* |
| *of which B2B* | TWh | 2.71 | 1.77 | *0.93* | *52.5%* |
| Number of customers | m | 1.55 | 1.56 | *(0.01)* | *(0.6%)* |
| **Natural gas sales** | TWh | 6.28 | 7.32 | *(1.03)* | *(14.1%)* |
| Lithuania | TWh | 3.00 | 3.38 | *(0.38)* | *(11.2%)* |
| Latvia | TWh | 0.25 | 0.13 | *0.12* | *86.8%* |
| Finland | TWh | 2.25 | 1.42 | *0.83* | *58.4%* |
| Poland | TWh | 0.10 | - | *0.10* | *- %* |
| Estonia | TWh | 0.01 | - | *0.01* | *- %* |
| Total retail | TWh | 5.61 | 4.93 | *0.68* | *13.7%* |
| *of which B2C* | TWh | 1.48 | 1.65 | *(0.17)* | *(10.3%)* |
| *of which B2B* | TWh | 4.13 | 3.29 | *0.85* | *25.7%* |
| Wholesale market | TWh | 0.67 | 2.38 | *(1.71)* | *(71.8%)* |
| Number of customers | m | 0.62 | 0.61 | *0.01* | *0.9%* |
| **Customer experience** | | | | | |
| NPS (B2C) | % | 59.3% | 51.5% | *7.8 pp* | *n/a* |
| NPS (B2B) | % | 52.3% | 51.8% | *0.5 pp* | *n/a* |

*[1] Electricity sales in Poland and Estonia.*

# 3.3 Results Q2

## Financial results

### Revenue

In Q2 2022, compared to Q2 2021, an increase in revenue was caused by:

- Customers & Solutions segment (EUR +367.7 million) from electricity business (EUR +134.5 million), due to higher market price and volumes and higher revenue from natural gas sales (EUR +231.5 million) due to higher natural gas prices;
- Green Generation segment (EUR +57.7 million), mostly due to higher revenue from Pomerania WF (EUR +5.6 million) due to COD reached in December 2021 as well as Kruonis PSHP (EUR +19.1 million), Kaunas HPP (EUR +16.5 million), Kaunas CHP (EUR +4.4 million) and Vilnius CHP WtE unit (EUR +3.6 million) mainly due to higher electricity market prices.

### Adjusted EBITDA

Adjusted EBITDA increased by EUR 24.5 million, mainly due to:

- better results of Green Generation segment (EUR +44.7 million) due to better results of Pomerania WF (EUR +5.1 million), due to COD reached in December 2021, better results of Kaunas HPP (EUR +13.0 million) and Kruonis PSHP (EUR +10.3 million) mainly due to higher electricity prices;
- increase was partly offset by worse results of Flexible Generation segment (EUR -5.4 million) due to decrease in both commercial and regulatory activities and Customers & Solutions segment (EUR -5.2 million), mostly due to ineffective electricity hedging.

### Adjusted net profit

Adjusted net profit increased by EUR 18.6 million mainly due to higher Adjusted EBITDA.

### Investments

Investments in Q2 2022 increased mainly due to higher Networks segment investments in expansion and maintenance of electricity distribution network (EUR +17.3 million and EUR +15.4 million respectively).

## Operating performance

### Electricity

The distributed electricity increased by 0.4% compared to Q2 2021.The increase was a result of the growing electricity consumption of B2B customers, mainly in the retail and service industry. Electricity generated (net) decreased by 34.2%. The decrease was mainly driven by lower electricity generation (net) of the CCGT unit at Elektrėnai Complex (-0.19 TWh) and Kruonis PSHP (-0.07 TWh) which offset an increased electricity generation (net) of Pomerania WF (+0.05 TWh).

The operational Green Generation capacity increased by 95 MW and the capacity under construction decreased accordingly by 94 MW since COD of Pomerania WF was reached in December 2021. Additionally, the actual electricity generation capacity of Vilnius CHP's WtE unit was verified by NERC (+1 MW).

The increased number of installed automatic solutions, proactive management of staff levels based on the weather forecast, and more favorable weather conditions over the Q2 2022 resulted in improved electricity quality indicators SAIFI and SAIDI.

### Heat

Heat generation (net) in Q2 2022 was 0.03 TWh lower compared to Q2 2021. Reduced generation by Vilnius CHP WtE is the main driver, as meeting the emission allowance set by IPPC requires leveling the production volumes over the year.

### Natural gas

Natural gas distribution volumes decreased due to lower consumption and warmer weather. The increase of 10.1% in natural gas sales volumes is mainly driven by a one off sales contract in Finland, due to the need to secure gas supply as a consequence of the geopolitical uncertainty, and also an expansion to Poland, Finland, Latvia, and Estonia.

Natural gas quality indicators SAIDI and SAIFI remained in line with last year as there were no significant disruptions during Q2 2022.

| Key financial indicators | | Q2 2022 | Q2 2021[1] | Δ | Δ,% |
|---|---|---|---|---|---|
| Revenue | EURm | 741.9 | 344.7 | 397.2 | 115.2% |
| EBITDA APM | EURm | 119.8 | 83.8 | 36.0 | 43.0% |
| Adjusted EBITDA APM | EURm | 95.1 | 70.6 | 24.5 | 34.7% |
| Adjusted EBITDA margin APM | % | 13.3% | 21.3% | (8.0 pp) | n/a |
| EBIT APM | EURm | 84.7 | 52.5 | 32.2 | 61.3% |
| Adjusted EBIT APM | EURm | 60.1 | 39.3 | 20.8 | 52.9% |
| Net profit | EURm | 68.1 | 18.0 | 50.1 | 278.3% |
| Adjusted net profit APM | EURm | 46.8 | 28.3 | 18.5 | 65.4% |
| Investments APM | EURm | 86.3 | 48.7 | 37.6 | 77.2% |
| FFO APM | EURm | 96.2 | 65.1 | 31.1 | 47.8% |
| FCF APM | EURm | (108.9) | 54.3 | (163.2) | n/a |

| Key operating indicators | | Q2 2022 | Q2 2021 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity** | | | | | |
| Green Generation capacity | MW | 1,351 | 1,350 | 1 | 0.1% |
| Green Generation installed capacity | MW | 1,215 | 1,120 | 95 | 8.5% |
| Green Generation projects under construction | MW | 136 | 230 | (94) | (40.8%) |
| Electricity distributed | TWh | 2.44 | 2.43 | 0.01 | 0.4% |
| Electricity generated (net) | TWh | 0.38 | 0.58 | (0.20) | (34.2%) |
| Green electricity generated (net) | TWh | 0.34 | 0.35 | (0.01) | (2.6%) |
| Green share of generation | % | 90.2% | 61.0% | 29.2 pp | n/a |
| Electricity sales | TWh | 2.07 | 1.67 | 0.40 | 24.0% |
| SAIFI | units | 0.31 | 0.36 | (0.04) | (11.8%) |
| SAIDI | min. | 20.74 | 44.54[2] | (23.80) | (53.4%) |
| **Heat** | | | | | |
| Green Generation capacity | MW | 349 | 339 | 10 | 2.9% |
| Green Generation installed capacity | MW | 180 | 170 | 10 | 5.9% |
| Green Generation projects under construction | MW | 169 | 169 | - | -% |
| Heat generated (net) | TWh | 0.18 | 0.21 | (0.03) | (14.5%) |
| **Natural gas** | | | | | |
| Natural gas distributed | TWh | 1.21 | 1.41 | (0.20) | (14.2%) |
| Natural gas sales | TWh | 2.28 | 2.07 | 0.21 | 10.1% |
| SAIFI | units | 0.001 | 0.001 | (0.000) | (7.1%) |
| SAIDI | min. | 0.10 | 0.09[3] | 0.01 | 8.2% |

*[1] Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual results' part 'Significant changes in reporting period of 2021').*
*[2] Previously reported electricity SAIDI 46.64 value was adjusted with regards to new information.*
*[3] Previously reported natural gas SAIDI 0.08 value was adjusted with regards to new information.*

# Results by business segments Q2[1]

## Networks

- Revenue -8.1% or EUR 9.8 million compared to Q2 2021. The decrease was mainly driven by on average 17% lower electricity distribution and transmission tariff components.
- Adjusted EBITDA +7.8% or EUR 2.7 million compared to Q2 2021. The increase was driven by introduction of an additional tariff component (EUR +6.6 million). The increase was partly offset by lower electricity WACC (4.16% in 2022 vs 5.34% in 2021) (EUR -2.9 million) as a result of the updated WACC methodology for the new regulatory period started in 2022.
- Investments +85.6% or EUR 32.6 million compared to Q2 2021, mainly due to higher investments made for expansion and maintenance of electricity distribution network (EUR +17.3 million and EUR +15.4 million respectively).

## Green Generation

- Revenue +175.4% or EUR 57.7 million compared to Q2 2021. The increase was driven by Pomerania WF (EUR +5.6 million) due to COD reached in December 2021 as well as Kruonis PSHP (EUR +19.1 million), Kaunas HPP (EUR +16.5 million), Kaunas CHP (EUR +4.4 million) and Vilnius CHP WtE unit (EUR +3.6 million) mainly due to higher electricity market prices.
- Adjusted EBITDA +195.8% or EUR 32.7 million compared to Q2 2021. The increase was mainly influenced by Pomerania WF (EUR +5.1 million), due to COD reached in December 2021, better results of Kaunas HPP (EUR +13.0 million) and Kruonis PSHP (EUR +10.3 million) mainly due to higher electricity prices.
- Investments +103.2% or EUR 6.5 million compared to Q2 2021 majorly due to higher investments (EUR 8.7 million) in Vilnius CHP Biomass unit.

## Flexible Generation

- Revenue -23.8% or EUR 7.5 million compared to Q2 2021. The decrease was mainly driven by lower revenue of commercial activities of the CCGT unit (EUR -6.8 million) due to worse market conditions (less favourable days for generation).
- Adjusted EBITDA -62.1% or EUR 5.4 million compared to Q2 2021. The decrease was caused by both lower commercial (EUR -3.2 million) and regulated (EUR -2.3 million) activities. Worse results of the CCGT unit's commercial activity (EUR -3.1 million) was mainly due to lower volumes of generation as clean spark spread was negatively affected by increased gas prices (less favourable days for generation). Lower result from regulated activities was influenced by adjusted tariff.

## Customers & Solutions

- Revenue +228.4% or EUR 367.7 million compared to Q2 2021. The increase was mainly driven by higher revenue of electricity business (EUR +134.5 million) due to higher market price and volumes and higher revenue from natural gas sales (EUR +231.5 million) due to higher natural gas prices.
- Adjusted EBITDA -51.0% or EUR 5.2 million compared to Q2 2021. The decrease was mainly influenced by worse electricity business results (EUR -20.1 million) due to ineffective hedging, which was partly offset by positive gas business results (EUR +18.6 million) mainly due to temporary inventory effect and hedge MtM positions.

| Networks | | Q2 2022 | Q2 2021 | Δ | Δ, % |
|---|---|---|---|---|---|
| Revenue | EURm | 110.7 | 120.5 | (9.8) | (8.1%) |
| Adjusted EBITDA APM | EURm | 37.5 | 34.8 | 2.7 | 7.8% |
| EBITDA APM | EURm | 24.8 | 49.2 | (24.4) | (49.6%) |
| Adjusted EBIT APM | EURm | 14.4 | 13.2 | 1.2 | 9.1% |
| EBIT APM | EURm | 1.9 | 27.5 | (25.6) | (93.1%) |
| Investments APM | EURm | 70.7 | 38.1 | 32.6 | 85.6% |
| Adjusted EBITDA margin APM | % | 30.4% | 32.8% | (2.4 pp) | n/a |
| | | 30.06.2022 | 31.12.2021 | Δ | Δ,% |
| PPE, intangible and right-of-use assets | EURm | 1,708.7 | 1,654.6 | 54.1 | 3.3% |
| Net debt APM | EURm | 790.4 | 710.0 | 80.4 | 11.3% |
| **Green Generation** | | Q2 2022 | Q2 2021 | Δ | Δ, % |
| Revenue | EURm | 90.6 | 32.9 | 57.7 | 175.4% |
| Adjusted EBITDA APM | EURm | 49.4 | 16.7 | 32.7 | 195.8% |
| EBITDA APM | EURm | 49.4 | 15.3 | 34.1 | 222.9% |
| Adjusted EBIT APM | EURm | 42.3 | 11.5 | 30.8 | 267.8% |
| EBIT APM | EURm | 42.3 | 10.0 | 32.3 | 323.0% |
| Investments APM | EURm | 12.8 | 6.3 | 6.5 | 103.2% |
| Adjusted EBITDA margin APM | % | 54.5% | 48.7% | 5.8 pp | n/a |
| | | 30.06.2022 | 31.12.2021 | Δ | Δ,% |
| PPE, intangible and right-of-use assets | EURm | 781.7 | 773.1 | 8.6 | 1.1% |
| Net debt APM | EURm | 577.1 | 390.1 | 187.0 | 47.9% |
| **Flexible Generation** | | Q2 2022 | Q2 2021 | Δ | Δ, % |
| Revenue | EURm | 24.0 | 31.5 | (7.5) | (23.8%) |
| Adjusted EBITDA APM | EURm | 3.3 | 8.7 | (5.4) | (62.1%) |
| EBITDA APM | EURm | 3.3 | 8.7 | (5.4) | (62.1%) |
| Adjusted EBIT APM | EURm | 0.3 | 5.8 | (5.5) | (94.8%) |
| EBIT APM | EURm | 0.3 | 5.8 | (5.5) | (94.8%) |
| Investments APM | EURm | 0.1 | 0.1 | - | -% |
| Adjusted EBITDA margin APM | % | 13.7% | 27.6% | (13.9 pp) | n/a |
| | | 30.06.2022 | 31.12.2021 | Δ | Δ,% |
| PPE, intangible and right-of-use assets | EURm | 296.6 | 307.4 | (10.8) | (3.5%) |
| Net debt APM | EURm | 53.0 | (37.5) | 90.5 | (241.3%) |
| **Customers & Solutions** | | Q2 2022 | Q2 2021 | Δ | Δ, % |
| Revenue | EURm | 528.7 | 161.0 | 367.7 | 228.4% |
| Adjusted EBITDA APM | EURm | 5.0 | 10.2 | (5.2) | (51.0%) |
| EBITDA APM | EURm | 42.2 | 10.4 | 31.8 | 305.8% |
| Adjusted EBIT APM | EURm | 4.5 | 9.7 | (5.2) | (53.6%) |
| EBIT APM | EURm | 41.7 | 10.0 | 31.7 | 317.0% |
| Investments APM | EURm | 1.4 | 0.6 | 0.8 | 133.3% |
| Adjusted EBITDA margin APM | % | 1.0% | 6.3% | (5.3 pp) | n/a |
| | | 30.06.2022 | 31.12.2021 | Δ | Δ,% |
| PPE, intangible and right-of-use assets | EURm | 6.9 | 6.5 | 0.4 | 6.2% |
| Net debt APM | EURm | 551.3 | 474.4 | 76.9 | 16.2% |

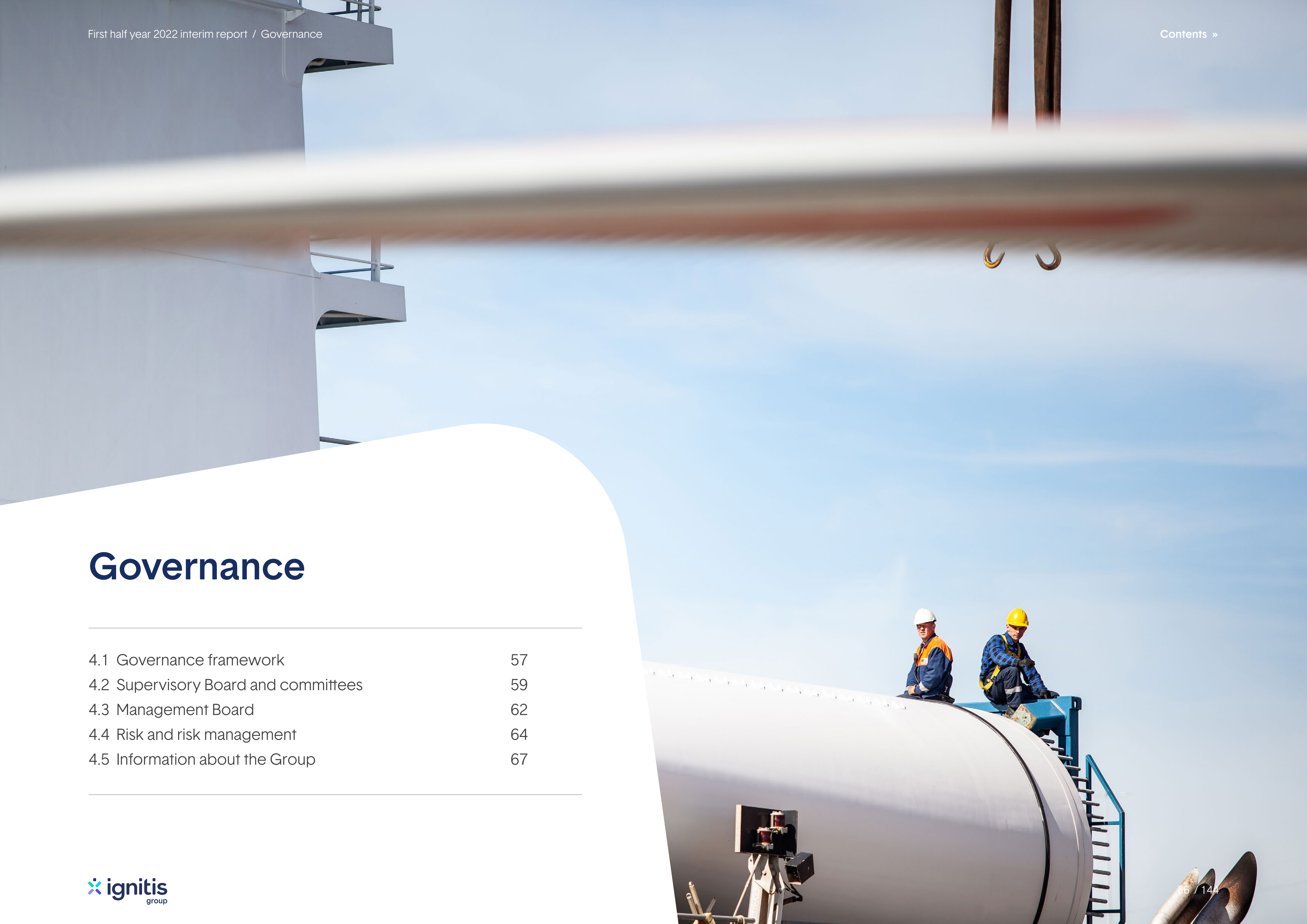
[1] *Due to Networks Methodology update, change in accounting policy and reclassifications as well as reduction of management adjustments, all adjusted financial indicators were recalculated retrospectively for all quarters of the year 2021 (for more information, see Annual report 2021 section 'Annual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

# 3.4 Quarterly summary

| Key financial indicators[1] | | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | EURm | 741.9 | 991.3 | 725.0 | 427.3 | 344.7 | 393.4 | 354.3 | 277.9 | 265.3 |
| EBITDA APM | EURm | 119.8 | 91.7 | 80.4 | 83.8 | 83.8 | 87.4 | 105.0 | 79.0 | 88.2 |
| Adjusted EBITDA APM | EURm | 95.1 | 111.4 | 111.7 | 72.2 | 70.6 | 78.1 | 90.6 | 72.9 | 60.4 |
| Adjusted EBITDA margin APM | % | 13.3% | 11.0% | 14.8% | 17.4% | 21.3% | 20.3% | 26.7% | 26.8% | 25.4% |
| EBIT APM | EURm | 84.7 | 57.2 | 22.0 | 53.0 | 52.5 | 57.0 | 72.5 | 48.9 | 60.8 |
| Adjusted EBIT APM | EURm | 60.1 | 76.9 | 78.1 | 41.4 | 39.3 | 47.7 | 58.1 | 42.8 | 33.0 |
| Net profit | EURm | 68.1 | 46.8 | 41.7 | 51.2 | 18.0 | 43.0 | 61.7 | 36.4 | 48.2 |
| Adjusted net profit APM | EURm | 46.8 | 61.1 | 70.4 | 29.2 | 28.3 | 35.1 | 49.5 | 31.2 | 24.5 |
| Investments APM | EURm | 86.3 | 43.1 | 103.1 | 54.1 | 48.7 | 29.0 | 76.0 | 83.7 | 124.5 |
| FFO APM | EURm | 96.2 | 89.3 | 75.2 | 67.5 | 65.1 | 84.0 | 102.1 | 65.3 | 81.7 |
| FCF APM | EURm | (108.9) | (138.3) | (333.4) | (47.3) | 54.3 | 30.9 | (7.7) | 23.6 | (1.1) |
| ROE LTM APM | % | 10.5% | 8.3% | 8.4% | 11.1% | 10.1% | 12.0% | 10.8% | 9.4% | 7.8% |
| Adjusted ROE LTM APM | % | 10.5% | 9.9% | 8.9% | 9.1% | 9.1% | 8.9% | 6.0% | 5.9% | 5.2% |
| ROCE LTM APM | % | 7.6% | 6.8% | 7.1% | 9.9% | 9.7% | 10.2% | 9.1% | 7.0% | 5.8% |
| Adjusted ROCE LTM APM | % | 9.0% | 8.7% | 7.9% | 7.8% | 7.9% | 7.7% | 5.4% | 4.6% | 4.0% |
| | | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 |
| Total assets | EURm | 4,614.5 | 4,623.0 | 4,251.3 | 4,131.1 | 3,967.5 | 3,975.2 | 3,920.9 | 3,408.8 | 3,368.4 |
| Equity | EURm | 2,127.8 | 2,005.3 | 1,849.0 | 1,811.2 | 1,831.0 | 1,810.7 | 1,813.3 | 1,312.7 | 1,320.4 |
| Net debt APM | EURm | 1,156.2 | 1,000.7 | 957.2 | 620.4 | 571.6 | 579.2 | 600.3 | 1,026.8 | 1,019.2 |
| Net working capital APM | EURm | 812.5 | 681.3 | 486.4 | 169.5 | 99.1 | 129.7 | 94.4 | 31.4 | 55.9 |
| Net debt/EBITDA LTM APM | times | 3.08 | 2.95 | 2.85 | 1.72 | 1.61 | 1.61 | 1.80 | 3.64 | 4.04 |
| Net debt/Adjusted EBITDA LTM APM | times | 2.96 | 2.73 | 2.88 | 1.99 | 1.83 | 1.92 | 2.44 | 4.51 | 4.79 |
| FFO LTM /Net debt APM | % | 28.4% | 29.7% | 30.5% | 51.4% | 55.4% | 57.5% | 51.5% | 24.8% | 22.5% |

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

| Key operating indicators | | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Electricity** | | | | | | | | | | |
| Green Generation capacity | MW | 1,351 | 1,351 | 1,350 | 1,350 | 1,350 | 1,350 | 1,350 | 1,350 | 1,287 |
| Green Generation installed capacity | MW | 1,215 | 1,215 | 1,214 | 1,120 | 1,120 | 1,120 | 1,101 | 1,101 | 1,077 |
| Green Generation projects under construction | MW | 136 | 136 | 136 | 230 | 230 | 230 | 249 | 249 | 210 |
| Electricity distributed | TWh | 2.44 | 2.77 | 2.77 | 2.45 | 2.43 | 2.72 | 2.55 | 2.30 | 2.17 |
| Electricity generated (net) | TWh | 0.38 | 0.58 | 0.59 | 0.57 | 0.58 | 0.57 | 0.65 | 0.86 | 0.56 |
| Green electricity generated (net) | TWh | 0.34 | 0.54 | 0.49 | 0.28 | 0.35 | 0.35 | 0.34 | 0.32 | 0.26 |
| Green share of generation | % | 90.2% | 93.6% | 84.1% | 50.0% | 61.0% | 61.0% | 52.0% | 36.7% | 46.8% |
| Electricity sales | TWh | 2.07 | 2.19 | 1.97 | 1.67 | 1.67 | 1.81 | 1.83 | 1.64 | 1.62 |
| SAIFI | units | 0.31 | 0.63 | 0.35 | 0.38 | 0.36 | 0.37 | 0.23 | 0.25 | 0.41 |
| SAIDI | min | 20.74 | 108.59 | 28.64 | 30.80 | 44.54 | 97.97 | 13.49 | 16.36 | 34.15 |
| **Heat** | | | | | | | | | | |
| Green Generation capacity | MW | 349 | 349 | 339 | 339 | 339 | 339 | 339 | 339 | 339 |
| Green Generation installed capacity | MW | 180 | 180 | 170 | 170 | 170 | 170 | 110 | 110 | 40 |
| Green Generation projects under construction | MW | 169 | 169 | 169 | 169 | 169 | 169 | 229 | 229 | 299 |
| Heat generated (net) | TWh | 0.18 | 0.30 | 0.28 | 0.12 | 0.21 | 0.23 | 0.15 | 0.03 | 0.09 |
| **Natural gas** | | | | | | | | | | |
| Natural gas distributed | TWh | 1.21 | 2.68 | 2.74 | 1.02 | 1.41 | 3.32 | 2.48 | 0.99 | 1.18 |
| Natural gas sales | TWh | 2.28 | 4.00 | 2.85 | 1.39 | 2.07 | 5.25 | 3.84 | 3.62 | 2.98 |
| SAIFI | units | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.002 | 0.003 | 0.004 | 0.002 |
| SAIDI | min | 0.10 | 0.05 | 0.10 | 0.12 | 0.09 | 0.16 | 0.76 | 0.61 | 0.19 |



# Governance

# 4.1 Governance framework

## Governance model & recognitions

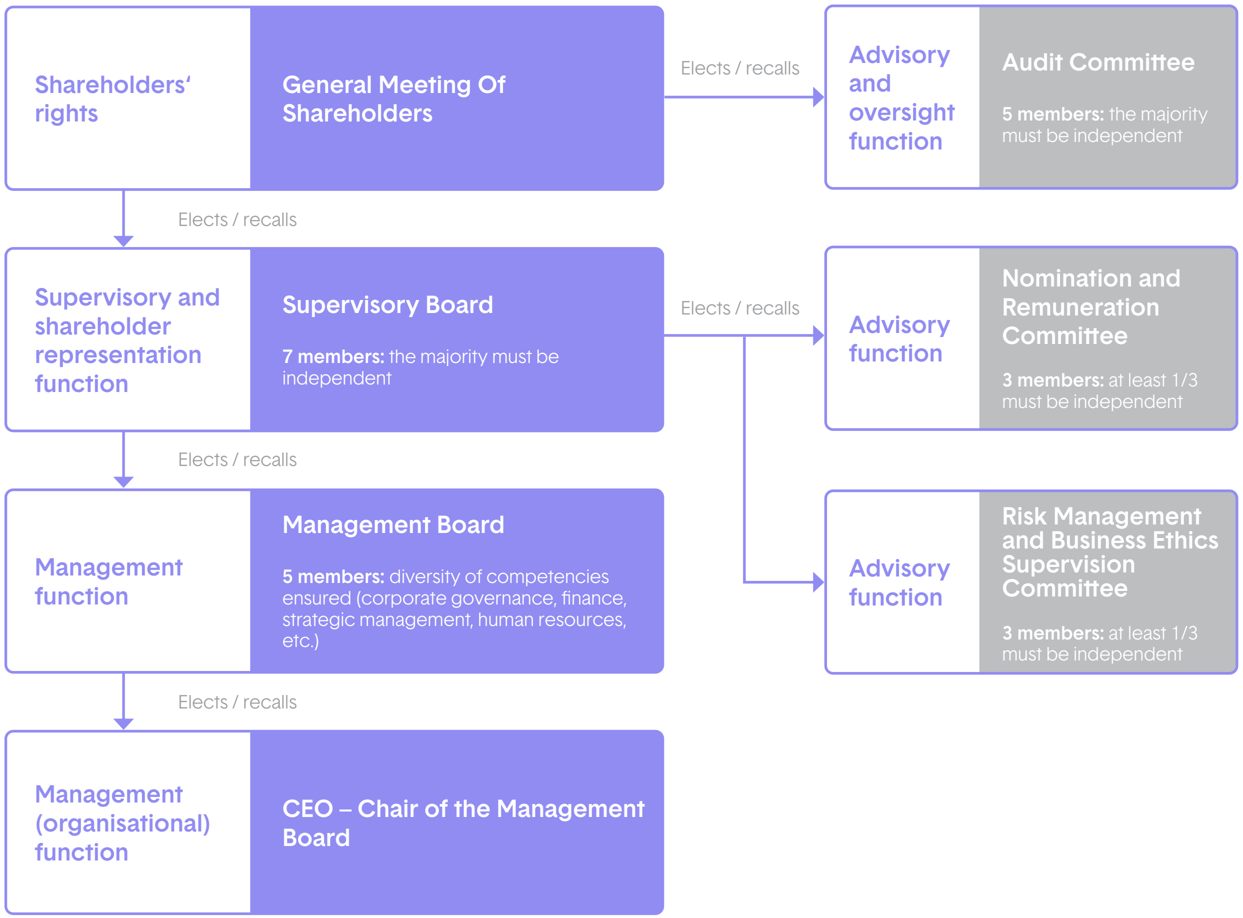
The Group's governance structure and model have been developed on the basis of the most advanced international and national practices, following the recommendations published by the OECD, having regard to the Corporate Governance Code for the companies listed on Nasdaq Vilnius and the Guidelines on the Governance for State-Owned Enterprises (SOEs) recommended by the Baltic Institute of Corporate Governance (BICG). Additionally, the corporate governance model of state-owned group of energy companies was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania (Corporate Governance Guidelines) and amended several times. The most recent amendments were adopted on 2 July 2021, and the latest wording of Corporate Governance Guidelines is available here.

Our governance commitments were also recognised by independent parties. The parent company has a track record of being awarded the highest rating in Good Corporate Governance Index, assessing corporate governance of Lithuania's SOEs, since 2012. Additionally, the parent company has also received a separate award in the Corporate Governance Index ranking for 2020–2021 for leading in sustainability among SOEs.

In addition to local recognitions, in July 2021 the Group's rating of 'A' was upgraded to 'AA' (on a scale of 'CCC' to 'AAA') in the MSCI ESG Ratings assessment. This places the Group among the industry leaders and significantly above the utility group average of 'BBB'.

On top of that, in 2021, the Group received a score of 20.4 (on a scale of 100–0, from highest to lowest risk, previous 26.5) in the ESG Risk Rating assessment performed by Sustainalytics, a leading independent ESG ratings firm. This places the Group among the top 12 percent of utility peers that manage their ESG risks optimally. Sustainalytics designated our overall ESG risk level as 'medium' (approaching 'low' risk category), whereas overall ESG risk management was rated as 'strong'. For more information on our ESG achievements in H1 2022, please refer to section 'ESG performance report'.

### Corporate governance model



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

The parent company has a 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.

## Key changes in collegial bodies

During the reporting period, there has been a change in the composition of the Management Board. The new members of the Management Board, its Chair and the CEO were elected on 18 February 2022. For more information on the new CEO and the members of the Management Board, see sections 'Management Board' and 'CEO'.

More detailed description of key corporate governance principles, each collegial body and its members is available in our Annual report 2021 and on our website.

# Shareholders' rights, Majority Shareholder 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 passes resolutions in accordance with the Law on Companies of the Republic of Lithuania (Link in Lithuanian). We provide a detailed description of shareholders' competences in our Annual report 2021.

The Majority Shareholder of the parent company, the Republic of Lithuania, hold 73.08% 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). 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 in relation to the activities of the Group was approved by the Order of the Minister of Finance on 13 April 2018, with the last amendment supporting the Group's strategy published on 17 February 2021. For a more detailed description of the Majority Shareholder's obligations and expectations, see our Annual report 2021.

On 29 July 2021 and 29 March 2022, the General Meetings of Shareholders of the parent company were held, which passed resolutions on the acquisition of the parent company's own ordinary registered shares, the purpose of which is to reduce the parent company's share capital by annulling it, thus potentially increasing each investor's shareholdings, including the Majority Shareholder's. Respectively, on 16 December 2021 and 29 April 2022, the parent company completed the acquisitions of own ordinary registered shares and in total acquired 1,894,797 units or 2.6% of total number of the parent company's securities.

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

## General Meetings of Shareholders

During the reporting period, two General Meetings of the parent company's shareholders was held. On 29 March 2022 , the Ordinary General Meeting of Shareholders passed the following resolutions:

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

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

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

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

# 4.2 Supervisory Board and committees

## Supervisory Board overview

The Supervisory Board is a collegial supervisory body provided in the Articles of Association of the parent company. The Supervisory Board is functioning at the Group level, i.e., where appropriate, it addresses the issues related not only to the activities of the parent company, but also to the activities of its subsidiaries or the activities of their management and supervisory bodies. The Supervisory Board also elects its Chair from its members.

