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GIEDRUOLĖ GUOBIENĖ
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DARIUS KAŠAUSKAS
2021-02-26 15:44:56 GMT+2
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Kvalifikuotas elektroninis parašas
DARIUS MAIKŠTĖNAS
2021-02-26 15:48:53 GMT+2
Paskirtis: Parašas

Kvalifikuotas elektroninis parašas
JONAS AKELIS
2021-02-26 16:03:13 GMT+2
Paskirtis: Parašas

ignitis group

# 2020 Annual report

Consolidated annual report for the year ended 31 December 2020 and the consolidated and the parent company's financial statements prepared according to International Financial Reporting Standards as adopted by the European Union and presented together with the independent auditor's report for the year ended 31 December 2020

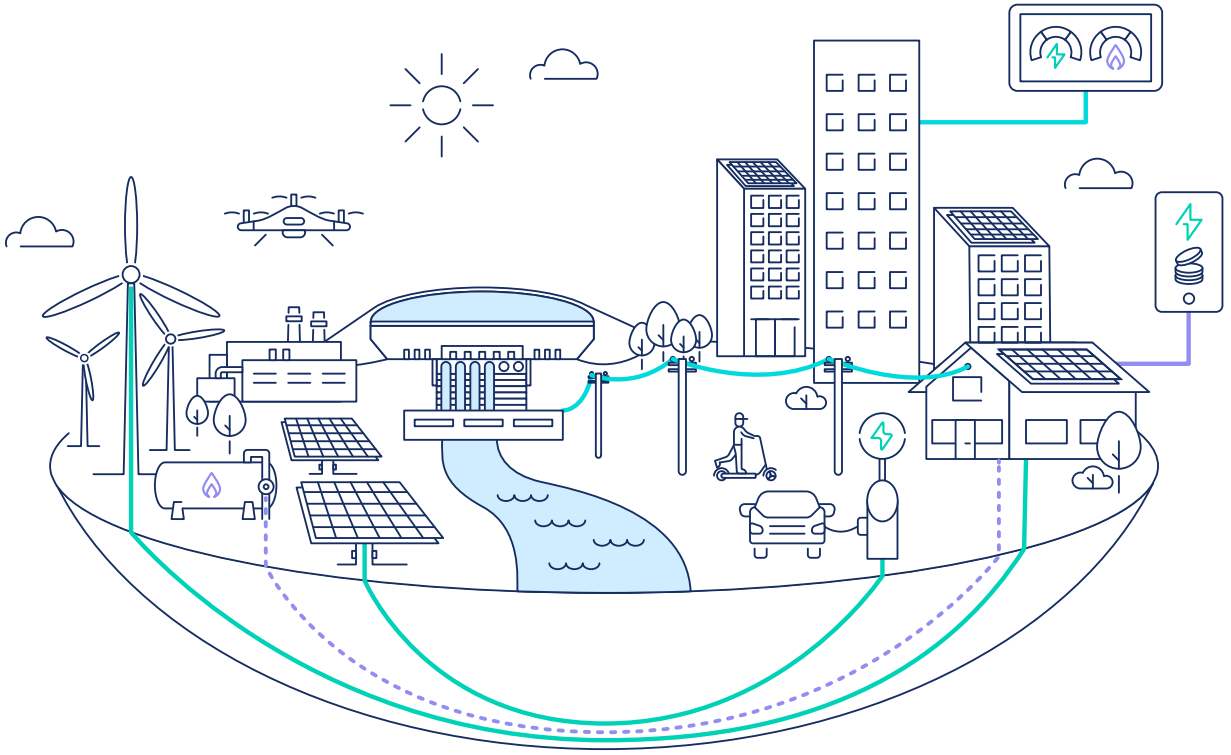
# Ignitis Group – creating an energy smart world

## 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 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.

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# Overview


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# 1.1 CEO's statement

## Delivering today to change tomorrow

We present you the results of Ignitis Group and an overview of the year 2020, which highlights our achievements, challenges, and changes during this unusual year.

The ripples of the COVID-19 pandemic and the quarantine restrictions affected every one of us. However, this situation proved once again that the determination of a unified professional team can overcome many challenges. Our colleagues made immense efforts during this extraordinary period.

The year 2020 will moreover stand out for Ignitis Group due to the completion of the largest ever IPO in the Baltic region. During the IPO, we successfully raised EUR 450 million of primary capital. It is a major form of recognition of our sustainable growth strategy.

We have proven once again that Ignitis Group is ready to lead the energy transition in the Baltic region by expanding Green Generation capacity and creating long-term sustainable value to all our shareholders and stakeholders.

GRI 102-1 GRI 102-14

**Sustainability**

Creating a sustainable future is one of our strongest long-term commitments embedded in Ignitis Group's strategy presented last year. It can only be achieved with the decarbonisation of the energy sector, development of innovative solutions and sustainable growth while following the principles of environmental, social, and good corporate governance (ESG), which are the basis of our businesses.

In this journey, we follow the principles of the United Nations Global Compact and recognise the increasingly important role of corporations in contributing to sustainable development. In 2020, we updated our Sustainability Policy and adopted a new Code of Ethics, which clearly states the principles of conduct expected from our employees and partners as well as our commitment to fostering those principles. We will continue our efforts to make sure that the Code of Ethics becomes an integral part of our organisational culture.

In 2020, we laid the groundwork for delivering on our sustainability commitments. We conducted an inventory of our carbon emissions in preparation for the pathway to net zero emissions by 2050. We also made significant progress with disclosures by making many of the Group's internal policies publicly available on our website. We also received and published independent evaluations of our ESG performance by the global ratings agencies MSCI and Sustainalytics.

Our comprehensive Sustainability Report presented below as part of the Annual Report this year is also aligned with globally recognised standards, such as the Global Reporting Initiative (GRI) and the Nasdaq ESG Reporting Guide. We hope that enhanced disclosures will help our stakeholders to better assess our performance and progress.

We are glad that the year 2020, despite the public health emergency, showed that the Group's efforts to ensure respect, equal opportunity, safe environment, and a culture of growth is observed and appreciated by our colleagues. The Employee Net Promoter Score (eNPS) grew from 24.5% to 56.0% compared to 2019. It is a significant increase showing that we are on the right path.



New developments towards a more sustainable future deserve a mention as well. A hydrogen platform established in Lithuania last year is one of the highlights among the initiatives to decarbonise the energy sector, thus we became a part of it too. This way, we will contribute to the development of hydrogen as a potential fuel of the future and to the overall sector ecosystem.

**Performance**

In 2020, we continued to grow and achieved a solid result of EUR 291.6 million of adjusted EBITDA which exceeded our expectations and outperformed our guidance to the market by around 10%. It was driven by better than expected results of the CCGT unit in Elektrėnai Complex of Flexible Generation segment and Kruonis PSHP of Green Generation segment as well as better overall performance of Customers & Solutions segment activities.

Adjusted EBITDA was EUR 31.7 million or 12% higher compared to 2019. Adjusted EBITDA results increased in all main Group's operating segments. The year-on-year increase in the Networks segment due to a higher RAB value reflects our continued investments into the reliability of the network, new customer connections and upgrades. Growth in Green Generation segment, the result of which improved by 17%, was influenced by the efficient performance of Kruonis PSHP and the launch of Kaunas CHP. Flexible Generation segment grew due to successful commercial activities in Elektrėnai complex. The Customers & Solutions segment result increased due to expansion to the Finnish gas market.

Moreover, during 2020 we made huge steps in Green Generation segment which are not yet fully reflected in the financial results: Kaunas CHP started its commercial activities in August 2020, all wind turbines in Pomerania WF were completed, and it is expected to start generating electricity in Q1 2021, 'hot' tests were completed at Vilnius CHP for the waste-to-energy unit, which should also start its operations in Q1 2021. Thus, we expect even higher growth of adjusted EBITDA in Green Generation segment during 2021, which will affirm the promise made to our stakeholders.

On the other hand, the completion of Ignitis Group IPO in October strengthened the capital structure of the Group, which led to the event driven review of the credit rating and subsequent outlook change. The international credit rating agency S&P Global Ratings upgraded the credit rating outlook from 'negative' to 'stable' with BBB+ credit rating. It is an additional confirmation of us being able to ensure the implementation of our sustainable growth strategy and an indication of the reliability of Ignitis Group.

In 2020, a new dividend policy of Ignitis Group was also approved. Under the new policy, dividends of EUR 85 million will be declared for the financial year 2020. For each subsequent financial year, dividends will be at least 3% higher than the amount paid for the previous financial year. This will ensure a growing return which is in line with the goals set by Ignitis Group on maintaining a sustainable financial position and creating value for its shareholders.

**Key developments**

During 2020, we continued to develop generation capacity of our Green Generation segment.

Over the last year we erected all 29 wind turbines in Pomerania WF in Poland. It should start generating electricity already in spring this year. In addition to further expansion in Poland, we concluded an agreement for the acquisition of the solar PV development portfolio with total capacity of up to 170 MW. It became the largest agreement of this type in Central Europe. All this ensures us stepping forward towards the implementation of the ambitious future projects.

Besides, by concluding the partnership with Ocean Winds we for the first time appeared in the offshore development market. We not only aim to participate in the offshore wind farm auctions to be held in Lithuania in 2023, but also will act as a minority partner in the development of the Moray West wind farm on the east coast of the United Kingdom.

We also progressed with the development of CHP assets. In August, Kaunas CHP started its commercial activities, while 'hot' tests were completed at Vilnius CHP, the waste-to-energy unit. On the other side, while developing Vilnius CHP we faced some challenges. While the waste-to-energy unit of Vilnius CHP should start its commercial activities as expected (around Q1 2021), the launch of the biomass unit may be delayed by approximately one year. This is mainly due to the contract termination with biomass unit contractor Rafako, which has launched the process of restructuring. Currently, we are preparing to start public procurement procedures to engage potential contractors to finish the project.

Lastly, we started preparatory works for the 63 MW Mažeikiai WF construction in Lithuania.

Being well on track to meet our Green Generation portfolio development goals, we also expanded our Customers & Solutions segment activities to the Finnish and Polish energy supply markets.

**Looking ahead**

We remain committed to reducing the greenhouse gas emissions from our activities and to reach net zero emissions by 2050, this way contributing to slowing the rate of climate change. A detailed GHG management plan will be prepared in 2021. It will comply with the requirements of the Science Based Targets Initiative (SBTi) led by the United Nations and other international organisations. We will also continue to pursue other important sustainability goals in the environmental, social and governance domains.

Over the last 5 years we have intensively worked on Green Generation development projects and will continue expanding our portfolio even further. In 2024, our Green Generation segment capacity should reach 1.8–2.0 GW. We currently manage 1.1 GW of operating generation capacity in this segment, which means that the installed capacity would increase by around 700–900 MW. During the period of 2021–2024, we expect the investments into renewable energy projects to amount to EUR 800–1,000 million.

The second largest proportion of the investments, amounting to EUR 800–900 million, will be directed to the Networks segment. We will continue to increase the security, reliability and resilience of the electricity and gas distribution system as well as responsibly expand the grid, following the needs of our clients. The implementation of smart metering programme will enable our clients to use the benefits of digitalised network for all of their energy smart ideas at their homes and businesses.

Lastly, we continue our commitment towards maintaining our financial discipline. To increase effective capital employment, we included a target to grow ROCE by 5.5–6.5% in the updated Strategic plan for the period of 2021–2024. This will support us in ensuring steadily increasing dividends to our shareholders.

**Concluding remarks**

2020 was a year of change. We are proud of what we have achieved so far, and we know that there is always some room for improvement. Therefore, we will continue to incorporate widely recognised governance standards in our activity, seeking to ensure our transparency and maintain the trust we have gained from our shareholders and stakeholders. Having a platform filled with market expertise and an ambitious mindset, we will take our responsibility to lead the energy transition in our region even further.

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

# 1.2 Business highlights

## January

**Customers & Solutions:** Entered the Finnish gas supply market.

**Customers & Solutions:** Entered the Polish electricity supply (B2B) market.

## March

**Governance:** Number of Supervisory Board members increased from 5 to 7.

## April

**Sustainability:** Received a rating of A (on a scale of CCC-AAA) in the MSCI ESG Ratings assessment.

## May

**Finance:** Issued EUR 300 million 10-year bond.

## June

**Strategy:** Updated the long-term corporate strategy and prepared a 2020-2023 Strategic plan.

## July

**Governance:** Jumped from 33rd place to 12-13th in the Lithuanian Corporate Reputation Index.

**Finance:** Delisted ESO and Ignitis Gamyba from Nasdaq Vilnius.

**Flexible Generation:** EC units successfully participated in test of the operation of the isolated Lithuanian energy system.

## August

**Green Generation:** Began preparatory construction works of Mažeikiai WF (63 MW) in Lithuania.

**Green Generation:** Kaunas CHP (24 MWe, 70 MWth) started its commercial activities.

**Green Generation:** Vilnius CHP (92 MWe, 229 MWth) implemented the 'hot' testing of waste heat boilers.

## September

**Finance:** Approved a new dividend policy.

**Green Generation:** SPA signed with SIG for the solar PV development portfolio (up to 170 MW) in Poland.

**Sustainability:** Obtained Sustainalytics ESG risk rating of 26.5 which is medium at the risk rating scale.

**Green Generation:** Concluded partnership with Ocean Winds to develop offshore wind farm projects.

## October

**Finance:** Completed the largest ever IPO in the Baltic States and began trading on Nasdaq Vilnius and London stock exchanges.

**Green Generation:** Vilnius CHP terminated the contract with biomass contractor Rafako.

**Networks:** NERC set electricity and natural gas distribution price caps for 2021.

## November

**Governance:** 2 new independent members (Bent Christensen and Judith Buss) appointed to the Supervisory Board.

**Finance:** S&P Global Ratings upgraded BBB+ rating outlook from negative to stable.

## December

**Governance:** LTIP for the top executives established.

**Green Generation:** All 29 wind turbines erected in Pomerania WF (94 MW) in Poland with expected COD in Q1 2021.

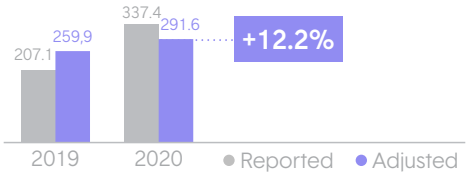
**Multiple segments:** NERC updated WACC methodology.

GRI 102-10

# 1.3 Performance highlights

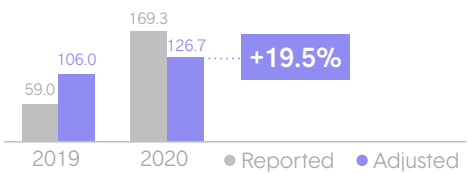
## Financial

### EBITDA, Adjusted EBITDA APM
EURm



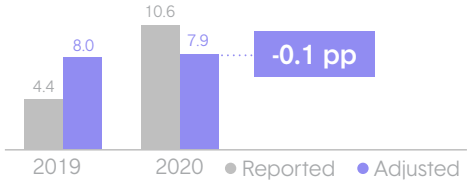

Adjusted EBITDA grew across all four segments. An increase of 12.2% was driven by regulated asset base (RAB) growth in the Networks segment, better result of commercial activities of the CCGT unit, efficient use of Kruonis PSHP, launch of Kaunas CHP and expansion to the Finnish gas market.

### Net profit, Adjusted net profit APM
EURm



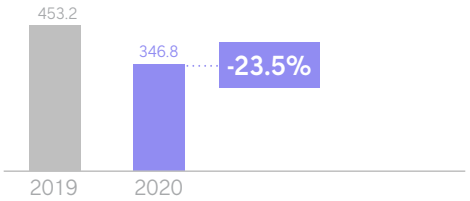

Adjusted net profit increased by 19.5% driven by growth in Adjusted EBITDA which was partly offset by higher income tax expenses.

### ROE, Adjusted ROE APM
%



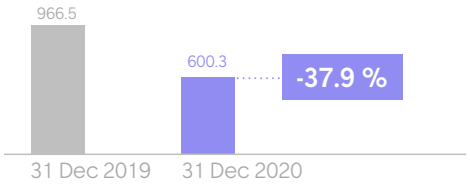

Adjusted ROE slightly decreased to 7.9%. An effect of increased Adjusted net profit was offset by increase of capital during the IPO.

### Investments APM
EURm



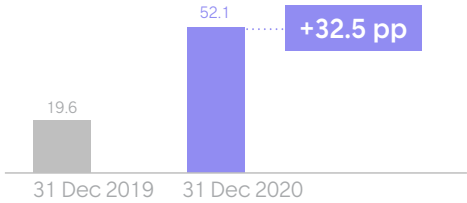

Investments decreased mainly due to lower investments in Vilnius CHP and the Networks segment. Decrease was partly offset by higher investments in Kaunas CHP and Pomerania WF.

### Net debt APM
EURm




Net debt decreased by 37.9%. The decrease mainly resulted from the capital raised during the IPO (EUR 450.0 million).

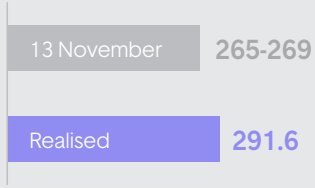
### FFO/Net debt APM
%




FFO / Net debt improved from 19.6% to 52.1%, as Net Debt significantly decreased post IPO and FFO increased due to higher EBITDA.

## Results comparison with the outlook for 2020

### Adjusted EBITDA APM
EURm




In the outlook announced in our 2020 9-month interim report, we expected adjusted EBITDA to be in the range of EUR 265–269 million for 2020.

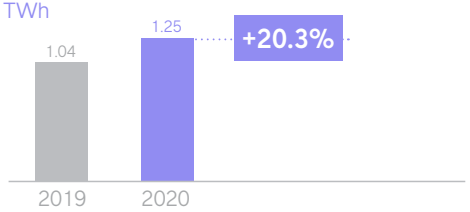
With adjusted EBITDA of EUR 291.6 million, we exceeded the guidance by around 10%.

The outperformance was driven by better than expected results of Kruonis PSHP (Green Generation segment), the CCGT unit of Elektrėnai Complex (Flexible Generation segment) and better overall performance of the Customers & Solutions segment.

** Because of the restatement of comparative figures for the year 2019 in 2020 Financial Statements, the performance indicators presented here (and throughout this report) for 2019 might differ from those presented in the 2019 Annual Report. Changes of the financial figures of 2019 are disclosed in 2020 Financial Statements Note 5. In case of a change of calculation of APM in 2020, the measures of 2019 were recalculated as to the calculation of 2020. The calculation of Adjusted EBIT was changed from H1 2020 (more information in Adjusted EBIT section of the report).*
*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. The definitions of alternative performance measures can be foundin the 'Further information' section of this report or the Group's website.*

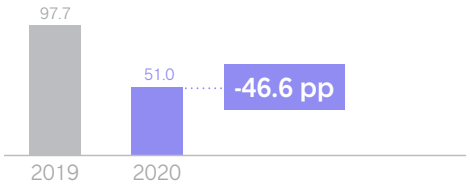
# Environment

### Green electricity generated
TWh



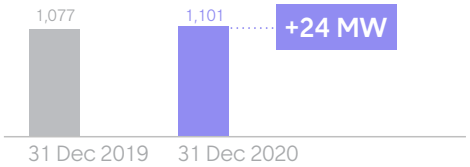

Green electricity generated increased by 20.3% which was mainly driven by higher generation at Kruonis PSHP as a result of effective utilisation of fluctuations in electricity prices and Kaunas CHP, which commenced commercial operations in August 2020.

### Green share of generation
%




Green share of generation decreased by 46.6 pp as a result of significant increase of electricity generated from the CCGT, caused by favourable gas prices and changes in the regulation of ancillary services.

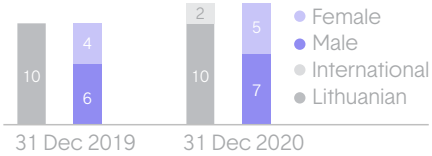
### Green Generation installed capacity
MW




Installed Green Generation capacity increased by 24 MW since Kaunas CHP commenced commercial operations in August 2020.

# Governance

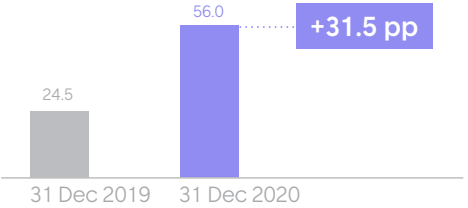
### Supervisory and Management Boards
Nationality and gender diversity




As of 31 December 2020, the Supervisory and Management Boards had 42% female and 17% international members. In 2020 two new international members joined the Supervisory Board (one female and one male) resulting in an improvement of diversity in the main governing bodies.

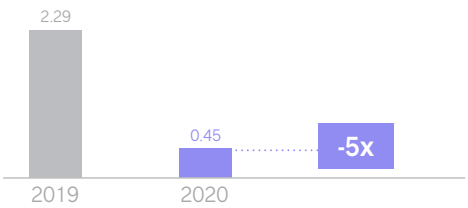
# Social

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



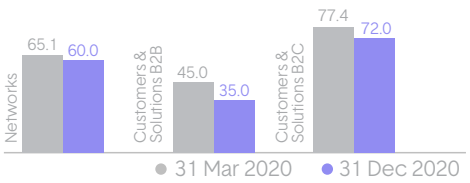

From 2019 the Group started to monitor eNPS, which improved by 31.5 pp. The Group's actions taken during COVID-19 and greater focus on employee development positively impacted employee satisfaction.

### Safety
TRIR, times




During 2020, total recordable employee injury rate (TRIR) equalled to 0.45 for million hours worked and was 5 times lower compared to 2019. We consider 2020 TRIR to be an outlier mainly because of the mobility restrictions imposed by the COVID-19 pandemic.

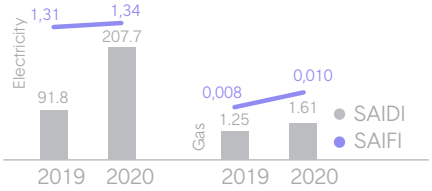
### Customer experience
NPS, %




From 2020 the Group started to monitor relationship NPS. NPS decreased by 5.1 pp in the Networks segment, by 10 pp in B2B and by 5.4 pp in B2C in the Customers & Solutions segment mainly influenced by B2C market deregulation. Increased inquiries and calls related to market deregulation influenced lower customer service quality, and the responses were provided later than usual. Nevertheless, NPS indicators remain relatively high compared to other utilities.

# Operational efficiency

### Network quality
SAIDI, min./ SAIFI, units




Deterioration of electricity quality indicators was mainly caused by storm Laura (12–13th March), which was the biggest storm since 2005. Deterioration of gas quality indicators resulted from the network disruptions by third parties. The largest disruption in gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020.

# 1.4 Outlook

## Adjusted EBITDA guidance

We expect 2021 Adjusted EBITDA to amount to EUR 300–310 million. This represents 3–6% growth compared to 2020 result. The growth is expected to be driven by the Green Generation segment due to the launch of Vilnius CHP waste-to-energy unit in Lithuania, Pomerania WF in Poland, and full-year result of Kaunas CHP, which was launched last year.

**Networks – higher**

Adjusted EBITDA for the Networks segment will continue to increase due to growing value of RAB driven by continued investments programme to the distribution network mainly comprising of replacement of overhead lines with underground lines as well as new customer connection and upgrade.

Approved RAB for electricity distribution for 2021 amounts to EUR 1,414 million and for gas distribution – EUR 249 million. Approved WACC for electricity distribution for 2021 is 5.34%, for gas distribution – 3.90%.

**Green Generation – higher**

Adjusted EBITDA for the Green Generation segment is expected to be higher as a result of:

- start of operations of Pomerania WF in Poland in Q1;
- start of operations of Vilnius CHP's waste-to-energy unit in Q1;
- full year effect of Kaunas CHP which commenced commercial operation in August 2020.

**Flexible Generation – lower**

Due to extremely favourable conditions in 2020, the CCGT unit in Elektrėnai performed better than expected. For 2021 we expect more moderate performance and a lower result in this segment.

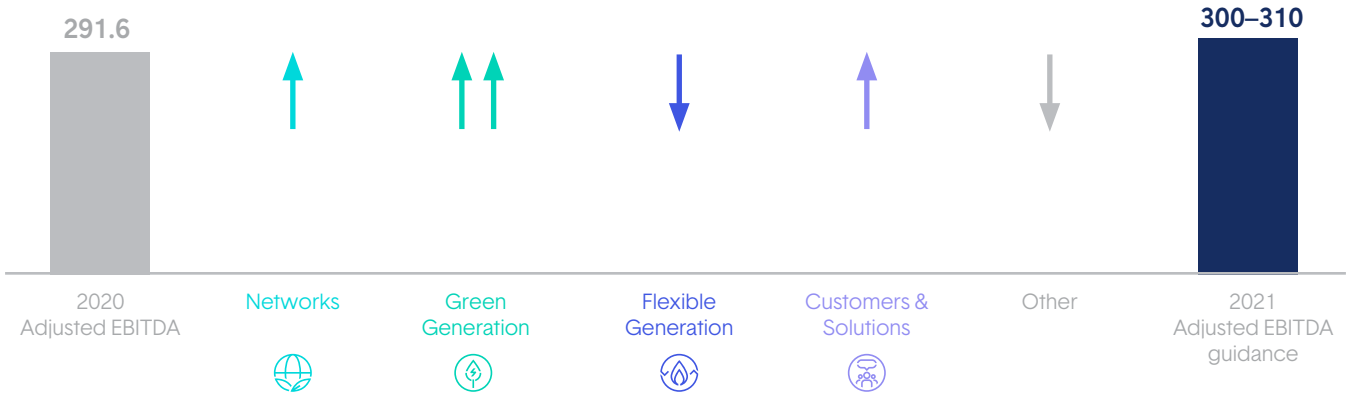
**Customers & Solutions – higher**

The segment's Adjusted EBITDA is forecasted to grow mainly due to expected better B2B electricity result, as the unfavourable hedge movements of 2020 are not expected to repeat. Deregulation of B2C electricity in Lithuania is not expected to have a significant impact on Adjusted EBITDA.

**Other – lower**

Adjusted EBITDA decrease is forecasted as a result of divestment of non-core activities. Duomenų Logistikos Centras (information technology and telecommunication services) was sold in 2020, Enepro (construction, repair and maintenance of electricity networks) and NT Valdos (management and other related services of real estate) expected to cease activities in 2021. The scope of another Group company Transporto Valdymas (vehicle rental, leasing, repair, maintenance, renewal and service) is also diminishing.

**Adjusted EBITDA development for 2021**
EURm*




** 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 2021 relative to the actual results for 2020. Double higher indicates the accelerated growth compared to other segments.*

## Forward-looking statements

The annual report contains forward-looking statements, which reflect current views and are, by nature, subject to risks and uncertainties. Because they relate to events and circumstances that will occur in the future, the actual development may differ materially from our expectations. We are unable to predict the impact of these events. For further information about the risks relevant to the Group activities, see section 4.6 'Risk and risk management'.

# 1.5 Ignitis Group IPO

## Overview

The parent company was listed on Nasdaq Vilnius and London Stock (LSE) exchanges on 7 October 2020, after implementing the largest ever IPO in the Baltic States. A total EUR 450 million of all primary capital was raised by offering 26.91% of the shares and GDRs to the institutional and Baltic retail investors. Overall, we are proud our IPO has already made a positive impact to the Baltic capital markets – Nasdaq Baltic turnover over the last year increased almost by 70% and the largest change occurred in Nasdaq Vilnius market, the turnover of which increased twofold, with our shares being traded the most and accounting for around 35% of the increase.

## Shares

IPO offer price was set at EUR 22.50 and at the end of the first trading day closed at a price of EUR 22.30 on Nasdaq Vilnius stock exchange, and GDR at a price of EUR 21.30 on LSE. Both respectively closed the year at a price of EUR 20.20 and EUR 19.90, which respectively equates to a decrease of 9.4% and 6.6%. During the same period, the price of Euro Stoxx Utilities index increased by 7.1%.

Since the admission, total (shares and GDRs) turnover was equal to EUR 135.0 million (EUR 33.3 million on Nasdaq Vilnius exchange and EUR 101.7 million on LSE), whereas the average daily turnover totalled to EUR 2.2 million (EUR 0.5 million on Nasdaq Vilnius exchange and EUR 1.7 million on LSE).

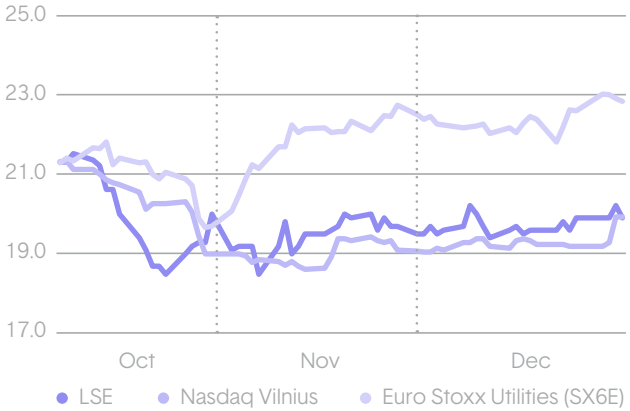
The overall (shares and GDRs) volume-weighted average price for the reporting period was equal to the price EUR 20.75, price to earnings ratio totalled to 7.18 times. At the end of the reporting the total period total market capitalisation was EUR 1.5 billion.

Since the IPO, we were included in the MSCI Frontier Markets Index from 30 November 2020 and the Nasdaq OMX Baltic Benchmark Index from 4 January 2021.

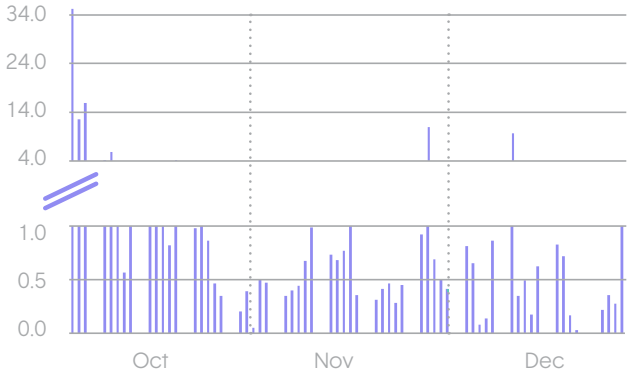
Currently, we are covered by 5 research analysts. Their recommendations are available on the Group's website.



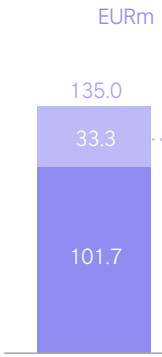

**Share price development in 2020, Index 21.3 = LSE GDR closing price on 7 October 2020***




**Daily turnover in 2020**
EURm

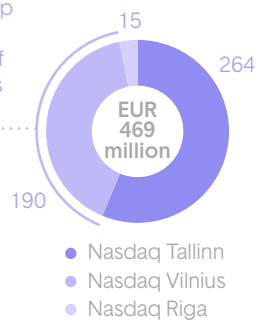



**Total turnover in 2020**
EURm



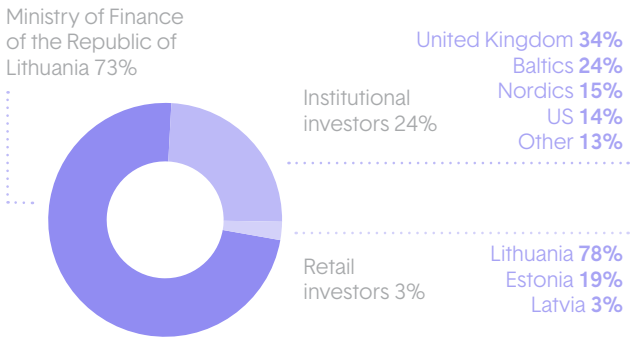

3-month Ignitis Group total turnover was similar to the size of total Nasdaq Vilnius turnover in 2020

**Nasdaq Baltic turnover in 2020**
EURm




** First day of trading.*

## Shareholder structure as of IPO date




## Share information

| | | |
|---|---|---|
| **Issuer** | Ignitis Group | |
| **Nominal value** | EUR 22.33 per share | |
| **Number of shares** | 74,283,757 | |
| **Free float, shares (%)** | 20,000,000 (26.92%) | |
| **Type** | Ordinary shares | Reg S: US66981G2075 |
| **ISIN-code** | LT0000115768 | Rule 144A: US66981G1085 |
| **Exchange (ticker)** | Nasdaq Vilnius: IGN1L | London Stock Exchange: IGN |
| **Year opening** | 7 Oct: EUR 22.70 | 7 Oct: EUR 22.00 |
| **Year high*** | 8 Oct: EUR 22.32 | 9 Oct: EUR 21.50 |
| **Year low*** | 13 Nov: EUR 19.50 | 6 Nov: EUR 18.50 |
| **Year average*** | EUR 21.10 | EUR 20.63 |
| **Year end*** | EUR 20.20 | EUR 19.90 |
| **P/E (year end)** | 6.99 times | 6.88 times |
| **Turnover** | EUR 33.3 million | EUR 101.7 million |
| **Market capitalisation, year end** | EUR 1,536,682,819 | |

** As of closing trading market price.*

GRI 102-5 GRI 102-10

## Share capital

In relation to the IPO, during 2020, the parent company increased its share capital by 20,000,000 primary shares to 74,283,757. On 7 October 2020, newly issued shares were admitted to the Main Trading List of Nasdaq Vilnius and the GDRs representing the parent company's shares to the standard listing segment on the Official List of the Financial Conduct Authority and to trading on the Main Market of the LSE.

The parent company has one class of shares. Each share entitles to one vote at the shareholder meetings and to equal dividend.

## Shareholder structure

At the end of 2020, the Republic of Lithuania (authority implementing shareholder's rights – Ministry of Finance of the Republic of Lithuania) owned 73.08% of the parent company's share capital. The remaining part of the share capital lies with institutional investors 24% and retail investors 3%. There are no other shareholders owning more than 5% of the parent company's shares.

In the figure above the composition of shareholders by the type and country is specified as of IPO date. In total the parent company has 6,900 shareholders, out of which 6,827 are retail investors, 72 institutional investors and the remaining – Ministry of Finance of the Republic of Lithuania.

Management shareholding represents less than 0.005% of the total shares in the parent company. Relevant information on the management long-term incentive scheme can be found in the 'Governance' section of this report.

## General shareholders' meetings

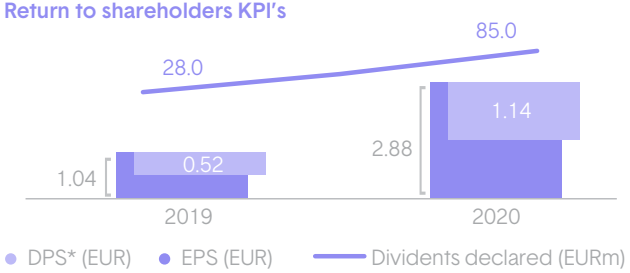
Since the day of admission, one Extraordinary General Meeting of Shareholders has been held, during which 2 new members of the Supervisory Board were appointed. The Annual General Meeting will be held on 25 March 2021. Further relevant information, including shareholder rights can be found in 'Governance' section of this report.

## Dividends

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

A dividend of EUR 42 million for the first half of 2020 was declared by the Principal Shareholder on 17 September 2020 and paid prior to the IPO. The remaining part of EUR 43 million (EUR 0.58 per share) for the second half of 2020 is subject to approval at the Annual General Meeting on 25 March 2021. For 2020, the dividend pay-out is expected to be equal to 0.5 compared to 0.47 in 2019.

**Return to shareholders KPI's**

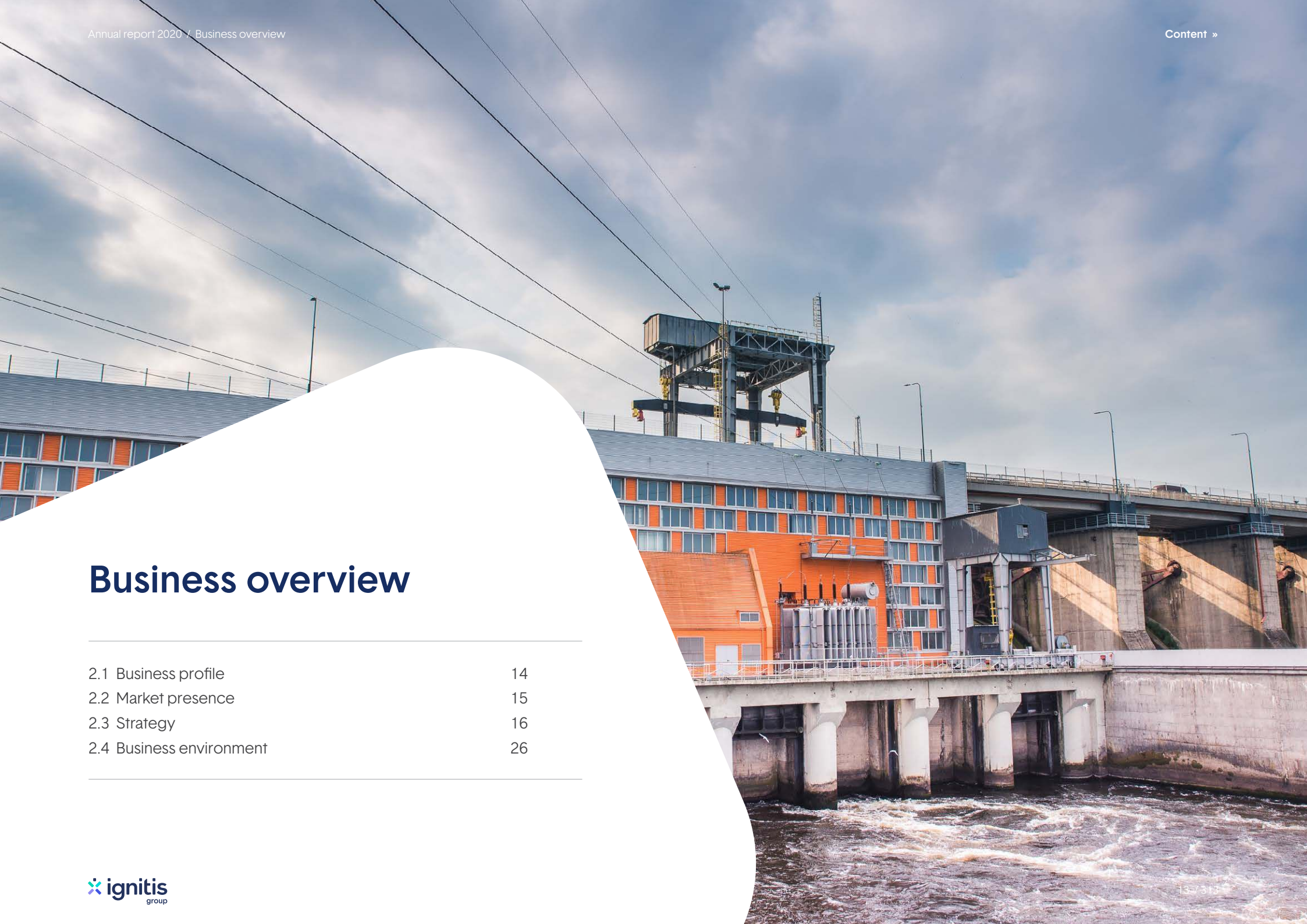



** Presented DPS indicator was calculated using number of nominal shares at the end of 2020 if calculated using actual number of shares at the moment the dividends were declared, indicator would amount 1.35.*

## Investor relations

Since our first capital markets debut back in 2017, we target to ensure the transparency and stability in our communication with all the investors. We target to engage with our investors through quarterly earning calls, non-deal roadshows, and other type of meetings including the dialogue with the research analysts. Our dialogue with the investors and other stakeholders is subject to restrictions prior to the announcements of any non-public information. On the Group's website, in 'Investors' section, we provide all relevant reports and presentations, investor calendar and a wide range of other data which we believe is of interest for our stakeholders.