During the reporting period, the Supervisory Board of the parent company comprised seven members: five independent members and two representatives of the Majority Shareholder. The term of current Supervisory Board ends on 22 October 2025.

Further information on the Supervisory Board's functions, selection criteria, management of conflicts of interests and remuneration as well as information on education, experience and place of employment of the Supervisory Board members are available in our Annual report 2021. During the reporting period, there were no significant changes in the information provided.

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

**Activities of the Supervisory Board during the reporting period**

Overall, 9 meetings of the Supervisory Board were held in H1 2022, covering the following key areas:

- submission of proposals regarding business organisation and planning, objectives, financial position and performance of the parent company and the Group, including sustainability issues;
- issues related to the remuneration system of the Group, including long-term incentive share options programme for executives and employees;
- issues related to the annual report and annual financial statements for the year 2021.

## Committees of the Supervisory Board

In order to perform its functions and duties effectively, the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. The committee must comprise 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. The members of the committees are elected for a period of four years.

The operating committees of the Supervisory Board are the following:

- the Risk Management and Business Ethics Supervision Committee;
- the Nomination and Remuneration Committee.

Further information on the Supervisory Board committees' functions, selection criteria, management of conflicts of interests and remuneration as well as information on education, experience and place of employment of the Supervisory Board committees' members are available in our Annual report 2021.

With the exception of the Risk Management and Business Ethics Supervision Committee, there were no changes in the composition of the committees during the reporting period and no members of the Supervisory Board committees had any participation in the capital of the parent company or its subsidiaries.

During the reporting period, due to the end of term (19 April 2022) of the Risk Management and Business Ethics Supervision Committee, the parent company's Supervisory Board on 22 April 2022 elected new members of the Risk Management and Business Ethics Supervision Committee for a new term, which will end on 25 October 2025. It comprises two members, Tim Brooks (the Chair of the Committee) and Alfonso Faubel and regarding the third member of the Committee there is no decision made yet. Both members also served in the previous Risk Management and Business Ethics Supervision Committee. Information on education, experience, place of employment and shareholdings in Group companies of the newly elected Risk Management and Business Ethics Supervision Committee members is available on our website.

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

| | Supervisory Board | Nomination and Remuneration Committee | Risk Management and Business Ethics Supervision Committee |
|---|---|---|---|
| **Term of office** | 26 October 2021 – 25 October 2025 | 3 November 2021 – 2 November 2025 | 22 April 2022 – 25 October 2025 |
| **Independence, including the Chair** | 71% | 67% | 100% |
| **Meeting attendance** | 100% | 100% | 67% |
| **Share holdings of the parent company or its subsidiaries** | None | None | None |

## Overview of the meeting attendance[1] of members of the Supervisory Board and its committees (during the reporting period)

| Member | Supervisory Board | Nomination and Remuneration Committee | Risk Management and Business Ethics Supervision Committee |
|---|---|---|---|
| **Alfonso Faubel** | 9/9 | - | 2/2 |
| **Lorraine Wrafter** | 9/9 | 8/8 | - |
| **Tim Brooks** | 9/9 | - | 1/2 |
| **Judith Buss** | 9/9 | - | - |
| **Bent Christensen** | 9/9 | 8/8 | - |
| **Aušra Vičkačkienė** | 9/9 | 8/8 | - |
| **Ingrida Muckutė** | 9/9 | - | - |
| **Šarūnas Rameikis** | - | - | 1/1[2] |

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

# 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 oversees the audit of the annual financial statements of Group companies which are public interest entities and the consolidated financial statements of the Group.

During the reporting period, the Audit Committee of the parent company comprised five members: four independent members and one representative of the Majority Shareholder. The term of the current Audit Committee ends on 26 September 2025.

Further information on the Audit Committee's functions, selection criteria, management of conflicts of interests and remuneration as well as information on education, experience and place of employment of the Audit Committee's members are available in our Annual report 2021.

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

## Overview of the Audit Committee (during the reporting period)

| | Audit Committee |
|---|---|
| **Term of office** | 27 September 2021 – 26 September 2025 |
| **Independence, including the Chair** | 80% |
| **Meeting attendance** | 97% |
| **Share holdings of the parent company or its subsidiaries** | 0[1] |

*[1] Saulius Bakas, who previously held 1,800 shares of the parent company, sold his stake on 27 April 2022.*

**Activities of the Audit Committee during the reporting period**

Overall, 7 meetings of the Audit Committee were held in H1 2022, covering the following key areas:
- an opinion was submitted to the Group on the conclusion of related party transactions in compliance with Article 372 of the Law on Companies of the Republic of Lithuania;
- the internal audit plan for 2022 was reviewed and approved;
- the reports on interim audit results of the Group were discussed;
- the process of preparation of the Group's financial statements was supervised;
- the legal disputes in which the Group was involved were discussed;
- followed the implementation of the internal audit recommendations;
- the audit firm's reports on the Group's public interest companies were discussed;
- semi-annual reports of Audit Committee's activities for 2021/2022 were submitted to supervisory boards of the Group's public interest companies;
- the impact of the Russia's invasion of Ukraine on the Group was discussed;
- the performance report of the parent company's investments into a venture capital fund Smart Energy Fund powered by Ignitis Group was reviewed;
- discussed the selection procedure of an audit firm for the audit of financial statements for the period of 2023-2025
- the implementation of Nestor Advisors Ltd recommendations related to the Audit Committee has been started;
- the periodic report on the Group's financial results was reviewed;
- the developments of the Group with the parent company's CEO were discussed;
- the performance report of the parent company's investments into the venture capital fund KŪB "Smart Energy Fund powered by Ignitis Group" was reviewed;
- IT issues related to the preparation of financial statements were discussed.

## Overview of the meeting attendance[1] of the Audit Committee members (during the reporting period)

| Member | Attendance[2] |
|---|---|
| **Irena Petruškevičienė** | 7/7 |
| **Saulius Bakas** | 7/7 |
| **Marius Pulkauninkas** | 7/7 |
| **Ingrida Muckutė** | 7/7 |
| **Judith Buss** | 6/7 |

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

# 4.3 Management Board

## Management Board overview

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

The main functions of the Management Board include developing and implementing the Group's strategy, making decisions regarding the acquisition and establishment of new companies as well as approving candidates for supervisory and management bodies of subsidiaries. Its responsibilities also cover approval of material transactions, making decisions on common rules and principles (policies, guidelines, recommendations) applicable to the entire Group, and other decisions assigned by the Law on Companies, the Articles of Associations or the decisions of the General Meeting of Shareholders.

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

The Management Board comprises five members. All Management Board members hold shares of the parent company (please refer to the table on the right side). 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.

Further information on the Management Board's functions, selection criteria, management of conflicts of interests as well as information on education, experience and place of employment is available in our Annual report 2021 and First quarter 2022 Interim report. Remuneration for the activities of the Management Board, available on our website, is paid in accordance with the Group's Remuneration Policy approved by the General Meeting of Shareholders. There were no other significant changes during the reporting period, except for the ones mentioned above.

**Activities of the parent company's Management Board during the reporting**

Overall 38 meetings of the Management Board were held in H1 2022, covering the following key areas:

- evaluation of the most significant transactions planned by the Group, approval of their conclusion and approval of essential terms and conditions of transactions;
- evaluation of the organisation of the parent company's and the Group's activities and making decisions related thereto;
- making decisions on participation and voting in general meetings of shareholders of the companies wherein the parent company is a shareholder;
- approval of the consolidated annual report of the Group and its submission to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the parent company's annual financial statements, consolidated financial statements of the Group and draft allocation of profit (loss) and providing comments to the Supervisory Board and the General Meeting of Shareholders.

### Meeting attendance and number of owned shares of the parent company company (during the reporting period)

| Member | Position | Attendance[1] | Number of shares |
|---|---|---|---|
| **Darius Maikštėnas** | Chair, CEO | 38/38 | 3,000 |
| **Jonas Rimavičius** | Member, CFO | 28/28[2] | 500 |
| **Dr. Živilė Skibarkienė** | Member, Group Head of Organisational Development | 38/38 | 300 |
| **Vidmantas Salietis** | Member, Group Head of Commercial Activities | 38/38 | 200 |
| **Mantas Mikalajūnas** | Member, Group Head of Regulated Activities | 28/28[2] | 220 |

*[1] The numbers indicate how many meetings in H1 2022 the members have attended out of total meetings during the reporting period.*
*[2] Darius Maikštėnas, Dr. Živilė Skibarkienė and Vidmantas Salietis were re-elected, while Jonas Rimavičius and Mantas Mikalajūnas were newly elected members of the Management Board on 18 February 2022, causing attendance differences.*

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# CEO overview

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

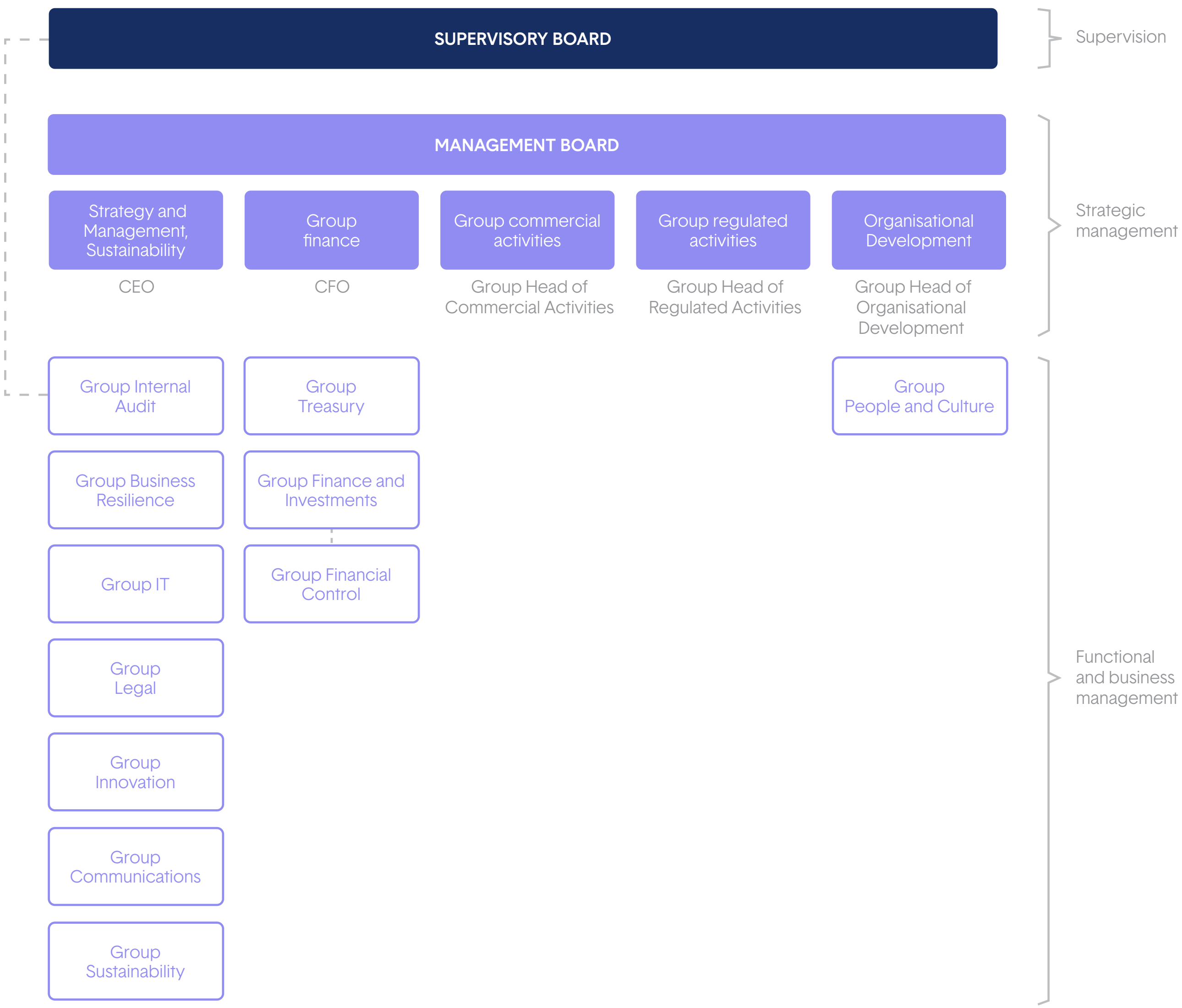
The competence of a CEO, the procedure of appointment and removal, the terms of office are established according to the Law on Companies (link in Lithuanian), its implemented legislation, the Corporate Governance Guidelines and the Articles of Association of the parent company. In accordance with the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

During the reporting period, on 18 February 2022 the Supervisory Board elected the new members of the Management Board and submitted an opinion regarding the CEO of the parent company. During the first meeting of the new Management Board held on the same day, Darius Maikštėnas was elected as the CEO of the parent company.

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

Further information on the CEO's functions, responsibilities remuneration, including key contractual terms and conditions of his employment agreement with the parent company, is available in our Annual report 2021.

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



# 4.4 Risk and risk management

## Risk management framework

In connection with the business activities, the Group is exposed to strategic, operational (activity), financial and external risks that might affect our performance. To ensure their mitigation to an acceptable level, we apply uniform risk management principles, which are based on the best market practices, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009. A clear segregation of risk management and control duties is controlled by applying the three-lines-of-defence principle in the Group, 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 to and reflect the changes in the Group, each year the Group initiates a risk management process related to the Group's risks and the Group's strategic objectives, which include all the Group companies and functions. In order to ensure control, we monitor risks, risk management measures, key risk indicators and prepare internal reports to the management (both at the level of individual functions or Group companies and at the Group level) on a quarterly basis.

Further information on our risk management framework is available in our Annual report 2021.

## Key risks and their control

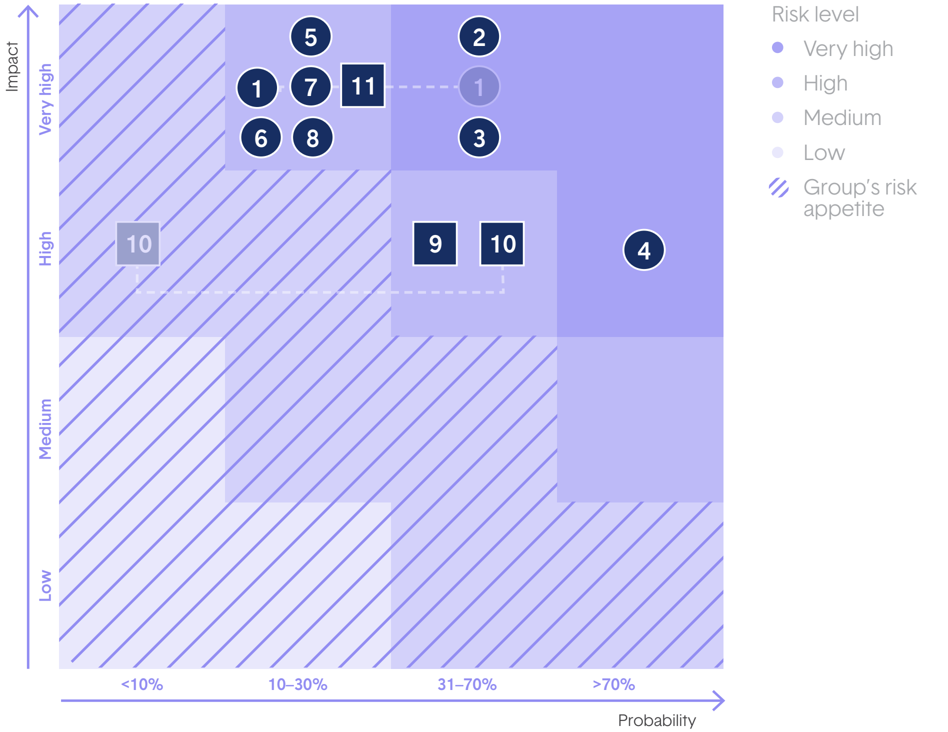
**During and after the reporting period**

After the risk review in Q2 2022, the adverse changes were recorded among the risks and their levels compared to the end of Q1 2022. An increase in probability of 'Risk of occupational health & safety accidents of employees and contractors (the Group)' (risk No. 10) to 31-70% (from <10%) was recorded which also impacted a change in risk level from 'Medium' to 'High'. This was caused by the facts that the Group started educating contractors on health and safety topic and started receiving data about the incidents of their employees, as well as workers returning in objects after a slowdown of COVID-19. Unfortunately, in 2022 the Group has suffered three tragedies: one Group employee and two contractors' employees suffered fatal accidents. Respectively, Group is ensuring continuous focus on occupational health and safety topic. For more details please refer to the section '5.4 Progress on our ESG goals'. On a positive note, a decrease in probability of 'Employees' attraction, development and retention risk (Green Generation)' (risk No. 1) to 10–30% (from 31–70%) was recorded which resulted in risk level change from 'Very high' to 'High'. It was mainly impacted by the fact that the attraction of employees is being proceeded according to the plan (key executives selected and hired).

We provide further overview of potential impact and probability of all risks as a heat map on the right side of the page with detailed disclosure of their mitigation strategies available in our Annual report 2021.

However, in addition to the COVID-19 crisis continuing for the third year, at the end of February 2022 the world faced a new geopolitical crisis – the Russia's invasion of Ukraine. Considering that both issues have an impact on businesses and people across the globe, we provide separate disclosures on the issues below to ensure the transparency to the extent possible of their potential impact on the Group.

### Key risks of the Group




1. Employees' attraction, development and retention risk. Change compared with previous reporting period (Green Generation)
2. Risk of not achieving Green Generation installed capacity on time (Green Generation)
3. Risk of not winning the Lithuanian offshore wind tender (Green Generation)
4. Risk of liquid hedging products' deficit (Customers & Solutions)
5. Risk of failure to complete the Vilnius CHP biomass unit project properly and on time (Green Generation)
6. Risk of recovery of possibly unlawful state-aid (Flexible Generation)
7. Risk of market changes (Flexible Generation)
8. Risk of unplanned and adverse regulatory changes (the Group)
9. Risk of cyberattacks using publicly known systems' vulnerabilities (the Group)
10. Risk of occupational health & safety accidents of employees and contractors (the Group)
11. Financial liquidity risk (the Group)

# Regarding the Russia's invasion of Ukraine

### Overview

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

General potential effects that are tightly related to the Group's activities are an increase in electricity and natural gas prices, possible disruptions in supply chains as well as increased inflation and growing prices of other materials. Furthermore, the level of vigilance in cybersecurity is being raised nationwide while the Group is classified as the owner of critical infrastructure.

### Impact on business segments

The Networks segment is highly exposed to the growing energy prices, which may increase the need for working capital due to temporary regulatory differences as the gap between actual energy prices and the ones included in tariff may widen. Moreover, additional funding may be required due to possibly higher costs in the future and the parent company may be forced to fund its activities with additional loans, which may lead to an increase in the parent company's liabilities and higher loan interest. Additionally, investments in expansion and maintanance of the electricity distribution network increased due to increased contractors fees, which were affected by Russia's invasion of Ukraine. Contractors fees for new connections and upgrades increased on average by 35% per customer. Contractors fees for maintenance increased on average by 43% per object. Nevertheless, in the long run, the regulatory mechanism should ensure that the effects on consumption and prices will be eliminated. Currently, no significant changes in the level of bad debts was detected.

Growing electricity prices have positive impact on EBITDA result of Green Generation segment. However, considering Green Generation projects, there is a risk of longer lead times and higher expenditures for investments due to growing price of materials. Currently, there is a risk of possible delays in the milestones of constructions in Vilnius CHP biomass unit (first energy generation was rescheduled to Q1 2023 due to global supply chain disruption and shortage of workforce) and major overhaul of Kruonis PSHP (spare parts were manufactured in Ukraine, thus alternative solutions are being made, which may cause delay in time). On the contrary, geopolitical tensions revealed the importance of green generation development and Europe's energy independence from Russia's fossil fuels. As a result of geopolitical crisis the overall interest in the development of green energy has increased dramatically, which accelerated the implementation of existing projects as well as expansion of the pipelines of potential new ones.

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

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

| Business segment | Overall impact |
|---|---|
| Networks | – Growing energy prices may cause temporary regulatory differences.<br>– Uncertainty regarding the supply and increase in price of key materials. |
| Green Generation | – Growing electricity prices have positive impact on EBITDA of Green Generation portfolio.<br>– Rescheduled first energy generation in Vilnius CHP's biomass unit.<br>– Shortage of spare parts for Kruonis PSHP major overhaul.<br>– Potential increase in investment expenditures in new projects due to growing commodity prices.<br>– Potentially longer lead times of Green Generation projects. |
| Flexible Generation | – Shortage of spare parts for major overhaul of unit 8 of Elektrėnai Complex.<br>– Additional natural gas reserve of 1.1 TWh acquired. |
| Customers & Solutions | – Natural gas purchases from Gazprom replaced by LNG cargoes increased net working capital and caused infrastructure issues as well as more limited supply.<br>– Growing electricity and natural gas prices caused higher temporary regulatory differences and increased net working capital needs.<br>– Possible pipeline gas disruptions open up new opportunities for additional LNG sales to Finland and other Baltic countries. |

The main impact on Customers & Solutions segment is related to the suspended purchase of Gazprom's natural gas, which was replaced by LNG cargoes. This led to an increase in working capital needs and additional hedging transactions. With the refusal of Russian natural gas, potential new challenges related to the infrastructure (slot booking in the terminal and storage issues) and a more limited supply are being closely monitored and addressed to ensure secure gas and electricity supply to its consumers. Additionally, financing portfolio limits have already been extended and diversified in order to meet new increased company's working capital needs. From other perspective, possible pipeline gas disruptions might open up new opportunities for additional LNG sales to Finland and other Baltic countries. Growing energy prices increased working capital due to higher temporary regulatory differences as the gap between actual energy prices and the ones included in the tariff widens. However, package to counter the effects of inflation and to strengthen energy independence has been approved by Lithuanian Parliament, part of it will be distributed to UAB Ignitis to cover historical and present regulatory differences. Despite growing electricity and natural gas prices, significant changes in the level of bad debts were not detected. However, an increase in provisions for small and medium customers is being monitored, which is currently insignificant at the Group level. The risk of increase in receivables will be closely monitored.

**Mitigation**

Even though there are additional risk factors, proper actions have been taken to manage them and no significant changes in risk levels of key risks of the Group were recorded. In order to ensure market demand and uninterrupted gas supply as well as to fund growth in working capital needs, the Group concluded several short-term loan agreements with banks (as for 30 June 2022 there were three credit line facilities with total limit of EUR 404 million). However, Lithuanian Parliament amended legislation related to providing consumers with partial compensation due to increasing prices of energy resources. From H2 2022, increasing prices as well as regulatory differences of regulated supply customers up to this point will be partially compensated directly from the state budget. Out of planned EUR 570 million from the state budget, a part will be allocated through tariffs to regulatory differences of what has already been accumulated in 2021 and H1 2022. It is expected not only to prevent from further increase in Group's net working capital in H2 2022, but also to reduce currently accumulated debts that have been used to finance regulatory differences until the second half of this year. Moreover, the natural gas interconnection between Poland and Lithuania (GIPL) started commercial operation in May 2022 allowing Lithuanian-Polish gas exchange which strengthens the energy independence of the region and increases trading opportunities.

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

**Other**

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

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

## COVID-19

Despite the resilient economic environment in the home market, COVID-19-related crisis could impact the Group's activities mostly by affecting our employees, contractors, suppliers, customers, and capital markets. We manage risks related to employees based on their functions and by ensuring the possibility to work remotely. Additionally, for employees we provide additional personal protection, hygiene measures and restrict unnecessary contact with others.

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

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

## Compliance Programme

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants in respect of availability of the issuer's material information, this corresponds to the goals of the Lithuanian and UK supervisory authorities. Consequently, effective prevention of market abuse is one of our main priorities. The Group is listed both in London and Nasdaq Vilnius stock exchanges – it complies with all relevant EU, Lithuanian and UK laws and guidelines.

We comply with the Market abuse regulation (EU) No. 596/2014 (MAR) and all related laws. Persons discharging managerial responsibilities and 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. Trading of those individuals is also governed by "Trading guidelines for the issuer's managers and persons closely associated with them". The Group's own internal insider and transparency rules are updated regularly and a specialized internal inside information management training is regularly performed by all Group employees who are included in an Insider List. This year, already about 80% of persons completed the aforementioned training. Insider Management Committee effectively deals with complex insider management and relevant issues. Moreover, the Group applies guidelines for the prevention of market abuse in order to help employees identify illegal actions and provide relevant recommendations.

More detailed information regarding transparency and market abuse administration, persons discharging managerial responsibilities and a duty to disclose, Closed Period and internal supervision of insiders and relevant affairs is available in the Annual report 2021.

## Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania when conducting related party transactions. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and makes decisions regarding the related party transactions of the parent company and the Group companies if they are conducted under unusual market conditions and/or are not attributable to the usual economic activities, and/or have a significant impact on the parent company, its finances, assets and obligations, i.e., the value of such transaction is over 1/50 of the parent company's equity (excluding transactions that are necessary to ensure core activities of the Group companies and transactions which must be concluded under the requirement of the law, also short-term lending transactions as well as lending, collateral of obligations and services of collateral transactions between the parent company and a subsidiary of the Group (including subsequent subsidiaries), if the value of this transaction during the financial year does not exceed 1/10 of the value of the assets indicated in the latest published audited balance sheet of the parent company).

We disclose information about the concluded related party transactions on our website and in accordance with the IFRS requirements in the section 'Financial statements' of this report.

# 4.5 Information about the Group

## Corporate structure

At the time of reporting, the Group consists of the parent company and 29 fully consolidated subsidiaries. Ignitis Grupė is the Group's parent company and is responsible for coordinating its activities and transparent management of the Group. Detailed information regarding the subsidiaries is available on our website and in the Annual report 2021.

The entities showed on the next page are directly or indirectly controlled by the Group, which applies the governance system as per below (i.e. each number indicated below and on the next page corresponds to governance system type the company uses):

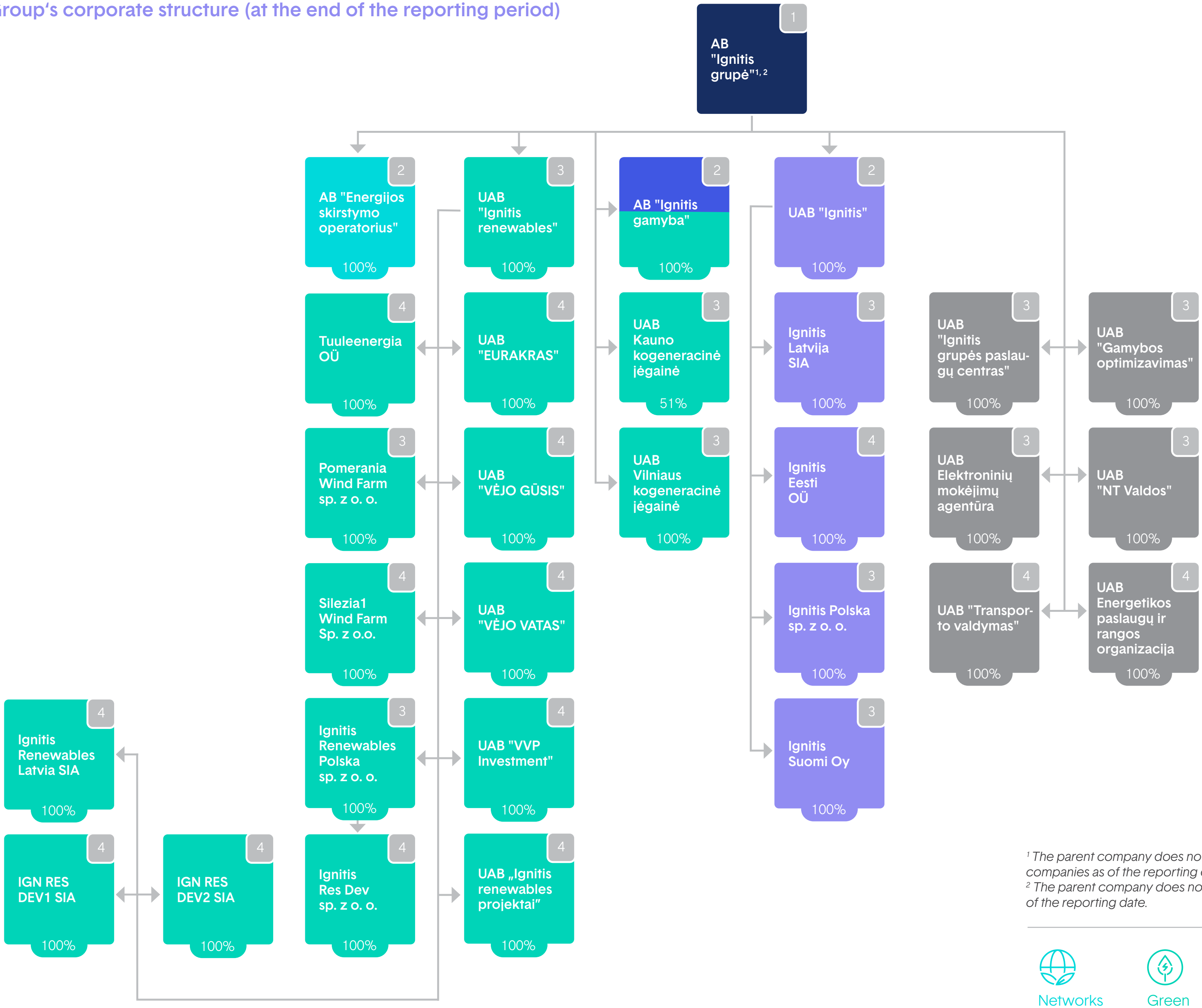
| | |
|---|---|
| 1 | **The Supervisory Board** is formed out of 7 non-executive members (2 shareholder's representatives, 5 independent).<br>**The Management Board** is formed out of 5 executive members.<br>**Chief Executive Officer** is also the Chair of the Management Board. |
| 2 | **The Supervisory Board** is formed out of 5 non-executive members[1] or 3 non-executive members (2 shareholder's representatives and 1 independent member).<br>**The Management Board** is formed out of 5 or 3 executive members.<br>**Chief Executive Officer** is also the Chair of the Management Board. |
| 3 | **The Management Board** is formed out of 3 non-executive members (2 shareholder's representatives and 1 independent member).<br>The Management Board's structure might be different in some companies and it is not formed until the company starts its operations[2].<br>**Chief Executive Officer** is not a member of the Management Board. |
| 4 | **Chief Executive Officer** is a sole management body.<br>**The Management Board** is not formed. |

*[1] At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.*
*[2] The Management Boards of Ignitis Latvija and Ignitis Polska are formed out of 1 member – CEO, the Supervisory Board of Ignitis Latvija is formed out of shareholder's representatives, whilst the Supervisory Board of Ignitis Polska is formed out of 2 shareholder's representatives and 1 independent member. The Management Board of Ignitis Suomi Oy is formed out of 1 ordinary member and 1 deputy member. The Management Board of Dolcetto Sp. z. o. o. is formed out of 2 non-executive members (shareholder's representatives).*

**Changes in the Group's structure during the reporting period:**

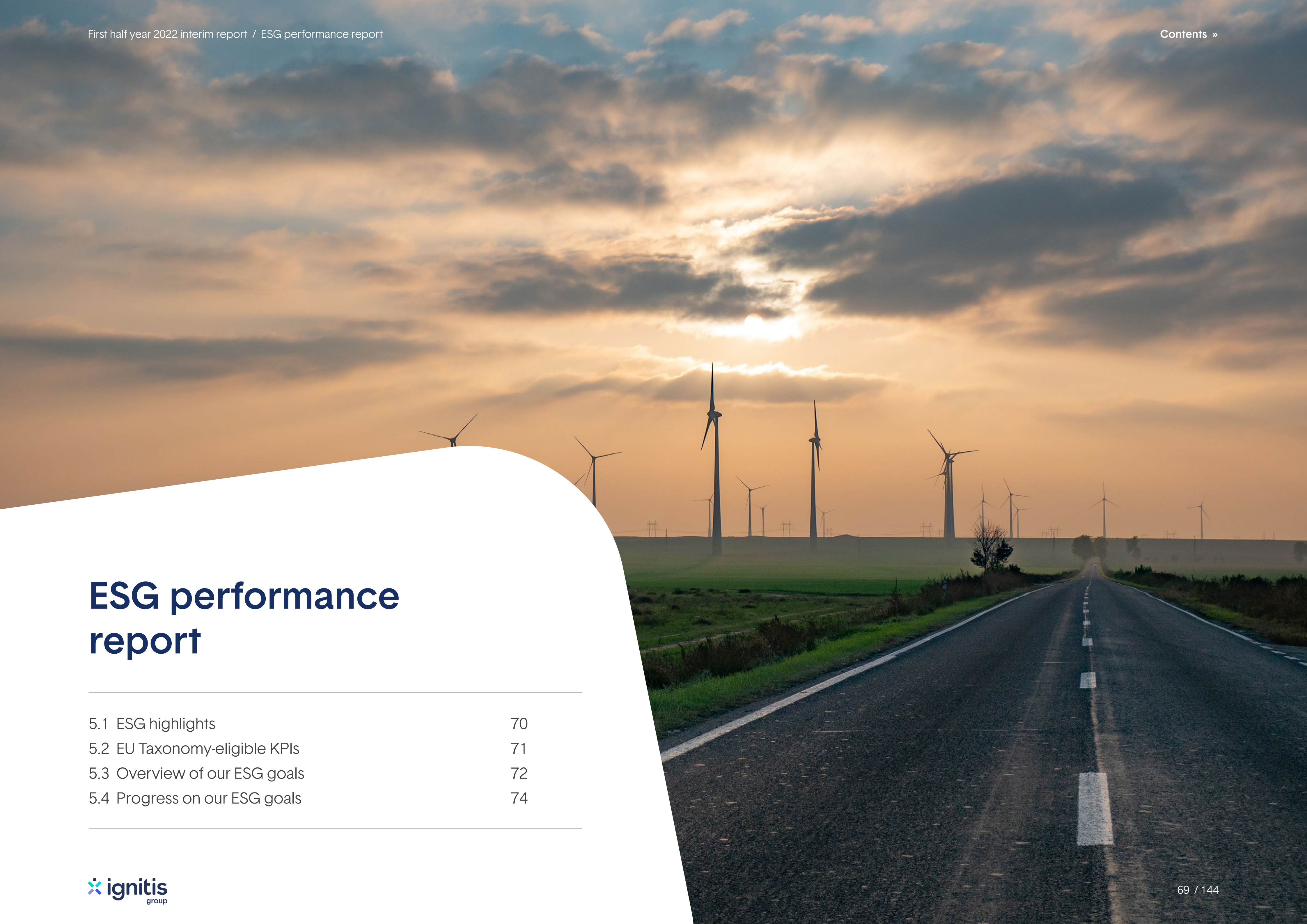
- Altiplano Elektrownie Wiatrowe B1 sp. z o. o. name was changed to Silezia1 Wind Farm Sp. z o. o.;
- UAB "Ignitis renewables" established two new companies:. IGN RES DEV1 SIA and IGN RES DEV2 SIA.