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# Business overview


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# 2.1 Business profile

## Creating an Energy Smart world

### Core businesses

#### Networks

Resilient and efficient energy distribution enabling the energy transition.

**Activities**

Operate, maintain, manage, and develop electricity and gas distribution networks to ensure safe and reliable operation as well as 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 assets, investments to allow further electrification.

**Network size and distribution volume**

| | Size | Volume |
|---|---|---|
| **Electricity** | 126,105 km* | 9.55 TWh |
| **Gas** | 9,690 km | 7.06 TWh |

** Whereof 68% overhead lines and 32% underground lines.*

GRI 102-2

#### Green Generation

Focused, sustainable, and profitable growth.

**Activities**

Generate electricity through sustainable energy sources including wind, hydro, solar, biomass and waste-to-energy. Develop and operate new generation capacities.

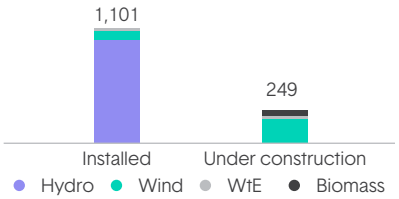
**Revenue model**

Renewable energy long-term support schemes (FiT, FiP, CfD), long-term PPAs, merchant.

**$CO_2$ neutral strategy support**

Through development of zero carbon electricity generating assets.

**Electricity capacity, MW**




1.25 TWh

**Electricity generated**

### Complementary businesses

#### Flexible Generation

Reliable and flexible power system.

**Activities**

Provide system services and ensure stability and security of Lithuania's electricity system.

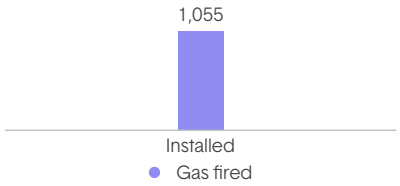
**Revenue model**

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

**$CO_2$ neutral strategy support**

Through electricity generation from coal-free assets.

**Electricity capacity, MW**




1.20 TWh

**Electricity generated**

#### 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 efficiency projects.

**Revenue model**

Regulated tariffs and commercial contracts.

**$CO_2$ neutral strategy support**

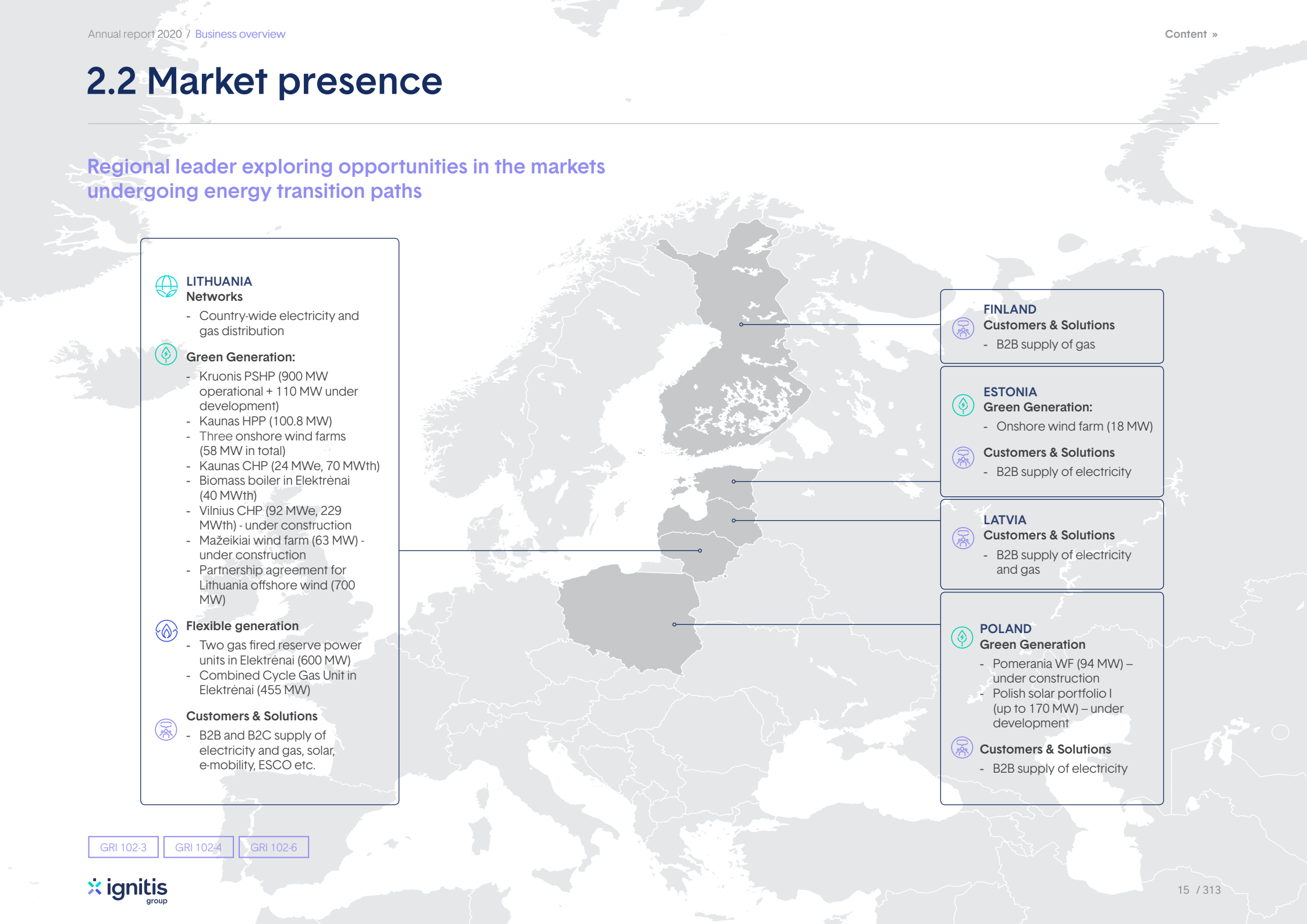
Through development and support of low-carbon energy smart solutions.

**Electricity and gas supply customers**

| | B2C | B2B |
|---|---|---|
| **Electricity:** total 1,658.6 thousand | 1,648.8 thousand | 9.8 thousand |
| **Gas:** total 610.3 thousand | 602.7 thousand | 7.6 thousand |

# 2.2 Market presence

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



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

**Green Generation:**
- Kruonis PSHP (900 MW operational + 110 MW under development)
- Kaunas HPP (100.8 MW)
- Three onshore wind farms (58 MW in total)
- Kaunas CHP (24 MWe, 70 MWth)
- Biomass boiler in Elektrėnai (40 MWth)
- Vilnius CHP (92 MWe, 229 MWth) - under construction
- Mažeikiai wind farm (63 MW) - under construction
- Partnership agreement for Lithuania offshore wind (700 MW)

**Flexible generation**
- Two 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 gas, solar, e-mobility, ESCO etc.

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

**ESTONIA**
**Green Generation:**
- Onshore wind farm (18 MW)

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

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

**POLAND**
**Green Generation**
- Pomerania WF (94 MW) – under construction
- Polish solar portfolio I (up to 170 MW) – under development

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

GRI 102-3 GRI 102-4 GRI 102-6

# 2.3 Strategy

In 2020, we updated our Corporate Strategy (find it on our website) by putting sustainability at the core of our strategy. 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, creating a sustainable future where there is no place for coal or nuclear. ESG criteria are an integral part of our strategic goals with strong commitment to a more sustainable future. We align our business targets with the United Nations' Sustainable Development Goals and we are committed to reducing net carbon dioxide emissions to zero by 2050. We also thrive to align our businesses with science-based targets to a 1.5°C-compliant business model. Second, ensuring resilience and flexibility of the energy system, as well as enabling energy transition and evolution. Third, growing renewables to meet regional energy commitments. We target to reach 4 GW of installed green generation capacity by 2030. Fourth, capturing growth opportunities and developing innovative solutions to make life easier for the energy smart.

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

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

## Our values

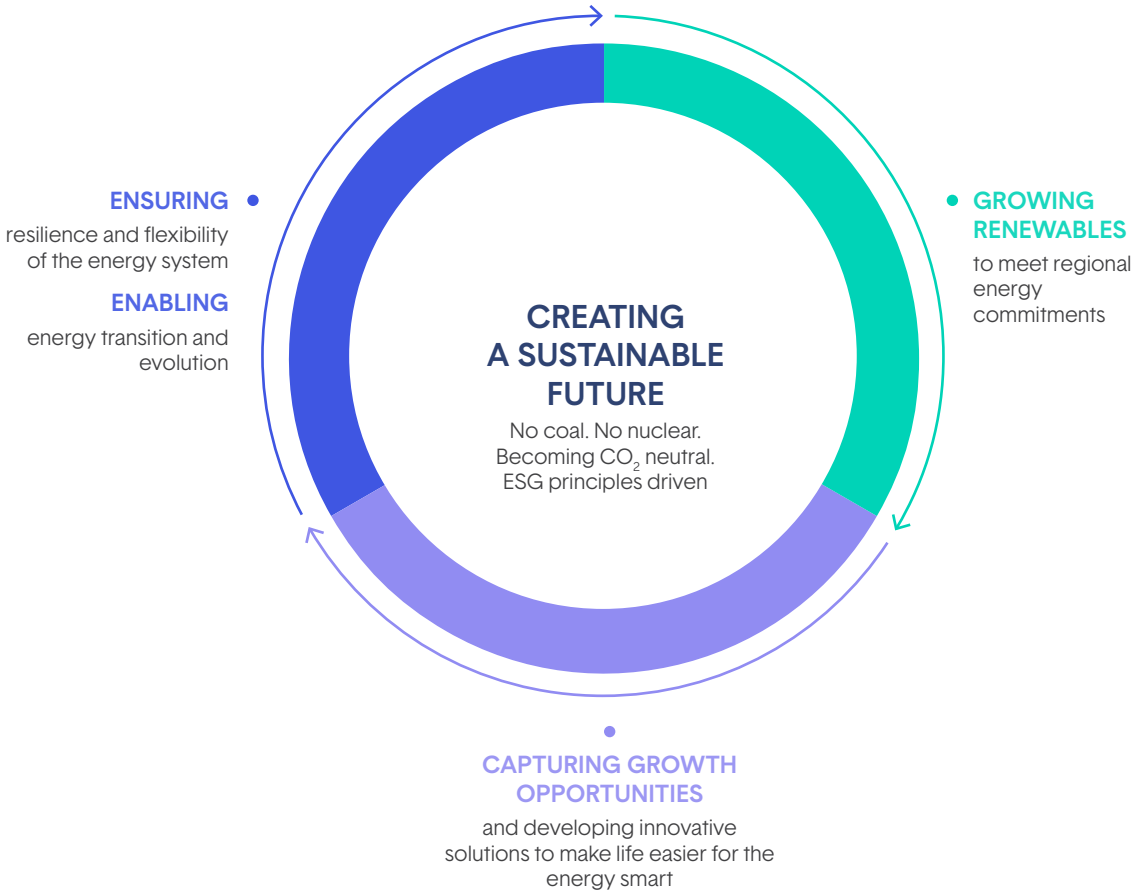
**RESPONSIBILITY**
Care. Do. For Earth. Starting with myself.

**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**

GRI 102-16

# Strategic directions in depth

## Networks

Resilient and efficient energy distribution enabling the energy transition.

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

## Green Generation

Focused, sustainable, and profitable growth.

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

## Flexible Generation

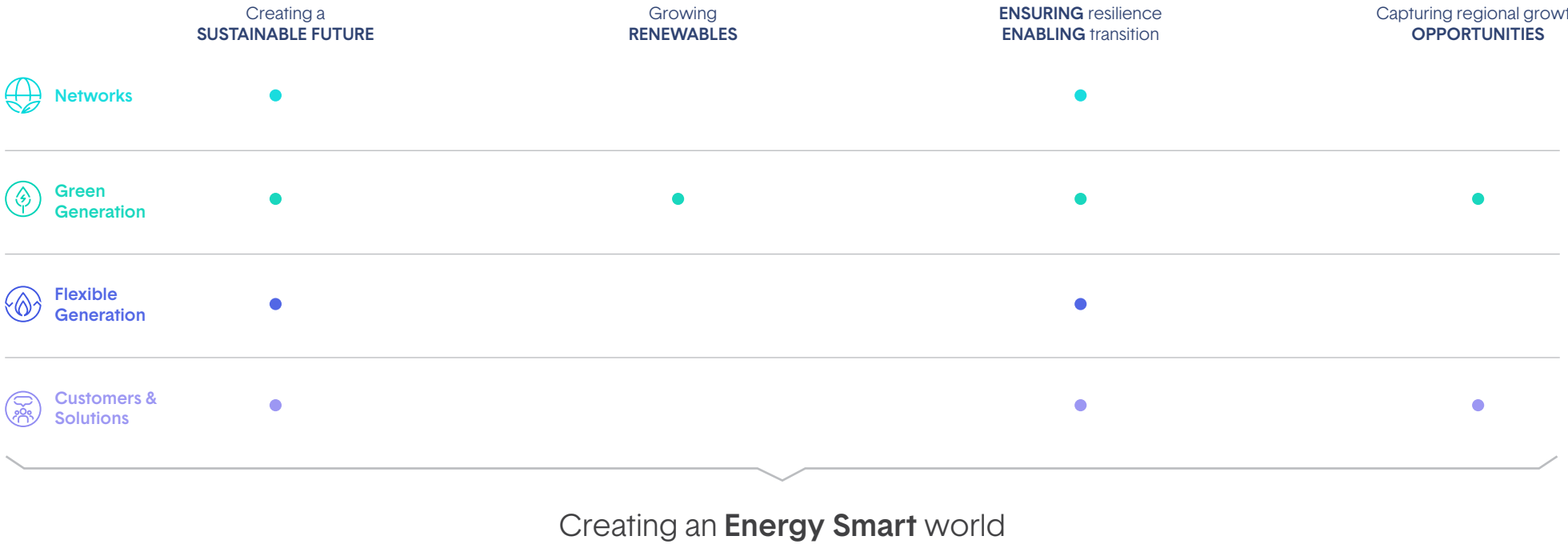
Reliable and flexible power system.

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

## Customers & Solutions

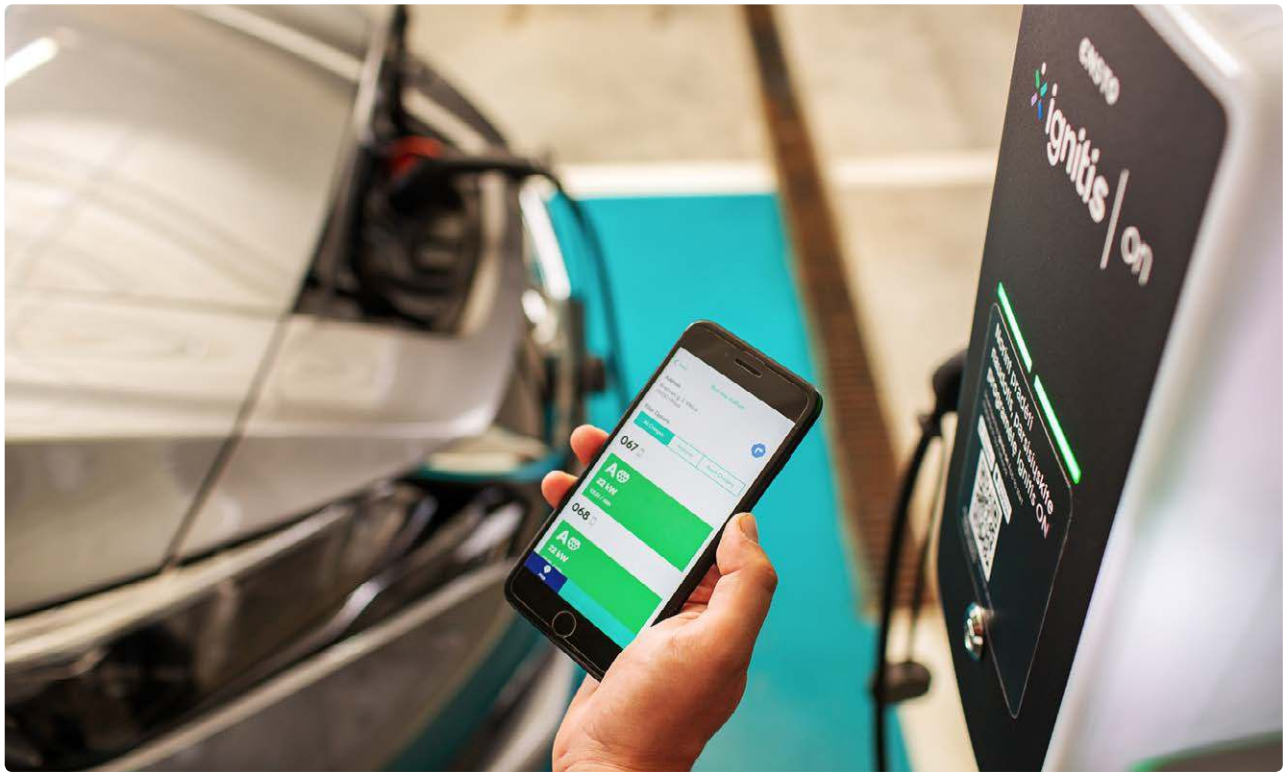
Innovative solutions for easier life and energy evolution.

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




Creating an **Energy Smart** world

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




## Our people and culture

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

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

## Our organisation

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

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

## Focus on financial discipline

Target returns, capital structure, dividends.

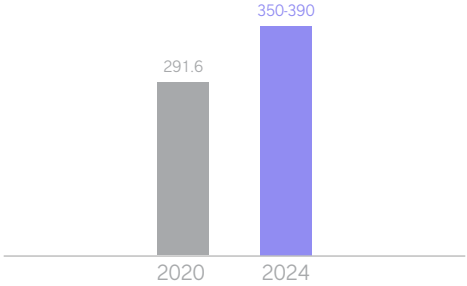
- We target high single-digit/low double-digit levered equity returns depending on the risk profile of the projects.
- Solid investment-grade rating: BBB and above. Net Debt to EBITDA < 5x.
- We aim to deliver dividends to our shareholders in line with our growth and at a minimum annual dividend growth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

# Our strategic targets and KPIs for 2021–2024

Below we provide the targets and KPIs set in our 2021-2024 strategic plan. The strategic plan document can be found on the Group's website.

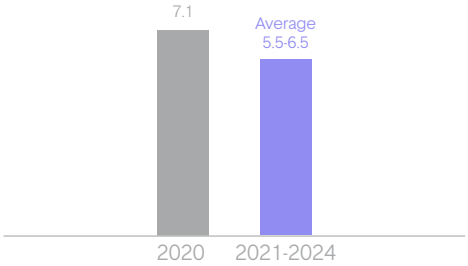
## Financial

### Adjusted EBITDA APM
EURm



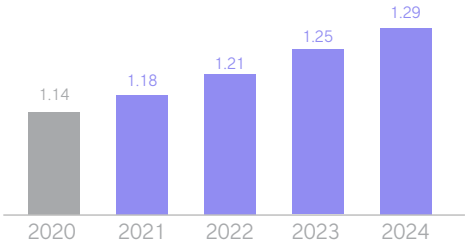

Adjusted EBITDA is expected to reach EUR 350–390 million in 2024, implying a 4.7–7.5% CAGR for 2020-2024.

### Adjusted ROCE APM
%




Average Adjusted ROCE during 2021-2024 is expected to be around 5.5–6.5%. Revised WACC in electricity DSO is the key driver for the lower 2021–2024 targeted level

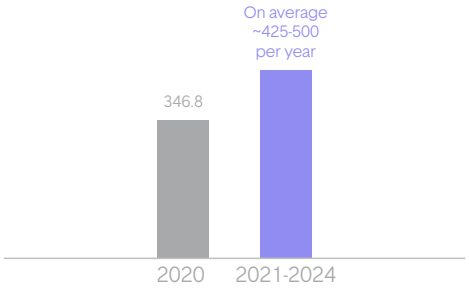
### Minimum DPS*
EUR




We aim to grow our dividends to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 is set at EUR 85 million.

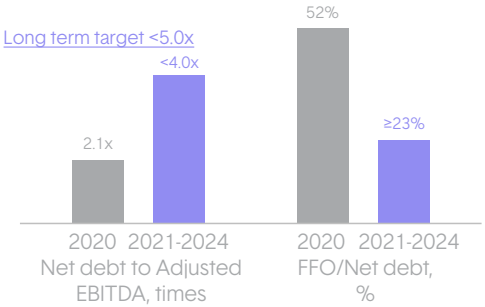
** Based on the No of shares at the end of 2020.*

### Investments APM
EURm



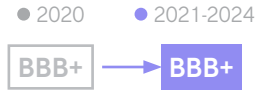

We aim to invest EUR 1.7–2.0 billion over 2021-2024 period. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, modernisation and digitisation of our electricity distribution network.

### Leverage metrics
Net debt to Adjusted EBITDA & FFO/Net debt




Net Debt/Adjusted EBITDA ratio is expected to be below 4x during 2021-2024. FFO/Net debt is expected to remain above 23% during the same period (S&P threshold for BBB+ rating).

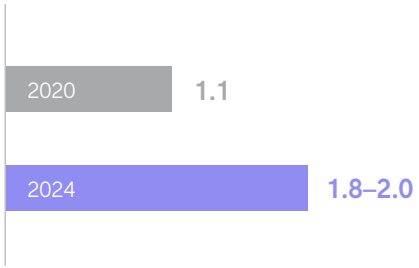
### Credit rating
S&P




We are committed to solid investment–grade rating (BBB or above). We expect to keep BBB+ rating over the 2021–2024 period.

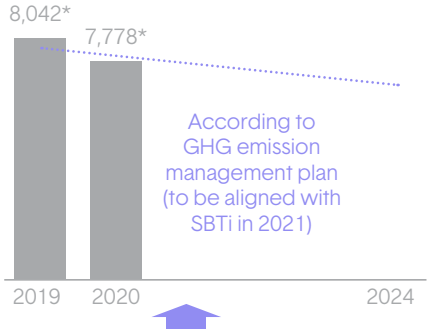
## Environment

### Green Generation installed capacity
GW




We expect to reach 1.8–2.0 GW of installed Green Generation capacity in 2024.

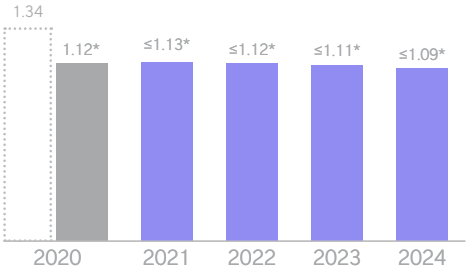
### Net GHG emissions
Thousand t $CO_2$ eq




** Scope 1-3 (market-based). Data is being verified at the date of publication of the report.*

# Operational efficiency

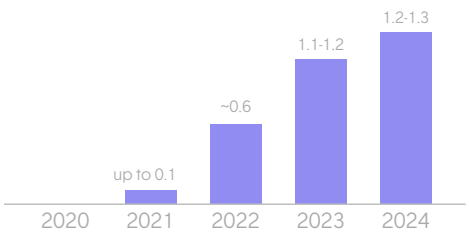
### Electricity SAIFI
Interruptions per customer




Investments in service quality and network efficiency will boost the network resilience, resulting in an expected decline of the SAIFI indicator.

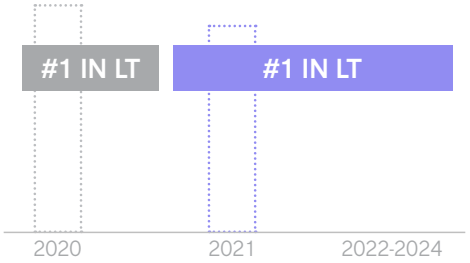
** Excluding exceptional events approved by regulatory authority (NERC).*

### # Smart meters
million



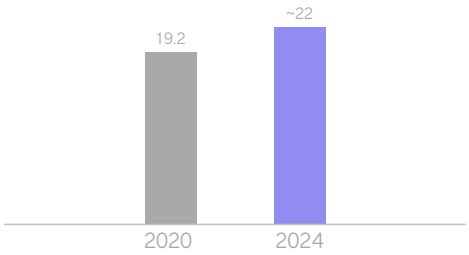

We digitise our electricity distribution network by implementing smart metering programme. By the end of 2023, we aim to install smart meters for all business customers and households, consuming >1.000 kWh/year. Further installations of smart meters will be continued as ongoing operating activities.

### Ancillary and power reserve services
Market position




We aim to keep #1 market position of ancillary and power reserve services in Lithuania. In 2020, we had 100% share of power reserve services (475 MW - tertiary power reserve). In 2021, we continue providing tertiary (482 MW) power reserve services as well as isolated regime services within the scope of 409 MW.

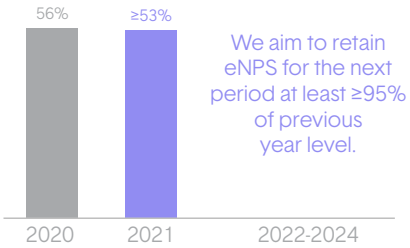
### Retail sales volumes
Electricity and gas, TWh




We aim to increase energy retail sales volumes up to about 22 TWh in 2024 (implying a ~2.6% CAGR for 2020-2024) by scaling core energy supply business in the region complemented with innovative energy solutions, and to compensate the B2C electricity supply deregulation impact on sales volumes during the second and third stages of deregulation in Lithuania by 2023 (the first stage started in 2020).

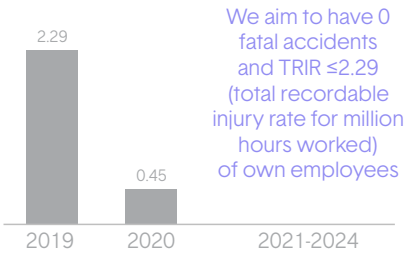
# Social

### Employee NPS
%




We measure the Group's eNPS since 2019. Our target is to retain the reached level at least at ≥95% of the last year's level for the next performance period.

### Safety
TRIR & # of fatal accident




We target to have TRIR ≤2.29 level. This goal is based on the year 2019, due to TRIR value for 2020 being an outlier due in large part to the mobility restrictions imposed by the COVID-19 pandemic.

# Governance

### ESG
Indices

MSCI ESG index




Sustainalytics ESG risk index



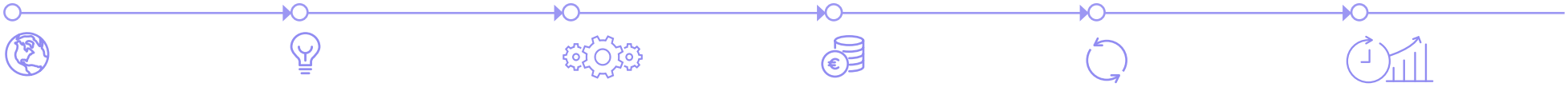

We aim to improve both or at least one of the indices.

# Investment policy

The largest proportions of the Group investments during the period of 2021–2024 will be directed to the expansion of Green Generation capacity as well as Network maintenance, expansion through new customer connections and upgrades, and digitisation through smart metering programme.

The Group applies a prudent investment framework with hurdle rates for the Green Generation expansion projects. A disciplined investment policy targets high single-digit to low double-digit levered equity returns depending on the risk profile of the projects. Additionally, we aim to utilise asset rotation strategy and sell down a portion of the Group interest (up to 49%) in the Green Generation projects in order to recycle capital and capture premium. Asset rotation would be performed only in cases where it creates value.

## Green Generation segment investment framework



**Target markets**
Primarily Baltics and Poland

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

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

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

**Asset rotation**
Targeting up to 49% asset rotation

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

Currently, investments into Networks are confirmed with NERC on a yearly basis and, starting from 2022, on a two-year basis. Additionally, 10-year investment plans, in which the goals, directions and volumes of Networks investments are detailed, are published annually. Currently, EUR 1.9 billion of investments are agreed through for 2020–2029 (see more on ESO website) directed to improve Network's reliability, durability and smartness, and to connect new users.

## Networks segment investment framework



**Target markets**
Lithuania

**Technologies**
Electricity and gas distribution

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

**Investment capacity**
10-year investment plans updated and coordinated with NERC on an annual basis

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

# Ongoing and planned Investments

In the updated Strategic Plan 2021–2024, we set the investment plans for the Group through 2024. In total we plan to invest between EUR 1.7 to 2.0 billion, out of which 45 to 50% will be directed to Green Generation development, followed by 45 to 50% of the investments to Networks. Funds directed to Green Generation should expand our renewables' portfolio to between 1.8 and 2.0 GW, compared to 1.1 GW operational capacity at the end of 2020. Regarding investment in Networks, it should contribute to the grid maintenance by increasing its security and reliability, development of new customer connections and upgrades, and digitisation of the Lithuanian energy sector with the smart electricity metering programme. Below are provided the lists of our currently planned investment projects.

## Key ongoing and planned Green Generation investments

### Under construction

#### Pomerania WF

- **Status:** final stage (29/29 turbines erected)
- **Capacity:** 92 MW
- **Investment:** ~ EUR 130 million
- **COD:** around Q1 2021
- **Ownership:** 100%
- **Subsidy scheme:** 15-year CfD (inflation adjusted)
- **Significance:** one of the largest onshore wind farms in Poland

#### Vilnius CHP

**Waste-to-energy plant**

- **Status:** under construction (~95% completion)
- **Capacity:** 16 MWe, 60 MWth
- **COD:** around Q1 2021

**Biomass plant**

- **Status:** under construction (~75% completion)
- **Capacity:** 73 MWe, 169 MWth
- **COD:** around Q4 2022

- **Investment:** ~ 350 EURm
- **Ownership:** 100% (49% to be divested)
- **Subsidy scheme:** ~140 EURm EU CAPEX subsidy
- **Significance:** project of State significance

#### Mažeikiai WF

- **Status:** under construction
- **Capacity:** 63 MW
- **Investment:** EUR 80–85 million
- **COD:** 2023
- **Ownership:** 100%
- **Subsidy scheme:** internal PPA expected
- **Significance:** the first wind farm without subsidies in the portfolio

### Under development

#### Polish solar portfolio I

- **Status:** SPA signed
- **Capacity:** up to 170 MW
- **COD:** 2021–2023
- **Ownership:** 100%*
- **Subsidy scheme:** 15-year CfD (inflation adjusted)
- **Significance:** the first sizeable PV project in the portfolio

#### Moray West offshore wind project

- **Status:** preparatory works
- **Capacity:** 800–950 MW
- **COD:** 2025
- **Ownership:** 5% by the Group, 95% by OW
- **Significance:** learning the technology

#### Lithuania offshore wind project

- **Status:** preparing for the auctions which are expected to be held in 2023
- **Capacity:** 700 MW
- **COD:** 2028
- **Ownership:** 51% by the Group, 49% by OW
- **Significance:** the first offshore wind project in Lithuania

#### Kruonis PSHP expansion

- **Status:** procurement planning
- **Capacity:** 110 MW
- **COD:** 2025**
- **Ownership:** 100%
- **Significance:** energy system flexibility and security increase in the context of synchronisation with the continental Europe

** After winning auctions and completion of each project*
*** Tentative schedule is targeted to be aligned with Lithuanian synchronization to European continental networks project.*

## Key ongoing and planned Networks investments

### Maintenance

- **Status:** ongoing
- **Investment:** ~up to EUR 1 bn
- **Investment period:** by 2029
- **Subsidy scheme:** partially covered by EU funds (on a project by project basis)
- **Significance:** investments into replacement of overhead lines to underground cables to improve the network quality and decrease opex for maintenance

### Expansion
*New customer connections and upgrades*

- **Status:** ongoing
- **Investment:** ~up to EUR 700 million
- **Investment period:** by 2029
- **Subsidy scheme:** partially covered by customers' fees
- **Significance:** grid expansion through new connection points and upgrades enabling renewable energy expansion, empowering prosumers, and decentralised generation

### Expansion
*Smart meter roll-out*

- **Status:** final stages of procurement
- **Investment:** EUR 115–150 million
- **Capacity:** 1.1–1.2 million smart meters
- **Completion date:** 2023
- **Significance:** improvement in grid efficiency and energy savings as well as acting as market facilitator

# Sustainability

## Overview

Sustainability is at the core of the Group's strategy. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance. In recognition of our continuous improvement, in April 2020, we received a rating of A (on a scale of CCC-AAA) in the MSCI ESG Ratings assessment which placed us just insignificantly below than our industry benchmarks. It was followed (September 2020) by Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research, and analysis, ESG performance assessment. With the total score of 26.5, the Sustainalytics placed the Group in the top fifth best performers on the ESG Risk Rating scale, in both its subindustry and industry groups. Finally, with this annual report we are introducing a Sustainability Report prepared in accordance with the GRI Core framework as well as Nasdaq ESG guidelines (report starts on page 89).

## Framework

Throughout 2020, we continued strengthening our sustainability management. In Q3 2020, we published a sustainability management plan (you can read it on our website), which specified our management approach towards the strategic sustainability priorities embedded in the Group's strategy.

**MAIN TOPICS**

We are committed to reduce net GHG emissions to zero by 2050. We seek to contribute directly to the implementation of the UN Global Compact, Sustainable Development Goals, and the Paris Agreement

**GOVERNANCE AND PROCESSES**

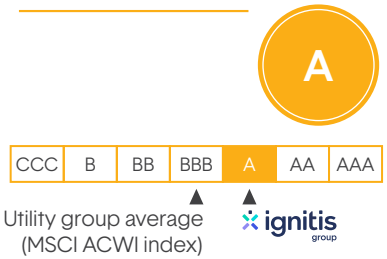
We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community

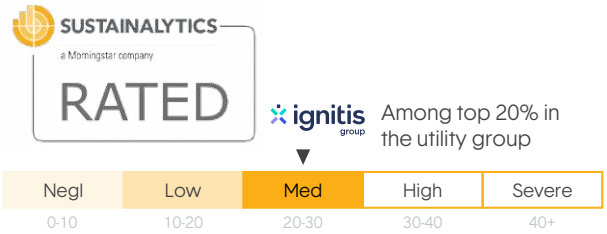
**ACCOUNTABILITY**

We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs

**MEASURING PROGRESS**

We aim to benchmark our continuous improvement using ESG ratings provided by leading ESG ratings agencies[1]




[1] *See MSCI disclaimer notice and ESG Risk Rating Summary Report by Sustainalytics on our website.*

# Business enablers

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

## Innovations

In 2018, we established Innovation Hub (for more information visit its website), which utilises internal and external initiatives to promote energy technologies and attract innovative ideas, promotes data sharing and enables other companies outside the Group to test their technologies, prototypes or business ideas in the Group's infrastructure through a free of charge Sandbox programme and cooperates with universities, companies and utilities to develop new products and services that can later be implemented to create value for the Group's businesses. We aim to create and lead EnergyTech ecosystem based on a key principle – openness.

For the period 2020–2024, Ignitis Innovation Hub aims to conceptualise a use-case for 50 innovative solutions, followed by 35 pilot projects to validate the idea. In 2020, 12 concepts and 9 pilot projects were carried out, 2 solutions were scaled-up. Scaled-up solutions include the launch of $CO_2$ offset certificate service and adaption of distribution grid planning software. Some key pilot projects completed in 2020 include overhead power line inspection using LIDAR, battery storage use-case for voltage control and solar potential calculator for rooftops using photogrammetry and LIDAR technologies. Use-case concepts of promising technologies and new service have been developed as well. These included hydrogen, community wind power for prosumers and smart usage of grid capacities for hybrid generation sources coupling solar and wind power.

**Open innovation pillars**

**Open infrastructure and data** – Sandbox and Open Data programmes operating in the Group.

ESO launched the Sandbox programme in 2018, and in 2019 it was expanded throughout the Group, offering technologies and solutions that can be tested in other Group companies' infrastructure. During the lifetime of the programme, 32 applications have been received from 6 countries and 6 Sandbox projects are in progress. Even a few tried-and-tested technologies helped to solve existing problems and are already used in daily activities.

**Open partnership** – is the search for partnerships for joint projects, research, and development.

Ignitis Innovation Hub specialists are involved in a number of partnership-based initiatives. These partnerships incorporate participation in a number of workgroups in energy associations, alliances, and tech-hubs. We are strengthening relations with public bodies like regulator and ministries in order to develop innovation friendly environment in the energy sector. Partnerships prove to be necessary to developed cross-disciplinary energy innovations, e.g. hydrogen production, its distribution and usage.

**Open culture** – promoting a culture of energy innovation.

Ignitis innovation Hub promotes culture of innovation which results in idea sharing among the specialists. This pillar includes organising hackathons, creating, and sharing educational media, giving energy innovations related classes for the Group's employees as well as participating and giving speeches in various events. Open culture proved to be the most productive idea generators.

**Open funding** – Ignitis Innovation Fund investing in energy start-ups.

A venture capital fund founded by the Group Ignitis Innovation Fund (former – Smart Energy Fund) since its establishment in 2017 invested EUR 5.2 million in 16 start-ups from 7 countries (France, UK, Lithuania, Estonia, Norway, Israel, and Sweden). The fund invested in start-ups that develop innovative solutions in the fields of energy generation, storage, transmission, distribution, prosumers, and e-mobility.

**Ignitis Innovation Fund investments**



## Digitisation and operational excellence

Operation excellence and digitisation programmes applied by the Group help to create a culture of continuous improvement and rapid learning. In 2020, digitisation and operational excellence team focused on process automation and chatbots, organising hackathons, and operational excellence enhancement.

### Hackathons

The hackathons addressed the real challenges of the Group and brought together teams from various divisions and Group companies. In 2020, we organised three hackathons – two for our employees, one for external partners.

#### Results of hackathons

| 3 | 36 | 16 |
|---|---|---|
| hackathons | ideas developed | ideas implemented |

Due to the pandemic, all of the hackathons this year were organised online (see picture on the right), which allowed to gather more various teams and ideas to the events. The first internal hackathon of the year focused on the challenges of the pandemic both for the organisation and for customers. Employees from different fields gathered to create ideas on how the organisation should work, communicate, and cooperate, and serve the needs of our customers in the current situation. Some of the ideas developed, considered how the employees could have a healthy work-life balance, how the employees could be motivated remotely, how our employees could organise meetings and work more efficiently and how could we help our customers to go green by encouraging them to use solar energy.

In our second internal hackathon, a new format of artificial intelligence games was tested. During the event, teams gathered to create solutions and ideas based on artificial intelligence. Here are some examples of the ideas that were developed during this event and which we will try to apply within our Group during 2021:

- a model that assesses risk of a customer leaving our company;
- using old customer inquiries to create a solution that can automatically sort new inquiries;
- using machine learning algorithms to identify potential cyber threats.

The development of all these ideas will continue in 2021.

### Process automation

In 2020, a lot of attention was paid to automating processes and launching chatbots, helping our customers to find answers to questions from various topics.

With regards to RPA, we made a progress as well. In 2020, FTEs saving when using RPA amounted to 105, which is an increase by almost 50 FTEs compared to 2019. By allowing the robots to perform part of their work, the Group's employees had the opportunity to choose more interesting and higher value-added tasks.

### Operational Excellence programme

The Group companies have been operating an operational excellence programme for five years so far to help the Group companies create more value for their stakeholders. In 2020, more than 500 operational improvements were implemented whereby saving EUR 3.7 million.

One of such operational excellence examples is employee coming up with the idea to improve modular transformers by removing one unnecessary detail from them. The same modular transformers were bought for a long time, although the equipment and technology have already changed. Thus, one part used in the transformer simply became redundant. Finally, when a new purchase contract was drawn up, the price of a transformer without the unnecessary part became cheaper.

Another example occurred when several teams from different fields and competencies were reviewing more than 30 processes applied in the Group. One such review resulted in manual work elimination helping to reduce almost 90% of the process time.




### Plans ahead

Operational excellence and digitisation programmes will continue in 2021. This year 2 internal hackathons will focus more on improving various parts of digital employee experience. Process automation will continue to bring large numbers of FTEs saved back to the Group and new technologies will be implemented to continue the path in the automation journey. Operational excellence programme will continue to focus on process time and FTEs' savings as well as on possible cost savings reached by making process improvements or transformations.

# 2.4 Business environment

## Macroeconomic environment

2020 was a year marked with COVID-19 pandemic uncertainty. Based on European Commission Autumn 2020 projections, EU GDP is expected to contract by (7.4%) in 2020, compared to 1.5% growth in 2019. Further forecasts on future economic environment remain subject to resurgence in COVID-19 infections, deployment of vaccines, policy support as well as post-Brexit trading relationship between the UK and the EU. However, the economy, after adapting to the pandemic environment, is expected to rebound by 4.1% in 2021 and 3.0% in 2022, but still remain incomplete and not returning to the pre-pandemic level by 2022.

Regarding Lithuania, its economy demonstrated a degree of economic resilience to the COVID- 19 pandemic in the first quarter of 2020, when no GDP decline was captured. Mostly affected by the decline in domestic demand, its economy is expected to shrink by (2.2%) in 2020 compared to 4.3% growth in 2019. For the following two years, GDP growth is expected to be moderate – reaching 3.0% in 2021 and 2.6% in 2022.

| GDP change*, % | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Lithuania | 4.3 | (2.2) | ***3.0*** | ***2.6*** |
| Latvia | 2.1 | (5.6) | ***4.9*** | ***3.5*** |
| Estonia | 5.0 | (4.6) | ***3.4*** | ***3.5*** |
| Finland | 1.1 | (4.3) | ***2.9*** | ***2.2*** |
| Sweden | 1.3 | (3.4) | ***3.3*** | ***2.4*** |
| Poland | 4.5 | (3.6) | ***3.3*** | ***3.5*** |
| Euro area | 1.3 | (7.8) | ***4.2*** | ***3.0*** |
| EU | 1.5 | (7.4) | ***4.1*** | ***3.0*** |

** Source: European Commission, European Economic Forecast (Autumn, 2020)*

## 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. To mitigate these risks, the Group established a COVID-19 situation management team that constantly monitors the situation and analyses the latest information, changes in external factors and their impact on the Group's business continuity.

The employees of the Group, who can perform their functions remotely, work from home, others are provided with additional personal protection and personal hygiene measures, unnecessary contacts with other persons are restricted. Given the evolving uncertainty, it is too early to assess the potential financial effect of COVID-19, but the Group did not experience any significant disruptions due to COVID-19 in main business activities. Due to mobility restrictions imposed by the COVID-19 pandemic, there were some postponements for the development of ongoing projects as well as for investments into the distribution network mostly related to expansion of the electricity and gas networks.

## Industry environment

**Wholesale electricity market**

Nord Pool countries




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

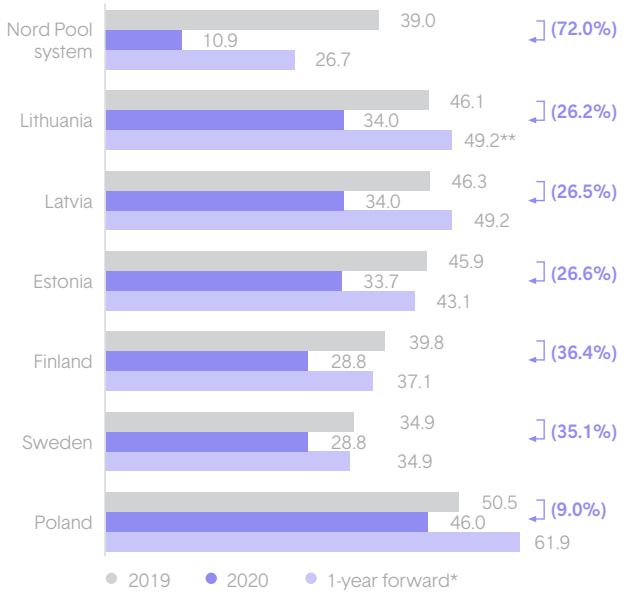
During 2020, prices fell remarkably in all the bidding areas of the Nord Pool Nordic power exchange. Compared to 2019, the average system price was lower by 72.0%, the moderate change captured within the Baltic region – approx. 26%, and the smallest – in the Polish commodity exchange market – prices there decreased by 9.0%.

It should be noted that in Lithuania, Latvia and Estonia the electricity prices were almost the same during 2019 and 2020. During 2020, the average price difference between Lithuania and Sweden in the fourth zone was higher by approx. 30%. Also, negative prices were observed for the first time in Lithuania's price zone (one hour on 6 July and four hours on 2 November).

In 2020, Lithuania produced approx. 37.4% more electricity compared to 2019 (1.36 TWh), meanwhile Estonia – approx. 27.9% and Latvia – approx. 11.1% less. Lithuania remains an energy-deficit country, producing around 42% of the country's demand, in Latvia, local production covers around 77% of country's demand, Estonia remains an energy-deficit the country's too, producing around 55% of the country's demand. Based on ENTSO-e data of 2020, consumption in Poland decreased by approx. 2.2% (3.7 TWh) compared to the same period in 2019. However, Poland is still net power importer.

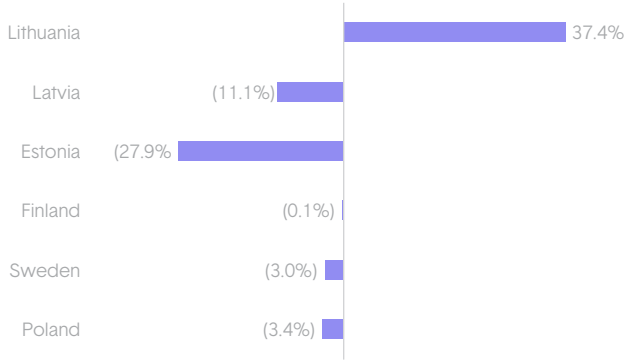
During 2020, commercial import from third countries to Lithuania decreased by approx. 2 times compared to 2019 (from approx. 5.46 TWh to approx. 2.86 TWh), import from Scandinavia to Lithuania increased by approx. 37% (from approx. 3.26 TWh in 2019 to approx. 4.48 TWh in 2020), export to Poland decreased by 22,91% (from approx. 1.87 TWh in 2019 to approx. 1.44 TWh in 2020). 23%. According to Nord Pool data, electricity consumption in Lithuania decreased by approx. 1.5% compared to 2019 (excl. Kruonis PSHP demand). In Latvia demand decreased by approx. 2%, in Estonia – approx. 3%.

**Average hourly electricity spot price change in 2020 compared to 2019**

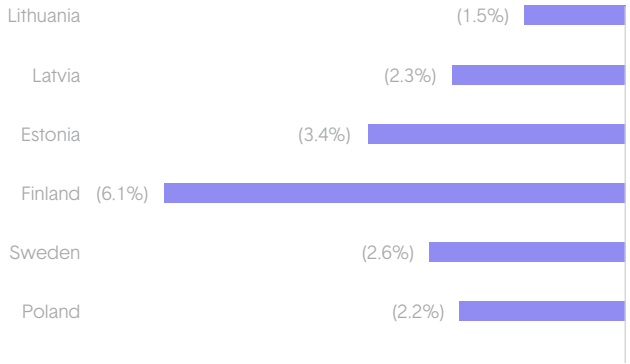



**1-year forward price is as of 19 February 2020*
***Based on Latvia forward price (as there is no separate Lithuanian zoe)*

### Electricity generation change in 2020 compared to 2019




### Electricity consumption change in 2020 compared to 2019




**Wholesale natural gas market**

During 2020, prices in the natural gas market were at the lowest levels in a decade. Consumption in some European countries fell sharply due to COVID-19, European gas storage year-on-year levels were at record high, market witnessed liquefied natural gas surplus.

In May 2020, European spot and front month natural gas prices along with East Asia EAX index fell below US prices. Selling produced LNG on the spot market was not economically beneficial, thus LNG off-takers started canceling cargoes. Some gas production sites were restructuring their production plans and oversupply still persisted in Europe and globally. Lower consumption levels and vast supply pressured TTF index to unseen levels close to 5 EUR/MWh during summer months. Spread between US natural gas and Asian as well as European markets started the recovery from August 2020 raising LNG production in the US. Nevertheless, LNG liquefaction plants saw quite a few challenges, including hurricanes, unplanned maintenances all over the globe during 2020. In December, markets witnessed first spikes in Asian LNG markets amid recovering gas consumption.

Natural gas prices on Lithuanian natural gas exchange were impacted by global and regional market developments. Weaker North West European hub prices during 2020 along with healthy winter-summer spreads stimulated market players to make use of situation bringing competitive pricing in winter 2020/2021.

As at 31 December 2020, the European natural gas storage filling rate stood at 74%, which was 3% higher than average of last 5 years. At the same time storage filling rate in Latvia reached 80% and in Poland 74%, which is respectively 45% higher and 5% lower than average of last 5 years.

During 2020, 21.94 TWh or 12% more natural gas was supplied from Klaipėda LNG terminal to the transmission system of Lithuania compared to 2019, while customers in Poland received 39.9 TWh or 10% more from Świnoujście LNG terminal comparing the same tenors.

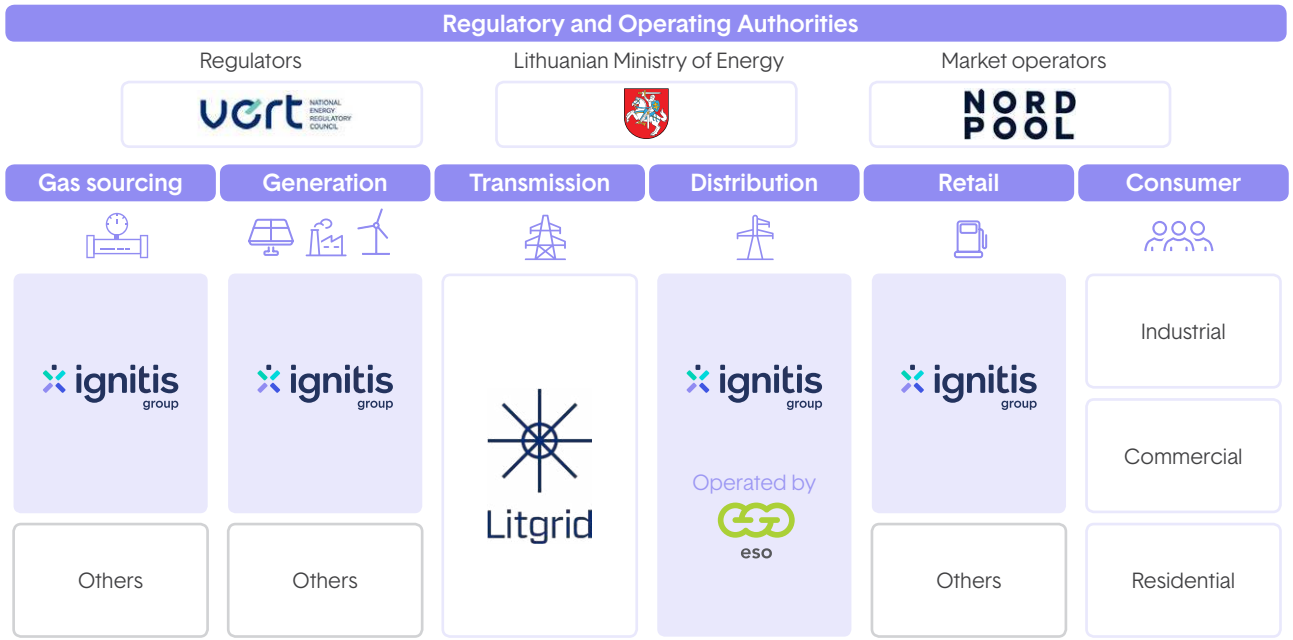
According to the data of the Lithuanian transmission system operator, the consumption of natural gas in the country was 7.2% higher compared to 2019 and reached 25.3 TWh. In 2020, the interconnection between EE-FI started operating, during the 12 months of 2020, 5.8 TWh of gas were supplied to Finland from the Baltics.

## Regulatory environment

**Lithuanian energy regulatory framework**

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

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



# Business segment relevant environment overview

## Networks

In 2020, market regulator NERC continued preparing for the new electricity regulatory period, which is due to start in 2022. They also updated WACC methodology (see more on NERC website). It is expected that during the first half of 2021, the regulator will present their initial proposal for LRAIC model update and lead the discussion with market participants. The Group plans to actively participate in the discussions related to this matter. Both the new regulatory framework and LRAIC model update will create a principal basis for Networks activities in the upcoming years.

## Green Generation

In line with European Green Deal initiatives, Lithuania approved its National Energy and Climate Plan (NECP) in 2020 as well as started to develop its regulatory framework for offshore wind development that is currently under discussions in the Lithuanian Parliament.

It is expected that the offshore wind energy auction (700 MW) will take place in 2023. This auction together with other support mechanisms that are currently in place will create a solid basis for Lithuania to achieve several strategic goals in the energy sector – to increase local electricity production as well as to keep renewable energy as the main energy source in the country.

Regarding the other home markets, we see the greatest potential in Poland, due to its focus on phasing out coal generation, which currently represents around ~85% of generation mix, and replacing it on renewable energy. By being supported by the Renewable Energy Sources Act, this might lead to almost 3 times increase in installed renewables capacity in Poland 30.8 GW by 2030.

The development of renewables capacity in Estonia is on the similar path as in Lithuania, Latvia is relatively less progressed, which might result in limited new installed renewables capacity in the short term.

Overall, within our target Green Generation markets, around 24 GW of additional renewables capacity should be installed during the period from 2020 to 2030.

### Expected auctions by 2024 in Group's home markets*

| | Poland | | | Lithuania | | Estonia | Estonia & Latvia joint | Total |
|---|---|---|---|---|---|---|---|---|
| **Growth potential** | **2.9x** | | | **2.4x** | | **2.4x** | **NA** | **2.6x** |
| **Installed capacity** | | | | | | | | |
| Target by 2030 | 30.9 GW | | | 4.0 GW | | 2.2 GW | NA | **39.6 GW** |
| 2020 | 10.8 GW | | | 1.7 GW | | 0.9 GW | NA | **15.2 GW** |
| **Preliminary auctions by 2024** | | | | | | | | |
| Year | 2021 | 2021 | 2022 or later | 2021-2022 | 2023 | 2021-2023 | TBD | |
| Technology | Neutral | Offshore | Neutral | Neutral | Offshore | Neutral | Offshore | |
| Capacity | 2.7 GW** | 5.9 GW | TBD | 0.5 GW** | 0.7 GW | 0.4 GW** | 1.0 GW | **11.2 GW** |
| Status | Approved | Planned | Planned | Approved | Planned | Planned | Planned | |
| Support scheme | Indexed CfD | Indexed CfD | Indexed CfD | FiP | Fixed CfD | Fixed CfD | TBD | |
| Support period | 15 years | 25 years | 15 years | 12 years | 15 years | 12 years | TBD | |
| **Group project relevance** | Polish solar portfolio I | TBD | Polish solar portfolio I | TBD | Lithuanian offshore wind farm project | TBD | TBD | |

** Information provided based on publicly available information and Wood Mackenzie. It might differ by the time auction is expected to take place*
*** Capacity calculated based on the following assumptions: auctions technology neutral, wind capacity factor equal to 35%, solar – 11.5%. In Polish auction proportion between wind and solar project, win equal to 50:50, whereas in the remaining countries all auctions are won by wind projects*

## Flexible Generation

In 2020, Lithuania reached the record level of local electricity production since 2010. Electricity production in 2020 amounted to approximately 5 TWh and was more than 30% higher compared to 2019. This was mainly determined by the historically low natural gas prices in 2020 that enabled electricity production in gas-fired power plants that are operated by the Group.

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

As the Baltic TSOs developed key concepts and principles as well as described the technical requirements and procedures for the future of ancillary services market setup, the Group constantly analyses various renovation as well as new development opportunities of its Flexible Generation fleet.

## Customers & Solutions

After long lasting discussions in the Lithuanian Parliament and due to Lithuania's EU commitments, Lithuania in 2020 finally decided deregulate electricity prices for household (B2C) consumers.

During the first stage of this market reform, the Group maintained its leadership position in the electricity supply market as more than 60% of customers that terminated their public supply contracts selected Ignitis as their new independent electricity supplier. Starting 1 January 2021, regulation of the final electricity prices has been terminated for the largest household consumers (consuming more than 5,000 kWh per year), while gradually reducing the consumption threshold, electricity prices for all household consumers will be deregulated from 2023.

It is expected that this process, together with smart metering roll-out and data-hub projects that are currently implemented by the Networks segment, will help to increase competition in the market as more electricity suppliers will enter the market. Data availability will also help energy companies to tackle their challenges and seize the opportunities related to digitisation.

Regarding the designated LNG supplier function, at the end of 2020 the Government of Lithuania approved the delivery of 4 designated supply cargoes in 2021 (the same number of cargoes as in the previous years) with a possibility to review the number of cargoes over the course of the year.

It was also agreed that the Ministry of Energy as well as the majority shareholder of the Group (Ministry of Finance) have to propose solutions to the Government to reduce expenses related to designated supply function by 31 March 2021.

## Other

Another important topic which received a lot of public attention in 2020 was related to Astravyets Nuclear Power Plant (NPP) which started its operations in Belarus at the end of 2020.

Lithuania is seeking an EU-wide ban on electricity import from the Astravyets NPP, which is located approximately 50 kilometres from Vilnius, however a unanimous decision has not been reached neither between all EU Member States nor between the Baltic States.

At the moment all countries of the Baltic States have to agree on uniform principles related to electricity trading with third countries, however, this agreement has not yet been reached.

As a solution to reduce existing unfair competition in the market before fully terminating electricity trading with third countries after synchronisation with Continental Europe (2025), an import/infrastructure tax for electricity import from third countries could be introduced for the period until 2025, however this requires consensus between all related parties.

# Other factors

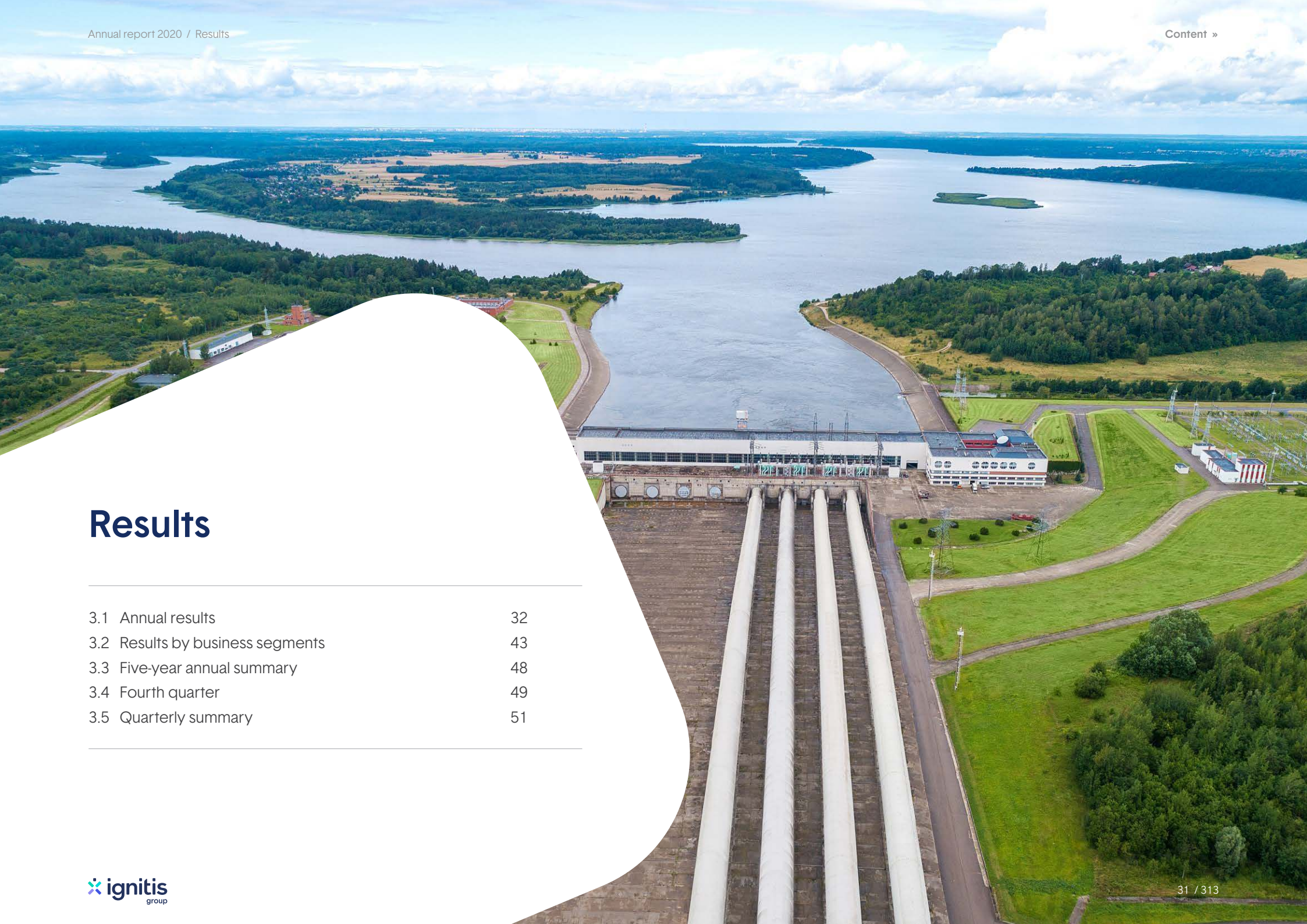
The most relevant internal and external factors, which might have significant financial and/or non-financial impact for the Group, are listed below. Further information on the risks and their management plan can be seen in section 4.6 'Risk and risk management'.

## Internal environment factors

- Strategic procurement and timely implementation of priority projects.
- Occupational health and safety.
- Personal data protection and cyber security.
- Employee turnover.
- Potential for operational efficiency enhancement.
- Ensuring IT system development needs and targeted architecture and digitising business processes.
- Prevention of corruption.

## External environment factors

| | |
|---|---|
| **Political** | – National Energy Independence Strategy.<br>– Energy Security Policy: strategic energy projects.<br>– Environment and climate change policy: EU policies of reducing green-house gas emissions.<br>– Changes in legislation. |
| **Economical** | – COVID-19 outbreak and social and economic restrictions.<br>– Impact of economic development cycles on changes in energy demand.<br>– Synchronisation of Lithuania's electricity system with the electricity system of Continental Europe has the potential to open up new markets. However, competition might increase as well.<br>– Growing competition in Green Generation segment.<br>– Increasing competition between system service providers.<br>– Lack of competition in the outsourced market of contracts work results in rising prices for services.<br>– Fluctuation of electricity and gas market prices.<br>– Cost of resources. |
| **Social** | – Rapid growth of purchasing power in Lithuania. However, still lower in absolute terms compared to EU average.<br>– Safety of employees/contractors/residents.<br>– Growing public expectations regarding new technology solutions. |
| **Technological** | – Conventional power generation has to face challenges and opportunities brought by the power generation from renewable energy sources.<br>– Innovation development, new energy services and technologies.<br>– The need for digital technologies and complex modern solutions (e.g. Cloud, IoT, etc.) to increase competitiveness.<br>– Sub-optimal and not fully automated distribution network.<br>– Growing risk of cyber threats. |
| **Regulatory/Legal** | – New regulatory period for electricity distribution network.<br>– Deregulation of the electricity B2C market in Lithuania.<br>– Continuation of designated LNG supply business model.<br>– Renewable energy support auctions, offshore wind farms' development.<br>– Capacity auctions, system services uncertainty.<br>– Risk of non-compliance: NERC's qualitative distribution indicators (SAIDI, SAIFI, duration of connection of new customers), anti-money laundering and counter-terrorist financing, personal data protection. |
| **Environmental** | – Growing public attention to climate change.<br>– Increasing environmental requirements. |



# Results


| | | |
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# 3.1 Annual results

## Key financial indicators

| | | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|---|
| Revenue | EURm | 1,223.1 | 1,099.3 | *123.8* | *11.3%* |
| EBITDA APM | EURm | 337.4 | 207.1 | *130.3* | *62.9%* |
| Adjusted EBITDA APM | EURm | 291.6 | 259.9 | *31.7* | *12.2%* |
| Adjusted EBITDA margin APM | % | 24.8% | 22.6% | *n/a* | *2.2 pp* |
| EBIT APM | EURm | 214.9 | 83.1 | *131.8* | *158.6%* |
| Adjusted EBIT APM | EURm | 168.9 | 135.0 | *33.9* | *25.1%* |
| Net profit | EURm | 169.3 | 59.0 | *110.3* | *186.9%* |
| Adjusted net profit APM | EURm | 126.7 | 106.0 | *20.7* | *19.5%* |
| Investments APM | EURm | 346.8 | 453.2 | *(106.4)* | *(23.5%)* |
| FFO APM | EURm | 312.5 | 189.5 | *123.0* | *64.9%* |
| FCF APM | EURm | 48.0 | (189.8) | *237.8* | *n/a* |
| ROE APM | % | 10.6% | 4.4% | *n/a* | *6.2 pp* |
| Adjusted ROE APM | % | 7.9% | 8.0% | *n/a* | *(0.1 pp)* |
| ROCE APM | % | 9.0% | 3.8% | *n/a* | *5.2 pp* |
| Adjusted ROCE APM | % | 7.1% | 6.2% | *n/a* | *0.9 pp* |
| EPS (Basic) | EUR | 2.88 | 1.04 | *1.84* | *176.9%* |
| DPS APM | EUR | 1.14 | 0.52 | *0.62* | *119.2%* |
| | | 2020.12.31 | 2019.12.31 | Δ | Δ, % |
| Total assets | EURm | 3,969.3 | 3,198.1 | *771.2* | *24.1%* |
| Equity | EURm | 1,843.8 | 1,348.6 | *495.2* | *36.7%* |
| Net debt APM | EURm | 600.3 | 966.5 | *(366.2)* | *(37.9%)* |
| Net working capital APM | EURm | 38.7 | *52.6* | *(13.9)* | *(26.4%)* |
| Net debt/EBITDA APM | times | 1.78 | 4.67 | *(2.89)* | *(61.9%)* |
| Net debt/Adjusted EBITDA APM | times | 2.06 | 3.72 | *(1.66)* | *(44.6%)* |
| FFO/Net debt APM | % | 52.1% | 19.6% | *n/a* | *32.5 pp* |

# Highlights

### 2020 vs 2019

In 2020, Adjusted EBITDA increased in all of the main operating segments of the Group. Increase was mainly driven by the following factors:

- growth in the Networks segment due to RAB which grew as a result of continued investments for reliability of the network, new customer connections and upgrades as well as increase in RAB which is calculated using LRAIC model;
- efficient use of Kruonis PSHP (Green Generation) mainly caused by effective utilisation of fluctuations in electricity market prices;
- better result of commercial activities of the CCGT unit (Flexible Generation) because of change in the regulatory regime allowing it to operate in the market and favourable gas market prices ;
- launch of Kaunas CHP (Green Generation);
- expansion to the Finnish gas market (Customers & Solutions).

### Realised vs guidance

In the outlook announced with our 2020 9-month interim report, we expected 2020 adjusted EBITDA to be in the range of EUR 265–269 million. The actual result was around 10% higher and reached EUR 291.6 million.

The outperformance was mainly driven by:

- better result of Kruonis PSHP (Green Generation) mostly due to higher volumes of electricity generated;
- better than expected result of commercial activities of the CCGT unit (Flexible Generation) due to favourable conditions in the market;
- better overall performance of the Customers & Solutions segment.

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| | Networks | Green Generation | Flexible Generation | Customers and Solutions | Other* | Total Adjusted | Adjust-ments | IFRS |
|---|---|---|---|---|---|---|---|---|
| 2020 | | | Adjusted | | | | | Reported |
| **Revenue** | **499.4** | **89.6** | **110.9** | **487.1** | **(13.2)** | **1,173.8** | **49.3** | **1,223.1** |
| Purchases of electricity, gas and other services | (194.5) | (21.4) | (62.3) | (437.4) | 13.0 | (702.6) | | (702.6) |
| Wages and salaries and related expenses | (51.4) | (6.4) | (7.0) | (9.9) | (18.1) | (92.8) | | (92.8) |
| Repair and maintenance expenses | (24.8) | (2.9) | (6.3) | 0.0 | (0.1) | (34.1) | | (34.1) |
| Other expenses | (29.7) | (8.2) | (3.5) | (28.8) | 17.5 | (52.7) | (3.5) | (56.2) |
| **EBITDA** APM | **199.0** | **50.7** | **31.8** | **11.0** | **(0.9)** | **291.6** | **45.8** | **337.4** |
| Depreciation and amortisation | (78.3) | (17.6) | (11.4) | (1.6) | (4.5) | (113.4) | | (113.4) |
| Write-offs, revaluation and impairment losses of PPE and intangible assets | (4.7) | 0.0 | (0.2) | 0.0 | (1.0) | (5.9) | | (5.9) |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | (0.7) | 0.0 | 0.0 | (2.4) | (0.3) | (3.4) | 3.4 | 0.0 |
| Revaluation of emission allowances | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (3.2) | (3.2) |
| **EBIT** APM | **115.3** | **33.1** | **20.2** | **7.0** | **(6.7)** | **168.9** | **46.0** | **214.9** |
| Finance activity, net | | | | | | (20.2) | | (20.2) |
| Income tax expenses | | | | | | (22.0) | (3.4) | (25.4) |
| **Net profit** | | | | | | **126.7** | **42.6** | **169.3** |
| 2019 | | | Adjusted | | | | | Reported |
| **Revenue** | **464.8** | **83.6** | **65.7** | **539.2** | **(2.5)** | **1,150.8** | **(51.5)** | **1,099.3** |
| Purchases of electricity, gas and other services | (183.3) | (27.7) | (28.4) | (493.7) | 6.5 | (726.6) | | (726.6) |
| Wages and salaries and related expenses | (46.0) | (4.4) | (6.3) | (4.9) | (25.4) | (87.0) | | (87.0) |
| Repair and maintenance expenses | (21.7) | (2.4) | (4.9) | 0.0 | (0.8) | (29.8) | | (29.8) |
| Other expenses | (33.3) | (5.7) | (4.1) | (29.7) | 25.3 | (47.5) | (1.3) | (48.8) |
| **EBITDA** APM | **180.5** | **43.4** | **22.0** | **10.9** | **3.1** | **259.9** | **(52.8)** | **207.1** |
| Depreciation and amortiaation | (81.0) | (15.3) | (11.6) | (0.4) | (1.6) | (109.9) | | (109.9) |
| Write-offs, revaluation and impairment losses of PPE and intangible assets | (8.2) | 0.0 | (0.3) | 0.0 | (5.2) | (13.7) | | (13.7) |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | (0.5) | 0.0 | 1.1 | (3.8) | 1.9 | (1.3) | 1.3 | 0.0 |
| Revaluation of emission allowances | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | (0.4) |
| **EBIT** APM | **90.8** | **28.1** | **11.2** | **6.7** | **(1.8)** | **135.0** | **(51.9)** | **83.1** |
| Finance activity, net | | | | | | (16.9) | | (16.9) |
| Income tax expenses | | | | | | (12.1) | 4.9 | (7.2) |
| **Net profit** | | | | | | **106.0** | **(47.0)** | **59.0** |

** Other – other activities and eliminations.*

| | Realised 2019 | Guidance 7 May 2020 | Guidance 13 Nov 2020 | Realised 2020 |
|---|---|---|---|---|
| **Adjusted EBITDA** APM | **259.9** | **Similar** | **265-269** | **291.6** |
| Networks | 180.5 | Higher | Higher | 199.0 |
| Green Generation | 43.4 | Higher | Higher | 50.7 |
| Flexible Generation | 22.0 | Lower | Higher | 31.8 |
| Customers & Solutions | 10.9 | Stable | Lower | 11.0 |
| Other | 3.1 | Lower | Lower | (0.9) |

# Revenue

In 2020, Revenue increased by 11.3% compared to 2019, and totalled EUR 1,223.1 million. The main reasons causing Revenue changes were as follows:

1. **Higher Revenue of the Networks segment (EUR +67.2 million).** The increase was mainly driven by higher electricity distribution (EUR +54.4 million) and transmission (EUR +31.2 million) revenue due to on average 11% higher tariff of power transfer service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulator. The increase was partly offset by the decreased revenue of supply of last resort (EUR -10.0 million) due to the decreased electricity market price.
2. **Higher Revenue of the Customers & Solutions segment (EUR +26.3 million).** The increase was mainly driven by higher B2B electricity supply revenue (EUR +31.9 million) due to higher volume of sold electricity and the increase of B2C electricity supply revenue (EUR +27.9 million) due to higher electricity tariff set by the regulator (+14.6% for H1 2020 and +5.6% for H2 2020 comparing to the same periods in 2019), higher sales volumes (+5.0% YoY) and revenues and receivable amount related to temporary regulatory differences for the previous periods recognised in 2020 as to new NERC resolution No O3E-879, adopted on 25 September 2020, which ensures that Ignitis will be compensated for outstanding temporary regulatory differences after the deregulation of electricity public supply activity. The increase was partly offset by lower gas sales revenue from B2B customers (EUR -19.8 million) due to lower gas market price and lower B2C gas sales (EUR -10.5 million) due to lower tariff set by the regulator (on average by 20% for H1 2020 and 35% for H2 2020 compared to the same periods in 2019).
3. **Higher Revenue of the Flexible Generation segment (EUR +30.9 million).** The segment's Revenue increase was mainly driven by higher revenue of the CCGT unit (EUR +44.8 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of sales to the market and revenue from isolated regime services was higher than return on investment included in tariff of 2019 when providing tertiary reserve services. 2019 revenue was boosted by one-off compensation received in Q1 2019 for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009 (EUR -9.3 million). 2019 revenues were also boosted by sale of fuel oil stocks no longer in use (EUR -4.3 million).
4. **Higher Revenue of the Green Generation segment (EUR +6.0 million).** The Revenue increase was driven by launch of Kaunas CHP (EUR +7.2 million) and higher sales in Kruonis PSHP (EUR +4.2 million). The increase was partly offset by lower revenue of Kaunas HPP (EUR -4.7 million) due to lower water level in the Nemunas river and lower electricity prices.
5. **Lower Revenue of the Other segment (EUR -6.6 million).** Other activities and eliminations decreased due to more intra-group revenue in 2020. The total elimination of intra-group revenue amounts to EUR -18.2 million.

### Revenue by segment, EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| Customers & Solutions | 548.5 | 522.2 | *26.3* | *5.0%* |
| Networks | 482.2 | 415.0 | *67.2* | *16.2%* |
| Flexible Generation | 111.7 | 80.8 | *30.9* | *38.2%* |
| Green Generation | 89.0 | 83.0 | *6.0* | *7.2%* |
| Other* | (8.3) | (1.7) | *(6.6)* | *n/a* |
| **Revenue** | **1,223.1** | **1,099.3** | ***123.8*** | ***11.3%*** |

** Other – other activities and eliminations.*

### Revenue by country, EURm

| | 2020 | 2019 | Δ | Δ, % | 2020, % |
|---|---|---|---|---|---|
| Lithuania | 1,122.8 | 1,012.3 | *110.5* | *10.9%* | *91.8%* |
| Other | 100.3 | 87.0 | *13.3* | *15.2%* | *8.2%* |
| **Revenue** | **1,223.1** | **1,099.3** | ***123.8*** | ***11.3%*** | ***100.0%*** |

In 2020, the Group earned 91.8% (92.1% in 2019) of its revenue in Lithuania (EUR 1,122.8 million). The Group's Revenue from foreign countries (Latvia, Estonia, Poland and Finland) increased by 15.2% and reached EUR 100.3 million (2019: EUR 87.0 million) mainly due to expansion to Finland and increased gas sales in Latvia.

### Revenue by type, EURm

| | 2020 | 2019 | Δ | Δ, % | 2020, % |
|---|---|---|---|---|---|
| Electricity related | 941.8 | 770.8 | *171.0* | *22.2%* | *77.0%* |
| Gas related | 243.5 | 275.1 | *(31.6)* | *(11.5%)* | *19.9%* |
| Other | 37.8 | 53.4 | *(15.6)* | *(29.2%)* | *3.1%* |
| **Revenue** | **1,223.1** | **1,099.3** | ***123.8*** | ***11.3%*** | ***100.0%*** |

In 2020, electricity related revenue increased by EUR 171.0 million compared to 2019 due to higher electricity distribution and transmission revenue (EUR +85.6 million), revenue from sale of produced electricity (EUR +51.9 million), higher revenue from B2C electricity supply (EUR +27.9 million) and higher revenue from B2B electricity supply (EUR 31.9 million). Gas related revenue decreased by EUR 31.6 million compared to 2019 due to lower revenue from gas sales (EUR -30.3 million).

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# Expenses

### Purchases of electricity, gas and related services

The Group's purchases of electricity and gas amounted to EUR 702.6 million in 2020 and decreased by 3.3% compared to 2019. The decrease was caused by lower electricity purchases (EUR -11.7 million) mainly due to lower electricity market price and lower gas purchases (EUR -9.6 million) mainly due to lower gas market price.

### OPEX

In 2020 OPEX was equal to EUR 165.7 million and rose by 12.0% (EUR +17.8 million). This change was driven by an increase in salaries and related expenses by EUR 5.8 million (or +6.7%) which increased mainly due to Group's average salary growth, an increase of headcount (+94 employees) mainly due to Vilnius CHP project which is nearing launch, increased vacation accrual and increased overtime resulted from repair of failures in the electricity distribution network after storm Laura in Q1 2020.

Repair and maintenance expenses increased by EUR 4.3 million (or +14.4%) mostly due to increased repair and maintenance works required for the electricity distribution network.

Also OPEX growth was driven by higher other OPEX, which increased by EUR 7.7 million (or +24.8%) mainly due to higher IT expenses, external customer service and purchases of additional personal protection and personal hygiene measures due to COVID-19 as well as less capitalised expenses compared to 2019.

New Green Generation projects under construction and under development accounted for EUR 3.1 million increase in OPEX.