## The Group's corporate structure (at the end of the reporting period)




*[1] The parent company does not have any branches and representative companies as of the reporting date.*
*[2] The parent company does not carry out research and development activities as of the reporting date.*

Networks Green Generation Flexible Generation Customers & Solutions



# ESG performance report

# 5.1 ESG highlights

## Commitment to sustainability excellence

Sustainability is at the core of the Group's strategy. The ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance and accountability. The most significant external benchmarks marking the Group's progress in implementing the principles of sustainability are presented below.

| | MSCI ESG | Sustainalytics | CDP climate | EcoVadis |
|---|---|---|---|---|
| Rank compared to utility peers | Top 34%[1] | Top 14% | n/d | Top 3%[3] |
| ignitis group | 'AA' | 20.4 | 'B' | 78 (Platinum Medal) |
| Utiities average | 'BBB'[1] | 36.7[2] | 'B' | N/A |
| Rating scale (worst to best) | 'CCC' to 'AAA' | 100 to 0 | 'D-' to 'A' | 0-100 |

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

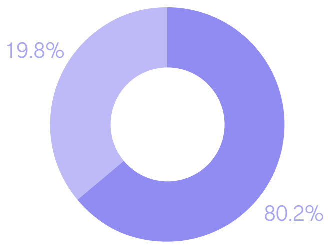
**Following globally recognised standards**

| | |
|---|---|
| GRI | Integrated reporting using globally recognised standards. |
| TCFD – Task Force on Climate-related Financial Disclosures | Joined TCFD supporters list and expect to fully implement TCFD guidelines for the 2022 reporting period. |
| Science Based Targets – Driving ambitious corporate climate action | Validated GHG emissions targets for 2030 with the SBTi. Following net zero by 2050 trajectory. |

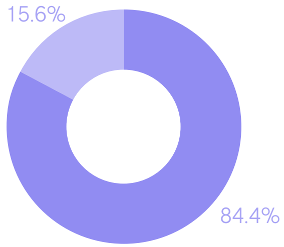
# 5.2 EU Taxonomy-eligible KPIs

The Taxonomy Regulation lays down a classification and investment screening system for environmentally sustainable economic activities, which aims to create transparency for shareholders, investors, and other stakeholders. Since 2022, it is required to disclose financial information linked to Taxonomy-eligible and non-eligible activities. Our reported KPIs refer to Taxonomy-eligible activities as defined in Article 1(5) of the Disclosures Delegated Act which meet the substantial contribution criteria for the climate change mitigation objective, and Taxonomy-non-eligible activities as defined in Article 1(6) of the same Act. The Group has disclosed the Taxonomy-eligible KPIs for the first time in the Annual report 2021 and will continue this accountability practice.

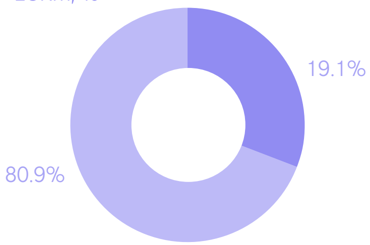
**Adjusted EBITDA** APM
EURm, %



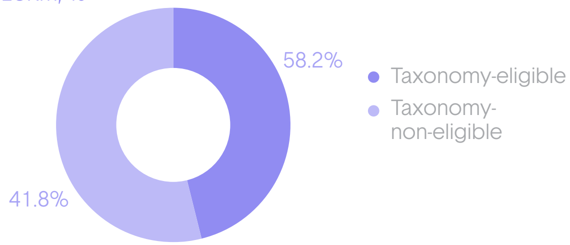

**Investments** APM
EURm, %




**Revenue**
EURm, %




**OPEX** APM
EURm, %




**Current Taxonomy disclosure**

Taxonomy-eligible activities of the Group include:

- electricity generation from wind power;
- electricity generation from hydropower;
- distribution of electricity;
- storage of electricity (Kruonis PSHP);
- electricity generation using solar photovoltaic technology;
- installation and operation of electric heat pumps;
- infrastructure enabling low-carbon road transport and public transport (EV charging points).

Taxonomy-non-eligible economic activities of the Group include production of heat from bioenergy, energy supply, natural gas supply and distribution, energy generation using gas-fired plants and cogeneration plants.

The KPIs do not take the Complementary Climate Delegated Act, which under strict conditions includes specific nuclear and natural gas energy activities, into account. The inclusion of nuclear does not affect the Group as the Group has no nuclear assets and has no plans for any new gas-fired plants.

**Our work towards Taxonomy alignment**

Eligibility reporting is the first step towards determining alignment of the activities to the Taxonomy to be disclosed for full-year 2022. Accordingly, we have started our preliminary Taxonomy-alignment process based on the following alignment evaluation criteria:

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

As we are committed to sustainable growth, we expect around 90% of our investments over the period of 2022–2025 to be Taxonomy-eligible, and Taxonomy-eligible activities to make up at least 70% of the total Adjusted EBITDA by the end of 2025.

**Accounting policies**

While the EU Taxonomy requires to disclose the share of turnover, OPEX and Investments that can make a significant contribution to at least one of the EU's environmental objectives, the Group additionally discloses the Adjusted EBITDA metric as it provides coherence with other KPIs and better reflects how much the Group's growth is linked to sustainable activities (as defined by the Taxonomy).

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

**Taxonomy-eligible Adjusted EBITDA**

The Group's Taxonomy-eligible share of EBITDA in H1 2022 was 80.2% and primarily included earnings from distribution of electricity, electricity generation from hydropower, storage of electricity (Kruonis PSHP), electricity generation from wind power. The Taxonomy-non-eligible share of EBITDA was 19.8% and comes primarily from electricity generation using cogeneration plants, electricity generation using gas-fired plants and distribution of natural gas.

**Taxonomy-eligible Investments**

The Group's Taxonomy-eligible share of Investments in H1 2022 was 84.4% and is mainly related to electricity distribution network, electricity generation from biomass (Vilnius CHP biomass unit which is currently under construction). Non-eligible investments corresponded to 15.6%, mainly related to investments in maintenance and expansion of natural gas distribution network.

**Taxonomy-eligible revenue**

The Group's share of revenue associated with Taxonomy-eligible activities in H1 2022 was 19.1% and is mainly coming from distribution and transmission of electricity, storage of electricity (Kruonis PSHP), electricity generation from hydropower, electricity generation from wind power. Our share of revenue from Taxonomy-non-eligible activities was primarily associated with electricity supply, natural gas supply and distribution, energy generation using gas-fired plants and cogeneration plants.

**Taxonomy-eligible OPEX**

OPEX from Taxonomy-eligible activities in H1 2022 represented 58.2% and were primarily related to electricity distribution activities. 41.8% of OPEX was from non-eligible activities and was mainly related to electricity supply, natural gas supply and distribution, energy generation using gas-fired plants and cogeneration plants.

# 5.3 Overview of our ESG goals

## Ambitious ESG goals have been set

In Q1 2022, the Supervisory Board of the Group approved the Strategic Plan 2022–2025, which establishes the Group's commitment to create a sustainable future and pursue its goals under the four main pillars: climate action, preserving natural resources, ensuring future-fit employees, and robust organisation. The overview of the Group's ESG goals and progress towards them is presented in the table below and detailed in section '5.4 Progress on our ESG goals'.

The Group continues to monitor its progress in accordance with the evaluation results of international ratings agencies such as Sustainalytics and MSCI, which asses ESG risk management, as well as CDP, a globally recognised environmental disclosure organisation. For more in-depth information, see section 'Sustainability (Corporate Social Responsibility) report' in the Group's Annual report 2021. Information on the H1 2022 performance can be found in the table below, and the detailed information on key Q1 2022 results is available in our First quarter 2022 Interim report (pp. 68–74).

| Sustainability pillar | | 2020 baseline | 2021 | H1 2022 status | 2022–2025 target |
|---|---|---|---|---|---|
| **Environmental dimension** | | | | | |
| **Climate action** | Installed Green Generation capacity, GW | 1.1 | 1.2 | 1.2 | 2.0–2.2 |
| | GHG emissions reduction, million t $CO_2$-eq[1] | 5.37 | 4.76 | 2.77 | 23% reduction (vs. 2020) |
| **Preserving natural resources** | Each business segment to implement at least one circularity transformation[2] | N/A | N/A | N/A | Implemented at least one circularity transformation in each business segment |
| | Net gain in biodiversity[3] | N/A | N/A | The analysis of the Group's biodiversity and ecosystems management is ongoing | Net gain in biodiversity |
| **Social dimension** | | | | | |
| **Future-fit employee** | Fatal employee and contractor accidents | 0 | 0 | 2 | 0 |
| | Total recordable injury rate (TRIR) for a million hours worked by employees[4] | 0.45 | 2.01 | 2.53 | ≤1.90 |
| | Employee net promoter score (eNPS), % | 56.0 | 57.4 | 64.9 | ≥50 |
| | Share of women in top management[5], % | 28 | 27 | 22 | ≥34% |
| **Governance dimension** | | | | | |
| **Robust organisation** | Share of employees intolerant of corruption[6], % | 96 | 97 | 97 (2021) | ≥95 |
| | Share of sustainable adjusted EBITDA[7] | 70% (EUR 171 million) | 64% (EUR 212 million) | 64% (EUR 212 million, 2021) | ≥70% |

*[1] Including scope 1,2,3 and biogenic emissions. 2020 value is the baseline for the validated science-based 2030 targets.*
*[2] Four business segments, for each: at least one significant initiative involving significant resource use reduction, reuse, or recycling.*
*[3] Involving first, an assessment of total biodiversity impact, and second, coordination with environmental experts to create a positive impact on biodiversity (restore, compensate natural habitat and species loss).*
*[4] Total recordable injury rate: Total recordable injuries x 1 million hours worked divided by all hours worked during the reporting period. After implementing contractor TRIR monitoring, we plan to set targets that also cover contractors.*
*[5] Includes boards, general managers and 1st management level below them. Excludes double-counting (when the same person holds more than one top management position in the same company).*
*[6] Based on an annual employee survey question about how likely employees are to report potential corruption if they encounter it. Lithuania's public sector average – 19% (2020).*
*[7] Sustainable activity as defined by the EU Taxonomy wording in force as of 2021.12.31.*

# Platinum Medal

Ignitis achieved the Platinum Medal in the annual EcoVadis sustainability assessment and falls among the top 1% of all companies assessed in the world.

# 5.4 Progress on our ESG goals

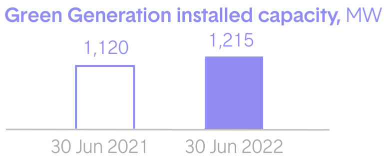
## ENVIRONMENTAL

| Sustainability pillar | Climate action | | Preserving natural resources |
|---|---|---|---|
| Sustainability programme | Expanding green generation | Decarbonising operations & living | Adopting circularity and Preserving ecosystems & biodiversity |
| At the end of 2021 | 1,214 MW of installed Green Generation capacity | GHG emissions: 4.76m t $CO_2$-eq | N/A |
| 2025 strategic milestones and goals | 2.0–2.2 GW of installed Green Generation capacity | 23% GHG emissions reduction (vs. 2020)[2] | Each business segment to implement at least one circularity transformation[3] and Net gain in biodiversity[4] |

### Progress in H1 2022[1]

#### Expanding green generation

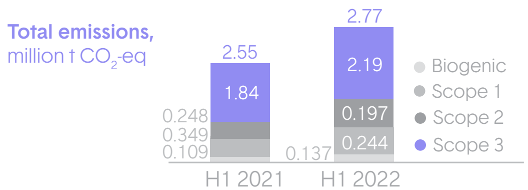
- We increased the installed capacity of the Green Generation segment by 95 MW in H1 2022 compared to H1 2021.




- In H1 2022, our greenfield portfolio increased by around 345 MW to a total of around **515** MW. After the reporting period, we secured land plots for further **385** MW and now our greenfield comprises a total of around **900** MW.
- Ignitis Renewables is initiating the development of Lithuania's first hybrid solar (22 MW) and wind farm in the vicinity of already existing wind farm. The project enables to utilise the infrastructure (grid) and the land more efficiently.
- The Group also contributes to the green energy transition by increasing prosumers and sales of solar power plants. In H1 2022, we sold 3 times more solar power plants – 1,286, representing 26.6 MW (out of which 17.3 MW in Q2 2022) – to B2B and B2C customers compared to the same period last year. As for the prosumers, ESO (Networks) has received a record number of applications for the connection of residential solar power plants to the grid. In H1 2022, the company received 15,560 applications (2.6 times more compared to H1 2021). Furthermore, the trend is expected to grow even further as additional subsidies for prosumers are confirmed.

#### Decarbonising operations & living

- In H1 2022 total GHG emissions increased by 8.8% compared to H1 2021 (from 2.55 m t $CO_2$-eq in H1 2021 to 2.77 m t $CO_2$-eq in H1 2022, including biogenic anthropogenic emissions).




- In April 2022 we joined the nationwide forest planting campaign – the employees of the Group planted more than 2,000 trees in the largest park in Vilnius. The saplings were financed using funds from energy savings after succesful implementation of energy efficiency initiatives.
- Pursuant to the agreement with the Lithuanian Ministry of Energy, we have reported our achievements in implementing consumer education and consultation (133.987 GWh) and energy savings (0.108 GWh) measures to the Lithuanian Ministry of Energy and the Lithuanian Energy Agency, which were confirmed. After the validation, energy savings of 0.11 GWh (saving effect for 2030 –1.018 GWh) have been confirmed.
- Comparative analysis solutions providing energy efficiency tips and comparing customers' annual consumption to the previous year and to a similar group were installed in self-service system of ESO (Networks) for both private and business customers.
- Ignitis (Customers & Solutions) introduced an Ignitis EnergySmart app for B2C customers, which helps track the electricity consumption data of the customer and provides energy efficiency tips.
- We are expanding the Ignitis ON electric car charging network and agreed to install a super-fast charging station with a power of 150 kW (fully charged car in 30 minutes). A regular charging station will be installed nearby. At the time of reporting we have 83 EV charging stations.
- In July 2022, a mass smart meter roll-out (Networks) was started.

#### Adopting circularity and Preserving ecosystems & biodiversity

- During H1 2022 we did the preparatory work at the head office of the Group (Laisvės ave. 10, Vilnius) and, after the reporting period, we started collecting food waste and coffee grounds, which are transfered to the Green Genius biogas plant where it is converted into energy and organic fertilizers.
- There were 4 environmental inspections in H1 2022, no inconsistencies were identified. An unscheduled Vilnius CHP inspection was ongoing since Q4 2021 (closed in March 2022, a warning was issued due to a minor violation in the procedure of filling in documents). Moreover, at the end of June 2022, a violation related to exceeding pollution was recorded in Kaunas CHP, a decision from Environmental Protection Department is pending.
- In Q2 2022 ESO (Networks) indoor facilities have started using power transformers with non-flammable insulating oil made from renewable resources (oils of natural origin) as an alternative to transformers with solid insulation. Such oil is environmentally friendly, transformers filled with it last longer, are more durable and quieter.
- The analysis of the Group's biodiversity and ecosystems management started in Q1 2022 and will continue until the end of 2022. After completing the analysis, we plan to implement measures to mitigate our impact on natural ecosystems and achieve net gain in biodiversity in 2025.

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

## SOCIAL

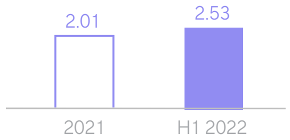
**Sustainability pillar:** Future-fit employees and communities

### Sustainability programme: Increasing safety at work

**Progress in H1 2022[1]**

- Total recordable injury rate (TRIR) for a million hours worked by employees was 2.53 in H1 2022. The change was largely due to the challenging weather conditions and the failure to follow proper safety precautions.

**TRIR,** times




- Working with contractors and employees on occupational safety and health (OSH) issues is one of the top priorities of the Group. The importance of it was, unfortunately, illustrated by real examples. At the time of publishing the report, three fatal accidents were recorded in 2022. Two contractor's employees were fatally injured: one while cleaning trees and shrubs under a high-voltage power line in January 2022, and another during maintenance works (after the reporting period). Also an employee of the Group was electrocuted to death during work in June 2022. Unfortunately, these tragedies occurred due to improper assessment of circumstances, poor preparation for work and failure to follow safety precautions. Inspections of the situation are ongoing, and, following the outcomes of the investigation, we will take measures to ensure that such cases are avoided.

**At the end of 2021:** 2.01 TRIR[5]

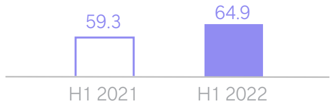
**2025 strategic milestones and goals:** 0 employee and contractor fatalities; TRIR <1.90

### Sustainability programme: Cultivating a collaborative and nurturing workplace

**Progress in H1 2022[1]**

- Employee net promoter score (eNPS) – one of the measures of employee satisfaction – has increased by 5.6 pp.

**Employee satisfaction,** eNPS, % (1–100)




- At the beginning of the year, a Well-being Mentors' project was launched with a community of trained employees acting as volunteer mentors that provide emotional support to their colleagues. On average, there are about 10 individual conversations per month with colleagues who reached out to mentors to talk about various troubling issues: relationships with colleagues or managers, self-esteem, anxiety, workload, illness, career, family relationships, etc. The uniqueness of the project was recognised nationally – it was awarded as the best practice of personnel management in 2022.
- In Q2 2022, all employees of the Group companies in Lithuania were insured with accident insurance, which is valid 24/7. In addition, the package of fringe benefits was expanded by adding various health and entertainment services, and the list of service providers was extended. Insurance procurement procedures are also being carried out in the Group's foreign companies.
- In Q2 2022, in order to raise a new generation of energy engineers, the Group, together with other energy companies, initiated the information platform 'Energy Smart START' where education institutions can learn about career in energy companies. 38 educational institutions invited us and over 1,500 students were given lectures by 30 lecturers of the Group from the end of April 2022 to the end of the school year. Moreover, the Group has allocated EUR 150,000 for 50 scholarships for the education of future energy engineers.
- At the end of April 2022 we also reopened tours to some of our facilities. We had almost 500 visitors by the end of H1 2022.
- In H1 2022, 63 employees of the Group took the opportunity to volunteer in various social and environmental activities. In addition, over 50 employees have volunteered to participate in a tree planting campaign.
- In H1 2022, the Group's employees actively engaged in voluntary activities to help refugees from Ukraine. The Group, in turn, provided a monthly payment as an additional financial incentive to employees who hosted Ukrainian war refugees in their property. This payment is intended to compensate a part of additional costs. All actions of the Group in support of Ukraine are described in more detail in the 'CEO's statement' and 'Risk and risk management' sections of the report.
- After the reporting period, Ignitis Renewables (Green Generation) invited communities located near the Group's Green Generation projects to submit applications to receive financial support. Financial support can be granted to social, education, art, culture, science and sport (excluding extreme and high-risk sport) projects, activities. These projects and/or activities must create, encourage long-term cooperation between the Group and the community, also it must comply with the support granting criteria established in Financial Support Management Guidelines.

**At the end of 2021:** 57.4% eNPS

**2025 strategic milestones and goals:** ≥50% net share of employees promoting the Group as an employer (eNPS)

### Sustainability programme: Growing a diverse and inclusive workplace

**Progress in H1 2022[1]**

- We are focusing our diversity efforts on improving gender balance at the Group. We pay particular attention to two areas where there is an identified gender disbalance: among our colleagues who work in engineering and IT as well as among top management. In H1 2022 the share of women in top management was 22%, and 21% in IT and engineering positions (22% and 19% respectively in the same period last year).
- As part of our diversity efforts, we continued our partnership with the Women Go Tech initiative. In H1 2022, 10 women from our organisation developed their tech skills as part of the 6-month training programme, whereas 7 further employees served as mentors to participants from other organisations.
- The 'Energise Equality' project, where we promote a culture of dialogue on the topic of equal opportunities, was launched in May 2022 and attracted 120 employees to the live event where conference speakers and colleagues discussed gender equality. The project is based on the international Barbershop Toolbox methodology developed by the UN Women in Iceland and provides tools to discuss sensitive and complex topics, including gender equality and equal opportunities. Our goal is to train 10 women and 10 men to be moderators who can continue to apply the method in the organisation, thereby promoting dialogue about the importance of equal opportunities between women and men.
- In June 2022, a group of colleagues from the Group participated in the 'Baltic Pride 2022 March for Equality and Peace' for the first time. A month earlier, our colleagues participated in an internal event called 'LGBT Awareness Day' that gathered over 60 employees to learn about the experiences of LGBT people in everyday life and ways to show support to LGBT colleagues.

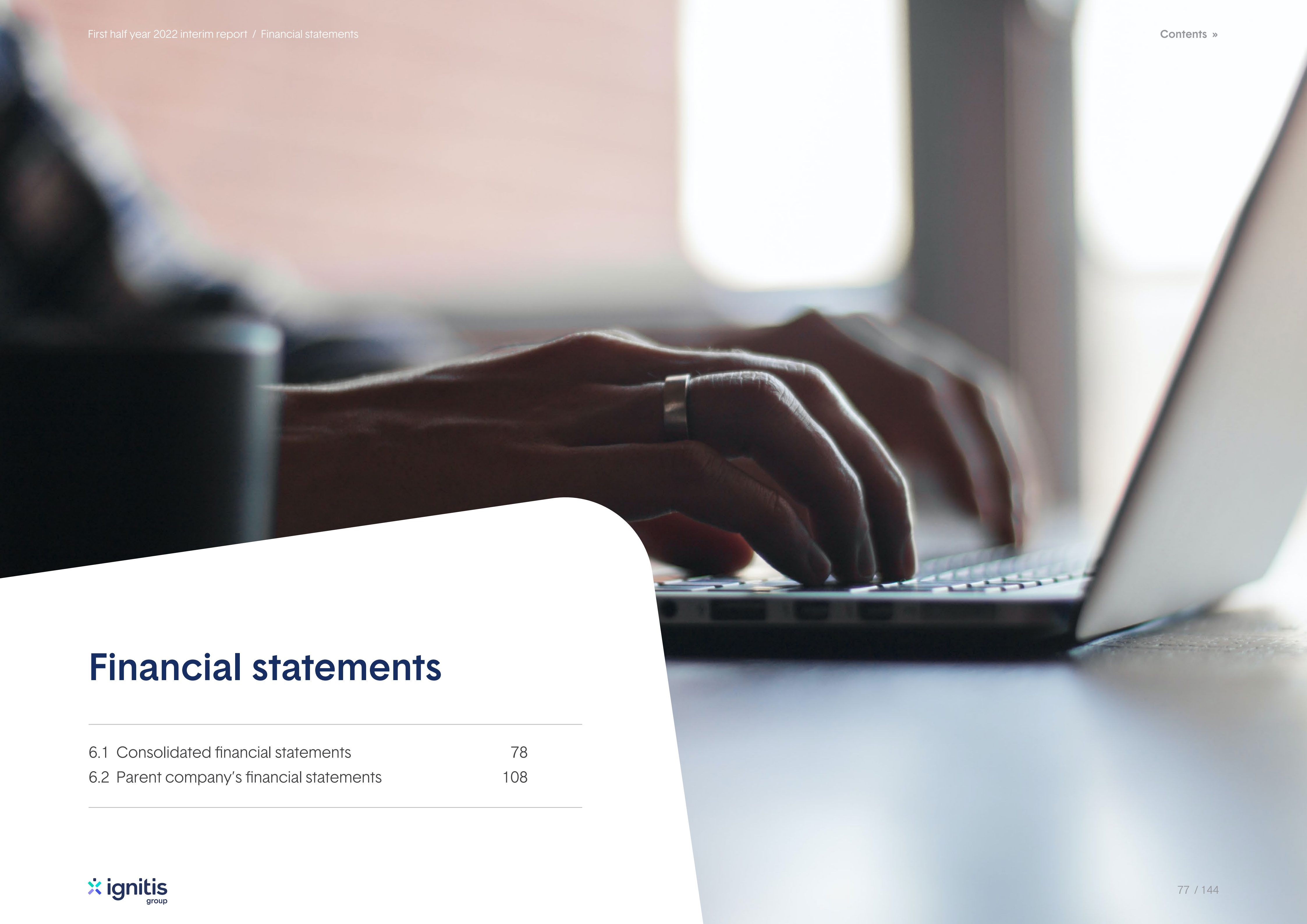
**At the end of 2021:** 27% share of women in top management[6]

**2025 strategic milestones and goals:** ≥34% share of women in top management

## GOVERNANCE

| | | |
|---|---|---|
| **Sustainability pillar** | **Robust organisation** | |
| **Sustainability programme** | Running transparent and ethical operations | Ensuring operational resilience and sustainable value creation |
| **Progress in H1 2022**[1] | – 100% of new employees participated in Anticorruption and Code of Ethics knowledge tests (2021–2024 target – 100%[7]), pass rate in Q1 2022 – 97.4%, Q2 2022 – 95.3% (2021–2024 target – 80%[7]). Testing of all employees is scheduled for Q3 2022.<br>– At the beginning of 2022, the Group launched a socially responsible procurements initiative. The share of socially responsible procurements in terms of value of all successfully completed procurements in H1 2022 was 6.0% (5.0% in Q2 2022). The share of green procurements in H1 2022 was 89.9%. Moreover, the Ministry of Environment awarded ESO (Networks) with the Green Procurement Leader Award for the biggest breakthrough in green procurement in 2021.<br>– Mandatory compliance with the Supplier Code of Ethics is incorporated in more than 90% of public procurements. After the reporting period, the monitoring standard of compliance with the Group's Supplier Code of Ethics has been approved, and in July 2022 the monitoring of compliance was launched.<br>– Share of procurements (by value) where supplier screenings were conducted as part of procurement procedures in H1 2022 was 94.3% (91.6% in Q2 2022). Share of published procurements that received only one bid in H1 2022 was 18.6% (2021–2024 target – ≤15)[8]. | – ESO's (Networks) interactive power outage map has been updated and now it is even more user-friendly. It not only provides information about the operation of the electricity distribution network in real time, but also clearly displays failures, planned repair works and residents' reports about interrupted electricity supply by territory. From now on, the marking of disconnections by territories will allow to quickly and clearly see whether the fault affects a specific object.<br>– An external audit of the information security management system was conducted in Q2 2022 in accordance with the requirements of the ISO 27001 standard. During the audit, the information security management of UAB "Ignitis grupės paslaugų centras" (Group's Service Centre) services was assessed and no nonconformities were found, which confirms that the services provided by the Group's Service Centre to the Group meet international information security management requirements.<br>– At the end of Q1 2022, we completed the work on increasing the available power capacity by installing a new transformer substation in the military camp 'Herkus'. The whole process was completed 6 to 7 times faster than usual since this is a priority for us as we are contributing to ensure the national security of Lithuania. In Q2 2022 Ignitis Gamyba (Flexible Generation) collected and shipped a cargo following the Ukraine humanitarian aid requests. The cargo included a large quantity of fire extinguishers, high quality shutters for closing the thermal lines of bombed houses, and the package with solar-charged power banks for charging mobile phones.<br>– After the reporting period, Ignitis (Customers & Solutions) received a platinum medal for its sustainability practices from EcoVadis, a ratings platform that focuses on sustainable supply chains. Compared to the previous annual assessment, which placed it among top 8% companies globally, it now falls among the top 1% of all companies assessed by EcoVadis and among top 3% of assessed electricity and natural gas suppliers globally[10]. |
| **At the end of 2021** | 97%<br>corruption intolerance among employees | 64% (EUR 212 million out of EUR 332.7 million)<br>sustainable Adjusted EBITDA share |
| **2025 strategic milestones and goals** | ≥95%<br>corruption intolerance among employees[9] | ≥70%<br>Sustainable Adjusted EBITDA share[11] |

[1] Detailed information on main previous quarter results is available in our First quarter 2022 interim report (pp. 68–74).
[2] Including scopes 1, 2 and 3 and biogenic emissions. 2020 value is the baseline for the validated science-based 2030 targets.
[3] Four business segments, where each must implement at least one significant initiative involving significant resource use reduction, reuse or recycling.
[4] Involving (1) an assessment of total biodiversity impact, and (2) coordination with environmental experts to create a positive impact on biodiversity (restore, compensate the loss of natural habitat and species).
[5] Total recordable injury rate (TRIR): Total recordable injuries x 1 million hours worked divided by all hours worked during the reporting period. After implementing the contractor TRIR monitoring, we plan to set targets that also cover contractors.
[6] Includes boards, heads of companies and the 1st management level below them. Excludes double-counting (when same person holds more than one top management position in the same company).
[7] The goals of the Group's Strategic Plan 2021–2024 are not included in the Strategic Plan 2022–2025, therefore, the progress towards them is noted separately.
[8] The low value of the indicator showcases good governance practices in procurement procedures. A high share of published procurements that received only one bid can mean two things: that the terms of procurement are tailored to a single supplier, or that there are not many suppliers of such services or goods on the market.
[9] Based on an annual employee survey question about how likely employees are to report potential corruption if they encounter it. Lithuania's average was 21% (2021).
[10] According to EcoVadis, to date their database counts over 50,000 rated companies from 150 countries and 190 industries.
[11] Sustainable activities, as defined by the EU Taxonomy and delegated acts adopted as of Q1 2022.