### Other

Impairment expenses and write-offs of property, plant and equipment decreased by EUR 7.8 million in 2020 compared to 2019 mostly resulting from depreciation of assets held for sale accounted as impairment expenses in 2019 and due to write-offs of old construction-in-progress projects in 2019.

**Expenses,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| **Purchases of electricity, gas and other services** | **702.6** | **726.7** | ***(24.1)*** | ***(3.3%)*** |
| Purchases of electricity and related services | 469.2 | 480.9 | *(11.7)* | *(2.4%)* |
| Purchases of gas and related services | 228.4 | 238.0 | *(9.6)* | *(4.0%)* |
| Other | 5.0 | 7.8 | *(2.8)* | *(35.9%)* |
| **OPEX** APM | **165.7** | **147.9** | ***17.8*** | ***12.0%*** |
| Salaries and related expenses | 92.8 | 87.0 | 5.8 | 6.7% |
| Repair and maintenance expenses | 34.1 | 29.8 | 4.3 | 14.4% |
| Other | 38.8 | 31.1 | 7.7 | 24.8% |
| **Other** | **139.9** | **141.6** | **(1.7)** | **(1.2%)** |
| Depreciation and amortisation | 113.4 | 109.9 | 3.5 | 3.2% |
| Energy hedging | 14.1 | 16.4 | (2.3) | (14.0%) |
| Impairment expenses and write-offs of property, plant and equipment | 5.9 | 13.7 | (7.8) | (56.9%) |
| Write-offs and impairments of short term and long-term receivables, inventories and other | 3.3 | 1.2 | 2.1 | 175.0% |
| Revaluation of emission allowances | 3.2 | 0.4 | 2.8 | n/a |
| **Total** | **1,008.2** | **1,016.2** | ***(8.0)*** | ***(0.8%)*** |

# Adjusted EBITDA

Adjusted EBITDA amounted to EUR 291.6 million in 2020 and was 12.2% or EUR 31.7 million higher than in 2019. Adjusted EBITDA margin reached 24.8% (2019: 22.6%).

The main reasons behind adjusted EBITDA growth were as follows:

1. **Networks grew by EUR 18.5 million.** The increase was driven by RAB growth, which increased by 15% from EUR 1,416 million in 2019 to EUR 1,628 million in 2020 mainly due to higher electricity RAB as a result of investments in distribution network maintenance, new customer connections and upgrades as well as increase in RAB, which is calculated using LRAIC model.
2. **Flexible Generation increased by EUR 9.8 million.** The increase was mainly caused by better results from the CCGT unit (EUR +9.4 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of selling to the market and providing isolated regime services was higher than return on investment included in the tariff of 2019 when providing tertiary reserve services. Also, the increase was caused by better results of units 7 and 8 of Elektrėnai Complex regulated activities as in 2019 these units were delivering ancillary services only one and two months respectively and in 2020 they provide tertiary reserve services all year long (EUR +1.7 million). 2019 Adjusted EBITDA was boosted by gain from sale of fuel oil stocks (EUR -1.8 million).
3. **Green Generation increased by EUR 7.3 million.** The increase was mainly influenced by better results of Kruonis PSHP (EUR +12.3 million) mainly caused by effective utilisation of fluctuations in electricity market prices and positive impact from Kaunas CHP (EUR +4.2 million) as the plant was launched in August. The increase was partly offset by worsened result of Kaunas HPP (EUR -4.7 million) due to lower water level in the Nemunas river and lower captured electricity prices. The segment's adjusted EBITDA was negatively affected by the increased OPEX of Vilnius CHP project (EUR -1.9 million) as the launch of the plant is approaching.
4. **Customers & Solutions increased by EUR 0.1 million.** The positive impact was driven by the increase in gas B2B results (EUR +13.2 million) mainly due to the growth of gas export to Finland and Latvia (export volumes increased by 306.6% YoY to 5.2 TWh) as well as higher B2B sales volumes in Lithuania (B2B gas sales volumes increased by 15.7% YoY to 5.4 TWh). The negative impact was driven by lower B2B electricity results (EUR -11.8 million) due to the negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers' portfolio because of COVID-19.
5. **Result from other activities decreased by EUR 4.0 million.** The decrease was mainly influenced by lower results of the parent company, group service centre and non-core businesses which are gradually being divested.

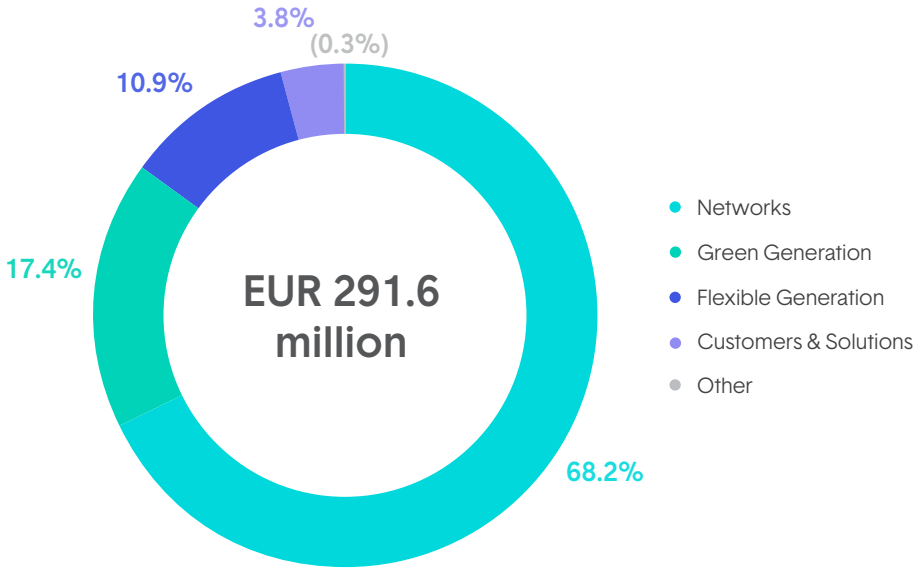
We draw your attention to the fact that 2019 Adjusted EBITDA was restated and increased by EUR 0.3 million compared to 2019 Annual report. The restatement occurred because the result of hedging activities was transferred from financial activities (below EBITDA level) to other expenses (part of EBITDA) because of an unification of hedging activities accounting method in Group companies.

**Adjusted EBITDA by segments,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| Networks | 199.0 | 180.5 | *18.5* | *10.2%* |
| Green Generation | 50.7 | 43.4 | *7.3* | *16.8%* |
| Flexible Generation | 31.8 | 22.0 | *9.8* | *44.5%* |
| Customers & Solutions | 11.0 | 10.9 | *0.1* | *0.9%* |
| Other* | (0.9) | 3.1 | *(4.0)* | *n/a* |
| **Adjusted EBITDA** APM | **291.6** | **259.9** | ***31.7*** | ***12.2%*** |

** Other – other activities and eliminations.*

**Adjusted EBITDA 2020,** EURm



### Adjusted EBITDA by activity type

In 2020, Adjusted EBITDA from regulated and long-term contracted activities amounted to 82.7% of the total Adjusted EBITDA (2019: 87.1%). The share of such activities decreased due to significantly higher Adjusted EBITDA from commercial activities, mostly the CCGT unit and Kaunas CHP.

Regulated activities include:

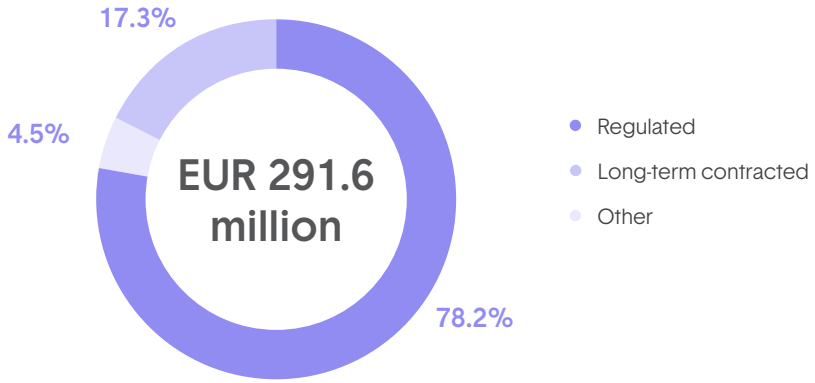
1. electricity and gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, gas supply to residents of Lithuania and designated LNG supplier service.

Long-term contracted activities include wind farms with feed-in or feed-in premium tariffs.

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

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| Regulated | 228.0 | 213.0 | *15.0* | *7.0%* |
| Long-term contracted | 13.2 | 13.3 | *(0.1)* | *(0.8%)* |
| Other | 50.4 | 33.6 | *16.8* | *50.0%* |
| **Adjusted EBITDA** APM | **291.6** | **259.9** | ***31.7*** | ***12.2%*** |

**Adjusted EBITDA by types of activities in 2020,** %




**EBITDA adjustments,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| **EBITDA** APM | **337.4** | **207.1** | ***130.3*** | ***62.9%*** |
| *Adjustments** | | | | |
| Temporary regulatory differences (1) | (38.4) | 31.7 | *(70.1)* | *n/a* |
| Temporary fluctuations in fair value of derivatives (2) | (18.5) | 16.8 | *(35.3)* | *n/a* |
| Cash effect of new connection points and upgrades (3) | 13.2 | 16.1 | *(2.9)* | *(18.0%)* |
| Other (4) | (2.1) | (11.8) | *9.7* | *(82.2%)* |
| **Total EBITDA adjustments** | **(45.8)** | **52.8** | **(98.6)** | **n/a** |
| **Adjusted EBITDA** APM | **291.6** | **259.9** | ***31.7*** | ***12.2%*** |
| Adjusted EBITDA margin APM | 24.8% | 22.6% | *n/a* | *2.2 pp* |

** A more detailed description of the management adjustments is presented in Consolidated Financial statements for 2020, Note 45 'Operating segments'.*

(1) Elimination of the difference between the actual profit earned during the reporting period and the profit allowed by the regulator. In 2020, adjustment mostly consists of elimination of higher Customers & Solutions segment profit earned from regulated activities during 2020, which resulted from lower actual electricity and gas purchase prices compared to prices set by the regulator. In 2019, adjustment was mainly related to the Networks segment (EUR 36.9 million) mainly due to amounts returned to the consumers for previous periods through lower tariffs.

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

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

(4) Other adjustments include elimination of impairment and write-offs of current and non-current amounts receivables, loans, goods and others, gains or losses from disposal of non-current assets and other one-off gains or losses. The main one-off elimination for 2020 is amount related to GDRs, which was collected from GDR holders during the IPO process (EUR -1.8 million). The main one-off eliminations for 2019 are received compensations of: i) EUR 9.28 million for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of AB Lietuvos Elektrinė in 2005–2009; ii) ) EUR 2.6 million compensation received from AB Litgrid for transmission and system services (for January and February 2016).

# Adjusted EBIT

In 2020, Adjusted EBIT amounted to EUR 168.9 million, which was 25.1% (or EUR +33.9 million) higher than in 2019. The main effects on Adjusted EBIT change were higher Adjusted EBITDA (EUR +31.7 million) (the reasons behind the increase are described in 'Adjusted EBITDA' section), lower write-offs, revaluation expenses and impairment losses of PPE and intangible assets (EUR +7.8 million) and slightly higher depreciation expenses (EUR -3.5 million).

### Adjusted EBIT by segments, EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| Networks | 115.3 | 90.8 | *24.5* | *27.0%* |
| Green Generation | 33.1 | 28.1 | *5.0* | *17.8%* |
| Flexible Generation | 20.2 | 11.2 | *9.0* | *80.4%* |
| Customers & Solutions | 7.0 | 6.7 | *0.3* | *4.5%* |
| Other* | (6.7) | (1.8) | *(4.9)* | *n/a* |
| **Adjusted EBIT** APM | **168.9** | **135.0** | ***33.9*** | ***25.1%*** |
| Adjusted EBIT margin APM | 14.4% | 11.7% | *n/a* | *2.7 pp* |

** Other – other activities and eliminations.*

Calculation of Adjusted EBIT was changed not eliminating write-offs, revaluation expenses and impairment losses of PPE and intangible assets and eliminating impairment and write-offs of current and non-current amounts receivables, loans, goods and others.

### EBIT adjustments, EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| **EBIT** APM | **214.9** | **83.1** | ***131.8*** | ***158.6%*** |
| *Adjustments* | | | | |
| Total EBITDA adjustments | (45.8) | 52.8 | *(98.6)* | *n/a* |
| Revaluation of emission allowances | 3.2 | 0.4 | *2.8* | *n/a* |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | (3.4) | (1.3) | *(2.1)* | *161.5%* |
| **Total EBIT adjustments** | **(46.0)** | **51.9** | ***(97.9)*** | ***n/a*** |
| **Adjusted EBIT** APM | **168.9** | **135.0** | ***33.9*** | ***25.1%*** |

# Adjusted and Reported net profit

Adjusted net profit amounted to EUR 126.7 million in 2020 and was 19.5% higher than in 2019. Adjusted EBITDA positive impact (EUR +31.7 million) was partly offset by higher income tax (EUR -9.8 million), financial activity (EUR -3.9 million) and depreciation and amortisation (EUR -3.5 million) expenses. Deferred income tax expenses increased due to income tax relief for the investment project related assets transfer to another Group company what lowered deferred income tax assets as tax relief itself could not be transferred to another company.

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

Reported net profit in 2020 increased to EUR 169.3 million, compared to net profit of EUR 59.0 million in 2019. Reported Net profit increased significantly more than Adjusted net profit due to temporary regulatory differences of the Customers & Solutions segment EUR 43.3 million in 2020 and the Networks segment EUR -36.9 million in 2019. Also temporary fluctuations in fair value of derivatives increased significantly from EUR -16.8 million in 2019 to EUR +18.5 million in 2020.

### Net profit adjustments, EURm

| | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|
| **Net profit** | **169.3** | **59.0** | ***110.3*** | ***186.9%*** |
| *Adjustments* | | | | |
| Total EBITDA adjustments | (45.8) | 52.8 | *(98.6)* | *n/a* |
| Revaluation of emission allowances | 3.2 | 0.4 | *2.8* | *n/a* |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | (3.4) | (1.3) | *(2.1)* | *161.5%* |
| Adjustments' impact on income tax | 3.4 | (4.9) | *8.3* | *n/a* |
| **Total net profit adjustments** | **(42.6)** | **47.0** | ***(89.6)*** | ***n/a*** |
| **Adjusted net profit** APM | **126.7** | **106.0** | ***20.7*** | ***19.5%*** |
| Adjusted ROE APM | 7.9% | 8.0% | *n/a* | *(0.1 pp)* |
| ROE APM | 10.6% | 4.4% | *n/a* | *6.2 pp* |

# Investments

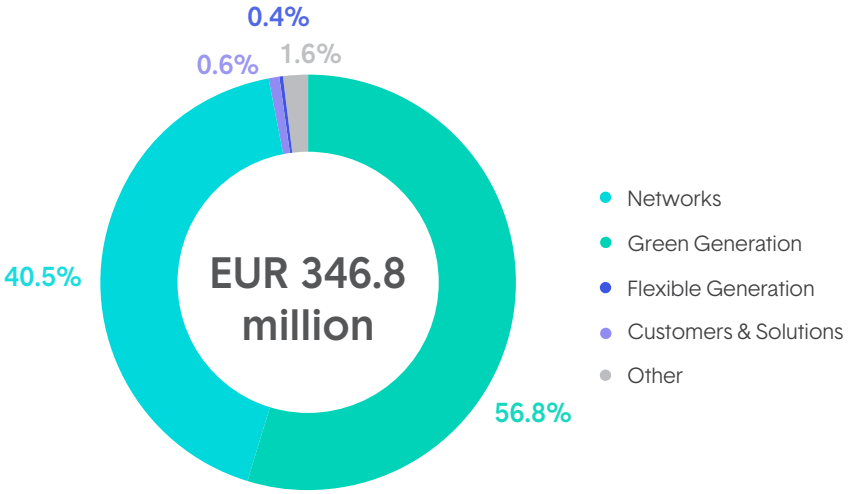
In 2020, Investments amounted to EUR 346.8 million and were EUR 106.4 million lower than in 2019. The largest investments were made in construction of Pomerania WF (21.9% from total Investments), construction of Kaunas CHP (20.3%), electricity distribution network expansion (new connection points and upgrades) (15.6%), electricity distribution network maintenance (mainly replacement of overhead lines with underground lines) (14.1%) and construction of Vilnius CHP (13.3%).

Green Generation segment investments amounted to EUR 197.0 million in 2020 and were EUR 56.9 million lower compared to 2019. The main reason for the decrease was lower investments in Vilnius CHP (EUR -115.3 million). The decrease was partly expected because of the construction schedule, but also there was some delay due to COVID-19. Decrease was partly offset by higher investments in construction of Kaunas CHP (EUR +26.5 million) and Pomerania WF (EUR +26.3 million).

Networks segment investments amounted to EUR 140.6 million and were lower by EUR 38.4 million compared to 2019. Decrease was mainly driven by lower investments in expansion of the electricity and gas distribution networks (EUR -48.5 million) due to COVID-19 as well as overall decrease in new customers connection and upgrades contract work fees.

The Group received EUR 25.7 million grants for Investments in 2020. It mainly contains grants for Vilnius CHP project (EUR 18.5 million), the remaining grants were related to electricity and gas distribution networks. Also, part of the Networks investments related to new customer connections, upgrades and infrastructure equipment transfers were covered by customers (EUR 26.3 million). Also, there were investments covered by guarantee due to termination of agreement with Vilnius CHP contractor (EUR -15.0 million).

**Investments by segment in 2020,** %




**Investments by segment,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| Green Generation | 197.0 | 253.9 | *(56.9)* | *(22.4%)* |
| Pomerania WF | 75.8 | 49.5 | *26.3* | *53.1%* |
| Kaunas CHP | 70.5 | 44.0 | *26.5* | *60.2%* |
| Vilnius CHP | 46.0 | 161.3 | *(115.3)* | *(71.5%)* |
| Other | 4.7 | (0.9) | *5.6* | *n/a* |
| Networks | 140.6 | 179.0 | *(38.4)* | *(21.5%)* |
| Expansion of the electricity network | 54.2 | 79.1 | *(24.9)* | *(31.5%)* |
| Maintenance of the electricity network | 49.0 | 44.4 | *4.6* | *10.4%* |
| Expansion of the gas network | 21.4 | 45.0 | *(23.6)* | *(52.4%)* |
| Maintenance of the gas network | 9.6 | 7.0 | *2.6* | *37.1%* |
| Other | 6.4 | 3.5 | *2.9* | *82.9%* |
| Customers & Solutions | 2.2 | 3.2 | *(1.0)* | *(31.3%)* |
| Flexible Generation | 1.5 | 0.5 | *1.0* | *200.0%* |
| Other* | 5.5 | 16.6 | *(11.1)* | *(66.9%)* |
| **Investments** APM | **346.8** | **453.2** | ***(106.4)*** | ***(23.5%)*** |
| Grants | (25.7) | (64.0) | *38.3* | *(59.8%)* |
| Investments covered by customers** | (26.3) | (26.5) | *0.2* | *(0.8%)* |
| Investments covered by guarantee | (15.0) | 0.0 | *(15.0)* | *n/a* |
| **Investments (excl. grants and investments covered by customers and guarantees)** | **279.8** | **362.7** | ***(82.9)*** | ***(22.9%)*** |

** Other – other activities and eliminations.*
*** Investments covered by customers include new customers connections and upgrades, and infrastructure equipment transfers.*

# Statement of financial position

### Assets

As of 31 December 2020, total assets reached EUR 3,969.3 million (24.1% increase from 31 December 2019). The growth was mainly influenced by the increase in cash and cash equivalents due to additional bond issuance and IPO proceeds. Also, property, plant and equipment increased, resulting from investments made in 2020.

### Equity

As of 31 December 2020, equity amounted to EUR 1,843.8 million, 36.7% increase from 31 December 2019 mostly due to new shares issued through IPO and Net profit for 2020.

### Liabilities

Total liabilities increased by 14.9% or EUR 276.0 million during 2020. Non-current liabilities grew by 34.5% or EUR 465.7 million, which was mainly influenced by the issuance of bonds (EUR +300.0 million) and increased loans from banks (EUR +127.3 million) for Pomerania WF, Kaunas CHP and Vilnius CHP. Current liabilities decreased by 38.0% or EUR 189.7 million. It was caused by decrease in Bank overdrafts (EUR -191.3 million) and the current portion of non-current loans (EUR -32.1 million).

**Balance sheet,** EURm

| | 2020.12.31 | 2019.12.31 | Δ | Δ,% |
|---|---|---|---|---|
| Non-current assets | 2,982.7 | 2,770.6 | *212.1* | *7.7%* |
| Current assets | 986.6 | 427.5 | *559.1* | *130.8%* |
| **TOTAL ASSETS** | **3,969.3** | **3,198.1** | ***771.2*** | ***24.1%*** |
| Equity | 1,843.8 | 1,348.6 | *495.2* | *36.7%* |
| Total liabilities | 2,125.5 | 1,849.5 | *276.0* | *14.9%* |
| Non-current liabilities | 1,816.2 | 1,350.5 | *465.7* | *34.5%* |
| Current liabilities | 309.3 | 499.0 | *(189.7)* | *(38.0%)* |
| **TOTAL EQUITY AND LIABILITIES** | **3,969.3** | **3,198.1** | ***771.2*** | ***24.1%*** |
| Asset turnover APM | 0.34 | 0.36 | *(0.02)* | *(5.6%)* |
| ROA APM | 4.7% | 1.9% | *n/a* | *2.8 pp* |
| Current ratio APM | 3.19 | 0.78 | *2.41* | *n/a* |
| Working capital/Revenue APM | 3.2% | 4.8% | *n/a* | *(1.6 pp)* |

# Financing

### Net debt

As of 31 December 2020, Net debt amounted to EUR 600.3 million, a decrease of 37.9% or EUR 366.2 million compared to 31 December 2019 was mostly influenced by the IPO proceeds, that was partly offset by new loans obtained (which were used to finance investments in renewable energy projects).

During 2020, Gross debt increased by 18.7% or EUR 205.8 million, and on 31 December 2020 amounted to EUR 1,304.1 million. Main factors for the increase were bonds issuance and increase of loans from banks, that was partly offset by lower bank overdrafts and current portion of non-current loans.

FFO/Net debt significantly improved from 19.6% to 52.1%.

The IPO has strengthened the capital structure of the Group, which led to the event driven review of credit rating and outlook change. S&P Global Ratings improved the credit rating outlook of the Group from 'negative' to 'stable' with BBB+ rating.

**Net debt,** EURm

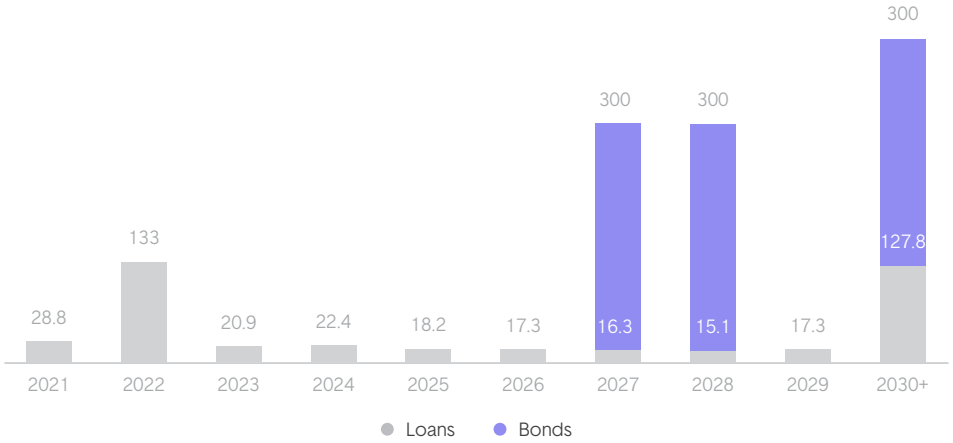
| | 2020.12.31 | 2019.12.31 | Δ | Δ,% |
|---|---|---|---|---|
| **Total non-current financial liabilities** | **1,275.3** | **855.7** | ***419.6*** | ***49.0%*** |
| Non-current loans | 359.0 | 231.7 | *127.3* | *54.9%* |
| Bonds | 887.0 | 590.1 | *296.9* | *50.3%* |
| Interests payable (including accrued) | 0.2 | 0.1 | *0.1* | *100.0%* |
| Lease liabilities (IFRS 16) | 29.1 | 33.8 | *(4.7)* | *(13.9%)* |
| **Total current financial liabilities** | **28.8** | **242.6** | ***(213.8)*** | ***(88.1%)*** |
| Current portion of non-current loans | 6.3 | 37.5 | *(31.2)* | *(83.2%)* |
| Current loans | 0.0 | 0.0 | *0.0* | *0.0* |
| Interests payable (including accrued) | 9.1 | 5.4 | *3.7* | *68.5%* |
| Lease liabilities (IFRS 16) | 13.4 | 8.4 | *5.0* | *59.5%* |
| Banks overdrafts | 0.0 | 191.3 | *(191.3)* | *(100.0%)* |
| **Gross debt** APM | **1,304.1** | **1,098.3** | ***205.8*** | ***18.7%*** |
| **Cash, cash equivalents and restricted cash** | **703.8** | **131.8** | ***572.0*** | ***n/a*** |
| Cash and cash equivalents | 658.8 | 130.7 | *528.1* | *n/a* |
| Cash in escrow account | 45.0 | 1.1 | *43.9* | *n/a* |
| **Net debt** APM | **600.3** | **966.5** | ***(366.2)*** | ***(37.9%)*** |
| EPSO-G receivable | 150.7 | 158.7 | *(8.0)* | *(5.0%)* |
| **Net debt less EPSO-G receivable** | **449.6** | **807.8** | ***(380.0)*** | ***(47.0%)*** |
| Net debt / Adjusted EBITDA APM | 2.06 | 3.72 | *(1.66)* | *(44.6%)* |
| Net debt / EBITDA APM | 1.78 | 4.67 | *(2.89)* | *(61.9%)* |
| FFO / Net debt APM | 52.1% | 19.6% | *n/a* | *32.5 pp* |
| Gross debt/Equity APM | 0.71 | 0.81 | *(0.1)* | *(12.8%)* |
| Equity ratio APM | 0.46 | 0.42 | *0.04* | *9.1%* |

### Maturities

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

The average maturity of the financial liabilities as of 31 December 2020 was 7.7 years (31 December 2019: 6.3 years). The average maturity increased mainly as a result of bank overdraft being refinanced with 10-year bonds.

**Group's financial liabilities repayment schedule,** EURm




### Interest rate, currency, and liquidity risk

On 31 December 2020, financial liabilities amounting to EUR 1,244.2 million were subject to the fixed interest rate (95.4% of the gross debt) and the remaining amount of financial liabilities were subject to the floating interest rate. 93.1% of gross debt were in EUR, while 6.9% – in PLN.

The Group manages liquidity risk by entering into the credit line agreements with banks. On 31 December 2020, credit line facilities amounted to EUR 170 million of which all are undrawn, EUR 12 million are frozen for redemption of shares of Ignitis Gamyba and ESO. All the credit lines are committed, i.e. funds must be paid by the bank upon request.

## Cash flows

Net cash flows from operating activities (CFO) amounted to EUR 282.5 million in 2020. Compared to 2019, CFO increased by EUR 105.3 million mainly due to increase of net profit and decrease in working capital.

Net cash flows from investing activities (CFI) amounted to EUR -260.3 million in 2020. Compared to 2019, CFI decreased by EUR 87.0 million due to lower Investments.

Net cash flows from financing activities (CFF) amounted to EUR 504.8 million in 2020. Compared to 2019, CFF increased by EUR 330.7 million mostly due to IPO proceeds and bonds issuance used to refinance overdrafts.

**Cash flows,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| **Cash and cash equivalents at the beginning of the period** | **131.8** | **127.8** | ***4.0*** | ***3.1%*** |
| CFO | 282.5 | 177.2 | *105.3* | *59.4%* |
| CFI | (260.3) | (347.3) | *87.0* | *(25.1%)* |
| CFF | 504.8 | 174.1 | *330.7* | *189.9%* |
| **Increase (decrease) in cash and cash equiv.** | **527.0** | **4.0** | ***523.0*** | ***n/a*** |
| **Cash and cash equivalents at the end of period** | **658.8** | **131.8** | ***527.0*** | ***n/a*** |

In 2020, the Group's FFO increased by 64.9% (EUR 123.0 million) and amounted to EUR 312.5 million. The main reason for the growth was higher EBITDA.

**FFO,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| EBITDA APM | 337.4 | 207.1 | *130.3* | *62.9%* |
| Interest received | 0.6 | 1.1 | *(0.5)* | *(45.5%)* |
| Interest paid | (15.9) | (14.1) | *(1.8)* | *12.8%* |
| Income tax paid | (9.6) | (4.6) | *(5.0)* | *108.7%* |
| **FFO** APM | **312.5** | **189.5** | ***123.0*** | ***64.9%*** |

**FCF,** EURm

| | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|
| FFO APM | 312.5 | 189.5 | *123.0* | *64.9%* |
| Investments | (346.8) | (453.2) | *106.4* | *(23.5%)* |
| Grants received | 25.7 | 64.0 | *(38.3)* | *(59.8%)* |
| Investments covered by guarantee | 15.0 | 0.0 | *15.0* | *n/a* |
| Cash effect of new connection points and upgrades | 13.2 | 16.1 | *(2.9)* | *(18.0%)* |
| Proceeds from sale of property, plant and equipment and intangible assets | 14.4 | 39.5 | *(25.1)* | *(63.5%)* |
| Change in net working capital | 14.0 | (45.7) | *59.7* | *n/a* |
| **FCF** APM | **48.0** | **(189.8)** | ***237.8*** | ***n/a*** |

# Key operating indicators

| | | 2020 | 2019 | Δ | Δ, % |
|---|---|---|---|---|---|
| **Electricity** | | | | | |
| Green Generation capacity | MW | 1,350 | 1,287 | *63* | *4.9%* |
| Green Generation installed capacity | MW | 1,101 | 1,077 | *24* | *2.2%* |
| Green Generation projects under construction | MW | 249 | 210 | *39* | *18.6%* |
| Electricity distributed | TWh | 9.55 | 9.55 | *0.00* | *0.0%* |
| Electricity generated | TWh | 2.45 | 1.06 | *1.39* | *131.9%* |
| Green electricity generated | TWh | 1.25 | 1.04 | *0.21* | *20.3%* |
| Green share of generation | % | 51.0% | 97.7% | - | *(46.6 pp)* |
| Electricity sales | TWh | 6.79 | 5.86 | *0.93* | *15.9%* |
| SAIFI | units | 1.34 | 1.31 | *0.03* | *2.2%* |
| SAIDI | min. | 207.67 | 91.79 | *115.88* | *126.2%* |
| **Heat** | | | | | |
| Green Generation capacity | MW | 339 | 339 | *0.0* | *0.0%* |
| Green Generation installed capacity | MW | 110 | 40 | *70* | *175.0%* |
| Green Generation projects under construction | MW | 229 | 299 | *(70)* | *(23.4%)* |
| Heat generated | TWh | 0.33 | 0.09 | *0.24* | *n/a* |
| **Gas** | | | | | |
| Gas distributed | TWh | 7.06 | 6.97 | *0.09* | *1.4%* |
| Gas sales | TWh | 14.77 | 9.84 | *4.93* | *50.1%* |
| SAIFI | units | 0.010 | 0.008 | *0.00* | *19.5%* |
| SAIDI | min. | 1.61 | 1.25 | *0.36* | *28.9%* |

### Electricity

The total distributed electricity remained unchanged. B2B distribution decreased by about 3.4%, partly offset by an increase in B2C distribution by 7.7%. Changes between customer groups were mainly influenced by COVID-19.

Electricity generation increased 2 times compared to 2019 and amounted to 2.45 TWh in 2020. The increase was mainly driven by higher electricity generation in the CCGT unit at Elektrenai Complex, Kruonis PSHP, and Kaunas CHP. Electricity generation volumes in the CCGT unit increased almost 61.7 times from 0.02 TWh in 2019 to 1.18 TWh in 2020, caused by favourable gas prices and changes in the regulation of ancillary services. Electricity generation volumes at Kruonis PSHP increased by 33.8% as a result of effective utilisation of fluctuations in electricity prices in 2020.

SAIDI indicator deteriorated and was 207.67 minutes compared to 91.79 minutes in 2019. SAIFI indicator was equal to 1.34 interruptions, up from 1.31 in 2019. Deterioration of quality indicators of continuous electricity supply was mainly caused by storm Laura (12–13 March), which was the biggest storm since 2005.

### Heat

Heat generation in 2020 increased 3.9 times compared to 2019 as a result of Kaunas CHP, which commenced commercial operation in August 2020, and Vilnius CHP test runs.

### Gas

Gas distribution volumes slightly increased by 1.4% and amounted to 7.06 TWh in 2020, compared to 6.97 TWh in 2019. Gas sales increased by 50.1% and amounted to 14.77 TWh. The increase in gas sales was mainly influenced by entry into the Finnish gas market and higher gas sales in the Latvian market.

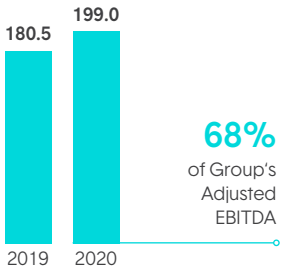
Gas distribution SAIDI indicator deteriorated in 2020 and was 1.61 minutes. SAIFI ratio was equal to 0.010 interruptions. Deterioration of the gas quality indicators resulted from the network disruptions by third parties. The largest disruption in the gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020. Despite the deterioration of the gas quality indicators, the indicators remain strong.

# 3.2 Results by business segments

## Overview

### Networks

**Adjusted EBITDA, EURm**



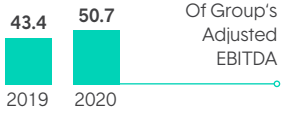

**68%**
of Group's Adjusted EBITDA

| | |
|---|---|
| Revenue, EURm | 482.2 |
| Adjusted EBIT, EURm | 115.3 |
| Investments, EURm | 140.6 |
| Net debt, EURm | 680.7 |



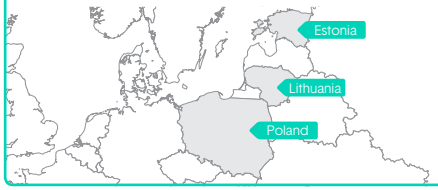

### Green Generation

**Adjusted EBITDA, EURm**



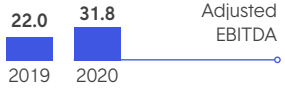

**17%**
Of Group's Adjusted EBITDA

| | |
|---|---|
| Revenue, EURm | 89.0 |
| Adjusted EBIT, EURm | 33.1 |
| Investments, EURm | 197.0 |
| Net debt, EURm | 352.4 |




### Flexible Generation

**Adjusted EBITDA, EURm**



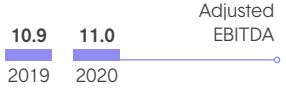

**11%**
Of Group's Adjusted EBITDA

| | |
|---|---|
| Revenue, EURm | 111.7 |
| Adjusted EBIT, EURm | 20.2 |
| Investments, EURm | 1.5 |
| Net debt, EURm | (40.2) |




### Customers & Solutions

**Adjusted EBITDA, EURm**




**4%**
Of Group's Adjusted EBITDA

| | |
|---|---|
| Revenue, EURm | 548.5 |
| Adjusted EBIT, EURm | 7.0 |
| Investments, EURm | 2.2 |
| Net debt, EURm | 29.4 |




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

# Networks

## Highlights 2020

- **In 2020, the National Energy Regulatory Council approved the updated Methodology on the Rate of Return on Investments. The updated Methodology will be effective when determining the WACC rates for electricity distribution from 2022 and for natural gas distribution from 2024**
- **In 2020 the investment plan for 10 years was updated. The investments of EUR 1.9 billion are planned to increase reliability, durability and smartness of the network and to connect new users in 2020–2029. The planned investments will be directed to two main programmes according to the priorities of the investments: i) network reliability and efficiency, and ii) market enabling and customer experience**

## Financial results

In 2020, the Networks Revenue reached EUR 482.2 million and was 16.2% or EUR 67.2 million higher than in 2019. The increase was mainly driven by higher electricity distribution (EUR +54.4 million) and transmission (EUR +31.2 million) revenue due to on average 11% higher tariff of power transfer service, which is comprised of power transmission, distribution and public service obligations (PSO) components and is approved by the regulator. The increase was partly offset by decreased revenue of supply of last resort (EUR -10.0 million) due to decreased electricity market price.

Adjusted EBITDA reached EUR 199.0 million and was 10.2% or EUR 18.5 million higher than in 2019. Increase was driven by:

- growing value of RAB – electricity distribution RAB increased from EUR 1,227 million in 2019 to EUR 1,401 million in 2020, gas distribution RAB increased from EUR 189 million to EUR 227 million;
- increased compensated depreciation – as the value of RAB increased so did the depreciation calculated from RAB value which is compensated by the regulator;
- increased WACC – electricity distribution WACC increased from 5.04% in 2019 to 5.28% in 2020, WACC of gas distribution increased from 3.59% to 3.84%.

The segment's PPE, intangible and right-of-use assets increased by 3.3% or EUR 51.5 million due to Investments made. However, compared to 2019, Investments decreased by EUR 38.4 million or 21.5%. The decrease was mainly driven by lower investments in expansion of the electricity and gas distribution networks (EUR -48.5 million) due to COVID-19 as well as overall decrease in new customers' connection and upgrades contract work fees.

## Operating performance

### Electricity distribution

Total distributed electricity in 2020 remained unchanged. B2B distribution decreased by about 3.4%, partly offset by an increase in B2C distribution by 7.7%. Changes between customer groups were mainly influenced by COVID-19.

Electricity distribution customer number increased by 1.3% due to the growing number of new connection points. Producers and procumers number increased almost 2 times as a result of solar support schemes.

SAIDI indicator in 2020 deteriorated and was 207.67 minutes compared to 91.79 minutes in 2019. SAIFI indicator was equal to 1.34 interruptions, up from 1.31 in 2019. Deterioration of quality indicators of continuous electricity supply was mainly caused by storm Laura (12–13 March), which was the biggest storm since 2005.

### Gas distribution

Gas distribution volume slightly increased by 1.4%. In 2020, 215.2 km of the new gas pipelines were constructed (521.2 km in 2019).

In 2020, 7,785 new connection points and upgrades were completed in the gas distribution network, 34.0% less than during 2019 because the connection fees became higher.

Gas distribution SAIDI indicator deteriorated and was 1.61 minutes. SAIFI ratio was equal to 0.010 interruptions. The deterioration of the gas quality indicators resulted from the network disruptions by third parties. The largest disruption in the gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020. Despite the deterioration of the gas quality indicators, the indicators remain strong.

| Key financial indicators, EUR m | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 482.2 | 415.0 | *67.2* | *16.2%* |
| Adjusted EBITDA APM | 199.0 | 180.5 | *18.5* | *10.2%* |
| EBITDA APM | 181.1 | 130.2 | *50.9* | *39.1%* |
| Adjusted EBIT APM | 115.3 | 90.8 | *24.5* | *27.0%* |
| EBIT APM | 98.1 | 41.0 | *57.1* | *139.3%* |
| PPE, intangible and right-of-use assets | 1,616.9 | 1,565.4 | *51.5* | *3.3%* |
| Net debt APM | 680.7 | 657.7 | *23.0* | *3.5%* |
| Investments APM | 140.6 | 179.0 | *(38.4)* | *(21.5%)* |
| Adjusted EBITDA margin, % APM | 39.8% | 38.8% | *n/a* | *1.0 pp* |

| Key operating indicators | | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity distribution** | | | | | |
| Electricity distributed | TWh | 9.55 | 9.55 | (0.00) | 0.0% |
| Distribution network | '000 km | 126.11 | 125.50 | 0.61 | 0.5% |
| Technological losses | % | 5.8% | 6.3% | (0.00) | (0.5 pp) |
| Number of customers | '000 | 1,777.08 | 1,754.46 | 22.62 | 1.3% |
| of which prosumers and producers | '000 | 10.96 | 5.69 | 5.27 | 92.7% |
| New connection points | '000 | 22.77 | 24.71 | (1.94) | (7.8%) |
| Connection point upgrades | '000 | 18.27 | 15.44 | 2.83 | 18.3% |
| Admissible power of new connection points and upgrades | MW | 386.2 | 446.1 | (59.90) | (13.4%) |
| Time to connect (average) | c. d. | 31.14 | 31.99 | (0.85) | (2.7%) |
| SAIFI | unit | 1.34 | 1.31 | 0.03 | *2.2%* |
| SAIDI | min. | 207.67 | 91.79 | 115,88 | 126.2% |
| **Gas distribution** | | | | | |
| Gas distributed | TWh | 7.06 | 6.97 | 0.09 | 1.4% |
| Distribution network | '000 km | 9.69 | 9.48 | 0.22 | 2.3% |
| Technological losses | % | 2.2% | 2.2% | 0.00 | 0.0 pp |
| Number of customers | '000 | 611.39 | 602.47 | 8.92 | 1.5% |
| New connection points and upgrades | '000 | 7.785 | 11.793 | (4.01) | (34.0%) |
| Time to connect (average) | c. d. | 56.82 | 65.05 | (8.23) | (12.7%) |
| SAIFI | unit | 0.01 | 0.01 | 0.00 | 19.5% |
| SAIDI | min. | 1.61 | 1.25 | 0.36 | 28.9% |

| Key regulatory indicators | | 2021* | 2020 | 2019 |
|---|---|---|---|---|
| **Total** | | | | |
| RAB | EURm | 1,663 | 1,628 | 1,416 |
| WACC (RAB weighted average) | % | 5.14% | 5.08% | 4.85% |
| Depreciation and amortisation (regulatory) | EURm | 91.9 | 89.5 | 84.9 |
| **Electricity distribution** | | | | |
| RAB | EURm | 1,414 | 1,401 | 1,227 |
| WACC | % | 5.34% | 5.28% | 5.04% |
| Depreciation and amortisation (regulatory) | EURm | 82.4 | 80.0 | 75.7 |
| **Gas distribution** | | | | |
| RAB | EURm | 249 | 227 | 189 |
| WACC | % | 3.90% | 3.84% | 3.59% |
| Depreciation and amortisation (regulatory) | EURm | 9.5 | 9.6 | 9.2 |

** Key regulatory indicators for 2021 were approved by the regulator at the end of 2020, however after annual regulatory audit, which is scheduled for May, indicators might be adjusted to reflect final audited results*

# Green Generation

## Highlights 2020

- In August 2020, operations commenced at Kaunas CHP (WtE plant with 24 MWe and 70 MWth capacity)
- During 2020 instalment of 29 wind turbines in Pomerania WF (94 MW) was completed and the wind farm should start generating electricity in Q1 2021
- In September 2020, the agreement for the acquisition of the solar PV development portfolio in Poland with total capacity of up to 170 MW was concluded
- Partnership agreement with Ocean Winds was concluded for the development of offshore wind farms. 700 MW planned in Lithuania (Ignitis Group stake 51%) and 800-950 MW in UK (Ignitis Group stake 5%)
- Vilnius CHP's waste-to-energy unit (19 MWe and 60 MWth capacity) was 'hot' tested and is expected to start operating according to the plan in Q1 2021, while the biomass unit (73 MWe and 169 MWth capacity) is delayed by around one year until Q4 2022
- Lastly, preparatory works for the 63 MW Mažeikiai WF development in Lithuania have started

## Financial results

In 2020, Green Generation Revenue amounted to 89.0 million and was 7.2% or EUR 6.0 million higher than in 2019. Revenue increase was driven by launch of Kaunas CHP (EUR +7.2 million) and higher sales at Kruonis PSHP (EUR +3.4 million). The increase was partly offset by lower revenue of Kaunas HPP (EUR -4.9 million) due to lower water level in the Nemunas river and lower electricity prices.

In 2020, Adjusted EBITDA reached EUR 50.7 million and was 16.8% or EUR 7.3 million higher than in 2019. The main effects were:

- better results of Kruonis PSHP (EUR +12.3 million) mainly caused by effective utilisation of fluctuations in electricity market prices;
- positive impact of Kaunas CHP (EUR +3.7 million) as the plant was launched in August;
- worsened result of Kaunas HPP (EUR -4.7 million) due to lower water level in the Nemunas river and lower captured electricity prices;
- increased OPEX of Vilnius CHP project (EUR -1.9million) as the launch of plant is approaching.

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

Investments amounted to EUR 197.0 million in 2020 and were EUR 56.9 million lower compared to 2019. The main reason for the decrease was lower investments in Vilnius CHP (EUR -115.3 million). The decrease was partly expected because of the construction schedule, but also there was some delay due to COVID-19. The decrease was partly offset by higher investments in construction of Kaunas CHP (EUR +26.5 million) and Pomerania WF (EUR +26.3 million).

## Operating performance

### Electricity generation

Electricity generated in the Green Generation segment increased by 20.3% in 2020, compared to 2019. This mainly resulted from higher electricity generation in hydro portfolio. Electricity generation volumes at Kruonis PSHP increased by 33.8% as a result of effective utilisation of fluctuations in electricity prices in 2020, which was slightly offset by decrease in Kaunas HPP by 16.4%, caused by lower levels of water in the Nemunas river.

The volume of electricity generated at wind farms was 0.24 TWh, which is 4.6% more compared to 2019. The increase in wind farms generation portfolio was impacted by higher load factors due to better weather conditions and availability factors.

The volume of electricity generated from waste incineration increased due to Kaunas CHP, which commenced commercial operation in August 2020.

### Heat generation

Heat generation in 2020 increased 6.5 times compared to 2019 as a result of Kaunas CHP's commercial operation commencement and Vilnius CHP's test runs.

| Key financial indicators, EURm | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 89.0 | 83.0 | 6.0 | *7.2%* |
| Adjusted EBITDA APM | 50.7 | 43.4 | 7.3 | *16.8%* |
| EBITDA APM | 50.2 | 42.9 | 7.3 | *17.0%* |
| Adjusted EBIT APM | 33.1 | 28.1 | 5.0 | *17.8%* |
| EBIT APM | 32.0 | 27.6 | 4.4 | *15.9%* |
| PPE, intangible and right-of-use assets | 755.4 | 585.3 | 170.1 | *29.1%* |
| Net debt APM | 352.4 | 278.5 | 73.9 | *26.5%* |
| Investments APM | 197.0 | 253.9 | (56.9) | *(22.4%)* |
| Adjusted EBITDA margin, % APM | 56.6% | 51.9% | n/a | *(4.7 pp)* |

| Key operating indicators | | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity generation** | | | | | |
| Installed capacity | MW | 1,101 | 1,077 | 24 | *2.2%* |
| Wind | MW | 76 | 76 | (0) | *0.0%* |
| Hydro | MW | 1,001 | 1,001 | (0) | *0.0%* |
| Kruonis PSHP | MW | 900 | 900 | (0) | *0.0%* |
| Kaunas HPP | MW | 101 | 101 | (0) | *0.0%* |
| Waste | MW | 24 | - | 24 | *n/a* |
| Projects under construction | MW | 249 | 210 | 39 | *18.6%* |
| Electricity generated: | TWh | 1.25 | 1.04 | 0,21 | *20.3%* |
| Wind | TWh | 0.24 | 0.23 | 0.01 | *4.6%* |
| Hydro | TWh | 0.94 | 0.81 | 0.13 | *17.0%* |
| Kruonis PSHP | TWh | 0.72 | 0.54 | 0.18 | *33.8%* |
| Kaunas HPP | TWh | 0.23 | 0.27 | (0.04) | *(16.4%)* |
| Waste | TWh | 0.07 | - | 0.07 | *n/a* |
| Wind farms availability factor | % | 98.5% | 97.8% | n/a | *0.7 pp* |
| Wind farms load factor | % | 35.5% | 34.2% | n/a | *1.4 pp* |
| **Heat generation** | | | | | |
| Installed capacity | MW | 110 | 40 | 70 | *175%* |
| Projects under construction | MW | 229 | 299 | (70) | *(23%)* |
| Heat generated: | TWh | 0.33 | 0.09 | 70 | *n/a* |
| Waste | TWh | 0.23 | - | (70) | *n/a* |
| Biomass | TWh | 0.08 | 0.09 | 0.24 | *(8.8%)* |
| Gas | TWh | 0.02 | - | 0.23 | *n/a* |

| Key regulatory indicators | | 2021* | 2020 | 2019 |
|---|---|---|---|---|
| **Kruonis PSHP** | | | | |
| RAB | EURm | 16.2** | 35.6 | 37.3 |
| WACC | % | 3.50% | 5.07% | 5.00% |
| Depreciation and amortisation (regulatory) | EURm | 1.3 | 1.7 | 1.6 |

** Key regulatory indicators for 2021 were approved by the regulator at the end of 2020, however, after annual regulatory audit, which is scheduled for May, indicators might be adjusted to reflect final audited results.*
*** The regulator has halved the RAB of the secondary power reserve, but allows to keep a half of the earned profit from electricity sales by activating the secondary power reserve.*

# Flexible Generation

## Highlights 2020

- In 2020, CCGT provided isolated regime services and was able to operate under the market conditions MW)expected. The result of sales to the market was higher than return on investment included in tariff of 2019 when providing tertiary reserve services
- According to the new agreement in 2021, the Group will continue providing the isolated regime services within the scope of 409 MW (415 MW in 2020)
- Tertiary power reserve in 2020 was provided by the EC units 7 and 8
- Auctions to continue providing tertiary power reserve in 2021 were won within the scope of 482 MW (475 MW in 2020)
- In 2020, EC units successfully participated in test of the operation of the isolated Lithuanian energy system

## Financial results

In 2020, Flexible Generation Revenue reached 111.7 million and was 38.2% or EUR 30.9 million higher than in 2019. The segment's Revenue increase was mainly driven by higher revenue of the CCGT unit (EUR +44.8 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of sales to the market and revenue from isolated regime services was higher than return on investment included in tariff of 2019 when providing tertiary reserve services. 2019 revenue was boosted by one-off compensation received in Q1 2019 for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of Lietuvos Elektrinė in 2005–2009 (EUR -9.3 million). 2019 revenues were also boosted by sale of no longer in use fuel oil stocks (EUR -4.3 million).

In 2020, Adjusted EBITDA reached EUR 31.8 million and was 44.5% or EUR 9.8 million higher than in 2019. The main effects were:

- better results of the CCGT unit (EUR +9.4 million), which was providing isolated regime services and operated under favourable market conditions for gas fired power Generation. The result of selling to the market and providing isolated regime services was higher than return on investment included in tariff of 2019 when only providing tertiary reserve services;
- better results of units 7 and 8 of Elektrėnai Complex regulated activities as in 2019 these two units were delivering ancillary services only one and two months respectively while in 2020 they provided tertiary reserve services all year long (EUR +1.7 million);
- 2019 Adjusted EBITDA was boosted by gain from sale of fuel oil stocks (EUR -1.8 million).

## Operating performance

Electricity generation volumes at Elektrėnai Complex increased almost 50 times in 2020, compared with 2019, and reached 1.20 TWh. The growth was mainly influenced by higher CCGT generation, caused by favourable gas prices and changes in the regulation of ancillary services.

In 2019, the tertiary active power reserve in the capacity of 260 MW was ensured by the CCGT unit while in 2020 tertiary power reserve is ensured by units 7 and 8 of Elektrėnai Complex with the scope of 475 MW. According to the final results of the auction, the Group will provide the tertiary active power reserve in 2021 within the scope of 482 MW through units 7 and 8 of Elektrėnai Complex.

In 2020, the CCGT is providing the service of operation of the isolated network with the scope of 370 MW. The rest of isolated system operation service is provided by unit 8 with the scope of 45 MW. According to the new agreement in 2021, the Group will provide the isolated regime service within the scope of 409 MW through the CCGT (371 MW) and unit 8 (38 MW).

** Both Units 7 and 8 were in preservation mode most of the year when providing this service; the exact power dedicated for the service was not indicated and is thus not provided in the table.*

| Key financial indicators, EURm | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 111.7 | 80.8 | *30.9* | *38.2%* |
| Adjusted EBITDA APM | 31.8 | 22.0 | *9.8* | *44.5%* |
| EBITDA APM | 32.6 | 38.2 | *(5.6)* | *(14.7%)* |
| Adjusted EBIT APM | 20.2 | 11.2 | *9.0* | *80.4%* |
| EBIT APM | 18.4 | 25.9 | *(7.5)* | *(29.0%)* |
| PPE, intangible and right-of-use assets | 401.0 | 392.0 | *9.0* | *2.3%* |
| Net debt APM | (40.2) | (43.2) | *3.0* | *(6.9%)* |
| Investments APM | 1.5 | 0.6 | *0.9* | *150.0%* |
| Adjusted EBITDA margin, % APM | 28.7% | 33.5% | *n/a* | *(4.8 pp)* |

| Key operating indicators | | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| Installed electricity capacity | MW | 1,055 | 1,055 | *0.0* | *0%* |
| Electricity generated | TWh | 1.20 | 0.02 | *1.18* | *48.8x* |
| Total reserve and Isolated Regime Services | MW | 890 | 260 | *630* | *3.4x* |
| Tertiary Power Reserve Services | MW | 475 | 260 | *215* | *82.7%* |
| Isolated Regime Services | MW | 415 | -* | *415* | - |

| Key regulatory indicators | | 2021** | 2020 | 2019 |
|---|---|---|---|---|
| CCGT | | | | |
| RAB | EURm | - | - | 150.5 |
| WACC | % | - | - | 5.00% |
| Depreciation and amortisation (regulatory) | EURm | 9.9 | 9.8 | 10.4 |
| Units 7 and 8 | | | | |
| RAB | EURm | 33.8 | 36.5 | 30.4 |
| WACC | % | 3.50% | 5.07% | 5.00% |
| Depreciation and amortisation (regulatory) | EURm | 4.0 | 3.8 | 3.1 |

*** Key regulatory indicators for 2021 were approved by the regulator at the end of 2020, however, after annual regulatory audit, which is scheduled for May, indicators might be adjusted to reflect final audited results.*

# Customers & Solutions

## Highlights 2020

- **In 2020, the Group expanded energy supply activities geographically to Finland (B2B gas) and to Poland (B2B electricity)**
- **The first deregulation stage of B2C electricity supply market in Lithuania was implemented and 66.5% of 1st stage customers were retained**

## Financial results

In 2020, Customers & Solutions Revenue reached EUR 548.5 million and was 5.0% or EUR 26.3 million higher than in 2019.

The increase was mainly driven by higher B2B electricity supply revenue (EUR +31.9 million) due to higher volume of sold electricity and increase of B2C electricity supply revenue (EUR +27.9 million) due to higher electricity tariff set by the regulator (+14.6 % for H1 2020 and +5.6% for H2 2020 comparing to the same periods in 2019), higher sales volumes (5.0% YoY) and revenues and receivable amount related to temporary regulatory differences for the previous periods recognised in 2020 as to new NERC resolution No O3E-879, adopted on 25 September 2020 which ensures that Ignitis will be compensated for outstanding temporary regulatory differences after the deregulation of electricity public supply activity.

The increase was partly offset by lower gas sales revenue from B2B customers (EUR -19.8 million) due to lower gas market price and lower B2C gas sales (EUR -10.5 million) due to lower tariff set by the regulator (on average by 20% for H1 2020 and 35% for H2 2020 compared to the same periods in 2019).

In 2020, Adjusted EBITDA reached EUR 11.0 million and was 0.9% or EUR 0.1 million higher than in 2019. The main effects were:

- higher gas B2B results (EUR +13.2 million) due to the increase of gas export to Finland and Latvia (export volumes increased by 306.6% YoY to 5.2 TWh) as well as higher B2B sales volumes in Lithuania (B2B gas sales volumes increased by 15.7 % YoY to 5.4 TWh);
- lower B2B electricity results (EUR -11.8 million) due to negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers' portfolio because of COVID-19.

Compared to 2019, Net debt decreased mostly because of higher EBITDA (EUR +79.8 million).

## Operating performance

### Electricity sales

Total electricity sales in retail market in 2020 increased by 18.0% compared to 2019. The increase was mainly caused by higher sales in Lithuania for B2B as a result of new contracts signed.

### Gas sales

The volume of gas sold in 2020 increased by 50.3%. This was mainly influenced by entry into Finnish gas market and higher gas sales in Latvian market. Sales in wholesale gas market decreased by 5.3% in 2020 compared to 2019, it was influenced by the decrease in small-scale sales through LNG terminal, which was partly offset by an increase in sales through Get Baltic gas exchange.

| Key financial indicators, EURm | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 548.5 | 522.2 | *26.3* | *5.0%* |
| Adjusted EBITDA APM | 11.0 | 10.9 | *0.1* | *0.9%* |
| EBITDA APM | 70.0 | (9.8) | *79.8* | *n/a* |
| Adjusted EBIT APM | 7.0 | 6.7 | *0.3* | *4.5%* |
| EBIT APM | 68.4 | (10.2) | *78.6* | *n/a* |
| PPE, intangible and right-of-use assets | 6.6 | 4.2 | *2.4* | *57.1%* |
| Net debt APM | 29.4 | 91.2 | *(61.8)* | *(67.8%)* |
| Investments APM | 2.2 | 3.2 | *(1.0)* | *(31.3%)* |
| Adjusted EBITDA margin, % APM | 2.3% | 2.0% | *n/a* | *0.3 pp* |

| Key operating indicators | | 2020 | 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity sales** | | | | | |
| Lithuania | TWh | 5.48 | 4.56 | *0.92* | *20.1%* |
| Latvia | TWh | 0.87 | 0.83 | *0.04* | *4.4%* |
| Other | TWh | 0.02 | 0.00 | *0.02* | *8.6x* |
| Total retail | TWh | 6.37 | 5.40 | *0.97* | *18.0%* |
| *of which B2C* | TWh | 3.03 | 2.88 | *0.14* | *5.0%* |
| *of which B2B* | TWh | 3.34 | 2.51 | *0.83* | *32.9%* |
| Number of customers* | m | 1.66 | 1.65 | *0.01* | *0.7%* |
| **Gas sales** | TWh | 14.77 | 9.83 | *4.94* | *50.3%* |
| Lithuania | TWh | 7.65 | 6.74 | *0.90* | *13.4%* |
| Latvia | TWh | 2.12 | 1.27 | *0.85* | *66.6%* |
| Finland | TWh | 3.05 | - | *3.05* | - |
| Total retail | TWh | 12.81 | 8.01 | *4.80* | *59.9%* |
| *of which B2C* | TWh | 2.25 | 2.08 | *0.17* | *8.3%* |
| *of which B2B* | TWh | 10.56 | 5.93 | *4.63* | *78.1%* |
| Wholesale market | TWh | 1.96 | 1.82 | *0.14* | *7.7%* |
| Number of customers | m | 0.61 | 0.60 | *0.01* | *1.3%* |

** Till Q4 2020, electricity B2C was calculated as existing contracts; since Q4 2020, electricity B2C is calculated as objects (object – an object managed by the right of ownership or other legal basis (facility, construction, etc.), which consumes electricity). For this reason, the number of electricity B2C for 2019 was restated from 1.68m (total electricity supply customers 1.69m) to 1.64m (total electricity supply customers 1.65m).*

# 3.3 Five-year annual summary

| Key financial indicators | | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Revenue | EURm | 1,223.1 | 1,099.3 | 1,070.1 | 1,100.8 | 1,101.6 |
| EBITDA APM | EURm | 337.4 | 207.1 | 145.3 | 227.2 | 232.8 |
| EBITDA margin APM | % | 27.6% | 18.8% | 13.6% | 20.6% | 21.1% |
| Adjusted EBITDA APM | EURm | 291.6 | 259.9 | 221.3 | 238.2 | 233.9 |
| Adjusted EBITDA margin APM | % | 24.8% | 22.6% | 18.1% | 21.2% | 21.2% |
| EBIT APM | EURm | 214.9 | 83.1 | (20.4) | 97.1 | 147.4 |
| EBIT margin APM | EURm | 17.6% | 7.6% | (1.9%) | 8.8% | 13.4% |
| Adjusted EBIT APM | EURm | 168.9 | 135.0 | 124.3 | 136.3 | 147.7 |
| Net profit | EURm | 169.3 | 59.0 | (22.0) | 93.5 | 118.4 |
| Net profit margin APM | % | 13.8% | 5.4% | (2.1%) | 8.5% | 10.7% |
| Adjusted net profit APM | EURm | 126.7 | 106.0 | 99.0 | 126.7 | 117.9 |
| Investments APM | EURm | 346.8 | 453.2 | 418.3 | 260.1 | 240.5 |
| FFO APM | EURm | 312.5 | 189.5 | 129.7 | 214.6 | 216.1 |
| FCF APM | EURm | 48.0 | (189.8) | (192.7) | (62.8) | (31.2) |
| ROE APM | % | 10.6% | 4.4% | (1.7%) | 7.0% | 9.0% |
| Adjusted ROE APM | % | 7.9% | 8.0% | 7.5% | 9.5% | 9.0% |
| ROCE APM | % | 9.0% | 3.8% | (1.1%) | 5.7% | 9.2% |
| Adjusted ROCE APM | % | 7.1% | 6.2% | 6.6% | 8.0% | 9.8% |
| ROA APM | % | 4.7% | 1.9% | (0.8%) | 3.8% | 5.0% |
| | | 2020.12.31 | 2019.12.31 | 2018.12.31 | 2017.12.31 | 2016.12.31 |
| Total assets | EURm | 3,969.3 | 3,198.1 | 2,853.9 | 2,505.1 | 2,432.2 |
| Equity | EURm | 1,843.8 | 1,348.6 | 1,302.5 | 1,343.6 | 1,319.5 |
| Net debt APM | EURm | 600.3 | 966.5 | 736.0 | 442.3 | 315.8 |
| Working capital APM | EURm | 38.7 | 52.6 | (19.2) | (8.8) | (34.0) |
| Working capital/Revenue APM | % | 3.2% | 4.8% | (1.8%) | (0.8%) | (3.1%) |
| Equity ratio APM | times | 0.46 | 0.42 | 0.46 | 0.54 | 0.54 |
| Net debt/EBITDA APM | times | 1.78 | 4.67 | 5.07 | 1.95 | 1.36 |
| Net debt/Adjusted EBITDA APM | times | 2.06 | 3.72 | 3.33 | 1.86 | 1.35 |
| FFO/Net debt APM | % | 52.1% | 19.6% | 17.6% | 48.5% | 64.9% |
| Current ratio APM | times | 3.19 | 0.78 | 1.16 | 1.29 | 1.05 |
| Asset turnover APM | times | 0.34 | 0.36 | 0.40 | 0.45 | 0.46 |

| Key operating indicators | | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **Electricity** | | | | | | |
| Green Generation capacity | MW | 1,350 | 1,287 | 1,193 | 1,159 | 1,001 |
| Green Generation installed capacity | MW | 1,101 | 1,077 | 1,077 | 1,043 | 1,001 |
| Green Generation projects under construction | MW | 249 | 210 | 116 | 116 | - |
| Electricity distributed | TWh | 9.55 | 9.55 | 9.59 | 9.22 | 8.98 |
| Electricity generated | TWh | 2.45 | 1.06 | 1.01 | 1.28 | 1.49 |
| Green electricity generated | TWh | 1.25 | 1.04 | 0.95 | 1.14 | 1.00 |
| Green share of generation | % | 51.0% | 97.7% | 93.4% | 89.1% | 67.1% |
| Electricity sales | TWh | 6.79 | 5.86 | 5.91 | 5.43 | 4.93 |
| SAIFI | units | 1.34 | 1.31 | 1.14 | 1.32 | 1.25 |
| SAIDI | min. | 207.67 | 91.79 | 81.37 | 137.83 | 172.92 |
| **Heat** | | | | | | |
| Green Generation capacity | MW | 339 | 339 | 339 | 339 | 40 |
| Green Generation installed capacity | MW | 110 | 40 | 40 | 40 | 40 |
| Green Generation projects under construction | MW | 229 | 299 | 299 | 299 | - |
| Heat generated | TWh | 0.33 | 0.09 | 0.10 | 0.11 | 0.12 |
| **Gas** | | | | | | |
| Gas distributed | TWh | 7.06 | 6.97 | 7.60 | 7.37 | 7.39 |
| Gas sales | TWh | 14.77 | 9.84 | 11.33 | 11.47 | 11.31 |
| SAIFI | units | 0.01 | 0.01 | 0.006 | 0.007 | 0.006 |
| SAIDI | min. | 1.61 | 1.25 | 0.61 | 1.16 | 0.53 |

# 3.4 Fourth quarter results

## Financial results

### Revenue

In Q4 2020, compared to Q4 2019, Revenue increased mainly by higher Flexible Generation segment revenue from the commercial CCGT unit activities, higher Networks segment electricity distribution revenue and higher Customers & Solutions segment revenue from public supply related to temporary regulatory differences for the previous periods (revenues and receivable amount recognised in 2020 as to new NERC resolution No O3E-879, adopted on 25 September 2020, which ensures that Ignitis will be compensated for outstanding temporary regulatory differences after the deregulation of electricity public supply activity).

### Adjusted EBITDA

In Q4 2020, compared to the same period last year, Adjusted EBITDA increased by EUR 20.1 million. Increase was mainly caused by better result from CCGT commercial activities and growing value of the Networks segment RAB as a result of continued investments into maintenance and expansion of the distribution network.

### Adjusted net profit

In Q4 2020, compared to the same period last year, Adjusted net profit increased by EUR 14.7 million mainly due to higher Adjusted EBITDA.

### Investments

Investments in Q4 2020 decreased due to lower investments in construction of Vilnius CHP (EUR -54.8 million), as partly expected because of the construction schedule, but also there was some delay due to COVID-19, and Kaunas CHP (EUR -16.1 million) as its construction was completed.

## Operating performance

### Electricity

Operational capacity increased by 24 MW since Kaunas CHP commenced commercial operations in August 2020. Capacity under construction increased by 63 MW as a result of starting preparatory construction works in Mažeikiai WF.

Distributed electricity slightly increased, due to higher distribution for B2C. Electricity generated significantly increased. The increase was mainly driven by higher electricity generation in the CCGT unit at Elektrėnai Complex, Kruonis PSHP and Kaunas CHP.

Improvement of electricity quality indicators SAIDI and SAIFI of continuous electricity supply was mainly caused by better weather conditions.

### Heat

Heat generation increased as a result of Kaunas CHP Plant which commenced commercial operation in August 2020 and Vilnius CHP's test runs.

### Gas

Gas distribution increased due to increased consumption of B2C during the quarantine and annual growth of new connections. Gas sales volumes increased, mainly influenced by entry into the Finnish gas market and higher gas sales in the Latvian market.

Deterioration of gas quality indicators SAIDI and SAIFI of continuous gas supply was mainly caused by the network disruptions by third parties. The largest disruption in gas distribution network was due to fire in the gas distribution system in Alytus region on 25 November 2020. Despite deterioration of the gas quality indicators, the indicators remain strong.

| Key financial indicators | | Q4 2020 | Q4 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| Revenue | EURm | 354.3 | 287.0 | *67.3* | *23.4%* |
| EBITDA APM | EURm | 107.8 | 53.1 | *54.7* | *103.0%* |
| Adjusted EBITDA APM | EURm | 92.3 | 72.2 | *20.1* | *27.8%* |
| Adjusted EBITDA margin APM | % | 27.3% | 23.7% | *n/a* | *3.6 pp* |
| EBIT APM | EURm | 71.8 | 18.9 | *52.9* | *n/a* |
| Adjusted EBIT APM | EURm | 57.6 | 36.6 | *21.0* | *57.4%* |
| Net profit | EURm | 60.9 | 15.2 | *45.7* | *n/a* |
| Adjusted net profit APM | EURm | 46.2 | 31.5 | *14.7* | *46.7%* |
| Investments APM | EURm | 76.0 | 123.7 | *(47.7)* | *(38.6%)* |
| FFO APM | EURm | 104.9 | 47.8 | *57.1* | *119.5%* |
| FCF APM | EURm | 39.1 | (34.1) | *73.2* | *n/a* |

| Key financial indicators | | Q4 2020 | Q4 2019 | Δ | Δ,% |
|---|---|---|---|---|---|
| **Electricity** | | | | | |
| Green Generation capacity | MW | 1,350 | 1,287 | *63* | *4.9%* |
| Green Generation installed capacity | MW | 1,101 | 1,077 | *24* | *2.2%* |
| Green Generation projects under construction | MW | 249 | 210 | *39* | *18.6%* |
| Electricity distributed | TWh | 2.55 | 2.48 | *0.07* | *2.8%* |
| Electricity generated | TWh | 0.65 | 0.25 | *0.40* | *162.4%* |
| Green electricity generated | TWh | 0.34 | 0.24 | *0.10* | *40.2%* |
| Green share of generation | % | 0.52 | 0.97 | - | *(46.6 pp)* |
| Electricity sales | TWh | 1.83 | 1.66 | *0.17* | *10.2%* |
| SAIFI | units | 0.23 | 0.27 | *(0.04)* | *(14.9%)* |
| SAIDI | min. | 13.49 | 18.21 | *(4.72)* | *(25.9%)* |
| **Heat** | | | | | |
| Green Generation capacity | MW | 339 | 339 | - | *0.0%* |
| Green Generation installed capacity | MW | 110 | 40 | *70* | *175.0%* |
| Green Generation projects under construction | MW | 229 | 299 | *(70)* | *(23.4%)* |
| Heat generated | TWh | 0.15 | 0.02 | *0.12* | *n/a* |
| **Gas** | | | | | |
| Gas distributed | TWh | 2.48 | 2.26 | *0.22* | *9.9%* |
| Gas sales | TWh | 3.88 | 3.28 | *0.60* | *18.3%* |
| SAIFI | units | 0.003 | 0.002 | *0.00* | *98.8%* |
| SAIDI | min. | 0.76 | 0.23 | *0.53* | *n/a* |

# Results by business segments

## Networks

In Q4 2020, the Networks Revenue was 21.6% or EUR 23.2 million higher than in Q4 2019. The increase was mainly driven by higher electricity distribution and transmission revenue.

In Q4 2020, Adjusted EBITDA was 11.3% or EUR 5.6 million higher than in Q4 2019. The increase was driven by RAB growth, which increased by 15% from EUR 1,416 million in 2019 to EUR 1,628 million in 2020 mainly due to higher electricity RAB as a result of investments in distribution network maintenance, new customer connections and upgrades as well as increase in RAB which is calculated using LRAIC model.

In Q4 2020, Investments were 41.3% or EUR 16.0 million higher than in Q4 2019, mainly due to higher investments in maintenance of electricity distribution network (EUR +17.1 million).

## Green Generation

In Q4 2020, the Green Generation Revenue was 51.9% or EUR 9.8 million higher than in Q4 2019. The Revenue increase was driven by launch of Kaunas CHP (EUR +5.2 million) and higher sales of Kruonis PSHP (EUR +5.4 million).

In Q4 2020, Adjusted EBITDA was 91.2% or EUR 8.3 million higher than in Q4 2019. The increase was mainly influenced by better results of Kruonis PSHP (EUR +6.9 million) and launch of Kaunas CHP (EUR +3.5 million).

In Q4 2020, Investments were 78.7% or EUR 64.7 million lower than in Q4 2019, mainly resulting from lower investments in Vilnius CHP (EUR -54.8 million). The decrease was partly expected because of the construction schedule, but also there was some delay due to COVID-19.

## Flexible Generation

In Q4 2020, the Flexible Generation Revenue (+123.4% or EUR +20.6 million) as well as adjusted EBITDA (+112.0% or EUR +5.6 million) were higher than in Q4 2019. The increase was mainly driven by higher revenue (EUR +15.0 million) and better adjusted EBITDA result (EUR +5.7 million) of the CCGT which was providing isolated regime services and operated under favourable market conditions for gas fired power generation. The result of sales to the market and revenue from isolated regime services was higher than return on investment included in tariff of 2019 when providing tertiary reserve services.

## Customers & Solutions

In Q4 2020, the Customers & Solutions Revenue was 0.6% or EUR 1.0 million higher than in Q4 2019.

In Q4 2020, Adjusted EBITDA was 21.1% or EUR 2.3 million lower than in Q4 2019 because Q4 2019 was unusually good mostly due to B2B gas results in Lithuania. The negative impact was driven by lower B2B electricity results (EUR -4.2 million) and higher expenses related to B2C electricity deregulation (EUR -0.8 million). The positive impact was driven by increase of B2B gas results (EUR +1.5 million) and higher B2C gas results (EUR +1.7 million).

**Results by business segments,** EURm

| Networks | Q4 2020 | Q4 2019 | Δ | Δ,% |
|---|---|---|---|---|
| Revenue | 130.5 | 107.3 | *23.2* | *21.6%* |
| Adjusted EBITDA APM | 55.3 | 49.7 | *5.6* | *11.3%* |
| EBITDA APM | 39.8 | 29.9 | *9.9* | *33.1%* |
| Adjusted EBIT APM | 32.9 | 24.1 | *8.8* | *36.5%* |
| EBIT APM | 17.5 | 4.5 | *13.0* | *n/a* |
| PPE, intangible and right-of-use assets | 1,616.9 | 1,565.4 | *51.5* | *3.3%* |
| Net debt APM | 680.7 | 657.7 | *23.0* | *3.5%* |
| Investments APM | 54.7 | 38.7 | *16.0* | *41.3%* |
| Adjusted EBITDA margin, % APM | 37.9% | 39.2% | *n/a* | *(1.3 pp)* |
| **Green Generation** | **Q4 2020** | **Q4 2019** | **Δ** | **Δ,%** |
| Revenue | 28.7 | 18.9 | *9.8* | *51.9%* |
| Adjusted EBITDA APM | 17.4 | 9.1 | *8.3* | *91.2%* |
| EBITDA APM | 16.9 | 8.7 | *8.2* | *94.3%* |
| Adjusted EBIT APM | 10.5 | 5.4 | *5.1* | *94.4%* |
| EBIT APM | 9.5 | 4.8 | *4.7* | *97.9%* |
| PPE, intangible and right-of-use assets | 755.4 | 585.3 | *170.1* | *29.1%* |
| Net debt APM | 352.4 | 278.5 | *73.9* | *26.5%* |
| Investments APM | 17.5 | 82.2 | *(64.7)* | *(78.7%)* |
| Adjusted EBITDA margin, % APM | 59.4% | 46.6% | *n/a* | *12.8 pp* |
| **Flexible Generation** | **Q4 2020** | **Q4 2019** | **Δ** | **Δ,%** |
| Revenue | 37.3 | 16.7 | *20.6* | *123.4%* |
| Adjusted EBITDA APM | 10.6 | 5.0 | *5.6* | *112.0%* |
| EBITDA APM | 11.0 | 4.7 | *6.3* | *134.0%* |
| Adjusted EBIT APM | 7.7 | 2.1 | *5.6* | *n/a* |
| EBIT APM | 5.1 | 2.1 | *3.0* | *142.9%* |
| PPE, intangible and right-of-use assets | 401.0 | 392.0 | *9.0* | *2.3%* |
| Net debt APM | (40.2) | (43.2) | *3.0* | *(6.9%)* |
| Investments APM | 0.8 | 0.2 | *0.6* | *n/a* |
| Adjusted EBITDA margin, % APM | 28.7% | 29.6% | *n/a* | *(0.9 pp)* |
| **Customers & Solutions** | **Q4 2020** | **Q4 2019** | **Δ** | **Δ,%** |
| Revenue | 157.4 | 156.4 | *1.0* | *0.6%* |
| Adjusted EBITDA APM | 8.6 | 10.9 | *(2.3)* | *(21.1%)* |
| EBITDA APM | 35.1 | 7.3 | *27.8* | *n/a* |
| Adjusted EBIT APM | 6.4 | 8,1 | *(1.7)* | *(21.0%)* |
| EBIT APM | 34.7 | 7.2 | *27.5* | *n/a* |
| PPE, intangible and right-of-use assets | 6.6 | 4.2 | *2.4* | *57.1%* |
| Net debt APM | 29.4 | 91.2 | *(61.8)* | *(67.8%)* |
| Investments APM | 1.4 | 1.6 | *(0.2)* | *(12.5%)* |
| Adjusted EBITDA margin, % APM | 6.7% | 6.9% | *n/a* | *(0.2 pp)* |

# 3.5 Quarterly summary

| Key financial indicators | | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019* | Q3 2019* | Q2 2019* | Q1 2019* |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | EURm | 354.3 | 277.9 | 265.3 | 325.6 | 287.0 | 242.6 | 226.2 | 343.5 |
| EBITDA APM | EURm | 107.8 | 79.8 | 87.8 | 62.0 | 53.1 | 48.9 | 50.8 | 54.3 |
| Adjusted EBITDA APM | EURm | 92.3 | 70.2 | 51.6 | 77.5 | 72.2 | 57.9 | 59.3 | 70.5 |
| Adjusted EBITDA margin APM | % | 27.3% | 26.1% | 22.7% | 22.7% | 23.7% | 23.1% | 25.2% | 19.6% |
| EBIT APM | EURm | 71.8 | 49.7 | 62.8 | 30.6 | 18.9 | 18.1 | 20.0 | 26.1 |
| Adjusted EBIT APM | EURm | 57.6 | 40.5 | 23.1 | 47.7 | 36.6 | 27.1 | 29.5 | 41.8 |
| Net profit | EURm | 60.9 | 36.4 | 49.8 | 22.2 | 15.2 | 14.9 | 11.9 | 17.0 |
| Adjusted net profit APM | EURm | 46.2 | 26.0 | 12.2 | 42.3 | 31.5 | 21.9 | 20.0 | 32.6 |
| Investments APM | EURm | 76.0 | 83.7 | 124.5 | 62.6 | 123.7 | 110.4 | 121.4 | 97.7 |
| FFO APM | EURm | 104.9 | 66.1 | 81.4 | 60.1 | 47.8 | 39.8 | 48.9 | 53.0 |
| FCF APM | EURm | 39.1 | 14.0 | (12.8) | 7.7 | (34.1) | (88.1) | (55.1) | (12.5) |
| ROE (LTM) APM | % | 10.6% | 9.3% | 7.7% | 4.8% | 4.4% | (0.8%) | (3.9%) | (2.8%) |
| Adjusted ROE (LTM) APM | % | 7.9% | 8.4% | 8.1% | 8.7% | 8.0% | 8.9% | 7.1% | 7.0% |
| ROCE(LTM) APM | % | 9.0% | 7.0% | 5.8% | 4.0% | 3.8% | (0.4%) | (2.2%) | (1.7%) |
| Adjusted ROCE (LTM) APM | % | 7.1% | 6.4% | 5.9% | 6.4% | 6.2% | 6.8% | 6.1% | 6.0% |
| | | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019* | Q3 2019* | Q2 2019* | Q1 2019* |
| Total assets | EURm | 3,969.3 | 3,440.1 | 3,400.4 | 3,194.1 | 3,198.1 | 3,061.1 | 2,992.6 | 2,964.3 |
| Equity | EURm | 1,843.8 | 1,329.6 | 1,337.8 | 1,357.1 | 1,348.6 | 1,332.5 | 1,320.8 | 1,314.2 |
| Net debt APM | EURm | 600.3 | 1,026.8 | 1,019.2 | 950.6 | 966.5 | 925.4 | 842.0 | 761.2 |
| Net working capital APM | EURm | 38.7 | 22.2 | 36.6 | 50.4 | 52.6 | 59.4 | 12.2 | (1.6) |
| Net debt/EBITDA (LTM) APM | times | 1.78 | 3.63 | 4.05 | 4.42 | 4.67 | 4.92 | 5.84 | 5.26 |
| Net debt/Adjusted EBITDA (LTM) APM | times | 2.06 | 3.78 | 3.93 | 3.56 | 3.72 | 3.64 | 3.63 | 3.47 |
| FFO/Net debt (LTM) APM | % | 52.1% | 24.9% | 22.5% | 20.7% | 19.6% | 17.9% | 15.6% | 17.4% |

| Key operating indicators | | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 |
|---|---|---|---|---|---|---|---|---|---|
| **Electricity** | | | | | | | | | |
| Green Generation capacity | MW | 1,350 | 1,350 | 1,287 | 1,287 | 1,287 | 1,287 | 1,287 | 1,193 |
| Green Generation installed capacity | MW | 1,101 | 1,101 | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 | 1,077 |
| Green Generation projects under construction | MW | 249 | 249 | 210 | 210 | 210 | 210 | 210 | 116 |
| Electricity distributed | TWh | 2.55 | 2.30 | 2.17 | 2.53 | 2.48 | 2.26 | 2.27 | 2.54 |
| Electricity generated | TWh | 0.65 | 0.86 | 0.56 | 0.39 | 0.25 | 0.34 | 0.22 | 0.25 |
| Green electricity generated | TWh | 0.34 | 0.32 | 0.26 | 0.34 | 0.24 | 0.34 | 0.22 | 0.24 |
| Green share of generation | % | 0.52 | 0.37 | 0.47 | 0.87 | 0.97 | 0.98 | 0.99 | 0.97 |
| Electricity sales | TWh | 1.83 | 1.64 | 1.62 | 1.71 | 1.66 | 1.33 | 1.34 | 1.54 |
| SAIFI | units | 0.23 | 0.25 | 0.41 | 0.45 | 0.27 | 0.35 | 0.34 | 0.35 |
| SAIDI | min. | 13.49 | 16.36 | 34.15 | 143.67 | 18.21 | 22.34 | 25.06 | 26.17 |
| **Heat** | | | | | | | | | |
| Green Generation capacity | MW | 339 | 339 | 339 | 339 | 339 | 339 | 339 | 339 |
| Green Generation installed capacity | MW | 110 | 110 | 40 | 40 | 40 | 40 | 40 | 40 |
| Green Generation projects under construction | MW | 229 | 229 | 299 | 299 | 299 | 299 | 299 | 299 |
| Heat generated | TWh | 0.15 | 0.03 | 0.09 | 0.06 | 0.02 | 0.00 | 0.01 | 0.05 |
| **Gas** | | | | | | | | | |
| Gas distributed | TWh | 2.48 | 0.99 | 1.18 | 2.41 | 2.26 | 0.91 | 1.03 | 2.76 |
| Gas sales | TWh | 3.88 | 3.63 | 2.99 | 4.27 | 3.28 | 1.53 | 1.38 | 3.65 |
| SAIFI | units | 0.003 | 0.004 | 0.002 | 0.001 | 0.002 | 0.002 | 0.003 | 0.002 |
| SAIDI | min. | 0.76 | 0.61 | 0.19 | 0.05 | 0.23 | 0.34 | 0.47 | 0.21 |

** Because of the restatement of the 2019 Financial Statements, performance indicators presented here for 2019 might differ from those presented in the 2019 Annual Report. Changes of the financial statements of 2019 are disclosed in the 2020 Financial Statements Note 5.*



# Governance


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# 4.1 Supervisory Board Chair's statement

## Applying the highest standards

While 2020 was a challenging year for many countries and industries due to COVID-19 pandemic, the Group has managed not only to navigate business through the uncertain times, but also to achieve a significant milestone by implementing the largest ever IPO in Lithuania and in the Baltic States. The Supervisory Board is proud to have been a part of and to have contributed to this journey and I, on behalf of the Supervisory Board, would like to express sincere gratitude to the management and all employees of the Group for their effort and dedication in making the Group a modern and dynamic workplace and in promoting values that are important to our stakeholders and investors as well as to the society at large.