# Financial statements

# 6.1 Consolidated financial statements

## Unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2022, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union




The Group's interim condensed consolidated financial statements were prepared and signed by AB "Ignitis grupė" management on 23 August 2022:

| | | |
|---|---|---|
| **Darius Maikštėnas**<br>Chief Executive Officer | **Jonas Rimavičius**<br>Chief Financial Officer | **Giedruolė Guobienė**<br>UAB "Ignitis grupės paslaugų centras",<br>Head of Accounting acting under<br>Order No IS-22-22<br>(signed 4 April 2022) |

# Interim Condensed Consolidated Statement of Financial Position

**As at 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 30 June 2022 | 31 December 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 5 | 119,176 | 114,035 |
| Property, plant and equipment | 6 | 2,660,262 | 2,609,576 |
| Right-of-use assets | | 57,990 | 57,543 |
| Prepayments for non-current assets | | 65,340 | 15,768 |
| Investment property | | 4,546 | 4,546 |
| Non-current receivables | 8 | 58,841 | 96,139 |
| Other financial assets | 9 | 34,347 | 30,094 |
| Other non-current assets | | 21,721 | 3,712 |
| Deferred tax assets | | 12,625 | 15,547 |
| **Total non-current assets** | | **3,034,848** | **2,946,960** |
| **Current assets** | | | |
| Inventories | 10 | 383,034 | 185,606 |
| Prepayments and deferred expenses | | 48,244 | 68,476 |
| Trade receivables | 11 | 293,729 | 274,897 |
| Other receivables | 12 | 491,630 | 292,529 |
| Other current assets | | 16,112 | 33,218 |
| Prepaid income tax | | 575 | 134 |
| Cash and cash equivalents | | 346,167 | 449,073 |
| | | **1,579,491** | **1,303,933** |
| Assets held for sale | | 128 | 360 |
| **Total current assets** | | **1,579,619** | **1,304,293** |
| **TOTAL ASSETS** | | **4,614,467** | **4,251,253** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 13.1 | 1,658,756 | 1,658,756 |
| Treasury shares | | (32,968) | (23,000) |
| Reserves | | 493,154 | 248,861 |
| Retained earnings | | 8,837 | (35,636) |
| **Equity attributable to equity holders of the parent** | | **2,127,779** | **1,848,981** |
| Non-controlling interests | | - | - |
| **Total equity** | | **2,127,779** | **1,848,981** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current loans and bonds | 15 | 1,285,840 | 1,118,077 |
| Non-current lease liabilities | | 54,113 | 46,275 |
| Grants and subsidies | | 283,586 | 279,134 |
| Deferred tax liabilities | | 40,583 | 47,187 |
| Provisions | 18 | 26,762 | 30,058 |
| Deferred income | 17 | 192,962 | 183,608 |
| Other non-current amounts payable and liabilities | | 7,846 | 420 |
| **Total non-current liabilities** | | **1,891,692** | **1,704,759** |
| **Current liabilities** | | | |
| Loans | 15 | 158,543 | 237,274 |
| Lease liabilities | | 3,858 | 4,688 |
| Trade payables | | 61,745 | 100,183 |
| Advances received | | 97,882 | 57,508 |
| Income tax payable | | 49,679 | 11,567 |
| Provisions | 18 | 25,879 | 41,561 |
| Deferred income | 17 | 30,268 | 18,046 |
| Other current amounts payable and liabilities | 19 | 167,142 | 226,686 |
| **Total current liabilities** | | **594,996** | **697,513** |
| **Total liabilities** | | **2,486,688** | **2,402,272** |
| **TOTAL EQUITY AND LIABILITIES** | | **4,614,467** | **4,251,253** |

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# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

**For the three and six months periods ended 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | H1 2022 | II qtr. 2022 | H1 2021 (restated)[1] | II qtr. 2021 (restated)[1] |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 21 | 1,730,080 | 740,273 | 716,236 | 329,583 |
| Other income | | 3,040 | 1,591 | 21,913 | 15,157 |
| **Total revenue and other income** | | **1,733,120** | **741,864** | **738,149** | **344,740** |
| Purchases of electricity, natural gas and other services | | (1,367,625) | (566,133) | (484,842) | (219,618) |
| Salaries and related expenses | | (57,679) | (29,331) | (49,588) | (24,209) |
| Repair and maintenance expenses | | (14,844) | (8,670) | (12,817) | (7,294) |
| Other expenses | 22 | (81,555) | (17,963) | (19,651) | (9,796) |
| **Total** | | **(1,521,703)** | **(622,097)** | **(566,898)** | **(260,917)** |
| **EBITDA**[2] | | **211,417** | **119,767** | **171,251** | **83,823** |
| Depreciation and amortisation | | (67,888) | (34,074) | (59,622) | (30,198) |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | | (1,636) | (1,002) | (2,106) | (1,112) |
| **Operating profit (loss) (EBIT)**[2] | | **141,893** | **84,691** | **109,523** | **52,513** |
| Finance income | | 3,506 | 504 | 2,952 | 2,088 |
| Finance expenses | | (16,055) | (8,135) | (36,898) | (30,108) |
| **Finance activity, net** | | **(12,549)** | **(7,631)** | **(33,946)** | **(28,020)** |
| **Profit (loss) before tax** | | **129,344** | **77,060** | **75,577** | **24,493** |
| Current period income tax (expenses)/benefit | 23 | (18,274) | (2,698) | (5,595) | (2,208) |
| Deferred tax (expenses)/benefit | 23 | 3,762 | (6,305) | (9,044) | (4,332) |
| **Net profit for the period** | | **114,832** | **68,057** | **60,938** | **17,953** |
| Attributable to: | | | | | |
| Equity holders of the parent | | 114,832 | 68,057 | 60,234 | 18,118 |
| Non-controlling interest | | - | - | 704 | (165) |
| **Other comprehensive income (loss)** | | | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | | | |
| Change in actuarial assumptions | | (175) | (195) | (257) | (35) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | | **(175)** | **(195)** | **(257)** | **(35)** |
| **Items that may be reclassified to profit or loss in subsequent periods (net of tax)** | | | | | |
| Cash flow hedges – effective portion of change in fair value | | 220,437 | 112,467 | - | |
| Cash flow hedges – reclassified to profit or loss | | 2,349 | (43,237) | - | - |
| Foreign operations – foreign currency translation differences | | (904) | (724) | (4) | 1,177 |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | **221,882** | **68,506** | **(4)** | **1,177** |
| **Total other comprehensive income (loss) for the period** | | **221,707** | **68,311** | **(261)** | **1,142** |
| **Total comprehensive income (loss) for the period** | | **336,539** | **136,368** | **60,677** | **19,095** |
| Attributable to: | | | | | |
| Equity holders of the parent | | 336,539 | 136,368 | 59,973 | 19,260 |
| Non-controlling interests | | - | - | 704 | (165) |
| | | | | | |
| **Basic earnings per share (in EUR)** | 24 | **1.58** | **0.94** | **0.81** | **0.24** |
| **Diluted earnings per share (in EUR)** | 24 | **1.58** | **0.94** | **0.81** | **0.24** |
| **Weighted average number of shares** | 24 | **72,816,090** | **72,591,666** | **74,283,757** | **74,283,757** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to accounting policy change. See more information disclosed in Note 4.*

*[2] EBITDA – earnings before finance activity, taxes, depreciation and amortization, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets. For more information on EBITDA as an alternative performance measure – see Note 28.*
*EBIT – earnings before finance activity, taxes. For more information on EBIT as an alternative performance measure – see Note 28.*

# Interim Condensed Consolidated Statement of Changes in Equity

**For the six months period ended 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | Equity, attributed to equity holders of the parent | | | | | | | | | | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Issued capital | Share premium | Treasury shares | Legal reserve | Revaluation reserve | Hedging reserve | Treasury shares reserve | Other reserves | Retained earnings | Subtotal | | |
| **Balance at 1 January 2021** | | 1,658,756 | - | - | 116,029 | 155,969 | - | - | (2,229) | (86,164) | 1,842,361 | 1,470 | 1,843,831 |
| Change of accounting policy | | - | - | - | | (36,837) | - | - | - | 6,300 | (30,537) | (1) | (30,538) |
| **Balance as at 1 January 2021 (restated)[1]** | | 1,658,756 | - | - | 116,029 | 119,132 | - | - | (2,229) | (79,864) | 1,811,824 | 1,469 | 1,813,293 |
| Net profit for the period[1] | | - | - | - | - | - | - | - | - | 60,234 | 60,234 | 704 | 60,938 |
| Other comprehensive income (loss) for the period[1] | 14 | - | - | - | - | - | - | - | (4) | (257) | (261) | - | (261) |
| **Total comprehensive income (loss) for the period (restated)[1]** | | - | - | - | - | - | - | - | (4) | 59,978 | 59,973 | 704 | 60,677 |
| Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax) | | - | - | - | - | (5,614) | - | - | - | 5,614 | - | - | - |
| Transfers to legal reserve | | - | - | - | 9,791 | - | - | - | - | (9,791) | - | - | - |
| Transfer to reserves to acquire treasury shares | 13.2 | - | - | - | - | - | - | 23,000 | - | (23,000) | - | - | - |
| Dividends | 25 | - | - | - | - | - | - | - | - | (43,010) | (43,010) | - | (43,010) |
| Dividends paid to non-controlling interest | | - | - | - | - | - | - | - | - | (1,152) | (1,152) | - | (1,152) |
| Share-based payments | | - | - | - | - | - | - | - | - | 213 | 213 | - | 213 |
| Other movement | | - | - | - | - | - | - | - | - | 984 | 984 | - | 984 |
| **Balance as at 30 June 2021 (restated)[1]** | | 1,658,756 | - | - | 125,820 | 113,518 | - | 23,000 | (2,233) | (90,028) | 1,828,833 | 2,173 | 1,831,006 |
| **Balance as at 1 January 2022** | | 1,658,756 | - | (23,000) | 125,820 | 84,148 | 18,639 | 23,000 | (2,746) | (35,636) | 1,848,981 | - | 1,848,981 |
| Net profit for the period | | - | - | - | - | - | - | - | - | 114,832 | 114,832 | - | 114,832 |
| Other comprehensive income (loss) for the period | 15 | - | - | - | - | - | 222,786 | - | (904) | (175) | 221,707 | - | 221,707 |
| **Total comprehensive income (loss) for the period** | | - | - | - | - | - | 222,786 | - | (904) | 114,657 | 336,539 | - | 336,539 |
| Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax) | | - | - | - | - | (4,891) | - | - | - | 4,891 | - | - | - |
| Transfers to legal reserve | | - | - | - | 12,642 | - | - | - | - | (12,642) | - | - | - |
| Transfer to reserves to acquire treasury shares | 13.2 | - | - | - | - | - | - | 14,660 | - | (14,660) | - | - | - |
| Treasury shares acquired | 13.2 | - | - | (9,968) | - | - | - | - | - | (4,333) | (14,301) | - | (14,301) |
| Dividends | 25 | - | - | - | - | - | - | - | - | (43,824) | (43,824) | - | (43,824) |
| Other movement | | - | - | - | - | - | - | - | - | 384 | 384 | - | 384 |
| **Balance as at 30 June 2022** | | 1,658,756 | - | (32,968) | 138,462 | 79,257 | 241,425 | 37,660 | (3,650) | 8,837 | 2,127,779 | - | 2,127,779 |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to accounting policy change. See more information disclosed in Note 4.*

ignitis group

# Interim Condensed Consolidated Statement of Cash Flows

**For the six months period ended 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | H1 2022 | H1 2021 (restated)[1] |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | 114,832 | 60,938 |
| **Adjustments to reconcile net profit to net cash flows:** | | | |
| Depreciation and amortisation expenses | | 73,619 | 64,629 |
| Impairment of property, plant and equipment, including held for sale | | - | (678) |
| Fair value changes of derivatives | 20 | 64,852 | 5,196 |
| Fair value change of financial instruments | 3.1 | (2,689) | 21,606 |
| Impairment/(reversal of impairment) of financial assets | 11, 12 | 569 | (370) |
| Income tax expenses/(benefit) | 23 | 14,512 | 14,639 |
| Depreciation and amortisation of grants | | (5,731) | (5,007) |
| Increase/(decrease) in provisions | | (19,074) | (3,419) |
| Inventory write-off to net realizable value/(reversal) | | 25 | 257 |
| Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment | | 1,479 | 2,889 |
| Share-based payments expenses | | - | 213 |
| Other expenses of investing activities | | - | (1,255) |
| Interest income | | (398) | (478) |
| Interest expenses | | 13,676 | 11,838 |
| Other expenses of financing activities | | 1,960 | (890) |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | | (176,703) | 10,985 |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | | (164,331) | (13,063) |
| Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities | | 138,414 | 27,450 |
| Income tax (paid)/received | | (16,009) | (12,277) |
| **Net cash flows from operating activities** | | **39,003** | **183,203** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (163,142) | (87,421) |
| Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets | | 762 | 1,393 |
| Loans granted | | (5,119) | (2,624) |
| Loan repayments received | | - | 2,041 |
| Grants received | | 10,183 | 9,504 |
| Interest received | | 273 | 290 |
| Finance lease payments received | | 921 | 1,034 |
| Investments in Innovation Fund | 3.1 | (1,564) | (2,353) |
| **Net cash flows from investing activities** | | **(157,686)** | **(78,136)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Loans received | 16 | 73,000 | - |
| Repayments of loans | 16 | (6,251) | (3,173) |
| Overdrafts received | 16 | 19,887 | - |
| Lease payments | 16 | (2,926) | (10,446) |
| Interest paid | 16 | (10,161) | (10,187) |
| Dividends paid | | (43,855) | (43,972) |
| Dividends returned | 13.3 | 384 | 984 |
| Equity acquisition from non-controlling interest | | - | (18,656) |
| Treasury shares acquisition | 13.2 | (14,301) | - |
| **Net cash flows from financing activities** | | **15,777** | **(85,450)** |
| | | | |
| **Increase/(decrease) in cash and cash equivalents** | | **(102,906)** | **19,617** |
| Cash and cash equivalents at the beginning of the period | | 449,073 | 658,795 |
| **Cash and cash equivalents at the end of the period** | | **346,167** | **678,412** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to accounting policy change and reclassifications. See more information disclosed in Note 4.*

All amounts are in EUR thousand unless otherwise stated

# Explanatory Notes

**For the six months period ended 30 June 2022**

## 1 General information

Ignitis grupė AB (hereinafter – “the Company” or “parent company”) is a public limited liability company registered in the Republic of Lithuania. The Company’s registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The Company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company code 301844044. The Company has been founded for an indefinite period.

The Company’s shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.

The Company and its subsidiaries are hereinafter collectively referred to as “the Group”. The Group engages in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the electricity sector, management and coordination of activities. Information on the Group’s structure is provided in Note 8.

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

| Shareholders of the Group | 30 June 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Share capital, in EUR ’000 | % | Share capital, in EUR ’000 | % |
| Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania | 1,212,156 | 73.08 | 1,212,156 | 73.08 |
| Other shareholders | 404,289 | 24.37 | 418,838 | 25.25 |
| Own shares | 42,311 | 2.55 | 27,762 | 1.67 |
| | **1,658,756** | | **1,658,756** | |

These interim consolidated financial statements were prepared and signed by Group’s management on 23 August 2022. These are interim condensed consolidated financial statements of the Group. The Company also prepares separate interim condensed financial statements in accordance with local requirements.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

These interim condensed consolidated financial statements are prepared for the six months period ended 30 June 2022 (hereinafter “interim financial statements”) and have been prepared in accordance with International Accounting Standard (hereinafter “IAS”) 34 “Interim Financial Reporting”.

These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter “IFRS”).

Interim financial statements have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment, investment property, and certain financial instruments measured at fair value.

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

During 2021 the Group made change in accounting policy – see Note 2.2.1 of annual financial statements for the year ended 31 December 2021 and Note 4 of these interim financial statements for detailed explanation.

### 2.2 New standards, amendments, interpretations and changes in accounting policy

#### 2.2.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021, with the exception of the new standards which entered into force during I half-year of 2022.

All amounts are in EUR thousand unless otherwise stated

### 2.2.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the reporting period ended as at 30 June 2022.

| Standards or amendments that came into force during H1 2022 |
|---|
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) |
| Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) |
| Annual Improvements to IFRS Standards 2018–2020 |
| Reference to Conceptual Framework |

The adoption of these standards, revisions and interpretations had no material impact on the financial statements except Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). The Group's management has assessed the impact of amendments on the acquisition cost of property, plant and equipment items, which were made available for use in 2021 year, and determined that the acquisition cost of these items should be increased by EUR 10,179 thousand. The final impact will be determined later in year 2022 and will be recognized in financial statements for the year ended 31 December 2022.

### 2.2.2 Standards issued but not yet effective and not early adopted

Preparing these interim financial statements the Group did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 30 June 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in European Union (hereinafter – EU).

The management of the Group is currently assessing the impact of these amendments on the financial statements.

#### Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. Amendments are not yet endorsed for application in EU.

The management of the Group is currently assessing the impact of this amendment on the financial statements.

#### Other standards

The following new and amended standards are not expected to have a significant impact on the Group's financial statements.

| Other new standards or amendments | IASB Effective date | EU Endorsement status |
|---|---|---|
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts | 1 January 2023 | Endorsed |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 | Endorsed |
| Definition of Accounting Estimates (Amendments to IAS 8) | 1 January 2023 | Endorsed |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) | 1 January 2023 | Not yet endorsed |

All amounts are in EUR thousand unless otherwise stated

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

Preparing these interim financial statements the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as used in preparing the annual financial statements for the year ended 31 December 2021 except the following:

## 3.1 Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB

Total amount of the investment to Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB increased for an amount EUR 4,253 thousand during the I half-year of 2022.

The fair value gain of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB recognised for an amount EUR 2,689 thousand and is presented as “Finance income” in SPLOCI for the I half-year of 2022. The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 29).

Remaining change is related to new investments made during I half-year of 2022 for an amount EUR 1,564 thousand.

Fair value corresponds to Level 3 in the fair value hierarchy. Fair value of this financial asset will change depending on future investment rounds or other significant events

## 3.2 Services ensuring isolated operation of the power system and capacity reserve

On 14 November 2019, NERC adopted a resolution No O3E–715 ‘On approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system’. This resolution stipulates that Companies that discontinue capacity reserve ensuring services or services ensuring isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator (related company – Litgrid AB) if the costs actually incurred by the Group were less than the revenues received from the transmission system operator. If the actual costs incurred by the Group were higher than the income of the transmission system operator , the transmission system operator shall reimburse this amount to the Group. Formulas determined for period y in the resolution for isolated operation of the power system and capacity reserve services:

- In the case of capacity reserve assurance services: the amount of discrepancy between the assigned investment return that meets the reasonableness criteria, compared to the determined investment return, during the reporting period (y-2);
- In the case of isolated operation of the power system: the amount of discrepancy between the costs assigned in the reporting period (y-2) compared to the amount of income received from transmission system operator in the reporting period (y-2).

With regard to the resolution above, if the costs actually incurred by the Group were higher than the income received from the transmission system operator, the transmission system operator must return such amount to the Group, and vice versa. Due to this reason the Group recognizes assets or liabilities of regulated activities, the purpose of which is to equalize the current year's profit to a set level.

On 8 February 2022 an additional agreement with transmission system operator was signed. Under the agreement the Group undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by transmission system operator, and transmission system operator undertook to reimburse the costs incurred by the Group under the schedule. Due to this additional agreement during I half-year of 2022 the Group has entered into a derivative financial instruments transaction, which hedges the sale price of gas.

The Group presents short term provisions related to isolated power system operations’ and system services together with accrued revenue.

As at 30 June 2022 the Group accounted EUR 41,689 thousand as accrued revenue such amounts related to regulated activity (Note 8):

- EUR 50,314 thousand accounted as accrued revenue related to the gas derivative transaction described above;
- EUR (3,629) thousand – half of provision for isolated power system operations’ and system services which was accounted as non-current provision as at 31 December 2021 recognised for I half-year of 2022;
- EUR (4,996) thousand – provision formed for isolated power system operations’ and system services for I half-year of 2022.

As at 30 June 2022 the Group has also accounted EUR 11,210 thousand as current liabilities under the caption “Provisions” in the statement of financial position (Note 18):

- EUR (7,580) thousand – remaining amount of balance confirmed by NERC (as at 31 December 2021 Group has accounted EUR 15,161 thousand current liabilities under the caption “Provisions” in the statement of financial position, which is used in equal parts during 2022);
- EUR (3,630) thousand - half of provision for isolated power system operations’ and system services which was accounted as non-current provision as at 31 December 2021, which will be settled within 12 months.

## 3.3 Natural gas supply to household customers

On 4 November 2021 amendments were established to Laws on Natural Gas and Electricity, which provide for price amortization mechanisms in the face of high gas and electricity market prices. The price amortization mechanism means that the gas or electricity supplier agrees to set a lower price for the product and to spread the return of the accumulated losses within 5 year period.

The Group did take an opportunity to set lower prices for I half-year of 2022, due to that the losses (loss of revenue) caused by the lower gas price in the tariff will be returned to the Group through the additional component which is included in distribution service tariff. Losses will be reimbursed regardless of whether the Group continues to provide supply services in the future or not. Therefore with regard to these Law amendments the Group did recognize accrued revenue in amount of EUR 91,753 thousand (Note 12) to eliminate mismatches between the current period earnings and the regulated level. According to Legislation issued as of 12 May 2022, at the end of reporting period the Group expects to receive significant part of this amount during upcoming 12 months period, due to that total amount was recognised as current receivable.

All amounts are in EUR thousand unless otherwise stated

# 4 Restatement of comparative figures due to change of accounting policy and reclassifications

## Restatement of comparative figures due to change of accounting policy

The Group participates in the greenhouse gas emissions (hereinafter – European Union emission allowances or EUEA) trading system. In 2021 the management has concluded that the current accounting policy for emission allowances does not present the SPLOCI and the statement of financial position in the best interest of the users of the financial statements. Therefore, the management has determined that there is a need for a voluntary change in accounting policy. The new accounting policy is described in Note 2.3 of annual financial statements as at 31 December 2021.

The main arguments for changing the accounting policy are:
1. Revaluation of provision for EUEA will no longer have impact to the SPLOCI of the future periods.
2. More fairly presentation of SPLOCI and better relationship with cash flows.
3. More fairly presentation of the statement of financial position as EUEAs are used in the Group's operations rather than for sale.

As IAS 8 requires that the users of financial statements need to be able to compare the financial statements of an entity over time to identify trends, the management presents the information regarding the accounting policy changes, that are performed retrospectively (see restatement 1).

## Restatement of comparative figures due to reclassifications

In I half-year of 2022 the Group has reclassified amounts related with current loans provided from Changes in working capital to Cash flows from investing activities in the consolidated statement of cash flows in order to provide more reliable information for the users of financial statements. Accordingly, comparative amounts were reclassified – a net change in current loans provided amounting to EUR 583 thousand was reclassified from Changes in working capital by presenting amount for loans granted (EUR 2,624 thousand) and loans repayment received (EUR 2,041 thousand) in the Cash flows from investing activities in the consolidated statement of cash flows in I half-year of 2021. Reclassification had no impact on the statement of financial position, SPLOCI and statement of changes in equity (see restatement 2).

Retrospective corrections of consolidated SPLOCI for six months period ended 30 June 2021:

| | H1 2021 before restatement | Restatement 1 | H1 2021 after restatement |
|---|---|---|---|
| Revenue from contracts with customers | 716,236 | - | 716,236 |
| Other income | 21,913 | - | 21,913 |
| **Total revenue and other income** | **738,149** | **-** | **738,149** |
| Purchases of electricity, natural gas and other services | (486,217) | 1,375 | (484,842) |
| Salaries and related expenses | (49,588) | - | (49,588) |
| Repair and maintenance expenses | (12,817) | - | (12,817) |
| Other expenses | (19,653) | - | (19,651) |
| **Total** | **(568,275)** | **1,375** | **(566,898)** |
| **EBITDA** | **169,874** | **1,375** | **171,251** |
| Depreciation and amortisation | (59,622) | - | (59,622) |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (2,106) | - | (2,106) |
| Revaluation of emission allowances | (10,419) | 10,419 | - |
| **Operating profit (loss) (EBIT)** | **97,727** | **11,794** | **109,523** |
| Finance income | 2,952 | - | 2,952 |
| Finance expenses | (36,898) | - | (36,898) |
| **Finance activity, net** | **(33,946)** | - | **(33,946)** |
| **Profit (loss) before tax** | **63,781** | **11,794** | **75,577** |
| Current income tax (expenses)/benefit | (5,900) | 305 | (5,595) |
| Deferred tax (expenses)/benefit | (9,044) | - | (9,044) |
| **Net profit for the period** | **48,837** | **12,099** | **60,938** |
| Attributable to: | | | |
| Equity holders of the parent | 48,770 | 11,462 | 60,234 |
| Non-controlling interest | 67 | 637 | 704 |
| **Other comprehensive income (loss)** | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Revaluation of emission allowances through other comprehensive income | 50,390 | (50,390) | - |
| Change in actuarial assumptions | (257) | - | (257) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | **50,133** | **(50,390)** | **(257)** |
| **Items that may be reclassified to profit or loss in subsequent periods (net of tax)** | | | - |
| Exchange differences on translation of foreign operations into the Group's presentation currency | (4) | - | (4) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | **(4)** | **-** | **(4)** |
| **Total other comprehensive income (loss) for the period** | **50,129** | **(50,390)** | **(261)** |
| **Total comprehensive income (loss) for the period** | **98,966** | **(38,291)** | **60,677** |
| Attributable to: | | | |
| Equity holders of the parent | 98,262 | (38,291) | 59,973 |
| Non-controlling interests | 704 | - | 704 |
| | | | |
| **Basic earnings per share (in EUR)** | **0.66** | **0.15** | **0.81** |
| **Diluted earnings per share (in EUR)** | **0.66** | **0.15** | **0.81** |
| **Weighted average number of shares** | **74,283,757** | **-** | **74,283,757** |

All amounts are in EUR thousand unless otherwise stated

Retrospective corrections of consolidated statement of cash flows for six months period ended 30 June 2021:

| | H1 2021 before restatement | Restatement 1 | Restatement 2 | H1 2021 after restatement |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net profit for the period | 48,837 | 12,101 | - | 60,938 |
| **Adjustments to reconcile net profit to net cash flows:** | | | | |
| Depreciation and amortisation expenses | 64,629 | - | - | 64,629 |
| Impairment of property, plant and equipment, including held for sale | (678) | - | - | (678) |
| Fair value changes of derivatives | 5,196 | - | - | 5,196 |
| Fair value change of financial instruments | 21,606 | - | - | 21,606 |
| Impairment/(reversal of impairment) of financial assets | (370) | - | - | (370) |
| Income tax expenses/(benefit) | 14,944 | (305) | - | 14,639 |
| Depreciation and amortisation of grants | (5,007) | - | - | (5,007) |
| Increase/(decrease) in provisions | (14,564) | 11,145 | - | (3,419) |
| Inventory write-off to net realizable value/(reversal) | 257 | - | - | 257 |
| Expenses/(income) of revaluation of emission allowances | 10,419 | (10,419) | - | - |
| Emission allowances utilised | 22,964 | (22,964) | - | - |
| Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment | 2,889 | - | - | 2,889 |
| Share based payments | 213 | - | - | 213 |
| Other expenses of investing activities | (1,255) | - | - | (1,255) |
| Interest income | (478) | - | - | (478) |
| Interest expenses | 11,838 | - | - | 11,838 |
| Other expenses of financing activities | (890) | - | - | (890) |
| **Changes in working capital:** | | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | 10,985 | - | - | 10,985 |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | (23,286) | 10,223 | - | (13,063) |
| Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities | 26,868 | - | 583 | 27,450 |
| Income tax (paid)/received | (12,277) | - | - | (12,277) |
| **Net cash flows from operating activities** | **182,840** | **(220)** | **583** | **183,203** |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment and intangible assets | (87,660) | 239 | - | (87,421) |
| Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets | 1,412 | (19) | - | 1,393 |
| Loans granted | - | - | (2,624) | (2,624) |
| Loan repayments received | - | - | 2,041 | 2,041 |
| Grants received | 9,504 | - | - | 9,504 |
| Interest received | 290 | - | - | 290 |
| Finance lease payments received | 1,034 | - | - | 1,034 |
| Investments in Innovation Fund | (2,353) | - | - | (2,353) |
| **Net cash flows from investing activities** | **(77,773)** | **220** | **(583)** | **(78,136)** |
| **Cash flows from financing activities** | | | | |
| Repayments of loans | (3,173) | - | - | (3,173) |
| Lease payments | (10,446) | - | - | (10,446) |
| Interest paid | (10,187) | - | - | (10,187) |
| Dividends paid | (43,972) | - | - | (43,972) |
| Dividends returned | 984 | - | - | 984 |
| Equity acquisition from non-controlling interest | (18,656) | - | - | (18,656) |
| **Net cash flows from financing activities** | **(85,450)** | **-** | **-** | **(85,450)** |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | **19,617** | **-** | **-** | **19,617** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | 658,795 | - | - | 658,795 |
| **Cash and cash equivalents (including overdraft) at the end of the period** | **678,412** | **-** | **-** | **678,412** |

All amounts are in EUR thousand unless otherwise stated

# 5 Intangible assets

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

| | Patents and licences | Computer software | Other intangible assets | Goodwill | Servitudes and security zones | In total |
|---|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | | |
| Acquisition cost | 310 | 40,702 | 72,588 | 4,927 | 33,567 | **152,094** |
| Accumulated amortisation | (267) | (23,246) | (14,546) | - | - | **(38,059)** |
| **Carrying amount** | **43** | **17,456** | **58,042** | **4,927** | **33,567** | **114,035** |
| **Carrying amount at 1 January 2022** | **43** | **17,456** | **58,042** | **4,927** | **33,567** | **114,035** |
| Additions | - | 54 | 10,376 | - | 3,790 | **14,220** |
| Reclassified from (to) property plant and equipment | - | (26) | (690) | - | - | **(716)** |
| Reclassifications between categories | 12 | 1,053 | (1,065) | - | - | **-** |
| Re-measurement of provision related to rights to servitudes and security zones | - | - | - | - | (3,196) | **(3,196)** |
| Amortisation | (12) | (3,134) | (2,021) | - | - | **(5,167)** |
| **Carrying amount at 30 June 2022** | **43** | **15,403** | **64,642** | **4,927** | **34,161** | **119,176** |
| **As at 30 June 2022** | | | | | | |
| Acquisition cost | 323 | 41,789 | 81,209 | 4,927 | 34,161 | **162,409** |
| Accumulated amortisation | (280) | (26,386) | (16,567) | - | - | **(43,233)** |
| **Carrying amount** | **43** | **15,403** | **64,642** | **4,927** | **34,161** | **119,176** |

The Group reviewed the carrying amount of its goodwill to determine whether there are any indications that those assets have suffered an impairment loss. Goodwill has not showed any indications of impairment.

Re-measurement of provision related to rights to servitudes and security zones relates to utilised provision recognized for compensations to land owners, the actual costs of which the Group incurred during I half-year of 2022.

The Group has significant acquisition commitments of intangible assets which will have to be fulfilled during the later years. Group's acquisition commitments amounted to EUR 1,291 thousand as at 30 June 2022 (EUR 2,310 thousand as at 31 December 2021).

All amounts are in EUR thousand unless otherwise stated

# 6 Property, plant, and equipment

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

| | Land | Buildings | Electricity networks and their structures | Gas distribution pipelines, gas technological equipment and installations | Assets of Hydro Power Plant, Pumped Storage Power Plant | Wind power plants and their installations | Combined Cycle Unit and Reserve Power Plant | Cogeneration plants | Other property, plant and equipment | Construction-in-progress | In total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 42,629 | 1,166,416 | 285,812 | 212,108 | 194,973 | 772,490 | 258,827 | 96,650 | 251,289 | **3,284,565** |
| Accumulated depreciation | - | (390) | - | (13,282) | (118,614) | (27,063) | (441,451) | (10,821) | (28,130) | - | **(639,751)** |
| Accumulated impairment | - | - | - | (9,392) | - | - | (25,623) | - | - | (223) | **(35,238)** |
| **Carrying amount** | **3,371** | **42,239** | **1,166,416** | **263,138** | **93,494** | **167,910** | **305,416** | **248,006** | **68,520** | **251,066** | **2,609,576** |
| **Carrying amount at 1 January 2022** | 3,371 | 42,239 | 1,166,416 | 263,138 | 93,494 | 167,910 | 305,416 | 248,006 | 68,520 | 251,066 | **2,609,576** |
| Additions | - | 41 | 129 | 3 | 9 | 4,156 | 27 | 24 | 2,054 | 107,191 | **113,634** |
| Sales | - | (2) | (13) | - | - | - | - | - | (137) | - | **(152)** |
| Write-offs | - | (14) | (1,529) | (46) | - | - | (2) | - | (46) | 1 | **(1,636)** |
| Reclassifications between categories | - | 2,387 | 87,877 | 4,958 | - | - | 120 | (839) | 4,911 | (99,414) | **-** |
| Reclassified from (to) intangible assets | - | - | - | - | - | - | - | - | 26 | 690 | **716** |
| Reclassified from (to) finance lease | - | - | - | - | - | - | - | - | 233 | - | **233** |
| Reclassified from (to) assets held for sale | - | - | - | - | - | - | - | - | (213) | - | **(213)** |
| Reclassified from (to) inventories | - | - | - | - | 10 | - | 15 | (68) | (23) | (313) | **(379)** |
| Reclassified from (to) right-of-use assets | - | - | - | - | - | 6,061 | - | - | - | - | **6,061** |
| Depreciation | - | (1,077) | (33,962) | (3,164) | (2,711) | (3,602) | (10,207) | (5,324) | (5,677) | - | **(65,724)** |
| Foreign currency exchange difference | - | - | - | - | - | (1,823) | - | - | - | (31) | **(1,854)** |
| **Carrying amount at 30 June 2022** | **3,371** | **43,574** | **1,218,918** | **264,889** | **90,802** | **172,702** | **295,369** | **241,799** | **69,648** | **259,190** | **2,660,262** |
| **As at 30 June 2022** | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 45,041 | 1,252,857 | 290,618 | 212,127 | 205,059 | 772,685 | 257,942 | 102,918 | 259,413 | **3,402,031** |
| Accumulated depreciation | - | (1,467) | (33,939) | (17,459) | (121,325) | (32,357) | (458,290) | (16,143) | (33,270) | - | **(714,250)** |
| Accumulated impairment | - | - | - | (8,270) | - | - | (19,026) | - | - | (223) | **(27,519)** |
| **Carrying amount** | **3,371** | **43,574** | **1,218,918** | **264,889** | **90,802** | **172,702** | **295,369** | **241,799** | **69,648** | **259,190** | **2,660,262** |

Additions of property, plant and equipment during I half-year of 2022 include the following major acquisitions to the construction in progress:
- acquisitions related to the development of the electricity and gas distribution network;
- acquisitions related with the construction of new high-efficiency waste-fired cogeneration power plant and its biofuel unit.