The Supervisory Board fulfilled all its fiduciary duties as required by Lithuanian law and the Articles of Association as well as met the expectations of the principal shareholder – Ministry of Finance - and other stakeholders. Throughout the year, we were actively involved with reviewing and approving major strategic initiatives as well as organisational changes. After the outbreak of COVID-19, we made sure to receive periodic updates on business continuity management and pandemic crisis management plans. The pandemic has also slightly rewritten our rules of engagement, as the majority of Supervisory Board meetings were held remotely according to the requirements of quarantine or social distancing.

**Key topics of the Supervisory Board debate in 2020**

During 2020 the Supervisory Board convened for twenty-four meetings while compared to the thirteen we held in 2019. The increase in the number of meetings was due to important events that took place during the past year, including the implementation of IPO transaction and applying the best market practices.

At the end of 2019 the Ministry of Finance formed an intra-governmental working group to assess the Group's long-term financing alternatives. I am proud that I was an active member of the working group which studied the Group's long-term strategy and its financing options with the final recommendation for launching the IPO process. The Supervisory Board has contributed to the process of preparation to IPO by forming the Steering Committee from the representatives of the Ministry of Finance, the parent company's sole shareholder at the time, members of the Supervisory Board and the Management Board. We have also approved an updated long-term Corporate Strategy of the Group and a Strategic Plan for the period 2020–2023 and recommended new changes to a more transparent and sustainable dividend policy post IPO.

Another important initiative and recommendation by the Supervisory Board was related to the long-term incentive programme to align managers' and shareholders' long-term interests by instituting long-term share award programme to executive management. The latter initiative was aligned with best corporate governance practices of publicly listed companies.

**Improved independence**

Last but not least, in November the Supervisory Board was expanded from five to seven members (of which five are independent) by addition of Judith Buss (Germany) and Bent Christensen (Denmark). Both of them bring invaluable strategic experience in renewable energy, power generation and utilities across different European countries. I was very excited to welcome Judith and Bent to the team and I believe that they will help us to ensure the further implementation of key strategic objectives and to strengthen efficiency, transparency and supervision of decision-making and corporate governance of the Group.

**Concluding remarks**

While the term of the current Supervisory Board expires in August 2021, we are looking forward to continuing our active participation in the Group's key strategic decisions before the end of our service term. We believe the Group is very well positioned to continue the successful journey towards achievement of green energy objectives as well as adoption of energy-smart solutions for people and businesses in the countries of the Group's operations.



On behalf of the Supervisory Board,



**Darius Daubaras**
Chair of the Supervisory Board
Ignitis Group

# 4.2 Governance framework

## Corporate governance structure of the Group

The purpose of the parent company and the Group is understood as pursuit of the objectives related to the activities of the Group, as set forth in the State Sector Strategy Papers and their implementing documents, by ensuring socially responsible enhancement of the long-term value of the parent company and the Group and appropriate return on capital invested by the shareholders, by balancing the interests of the principal shareholder (state) with the interests and expectations of other stakeholders. Therefore, the aim of the parent company is to ensure effective and transparent operations.

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, Guidelines on the Governance for State-Owned Enterprises recommended by the Baltic Institute of Corporate Governance (BICG). The corporate governance model of the power generation companies' group was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania and amended several times, most recently on 7 September 2020 (hereinafter – Corporate Governance Guidelines) (Corporate Governance Guidelines are available on our website).

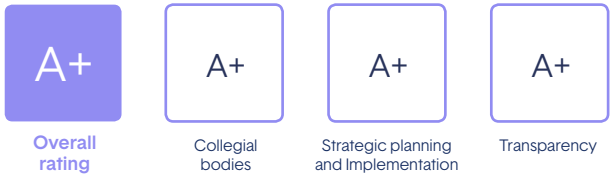
The parent company acknowledges the importance of good corporate governance and currently applies the Corporate Governance Code for the companies listed on Nasdaq Vilnius to the extent possible. This code is based on the principle of "comply or explain" and can be found on the website of Nasdaq Vilnius.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

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

### Key principles of the corporate governance

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

### Ignitis Group – 2019–2020 Governance index leader




Since 2012 the parent company has received the highest rating in Good Corporate Governance Index and has been recognised as the best managed state-controlled company. The Good Corporate Governance Index has been compiled since 2012 by the Governance Coordination Centre on annual basis with the aim to assess and measure how each state-controlled company implements key good governance practices. Currently, this index is the most widely used measure for assessing the quality of governance of all state-controlled enterprises. In the Corporate Governance Index of the state-controlled enterprises for 2019–2020, the parent company received the highest possible A+ rating and was recognised as the governance leader in the category of large companies for the second year in a row. The rating total was compiled in accordance with the three governance criteria – collegial bodies, strategic planning and implementation and transparency standards. The evaluation of the first two criteria remained the highest possible and the transparency criteria rating increased from A to A+ compared to last year.

According to the report issued on 17 September 2020 by Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research and analysis, the Group has a total ESG risk rating score of 26.5 ('medium risk'), with corporate governance being rated 1.9 ('negligible risk'). The 54.9 management score ('strong') also indicates that the company's overall management of material ESG issues is strong.

# Governance model

The parent company employs a system of corporate governance designed to manage and control the Group as a whole, with a view to achieving objectives that are common to the Group as well as the parent company. The corporate governance of the Group is exercised by the parent company through the exercise of its parent functions, e.g., by the responsibilities which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achieving a common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities.

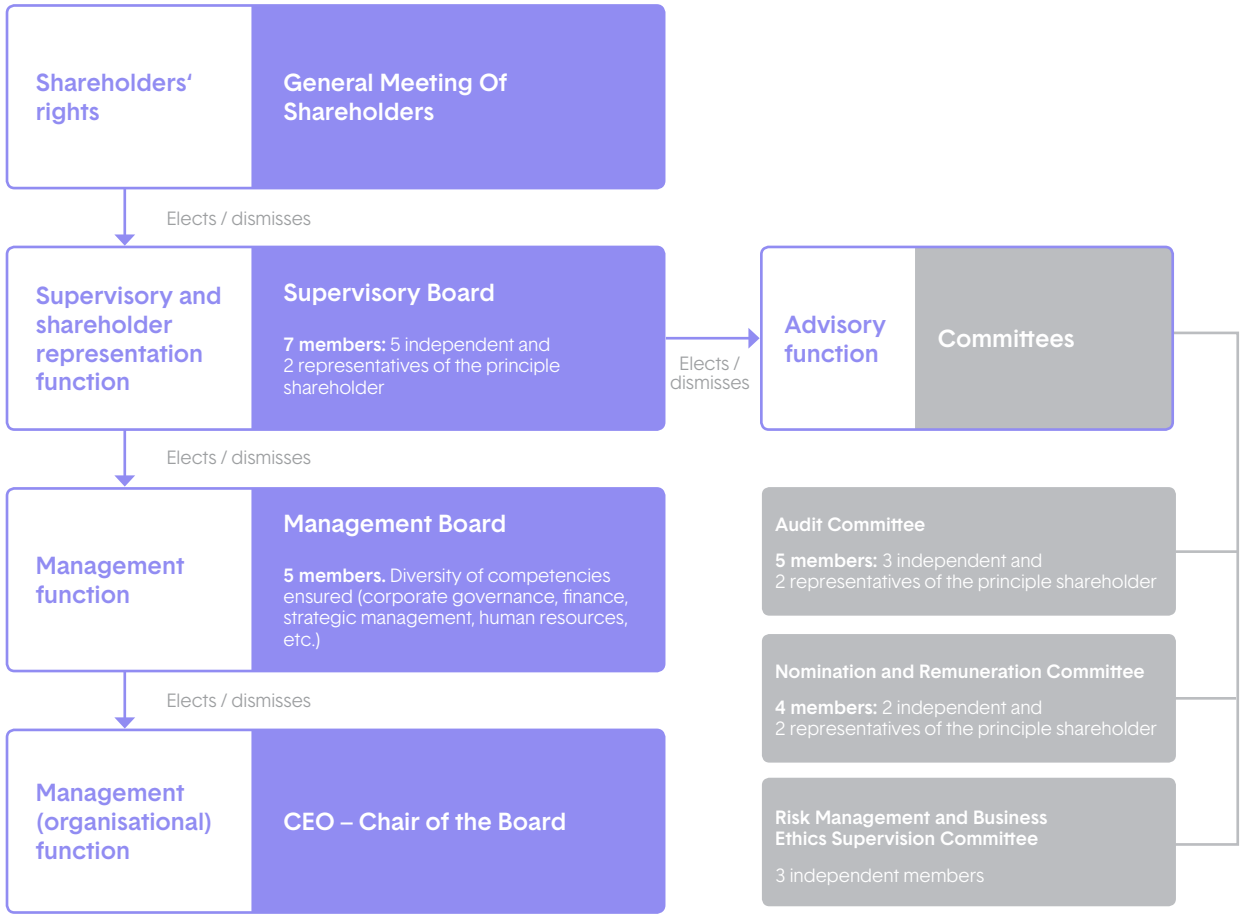
The parent company has a Chief Executive Officer and a two-tier board system consisting of a Management Board and a Supervisory Board. The Chief Executive Officer represents the parent company in all matters and, together with the Management Board, is responsible for its management, while the Supervisory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

The Supervisory Board is a collegial supervisory body provided for in the Articles of Association. The Supervisory Board functions at the Group level by addressing, where appropriate, issues relating not only to the activities of the parent company, but also to those of its subsidiaries or their respective management and supervisory bodies. For the purposes of effective fulfilment of its functions and obligations, the Supervisory Board forms three committees: the Risk Management Supervision and Operational Ethics Committee, the Audit Committee, and the Nomination and Remuneration Committee. If necessary, other committees may be formed according to the *ad hoc* principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.).

The parent company's management and supervisory bodies are composed, and are to be managed, in such a way as to ensure the proper representation of the Republic of Lithuania as a shareholder, alongside other interested parties, and the separation of the management and supervisory functions.

GRI 102-18 GRI 102-22

## Corporate governance model



# Shareholders' rights and general meetings

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

Every shareholder who have been entered in the parent company's shareholders' register before the Record Date (fifth day before the General Meeting) has the right to attend the General Meeting and exercise his/her voting right in matters belonging to the competence of the General Meeting. Notices about the summons to the General Meeting of Shareholders as well as all relevant necessary information, the annex of questions to be addressed at the meeting and the decisions of the General Meeting are published on the parent company's website and as Nasdaq Vilnius and London capitalise releases in their respective publishing systems.

## Shareholders' competence

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

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

## Shareholders' decisions

**Pre-IPO**

Until 5 October 2020, parent company's sole shareholder was the Republic of Lithuania, which exercised its shareholder rights through the Ministry of Finance. During 2020, the Ministry of Finance, as a sole shareholder, has made these decisions:

- on 26 March 2020 a new version of the Articles of Association was approved, establishing that the Supervisory Board of the parent company is made up of seven members instead of five;
- on 8 May 2020 the audited consolidated Annual Financial Statements and the consolidated Annual Report of the parent company for the year 2019 were approved, the profit (loss) of the parent company for the year 2019 was allocated;
- on 30 June 2020 a decision to convert UAB Ignitis Grupė into a public limited liability company – AB Ignitis Grupė was adopted;
- on 26 August 2020 a decision to change the nominal value and the number of shares issued by the parent company was adopted. In accordance with this decision, the nominal value of one ordinary registered share of the parent company was changed from EUR 0.29 to EUR 22.33, upon the change of the nominal value of one share, the authorised capital of the parent company was divided into 54,283,757 shares;
- on 15 September 2020 a decision to allocate EUR 42 million to be paid for dividends on distributable profit for six months' period, which ended on 30 June 2020, was adopted and the set of interim financial statements of the parent company for the six-month period, which ended on 30 June 2020, was approved;
- on 16 September 2020 a decision was adopted to increase parent company's share capital by issuing new shares and to apply for the admission of the parent company's ordinary shares to trading on the Main Trading List of AB Nasdaq Vilnius and of global depositary receipts representing the parent company's shares to standard listing segment of the Official List of the Financial Conduct Authority of the United Kingdom;
- on 16 September 2020 the Share Allocation Rules of the parent company were approved;
- on 18 September 2020 the price range of the newly issued shares during the offering period were approved and the decision of 16 September 2020 to increase share capital was amended.

**Post-IPO**

After completing the initial public offering and increasing the parent company's share capital, one general meeting of parent company's shareholders was held on 12 November 2020, during which two independent Supervisory Board members were elected.

# Principal shareholder

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

The Corporate Governance Guidelines state that the principal shareholder exercises the voting rights attached to its shares within its competence and undertakes its best effort to ensure that the parent company and the Group of companies are able to operate its business independently, i.e. the principal shareholder:

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

## Expectations of principal shareholder

In accordance with the Property Guidelines, the authority representing the State shall prepare and submit to the state-controlled enterprise a letter on the objectives pursued by the State in the state-controlled enterprise and its expectations at intervals of no more than four years. With that in mind, the letter on the expectations of the State in relation to the activities of the Group companies was approved by the order of the Minister of Finance on 13 April 2018 and recently amended on 19 June 2020 and 17 February 2021 (the principal shareholder's letter is available at Group's website).

In this letter, the principal shareholder indicates the following expectations of the Group strategic priorities:

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

# 4.3 Supervisory Board and committees

## Supervisory Board overview

The Supervisory Board is a collegial supervisory body provided in the Articles of Association of the parent company. The Supervisory Board is elected by the General Meeting of Shareholders for the period of four years. The Supervisory Board of the parent company consists of seven members: two representatives of the Ministry of Finance and five independent members. The Supervisory Board elects its Chair from its members. Such method for the formation of the Supervisory Board is in line with the corporate governance principles. No members of the Supervisory Board have any participation in the capital of the parent company or its subsidiaries.

The main functions and responsibilities of the Supervisory Board are:

- consideration and approval of the business strategy, annual budget and investment policy of the parent company and the Group;
- analysis and evaluation of the information on the implementation of the business strategy, provision of this information to the annual General Meeting;
- election and removal of the Members of the Management Board;
- supervision of activities of the Management Board and the CEO;
- provision of comments to the General Meeting of Shareholders on a set of financial statements, allocation of profit or loss, and annual report;
- taking into consideration the conclusion of the company's Audit Committee, delivering an opinion regarding the parent company's certain agreements planned to be made with a related party.

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

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.

GRI 102-24 GRI 102-25 GRI 102-26 GRI 102-31

The term of office of the current Supervisory Board is from 30 August 2017 to 29 August 2021. On 12 November 2020, two additional independent members were elected – Judith Buss and Bent Christensen.

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

Overall 24 meetings of the Supervisory Board were held in 2020. Overview of the attendance is indicated in the table below.

Activities of the Supervisory Board in 2020 covered the following key areas:

- supervision of parent company's IPO process;
- evaluation of nominations for members of the Group companies' management and supervisory bodies (i.e. Ignitis Polska, Transporto Valdymas, Kaunas CHP, Ignitis Grupės Paslaugų Centras, Ignitis Gamyba);
- submission of proposals regarding the business organisation and planning, objectives, financial position and performance of the parent company, including sustainability considerations;
- issues related to the remuneration system of the Group companies, including long-term incentive share options programme for executives;
- issues related to major Investment projects of the Group companies;
- issues related to the organisation and operation of the parent company's Supervisory Board and its committees.

**Information on payments made to the members during the reporting period**

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

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

**Information on selection criteria of the members**

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

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

**Conflicts of interest**

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

# Members of the Supervisory Board



## Darius Daubaras

Chair since 30/08/2017
Independent
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: Ⓡ

**Experience**
Darius is a seasoned finance professional with over 20 years of international experience in investment banking, private equity and corporate finance at top-tier institutions such as JP Morgan, Credit Suisse, BNP Paribas and Citigroup. He has advised on and led a broad spectrum of strategic transactions such as mergers & acquisitions, private equity investments, equity capital raising, debt financing and privatisations across the globe, including in North America, Europe, Asia and Middle East. In addition, Darius served as a Head of Private Equity and Special Situations at a publicly-listed investment trust fund Tau Capital Plc (listed on AIM in London and managed by Spencer House Capital Management LLP).

**Education**
University of Cambridge, Master's degree in International Relations; Wharton School of the University of Pennsylvania, Master of Business Administration (MBA) in Finance; University of Denver, Bachelor's Degree (Summa Cum Laude) in Finance.

**Other current place of employment, position**
Senior Executive in Strategic Finance & Development Department (part of Treasury) in Financial Advisory Division, and Project Manager of Strategic and M&A at Saudi Aramco; Supervisory Board Member (independent) at Valstybės investicijų valdymo agentūra (since 23/07/2020).

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



## Judith Buss

Member since 12/11/2020
Independent
Joined: 2020
Term of office expires: 29/08/2021
Committee membership: NA

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

**Education**
University of Augsburg, Master's Degree in Banking, Finance and Controlling.

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

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



## Daiva Lubinskaitė-Trainauskienė

Member since 30/08/2017
Independent
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: Ⓝ

**Experience**
Daiva has over 20 years of experience in HR management and Administrative Services management. She has more than 10 years' experience in organisational development consulting, providing employer branding, talent attraction and selection, development, employee opinion survey services.

**Education**
ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Diploma of Major in Philology at Vilnius University.

**Other current place of employment, position**
Thermo Fisher Scientific Baltics UAB, Administration Manager.

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



## Bent Christensen

Member since 12/11/2020
Independent
Joined: 2020
Term of office expires: 29/08/2021
Committee membership: NA

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

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

**Other current place of employment, position**
Christensen Management Consulting ApS, Chief Executive Officer and owner.

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

GRI 102-23

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



## Andrius Pranckevičius

Member since 22/12/2017
Independent
Joined: 2017
Term of office expires: 29/08/2021
Committee membership Ⓡ

**Experience**
Andrius has over 15 years of managerial experience. During his extensive career Andrius has held various executive positions in AB "Linas Agro Group" which is one of the largest agricultural group of companies in the Baltics. In these positions, Andrius was responsible for controlling the activities of the group's agricultural and poultry companies, formulating and implementing their strategy, and attracting EU funding.

**Education**
Kaunas University of Technology, Bachelor's degree in Business Administration and Master's degree in Marketing Management; Harvard Business School, Leadership Development.

**Other current place of employment, position**
Linas Agro Group AB, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Chief Executive Officer and Chair of the Board; Linas Agro AB, Member of the Board; UAB Linas Agro Konsultacijos, Chair of the Board; Lielzeltini SIA, Chair of the Board; Broileks SIA, Chair of the Board; Cerova SIA, Chair of the Board; Žilvista ŽŪB, Member.

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



## Daiva Kamarauskienė

Member since 30/08/2017
Representative of the principal shareholder
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: Ⓝ

**Experience**
Daiva has almost 20 years of management expertise gained in civil service. She has held various executive positions in the Ministry of Finance of the Republic of Lithuania, including Director of State Debt Management Department, Deputy Director of State Treasury Department and Director of Budget Department.

**Education**
Vilnius University, Master's degree in Economics; Baltic Institute of Corporate Governance, Board member education certificate.

**Other current place of employment, position**
Ministry of Finance of the Republic of Lithuania, Director of Budget Department.

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



## Aušra Vičkačkienė

Member since 30/08/2017
Representative of the principal shareholder
Joined: 2017
Term of office expires: 29/08/2021
Committee membership: Ⓐ Ⓝ

**Experience**
Aušra has more than 20 years of experience in civil service. For the last 13 years she has been the Director of the Asset Management Department of the Ministry of Finance, previously managed the Financial Services Division of the Ministry's Financial Markets Department, and was the head of the Loan and Guarantee Supervision Division. In addition to this, Aušra has been elected as a management board member of various state-owned companies: UAB Būsto paskolų draudimas, VĮ Turto bankas and UAB Viešųjų investicijų plėtros agentūra, where she was elected as the Chair of the management board.

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

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

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

71%

Independence including the Chair

98%

**Meeting attendance in 2020**

See page 61

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

# Committees of the Supervisory Board

In order to perform its functions and duties effectively the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. The committee must have at least three members, where at least one member must be a member of the Supervisory Board and at least 1/3 of the members must be independent, except for the Audit Committee, which must aim for at least 2/3 of the members to be independent. The members of the committees are elected for the period of four years.
The following committees of the Supervisory Board are currently operating: Audit Committee, Nomination and Remuneration Committee and Risk Management and Business Ethics Supervision Committee.

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

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects, etc.). On the day when this report was announced, the committees of Risk Management and Business Ethics Supervision, Audit and Nomination and Remuneration were operating in the parent company. In addition, by the decision of the Supervisory Board, the Steering Committee of the parent company's IPO has been formed from the representatives of the parent company's shareholder, members of the Supervisory Board and the Management Board. The Steering Committee has finished its work after the completion of the parent company's IPO.

Composition of the Committees as well as information on education, experience and place of employment of the members at the date of publication of the annual report is provided below in the report. There were no changes in the composition of the Committees during the reporting period. None of the members of the Committees holds shares of the Group companies.

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

| Member | Supervisory Board | Audit Committee | Nomination and Remuneration Committee | Risk Management and Business Ethics Supervision Committee |
|---|---|---|---|---|
| **Darius Daubaras** | 24/24 | - | - | 8/8 |
| **Andrius Pranckevičius** | 22/24 | - | - | 8/8 |
| **Aušra Vičkačkienė** | 24/24 | 14/15 | 16/16 | - |
| **Daiva Kamarauskienė** | 24/24 | - | 16/16 | - |
| **Daiva Lubinskaitė-Trainauskienė** | 23/24 | - | 16/16 | - |
| **Judith Buss**** | 4/4* | - | - | - |
| **Bent Christensen**** | 4/4* | - | - | - |
| **Irena Petruškevičienė** | - | 15/15 | - | - |
| **Danielius Merkinas** | - | 15/15 | - | - |
| **Šarūnas Radavičius** | - | 15/15 | - | - |
| **Ingrida Muckutė** | - | 15/15 | - | - |
| **Lėda Turai-Petrauskienė** | - | - | 16/16 | - |
| **Šarūnas Rameikis** | - | - | - | 8/8 |

** The numbers indicate how many meetings in 2020 the members have attended out of total meetings held during the year.*
*** Elected as members of the Supervisory Board since 12 November 2020.*

# Audit Committee overview

In 2020, in implementing the functions laid down in the Regulations of the Audit Committee of the parent company's Supervisory Board (Regulations can be accessed here), the Audit Committee of the parent company held 15 meetings. In 2020, the activities of the Audit Committee covered the following key matters:

**Financial reporting**

- Discussed an updated parent company's Accounting Policy.
- Oversaw the status of financial statements preparation process of the Group companies.
- Oversaw the readiness to produce financial statements in the European Single Electronic Format (ESEF).

**External audit**

- Oversaw the independence and objectivity of the Audit Firm.
- Reviewed the external audit strategy, areas of audit focus, scope and materiality for 2020.
- Periodically assessed updates from the Audit Firm on the external audit process.
- Discussed the Audit Firm's reports on the Group's public interest companies.
- Considered requests by the Audit Firm to participate and submit proposals for the purchase of non-audit services.

**Internal audit**

- Discussed an independent external assessment report of the parent company's Internal Audit activity, i.e. its conformity with The International Standards for the Professional Practice of Internal Auditing.
- Reviewed and approved the Internal Audit plan for 2020.
- Discussed reports on the internal audit tasks performed by the parent company's Internal Audit Service, including an update on delivery of 2019 Internal Audit plan and progress with the 2020 Internal Audit plan.
- Followed implementation of actions resulting from the Internal Audit reports.
- Discussed several selected internal audit reports.

**Internal control and risk management**

- Assessed the potential impact of coronavirus on the Group.
- Reviewed the results of self-assessment of the Group's internal control system.
- Reviewed periodic reports on the Group's financial results.
- Reviewed the performance reports of the parent company's investments into a venture capital fund.

**Governance**

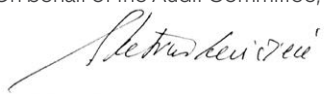
- Discussed the Groups' strategy with the parent company's CEO.
- Provided opinions to the listed companies of the Group on conclusion of 6 related party transactions in compliance with the Article 372 of the Law on Companies of the Republic of Lithuania.
- Followed the implementation of the ISO 370001 Anti-Corruption Management System standard.
- Discussed the legal disputes in which the Group companies were involved.
- Submitted semi-annual Audit Committee reports on its activities on the Supervisory Boards of the Group's public interest companies for 2019/2020.
- Reviewed and submitted the Regulations of the Audit Committee for approval by the parent company's Supervisory Board.

The Audit Committee declares that in 2020 there were no factors restricting the activity of the Audit Committee and the Audit Committee received from the Group all information necessary for the exercise of its functions. In 2020, the Audit Committee did not identify any significant findings that have had negative impact on the activities of the parent company of which the parent company's Supervisory Board had not been informed.

**Additional focus for 2021:**

- Will follow implementation of recommendations resulting from internal and external audits.
- Will follow further developments of Accounting Policy's manual.

On behalf of the Audit Committee,



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

GRI 102-33 GRI 102-34

## Members of the Audit Committee



### Irena Petruškevičienė

Chair, member since 13/10/2017
Independent
Term of office expires: 12/10/2021

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

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

**Other current place of employment, position**
Lietuvos geležinkeliai, AB, Member of the Audit Committee; Maxima Grupė UAB, Chair of the Audit Committee; European Stability Mechanism, Member of the Board of Auditors

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



### Danielius Merkinas

Member since 13/10/2017
Independent
Term of office expires: 12/10/2021

**Experience**
Danielius has almost 20 years of experience in various leadership positions in logistics sector. He also is a certified internal auditor and has worked as an auditor at the audit and consulting company Ernst & Young. Danielius was a management board member of state-owned company AB Lietuvos pastas until October 2019.

**Education**
Vilnius University, Master's degree in International Business; Deventer Business College, Master's degree in International Marketing; Lyngby Business College, Diploma in Market Economics; The Institute of Internal Auditors (IIA), CIA – Certified Internal Auditor.

**Other current place of employment, position**
NNL Termo UAB, Chief Executive Officer, Chair of the Board; NNT LT UAB, Chair of the Board; Nordnet UAB, Chief Financial Officer; Litcargo UAB, Chair of the Board.

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



### Šarūnas Radavičius

Member since 23/03/2018
Independent
Term of office expires: 12/10/2021

**Experience**
Šarūnas is a finance professional with 20 years of experience in accounting, audit and finance management. He is a certified public accountant as well as certified auditor and has held a role of Head of Audit at UAB Rödl & Partner for almost 15 years until August 2019. Šarūnas also has lecturing experience gained through internal trainings (accounting and audit) in Lithuania, Germany and Russia.

**Education**
Vilnius University, Master's degree in Audit and Accounting.

**Other current place of employment, position**
MB Saluma Owner; JSC Lithuanian Radio and Television Centre, Member of the Audit Committee.

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



### Ingrida Muckutė

Member since 23/03/2018
Representative of the principal shareholder
Term of office expires: 12/10/2021

**Experience**
Ingrida is an auditing and accounting professional with more than 15 years of experience in public sector. In the Ministry of Finance she has initiated the public sector accounting reform, has been involved in its implementation through all its stages: from the concept paper and the Public Sector Accountability Law to training programs for public sector accountants. Ingrida also worked as a Senior Consultant in Andersen and later in Ernst&Young as well as a Financial Controller in UAB Konica Minolta Baltia.

**Education**
Vilnius University, Master's degree in Finance, Accounting and Banking;
Vilnius University, Bachelor's degree in Management and Business Administration;
Uppsala University, Finance Management programme.

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

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



### Aušra Vičkačkienė

Member since 13/10/2017
Representative of the principal shareholder
Term of office expires: 12/10/2021

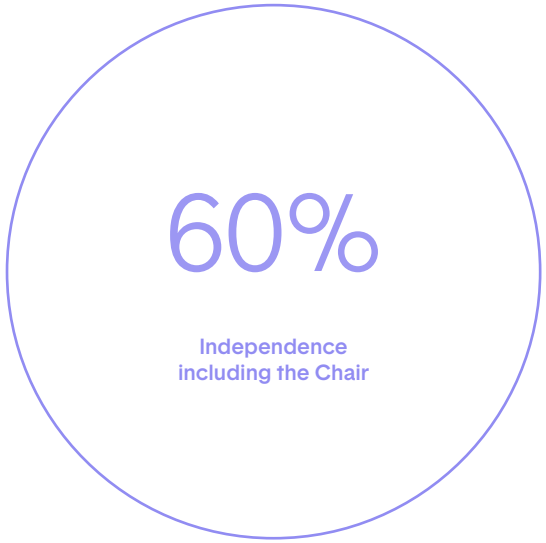
**Member of the Supervisory Board**
See page 60

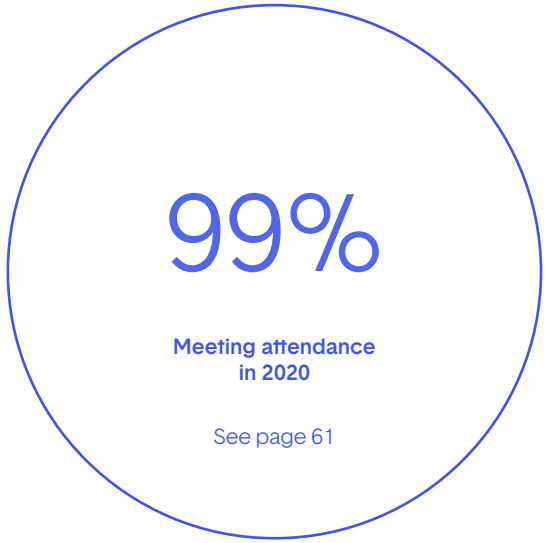
The Group of companies has a centralised internal audit function since 5 January 2015. This helps ensure independence and objectivity of the internal audit, consistency in application of uniform methodology and reporting principles, and a more rational allocation of the available audit resources and competences.

Overall, the Audit Committee is responsible for monitoring the process of preparation of financial statements of the parent company and the Group's subsidiaries, with a focus on the relevance and consistency of accounting methods used. In addition, it is responsible for monitoring the effectiveness of internal controls and risk management systems of the parent company and the Group's subsidiaries, analysing the need for and relevance of these systems and performing the review of the existing internal control management systems.

None of the Audit Committee members hold shares of the Group companies.

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




**The main functions of the Audit Committee**

### Financial reporting

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

### Internal audit

- To monitor effectiveness of internal audit function of the parent company and the Group companies, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of the Head of the parent company's Internal Audit Service, to coordinate and evaluate periodically the work of the parent company's Internal Audit Service, to discuss verification results, removal of defects and implementation of internal audit plans.
- To approve operational rules of the parent company's Internal Audit Service and plan of internal audit.

### External audit

- To monitor independence and objectivity of auditors and audit companies and to submit recommendations regarding selection of the audit company.

### Internal control and risk management

- To submit an opinion to the Group's companies, whose shares are traded on the regulated market, regarding transactions with the associated party, as provided in Article 372(5) of the Law on Companies of the Republic of Lithuania.
- To monitor whether the activities of the parent company and the Group companies are in compliance with the laws of the Republic of Lithuania, other legal acts, the Articles of Association and the business strategy.

### Governance

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

# Nomination and Remuneration Committee overview

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

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

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

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

Overall 16 meetings of the Nomination and Remuneration Committee were held during the reporting period.

Key activities in 2020 covered the following areas:

- evaluation of nominations for members of the parent company subsidiaries' management and supervisory bodies (i.e. Ignitis Polska, Transporto Valdymas, Kaunas CHP, Ignitis Grupės Paslaugų Centras, Ignitis Gamyba);
- issues related to the development of remuneration policy;
- proposals on the long-term promotion of the managers with share options programme;
- issues related to the implementation of the parent company's strategy and objectives in the area of people and culture.

None of theNomination and Remuneration Committee members hold shares of the Group companies.

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

**50%**

**Independence including the Chair**

**100%**

**Meeting attendance in 2020**

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## Members of the Nomination and Remuneration Committee



### Daiva Lubinskaitė-Trainauskienė

Chair, member since 13/09/2017
Independent
Term of office expires: 12/09/2021

**Member of the Supervisory Board**
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### Daiva Kamarauskienė

Member since 22/03/2019
Representative of the principal shareholder
Term of office expires: 12/09/2021

**Member of the Supervisory Board**
See page 60



### Aušra Vičkačkienė

Member since 13/09/2017
Representative of the principal shareholder
Term of office expires: 12/09/2021

**Member of the Supervisory Board**
See page 60



### Lėda Turai-Petrauskienė

Member since 23/03/2018
Independent
Term of office expires: 12/09/2021

**Experience**
Lėda has over 15 years of international work experience in the field of human development, organisational development and communication. She has had various leadership roles and experience in local and global organisations across continents. Lėda also was a Head of the Leadership Module at ISM Executive School of ISM University of Management and Economics. In 2006 she was awarded one of the highest presidential awards, the Knight's Cross of the Order of Merit of the Republic of Hungary for developing and facilitating cultural and economic relationships between Hungary and Lithuania.

**Education**
University of Liverpool, Master's degree in Global Human Resource Management; Vilnius University, Master's degree in Lithuanian linguistics; Master Certified Coach by the International Coach Federation; Hamburg Institute of Counselling and Supervision, certificate of Individual Psychology.

**Other current place of employment, position**
L-CON Global UAB, Executive and Leadership development partner; Management Institute of Finland MIF, Trainer; Coaching Development Ltd., Trainer; International Coach Federation, Member of the EMEA Coordination Team; Vilnius International School, Member of the Advisory School Council.

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

# Risk Management and Business Ethics Supervision Committee overview

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

**The main functions Risk Management and Business Ethics Supervision Committee:**

- to monitor the way the risks relevant for the achievement of the targets set for Group companies are identified, assessed and managed;
- to assess the adequacy of internal control procedures and risk management measures in view of the risks identified;
- to assess the progress achieved in the implementation of risk management measures;
- to monitor the process of risk management;
- to analyse the financial possibilities for the implementation of risk management measures;
- to assess the risks and the risk management plan for Group companies;
- to assess the periodic cycle of risk identification and assessment;
- to monitor the availability of risk registers, analyse their data, provide recommendations;
- to monitor the availability of internal documentation pertaining to risk management;
- to assess the tolerance and the adequacy of internal documents regulating the Group's anti-bribery and anti-corruption policies and to monitor periodically their implementation/ compliance;
- to monitor periodically information related to the controlling actions of assurance of business ethics, events and unsolved incidents (security of transparency, prevention of corruption, management/prevention of corruption risk, etc.);
- to perform other functions assigned to the committee based on the decision of the Supervisory Board.