The Group reviewed the carrying amount of its property, plant and equipment which are recognised at acquisition cost less depreciation and impairment to determine whether there are any indications that those assets have suffered an impairment loss. As at 30 June 2022 the Group has not identified any property, plant and equipment impairment indications. Additionally, the Group analysed whether there were any significant changes in the regulatory environment or other areas which could impact fair value of property, plant and equipment which is recognized at revalued amount. The Group did not notify any significant changes which could materially impact carrying amount of such assets.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 130,458 thousand as at 30 June 2022 (31 December 2021: EUR 175,462 thousand).

All amounts are in EUR thousand unless otherwise stated

# 7 Structure of the group

The Group's structure as at 30 June 2022:

| Company name | Country of business | Group's effective ownership interest, % | Non-controlling interest's effective ownership interest, % | Profile of activities |
|---|---|---|---|---|
| Ignitis grupė AB | Lithuania | - | - | Parent company - management and coordination of activities of the Group companies |
| **Subsidiaries of the Group:** | | | | |
| Energijos skirstymo operatorius AB | Lithuania | 100.00 | - | Distribution of electricity and gas, supply of last resort service |
| Ignitis gamyba AB | Lithuania | 100.00 | - | Generation and trading of electricity |
| NT Valdos UAB | Lithuania | 100.00 | - | The subsidiary is under liquidation |
| Energetikos paslaugų ir rangos organizacija UAB | Lithuania | 100.00 | - | The subsidiary is under liquidation |
| Elektroninių mokėjimų agentūra UAB | Lithuania | 100.00 | - | Payment aggregation |
| Ignitis UAB | Lithuania | 100.00 | - | Electricity and gas supply, trading, energy efficiency projects |
| Ignitis Eesti, OÜ | Estonia | 100.00 | - | Supply of electricity |
| Ignitis Latvija SIA | Latvia | 100.00 | - | Supply of electricity and gas |
| Ignitis Polska Sp. z o. o. | Poland | 100.00 | - | Supply and trading of electricity and gas |
| Ignitis Suomi OY | Finland | 100.00 | - | Supply of gas |
| Ignitis grupės paslaugų centras UAB | Lithuania | 100.00 | - | Shared business support services |
| Vilniaus Kogeneracinė Jėgainė UAB | Lithuania | 100.00 | - | Development and operation of cogeneration power plant project |
| Kauno Kogeneracinė Jėgainė UAB | Lithuania | 51.00 | 49.00 | Electricity and heat production from waste |
| Tuuleenergia OÜ | Lithuania | 100.00 | - | Generation of renewable electricity |
| Transporto valdymas UAB | Lithuania | 100.00 | - | Vehicle rental, leasing, repair, maintenance, renewal and service |
| Gamybos optimizavimas UAB | Lithuania | 100.00 | - | Planning, optimization, forecasting, trading, brokering and other electricity related services |
| Ignitis renewables UAB | Lithuania | 100.00 | - | Coordination of operation, supervision and development of renewable energy projects |
| Eurakras UAB | Lithuania | 100.00 | - | Generation of renewable electricity |
| Vėjo Vatas UAB | Lithuania | 100.00 | - | Generation of renewable electricity |
| Vėjo Gūsis UAB | Lithuania | 100.00 | - | Generation of renewable electricity |
| VVP Investment UAB | Lithuania | 100.00 | - | Development of a renewable energy (wind) power plant project |
| Pomerania Wind Farm Sp. z o. o. | Poland | 100.00 | - | Generation of renewable electricity |
| Ignitis Renewables Polska Sp. z o. o. | Poland | 100.00 | - | Sub-holding controlling wind/solar assets |
| Ignitis Res Dev Sp. z o. o. | Poland | 100.00 | - | Development of wind/solar projects |
| Ignitis renewables projektai UAB | Lithuania | 100.00 | - | Development of wind/solar projects |
| Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. | Poland | 100.00 | - | Development of wind/solar projects |
| Ignitis renewables Latvia SIA | Latvia | 100.00 | - | Development of wind/solar projects |
| IGN RES DEV1 SIA | Latvia | 100.00 | - | Development of wind/solar projects |
| IGN RES DEV2 SIA | Latvia | 100.00 | - | Development of wind/solar projects |

The Group established 3 new entities in Latvia during the I half-year of 2022 which were established for further development of wind and solar projects in Latvia:

- On 16 February 2022 Ignitis renewables Latvia SIA was registered;
- On 29 March 2022 IGN RES DEV1 SIA was registered;
- On 30 March 2022 IGN RES DEV2 SIA was registered.

All amounts are in EUR thousand unless otherwise stated

# 8 Non-current receivables

Amounts receivable after one year comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Accrued revenue related to isolated power system operations' and system services (Note 3.2) | 41,689 | - |
| Cash reserved for guarantees | 9,271 | 734 |
| Finance lease | 6,588 | 7,600 |
| Loans granted | 68 | 87 |
| Accrued revenue related to regulatory activity of the public electricity supply (Note 12.2) | - | 86,520 |
| Other non-current amounts receivable | 1,225 | 1,198 |
| **Carrying amount** | **58,841** | **96,139** |

Line item "Accrued revenue related to regulatory activity of the public electricity supply" represents contract assets (Note 21.2).

## 8.1 Cash reserved for guarantees

During I half-year of 2022 the Group issued EUR 4,626 thousand guarantee on behalf of Siemens Gamesa Renewables Energy WTG, maturity of the guarantee 31 July 2025 also EUR 332 thousand guarantee related to capacity reserve, maturity of the guarantee 15 September 2025.

During I half-year of 2022 EUR 3,579 thousand guarantees were reclassified from Other receivables to Non-current receivables as return terms of guarantees were extended.

# 9 Other financial assets

The Group's other financial assets comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 3.1) | 29,347 | 25,094 |
| Investment into Moray West Holdings Limited | 5,000 | 5,000 |
| **Carrying amount** | **34,347** | **30,094** |

# 10 Inventories

The Group's inventories comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Natural gas | 348,255 | 149,112 |
| Emission allowances | 17,996 | 30,172 |
| Consumables, raw materials and spare parts | 5,152 | 2,916 |
| Other | 11,631 | 3,406 |
| **Carrying amount** | **383,034** | **185,606** |

During I half-year of 2022 the Group wrote down its inventory by EUR 25 thousand. The write-down is included in Other expenses in SPLOCI (during I half-year of 2021 the Group wrote down its inventory by EUR 257 thousand).

Carrying amount of natural gas 30 June 2022 increased due to increased gas prices during I half-year of 2022 and due to increased quantity of gas as the Group undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by LitGrid AB (Note 3.2).

All amounts are in EUR thousand unless otherwise stated

# 11 Trade receivables

The Group's trade receivables comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **Amounts receivable under contracts with customers** | | |
| Receivables from electricity related sales | 192,230 | 170,167 |
| Receivables from gas related - non-household | 100,442 | 102,182 |
| Receivables from gas related - household | 3,671 | 4,309 |
| Other receivables under contracts with customers | 7,861 | 8,109 |
| **Amounts receivable under other contracts** | | |
| Receivables for lease of assets | 20 | 50 |
| Other receivables | 106 | - |
| **In total** | **304,330** | **284,817** |
| Less: impairment of trade receivables | (10,601) | (9,920) |
| **Carrying amount** | **293,729** | **274,897** |

As at 30 June 2022 and 31 December 2021, the Group had no pledged claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components.

## 11.1 Impairment of amounts receivable (lifetime expected credit losses)

The table below presents information on the Group's trade receivables under contracts with customers as at 30 June 2022 that are assessed on a collective basis using the loss ratio matrix:

| | Loss ratio | Trade receivables | Impairment |
|---|---|---|---|
| Not past due | 0.52 | 234,300 | 1,207 |
| Up to 30 days | 1.56 | 19,835 | 310 |
| 30–60 days | 9.40 | 4,747 | 446 |
| 60-90 days | 14.84 | 822 | 122 |
| 90-120 days | 8.32 | 2,344 | 195 |
| More than 120 days | 69.83 | 9,774 | 6,825 |
| **As at 30 June 2022** | **3.35** | **271,822** | **9,105** |

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

| | 30 June 2022 | |
|---|---|---|
| | Trade receivables | Impairment |
| Not past due | 29,974 | - |
| Up to 30 days | 645 | - |
| 30–60 days | 80 | 8 |
| 60-90 days | 20 | 1 |
| 90-120 days | 226 | 67 |
| More than 120 days | 1,563 | 1,420 |
| **Carrying amount** | **32,508** | **1,496** |

# 12 Other receivables

The Group's other receivables comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Accrued revenue related to regulatory activity of the public electricity supply (Note 12.1) | 208,735 | 39,024 |
| Deposits for electricity related derivatives in electricity market (Note 12.3) | 111,383 | 60,210 |
| Accrued amounts receivable for natural gas (Note 3.3) | 91,753 | - |
| Unbilled accrued revenue from electricity sales | 21,025 | 26,254 |
| Deposits for gas related derivatives to commodity traders (Note 12.3) | 15,545 | 39,210 |
| Value added tax | 12,018 | 14,612 |
| Current portion of non-current loans and current loans | 8,933 | 3,578 |
| Current portion of finance lease | 2,375 | 2,517 |
| Other accrued amounts receivable for natural gas | 817 | 1,416 |
| Cash reserved for guarantees | 418 | 3,648 |
| Receivable payments made to SIG | - | 3,782 |
| Receivable on sale of LitGrid AB (Note 12.2) | - | 84,128 |
| Other receivables | 19,371 | 15,027 |
| **In total** | **492,373** | **293,406** |
| Less: impairment of other receivables | (743) | (877) |
| **Carrying amount** | **491,630** | **292,529** |

Line items "Unbilled accrued revenue from electricity sales", "Accrued amounts receivable for natural gas" and "Other accrued amounts receivable for natural gas" represent contract assets (Note 21.2).

The fair values of other receivables as at 30 June 2022 and 31 December 2021 approximated their carrying amounts.

## 12.1 Accrued revenue related to regulatory activity of the public electricity supply

Line item "Accrued revenue related to regulatory activity of the public electricity supply" has increased because discrepancies between the Group's forecasted and actual costs incurred in providing public electricity supply services during the reporting period are recognized as assets or liabilities of regulated activities.

During I half-year of 2022 electricity prices in the market remained high. As at 30 June 2022 amount of regulatory difference is almost EUR 209 million, EUR 101 million of this amount is related to services provided during the first half of 2022 (to equalize the current period's profit to the regulated level, regardless of whether the services will be provided in the future) and EUR 108 million is related to services provided during periods before 31 December 2021. According to Legislation issued as of 12 May 2022, at the end of reporting period the Group expects to receive significant part of this amount during upcoming 12 months period, due to that total amount is recognised as current portion of accrued revenue related to regulatory activity of the public electricity supply as at 30 June 2022.

All amounts are in EUR thousand unless otherwise stated

### 12.2 Receivable on sale of LitGrid AB

In 2012, the shares of LitGrid AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. According to the shares sale-purchase agreement EPSO-G UAB must repay the debt to the Group for the shares of AB LitGrid acquired in 30 September 2012 until 30 September 2022. During the I half-year of 2022 EPSO-G UAB has repaid total debt of EUR 84,128 thousand to the parent company.

### 12.3 Deposits related to derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading of derivatives linked to electricity and gas market prices. Deposits are in a form of cash collateral and the value moves on a daily basis, i.e. depends on market prices. The Group estimates that the whole amount of cash collateral will be recovered as the amounts payable are related to the realization of the future hedge and the sales contracts will be realized together with the hedge, thus invoices for derivative instruments will be covered with sales income and after this payment cash collateral will be returned.

## 13 Equity and reserves

### 13.1 Issued capital

Issued capital of the Group consisted of:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **Authorised shares** | | |
| Ordinary shares, EUR | 1,658,756,294 | 1,658,756,294 |
| **Ordinary shares issued and fully paid, EUR** | **1,658,756,294** | **1,658,756,294** |

As at 30 June 2022 and 31 December 2021 the Group's issued capital comprised EUR 1,658,756,294 and was divided in to 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share.

### 13.2 Treasury shares reserve

At the ordinary general meeting of shareholders held on 29 March 2022 it was decided to form additional reserve of EUR 14,660 thousand for the acquisition of treasury shares in 2022 which as at 30 June 2022 amounted to EUR 37,660 thousand (31 December 2021: EUR 23,000 thousand)

The Group on 19–27 April 2022 has conducted an acquisition of the Company's ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired by the Group on 29 April 2022, when the right of ownership transferred to the Group. Shares purchase price EUR 15.30 per share, number of shares acquired 651,554 and total value of treasury shares acquired EUR 9,968 thousand.  Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 4,333 thousand which was recognised in retained earnings. A settlement was made as detailed in Company's IPO prospectus (Part 17, starting paragraph 10, page 330): as the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the Company has paid the difference to the Stabilization Manager.

All amounts are in EUR thousand unless otherwise stated

# 14 Other comprehensive income

Other comprehensive income (loss) in reserves:

| | Equity, attributed to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Revaluation reserve | Hedging reserve | Other reserves | Retained earnings | Total |
| Result of change in actuarial assumptions | - | - | - | (257) | **(257)** |
| Foreign operations – foreign currency translation differences | - | - | (4) | - | **(4)** |
| **Balance as at 30 June 2021** | **-** | **-** | **(4)** | **(257)** | **(261)** |
| Cash flow hedges – effective portion of change in fair value | - | 220,437 | - | - | **200,437** |
| Cash flow hedges – reclassified to profit or loss | - | 2,349 | - | - | **2,349** |
| Result of change in actuarial assumptions | - | - | - | (175) | **(175)** |
| Foreign operations – foreign currency translation differences | - | - | (904) | - | **(904)** |
| **Balance as at 30 June 2022** | **-** | **222,786** | **(904)** | **(175)** | **221,707** |

Hedging reserve movement comprises recognition of effective portion of EUR 220,437 thousand (gross before tax EUR 253,212 thousand) and reclassification to profit or loss of SPLOCI of EUR 2,349 thousand (gross before tax 2,763 thousand) Purchases of electricity, gas and other services.

# 15 Loans and bonds

Borrowings of the Group consisted of:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 889,375 | 888,524 |
| Bank loans | 396,465 | 229,553 |
| **Current** | | |
| Current portion of non-current loans | 22,128 | 13,857 |
| Bank loans | 104,034 | 214,100 |
| Bank overdrafts | 19,887 | - |
| Accrued interest | 12,494 | 9,317 |
| **In total** | **1,444,383** | **1,355,351** |

Non-current borrowings by maturity:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| From 1 to 2 years | 26,929 | 18,880 |
| From 2 to 5 years | 74,269 | 73,793 |
| After 5 years | 1,184,642 | 1,025,404 |
| **In total** | **1,285,840** | **1,118,077** |

## 15.1 Movement of borrowings

Movement of borrowings during the I half-year 2022 mainly consisted of the following:

During the I half-year of 2022 the Group borrowed EUR 73,000 thousand according to the long-term loan contract with European Investment bank signed on 21 September 2020. The loan is intended for the implementation of IT solutions for smart meters and their data collection and management. Maturity of the loan is 14 February 2038, interests rate is fixed. The balance of loan as at 30 June 2022 is EUR 73,000 thousand.

During the I half-year of 2022 the Group signed overdraft contract with bank Swedbank AB with the limit of EUR 150,000 thousand. The balance of this overdraft as at 30 June 2022 is EUR 19,887 thousand.

On 31 May 2022 the Group signed a refinance contract with Swedbank AB for loan issued to the Group company Kauno kogeneracinė jėgainė UAB. Maturity of loan is 31 May 2032 therefore the loan was reclassified from current loans to non-current loans. The balance of loan as at 30 June 2022 consists of current portion for an amount EUR 5,500 thousand and non-current part for an amount of EUR 104,500 thousand (as at 31 December 2021 the loan for an amount of EUR 110,000 thousand was classified as current loans).

## 15.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 30 June 2022 and 31 December 2021.

As at 30 June 2022, the Group's unwithdrawn balance of loans and bank overdrafts amounted to EUR 291,079 thousand (31 December 2021: EUR 115,291thousand).

All amounts are in EUR thousand unless otherwise stated

# 16 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. Management is monitoring net debt metric as a part of risk-management strategy. For the purpose of net debt calculation, borrowings comprise only debts to financial institutions, issued bonds and related interest payables. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Cash and cash equivalents | (346,167) | (449,073) |
| Non-current borrowings payable after one year | 1,285,840 | 1,118,077 |
| Current borrowings payable within one financial year (including accrued interest) | 138,656 | 237,274 |
| Bank overdrafts | 19,887 | - |
| Lease liabilities | 57,971 | 50,963 |
| **Net debt** | **1,156,187** | **957,241** |

Reconciliation of the Group's net debt balances and cash flows from financing activities:

| | Assets | Lease liabilities | | Borrowings | | |
|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Non-current | Current | Non-current | Current | Total |
| **Net debt at 1 January 2022** | **(449,073)** | **46,275** | **4,688** | **1,118,077** | **237,274** | **957,241** |
| **Cash changes** | | | | | | |
| (Increase) decrease in cash and cash equivalents | 102,906 | - | - | - | - | **102,906** |
| Proceeds from borrowings | - | - | - | 73,000 | - | **73,000** |
| Repayments of borrowings | - | - | - | - | (6,251) | **(6,251)** |
| Lease payments | - | - | (2,926) | - | - | **(2,926)** |
| Interest paid | - | - | (376) | - | (9,785) | **(10,161)** |
| Bank overdraft received (repaid) | | | | | 19,887 | **19,887** |
| **Non-cash changes** | | | | | | |
| Lease contracts concluded | - | 9,877 | 98 | - | - | **9,975** |
| Accrual of interest payable | - | 5 | 589 | 851 | 12,963 | **14,408** |
| Reclassification of interest payable from (to) trade and other payables | - | - | (120) | - | - | **(120)** |
| Lease liabilities written-off | - | - | (6) | - | - | **(6)** |
| Reclassifications between items | - | (1,890) | 1,890 | 95,473 | (95,473) | **-** |
| Change in foreign currency | - | (154) | 21 | (1,561) | (72) | **(1,766)** |
| **Net debt at 30 June 2022** | **(346,167)** | **54,113** | **3,858** | **1,285,840** | **158,543** | **1,156,187** |

All amounts are in EUR thousand unless otherwise stated

# 17 Deferred income

Deferred income of the Group consisted of:

| | 30 June 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Current portion | Non-current portion | Current portion | Non-current portion |
| **Deferred income under contracts with customers** | | | | |
| Deferred income related to new customers fees | 9,871 | 192,962 | 9,347 | 183,608 |
| Deferred income related to electricity over declaration | 7,050 | - | 1,502 | - |
| Deferred income related to gas over declaration | 13,307 | - | 7,197 | - |
| Deferred revenue related to other contracts with customers | 40 | - | - | - |
| **In total** | **30,268** | **192,962** | **18,046** | **183,608** |

Movement in the Group's deferred income:

| | H1 2022 | |
|---|---|---|
| | Current portion | Non-current portion |
| **Balance as at 1 January** | **18,046** | **183,608** |
| Increase during the period | 22,944 | 13,808 |
| Recognised as revenue | (15,176) | - |
| Reclassifications between items | 4,454 | (4,454) |
| **Balance as at 30 June** | **30,268** | **192,962** |

Revenue from new customers fees is recognised over the average useful life of related items of property, plant and equipment.

All amounts are in EUR thousand unless otherwise stated

# 18 Provisions

The Group's provisions were as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Non-current | 26,762 | 30,058 |
| Current | 25,879 | 41,561 |
| **Total** | **52,641** | **71,619** |

Movement of the Group's provisions was as follows:

| | Emission allowance liabilities | Provisions for employee benefits | Provisions for servitudes | Provisions for registration of protection zones | Provision for isolated power system operations' and system services | Other provisions | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | **12,207** | **5,521** | **14,375** | **10,687** | **22,268** | **6,561** | **71,619** |
| Increase (decrease) during the period | 4,880 | 685 | - | - | - | 3,110 | **8,675** |
| Utilised during the period | (12,207) | (47) | - | (3,196) | (11,209) | (1,313) | **(27,972)** |
| Result of change in assumptions | - | 182 | - | - | - | - | **182** |
| Discount effect | - | - | - | - | 151 | - | **151** |
| Reclassifications between categories | - | - | 1 | - | - | (1) | **-** |
| Foreign currency exchange difference | - | - | - | - | - | (14) | **(14)** |
| **Balance as at 30 June 2022** | **4,880** | **6,341** | **14,376** | **7,491** | **11,210** | **8,343** | **52,641** |
| Non-current | - | 5,631 | 13,397 | 4,511 | - | 3,223 | **26,762** |
| Current | 4,880 | 710 | 979 | 2,980 | 11,210 | 5,120 | **25,879** |
| **Balance as at 30 June 2022** | **4,880** | **6,341** | **14,376** | **7,491** | **11,210** | **8,343** | **52,641** |

EUR 11,210 thousand current provision for isolated power system operations' and system services is related to NERC's letter where stated that reimbursement period is 2022 and half of provision for isolated power system operations' and system services which was accounted as non-current provision as at 31 December 2021, which will be settled within 12 months (Note 3.2).

During the I half-year of 2022 "Other provision" has also increased due to formed dismantling provision EUR 3,110 thousand, as to Poland Law dismantling provision should be formed for dismantling of wind farms, as the Group has wind farms operating in Poland, dismantling provision was formed.

All amounts are in EUR thousand unless otherwise stated

# 19 Other current amounts payable and liabilities

The Group's other current amounts payable and liabilities were as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Taxes (other than income tax) | 40,577 | 30,600 |
| Amounts payable for property, plant and equipment | 35,906 | 23,263 |
| Payroll related liabilities | 24,802 | 19,157 |
| Accrued expenses | 21,256 | 48,046 |
| Put option redemption liability | 20,919 | 20,919 |
| Derivative financial instruments | 5,587 | 71,431 |
| Irrevocable commitment to acquire a minority interest | 3,675 | 3,751 |
| Non-controlling interest dividends | 3,327 | 3,358 |
| Other amounts payable and liabilities | 11,093 | 6,160 |
| **Carrying amount** | **167,142** | **226,685** |

# 20 Derivative financial instruments

The Group's derivative financial instruments mainly comprises of:

- Contracts related to electricity and natural gas commodities (hedge accounting)
- Contracts made directly with other parties – over-the-counter (OTC)
- Contracts made through "Nasdaq Commodities" market – Nasdaq
- Other contracts (non-hedge accounting)
- Other contracts – derivative financial instruments

Fair value of Nasdaq contracts are being set-off with cash on day-to-day basis. Accordingly no financial assets or liabilities are being recognized in statement of financial position. Gain or loss of such transactions is recognized same as all derivative financial instruments.

## 20.1 Derivative financial instruments included in the statement of financial position

Movement of assets and liabilities related to the Group's agreements on derivative financial instruments were as follows:

| | Note | Movement during H1 2022 |
|---|---|---|
| **Derivative financial instruments** | | |
| Other non-current assets | | 3,624 |
| Other current assets | | 9,859 |
| Other non-current amounts payable and liabilities | | (21) |
| Other current amounts payable and liabilities | 19 | (71,431) |
| **Carrying amount as at 31 December 2021** | | **(57,969)** |
| **Change in the value** | | |
| Fair value change of derivative financial instruments recognised in Other expenses | | 2,371 |
| Fair value change of OTC recognised in Other expenses | | (64,852) |
| Fair value change of OTC recognised in OCI | | 136,215 |
| **Total change during I half-year of 2022** | | **73,734** |
| **Derivative financial instruments** | | |
| **Carrying amount as at 30 June 2022** | | **15,765** |
| Other non-current assets | | 21,390 |
| Other current assets | | 5,507 |
| Other non-current amounts payable and liabilities | | (5,545) |
| Other current amounts payable and liabilities | 19 | (5,587) |

## 20.2 Derivative financial instruments included in SPLOCI

Derivative financial instruments included in SPLOCI:

| | Note | H1 2022 | H1 2021 |
|---|---|---|---|
| Fair value change of derivative financial instruments | 20.1 | 2,371 | - |
| Fair value change of OTC | 20.1 | (64,852) | (3,209) |
| Fair value change of Nasdaq | | 3,838 | 11,310 |
| Hedge ineffectiveness recognised - Nasdaq | | 3,035 | 13,421 |
| Hedge ineffectiveness recognised - OTC | | 888 | (2,053) |
| **Total recognised in Other income/ (Other expenses)** | **22** | **(54,720)** | **19,469** |
| Effective hedges reclassified from Hedging reserve to SPLOCI | | (2,763) | **-** |
| **In total** | | **(57,483)** | **19,469** |

All amounts are in EUR thousand unless otherwise stated

# 21 Revenue from contracts with customers

## 21.1 Disaggregated revenue information

The Group's revenue from contracts with customers were as follows:

| | H1 2022 | H1 2021 |
|---|---|---|
| **Electricity related revenue** | | |
| Revenue from the sale of electricity | 457,444 | 130,115 |
| Revenue from sale of produced electricity | 185,399 | 90,374 |
| Revenue from electricity transmission and distribution | 184,055 | 222,489 |
| Revenue from public electricity supply | 165,011 | 64,237 |
| Revenue from services ensuring the isolated operation of power system and capacity reserve | 77,042 | 24,112 |
| **Gas related revenue** | | |
| Revenue from gas sales | 589,530 | 118,330 |
| Revenue from gas distribution | 23,903 | 26,015 |
| Revenue of LNGT security component | 9,872 | 18,148 |
| **Other revenue** | | |
| Revenue from sale of heat energy | 16,836 | 5,114 |
| Revenue from new customers' connection fees | 4,454 | 3,985 |
| Other revenue from contracts with customers | 16,534 | 13,317 |
| **In total** | **1,730,080** | **716,236** |

The Group's revenue based on the timing of transfer of goods or services:

| | H1 2022 | H1 2021 |
|---|---|---|
| Performance obligation settled over time | 1,726,688 | 709,640 |
| Performance obligation settled at a specific point in time | 3,392 | 6,596 |
| **In total** | **1,730,080** | **716,236** |

## 21.2 Contract balances

Balances arising from contracts with customers as at the end of the period are as follows:

| | Notes | 30 June 2022 | 31 December 2021 (restated)[2] |
|---|---|---|---|
| **Trade receivables[1]** | 11 | **293,603** | **274,847** |
| **Contract assets** | | **322,330** | **153,214** |
| Accrued revenue from gas sales | 12 | 92,570 | 1,416 |
| Accrued revenue from electricity related sales[2] | 8, 12 | 229,760 | 151,798 |
| **Contract liabilities** | | **319,730** | **256,624** |
| Deferred income | 17 | 223,230 | 201,654 |
| Advances received | | 96,500 | 54,970 |

[1] *Trade receivables related to lease contracts and other trade receivables are excluded.*
[2] *Presentation of contract asset's comparative figure related to accrued revenue from electricity related sales was corrected by adding a non-current part which as at 31 December 2021 amounted to EUR 86,520 thousand (Note 8).*

## 21.3 Rights to returned goods assets and refund liabilities

The Group does not have any significant contracts with the customers' right to return goods.

## 21.4 Performance obligations

The remaining performance obligations expected to be recognised after the end of the reporting period relate to new customers' connection fees:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| More than one year | 192,962 | 183,608 |
| Within one year | 30,268 | 18,046 |
| **Total liability under connection contracts** | **223,230** | **201,654** |

# 22 Other expenses

The Group's other expenses were as follows:

| | H1 2022 | H1 2021 |
|---|---|---|
| OTC and Nasdaq contracts (Note 20.2) | 54,720 | - |
| Customer service | 5,467 | 3,994 |
| Telecommunications and IT services | 4,546 | 3,370 |
| Taxes | 3,948 | 3,178 |
| Transport | 2,002 | 1,435 |
| Utilities | 1,973 | 1,643 |
| Consulting services | 1,393 | 1,404 |
| Personnel development | 1,336 | 177 |
| Expenses of low-value inventory items | 860 | 835 |
| Impairment / (reversal) of impairment of amounts receivable and loans | 569 | (370) |
| Write-offs of long term and short term receivables | 355 | 484 |
| Other | 4,386 | 3,501 |
| **In total** | **81,555** | **19,651** |

All amounts are in EUR thousand unless otherwise stated

# 23 Income tax

## 23.1 Amounts recognised in profit or loss

The Group's income taxes recognised in profit or loss were as follows:

| | H1 2022 | H1 2021 (restated)[1] |
|---|---|---|
| Income tax expenses (benefit) for the year | 18,274 | 5,595 |
| Deferred tax expenses (benefit) | (3,762) | 9,044 |
| **In total** | **14,512** | **14,639** |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to accounting policy changes. See more information disclosed in Note 4.*

## 23.2 Reconciliation of effective tax rate

Income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group:

| | H1 2022 | H1 2022 | H1 2021 (restated)[2] | H1 2021 (restated)[2] |
|---|---|---|---|---|
| Profit (loss) before tax | | 129,344 | | 75,577 |
| Income tax expenses (benefit) at tax rate of 15% | 15.00% | 19,402 | 15.00% | 11,337 |
| Expenses not deductible for tax purposes | 4.67% | 6,038 | 4.55% | 3,436 |
| Income not subject to tax | (7.12)% | (9,214) | (1.59)% | (1,203) |
| Income tax recognised in other comprehensive income | 25.66% | 33,193 | - | - |
| Other | (1.33)% | (1,714) | 1.41% | 1,069 |
| **Income tax expenses (benefit)** | **36.88%** | **47,705** | **19.37%** | **14,639** |

*[2] Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to accounting policy changes. See more information disclosed in Note 4.*

Income tax recognised in other comprehensive income related to derivative financial instruments held by the Group. They are treated as deductible expenses (or taxable income) for tax purposes.

# 24 Earnings per share

The Group's earnings per share and diluted earnings per share were as follows:

| | H1 2022 | H1 2021[1] |
|---|---|---|
| **Net profit (loss)** | **114,832** | **60,938** |
| Attributable to: | | |
| Equity holders of the parent | 114,832 | 60,234 |
| Non-controlling interests | - | 704 |
| Weighted average number of nominal shares | 72,816,090 | 74,283,757 |
| Basic earnings/(loss) per share attributable to shareholders of the parent company | 1.58 | 0.81 |
| Diluted earnings/(loss) per share attributable to shareholders of the parent company | 1.58 | 0.81 |

*[1] Part of the amounts do not agree with the interim condensed financial statements issued for the six months period ended 30 June 2021 due to accounting policy changes. See more information disclosed in Note 4.*

Basic and diluted earnings per share indicators have been calculated based on 72,816,090 weighted average number of ordinary shares for I half year. of 2022 as Ignitis grupė AB reacquired its own ordinary shares (treasury shares) as at 16 December 2021 and as at 29 April 2022. Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by Ignitis grupė AB.

# 25 Dividends

Dividends declared by the Company during the I half-year.:

| | H1 2022 | H1 2021 |
|---|---|---|
| Ignitis grupė AB | 43,824 | 43,010 |

EUR 43,824 thousand dividends for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022.

All amounts are in EUR thousand unless otherwise stated

# 26 Commitments, contingent liabilities and contingent assets

## 26.1 Litigations

During I half-year of 2022 there were no significant changes in litigations reported in annual financial statements for 2021 or new significant litigations except for mentioned below.

### Litigation with Šiaulių energija AB

Šiaulių energija AB filed a claim against the Group's subsidiary ESO for indemnification of losses incurred due to a failure in LitGrid AB networks on 25 March 2019.

By a ruling of 24 March 2022, the Lithuanian Court of Appeal upheld the 6 April 2021 decision (to dismiss the claim) of the Vilniaus Regional Court against ESO.

On 3 June 2022 the Supreme Court of Lithuania has accepted a cassation appeal of LITGRID AB. On 4 July 2022 ESO submitted a reply to the cassations appeal. The hearing has not been scheduled yet.

The Group believes that it will defend its interests in these proceedings successfully and has not made provisions for these proceedings.

### On received court claim of the prosecutor of the Vilnius Regional Prosecutor's Office and adopted interim measures

On 22 April 2022 the Vilnius District Court approved the settlement agreement and dismissed the civil case. Under the settlement agreement, the Prosecutor has abandoned the claims brought against the Group and the Ministry of Finance of the Republic of Lithuania. The parties have also agreed under the settlement agreement to waive any current or future claims regarding the basis and subject matter of the case.

## 26.2 Regulatory assets and liabilities

### Natural gas distribution to household customers

Natural gas supply to household customers activity is regulated by NERC. The NERC regulates natural gas tariff paid by customers. Regulatory differences defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price are were not recognized in the financial statements till 31 December 2021 as Group had no guarantee for this difference will be returned in future according to the legislation base.

Total uncollected unrecognised amount as at 30 June 2022 is EUR 71 million, amount is related to period before 31 December 2021 (31 December 2021: EUR 64 million).

On 4 November 2021 amendments were established to Laws on Natural Gas and Electricity, which provide for price amortization mechanisms in the face of high gas and electricity market prices (Note 3.3). The Group did take an opportunity to set lower prices from I half-year of 2022, due to that the losses (loss of revenue) caused by the lower gas price in the tariff will be returned to the Group through the additional component which is included in distribution service tariff.

### Designated supply of natural gas

Designated supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognize regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future. The overcollected amount of EUR 95,7 million as of 30 June 2022 will be included in the LNGT security component in the future (overcollected amount of EUR 53 million as of 31 December 2021).

## 26.3 Evaluation of Russia's invasion of Ukraine on Group's financial statements

The Group has evaluated current and, to the extent possible, expected impact of Russia's invasion of Ukraine on the financial position, performance, cash-flows and the principal risks and uncertainties to which the Group is exposed. As the Group does not have any significant operations in the affected markets and does not have subsidiaries in the affected markets, the management of the Group has concluded that:

- no expected credit losses adjustments should be made as Group does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- the situation does not have impact on Group's ability to continue as a going concern.
- general potential effects that are tightly related to the Group's activities are an increase in electricity and natural gas prices, possible disruptions in supply chains as well as increased inflation and growing prices of other materials. Furthermore, the level of vigilance in cybersecurity is being raised nationwide while the Group is classified as the owner of critical infrastructure.

As to the above no significant impact of Russia's invasion of Ukraine on Group's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, the final impact of the Russia's invasion of Ukraine on the business of the Group companies cannot be assessed in full yet.

All amounts are in EUR thousand unless otherwise stated

# 27 Related party transactions

The Group transactions with related parties and period-end balances arising on these transactions are presented below:

| | Accounts Receivable 30 June 2022 | Accounts Payable 30 June 2022 | Sales H1 2022 | Purchases H1 2022 | Finance income (expenses) H1 2022 |
|---|---|---|---|---|---|
| EPSO-G UAB | 3 | - | 14 | - | 64 |
| LitGrid AB | 14,438 | 17,117 | 47,990 | 92,832 | - |
| Amber Grid AB | 3,661 | 3,894 | 14,900 | 16,752 | - |
| Baltpool UAB | 553 | 5,578 | (21,590) | 15,692 | - |
| GET Baltic UAB | 7,671 | 1 | 26,679 | 17,963 | - |
| Other related parties | 256 | 801 | 605 | 2,856 | - |
| **Total** | **26,582** | **27,391** | **68,598** | **146,095** | **64** |

| | Accounts Receivable 31 December 2021 | Accounts Payable 31 December 2021 | Sales H1 2021 | Purchases H1 2021 | Finance income (expenses) H1 2021 |
|---|---|---|---|---|---|
| EPSO-G UAB | 84,131 | 78 | 14 | - | 281 |
| LitGrid AB | 19,520 | 38,727 | 35,250 | 87,291 | - |
| Amber Grid AB | 8,146 | 5,009 | 20,577 | 23,842 | - |
| Baltpool UAB | 788 | 33,587 | 34,612 | 57,610 | - |
| GET Baltic UAB | 7,304 | - | 17,400 | 19,928 | - |
| Other related parties | 701 | 2,760 | 160 | 1,475 | - |
| **Total** | **120,590** | **80,161** | **108,013** | **190,146** | **281** |

Negative sales amount in I half-year of 2022 to Baltpool UAB is related with credit invoices issued for PSO services. Revenue from PSO funds is calculated for 1 MW electricity as the difference between the fixed tariff set by the NERC and the weighted average price of electricity sold in Power exchange of electricity. If the electricity market prices exceeds fixed tariff credit invoices are issued.

## 27.1 Compensation to key management personnel

| | H1 2022 | H1 2021 |
|---|---|---|
| Wages and salaries and other short-term benefits to key management personnel | 576 | 599 |
| Whereof: | - | - |
| *Short-term benefits* | *481* | *434* |
| *Termination benefits* | *95* | *8* |
| *Share-based payment expenses* | *-* | *157* |
| Number of key management personnel | 12 | 12 |

# 28 Operating segments

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

Management follows performance by operating segments that are consistent with the lines of business specified in the Group's strategy:

- Networks segment includes the activities carried out by Energijos skirstymo operatorius AB;
- Green generation segment includes activities carried out by Ignitis gamyba AB (Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler), Vilniaus kogeneracinė jėgainė UAB, Kauno kogeneracinė jėgainė UAB, Eurakras UAB, Tuuleenergia OU, Vėjo gūsis UAB, Vėjo vatas UAB, VVP Investment UAB, Ignitis renewables UAB, Pomerania Wind Farm sp. z o. o., Altiplano Elektrownie Wiatrowe B1 Sp. z o. o., Ignitis Renewables Polska Sp. z o. o., Ignitis Res Dev Sp. z o. o., Ignitis renewables projektai, UAB, IGN RES DEV1 SIA, IGN RES DEV2 SIA, Ignitis renewables Latvia SIA;
- Flexible generation segment includes activities carried out by Ignitis gamyba AB (except Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler).
- Customers and solutions segment includes activities carried out by Ignitis UAB, Ignitis Eesti OÜ, Ignitis Latvija SIA, Ignitis Polska Sp. z o. o., Ignitis Suomi OY.

Other activities and eliminations include:

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

The chief operating decision-maker does not monitor the results based on geographical segments. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements, i.e. information on profit or loss, including the reported amounts of revenue and expenses. The primary performance measure is adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (adjusted EBITDA – a non-IFRS alternative performance measure). Another performance measure is adjusted Earnings Before Interest and Taxes (adjusted EBIT – a non-IFRS alternative performance measure). Both measures are calculated starting from the data presented in the financial statements as adjusted by management for selected items which are not defined by IFRS. Additionally to adjusted EBITDA and adjusted EBIT management also analyses Investments and Net debt of each individual segment.

All amounts are in EUR thousand unless otherwise stated

The Group management calculates EBITDA as follows:

Total revenue and other income -
Purchases of electricity, natural gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses

EBITDA

The Group management calculates adjusted EBITDA as follows:

EBITDA +
Management adjustments

Adjusted EBITDA

The Group management calculates EBIT as follows:

Total revenue and other income -
Purchases of electricity, natural gas and other services -
Salaries and related expenses -
Repair and maintenance expenses -
Other expenses -
Depreciation and amortisation -
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets

EBIT

The Group management calculates adjusted EBIT as follows:

EBIT +
Management adjustments -
Significant one-off revaluation and impairment losses of property, plant and equipment and intangible assets

Adjusted EBIT

The Group management calculates adjusted EBITDA margin as follows:

Adjusted EBITDA ÷
(Total revenue and other income +
Management adjustments)

Adjusted EBITDA margin

The Group management calculates Investments as follows:

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

Investments

The Group management calculates Net debt as indicated in Note 16.

## 28.1 Management's adjustments, adjusted EBITDA and adjusted EBIT

Management's adjustments include:

- temporary regulatory differences;
- result from generation before COD.

In 2021, to simplify the reporting the management have decided to cease the use of management's adjustments (for more detailed information on reduction of management's adjustments see Annual report section '3.1 Annual Results') for:

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

Adjusted EBITDA is EBITDA further adjusted by adding management's adjustments.
Adjusted EBIT is EBIT further adjusted by adding management's adjustments.
Management's adjustments all may have both positive and negative impact on the reporting period results.

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

| Segment / Management's adjustments | H1 2022 | H1 2021 (restated)[1] |
|---|---|---|
| **Networks** | | |
| Temporary regulatory differences of Energijos skirstymo operatorius AB | 25,161 | (27,879) |
| **Green generation** | | |
| Result from generation before COD | - | 3,616 |
| **Customers and Solutions** | | |
| Temporary regulatory differences of Ignitis UAB | (30,097) | 1,783 |
| **Total Management's adjustments for Adjusted EBITDA** | **(4,936)** | **(22,480)** |
| **Total Management's adjustments for Adjusted EBIT** | **(4,936)** | **(22,480)** |

*[1]Part of the amounts do not agree with the interim condensed financial statements issued for six months period ended as at 30 June 2021 due to change in accounting policy (see more information disclosed in Note 4) and Alternative performance measurement (hereinafter – APM) calculation changes as disclosed in Annual report section '3.1 Annual results'.*

Adjusted EBIT is presented, for each period, as adjusted EBITDA less depreciation and amortisation expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets and impairment and write-offs of current and non-current amounts receivables, loans, goods and others except significant one-off items (if any).
In managements view, adjusted EBITDA and adjusted EBIT more accurately present results of operations and enable to better compare results between the periods as it indicate the amount that was actually earned by the Group in the reporting period by:

- eliminating differences between the permitted return set by the NERC and the actual return for the period;
- adjusting for effects not related to the main activities of the Group or related to other periods.

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group's information on segments for the I half-year of 2022:

| | Networks | Green generation | Flexible generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| *IFRS*[1] | | | | | | |
| Sales revenue from external customers | 245,059 | 210,609 | 96,230 | 1,180,050 | 1,172 | **1,733,120** |
| Inter-segment revenue (less dividend) | 271 | 711 | 173 | 26,029 | (27,184) | **-** |
| **Total revenue and other income** | **245,330** | **211,320** | **96,403** | **1,206,079** | **(26,012)** | **1,733,120** |
| Purchases of electricity, natural gas and other services | (126,342) | (58,993) | (25,008) | (1,158,301) | 1,019 | **(1,367,625)** |
| Salaries and related expenses | (32,572) | (5,205) | (4,203) | (6,229) | (9,470) | **(57,679)** |
| Repair and maintenance expenses | (10,852) | (2,468) | (1,510) | (2) | (12) | **(14,844)** |
| Other expenses | (18,153) | (25,221) | (57,532) | (16,160) | 35,511 | **(81,555)** |
| **EBITDA** | **57,411** | **119,433** | **8,150** | **25,387** | **1,036** | **211,417** |
| Depreciation and amortization | (43,926) | (14,083) | (5,951) | (1,022) | (2,906) | **(67,888)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (1,632) | 2 | (2) | - | (4) | **(1,636)** |
| **Operating profit (loss) (EBIT)** | **11,853** | **105,352** | **2,197** | **24,365** | **(1,874)** | **141,893** |
| *Adjusted*[2] | | | | | | |
| **EBITDA** | **57,411** | **119,433** | **8,150** | **25,387** | **1,036** | **211,417** |
| Management adjustments | 25,161 | - | - | (30,097) | - | **(4,936)** |
| **Adjusted EBITDA**[2] | **82,572** | **119,433** | **8,150** | **(4,710)** | **1,036** | **206,481** |
| *Adjusted EBITDA margin* | *30.5%* | *56.5%* | *8.5%* | *(0.4%)* | *(4.0%)* | ***11.9%*** |
| Depreciation and amortisation | (43,926) | (14,083) | (5,951) | (1,022) | (2,906) | **(67,888)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (1,632) | 2 | (2) | -, | (4) | **(1,636)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **37,014** | **105,352** | **2,197** | **(5,732)** | **(1,874)** | **136,957** |
| | | | | | | |
| Property, plant and equipment, intangible and right-of-use assets | 1,708,734 | 781,654 | 296,630 | 6,944 | 43,466 | **2,837,428** |
| Investments | 103,910 | 18,843 | 91 | 1,738 | 4,834 | **129,416** |
| Net debt | 790,381 | 577,115 | 52,972 | 551,313 | (815,594) | **1,156,187** |

*[1] Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*

*[2] The indicators of Adjusted EBITDA and adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods*

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group's information on segments for I half-year of 2021[1]:

| | Networks | Green generation | Flexible generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| *IFRS*[2] | | | | | | |
| Sales revenue from external customers | 268,509 | 65,825 | 61,005 | 341,451 | 1,359 | **738,149** |
| Inter-segment revenue (less dividend) | (1,693) | 147 | 148 | 3,806 | (2,408) | **-** |
| **Total revenue and other income** | **266,816** | **65,972** | **61,153** | **345,257** | **(1,049)** | 738,149 |
| Purchases of electricity, natural gas and other services | (107,517) | (23,856) | (35,158) | (318,486) | 175 | **(484,842)** |
| Salaries and related expenses | (27,418) | (3,880) | (3,564) | (5,247) | (9,479) | **(49,588)** |
| Repair and maintenance expenses | (8,809) | (1,514) | (2,492) | (2) | - | **(12,817)** |
| Other expenses | (16,284) | (4,658) | (3,336) | (7,008) | 11,635 | **(19,651)** |
| **EBITDA** | **106,788** | **32,064** | **16,603** | **14,514** | **1,282** | 171,251 |
| Depreciation and amortization | (40,911) | (9,746) | (5,704) | (855) | (2,406) | **(59,622)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (1,043) | - | (1,060) | - | (3) | **(2,106)** |
| **Operating profit (loss) (EBIT)** | **64,834** | **22,318** | **9,839** | **13,659** | **(1,127)** | 109,523 |
| *Adjusted*[3] | | | | | | |
| **EBITDA** | **106,788** | **32,064** | **16,603** | **14,514** | **1,282** | 171,251 |
| Management adjustments | (27,879) | 3,616 | -, | 1,783 | - | **(22,480)** |
| **Adjusted EBITDA**[3] | **78,909** | **35,680** | **16,603** | **16,297** | **1,282** | 148,771 |
| *Adjusted EBITDA margin* | *33.0%* | *51.3%* | *27.1%* | *4.7%* | *(122.2%)* | ***20.8%*** |
| Depreciation and amortisation | (40,911) | (9,746) | (5,704) | (855) | (2,406) | **(59,622)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (1,043) | - | (1,060) | - | (3) | **(2,106)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **36,955** | **25,934** | **9,839** | **15,442** | **(1,127)** | 87,043 |
| | | | | | | |
| Property, plant and equipment, intangible and right-of-use assets | 1,631,408 | 753,701 | 316,852 | 6,124 | 17,477 | **2,725,562** |
| Investments | 57,940 | 13,642 | 141 | 888 | 3,999 | **76,610** |
| Net debt | 671,147 | 385,337 | (27,061) | 110,063 | (567,889) | **571,597** |

*[1] Certain amounts presented above do not correspond to the consolidated financial statements prepared for six months period ended as at 30 June 2021 due to change in accounting policy (see more information disclosed in Note 4) and APM calculation changes as disclosed in Annual report section '3.1 Annual results'.*
*[2] Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*
*[3] The indicators of Adjusted EBITDA and adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods*

## 28.2 Seasonality of operations

Certain activities of the Group are affected by weather and temperature conditions and seasonal market price fluctuations. Therefore, amounts reported for the interim period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas, electricity and services, and renewable generation output. The results may be affected by seasonality in the following segments:

1. Networks and Customer and Solutions – the fluctuation occurs mainly due to shift in demand for electricity and gas in different seasons (i.e. in winter time demand for gas and electricity increases).
2. Green generation – weather conditions has impact on the generation capacities of wind, solar and hydro assets.

As the financial year corresponds to the calendar year, the impact of weather related factors tend to be uniform throughout the year, therefore the Group does not provide additional disclosures of comparable amounts for 12 months period.

All amounts are in EUR thousand unless otherwise stated

# 29 Fair values of financial instruments

## 29.1 Financial instruments, measured at fair value

The Group's derivative financial instruments (Level 2 of the fair value hierarchy), the Group's option right to acquire shares in subsidiary (Level 2 of the fair value hierarchy) and investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" (Level 3 of the fair value hierarchy) are measured at fair value.

As at 30 June 2022 and 31 December 2021, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 2.31 in annual financial statements prepared for the year 2021. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange.

As at 30 June 2022 and 31 December 2021, the Group has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on investment rounds. Fair value of this financial asset will change depending on future investment rounds or other significant events.

As at 30 June 2022 and 31 December 2021 the Group has accounted for investment into Moray West Holdings Limited. Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on the valuation performed by external valuator. The valuation was performed based on discounted cash flows.

As at 30 June 2022 and 31 December 2021, the Group accounted for the option to acquire all the shares of Kauno kogeneracinė jėgainė UAB held by Gren Lietuva UAB (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to Gren Lietuva UAB for the redeemable Gren Lietuva UAB owned Kauno kogeneracinė jėgainė UAB shares, if they choose to sell them, equals the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of market value). Fair value corresponds to Level 2 in the fair value hierarchy.

## 29.2 Financial instruments for which fair value is disclosed

The Group's fair value of loans granted is approximately equal to carrying amount. The measurement of financial assets related to the loans issued is attributed to Level 3 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities to commercial banks and state-owned investment banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 2.36% for loans above EUR 1 million and 2.99% for loans less EUR 1 million (as at 31 December 2021: accordingly 2.76% and 2.82%). Neither as at 30 June 2022 nor 31 December 2021 the Group had no loans less EUR 1 million. The measurement of financial liabilities related to these debts is attributed to Level 2 of the fair value hierarchy.

The Group's bond issue debt (Note 15) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 4.25% as at 30 June 2022 (31 December 2021 – 2.90%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that are similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

## 29.3 Financial instruments' fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 30 June 2022:

| | Note | Carrying amount | Level 1 Quoted prices in active markets | Level 2 Other directly or indirectly observable inputs | Level 3 Unobservable inputs | In total |
|---|---|---|---|---|---|---|
| **Financial instruments measured at fair value through profit (loss) or other comprehensive income** | | | | | | |
| **Assets** | | | | | | |
| Derivative financial instruments | 20 | **26,897** | - | 26,897 | - | **26,897** |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 9 | **29,347** | - | - | 29,347 | **29,347** |
| Investment into Moray West Holdings Limited | 9 | **5,000** | - | - | 5,000 | **5,000** |
| **Liabilities** | | | | | | |
| Put option redemption liability | 19 | **20,919** | - | 20,919 | - | **20,919** |
| Derivative financial instruments | 20 | **11,132** | - | 11,132 | - | **11,132** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Loans granted | 9, 12 | **8,957** | - | - | 8,957 | **8,957** |
| **Liabilities** | | | | | | |
| Bonds issued | 15 | **901,258** | - | 800,275 | - | **800,275** |
| Debt liabilities to commercial banks | 15 | **248,686** | - | 236,902 | - | **236,902** |
| Debt liabilities to state-owned investment banks | 15 | **294,340** | - | 256,653 | - | **256,653** |

All amounts are in EUR thousand unless otherwise stated

# 30 Events after the reporting period

## 30.1 Events related to litigations and claims

### Litigation with Rafako S.A.

On 5 August 2022 Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter “Arbitration Court”) made a favourable ruling in the legal dispute between a Polish company Rafako S.A. (hereinafter – Rafako) and Group’s company Vilniaus kogeneracinė jėgainė UAB regarding the contract signed on 29 September 2016, under which, among other things, declared that a subsidiary of the Group Vilniaus kogeneracinė jėgainė UAB was entitled to terminate the contract with Rafako and has the legal right to claim delay damages and reimbursement of damages from Rafako. The issues of reimbursement of damages and the size thereof are scheduled to examine on the second stage of the arbitration proceedings. Further hearings of the Arbitration Court shall be held, and other proceedings of the parties shall be conducted in accordance with the schedule approved by the Arbitral Court.

The Group expects to succeed in defending its interests. According to the Group management, this dispute will not have significant financial consequences for the implementation of the project.

## 30.2 Other events

### The Group secured grid connection capacity for 252 MW solar park in Lithuania

Ignitis renewables projektai UAB, a subsidiary of Ignitis renewables UAB, which is owned by the Group, on 13 July has signed a letter of intent with electricity transmission system operator Litgrid AB securing grid capacity in Lithuania for connection of 252 MW capacity solar park which is under development.

Project’s final investment decision will be made at a later stage of the project’s development. Investments are estimated to reach up to EUR 200 million. The solar park is planned to be constructed and start generating electricity by 2025.

### Information on the annulment of Group’s own ordinary registered shares and reduction share capital

On 9 August 2022 the new wording of the Group’s Articles of Association was registered in the Register of Legal Entities, thereby completing the procedure for the reduction of the Group’s share capital by annulling the ordinary registered shares (hereinafter – ORS) acquired by the Group in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020.

During the reduction of the Group’s share capital, 1,894,797 units of the Group’s ORS with a nominal value of EUR 22.33 each, which were acquired by the Group itself, were annulled. The total nominal value of the annulled ORS is EUR 42,310,817.01. Accordingly, the Group’s share capital decreased to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) and the total number of ORS decreased to 72,388,960 units (from 74 283 757 units). The nominal value of each ORS is EUR 22.33.

It should be noted that following the reduction of the Group’s share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the Group’s IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania) whose securities portfolio currently amounts to 74.99% (increased from 73.08%).

### Regarding the intention of the Group to take credit lines of EUR 224 million

On 16 August 2022 the Management Board of the Group approved the intention to conclude a credit agreement of EUR 150 million (hereinafter – the Agreement with SEB) with AB SEB bank and AS SEB Pank and an overdraft agreement of EUR 74 million (hereinafter – the Agreement with OP) with OP Corporate Bank plc Lithuanian branch. The Agreements will be concluded by the Company.

The credit lines will be used to finance the Group's need for working capital due to increased energy prices. The Group notes that out of EUR 224 million, according to the arrangement with AB SEB bank, the Group‘s subsidiary Ignitis UAB will repay a loan of EUR 104 million which was approved by the Management Board of Ignitis UAB on 11 October 2021 before its termination.

Both Agreements are committed and are concluded for a term of 24 months. The Group notes that under the Agreement with SEB the credit amount may be increased by EUR 45 million, while under the Agreement with OP the limit of the overdraft may be increased by EUR 22.2 million with the consents of the Group and financial institutions. The Agreements do not include additional measures ensuring the fulfilment of obligations.

There were no other significant events after the reporting period till the issue of these financial statements.

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# 6.2 Parent company's financial statements

## Parent company's interim condensed financial statements for the six-month period ended 30 June 2022, prepared in accordance with International accounting standard 34 'Interim financial reporting' as adopted by the European Union, presented together with the Independent Auditor's Report




The Group's interim condensed consolidated financial statements were prepared and signed by AB "Ignitis grupė" management on 23 August 2022:

**Darius Maikštėnas**
Chief Executive Officer

**Jonas Rimavičius**
Chief Financial Officer

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras",
Head of Accounting acting under
Order No IS-22-22
(signed 4 April 2022)

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# Independent Auditor's Report

**To the Shareholders of Ignitis grupė AB**

## Report on the Audit of the Interim Condensed Separate Financial Statements

### Opinion

We have audited the interim condensed separate financial statements of Ignitis Grupė AB ("the Company"). The Company's interim condensed separate financial statements comprise:

- the interim condensed statement of financial position as at 30 June 2022,
- the interim condensed statement of profit or loss and other comprehensive income for the 3 and 6 months periods then ended,
- the interim condensed statement of changes in equity for the year then ended,
- the interim condensed statement of cash flows for the year then ended, and
- the notes to the interim condensed financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying interim condensed separate financial statements has been prepapred, in all material respects, in accordance with IAS 34 *Interim Financial Reporting,* as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Interim Condensed Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter relating to comparative information

The interim condensed separate financial statements of the Company as at and for the 6 months period ended 30 June 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 31 August 2021.





Company code: 111616158
VAT code: LT114949716

## Other Information

The other information comprises the information included in the Company's interim management report, but does not include the interim condensed separate financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the interim condensed separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we, do not express any form of assurance conclusion thereon.

In connection with our audit of the interim condensed separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's interim management report for the 6 months period for which the interim condensed separate financial statements are prepared is consistent with the interim condensed separate financial statements and whether interim management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of interim condensed separate financial statements, in our opinion, in all material respects:

- The information given in the Company's interim management report for the 6 months period for which the interim condensed separate financial statements are prepared is consistent with the interim condensed separate financial statements; and
- The Company's interim management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

## Responsibilities of Management and Those Charged with Governance for the Interim Condensed Financial Statements

Management is responsible for the preparation of the interim condensed separate financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of interim condensed separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Interim Condensed Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim condensed separate financial statements, including the disclosures, and whether the interim condensed separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 27 September 2021 for the first time to audit the Company's financial statements. Our appointment to audit the Company's financial statements in accordance with the shareholder's decision has been made for a two-year period. The audit of the financial statements for the year ended 31 December 2021 was our first annual audit of the Company.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and its Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company in the course of audit and disclosed in the interim management report we have provided translation of the financial statements and due diligence services to the Company.

The engagement partner on the audit resulting in this independent auditor's report is Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
23 August 2022

*The electronic auditor's signature applies only to the Independent Auditor's Report on pages 109 to 112 of this document.*

# Interim Condensed Statement of Financial Position

**As at 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 30 June 2022 | 31 December 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | 1,807 | 1,839 |
| Property, plant and equipment | | 75 | 64 |
| Right-of-use assets | | 16,679 | 17,602 |
| Investment property | | 77 | 77 |
| Investments in subsidiaries | 4 | 1,255,858 | 1,255,858 |
| Non-current receivables | 5 | 1,261,546 | 1,088,397 |
| Other financial assets | 8 | 29,347 | 25,094 |
| Deferred tax assets | | 59 | 513 |
| **Total non-current assets** | | **2,565,448** | **2,389,444** |
| **Current assets** | | | |
| Prepayments and deferred expenses | | 209 | 80 |
| Trade receivables | | 326 | 494 |
| Other receivables | 6 | 467 | 184,597 |
| Other current assets | | 3,700 | 20,014 |
| Current loans and interest receivable | 7 | 320,980 | 136,452 |
| Cash and cash equivalents | | 83,744 | 125,323 |
| **Total current assets** | | **409,426** | **466,960** |
| **TOTAL ASSETS** | | **2,974,874** | **2,856,404** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 9.1 | 1,658,756 | 1,658,756 |
| Treasury shares acquired | 9.2 | (32,968) | (23,000) |
| Reserves | 9.2 | 99,637 | 88,059 |
| Reserve for treasury shares | 9.2 | 37,660 | 23,000 |
| Retained earnings (deficit) | | 212,656 | 186,393 |
| **Total equity** | | **1,975,741** | **1,933,208** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current loans and bonds | 11 | 962,375 | 888,524 |
| Non-current lease liabilities | | 15,111 | 15,994 |
| Other non-current amounts payable and liabilities | | - | 9 |
| **Total non-current liabilities** | | **977,486** | **904,527** |
| **Current liabilities** | | | |
| Loans | 11 | 12,222 | 9,143 |
| Lease liabilities | | 1,762 | 1,755 |
| Trade payables | | 562 | 976 |
| Advances received | | 20 | 99 |
| Income tax payable | | 289 | - |
| Other current amounts payable and liabilities | | 6,792 | 6,696 |
| **Total current liabilities** | | **21,647** | **18,669** |
| **Total liabilities** | | **999,133** | **923,196** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,974,874** | **2,856,404** |

# Interim Condensed Statement of Profit or Loss and Other Comprehensive Income

**For the three and six months periods ended 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | H1 2022 | II qtr. 2022 | H1 2021 | II qtr. 2021 |
|---|---|---|---|---|---|
| Revenue from contracts with customers | 13 | 1,566 | 763 | 1,617 | 789 |
| Other income | | 1 | - | 1 | - |
| Dividend income | 14.2 | 97,496 | 97,311 | 122,320 | 6,878 |
| **Total revenue and other income** | | **99,063** | **98,074** | **123,938** | **7,667** |
| Salaries and related expenses | | (1,820) | (851) | (2,577) | (1,269) |
| Depreciation and amortisation | | (963) | (482) | (151) | (81) |
| Other expenses | | (2,287) | (1,217) | (1,874) | (981) |
| **Total expenses** | | **(5,070)** | **(2,550)** | **(4,602)** | **(2,331)** |
| **Operating profit (loss)** | | **93,993** | **95,524** | **119,336** | **5,336** |
| Finance income | 15 | 18,442 | 8,642 | 12,858 | 7,510 |
| Finance expenses | 16 | (11,852) | (6,088) | (11,908) | (6,007) |
| **Finance activity, net** | | **6,590** | **2,554** | **950** | **1,503** |
| **Profit (loss) before tax** | | **100,583** | **98,078** | **120,286** | **6,839** |
| Current period income tax (expenses)/benefit | | (306) | (297) | (33) | (9) |
| Deferred tax (expenses)/benefit | | (3) | 15 | 289 | 101 |
| **Net profit for the period** | | **100,274** | **97,796** | **120,542** | **6,931** |
| **Total other comprehensive income (loss) for the period** | | - | - | - | - |
| **Total comprehensive income (loss) for the period** | | **100,274** | **97,796** | **120,542** | **6,931** |
| | | | | | |
| **Basic earnings per share (in EUR)** | | **1.38** | **1.35** | **1.62** | **0.09** |
| **Diluted earnings per share (in EUR)** | | **1.38** | **1.35** | **1.62** | **0.09** |
| **Weighted average number of shares** | | **72,816,090** | **72,591,666** | **74,283,757** | **74,283,757** |

# Interim Condensed Statement of Changes in Equity

**For the six months period ended 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | Issued capital | Treasury shares | Legal reserve | Treasury shares reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | | **1,658,756** | **-** | **82,330** | **-** | **71,869** | **1,812,955** |
| Net profit for the period | | - | - | - | - | 120,542 | **120,542** |
| Other comprehensive income (loss) for the period | | - | - | - | - | - | **-** |
| **Total comprehensive income (loss) for the period** | | **-** | **-** | **-** | **-** | **120,542** | **120,542** |
| Transfer to reserves to acquire treasury shares | | - | - | - | 23,000 | (23,000) | **-** |
| Transfers to legal reserve | | | | 5,729 | - | (5,729) | **-** |
| Dividends | 14.1 | - | - | - | - | (43,010) | **(43,010)** |
| Other movement | | - | - | - | - | 984 | **984** |
| Share-based payments | | - | - | - | - | 162 | **162** |
| **Balance as at 30 June 2021** | | **1,658,756** | **-** | **88,059** | **23,000** | **121,818** | **1,891,633** |
| | | | | | | | |
| **Balance as at 1 January 2022** | | **1,658,756** | **(23,000)** | **88,059** | **23,000** | **186,393** | **1,933,208** |
| Net profit for the period | | - | - | - | - | **100,274** | **100,274** |
| Other comprehensive income (loss) for the period | | - | - | - | - | - | **-** |
| **Total comprehensive income (loss) for the period** | | **-** | **-** | **-** | **-** | **100,274** | **100,274** |
| Transfer to reserves to acquire treasury shares | 9.2 | - | - | - | 14,660 | (14,660) | **-** |
| Treasury shares acquired | 9.2 | - | (9,968) | - | - | (4,333) | **(14,301)** |
| Transfers to legal reserve | 9.2 | - | - | 11,578 | - | (11,578) | **-** |
| Dividends | 14.1 | - | - | - | - | (43,824) | **(43,824)** |
| Other movement | | - | - | - | - | 384 | **384** |
| **Balance as at 30 June 2022** | | **1,658,756** | **(32,968)** | **99,637** | **37,660** | **212,656** | **1,975,741** |

# Interim Condensed Statement of Cash Flows

**For the six months period ended 30 June 2022**
All amounts are in EUR thousand unless otherwise stated

| | Notes | H1 2022 | H1 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | 100,274 | 120,542 |
| **Adjustments to reconcile net profit to net cash flows:** | | | |
| Depreciation and amortisation expenses | | 963 | 151 |
| Fair value changes of financial instruments | 8 | (2,689) | (1,870) |
| Income tax expenses/(income) | | 309 | (256) |
| Dividend income | 14.2 | (97,496) | (122,320) |
| Share-based payments expenses | | - | 162 |
| Interest income | 15 | (15,753) | (10,987) |
| Interest expenses | 16 | 10,341 | 10,475 |
| Other expenses of financing activities | | 1,511 | (438) |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other receivables | 6.1 | 84,382 | 15,670 |
| (Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets | | 16,185 | 14,928 |
| Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities | | (2,918) | 3,738 |
| Income tax paid | | - | 490 |
| **Net cash flows from (to) operating activities** | | **95,109** | **30,285** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (22) | - |
| Loans granted | | (357,663) | (140,110) |
| Loan repayments received | | 6,025 | 63,209 |
| Acquisition of a subsidiary | | - | (18,663) |
| Interest received | 15 | 10,625 | 7,095 |
| Dividends received | | 197,936 | 122,320 |
| Return of capital from subsidiaries | | - | 4,997 |
| Investments in Innovation Fund | 8 | (1,564) | (1,700) |
| **Net cash flows from investing activities** | | **(144,663)** | **37,148** |
| | | | |
| **Cash flows from financing activities** | | | |
| Loans received | 11 | 73,000 | - |
| Lease payments | | (873) | (130) |
| Interest paid | | (6,411) | (6,819) |
| Dividends paid | 14.1 | (43,824) | (43,010) |
| Dividends returned | | 384 | 984 |
| Treasury shares acquisition | 9.2 | (14,301) | - |
| **Net cash flows from financing activities** | | **7,975** | **(48,975)** |
| **Increase/(decrease) in cash and cash equivalents** | | **(41,579)** | **18,458** |
| Cash and cash equivalents at the beginning of the period | | 125,323 | 421,289 |
| **Cash and cash equivalents at the end of the period** | | **83,744** | **439,747** |

All amounts are in EUR thousand unless otherwise stated

# Explanatory Notes

**For the six months period ended 30 June 2022**

## 1 General information

Ignitis grupė AB (hereinafter "the Company" or "the parent company") is a public limited liability company registered in the Republic of Lithuania. The Company's registered office address is Laisvės pr 10, LT-04215, Vilnius, Lithuania. The Company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Company's code 301844044. The Company has been founded for an indefinite period.