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

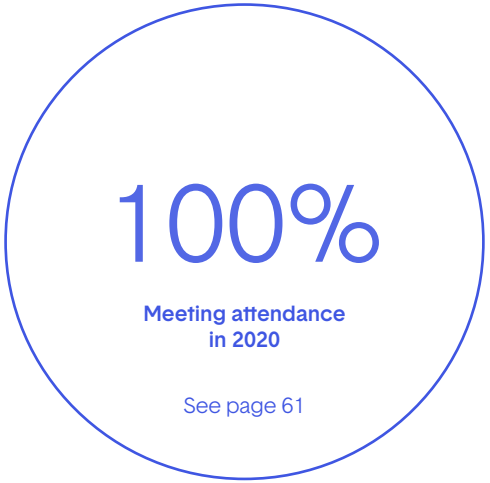
Overall 8 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Key activities in 2020 covered the following areas:

- risk assessment and management process applied in the Group;
- the key risks, including COVID-19, of the Group and their management measures;
- parent company's risk register and risk management plan;
- information security;
- the Group's Business Continuity System;
- risks associated with Green Generation capacity and their management;
- cooperation with the Audit Committee of the Supervisory Board;
- cooperation with the following function of the Group: information security, prevention, risk management, occupational safety, personal data protection and compliance.

None of the Risk Management and Business Ethics Supervision Committee members hold shares of the Group companies. The term of office of the current Risk Management and Business Ethics Supervision Committee will last until 19 April 2022.




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



### Andrius Pranckevičius

Chair, member since 20/04/2018
Independent
Term of office expires: 19/04/2022

**Member of the Supervisory Board**
See page 60



### Darius Daubaras

Member since 20/04/2018
Representative of the principal shareholder
Term of office expires: 19/04/2022

**Member of the Supervisory Board**
See page 59



### Šarūnas Rameikis

Member since 20/04/2018
Independent
Term of office expires: 19/04/2022

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

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

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

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

# 4.4 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, its implemented 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 and there were no changes in the composition of the Management Board. The Management Board consists of five members and elects the Chair, who is also the CEO of the parent company, from among its members. Remuneration for the activities of the Management Board is paid in accordance with the guidelines established by the Supervisory Board of the parent company.

**Information on the selection criteria of the Management Board members**

The members of the Management Board are employees of the parent company, they are elected by the Supervisory Board on the proposal of the Nomination and Remuneration Committee. Each member of the Management Board is elected for a term of four years. The Management Board of the parent company shall be formed in view of the provision that the competences of the members of the Management Board must be diverse. A member of the Supervisory Board, a person who is not legally entitled to hold this post, cannot be the member of the Management Board, neither can a member of a supervisory body, management body or administrative body of a legal entity engaged in electricity or gas distribution activities, an auditor or an employee of an audit company who participates and/or participated in the audit of financial statements if a period of more than 2 years has not elapsed; and a person who is not legally entitled to this post. The Members of the Management Board of the parent company must meet the general and specific criteria laid down by law. The need for competences shall be determined by the Supervisory Board during the formation of the Management Board.
The term of office of the current Management Board is from 1 February 2018 to 31 January 2022. There were no changes in the composition of the parent company's Management Board during the reporting period.

All Management Board members hold shares of the Group companies (please refer to the description of each member below).

**The main functions and responsibilities of the Management Board**

The main functions and responsibilities of the Management Board are:

- implementing the strategy of the parent company (Group of companies);
- adopting decisions for the parent company to become an incorporator or a member of other legal entities and making decisions relating to (i) the approval of subsidiaries' Articles of Association, (ii) opening branches and representative offices and (iii) regulations of branches and representative offices;
- adopting decisions relating to the approval of candidates to the supervisory and management bodies of subsidiaries, branches and representative offices and decisions on participation and voting in the subsidiaries' general meetings of shareholders;
- adopting decisions regarding transactions, the value of which exceeds EUR 3,000,000;
- approving activity guidelines and rules, Group policies, annual financial plans, annual capital return rate, maximum borrowing amounts as well as the determination of other parameters of activities of Group companies;
- adopting other decisions assigned to the Management Board by the Law on Companies, the Articles of Association or the decisions of the General Meeting of Shareholders.

Members of the Management Board have to ensure the appropriate performance of the parent company's activities/ mentoring in the respective areas at the Group level within the scope of its competences. Each member of the Management Board is responsible for the analysis of the issues assigned to their competence, i.e. the field under his supervision directly related to work at the Management Board on which the respective decision must be made, and presentation of all relevant information to the other members of the Management Board so that the necessary decisions of the Management Board would be made in a timely manner. At the date of publication of the report, the applicable rules of procedure of the parent company's Management Board specify the following areas of responsibility of the Management Board members:

- strategy and governance;
- organisational development;
- finance and treasury;
- infrastructure and development;
- commerce and services.

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

**Activities of the Company's Board during the reporting period**

Overall 83 meetings of the Management Board were held in 2020. Key activities in 2020 covered the following areas:

- making key decisions in relation to the initial public offering of the parent company's shares;
- evaluation of the most significant transactions planned by the parent company, approval of their conclusion and approval of essential terms of transactions;
- evaluation of the organisation of the parent company's and the Group companies' activities and taking decisions related thereto;
- evaluation and approval of the parent company's operational planning documents, taking into account the opinion of the parent company's Supervisory Board;
- setting the operational guidelines and rules, general policies for Group companies (i.e. updated Market Abuse Prevention Policy, Dividend Policy, Sustainability Policy, Environmental Protection Policy), annual financial plans, establishing performance parameters for the parent company and Group companies;
- making decisions on participation and voting in general meetings of shareholders of the companies in which the parent company is a shareholder;
- approval of the parent company's Annual Report and submission to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the parent company's annual financial statements and draft allocation of profit (loss) and providing feedback to the Supervisory Board and the General Meeting of Shareholders.

# Members of the Management Board



## Darius Maikštėnas

Chair, CEO since 01/02/2018
Elected: 2018
Term of office expires: 31/01/2022

**Experience**
Darius, who has 8 years of executive experience, joined the Group in 2018. He gained executive experience while working in telecommunications and energy sectors. He led an international company based in Silicon Valley that offers innovative telecommunications solutions and operates in the United States and UK under the WiderFi brand. Previously, Darius worked as an advisor for the venture capital fund Nextury Ventures, he served as Vice President at Omnitel, was an independent member of the Management Board and Chair of the Management Board at LESTO.

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

**Other current place of employment, position**
AB Energijos Skirstymo Operatorius, Chair and member of the Supervisory Board; Eurelectric, member of the Management Board.

**Number of shares in parent company**
400.



## Darius Kašauskas

Member, Finance and Treasury Director since 01/02/2018
Elected: 2013
Term of office expires: 31/01/2022

**Experience**
Darius, who has 12 years of executive experience, joined the Group in 2008. Darius gained his executive experience while working in energy sector. Darius served as a member of the Supervisory Board and the Chair of the Management Board at the Elektroninių Mokėjimų Agentūra. At NT Valdos he was member of the Management Board and the Chair of the Management Board and at Lietuvos Dujos he was Chair of the Supervisory Board.

**Education**
ISM University of Management and Economics, Doctoral studies of Social Sciences in the field of Economics; ISM University of management and Economics, BI Norwegian Business School, Master's degree in Management; Vilnius University, Master's degree in Economics.

**Other current place of employment, position**
AB Energijos Skirstymo Operatorius, Member of the Supervisory Board.

**Number of shares in parent company**
250.



## Vidmantas Salietis

Member, Commerce and Services Director since 01/02/2018
Elected: 2018
Term of office expires: 31/01/2022

**Experience**
Vidmantas, who has 7 years executive experience, joined the Group in 2011. Vidmantas gained his executive experience in energy sector. He held the position of General Manager at Energijos Tiekimas. Previously he was the Director of the Electricity Wholesale Division at Ignitis Gamyba.

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

**Other current place of employment, position**
UAB Ignitis, Chair and member of the Supervisory Board; UAB Elektroninių mokėjimų agentūra, Chair and Member of the Board; NT Valdos, UAB, Chair of the Management Board; UAB Gamybos Optimizavimas, Member of the Management Board, Ignitis Polska Sp. z o.o., Member of the Supervisory Board.

**Number of shares in parent company**
200.



## Dr Živilė Skibarkienė

Member, Organisational Development Director 01/02/2018
Elected: 2018
Term of office expires: 31/01/2022

**Experience**
Živilė, who has 5 years of executive experience, joined the Group in 2018. Živilė gained executive experience while working in financial sector. Previously was the Head of Šiaulių Bankas Legal and Administrative Department. In Finasta Bank she was Member of the Board and deputy CEO. She worked as Head of Compliance at DNB Bankas (now Luminor) and Head of Legal Department at SEB bankas.

**Education**
Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; Vilnius University, Faculty of Law, Master's degree in Law; Saïd Business School, University of Oxford, Executive Leadership Programme.

**Other current place of employment, position**
UAB Ignitis Grupės Paslaugų Centras, Chair and Member of the Management Board; UAB Elektroninių Mokėjimų Agentūra, Member of the Management Board; AB Ignitis Gamyba, Member of the Supervisory Board.

**Number of shares in parent company**
300.



## Dominykas Tučkus

Member, Infrastructure and Development director since 01/02/2018
Elected: 2016
Term of office expires: 31/01/2022

**Experience**
Dominykas, who has 7 years of executive experience, joined the Group in 2012. Dominykas gained his executive experience while working in energy sector. He held position of General Manager at LITGAS. Also he was Management Board member at Tuulueenergia.

**Education**
L. Bocconi University, Master's degree in Finance; L. Bocconi University, Bachelor's degree in Business Management and Administration; ESADE Business & Law School, Executive MBA degree.

**Other current place of employment, position**
AB Ignitis Gamyba, Chair and Member of the Supervisory Board; UAB Ignitis, Member of the Supervisory Board; UAB Vilniaus Kogeneracinė Jėgainė, Chair and Member of the Management Board; UAB Ignitis Renewables, Member of the Management Board; Smart Energy Fund KŪB, powered by Ignitis Group, Member of the Advisory Committee.

**Number of shares in parent company**
300.

## Meeting attendance

| Member | Attendance* |
|---|---|
| **Darius Maikštėnas** | 83/83 |
| **Dominykas Tučkus** | 82/83 |
| **Dr Živilė Skibarkienė** | 82/83 |
| **Vidmantas Salietis** | 83/83 |
| **Darius Kašauskas** | 83/83 |

** The numbers indicate how many meetings in 2020 the members have attended out of total meetings held during the year.*

### Conflicts of interest

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

# CEO competence and functions

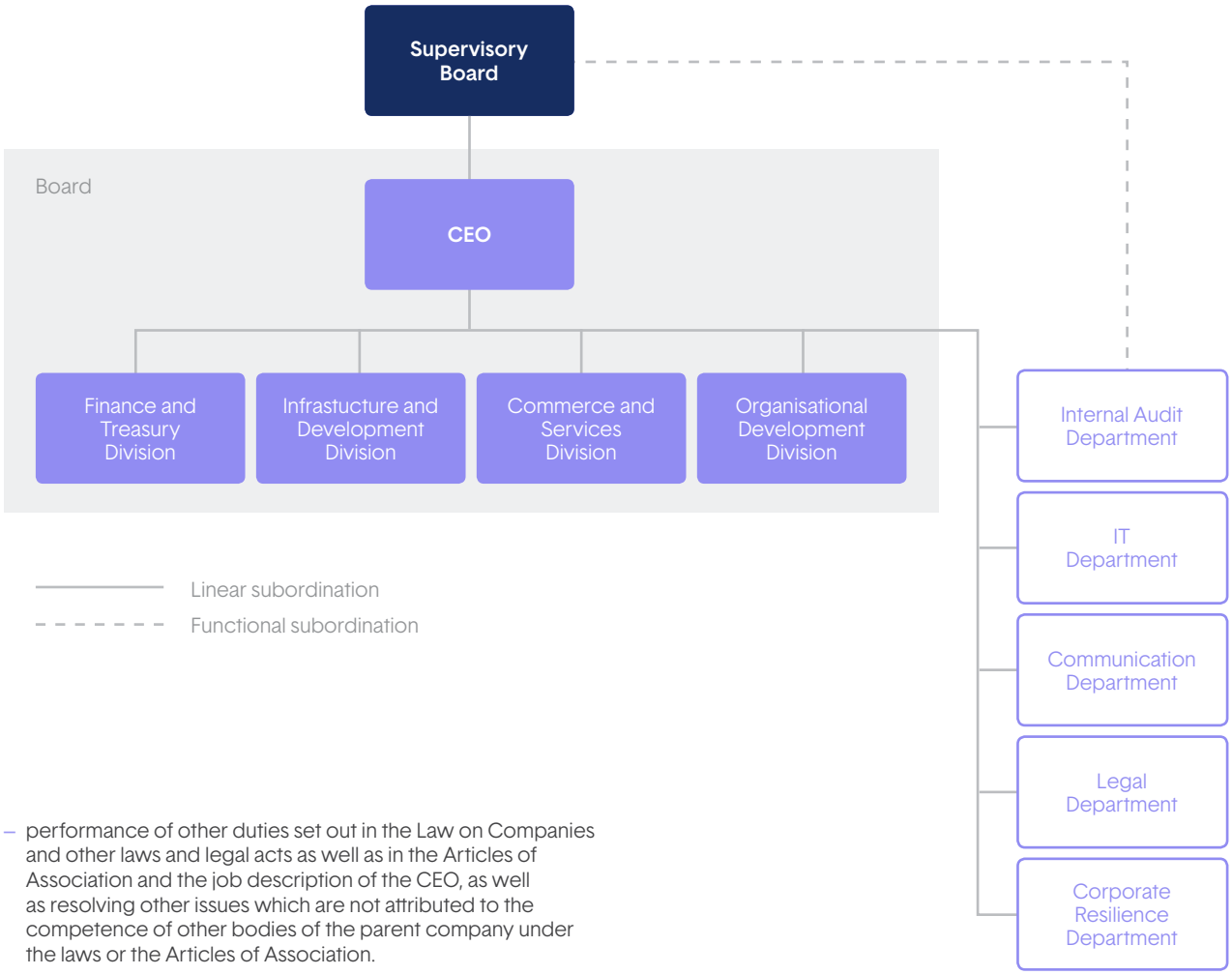
At the executive employees' level, the parent company is managed by the Chief Executive Officer and the Division Directors. The CEO is a single-person management body of the parent company, who organises, directs, acts on behalf of the parent company and concludes transactions unilaterally, as provided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

The competence of a the CEO, the procedure of appointment and removal, the terms of office shall be established according to the Law on Companies, 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 the CEO of the parent company. It should be noted that the CEO of the parent company, as a state-controlled company, is also subject to the special recruitment requirements set out in the Law on Companies, according to which tthe CEO's term of office is limited to five years. The Law stipulates that the same person can only be appointed for two consecutive five-year terms.

The main functions and responsibilities of the CEO are:

- ensuring implementation of the parent company's strategy and implementation of decisions of the Management Board;
- employment and dismissal of employees, promotions and imposing disciplinary measures;
- ensuring the security of the parent company's assets, appropriate working conditions, security of parent company's commercial secrets and confidential information;
- submitting proposals to the Management Board on the budget of the parent company, drawing up of annual financial statements and drafting of the annual report (including consolidated annual financial statements and the consolidated annual report) of the parent company;
- drafting of a decision on the allocation of dividends for a period shorter than the financial year and drawing up of interim financial statements and an interim report for the adoption of the decision on the allocation of dividends for a period shorter than the financial year;
- performance of other duties set out in the Law on Companies and other laws and legal acts as well as in the Articles of Association and the job description of the CEO, as well as resolving other issues which are not attributed to the competence of other bodies of the parent company under the laws or the Articles of Association.

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



# 4.5 Remuneration report

## Remuneration of the Supervisory Board and its committees

**Overview**

In accordance with the Law on Companies and the Articles of Association, members of the Supervisory Board are appointed for a tenure of four years. The tenure of each member of the Supervisory Board may not last longer than until the annual General Meeting convened in the fourth year of that member's tenure. Members of the Supervisory Board are not entitled to severance payments upon termination of their contractual relationship.

The principles of remuneration of members of collegial bodies of the parent company are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Pursuant to these Guidelines, the maximum monthly amount of the remuneration paid for the activities in the Supervisory Board, its committees or to the members of the managing and supervisory bodies of other companies in the Group of Companies, who are subject to remuneration, cannot exceed one-quarter of the amount of the average monthly salary paid to the CEO of the parent company. The maximum monthly amount of the remuneration paid to the Chairman of the Supervisory Board for the work in the Supervisory Board or its committees cannot exceed one-third of the amount of the monthly salary paid to the CEO of the parent company.

**Remuneration of the members of the Supervisory Board and its committees**

Information about payments made to the members of the Supervisory Board and its committees during the period of 2017-2020 are set out below. All amounts shown in the table below are shown in euro, before taxes.

### Annual remuneration of the members of the Supervisory Board and its committees, EUR (before taxes)

| Name (position) | 2020 | | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| | Supervisory Board | Committees | Supervisory Board | Committees | Supervisory Board | Committees | Supervisory Board | Committees |
| Darius Daubaras *(Chair of the Supervisory Board, member of the Risk Management and Business Ethics Supervision Committee)* | 22,950 | - | 16,650 | - | 13,877 | - | 3,600 | - |
| Andrius Pranckevičius *(Member of the Supervisory Board, chair of the Risk Management and Business Ethics Supervision Committee)* | - | - | 5,288 | - | 7,618 | - | - | - |
| Aušra Vičkačkienė* *(Member of the Supervisory Board, member of the Audit Committee)* | - | - | - | - | - | - | - | - |
| Daiva Kamarauskienė* *(Member of the Supervisory Board, member of the Nomination and Remuneration Committee)* | - | - | - | - | - | - | - | - |
| Daiva Lubinskaitė-Trainauskienė *(Member of the Supervisory Board, chair of the Nomination and Remuneration Committee)* | 6,263 | - | 5,070 | - | 3,929 | - | 537 | - |
| Judith Buss** *(Member of the Supervisory Board)* | 3,038 | - | - | - | - | - | - | - |
| Bent Christensen** *(Member of the Supervisory Board)* | 2,625 | - | - | - | - | - | - | - |
| Irena Petruškevičienė *(Chair of the Audit Committee)* | - | 15,488 | - | 11,738 | - | 9,720 | - | 3,410 |
| Danielius Merkinas *(Member of the Audit committee)* | - | 11,888 | - | 10,590 | - | 6,780 | - | 2,029 |
| Šarūnas Radavičius *(Member of the Audit Committee)* | - | 9,750 | - | 8,258 | - | 3,180 | - | - |
| Ingrida Muckutė *(Member of the Audit Committee)* | - | - | - | - | - | - | - | - |
| Lėda Turai-Petrauskienė *(Member of the Nomination and Remuneration Committee)* | - | 4,125 | - | - | - | 1,800 | - | - |
| Šarūnas Rameikis *(Member of the Risk Management and Business Ethics Supervision Committee)* | - | - | - | 3,375 | - | 2,580 | - | - |
| **Total remuneration** | **34,876** | **41,251** | **27,008** | **33,961** | **25,424** | **24,060** | **4,137** | **5,439** |

** Members of the Supervisory Board who are delegated by the Principal Shareholder did not receive any remuneration from the parent company.*
*** Elected as members of the Supervisory Board since 12 November 2020.*

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# Remuneration within the Group

### Overview

The Group is rapidly moving towards the sustainability, including the management of human resources. The ongoing transition requires new skills and competences as well as continuous development of our Group culture. In 2019, we substantially revised remuneration system to reduce the gap between the base salary market and the Group's internal remuneration median by transferring a part of STI to FBS in order to be more competitive in a rapidly changing salary market. We also participate in remuneration market surveys annually. Further information on human resources management and remuneration relevant matters can be found on the parent company's website.

### Decision making process in remuneration related matters

Remuneration Guidelines of Executives, Remuneration Policy and Remuneration standard are the key documents on which remuneration structure is based on. They are prepared based on the best governance practises. Remuneration Policy and Remuneration standard are applicable to all Group employees, whereas and Remuneration Guidelines – to the executives. The Remuneration standard is internal document which is detailing the provisions of Remuneration policy. The provisions of the Remuneration Policy and the Remuneration Guidelines are integrated with the companies of the Group and applied downstream through the subsidiaries. Exceptions from the Remuneration Guidelines may be made only to the companies of the Group operating outside Lithuania by the decision of the Supervisory Board of the parent company, with the approval of the Nomination and Remuneration Committee of the Group.

Post IPO Remuneration Policy approval process is based on the Lithuanian Labour Code, Corporate Governance Code for The Companies Listed on Nasdaq and Law on Joint Stock Companies. Parent company is required to submit any proposed amendments of the Remuneration Policy for General Meeting of Shareholders' approval. Before that, high-impact changes of the Remuneration Policy must be agreed by the Nomination and Remuneration Committee and Supervisory board. The parent company intends the updated Remuneration Policy to be approved during the annual meeting of its shareholders which is planned in the first quarter of 2021. Up to IPO, the Remuneration Policy was being approved and amended by the parent company's Management board.

Every year remuneration ranges are submitted by the parent company's Management Board to the Nomination and Remuneration Committee and the Supervisory Board for approval. The Supervisory Board assesses the compliance of the remuneration structure with the median value of the market.

### Remuneration Policy

The objective of our Remuneration Policy is to support the Group's pathway towards performance and strategic targets achievement. We have defined 5 key Remuneration Policy principles, including fairness, competitiveness, clarity, transparency, and flexibility, detailed in the figure on the right side of this page.

Overall, Group remuneration structure consists of two parts: fixed base salary (FBS) and variable remuneration (a percentage of FBS). Variable remuneration part is comprised of Short-Term Incentives (STI) and Long-Term Incentives (LTI is applicable to the key executives: parent company's top executives (including the CEO and the members of the Management Board), CEOs of ESO, Ignitis, Ignitis Gamyba and Ignitis Renewables). The variable part is paid out quarterly or annually, depending on the employees' functions, and is linked with individual, team and/or company/ Group performance. Separate remuneration schemes are set for employees of highly competitive business areas (e.g. renewable project managers, electricity and gas traders and salespersons).

Full Remuneration Policy is available on the parent company's website.

| Key principles of Group Remuneration Policy | |
|---|---|
| **Internal fairness** | We ensure that similar or the same value creating work is compensated equally throughout the organisation. |
| **Competitive externally** | Employees are entitled to receive competitive compensation based on their function market conditions and geography. |
| **Remuneration clarity** | We aim that all employees would be informed how their performance, competences, qualification impact their full remuneration package as well as on what basis it is set. |
| **Transparency** | We believe in transparency and share our objective remuneration criteria with our employees. |
| **Flexibility** | We are flexible to provide individual solutions regarding retention of strategic employees or critical positions, if these are in line with the principles listed above. |

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**Remuneration of the parent company's and Group's employee**

The parent company's salary fund in 2020 amounted to EUR 5.3 million compared to EUR 4.9 million in 2019. Total Group salary fund in 2020 was EUR 102 million (in 2019 it was EUR 87.3 million). Average monthly salary (FBS and STI) for the period of 2016-2020 are provided in the tables below.

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

| Position category | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of employees | Average salary* | Number of employees | Average salary** | Number of employees | Average salary | Number of employees | Average salary | Number of employees | Average salary |
| CEO | 1 | 10,109 | 1 | 9,725 | 1 | 6,234 | 1 | 7,508 | 1 | 6,305 |
| Top level managers | 10 | 7,470 | 11 | 7,342 | 9 | 5,358 | 8 | 5,381 | 10 | 4,706 |
| Middle managers | 23 | 5,208 | 21 | 6,320 | 20 | 3,774 | 14 | 3,671 | 16 | 3,357 |
| Experts / Specialists | 50 | 3,177 | 68 | 3,833 | 85 | 2,192 | 67 | 2,023 | 76 | 1,828 |
| Workers | - | - | - | - | - | - | - | - | - | - |
| **Total** | **84** | **4,281** | **101** | **4,281** | **115** | **2,784** | **90** | **2,659** | **103** | **2,454** |

** Part of STI was transferred to the FBS.*
*** Tax reform has been implemented at the beginning of 2019.*

### Average monthly remuneration of the Group's employees, EUR (before taxes)

| Position category | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of employees | Average salary* | Number of employees | Average salary** | Number of employees | Average salary | Number of employees | Average salary | Number of employees | Average salary |
| CEO | 17 | 8,990 | 17 | 7,262 | 14 | 5,348 | 15 | 5,023 | 18 | 4,004 |
| Top level managers | 34 | 8,274 | 35 | 6,713 | 38 | 4,589 | 42 | 4,292 | 48 | 3,286 |
| Middle managers | 375 | 4,038 | 340 | 3,323 | 327 | 2,333 | 321 | 2,193 | 267 | 2,338 |
| Experts / Specialists | 2,670 | 2,102 | 2,560 | 1,906 | 2,548 | 1,309 | 2,857 | 1,179 | 2,544 | 1,237 |
| Workers | 736 | 1,670 | 767 | 1,475 | 767 | 979 | 1,094 | 862 | 1,160 | 780 |
| **Total** | **3,832***** | **2,059** | **3,719****** | **2,015** | **3,695** | **1,374** | **4,330** | **1,214** | **4,037** | **1,573** |

** Part of STI was transferred to the FBS.*
*** Tax reform has been implemented at the beginning of 2019.*
**** Data is provided with 4 trainees excluded.*
***** Excluding 23 employees from Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o. o., "Pomerania Invall Sp. z o. o.", OÜ "Tuuleenergia", UAB "VVP Investment", Ignitis Eesti OÜ.*

## Remuneration of the parent company's Management Board

**Overview**

Remuneration Guidelines applied to the Management Board is designed to attract and retain competent members of the Management Board. In order to attract high level professionals to the management positions, the aim is to bring remuneration closer to the median of the salary market onto the country the company operates. Remuneration structure applicable to the Management Board is consistent with the structure for the remaining Group employees (except a company car). It includes FBS, STI and LTI and is detailed in the table below.

**Appointment and termination of Management Board**

In accordance with the Law on Companies and the Articles of Association, members of the Management Board are appointed for a tenure of four years.

Article 371 of the Law on Companies stipulates that the Chief Executive Officer of the state-owned company can be appointed only for a term of five years. The Chief Executive Officer can only be appointed for two consecutive five-year terms. Under the Law on Companies and the Labour Code, the Chief Executive Officer may be dismissed from the position by the Management Board of the parent company without any advance notice for cause. Division Heads may be dismissed from the parent company only on the grounds and following the procedure indicated in the Labour Code.

**Severance pay**

Members of the Management Board are not entitled to severance payments upon termination of their contractual relationship. Nevertheless, employment agreements are executed between the parent company and each of the Chief Executive Officer and Division Heads. In accordance with the Labour Code, those who are employed in any Group company under an employment agreement are entitled to severance payments upon termination of their employment. Severance pay, however, shall be paid in accordance with the Guidelines for Executives Remuneration of the Group Companies of the parent company, according to which the Chief Executive Officer and other top executives (members of the Management Board) are paid severance payment up to four times their average monthly salary if employment is terminated on initiative of the parent company

and for no fault of the employee. Non-compete agreements, in accordance with the Labour Code, can be signed with Members of the Management Board. Nevertheless, additional internal regulation does not specify contract terms in more detail. Agreements can be signed and evaluated on a case-by-case basis. During 2020 year he parent company did not enter in to any non-compete agreements with Members of the Management Board.

## Remuneration structure of the CEO and the Management Board

| Element | Purpose | Description and performance measures |
|---|---|---|
| Fixed base salary (FBS) | To compensate for the job responsibilities and to reflect the skills, knowledge, and experience of the individual. | Remuneration is determined by the employment contract, taking into account the level of the position and the level of competence of the employee required for the position. Base salary is paid on monthly basis. Base salary revision is performed during the annual Remuneration Review. |
| Compen-sation for activities of the Board members (PBM) | To compensate for the Board member activities. | PBM is fixed amount and payed on monthly basis. PBM usually is reviewed before 4 year tenure contract is signed. |
| Short-term incentives (STI) | To support achievement of the Group's annual financial, strategic and sustainability targets. | The remuneration that is paid for performance, i.e. for a particular position for meeting the set objectives or indicators, is determined as a percentage of FBS. It is determined for the executives up to 20% of their annual FBS. |
| Long-term incentives (LTI) | To support the delivery of sustainable long-term achievement, align the interests of the Key executives with those of shareholders, and support in committing and retaining key individuals. | 4-year long term targets are confirmed on which achievement the management may be granted the parent company's shares. |
| Health insurance, tier 3 pension or life insurance | To align with market practises and retain existing management. | Employees are covered by the health insurance schemes, unless they choose the contributions to the pension. The package applied is the same as for the rest Group employees. Management Board benefits package also includes a company car. |

### Remuneration of the parent company's members of the Management Board

Information about payments made to the members of the Management Board in 2020 are set out below. All amounts shown in the table below are shown in euro, before taxes.

## Annual remuneration of the parent company's Management Board, EUR (before taxes)

| 2020 | FBS* | STI | PBM | Total |
|---|---|---|---|---|
| Darius Maikštėnas | 121,311 | 34,829 | 30,600 | 186,740 |
| Dr Živilė Skibarkienė | 98,374 | 29,008 | 21,780 | 149,162 |
| Darius Kašauskas | 101,617 | 29,008 | 21,780 | 152,405 |
| Dominykas Tučkus | 101,742 | 29,008 | 21,780 | 152,530 |
| Vidmantas Salietis | 101,477 | 29,008 | 21,780 | 152,265 |
| **2019** | **FBS*** | **STI** | **PBM** | **Total** |
| Darius Maikštėnas | 94,135 | 30,090 | 30,600 | 154,825 |
| Dr Živilė Skibarkienė | 74,261 | 21,979 | 21,780 | 118,020 |
| Darius Kašauskas | 78,573 | 32,330 | 21,780 | 132,683 |
| Dominykas Tučkus | 79,534 | 32,104 | 21,780 | 133,418 |
| Vidmantas Salietis | 77,540 | 25,160 | 21,780 | 124,480 |

** FBS is the same for Management Board members. The differences appear regarding sick leave.*

### Principles of variable remuneration

*Short-term incentives*

The remuneration that is paid for the annual performance, i.e. for a particular position or an employee for meeting the targets, is determined as a percentage of FBS or other basis of calculation. For the parent company's Management Board, as well as the CEOs, members of the management board of Group subsidiaries and top level executives of the companies the maximum STI level is set at 20% level (starting 2020, previously – 40%) of the annual FBS. For the remaining employees, maximum STI level is capped at the level of 10%.

The below is provided a composition of targets on which STI is based, depending on the employee's position withing the Group.

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### STI targets depending on the employee position within the Group

| Position category | Weights for objective types | | |
|---|---|---|---|
| | Objectives of parent company | Objectives of the individual company | Team / Individual objectives |
| Members of the Management Board of parent company | 100% | 0% | 0% |
| CEOs (executives) / members of management boards at the individual companies | 30% | 70% | 0% |
| Top level executives of the companies | 30% | 70% | 0% |
| Function Managers | 50% | 0% | 50% |
| Managers of functional Areas | 30% | 0% | 70% |
| Middle level executives of the Group | 0% | 30% | 70% |
| Other employees of the Group | 0% | 0% | 100% |

The criteria applicable for STI of members of the parent company's Management Board, including the CEO, for 2020 are set out in the table below.

### STI targets for 2020 of parent company's Management Board

| STI targets | Weight |
|---|---|
| Group adjusted EBITDA | 20% |
| Group adjusted ROE to secure return level approved by Government of the Republic of Lithuania | 10% |
| Improvement of customers NPS indices: Q4 2020 vs. Q1 2020 | 10% |
| Improvement of employee eNPS index: Q4 2020 vs. Q1 2020 | 10% |
| Implementation of strategic projects or their key milestones | 50% |

Strategic projects or their key milestones include:

- implementation of Pomerania WF project and RES portfolio development (15% weight);
- Vilnius and Kaunas CHP development according to the project schedule and scope (10% weight);
- smart metering program and Datahub project implementation according to schedule and scope (10% weight);
- implementation of the deregulation program for the household electricity market according to the program schedule and scope (10% weight);
- maintenance, modernization and development of electricity generation capacities by contributing to the synchronization of the Baltic States with the continental European networks (5% weight).

Implementation status of short-term performance objectives for 2020 applicable for members of the parent company's Management Board, including the CEO, variable remuneration is subject for approval by the Supervisory Board of parent company (approval is expected by the end of Q1 2021) and will be followed by the disclosure on the parent company's website.

*Long-term incentives*

In order to align management and shareholder interests, the Nomination and Remuneration Committee and Supervisory Board on 14 August 2020 approved the guidelines for the management LTI plan, to be implemented as a policy pursuant to the 'Rules for Granting Shares of the parent company'. According to the guidelines, the LTI program is equity-based (in a form of stock options with a strike price at EUR 0), and tied up with the targets set out in four-year Group's strategic plans.

The LTI will be a continuous programme with new four-year period targets put in place annually (for example, in 2020, the targets for 2023 is set based on 2020-2023 Strategic Plan; in 2021, the targets for 2024 will be set based on 2021-2024 Strategic Plan, etc.).

The LTI currently is applicable to nine Group executives, including the members of the Management Board and CEO of the parent company and the CEOs of the business segments, with the possibility on a case-by-case basis to extend programme to other executives with strategic responsibilities. The LTI maximum size is set as a percentage of the FBS, depending on the employee's position.

### Maximum LTI level (% of FBS)

| Position | Maximum LTI level as % of FBS |
|---|---|
| Parent company's CEO | 40% |
| Members of the parent company's Management board | 25% |
| CEOs of ESO, Ignitis Renewables, Ignitis Gamyba, Ignitis | 15% |
| Other strategic employees that are assigned to Key Executives category | Up to 15% |

The below table set outs the maximum value of shares on the day the option agreement with parent company's executives for granting shares have been signed in 2020. The shares depending on the performance aligned with 2023 Strategic plan targets, will be granted after 4-year vesting period in 2024.

### Maximum value of shares to be granted in 2024, EUR

| Parent company's executive | Maximum value of shares, EUR |
|---|---|
| Darius Maikštėnas | 50,963 |
| Dr Živilė Skibarkienė | 26,505 |
| Darius Kašauskas | 26,505 |
| Dominykas Tučkus | 26,505 |
| Vidmantas Salietis | 26,505 |

The detailed information on the LTI targets is disclosed on the parent company's website.

*Employee share option programme*

In order to attract and retain competent, fast-learning, technologically advanced, globally thinking and innovative, motivated, loyal employees of the Group, the parent company intends to adopt an employee share option programme (ESOP) in 2021, pursuant to the 'Rules for Granting Shares of the parent company', which was approved by the Ministry of Finance, the Principal Shareholder, on 16 September 2020.

Further information on the status of ESOP will be available on the parent company's website.

# 4.6 Risk and risk management

## Risk management framework

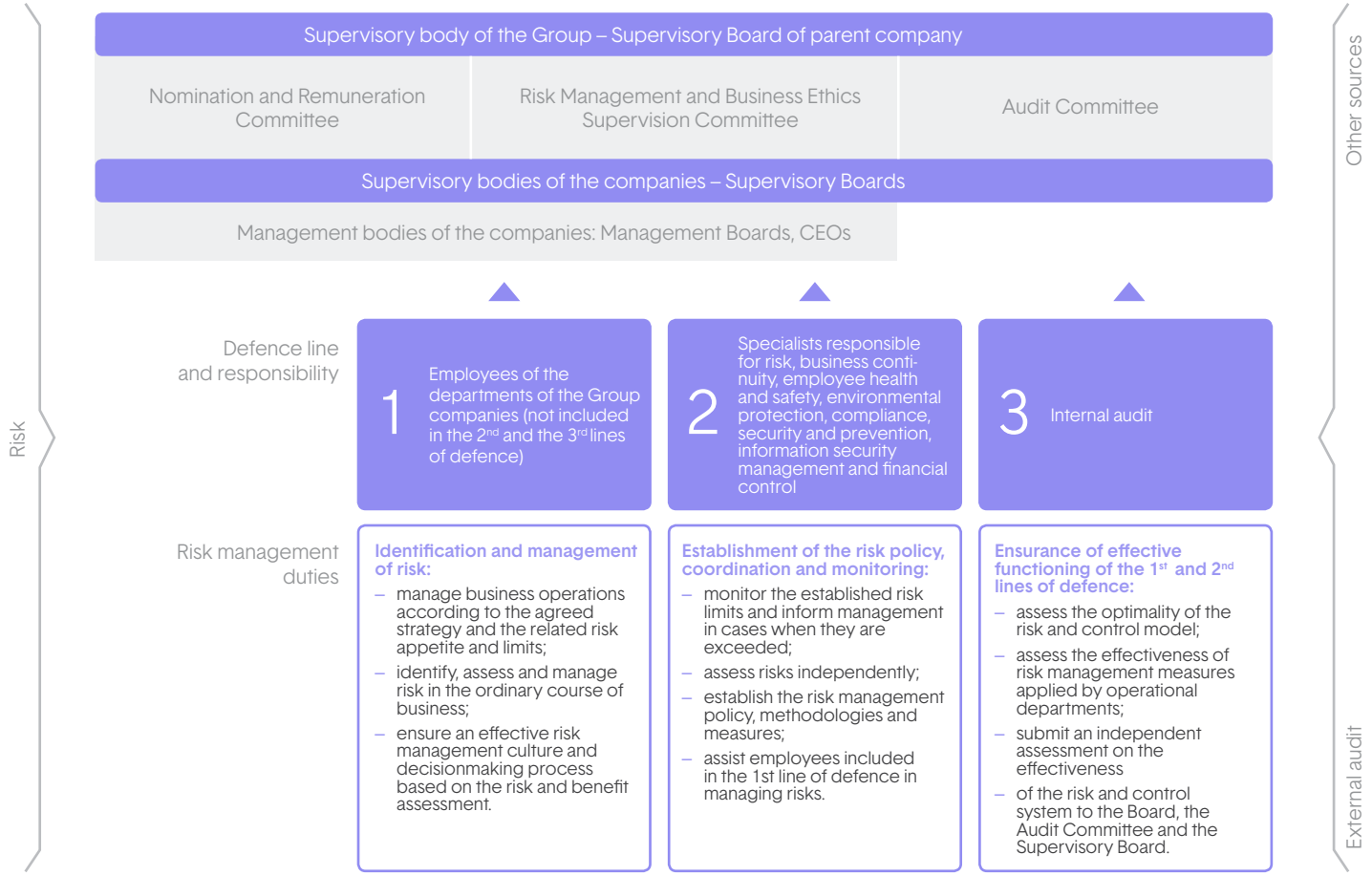
The Group is exposed to the risks that might affect its operational and financial performance. In order to mitigate these, we apply the risk management model, which is based on the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the main principles of AS/NZS ISO 31000:2009 (Risk Management — Principles and Guidelines).