The Company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.

The Company is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 4) engaged in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the power system, management and coordination of activities. The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

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

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

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

| Shareholders of the Company | 30 June 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| | Share capital, in EUR '000 | % | Share capital, in EUR '000 | % |
| Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania | 1,212,156 | 73.08 | 1,212,156 | 73.08 |
| Other shareholders | 404,289 | 24.37 | 418,838 | 25.25 |
| Own shares | 42,311 | 2.55 | 27,762 | 1.67 |
| | **1,658,756** | | **1,658,756** | |

These interim condensed financial statements were prepared and signed by Company's management on 23 August 2022. These are interim condensed separate financial statements of the Company which are prepared in accordance with local law requirements. The Group also prepares consolidated interim condensed financial statements.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

These interim condensed financial statements are prepared for the six months period ended 30 June 2022 (hereinafter "interim financial statements") and have been prepared in accordance with International Accounting Standard (hereinafter – IAS) 34 "Interim Financial Reporting".

These interim financial statements do not provide all the information required for the preparation of the annual financial statements, therefore this must be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter – IFRS).

Interim financial statements have been prepared on a going concern basis applying measurement based on historical cost, except for certain financial instruments measured at fair value.

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

### 2.2 New standards, amendments, interpretations and changes in accounting policy

#### 2.2.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies applied in the preparation of the Company's annual financial statements for the year ended 31 December 2021, with the exception of the new standards which entered into force during I half-year of 2022.

##### 2.2.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the reporting period ended as at 30 June 2022. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

| Standards or amendments that came into force during H1 2022 |
|---|
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) |
| Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) |
| Annual Improvements to IFRS Standards 2018–2020 |
| Reference to Conceptual Framework |

All amounts are in EUR thousand unless otherwise stated

### 2.2.2 Standards issued but not yet effective and not early adopted

Preparing these interim financial statements the Company did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 30 June 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are not yet endorsed for application in European Union (hereinafter – EU).

The management of the Company is currently assessing the impact of these amendments on the financial statements.

#### Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. Amendments are not yet endorsed for application in EU.

The management of the Company is currently assessing the impact of this amendment on the financial statements.

#### Other standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

| Other new standards or amendments | IASB Effective date | EU Endorsement status |
|---|---|---|
| IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts | 1 January 2023 | Endorsed |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 | Endorsed |
| Definition of Accounting Estimates (Amendments to IAS 8) | 1 January 2023 | Endorsed |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17) | 1 January 2023 | Not yet endorsed |

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

Preparing these interim financial statements the significant management judgements regarding the application of the accounting policies and accounting estimates were the same as used in preparing the annual financial statements for the year ended 31 December 2021 except the following:

### 3.1 Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB

Total amount of the investment to Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB increased for an amount EUR 4,253 thousand during the I half-year of 2022.

The fair value gain of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB recognised for an amount EUR 2,689 thousand and is presented as "Finance income" in SPLOCI for the I half-year of 2022. The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 19).

Remaining change is related to new investments made during I half-year of 2022 for an amount EUR 1,564 thousand.

Fair value corresponds to Level 3 in the fair value hierarchy. Fair value of this financial asset will change depending on future investment rounds or other significant events

All amounts are in EUR thousand unless otherwise stated

# 4 Investments in subsidiaries

Information on the Company's investments in subsidiaries as at 30 June 2022 provided below:

| | Acquisition cost | Impairment | Carrying amount | Company's ownership interest, % | Group's effective ownership interest, % |
|---|---|---|---|---|---|
| Energijos skirstymo operatorius AB | 750,422 | - | 750,422 | 100.00 | 100.00 |
| Ignitis gamyba AB | 321,202 | - | 321,202 | 100.00 | 100,00 |
| Ignitis renewables UAB | 54,156 | - | 54,156 | 100.00 | 100.00 |
| Vilniaus kogeneracinė jėgainė UAB | 52,300 | - | 52,300 | 100.00 | 100.00 |
| Ignitis UAB | 47,138 | - | 47,138 | 100.00 | 100.00 |
| Kauno kogeneracinė jėgainė UAB | 20,400 | - | 20,400 | 51.00 | 51.00 |
| Ignitis grupės paslaugų centras UAB | 5,975 | - | 5,975 | 50.47 | 100.00 |
| Transporto valdymas UAB | 2,359 | - | 2,359 | 100.00 | 100.00 |
| Elektroninių mokėjimų agentūra UAB | 1,428 | - | 1,428 | 100.00 | 100.00 |
| Gamybos optimizavimas UAB | 350 | - | 350 | 100.00 | 100.00 |
| NT Valdos UAB | 3,961 | (3,833) | 128 | 100.00 | 100.00 |
| Energetikos paslaugų ir rangos organizacija UAB | 22,961 | (22,961) | - | 100.00 | 100.00 |
| | **1,282,652** | **(26,794)** | **1,255,858** | | |

The Company's investments in subsidiaries during the I half-year of 2022 remained the same as at 31 December 2021.

The Company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries as at 30 June 2022. During the I half-year of 2022 there have been no significant adverse changes in the technological, market and legal environment in which subsidiaries operate, and such changes are unlikely to occur soon. Changes in economic environment is followed by the Company, however currently the Company estimates that these changes will not have significant negative influence for subsidiaries operations.

Moreover the Company has considered assumptions used in the impairment test for investment into subsidiary Energijos skirstymo operatorius AB as at 31 December 2021, the following key assumptions were used:

1. the cash flow forecast covered the period until 2036 for electricity and gas distribution activities;
2. applied long-term investment forecast and financing of electricity and gas distribution activities according to updated Group's 10-year investment plan;
3. discount rates used to calculate discounted cash flows:
   - 3.1 3.78% (post-tax) (4.45% pre-tax) for electricity distribution activities (31 December 2020 - 4.33% (5.09% - pre-tax));
   - 3.2 3.81% (post-tax) (4.48% pre-tax) for gas distribution activities (31 December 2020 - 4.33% (5.09% - pre-tax));
4. WACC (rate of return set by the regulator) used:
   - 4.1 for gas distribution activities for 2022-2023 - 3.98%, 4.48% from 2024 (equal to pre-tax discount rate). (31 December 2020 respectively: 2021-2023 – 3.90% (Regulator set for 2021), 5.09% from 2024 (equal to pre-tax discount rate));
   - 4.2 for electricity distribution activities for 2022-2026 - 4.16%, 4.45% from 2027 (equal to pre-tax discount rate. (31 December 2020 respectively: 2021 – 5.34 (Regulator set), 2022-2029 – 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09% from 2027);
5. for electricity distribution activities additional tariff component which would increase electricity distribution income by EUR 28 million yearly. The management forecasts that additional tariff component will endure through the whole forecast period of 2022-2036, however, it was not included due to conserve estimations;
6. for electricity distribution activities the calculated return adjustment for 2018-2020 for an amount of EUR 116 million and forecasted adjustment for an amount of EUR 44 million will reduce income of the subsidiary by an amount of EUR 6.5 million for the period of 2022-2026 and 154 million for the period of 2032-2036 with additional interest for the pending portion.

The Company considered other information from external and internal sources as well as current geopolitical situation (17.3 Note), although no significant impact on assumptions used as at 31 December 2021 was identified, assumptions hasn't changed from 31 December 2021. No impairment indications were identified as at 30 June 2022.

All amounts are in EUR thousand unless otherwise stated

# 5 Non-current receivables

Amounts receivable after one year comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **Non-current receivables** | | |
| Loans granted | 1,261,403 | 1,088,254 |
| Other non-current amounts receivable | 143 | 143 |
| **Total** | **1,261,546** | **1,088,397** |
| Less: impairment | - | - |
| **Carrying amount** | **1,261,546** | **1,088,397** |

## 5.1 Expected credit losses of loans granted

As at 30 June 2022, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 5.2).

## 5.2 Loans granted

The Company's loans granted as at 30 June 2022 comprised loans granted to the following subsidiaries:

| | Interest rate type | Within one year | After one year | Total |
|---|---|---|---|---|
| **Non-current loans** | | | | |
| Energijos skirstymo operatorius AB (green bonds) | Fixed interest | - | 616,288 | **616,288** |
| Energijos skirstymo operatorius AB (loans taken over) | Variable interest | 9,877 | 29,591 | **39,468** |
| Energijos skirstymo operatorius AB | Fixed interest | - | 73,000 | **73,000** |
| Ignitis UAB | Fixed interest | - | 275,000 | **275,000** |
| Ignitis UAB | Variable interest | - | 27,000 | **27,000** |
| Ignitis UAB | Fixed interest | - | 11,800 | **11,800** |
| Ignitis renewables UAB | Fixed interest | - | 52,450 | **52,450** |
| Ignitis renewables UAB | Fixed interest | - | 131,000 | **131,000** |
| Tuuleenergia OÜ | Fixed interest | - | 19,119 | **19,119** |
| Eurakras UAB | Fixed interest | - | 16,555 | **16,555** |
| Transporto valdymas UAB | Variable interest | - | 9,600 | **9,600** |
| **Current loans** | | | | |
| Ignitis gamyba AB (cash-pool) | Fixed interest | 35,889 | - | **35,889** |
| Ignitis grupės paslaugų centras UAB (cash-pool) | Fixed interest | 6,247 | - | **6,247** |
| Ignitis UAB (cash-pool) | Fixed interest | 176,308 | - | **176,308** |
| Energijos skirstymo operatorius AB (cash-pool) | Fixed interest | 75,224 | - | **75,224** |
| **Total loans** | | **303,545** | **1,261,403** | **1,564,948** |

### Extension of the loan issued to Transporto valdymas UAB

Loan granted to subsidiary Transporto valdymas UAB was reclassified to non-current loans as on 2 February 2022 loan amendment was signed and the final repayment date changed to 30 June 2025.

### New loan issued to Energijos skirstymo operatorius AB

On 20 April 2022 the Company signed loan agreement for issuing EUR 73 million loan to Energijos skirstymo operatorius AB.
The loan will be financed using the funds received from the European Investment Bank. Loan maturity date – 14 February 2038. The agreement does not include additional measures ensuring the fulfilment of obligations.

### Cash-pool loan issued to Ignitis gamyba AB

On 12 May 2022 the Company issued cash-pool loan to Ignitis gamyba AB with the limit of EUR 200 million for period till 12 May 2023. As at 30 June 2022 the loan's carrying amount was EUR 35,889 thousand.

Fair values of loans granted are presented in Note 19.

Loans after one year by maturity:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| From 1 to 2 years | 7,901 | 6,708 |
| From 2 to 5 years | 58,290 | 47,125 |
| After 5 years | 1,195,212 | 1,034,421 |
| **Carrying amount** | **1,261,403** | **1,088,254** |

# 6 Other receivables

The Company's other receivables comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Receivables for tax losses sold | 451 | - |
| Other receivables | 16 | 29 |
| Dividends receivable | - | 100,440 |
| Amount receivable on disposal of LitGrid AB | - | 84,128 |
| **Total** | **467** | **184 597** |
| Less: impairment | - | - |
| **Carrying amount** | **467** | **184,597** |

## 6.1 Amount receivable on sale of shares of LitGrid AB

In 2012, the shares of LitGrid AB held by the Company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. According to the shares sale-purchase agreement EPSO-G UAB had to repay debt to the Company for the shares of AB LitGrid acquired in 30 September 2012 until 30 September 2022. During the I half-year of 2022 EPSO-G UAB has repaid total debt of EUR 84,128 thousand to the Company. Repaid amount presented in the cash flow statement under '(Increase)/decrease in trade receivables and other receivables'.

All amounts are in EUR thousand unless otherwise stated

# 7 Current loans and interests receivable

The Company's current loans comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Cash-pool loans | 293,668 | 106,155 |
| Interest receivable on loans and issued guarantees | 17,435 | 11,396 |
| Current loans | - | 11,000 |
| Current portion of non-current loans | 9,877 | 7,901 |
| **Total** | **320,980** | **136,452** |
| Less: impairment | - | - |
| **Carrying amount** | **320,980** | **136,452** |

As at 30 June 2022, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (from here on further - ECL) was recognized.

# 8 Other financial assets

The Company's other financial assets comprised as follows:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 3.1) | 29,347 | 25,094 |
| **Carrying amount** | **29,347** | **25,094** |

# 9 Equity and reserves

## 9.1 Issued capital

Issued capital of the Company consisted of:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **Authorised shares** | | |
| Ordinary shares, EUR | 1,658,756,294 | 1,658,756,294 |
| **Ordinary shares issued and fully paid, EUR** | **1,658,756,294** | **1,658,756,294** |

As at 30 June 2022 and 31 December 2021 the Company's issued capital comprised EUR 1,658,756,294 and was divided into 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share.

## 9.2 Reserves

At the ordinary general meeting of shareholders held on 29 March 2022 it was decided to form additional reserve of EUR 14,660 thousand for the acquisition of treasury shares in 2022.

The Company on 19–27 April 2022 has conducted an acquisition of the Company's ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired by the Company on 29 April 2022, when the right of ownership transferred to the Company. Shares purchase price EUR 15.30 per share, number of shares acquired 651,554 and total value of treasury shares acquired EUR 9,968 thousand. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 4,333 thousand which was recognised in retained earnings. A settlement was made as detailed in Company's IPO prospectus (Part 17, starting paragraph 10, page 330): as the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the Company has paid the difference to the Stabilization Manager.

As at 29 March 2022 the Company transferred EUR 11,578 thousand to the legal reserve. The Company's legal reserve as at 30 June 2022 and 31 December 2021 was not fully formed.

All amounts are in EUR thousand unless otherwise stated

# 10 Earnings per share

The Company's earnings per share and diluted earnings per share were as follows:

| | H1 2022 | H1 2021 |
|---|---|---|
| **Net profit (loss)** | **114,832** | **120,542** |
| Attributable to: | | |
| Equity holders of the parent | 100,274 | 120,542 |
| Non-controlling interests | - | - |
| Weighted average number of nominal shares | 72,816,090 | 74,283,757 |
| Basic earnings/(loss) per share attributable to shareholders of the Parent Company | 1.38 | 1.62 |
| Diluted earnings/(loss) per share attributable to shareholders of the Parent Company | 1.38 | 1.62 |

Basic and diluted earnings per share indicators have been calculated based on 72,816,090 weighted average number of ordinary shares for I half-year 2022 as Ignitis grupė AB reacquired its own ordinary shares (treasury shares) as at 16 December 2021 and as at 29 April 2022. Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by Ignitis grupė AB.

# 11 Loans and bonds

Loans and bonds of the Company consisted of:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 889,375 | 888,524 |
| Bank borrowings | 73,000 | - |
| **Current** | | |
| Accrued interest | 12,222 | 9,143 |
| **Total loans and bonds** | **974,597** | **897,667** |

For the I half-year of 2022 expenses related to interest on the issued bonds totalled EUR 9,591 thousand (for the half-year of 2021: EUR 9,574 thousand).

Bonds by maturity:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| From 1 to 2 years | - | - |
| From 2 to 5 years | - | - |
| After 5 years | 889,375 | 888,524 |
| **In total** | **889,375** | **888,524** |

Loans and bonds are denominated in euros.

During the I half-year of 2022 the Company borrowed EUR 73,000 thousand according to the long-term loan contract with European Investment bank signed on 21 September 2020. The loan is intended for the implementation of IT solutions for smart meters and their data collection and management. Maturity of the loan is 14 February 2038, interests rate is fixed. The balance of loan as at 30 June 2022 is EUR 73,000 thousand.

During the I half-year of 2022 the Company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current liabilities could be changed.

As at 30 June 2022 the Company has no unwithdrawn balance of loans and bank overdrafts (as at 31 December 2021: EUR 110,000 thousand).

All amounts are in EUR thousand unless otherwise stated

# 12 Net debt

Net debt is a non-IFRS liquidity measure used to determine the value of debt against highly liquid assets owned by the Company. Management is monitoring net debt metric as a part of risk-management strategy.

For the purpose of net debt calculation, borrowings comprise issued bonds and debts to financial institutions and other related interest payables.

This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Cash and cash equivalents | (83,744) | (125,323) |
| Non-current borrowings payable after one year | 962,375 | 888,524 |
| Current borrowings payable within one year (including accrued interest) | 12,222 | 9,143 |
| Lease liabilities | 16,873 | 17,749 |
| **Net debt** | **907,726** | **790,093** |

Reconciliation of the Company's net debt balances cash flows from financing activities:

| | Assets | Lease liabilities | | Borrowings | | Total |
|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Non-current | Current | Non-current | Current | |
| **Net debt at 1 January 2022** | **(125,323)** | **15,994** | **1,755** | **888,524** | **9,143** | **790,093** |
| **Cash changes** | | | | | | |
| (Increase) decrease in cash and cash equivalents | 41,579 | - | - | - | - | **41,579** |
| Proceeds from borrowings | - | - | - | 73,000 | - | **73,000** |
| Lease payments | - | - | (873) | - | - | **(873)** |
| Interest paid | - | - | (121) | - | (6,290) | **(6,411)** |
| **Non-cash changes** | | | | | | |
| Accrual of interest payable | - | - | 121 | 851 | 9,369 | **10,341** |
| Write-off of lease liabilities | - | - | (3) | - | - | **(3)** |
| Reclassifications between items | - | (883) | 883 | - | - | **-** |
| **Net debt at 30 June 2022** | **(83,744)** | **15,111** | **1,762** | **962,375** | **12,222** | **907,726** |

All amounts are in EUR thousand unless otherwise stated

# 13 Revenue from contracts with customers

The Company's revenue from contracts with customers are as follows:

| | H1 2022 | H1 2021 |
|---|---|---|
| Management fee income | 1,553 | 1,617 |
| Other revenue from contracts with customers | 13 | - |
| **Total** | **1,566** | **1,617** |

The Company's revenue from contracts with customers during I half-year of 2022 and 2021 mainly comprised the revenue from advisory and management services provided to subsidiaries.

Also, the Company did not present any segment information as there is only one segment.

The Company's balances under the contracts with customers:

| | 30 June 2022 | 31 December 2021 |
|---|---|---|
| Trade receivables | 326 | 494 |

# 14 Dividends

## 14.1 Dividends declared by the Company

Dividends declared by the Company:

| | H1 2022 | H1 2021 |
|---|---|---|
| Ignitis grupė AB | 43,824 | 43,010 |

EUR 43,824 thousand dividends for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022.

## 14.2 Dividends declared by the Company's subsidiaries

Dividends declared by the Company's subsidiaries during the I half-year of 2022 are the following:

| Declared at | Dividends declared by | Period for which dividends are allocated | Dividends per share, in EUR | Amount of dividends declared | Dividend income attributable to the Company | Non-controlling interest dividends |
|---|---|---|---|---|---|---|
| 31/03/2022 | Elektroninių mokėjimų agentūra UAB | 2021 | 0.1931 | 185 | 185 | - |
| 29/04/2022 | Ignitis gamyba AB | 2021 IV qtr. | 0.0680 | 44,064 | 44,064 | - |
| 29/04/2022 | Energijos skirstymo operatorius AB | 2021 | 0.0559 | 50,010 | 50,010 | - |
| 29/04/2022 | Ignitis grupės paslaugų centras UAB | 2021 | 0.0173 | 731 | 369 | - |
| 10/05/2022 | Gamybos optimizavimas UAB | 2021 | 0.1457 | 51 | 51 | - |
| 23/05/2022 | Transporto valdymas,UAB | 2021 | 12.8514 | 1,047 | 1,047 | - |
| 23/05/2022 | Ignitis renewables UAB | 2021 | 80.7850 | 1,770 | 1,770 | - |
| **Total** | | | | **97,858** | **97,496** | **-** |

# 15 Finance income

The Company's finance income are as follows:

| | H1 2022 | H1 2021 |
|---|---|---|
| Interest income at the effective interest rate | 15,753 | 10,987 |
| The fair value of Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (Note 8) | 2,689 | 1,870 |
| Other income from financing activities | - | 1 |
| **In total** | **18,442** | **12,858** |

The Company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 5.2 and 7). During the I half-year of 2022, the Company received EUR 10,625 thousand (I qtr. of 2021: EUR 7,095 thousand) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

# 16 Finance expenses

The Company's finance expenses are as follows:

| | H1 2022 | H1 2021 |
|---|---|---|
| Interest expenses | 10,220 | 10,474 |
| Interest and discount expense on lease liabilities | 121 | 1 |
| Negative effect of changes in exchange rates | 2 | 6 |
| Other expenses of financing activities | 1,509 | 1,427 |
| **In total** | **11,852** | **11,908** |

All amounts are in EUR thousand unless otherwise stated

# 17 Contingent liabilities and commitments

## 17.1 Guarantees issued and received by the Company

### 17.1.1 Issued guarantees related to loans

The Company's guarantees issued in respect of loans received by subsidiaries were as follows:

| Name of the subsidiary | Beneficiary of the guarantee | Issue at | Maturity | Maximum amount of the guarantee | 30 June 2022 | 31 December 2021 |
|---|---|---|---|---|---|---|
| Vilniaus kogeneracinė jėgainė UAB | European Investment Bank | 30/12/2016 | 07/04/2037 | 190,000 | 138,246 | 139,649 |
| Pomerania Wind Farm sp. z o. o. | European Investment Bank | 09/03/2020 | 31/12/2035 | 66,325 | 52,608 | 55,311 |
| Pomerania Wind Farm sp. z o. o. | Nordic Investment Bank | 14/10/2020 | 31/12/2035 | 30,586 | 30,586 | 32,157 |
| Group companies | Group companies | 25/05/2021 | 24/05/2022 | - | 4,349 | 67,973 |
| Kauno kogeneracinė jėgainė UAB | Swedbank AB | 31/05/2017 | 18/10/2022 | 59,000 | - | 56,100 |
| Vėjo gūsis UAB | Swedbank lizingas, UAB | 29/01/2019 | 28/02/2022 | 9,258 | - | 258 |
| | | | | **355,169** | **225,789** | **351,448** |

### 17.1.2 Other issued guarantees

The Company has provided the following other guarantees:

| Name of the subsidiary | Beneficiary of the guarantee | Issue at | Maturity | Maximum amount of the guarantee | 30 June 2022[1] | 31 December 2021 |
|---|---|---|---|---|---|---|
| Ignitis UAB | NASDAQ Clearing AB | 24/05/2021 | termless | 110,000 | - | 3,494 |
| Pomerania Wind Farm sp. z o. o. | Nordex Polska sp. z o. o. | 31/05/2019 | termless | 83,354 | - | 874 |
| Ignitis UAB | NASDAQ Clearing AB | 29/04/2022 | termless | 70,000 | - | - |
| VVP Investments UAB | Nordex Polska sp. z o. o. | 17/02/2021 | termless | 55,097 | 748 | - |
| Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. | Nordex Polska Sp. z o. o. | 31/01/2022 | termless | 50,211 | - | - |
| Ignitis UAB | MACQUARIE BANK EUROPE DAC | 17/06/2022 | 31/03/2023 | 25,000 | - | - |
| Gamybos optimizavimas UAB | Ignitis gamyba AB | 01/01/2020 | 30/06/2023 | 5,000 | - | - |
| Moray Offshore Windfarm (West) Limited | Siemens Gamesa Renewables Energy Limited | 08/09/2021 | 31/12/2025 | 2,079 | - | - |
| Moray Offshore Windfarm (West) Limited | Siemens Energy Limited | 19/01/2021 | termless | 1,433 | - | - |
| Moray Offshore Windfarm (West) Limited | Siemens Energy Limited | 19/01/2021 | termless | 1,307 | - | - |
| Moray Offshore Windfarm (West) Limited | Engie UK Markets Limited | 21/04/2021 | termless | 1,244 | - | - |
| VVP Investments UAB | Swedbank AB | 11/10/2019 | 01/08/2023 | 945 | 945 | 945 |
| | | | | **405,670** | **1,693** | **5,313** |

[1] *Amount which should be covered by the Company in case subsidiary could not perform its obligations as at 30 June 2022.*

On 31 January 2022 the Company has issued guarantee for its subsidiary Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. as Altiplano Elektrownie Wiatrowe B1 Sp. z o. o. entered into supply and installation agreement with Nordex Polska sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The Company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 29 April 2022 the Company has issued a guarantee in favour of NASDAQ Clearing AB for EUR 70 million. The guarantee is provided to guarantee performance obligations of subsidiary Ignitis UAB related with clearing services provided by NASDAQ Clearing AB.

On 17 June 2022 the Company has issued a guarantee in favour of MACQUARIE BANK EUROPE DAC for EUR 25 million. The guarantee is provided to guarantee performance obligations of subsidiary Ignitis UAB related with derivatives trading activities provided by MACQUARIE BANK EUROPE DAC.

All amounts are in EUR thousand unless otherwise stated

### Comfort letters issued

On 20 January 2022, the Company issued a confirmation letter for Kauno kogeneracinė jėgainė UAB (hereinafter – KKJ) which states that it will continue providing financial support for at least 12 months following the issue date of the letter to enable KKJ to continue trading activities and meet its liabilities. As at December 2021 KKJ's current liabilities exceeded current assets by EUR 95,167 thousand. The Company does not expect that there will be need of material support to KKJ or that loss will be incurred by the Company due to activities of KKJ.

On 21 April 2022, the Company issued a confirmation letter for Ignitis grupės paslaugų centras UAB (hereinafter – GSC) which states that it will continue providing financial support for at least 12 months following the issue date of the letter to enable GSC to continue its operations and meet its liabilities. As at December 2021 GSC's current liabilities exceeded current assets by EUR 1,883 thousand. The Company does not expect that there will be need of material support to GSC or that loss will be incurred by the Company due to activities of GSC.

### 17.2 Litigations

During the I half-year of 2022 there were no significant changes in litigations reported in annual financial statements for 2021 or new significant litigations.

### 17.3 Evaluation of Russia's invasion of Ukraine on Company's financial statements

The Company has evaluated current and, to the extent possible, expected impact of Russia's invasion of Ukraine on the financial position, performance, cash-flows and the principal risks and uncertainties to which the Company is exposed. As the Company does not have any operations in the affected markets and does not have subsidiaries in the affected markets, the management of the Company has concluded that:

- no expected credit losses adjustments should be made as Company does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- no significant impact to the budgets and cashflows of subsidiaries. Accordingly, no significant impact to the carrying amounts of investments into subsidiaries;
- the situation does not have impact on Company's ability to continue as a going concern.

As to the above no significant impact of Russia's invasion of Ukraine on Company's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, the final impact of the Russia's invasion of Ukraine on the business of the Group companies cannot be assessed in full yet.

# 18 Related party transactions

The Company's transactions with related parties during the period and period-end balances arising on these transactions are presented below:

| Related parties | Accounts Receivable 30 June 2022 | Accounts Payable 30 June 2022 | Sales H1 2022 | Purchases H1 2022 | Finance income (expenses) H1 2022 | Accounts Receivable 30 June 2022 |
|---|---|---|---|---|---|---|
| Subsidiaries | 786 | 1,582,339 | 214 | 1,556 | 854 | 15,663 |
| EPSO-G UAB | - | - | - | - | - | 64 |
| **Total** | **786** | **1,582,339** | **214** | **1,556** | **854** | **15,727** |

| Related parties | Accounts Receivable 31 December 2021 | Accounts Payable 31 December 2021 | Sales H1 2021 | Purcha-ses H1 2021 | Finance income (expenses) H1 2021 | Accounts Receivable 31 December 2021 |
|---|---|---|---|---|---|---|
| Subsidiaries | 100,947 | 1,224,689 | 253 | 1,617 | 702 | 10,705 |
| EPSO-G UAB | 84,128 | - | - | - | - | 281 |
| **Total** | **185,075** | **1,224,689** | **253** | **1,617** | **702** | **10,986** |

The Company's dividend income received from subsidiaries during the I half-year of 2022 is disclosed in Note 14.

As at 30 June 2022 the Company has issued guarantees for financial loans to its subsidiaries (Note 17.1)

### 18.1 Compensation to key management personnel

| | H1 2022 | H1 2021 |
|---|---|---|
| Wages and salaries and other short-term benefits to key management personnel | 576 | 599 |
| Whereof: | - | - |
| *Short-term benefits* | *481* | *434* |
| *Termination benefits* | *95* | *8* |
| *Share-based payment expenses* | *-* | *157* |
| Number of key management personnel | 12 | 12 |

All amounts are in EUR thousand unless otherwise stated

# 19 Fair values of financial instruments

*Financial instruments, measured at fair value*

The Company's investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" (Level 3) is measured at fair value.

As at 30 June 2022 and 31 December 2021, the Company has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The fair value measurement of this financial asset is based on investment rounds. Fair value of this financial asset will change depending on future investment rounds or other significant events.

*Financial instruments for which fair value is disclosed*

The carrying amount of the Company's short-term financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts and loans granted. The measurement of financial instruments related to the loans and bonds issued is attributed to Level 2, of the fair value hierarchy.

As at 30 June 2022 and 31 December 2021, the fair value of the Company's loan that is issued to subsidiary Energijos skirstymo operatorius AB using the Company's bonds is estimated by discounting cash flows with market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The cash flows were discounted using an average discount rate of 4.25% (31 December 2021: 2.90%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

The Company's fair value of loans granted is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 2.36% applied for loans above EUR 1 million as at 30 June 2022 (31 December 2021: 2,76%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The Company's bond issue debt (Note 11) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 4.25% as at 30 June 2022 (31 December 2021: 2.90%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 30 June 2022:

| | Note | Carrying amount | Level 1 Quoted prices in active markets | Level 2 Other directly or indirectly observable inputs | Level 3 Unobservable inputs | In total |
|---|---|---|---|---|---|---|
| **Financial instruments measured at fair value through profit (loss)** | | | | | | |
| **Assets** | | | | | | |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 8 | **29,347** | - | - | 29,347 | **29,347** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Bond receivables from subsidiary Energijos skirstymo operatorius AB | 5 | **627,386** | - | 556,670 | - | **556,670** |
| Loans granted | 5, 7 | **954,464** | - | 942,334 | - | **942,334** |
| **Liabilities** | | | | | | |
| Bonds issued | 11 | **901,258** | - | 800,275 | - | **800,275** |
| Bank loan | 11 | **73,266** | - | 60,134 | - | **60,134** |

All amounts are in EUR thousand unless otherwise stated

# 20 Events after the reporting period

### Reduction of Elektroninių mokėjimų agentūra UAB share capital

On 19 July 2022 subsidiary of the Company Elektroninių mokėjimų agentūra UAB reduced its share capital by EUR 558 thousand from EUR 958 thousand to EUR 400 thousand. After the reduction share capital of Elektroninių mokėjimų agentūra UAB is divided into 400,000 units with a nominal value of EUR 1.

### Information on the annulment of Company's own ordinary registered shares and reduction of share capital

On 9 August 2022 the new wording of the Company's Articles of Association was registered in the Register of Legal Entities, thereby completing the procedure for the reduction of the Company's share capital by annulling the ordinary registered shares (hereinafter – ORS) acquired by the Company in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020.

During the reduction of the Company's share capital, 1,894,797 units of the Company's ORS with a nominal value of EUR 22.33 each, which were acquired by the Company itself, were annulled. The total nominal value of the annulled ORS is EUR 42,310,817.01. Accordingly, the Company's share capital decreased to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) and the total number of ORS decreased to 72,388,960 units (from 74 283 757 units). The nominal value of each ORS is EUR 22.33.

It should be noted that following the reduction of the Company's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the Group's IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania) whose securities portfolio currently amounts to 74.99% (increased from 73.08%).

### Guarantee provided

On 9 August 2022 the Company provided a guarantee in favour of RWE Supply & Trading GmbH for EUR 60 million. The guarantee is provided to guarantee performance obligations of subsidiary Ignitis UAB related to purchase of gas.

### Regarding the intention of the Company to take credit lines of EUR 224 million

On 16 August 2022 the Management Board of the Company approved the intention to conclude a credit agreement of EUR 150 million (hereinafter – the Agreement with SEB) with AB SEB bank and AS SEB Pank and an overdraft agreement of EUR 74 million (hereinafter – the Agreement with OP) with OP Corporate Bank plc Lithuanian branch.

The credit lines will be used to finance the Group's need for working capital due to increased energy prices. The Company notes that out of EUR 224 million, according to the arrangement with AB SEB bank, the Company's subsidiary Ignitis UAB will repay a loan of EUR 104 million which was approved by the Management Board of Ignitis UAB on 11 October 2021 before its termination.

Both Agreements are committed and are concluded for a term of 24 months. The Company notes that under the Agreement with SEB the credit amount may be increased by EUR 45 million, while under the Agreement with OP the limit of the overdraft may be increased by EUR 22.2 million with the consents of the Company and financial institutions. The Agreements do not include additional measures ensuring the fulfilment of obligations.

There were no other significant events after the reporting period till the issue of these financial statements.

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# Further information

# 7.1 Material events of the parent company

## During the reporting period (H1 2022)

| Date | Event |
|---|---|
| **27 June** | On the resignation of CEO of AB "Energijos skirstymo operatorius" Mindaugas Keizeris |
| **9 June** | On compensation for increased energy prices for customers and on the approved prices of public supply of electricity and natural gas for private customers |
| **2 June** | The remaining stabilised securities of AB "Ignitis grupė" have been sold in the market |
| **24 May** | Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **19 May** | Interim report for the first quarter of 2022: growth driven by Green Generation |
| **13 May** | On the compensation for consumers due to increasing energy prices |
| **12 May** | Ignitis Group to present Q1 2022 results on 19 May |
| **3 May** | Notice on convening the Extraordinary General Meeting of Shareholders of AB "Ignitis grupė" |
| **27 April** | AB "Ignitis grupė" completed an acquisition of its own ordinary registered shares |
| **22 April** | Vilnius District Court dismissed the case on the incentive share options programme for employees of AB "Ignitis grupė" |
| **13 April** | On the decision of AB "Ignitis grupė" Management Board regarding the acquisition of own ordinary registered own shares |
| **5 April** | Regarding the intention of AB "Ignitis grupė" to conclude internal loan agreement of EUR 73 million with AB "Energijos skirstymo operatorius" |
| **4 April** | Regarding the plan of the government of the Republic of Lithuania to compensate consumers for the increase in energy commodity prices |
| **30 March** | The Court ruled that the price paid for ESO's shares during the mandatory buyout is correct |
| **29 March** | Resolutions of Ordinary General Meeting of AB "Ignitis grupė" shareholders |
| **23 March** | Regarding the intention of AB "Ignitis grupė" subsidiary UAB Kauno kogeneracinė jėgainė to take a loan of EUR 110 million |
| **18 March** | Regarding the resolutions of AB "Ignitis grupė" Supervisory Board for General Meeting |
| **14 March** | Update: Regarding the supplementation of the agenda of the Ordinary General Meeting of Shareholders of AB Ignitis grupė and draft resolutions on the issues provided for in the agenda |
| **14 March** | Regarding the intention of AB "Ignitis grupė" subsidiary UAB "Ignitis" to take a loan up to EUR 150 million |
| **8 March** | Notice on convening the Ordinary General Meeting of Shareholders of AB "Ignitis grupė" |
| **3 March** | Notice on the contract concluded by the person discharging managerial responsibilities regarding AB "Ignitis grupė" financial instruments |
| **28 February** | Correction: Regarding the intention of AB "Ignitis grupė" subsidiary UAB "Ignitis" to take a loan up to EUR 150 million |
| **28 February** | Regarding the intention of AB "Ignitis grupė" subsidiary UAB "Ignitis" to loan up to EUR 150 million |
| **28 February** | Strategic Plan 2022–2025 of AB "Ignitis grupė" has been approved |
| **28 February** | 2021 m. metinis pranešimas: dvigubas Žaliosios gamybos augimas ir ASV iniciatyvų įvertinimas |
| **28 February** | Annual report 2021: twofold Green Generation increase, recognition of ESG excellence |
| **28 February** | Interim report for the twelve months of 2021 |
| **22 February** | Chief Executive Officer of Ignitis Renewables has been appointed |
| **21 February** | Ignitis renewables terminated agreement to acquire portfolio of solar PV projects under development in Poland |

| | |
|---|---|
| **21 February** | Ignitis Group to present full-year 2021 results and 2022–2025 Strategic Plan on 28 February |
| **18 February** | The Management Board, its Chair and CEO of the Group have been elected |
| **9 February** | Correction: On the supplementary agreement to the isolated regime services contract of Flexible Generation segment |
| **8 February** | On the supplementary agreement to the isolated regime services contract of Flexible Generation segment |
| **1 February** | The Supervisory Board of AB "Ignitis grupė" approved the candidates for the new term of the Management Board and the CEO |
| **25 January** | On the intent to establish a subsidiary of UAB "Ignitis renewables" in Latvia |
| **21 January** | On the intention of AB "Ignitis grupė" to amend key conditions of the internal loan agreement with UAB "Ignitis renewables" |

## After the reporting period

| Date | Event |
|---|---|
| **18 August** | Ignitis Group refutes the public statements of a Parliament member about losses |
| **17 August** | On the appointment of interim CEO of AB "Energijos skirstymo operatorius" |
| **16 August** | Regarding the intention of AB "Ignitis grupė" to take credit lines of EUR 224 million |
| **16 August** | Governance of AB "Ignitis grupė" subsidiaries is optimised |
| **16 August** | Ignitis Group to present H1 2022 results on 23 August |
| **9 August** | Information on the completed reduction of AB "Ignitis grupė" share capital |
| **9 August** | Information on the annulment of AB "Ignitis grupė" own ordinary registered shares |
| **9 August** | Vilnius CHP received a favourable arbitration ruling in the case on biomass unit construction |
| **15 July** | The Supreme Court of Lithuania accepted for consideration the cassation appeal regarding the price for ESO's shares |
| **14 July** | Ignitis Group secured grid connection capacity for 252 MW solar park in Lithuania |

# 7.2 Performance of the Group companies

## The parent company, its subsidiaries, and their performance (during the reporting period)[1]

**AB "Ignitis grupė"**

Parent company – management and coordination of activities of the Group companies

**Company code:** 301844044

**Share capital:** EUR 1,658,756,293.81[3]

**Legal form:** Public Limited Liability Company

**Website:** www.ignitisgrupe.lt

**Registered address:** Laisvės Ave. 10, Vilnius

**Email:** grupe@ignitis.lt

**Effective ownership interest:** NA

**Establishment date and register:** 28 August 2008, Lithuanian Register of Legal Entities

| Performance (EUR million): | Consolidated[2] | Stand alone |
|---|---|---|
| Revenue | 1,733.1 | 99.1 |
| Expenses | 1,477.5 | 4.1 |
| Adjusted EBITDA | 206.5 | (2.5) |
| Net profit | 114.8 | 100.3 |
| Investments | 129.4 | 1.6 |
| Assets | 4,614.5 | 2,974.9 |
| Equity | 2,127.8 | 1,975.7 |
| Liabilities | 2,486.7 | 999.1 |
| **Number of employees:** | **3,962** | **48** |

**AB "Energijos Skirstymo Operatorius"**

Distribution of electricity and natural gas, supply of last resort service

**Company code:** 304151376

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 259,442,796.57

**Website:** www.eso.lt

| Performance (EUR million): | |
|---|---|
| Revenue | 246.6 |
| Expenses | 187.7 |
| Adjusted EBITDA | 83.9 |
| Net profit | 3.8 |
| Investments | 102.7 |
| Assets | 1,887.3 |
| Equity | 581.3 |
| Liabilities | 1,306.1 |

**Number of employees:** **2,444**

[1] *Unaudited results, except of standalone results of AB "Ignitis grupė".*
[2] *AB "Ignitis grupė" consolidated numbers include results of all Group companies detailed in section '4. Governance' under '4.5 Information about the Group'.*
[3] *After the reporting period on 9 August 2022, in relation to the post-IPO stabilisation, share capital was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of the parent company's acquired own ordinary registered shares. More information about the reduction of the parent company's share capital is available in section '4. Governance' under '4.1 Governance framework'.*

### UAB "Ignitis Renewables"

Coordination of operation, supervision and development of renewable energy projects

**Company code:** 304988904

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 21,910

**Website:** NA

| Performance (EUR million): | Consolidated[1] | Stand alone |
|---|---|---|
| Revenue | 28.0 | 5.6 |
| Expenses | 5.5 | 2.1 |
| Adjusted EBITDA | 22.5 | (2.0) |
| Net profit | 9.3 | 2.6 |
| Investments | 5.9 | 1.0 |
| Assets | 409.2 | 249.0 |
| Equity | 53.2 | 56.9 |
| Liabilities | 356.0 | 192.2 |
| **Number of employees:** | **53** | **37** |

### UAB „Ignitis renewables projektai"

Development of renewable energy projects

**Company code:** 305916135

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 3,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | 0.0 |
| Adjusted EBITDA | 0.0 |
| Net profit | (0.1) |
| Investments | - |
| Assets | 11.5 |
| Equity | 0.9 |
| Liabilities | 10.6 |

**Number of employees:** **1**

### Ignitis Renewables Polska Sp. z o. o.

Development of renewable energy projects

**Company code:** 0000871214

**Registered address:** Warsaw, Poland

**Effective ownership interest:** 100%

**Share capital:** PLN 5,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | 0.02 |
| Expenses | 0.5 |
| Adjusted EBITDA | (0.4) |
| Net profit | (0.2) |
| Investments | - |
| Assets | 34.2 |
| Equity | 34.0 |
| Liabilities | 0.2 |

**Number of employees:** **13**

### Ignitis Res Dev Sp. z o. o.

Development of renewable energy projects

**Company code:** 0000873356

**Registered address:** Puławska St. 2B, 02-566 Warsaw, Poland

**Effective ownership interest:** 100%

**Share capital:** PLN 5,000

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | (0.0) |
| Adjusted EBITDA | (0.0) |
| Net profit | (0.0) |
| Investments | - |
| Assets | 0.1 |
| Equity | (0.0) |
| Liabilities | 0.1 |

**Number of employees:** **0**[2]

### Pomerania Wind Farm Sp. z o. o.

Generation of renewable electricity

**Company code:** 0000450928

**Registered address:** Puławska St. 2B, 02-566 Warsaw, Poland

**Effective ownership interest:** 100%

**Share capital:** PLN 44,500

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | 16.9 |
| Expenses | 1.4 |
| Adjusted EBITDA | 15.6 |
| Net profit | 8.8 |
| Investments | 4.3 |
| Assets | 141.8 |
| Equity | 40.4 |
| Liabilities | 101.4 |

**Number of employees:** **0**[2]

### Tuuleenergia OÜ

Generation of renewable electricity

**Company code:** 10470014

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

**Effective ownership interest:** 100%

**Share capital:** EUR 499,488

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | 4.1 |
| Expenses | 0.4 |
| Adjusted EBITDA | 3.7 |
| Net profit | 2.9 |
| Investments | - |
| Assets | 32.5 |
| Equity | 7.9 |
| Liabilities | 24.6 |

**Number of employees:** **1**

*[1] UAB "Ignitis Renewables" consolidated numbers include results of UAB "Ignitis Renewables", UAB „Ignitis renewables projektai", Ignitis Renewables Polska Sp. z o. o., Ignitis Res Dev Sp. z o. o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "Eurakras", UAB "Vėjo gūsis", UAB "Vėjo vatas", UAB "VVP Investment", Silezia1 Wind Farm Sp. z o.o., IGN RES DEV1 SIA, IGN RES DEV2 SIA and Ignitis Renewables Latvia SIA.*
*[2] There was no employment contract. A company is represented by elected board member.*

### UAB "Eurakras"

Generation of renewable electricity

**Company code:** 300576942

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 4,620,539.04

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 2.9 |
| Expenses | 0.4 |
| Adjusted EBITDA | 2.5 |
| Net profit | 1.5 |
| Investments | - |
| Assets | 24.2 |
| Equity | 7.0 |
| Liabilities | 17.1 |

**Number of employees:** 1

### UAB "Vėjo gūsis"

Generation of renewable electricity

**Company code:** 300149876

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 7,442,720

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 2.4 |
| Expenses | 0.4 |
| Adjusted EBITDA | 2.0 |
| Net profit | 1.3 |
| Investments | - |
| Assets | 16.9 |
| Equity | 9.3 |
| Liabilities | 7.6 |

**Number of employees:** 1

### UAB "Vėjo vatas"

Generation of renewable electricity

**Company code:** 110860444

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 2,896,000

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 1.7 |
| Expenses | 0.3 |
| Adjusted EBITDA | 1.4 |
| Net profit | 0.8 |
| Investments | - |
| Assets | 13.8 |
| Equity | 4.0 |
| Liabilities | 9.8 |

**Number of employees:** 1

### UAB "VVP Investment"

Development and operation of a renewable energy (wind) project

**Company code:** 302661590

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 250,214.40

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | 0.1 |
| Adjusted EBITDA | (0.1) |
| Net profit | (0.1) |
| Investments | 0.6 |
| Assets | 55.3 |
| Equity | 0.1 |
| Liabilities | 55.2 |

**Number of employees:** 1

### Silezia1 Wind Farm Sp. z o.o.

Development and operation of a renewable energy ( wind) project

**Company code:** 0000531275

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

**Effective ownership interest:** 100%

**Share capital:** PLN 47,977,500

**Website: NA**

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | (0.0) |
| Adjusted EBITDA | (0.0) |
| Net profit | (0.4) |
| Investments | 0.0 |
| Assets | 24.7 |
| Equity | 0.7 |
| Liabilities | 24.0 |

**Number of employees:** 0[1]

### IGN RES DEV1 SIA

Development of renewable energy projects

**Company code:** 40203389977

**Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia

**Effective ownership interest:** 100%

**Share capital:** EUR 500,000.00

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | - |
| Adjusted EBITDA | - |
| Net profit | - |
| Investments | - |
| Assets | 0.5 |
| Equity | 0.5 |
| Liabilities | - |

**Number of employees:** 0[1]

[1] *There was no employment contract. A company is represented by elected board member.*

### IGN RES DEV2 SIA

Development of renewable energy projects

**Company code:** 40203390251

**Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia

**Effective ownership interest:** 100%

**Share capital:** EUR 500,000.00

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | - |
| Adjusted EBITDA | - |
| Net profit | - |
| Investments | - |
| Assets | 0.5 |
| Equity | 0.5 |
| Liabilities | - |

**Number of employees:** 0[1]

### Ignitis Renewables Latvia SIA

Development of renewable energy projects

**Company code:** 40203380662

**Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia

**Effective ownership interest:** 100%

**Share capital:** EUR 2,000,000.00

**Website:** NA

| Performance (EUR million): | |
|---|---|
| Revenue | - |
| Expenses | (0.0) |
| Adjusted EBITDA | (0.0) |
| Net profit | (0.0) |
| Investments | - |
| Assets | 2.0 |
| Equity | 2.0 |
| Liabilities | 0.0 |

**Number of employees:** 4

### UAB Kauno Kogeneracinė Jėgainė

Electricity and heat production from waste

**Company code:** 303792888

**Registered address:** Jėgainės St. 6, Biruliškės, Karmėlava mun., Kaunas district

**Effective ownership interest:** 51%

**Share capital:** EUR 40,000,000

**Website:** www.kkj.lt

| Performance (EUR million): | |
|---|---|
| Revenue | 22.4 |
| Expenses | 8.0 |
| Adjusted EBITDA | 6.2 |
| Net profit | 1.9 |
| Investments | 0.0 |
| Assets | 173.8 |
| Equity | 46.1 |
| Liabilities | 127.6 |

**Number of employees:** 38

### Vilniaus Kogeneracinė Jėgainė

Development and operation of cogeneration power plant project

**Company code:** 303782367

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 52,300,000.12

**Website:** www.vkj.lt

| Performance (EUR million): | |
|---|---|
| Revenue | 18.4 |
| Expenses | 4.8 |
| Adjusted EBITDA | 3.0 |
| Net profit | (0.2) |
| Investments | 12.7 |
| Assets | 326.9 |
| Equity | 56.3 |
| Liabilities | 270.6 |

**Number of employees:** 89

### AB "Ignitis gamyba"

Generation and trading of electricity

**Company code:** 302648707

**Registered address:** Elektrinės St. 21, Elektrėnai

**Effective ownership share:** 100%

**Share capital:** EUR 187,920,762.41

**Website:** www.ignitisgamyba.lt

| Performance (EUR million): | |
|---|---|
| Revenue | 218.1 |
| Expenses | 80.0 |
| Adjusted EBITDA | 82.4 |
| Net profit | 62.3 |
| Investments | 0.3 |
| Assets | 682.2 |
| Equity | 360.5 |
| Liabilities | 321.8 |

**Number of employees:** 358

### UAB "Ignitis"

Electricity and natural gas supply, trading, energy efficiency projects

**Company code:** 303383884

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 40,140,000

**Website:** www.ignitis.lt

| Performance (EUR million): | Consolidated[2] | Stand alone |
|---|---|---|
| Revenue | 1,362.4 | 1,223.4 |
| Expenses | 1,321.6 | 1,183.5 |
| Adjusted EBITDA | 9.9 | 9.2 |
| Net profit | 35.3 | 31.4 |
| Investments | 1.5 | 1.3 |
| Assets | 1,233.4 | 1,200.2 |
| Equity | 331.6 | 300.0 |
| Liabilities | 901.8 | 900.2 |
| **Number of employees:** | 352 | 318 |

[1] *There was no employment contract. A company is represented by elected board member.*
[2] *Ignitis consolidated numbers include results of UAB "Ignitis", Ignitis Polska Sp. z o. o., Ignitis Latvija SIA, Ignitis Eesti OÜ and Ignitis Suomi Oy.*

### Ignitis Polska Sp. z o. o.

Supply and trading of electricity

**Company code:** 0000681577

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

**Effective ownership interest:** 100%

**Share capital:** PLN 10,000,000

**Website:** www.ignitis.pl

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 52.3 |
| Expenses | 51.0 |
| Adjusted EBITDA | 1.2 |
| Net profit | 0.6 |
| Investments | - |
| Assets | 31.5 |
| Equity | 2.9 |
| Liabilities | 28.6 |

**Number of employees:** **16**

### Ignitis Latvija SIA

Supply of electricity and natural gas

**Company code:** 40103642991

**Registered address:** Cēsu St. 31 k-2, , LV-1012, Riga, Latvia

**Effective ownership interest:** 100%

**Share capital:** EUR 5,500,000

**Website:** www.ignitis.lv

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 112.0 |
| Expenses | 111.9 |
| Adjusted EBITDA | (0.0) |
| Net profit | (0.3) |
| Investments | 0.2 |
| Assets | 82.5 |
| Equity | 38.9 |
| Liabilities | 43.6 |

**Number of employees:** **15**

### Ignitis Eesti OÜ

Supply of electricity

**Company code:** 12433862

**Registered address:** Narva St. 5, 10117 Tallinn, Estonia

**Effective ownership interest:** 100%

**Share capital:** EUR 35,000

**Website:** NA

**Performance (EUR million):**

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

**Number of employees:** **0**[1]

### Ignitis Suomi Oy

Supply of natural gas

**Company code:** 3202810-4

**Registered address:** Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland

**Effective ownership interest:** 100%

**Share capital:** EUR 200,000

**Website:** www.ignitis.fi

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 77.8 |
| Expenses | 78.0 |
| Adjusted EBITDA | (0.2) |
| Net profit | (0.1) |
| Investments | - |
| Assets | 52.5 |
| Equity | (0.0) |
| Liabilities | 52.5 |

**Number of employees:** **3**

### UAB "Ignitis grupės paslaugų Centras"

Shared business support services

**Company code:** 303200016

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%[2]

**Share capital:** EUR 12,269,006.25

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 16.3 |
| Expenses | 13.5 |
| Adjusted EBITDA | 2.9 |
| Net profit | 0.3 |
| Investments | 5.7 |
| Assets | 27.3 |
| Equity | 13.5 |
| Liabilities | 13.9 |

**Number of employees:** **546**

### UAB "Gamybos optimizavimas"

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

**Company code:** 304972024

**Registered address:** Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 350,000

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.3 |
| Expenses | 0.3 |
| Adjusted EBITDA | 0.0 |
| Net profit | 0.0 |
| Investments | - |
| Assets | 0.6 |
| Equity | 0.4 |
| Liabilities | 0.1 |

**Number of employees:** **7**

*[1] There was no employment contract. A decision by the Majority shareholder to appoint a manager has been adopted.*

*[2] AB "Ignitis grupė" owns 50.46%, AB "Energijos skirstymo operatorius" – 26.40%, AB "Ignitis gamyba" – 21.45%, UAB "Ignitis" – 1.68%.*

**UAB Elektroninių mokėjimų agentūra**

Payment aggregation

**Company code:**
136031358

**Registered address:**
Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:**
EUR 400,000

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.4 |
| Expenses | 0.2 |
| Adjusted EBITDA | 0.2 |
| Net profit | 0.1 |
| Investments | 0.0 |
| Assets | 1.3 |
| Equity | 1.2 |
| Liabilities | 0.1 |

**Number of employees:**
**5**

**UAB "Transporto valdymas"**

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

**Company code:**
304766704

**Registered address:**
Kirtimų St. 47, Vilnius

**Effective ownership interest:** 100%

**Share capital:**
EUR 2,359,371.20

**Website:** www.tpvaldymas.eu

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 2.2 |
| Expenses | 1.1 |
| Adjusted EBITDA | 1.0 |
| Net profit | 0.7 |
| Investments | 0.0 |
| Assets | 18.1 |
| Equity | 6.9 |
| Liabilities | 11.2 |

**Number of employees:**
**19**

**NT Valdos, UAB**[1]

Management and other related services of real estate

**Company code:**
300634954

**Registered address:**
Laisvės Ave. 10, Vilnius

**Effective ownership interest:** 100%

**Share capital:**
EUR 2519.52

**Website:** NA

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | (0.0) |
| Adjusted EBITDA | (0.0) |
| Net profit | 0.0 |
| Investments | - |
| Assets | 0.4 |
| Equity | 0.4 |
| Liabilities | - |

**Number of employees:**
**0**[1]

**UAB Energetikos Paslaugų ir Rangos Organizacija**[4]

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

**Company code:**
304132956

**Registered address:**
Motorų St. 2, Vilnius

**Effective ownership interest:** 100%

**Share capital:**
EUR 350,895.07

**Website:**
http://www.enepro.lt/

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | 0.0 |
| Adjusted EBITDA | (0.0) |
| Net profit | 0.1 |
| Investments | - |
| Assets | 0.3 |
| Equity | 0.3 |
| Liabilities | - |

**Number of employees:**
**0**[2]

*[1] On 7 December 2021, the Majority shareholder's decision was adopted to liquidate NT Valdos, UAB. The company did not have any employees. The Majority shareholder's decision was adopted to appoint a liquidator (employee of the parent company).*
*[2] On 10 May 2021 the Majority shareholder's decision was adopted to liquidate Energetikos Paslaugų ir Rangos Organizacija. The company does not have any employees. The Majority shareholder's decision was adopted to appoint a liquidator (employee of the parent company).*

# 7.3 Other statutory information

The interim report provides information to the shareholders, creditors and other stakeholders of AB "Ignitis grupė" (hereinafter – the parent company) about the parent company's and its controlled companies', which together are called group of companies (hereinafter – the "Group" or "Ignitis Group"), operations for the period of January–June 2022.

The interim report has been prepared by the parent company's administration in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian) and the Law on Consolidated Financial Reporting of the Republic of Lithuania (link in Lithuanian).

The parent company's management is responsible for the information contained in the interim report. The report and the documents, on the basis of which it was prepared, are available at the head office of the parent company (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

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

## Significant arrangements

The parent company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the parent company's control situation.

During the reporting period, the parent company did not conclude any harmful agreements (which do not correspond to the parent company's objectives, current market conditions, violate the interests of shareholders or other groups of persons, etc.) which had or potentially may have a negative impact on the parent company's performance and/or results of operation nor there were any agreements concluded in the event of a conflict of interests between the obligations of the parent company's managers, the controlling shareholders or other related parties to the parent company and their private interests and/or other duties.

There are no agreements concluded between the parent company and the members of the management bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.

## Internal control and risk management systems involved in the preparation of the consolidated financial statements

The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company providing accounting services to the parent company ensure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

## Information on the auditors

UAB "KPMG Baltics" on 27 September 2021 has been appointed as the new auditor (previously, audit services were provided by UAB "Ernst & Young Baltic") by the General Meeting of Shareholders of the parent company to provide audit services of financial statements of the parent company and the consolidated financial statements of the Group for the full years of 2021 and 2022.

More information about the auditor, including remuneration for services, is available in our Annual report 2021.

## Information on delisted companies

Since September 2021, the parent company owns 100% of shares of ESO (Networks) and Ignitis Gamyba (Flexible Generation). More information about delisted companies, including the guidance of payment for shares, is available on our website.

## Notice on the language

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

# Glossary

# Glossary

| | |
|---|---|
| # | Number |
| % | Per cent |
| '000 / k | Thousand |
| AB | Joint stock company |
| Adjusted EBITDA | EBITDA after eliminating items, which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period |
| APM | Alternative performance measure (link) |
| | Business to consumer |
| B2B | Business to business |
| B2C | Business to consumer |
| BICG | Baltic Institute of Corporate Governance |
| bn | Billion |
| CCGT | Combined Cycle Gas Turbine Plant |
| CDP | Carbon Disclosure Project |
| CfD | Contract for difference |
| CHP | Combined heat and power |
| Clean spark | Indicative prices giving the difference between the combined cost of gas and emissions, and the equivalent price of electricity |
| CO2 | Carbon dioxide |
| COD (commercial operation date) / commissioned | The start of energy generation after the test on completion |
| CPI | Consumer Price Index |
| E | Electricity |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| Electricity generated (net) | Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex |
| Electricity sales | Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia |
| Energijos Tiekimas | Energijos Tiekimas UAB |
| Enerpro | UAB Energetikos paslaugų ir rangos organizacija |
| eNPS | Employee Net Promoter Score |
| EPS | Earnings per share |
| ESG | Environmental, social and corporate governance |
| ESO | AB „ Energijos skirstymo operatorius " |
| etc. | et cetera |
| EURbn | billion EUR |
| EURm | million EUR |
| EU | European Union |
| Eurakras | UAB „EURAKRAS" |
| FCF | Free Cash Flow |
| FFO | Funds from operations |
| FiT | Feed-in Tariff |
| Full completion | Taking over certificate obtained implying the transfer of operational responsibility of the power plant to the Group |
| GDP | Gross domestic product |
| GDR | Global depositary receipt |
| GHG | Greenhouse Gas |
| Green electricity generated (net) | Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant) |
| Green Generation capacity installed | Wind farms, solar power plants, biofuel plants, CHP plants and hydropower plants (including Kruonis pumped storage power plant) that have completed and have passed a final test |
| Green share of generation,% | Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group |
| GRI | Global Reporting Initiative |
| Group or Ignitis Group | AB „Ignitis grupė" and its controlled companies |
| GW | Gigawatt |
| Heat generated (net) | Heat sold in CHP plants, 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** | Where all assets have been completed and have passed a final test |
| **Investments** | Acquisition of property, plant and equipment and intangible assets, acquisition of shareholdings |
| **ISIN** | International Securities Identification Number |
| **YoY** | Year over year |
| **IPPC** | Integrated pollution prevention and control |
| **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 |
| **Litgas** | Litgas UAB |
| **Litgrid** | Litgrid AB |
| **LNG** | Liquefied natural gas |
| **LNGT** | Liquefied natural gas terminal |
| **LTM** | Last twelve months |
| **m** | Million |
| **Mažeikiai** | UAB „VVP Investment" |
| **min** | Minimum |
| **MW** | Megawatt |
| **MWh** | Megawatt hour |
| **n/a** | Not applicable |
| **NERC** | The National Energy Regulatory Council |
| **Net debt/ Adjusted EBITDA** | Leverage ratio, which shows the Group's ability to repay its debt from the profit earned |
| **New connection points and upgrades** | Number of new customers connected to the network and capacity upgrades of the existing connection points |
| **NPS** | Net promoter score |
| **NT Valdos** | NT Valdos, UAB |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OPEX** | Operating expenses |
| **Parent company** | AB „Ignitis grupė" (former „Lietuvos energija", UAB) |
| **Pomerania** | Pomerania Wind Farm sp. z o. o. |
| **pp** | Percentage point |
| **PPE** | Property, plant and equipment |
| **Public supply** | Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence |
| **Q** | Quarter |
| **RAB** | Regulated asset base |
| **ROCE** | Return on Capital Employed |
| **ROE** | Return of Equity |
| **ROI** | Return on Investment |
| **SAIDI** | Average duration of unplanned interruptions in electricity or gas transmission |
| **SAIFI** | Average number of unplanned long interruptions per customer |
| **SBTi** | Science Based Targets initiative |
| **SDG** | Sustainable Development Goal |
| **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 |
| **TE-3** | Vilnius Third Combined Heat and Power Plant |
| **TRIR** | Total Recordable Incident Rate |
| **Tuuleenergia** | „Tuuleenergia osaühing" |
| **TWh** | Terawatt-hour |
| **UAB** | Private Limited Liability Company |
| **Units** | Units |
| **Vėjo Gūsis** | UAB „VĖJO GŪSIS" |
| **Vėjo Vatas** | UAB „VĖJO VATAS" |
| **Vilnius CHP** | UAB Vilniaus kogeneracinė jėgainė |
| **Visagino atominė elektrinė** | Visagino atominė elektrinė UAB |
| **vs.** | Versus |
| **WACC** | Weighted average cost of capital |
| **WF** | Wind farm |
| | Units |
| **Vėjo Gūsis** | UAB „VĖJO GŪSIS" |
| **Vėjo Vatas** | UAB „VĖJO VATAS" |
| **Vilnius CHP** | UAB Vilniaus kogeneracinė jėgainė |
| **vs.** | Versus |
| **WACC** | Weighted average cost of capital |
| **WF** | Wind farm |
| **WtE** | Waste-to-energy |


# Certification statement

# Certification statement

## 23 August 2022

Referring to the provisions of the Article 13 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB "Ignitis grupė", Jonas Rimavičius, Chief Financial Officer at AB "Ignitis grupė", and Giedruolė Guobienė, Head of Accounting at UAB "Ignitis grupės paslaugų centras", acting under Order No IS-22-22 of 4 April 2022, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" interim condensed consolidated and the condensed parent company's financial statements for the six-month period ended 30 June 2022 prepared according to International accounting standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and the parent company's assets, liabilities, financial position, profit or loss and cash flows for the period, the Interim Report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

**Darius Maikštėnas**
Chief Executive Officer

**Jonas Rimavičius**
Chief Financial Officer

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras",
Head of Accounting acting under
Order No IS-22-22
(signed 4 April 2022)

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Laisvės av. 10, LT-04215 Vilnius, Lithuania

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grupe@ignitis.lt

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ignitis group