**The main objectives of the risk management framework are as follows:**

- to achieve the Group's performance objectives with controllable, yet in principle acceptable deviations from these objectives;
- to ensure the provision of information of the highest possible accuracy to decision makers, shareholders and other stakeholders;
- to protect of the Group's reputation;
- to protect interests of shareholders, employees, clients, stakeholders and the society;
- to ensure the stability (including financial) and sustainability of the Group's activities.

The risk management principles provided for in the Group Risk Management Policy and other internal documents are consistently applied across the entire Group. The uniform risk management principles ensure that the management personnel of the Group companies receive risk management information covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement information on their activities with detailed risk assessment, monitoring, and management principles.

### Internal control and risk management framework




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Aiming to ensure that risk management information and decisions correspond to recent developments and changes in the Group's activities, the Group companies' risk level is re-assessed each year during a specified time period and risk mitigation actions are established. In addition, the Group companies monitor existing and new risk factors on a quarterly basis and define additional actions to manage risks, if needed.

Risk appetite and risk tolerance limits are established within the Group. Risk appetite means the level and type of risk that the Group is ready to accept in order to implement strategic objectives. Risk appetite determined by assessing the potential impact of risk exposure in the context of financial, reputational, compliance, corruption, human safety and health and business continuity aspects. Tolerance limit means the level of risk the excess of which is not acceptable for the Group and which is expressed in the results of operations or values of incidents. The risk appetite and risk tolerance limits of the Group are established and reviewed as needed by the parent company's Management Board. Where risk appetite and risk tolerance limits are exceeded by the parent company, action plans are prepared in order to meet the mentioned thresholds.

The effectiveness of the management plans is assessed by the parent company's Management Board, the parent company's Supervisory Board and the parent company's Risk Management and Business Ethics Supervision Committee under the Supervisory Board. In order to effectively manage risks arising from its activities, the Group applies the three lines of defence principle by establishing a clear separation of duties for risk management and control between the Group's management and supervisory bodies, structural departments or functions (see figure on page 78).

## Risk assessment and control

On a yearly basis, the Group implements the risk assessment identifying key risks for the upcoming year and its management strategies. Compared to the risks identified for 2020, in 2021 several new priority risk factors have been determined, including a failure to achieve key commitments, core services disruptions due to IT/OT incidents and failure in new projects or businesses, reflecting on the Group's priority to ensure stability and continuity. In addition, during 2020 growth in borrowing costs, lack of strategy funding and potential corruption risks were mitigated to the accepted risk level by accordingly listing the parent company's shares on Nasdaq Vilnius and London stock exchanges and applying the Anti-Corruption Management System (LST / ISO 37001: 2017).

Sustainability risks (environmental, human resources management) have been assessed as falling within the Group's appetite and tolerance, and are therefore not mentioned in the table, however, they are actively monitored by the Management and Supervisory Boards.

### Risk management plan for 2021

| Risk category | Risk | Sources of risk | Risk level in 2021 | Main risk management policies | Risk level in 2020 |
|---|---|---|---|---|---|
| Strategic/ business risk | Changes in market and regulation | The risk of market and regulatory changes in the Group presents challenges to cash flow planning, the irreversibility of products or services and potential reputational damage. The most significant regulator for the group of companies remains the State Energy Regulatory Authority, which has the greatest influence on the prices and revenues of services provided by the companies by setting price caps.<br><br>The most relevant sources of risk are expected in 2021:<br>– the risk of non-notification of the European Commission about State aid, as described in points 7.3 and 7.4 of the PSO procedure, the services are not coordinated with the European Commission;<br>– changes in LRAIC, WACC, depreciation rates and new consumers pricing;<br>– electricity market deregulation – due to possible loss of customers and change in the price of supply of last resort;<br>– a review of required quantity of liquefied natural gas for the terminal. | Very high | – Efforts are made to fulfil the requirements of the regulatory authority in as specific manner as possible and to unify the principles of cooperation with the regulatory authority at the Group level.<br>– To ensure the compliance with the new requirements, organise projects of the group of companies as well as reduce and optimize operating costs, the best specialists of the group of companies are involved in each case to share their expertise.<br>– Monitoring of the market situation.<br>– The compliance function is strengthened and formed at the Group.<br>– Active participation in the process of public coordination of legal acts.<br>– The Management Board of the parent company regularly reviews the relevant regulatory risks. | Very high |

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| Risk category | Risk | Sources of risk | Risk level in 2021 | Main risk management policies | Risk level in 2020 |
|---|---|---|---|---|---|
| Strategic / business risk | Failure in new projects or businesses | In order to implement the Group's strategy, many projects are initiated at the same time. Delays or other deviations from the goals would cause direct impact on the strategy implementation.<br><br>Main risk factors in 2021 may be:<br>– biofuel project contractor restructuring (Vilnius KJ);<br>– risk of smart metering mismanagement due to the project scope, complexity or lack of experience;<br>– lack of hedging opportunities in the Lithuanian electricity market zone;<br>– Incorrect projects assumptions, forecasts. | Very high | – For the implementation of important projects, the best specialists of the group of companies are involved. Projects are implemented using best project management practices.<br>– Find commercially viable sourcing options for portfolio hedging.<br>– Internal measures for the control of finances.<br>– Monitoring of the situation in the market.<br>– Monitoring of the project's portfolio at the level of the Management Board.<br>– Forecasting, monitoring, analysing cash flows. | NA |
| Operational risk | Risks associated with the COVID-19 outbreak | The first quarantine has been announced throughout the territory of the Republic of Lithuania from 16 March 2020 to 16 June 2020. The second quarantine has been announced throughout Lithuania since 7 November 2020 to 28 February 2021 (with a high probability of being extended) which was still in force at the time of publication of this annual report. In assessing the parent company's business continuity risks, the management evaluated the uncertainty caused by the COVID-19 outbreak at the time of the release of the annual report due to the potential impact on the Group's activities in the future. The potential financial impact to:<br>– cash flows from electricity and gas payment delays or agreements with customers on longer payment terms for services and potential increase in the percentage of bad debts. Depending on the duration of the quarantine, the financial impact of the consequences will increase, but given the most likely scenarios for the spread of COVID-19 publicly discussed by experts, this should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the annual report cannot be reasonably determined;<br>– cash flow from changes in electricity and gas consumption during the quarantine period and slower recovery of consumption after the period ended. The negative impact of electricity and gas consumption will potentially affect the business customers. However, it partially will be offset by increased electricity consumption in the household customer segment. During the first quarantine, the B2C electricity consumption increased by 5–6% in household customer segment and decreased on average by at around 8–9% in business segment compared to the ordinary usage levels of existing portfolio (with the negative impact of proxy hedge results and reduced electricity consumption of hedged volumes of our B2B customers' portfolio because of COVID-19). This should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the annual report cannot be reasonably determined;<br>– cash flows related to the risk of delays in the development of large infrastructure projects (construction and development of new power plants). Depending on the duration of the quarantine, there could be a risk of project delays due to disruptions of supply chain or due to appeared risk of infection of critical personnel with COVID-19. The positive impact on cash flows could be due to subsequent Investments, however, accordingly, the planned income earnings and cash flow from operations related to the ongoing project could be delayed. This should not jeopardize business continuity. Reasonable or significant assumptions as of the date of issue of the annual report cannot be reasonably determined. | Very high | The Group's management assessed the potential disruptions of cash flow, supply of services or goods, the attraction of sources of financing, the potential reduction in electricity and gas consumption due to economic slowdown, the risk of COVID-19 infection of critical function personnel and the risk of delays in ongoing projects, using all the information available at the time of the annual notification on the future risks posed by COVID-19, have not identified any circumstances which may give rise to doubts both as a result of the activities of the Group as a whole and the continuity of the individual undertakings belonging to the Group, and have taken action to manage the risks arising from the Group's activities.<br><br>The Group did not experience any significant disruptions due to COVID-19 in business activity, investments strategies and development of projects, except for some delays in interim projects milestones not exceeding the lockdown period length. | Very high |

| Risk category | Risk | Sources of risk | Risk level in 2021 | Main risk management policies | Risk level in 2020 |
|---|---|---|---|---|---|
| Operational risk | Health and safety of employees, residents and contractors | With regard to the principal business activity companies due to a specific character of the activity and nature of works, the Group bears an inherent risk of health and safety of employees, residents and contractors. This risk remains a priority area for many years and the main causes of this risk, in addition to high-risk working environment, include the lack of awareness or experience/knowledge and rushing when carrying out works.<br><br>No fatal or serious accidents to Group employees or residents did occur in 2020. For contractors, one fatal accident on a construction site did happen, and it was related to a non-compliance with Occupational Safety and Health Instructions. Overall, trend of minor accidents in the Group has decreased 6 times over the past year, and the incidents with contractors has halved, which was mainly related to the COVID-19 pandemic and the suspension of some work during the quarantine period. | High | – Motivational and disciplinary system for employees and contractors.<br>– External and internal educational activity.<br>– Modern training bases.<br>– Regular control and monitoring of (employees/ contractors') occupational safety. | High |
| Operational risk | Information security breaches | Taking into account all external factors in a geopolitical situation, the Group understands its strategic importance for the country's security and by cooperating with external establishments and by introducing internal measures it aims to ensure that both the Group's strategic information and the main management systems are protected from the impact of any external/internal crime.<br><br>In 2020, due to the increase in social engineering, phishing and cyber-attacks during the COVID-19 pandemic, several internal exercises and trainings were organised for employees, additional network sensors were installed to strengthen the network monitoring, the response team have been actively involved in training themselves and attended several external exercises. | High | – Improvement of resistance through scanning and isolating technology networks, carrying out tests/ trainings.<br>– Enhancement of monitoring/detection/suspension.<br>– Internal audits.<br>– Cooperation with external institutions. | High |
| Compliance / legal risk | Compliance | The Group companies, having a significant market power (either individually or collectively), cannot drive competitors out of the market or prevent them from entering the market, may not discriminate suppliers/ buyers without justification and restrict output/sales. Group companies (where relevant) must comply with the requirements of REMIT, the Third Energy Package, AML, the National Energy Regulatory Council and other regulatory authorities (European Commission, Ministry of Energy of the Republic of Lithuania, etc.) applicable to the activities of the Group. | High | – Centralised coordination of compliance issues within the Group.<br>– Mandatory training program for employees.<br>– Complete separation of distribution and supply businesses – process and activities, to ensure fair rules for all market players. | High |
| Operational risk | Core services disruptions due to IT/OT incidents | The Group's core business is strategically important to Lithuania and the region. The main activities include: strategic generation and electricity power reserve services, heat and electricity production from waste and biofuel, distribution and supply of electricity and gas in Lithuania. Disruptions or any other incidents in core activities may have a direct financial and reputational impact or affect the Ignitis Group's strategy implementation.<br><br>As a number of IT systems have specific security, operation and upgrade requirements, ensuring their operational stability, having competencies, and rapid incident response time are very important for the Group's goal achievement. | High | – Internal IT competence centre established.<br>– Centralised change planning process involving contractors.<br>– CMDB implementation – keeping IT systems' architecture plans up-to-date.<br>– Problem management process improvement. | NA |

| Risk category | Risk | Sources of risk | Risk level in 2021 | Main risk management policies | Risk level in 2020 |
|---|---|---|---|---|---|
| Operational risk | Failure to achieve key commitments | The Group's core business is strategically important to Lithuania and the region. The main activities include: strategic generation and electricity power reserve services, heat and electricity production from waste and biofuel, distribution and supply of electricity and gas in Lithuania. Disruptions or any other incidents (inc. climate-related extreme weather events which can have an impact on the distribution system infrastructure and uninterrupted operations) in core activities may have a direct financial and reputational impact or affect the implementation of Ignitis Group's strategy.<br><br>Due to the disconnection of the Baltic electricity grids from BRELL and synchronization with the mainland Europe project Lithuania takes part in and the forthcoming "Island regime" verification, the start-up of the Astravec nuclear power plant and the global impact of the pandemic, the Group sees this area as a priority. | High | – Periodic staff training, certification.<br>– Periodic tests of the tertiary reserve, technical production (generation) and distribution system audits.<br>– Business continuity planning.<br>– Continuous improvement of the incident process.<br>– Coordination of emergencies (such as COVID-19) at both – company and Group level.<br>– A significant share of investments foreseen in the strategic plan are aimed directly at updating the network infrastructure and increasing resilience. | NA |
| Liquidity / financial risk | Risk of rise in borrowing costs/ lack of financing for the strategy implementation | Following the issuance of a new bond and the Group's IPO, the liquidity and financial debt risks are significantly lower than last year.<br><br>Nevertheless, the Group has a few strategic programmes currently under implementation. Any delays or regulatory risk materialization might change the volume of planned cash flows, which could hinder the further strategy plan implementation. Therefore, long-term investment planning discipline and cost control remain among the priority areas for monitoring. | Mitigated* | – Internal measures for the control of finances.<br>– Monitoring of the situation in the market.<br>– Monitoring of the project's portfolio at the level of the Management Board.<br>– Forecasting, monitoring, analysing cash flows. | High |
| Compliance / legal risk | Corruption | In order to achieve its strategic goals, the Group continuously carries out large-scale tenders that must ensure that confidential information is not disclosed during the procurement process and that a due-diligence of the business partner, service provider or other third party is performed before signing the agreements. | Mitigated* | – Reinforcement of the process for dealing with reported cases of potential corruption and irregularities.<br>– Standardization of procedures and strengthening of control mechanisms.<br>– Anti-Bribery Management Systems (LST/ISO 37001: 2017) through standardisation of the Group's risk assessment and management.<br>– The Code of Ethics. | High |

** Risk was mitigated to the acceptable level.*

# Compliance Programme

**Transparency and Market Abuse Administration**

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of issuer's material information. Efficient prevention of market abuse is one of the main priorities.

The Group complies with the Market abuse regulation (EU) No. 596/2014 (MAR) and all related regulations: Commission Delegated Regulation (EU) 2016/522; Commission Implementing Regulation (EU) 2016/1055; Commission Implementing Regulation (EU) 2016/523; Commission Delegated Regulation (EU) 2016/960; Commission Implementing Regulation (EU) 2016/347 etc.

The Group also complies with all transparency and market abuse regulations issued by the Bank of Lithuania (financial market supervisory authority of the issuer), with the relevant Guidelines issued by Nasdaq Vilnius and London Stock Exchange, and the documents of the European Securities and Markets Authority (ESMA).

**Persons discharging managerial responsibilities and a Duty to Disclose**

Persons discharging managerial responsibilities (PDMR) and the persons associated with them are under a duty to disclose their transactions with parent company's financial instruments when a EUR 5,000 notification threshold has been reached within a calendar year.

The Group has defined that the members of the Management Board and of the Supervisory Board are considered PDMR. Persons associated with them are being duly informed of the transaction reporting requirements applicable to them. The Group takes effective measures to ensure the proper performance of the duties related to the trading and public disclosure of relevant transactions. The Group publishes these transactions through stock exchanges according to Articles 17, 19 of MAR and other relevant disclosure requirements.

**Closed Period**

The parent company's Management Board and Supervisory Board members as well as other Group personnel defined to have access to sensitive financial information of the Group may not trade in parent company's financial instruments for a period of 30 days prior to the publication of interim reports and financial statements (Closed Period).

Persons associated with PDMR are not subject to the mentioned restrictions, however according to the Group's policies it is recommended to refrain from trading during Closed Period in order to avoid unfounded suspicions.

**Internal supervision of insider and relevant affairs**

The Group's own internal insider and transparency rules are regularly updated and made available to all Group employees. The Group arranges periodic training on market abuse and insider rules. The internal intranet page is constantly updated with the useful and preventative information. The coordination and control of market abuse affairs are among the responsibilities of The Group's Business Resilience Service.

In 2020, the Management Board of the issuer updated and significantly improved Group Market Abuse Prevention Policy. The main objectives of the mentioned policy are: (i) to properly implement the requirements of the legal acts of the EU and the Republic of Lithuania related to the prevention of market abuse; (ii) to ensure the timely and lawful disclosure of information of interest to investors; (iii) to define the main measures for the prevention of market abuse and to ensure their effective application at the level of the entire Group.

In 2020, Insider Management Guidelines have been adopted to strengthen controls in this area. The main objectives of the mentioned guidelines are: (i) to define criteria for proper identification of inside information; (ii) to establish effective inside information disclosure requirements; (iii) to lay down functional requirements for the establishment and updating of insider lists; (iv) elaborate market sounding requirements.

In parallel, an Insider Management Committee has been set up with the purpose to effectively deal with complex insider management issues, to ensure proper disclosure of inside information and maximum transparency. Mentioned committee is comprised of various experts (from finance, compliance, investor relations and communication), so the diverse competencies ensure not only the adoption of timely decisions, but also high-level quality in this area.

# Related party transactions

The parent company deals with related party transactions in accordance with Law on Companies of the Republic of Lithuania. It is notable that the Supervisory Board of the parent company, taking into consideration the conclusion of the Audit Committee, makes a decision regarding the parent company's transactions planned to be made with an associated party if they are made under unusual market conditions and/or are not assigned to the parent company's usual business activities and/or has a material impact of the parent company, its finances, assets and liabilities i.e. the amount of these transactions is larger than 1/50 of the parent company's authorised capital (except the transactions which are necessary to ensure the parent company's main activities and the transactions which must be made according to the requirements of legislation). The parent company informs of a related party transaction on its website. Information on related party transactions is also provided in the notes of the financial statements.

# 4.7 Information about the Group

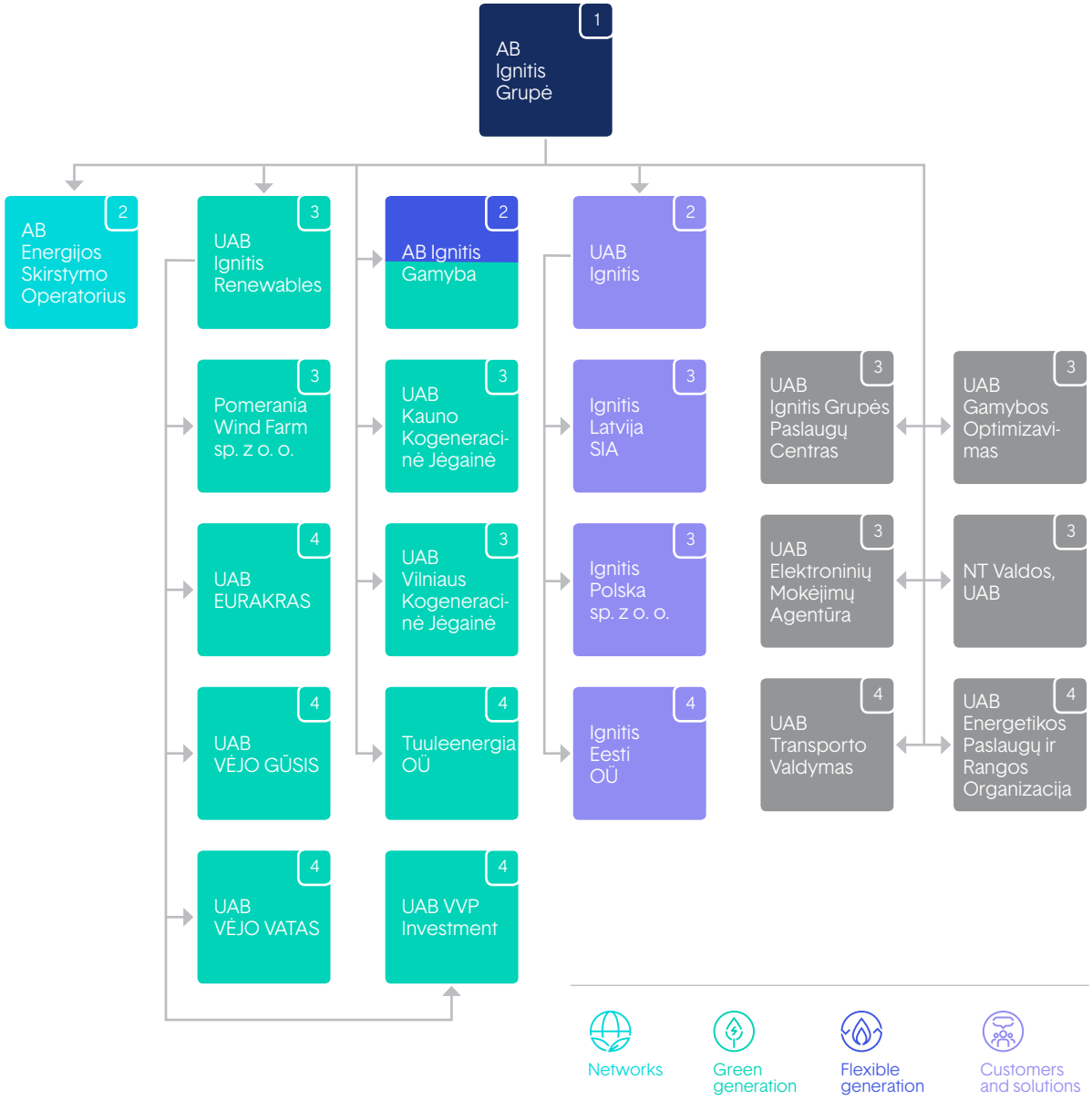
## Corporate structure

At the time of the reporting period, the Group consists of the parent company and 21 fully consolidated subsidiaries. The parent company is the Group's parent company and is responsible for the co-ordination of its activities and the transparent management of the Group.

The entities showed in the figure to the right are directly or indirectly controlled by the Group*, which applies the governance system as per below:

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

** The colour structure in the picture reflects companies' assignment to a particular business segment.*
*** At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.*
**** The Management Board of Ignitis Grupės Paslaugų Centras is formed ensuring representation of all shareholders, taking into account the implementation of specific legislation. The Management Boards of Ignitis Latvija and Ignitis Polska are formed of 1 member – CEO, the Supervisory Boards are formed from shareholder's representatives.*



# The parent company, its subsidiaries and their performance at the end of reporting period*

## AB Ignitis grupė

Parent company – management and coordination of activities of the Group companies

**Company code:** 301844044

**Legal form:** Public Limited Liability Company

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** NA

**Share capital:** EUR 1,658,756,293.81

**Website:** www.ignitisgrupe.lt

**Telephone:** (+370 5) 278 2998

**Email:** grupe@ignitis.lt

**Establishment date and register:** 28 August 2008, Lithuanian Register of Legal Entities

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 126.5 |
| Expenses | 13.3 |
| Adjusted EBITDA | (6.6) |
| Net profit | 114.6 |
| Investments | 1.9 |
| Assets | 2,711.7 |
| Liabilities | 898.7 |

**Number of employees: 84**

## AB Energijos Skirstymo Operatorius

Distribution of electricity and natural gas, supply of last resort service

**Company code:** 304151376

**Registered address:** Aguonų st. 24, Vilnius

**Effective ownership interest:** 98.53%

**Share capital:** EUR 259,442,796.57

**Website:** www.eso.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 484.8 |
| Expenses | 394.8 |
| Adjusted EBITDA | 199.0 |
| Net profit | 69.5 |
| Investments | 140.5 |
| Assets | 1,763.5 |
| Liabilities | 1,097.9 |

**Number of employees: 2,424**

## AB Ignitis Gamyba

Generation and trading of electricity

**Company code:** 302648707

**Registered address:** Elektrinės st. 21, Elektrėnai

**Effective ownership share:** 98.20%

**Share capital:** EUR 187,920,762.41

**Website:** www.ignitisgamyba.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 174.5 |
| Expenses | 123.9 |
| Adjusted EBITDA | 70.9 |
| Net profit | 41.8 |
| Investments | 2.2 |
| Assets | 689.9 |
| Liabilities | 272.4 |

**Number of employees: 359**

## UAB Ignitis Renewables

Coordination of operation, supervision and development of renewable energy projects

**Company code:** 304988904

**Registered address:** P. Lukšio st. 5B, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 3,000

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 10.1 |
| Expenses | 3.4 |
| Adjusted EBITDA | (1.8) |
| Net profit | 6.1 |
| Investments | 2.4 |
| Assets | 114.3 |
| Liabilities | 62.9 |

**Number of employees: 13**

## UAB Kauno Kogeneracinė Jėgainė

Electricity and heat production from waste

**Company code:** 303792888

**Registered address:** Jėgainės st. 6, Biruliškių k., Karmėlava mun., Kaunas district

**Effective ownership interest:** 51%

**Share capital:** EUR 40,000,000

**Website:** www.kkj.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 7.2 |
| Expenses | 7.4 |
| Adjusted EBITDA | 2.6 |
| Net profit | (1.2) |
| Investments | 70.5 |
| Assets | 160.1 |
| Liabilities | 123.1 |

**Number of employees: 38**

** On 7 July 2020 shares of UAB Duomenų Logistikos Centras owned by the parent company has been sold.*

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**UAB Vilniaus Kogeneracinė Jėgainė**

Development and operation cogeneration power plant project

**Company code:** 303782367

**Registered address:** Jočionių str. 13, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 52,300,000

**Website:** www.vkj.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.1 |
| Expenses | 3.4 |
| Adjusted EBITDA | (3.1) |
| Net profit | (2.8) |
| Investments | 46.0 |
| Assets | 302.1 |
| Liabilities | 255.1 |

**Number of employees:** **86**

**Pomerania Wind Farm sp. z o. o.**

Development and operation a renewable energy (wind) power plant project

**Company code:** 0000450928

**Registered address:** 82/368 Grunwaldzka St., 80-244 Gdańsk

**Effective ownership interest:** 100%

**Share capital:** PLN 44,500

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.0 |
| Expenses | 1.2 |
| Adjusted EBITDA | (0.6) |
| Net profit | (1.4) |
| Investments | 74.4 |
| Assets | 133.7 |
| Liabilities | 102.7 |

**Number of employees:** **4**

**Tuuleenergia Osaühing**

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:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 3.8 |
| Expenses | 1.9 |
| Adjusted EBITDA | 3.2 |
| Net profit | 0.9 |
| Investments | - |
| Assets | 26.7 |
| Liabilities | 24.6 |

**Number of employees:** **1**

**UAB Eurakras**

Generation of renewable electricity

**Company code:** 300576942

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 4,620,539.04

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 5.8 |
| Expenses | 2.5 |
| Adjusted EBITDA | 4.9 |
| Net profit | 2.7 |
| Investments | - |
| Assets | 26.5 |
| Liabilities | 18.2 |

**Number of employees:** **1**

**UAB Vėjo Gūsis**

Generation of renewable electricity

**Company code:** 300149876

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 7,442,720

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 4.7 |
| Expenses | 2.5 |
| Adjusted EBITDA | 3.8 |
| Net profit | 1.7 |
| Investments | - |
| Assets | 18.4 |
| Liabilities | 8.8 |

**Number of employees:** **1**

**UAB Vėjo Vatas**

Generation of renewable electricity

**Company code:** 110860444

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 2,896,000

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 3.4 |
| Expenses | 2.0 |
| Adjusted EBITDA | 2.8 |
| Net profit | 1.1 |
| Investments | - |
| Assets | 14.9 |
| Liabilities | 10.6 |

**Number of employees:** **1**

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**UAB VVP Investment**

Development of a renewable energy (wind) power plant project

**Company code:** 302661590

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 250,214.40

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | - |
| Expenses | 0.3 |
| Adjusted EBITDA | (0.2) |
| Net profit | (0.3) |
| Investments | 1.5 |
| Assets | 3.6 |
| Liabilities | 3.4 |

**Number of employees:** **1**

**UAB Ignitis**

Electricity and gas supply, trading, energy efficiency projects

**Company code:** 303383884

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 40,140,000

**Website:** www.ignitis.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 506.4 |
| Expenses | 457.2 |
| Adjusted EBITDA | 13.0 |
| Net profit | 42.1 |
| Investments | 1.2 |
| Assets | 224.3 |
| Liabilities | 141.5 |

**Number of employees:** **285**

**Ignitis Latvija SIA**

Supply of electricity and gas

**Company code:** 40103642991

**Registered address:** Cēsu st. 31 k-2, LV-1012, Riga

**Effective ownership interest:** 100%

**Share capital:** EUR 11,500,000

**Website:** www.ignitis.lv

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 40.0 |
| Expenses | 42.9 |
| Adjusted EBITDA | (1.8) |
| Net profit | (2.9) |
| Investments | 0.0 |
| Assets | 9.9 |
| Liabilities | 6.7 |

**Number of employees:** **11**

**Ignitis Eesti OÜ**

Supply of electricity

**Company code:** 12433862

**Registered address:** Narva st. 5, 10117 Tallinn

**Effective ownership interest:** 100%

**Share capital:** EUR 35,000

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 1.1 |
| Expenses | 1.1 |
| Adjusted EBITDA | (0.0) |
| Net profit | 0.0 |
| Investments | - |
| Assets | 0.1 |
| Liabilities | 0.1 |

**Number of employees:** **0***

**Ignitis Polska sp. z o.o.**

Supply and trading of electricity

**Company code:** 0000681577

**Registered address:** Puławska 2-B, PL-02-566, Warsaw

**Effective ownership interest:** 100%

**Share capital:** PLN 10,000,000

**Website:** www.ignitis.pl

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 4.1 |
| Expenses | 4.2 |
| Adjusted EBITDA | (0.1) |
| Net profit | (0.0) |
| Investments | 1.0 |
| Assets | 3.9 |
| Liabilities | 2.2 |

**Number of employees:** **14**

**UAB Ignitis Grupės Paslaugų Centras**

Shared business support services

**Company code:** 303200016

**Registered address:** A.Juozapavičius st. 13, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 12,269,006.25

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 27.5 |
| Expenses | 26.5 |
| Adjusted EBITDA | 5.2 |
| Net profit | 0.9 |
| Investments | 4.2 |
| Assets | 21.8 |
| Liabilities | 8.0 |

**Number of employees:** **472**

** There was no employment contract. A decision by the shareholder to appoint a manager has been done.*

GRI 102-45

### UAB Gamybos Optimizavimas

Planning, optimization, forecasting, trading, brokering and other electricity related services

**Company code:** 304972024

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 350,000

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.6 |
| Expenses | 0.6 |
| Adjusted EBITDA | 0.0 |
| Net profit | (0.0) |
| Investments | - |
| Assets | 0.6 |
| Liabilities | 0.2 |

**Number of employees:** **7**

### UAB Elektroninių Mokėjimų Agentūra

Payment aggregation

**Company code:** 136031358

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 958,000

**Website:** www.ignitisgrupe.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.8 |
| Expenses | 0.7 |
| Adjusted EBITDA | 0.2 |
| Net profit | 0.1 |
| Investments | 0.1 |
| Assets | 1.1 |
| Liabilities | 0.1 |

**Number of employees:** **5**

### NT Valdos, UAB

Management and other related services of real estate

**Company code:** 300634954

**Registered address:** P. Lukšio st. 5B, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 5,000,001.9

**Website:** www.valdos.eu

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.5 |
| Expenses | 1.0 |
| Adjusted EBITDA | (0.5) |
| Net profit | (0.1) |
| Investments | 0.0 |
| Assets | 5.7 |
| Liabilities | 0.2 |

**Number of employees:** **1**

### 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 | 6.3 |
| Expenses | 4.2 |
| Adjusted EBITDA | 2.6 |
| Net profit | 1.6 |
| Investments | 3.3 |
| Assets | 25.9 |
| Liabilities | 19.1 |

**Number of employees:** **23**

### UAB Energetikos Paslaugų ir Rangos Organizacija

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:** www.enepro.lt

**Performance (EUR million):**

| | |
|---|---|
| Revenue | 0.8 |
| Expenses | 1.2 |
| Adjusted EBITDA | (0.5) |
| Net profit | (0.2) |
| Investments | - |
| Assets | 1.0 |
| Liabilities | 0.6 |

**Number of employees:** **5**

### Lietuvos Energijos Paramos Fondas

No longer pursues any of its activities

**Company code:** 303416124

**Registered address:** Žvejų st. 14, Vilnius

**Effective ownership interest:** 100%

**Share capital:** EUR 3,000

**Website:** www.ignitisgrupe.lt

On 19 March 2018, the parent company made a decision that from 2018, the Group would not grant support and/or charity. As a result, the Group is in the process of closing the support foundation, Lietuvos Energijos Paramos Fondas.

**Number of employees:** **0***

** There was no employment contract. A decision by the shareholder to appoint a manager has been done.*

GRI 102-45



# Sustainability report


| | | |
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# 5.1 About the report

This Ignitis Group Sustainability Report (hereinafter – Sustainability Report) has been prepared in accordance with the GRI Standards: Core option. The information presented in the report represents the best available information at the moment of disclosure but was not audited. The disclosures are guided by the materiality principle and represents compliance and progress regarding the implementation of the United Nations Global Compact (UNGC) principles as well as the Group's contribution to the UN Sustainable Development Goals (SDGs). Information has also been prepared in accordance with the Nasdaq ESG Reporting Guide and the requirements of the Republic of Lithuania Law on Consolidated Financial Reporting by Groups of Undertakings. This report fully meets the requirements for a social responsibility report, as it is stated in Lithuanian legislation.

The information presented below covers the period between 1 January – 31 December 2020 and is part of the 2020 Consolidated Annual Report of Ignitis Group. In some cases, to provide better comparability of sustainability performance over time, additional data from previous years is included. Compared to the previous reports, the scope of disclosure has been expanded to better reflect stakeholder expectations, and in some cases previously disclosed data has been updated due to a change in calculation methodology or availability of new information. Such modifications and the reasons thereof are indicated in the corresponding sections.

Separate sustainability disclosures for each of the Group companies are not prepared, as the information presented within this Sustainability Report includes the information of its subsidiaries. Unless stated otherwise, the boundaries of the material topics presented in the Sustainability Report therefore include all the companies of the Group. **The Sustainability Report should be read in conjunction with the Consolidated Annual Report and the annual reports of the other Group companies**.

The subsidiaries of the Group shall integrate a reference to the Ignitis Group Sustainability Report in their annual reports.

## Previous reports and contact point

The previous Corporate Social Responsibility Report published on 22 April 2020 as part of the Consolidated Annual Report covering the previous calendar year, as well as other sustainability information can be accessed on the website of Ignitis Group.

For questions regarding the Sustainability Report's content please contact sustainability@ignitis.lt.



The report represents our progress regarding the implementation of UN Global Compact principles and SDGs

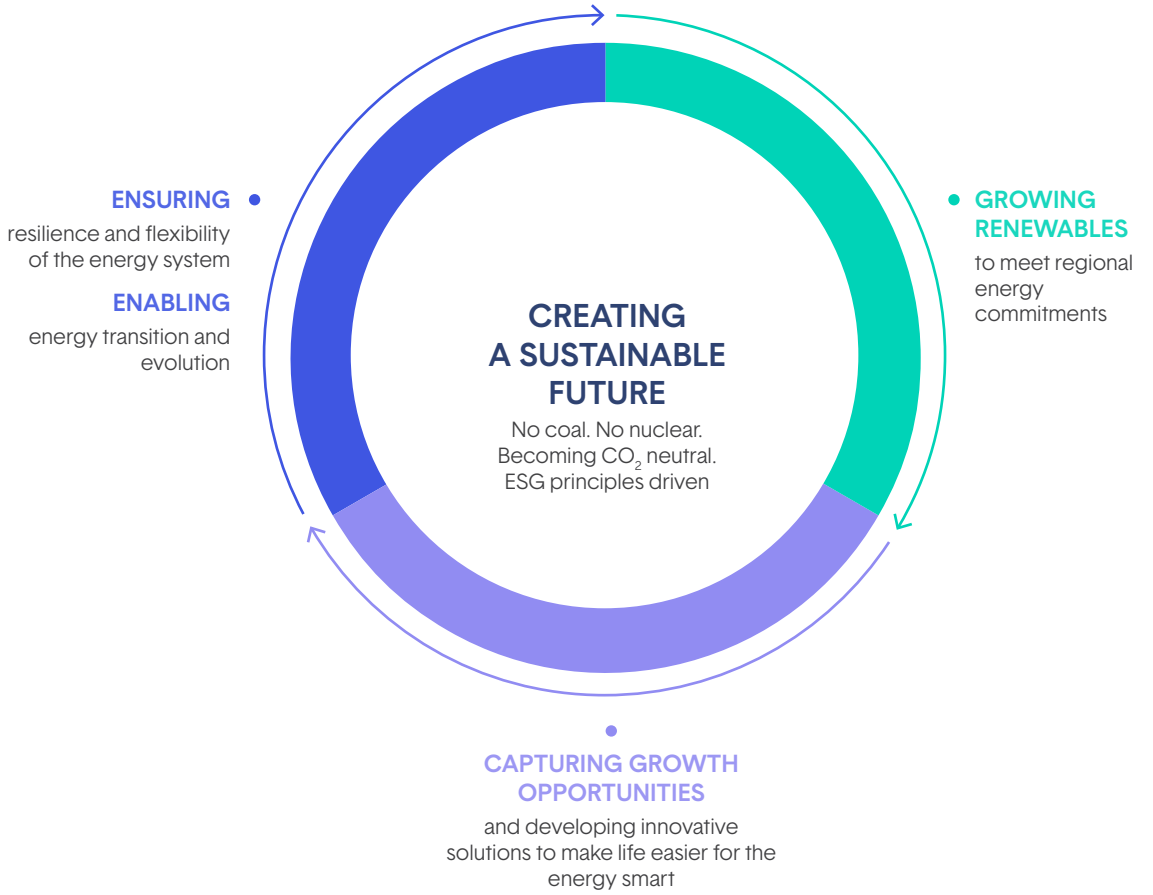
GRI 102-45 | GRI 102-46 | GRI 102-48 | GRI 102-50 | GRI 102-51 | GRI 102-53 | GRI 102-54 | GRI 102-56

# 5.2 Our sustainability approach

Sustainability is fundamental to the Group's mission to make the world more energy smart.

The world runs on energy, and we want to generate, supply, distribute and consume it in a sustainable way.

Our long-term strategy focuses on creating a sustainable future by continuing to grow renewables, ensure resilience and flexibility of the energy system, enable energy transition and evolution and capture growth opportunities.




## ESG-focused:

environmental, social and governance criteria are an integral part of our business goals

# The main principles and commitments

All the policies at the Group apply equally to all Group companies. All the sustainability-related policies referred to throughout the Report are publicly disclosed and accessible on our website.

The Group's Sustainability Policy, updated in 2020, reflects the main sustainability principles we pursue in our daily activities:

- we take into account the economic, environmental and social aspects of our operations and strive to **create value in a harmonious and sustainable way** that strengthens synergies between financial and non-financial return goals;
- we seek to make a direct contribution to **the SDGs**, in particular in the areas of sustainable energy development, the fight against climate change, the promotion of innovation, sustainable growth and productive and decent work;
- we contribute to the implementation of the European Green Deal and the Paris Agreement, with a **commitment to reduce net emissions to zero by 2050**;
- we encourage rational and sustainable resource management and use;
- we encourage responsible and **efficient energy consumption**, especially by initiating and participating in other organisations' initiatives that increase the efficiency of energy consumption and that are dedicated to achieving Lithuania's national energy saving goals;
- we recognise **the importance of comprehensive stakeholder involvement** in shaping sustainable development actions and we promote ethical, transparent and honest cooperation with customers, employees, shareholders, suppliers, communities, the media and other stakeholders.

Our Sustainability Policy also clearly states our commitment and pride in being a signatory of the ten principles of UNGC since 2016. These generally accepted and declared guidelines for responsible business conduct are a clear and strong reference for the development of responsible business conduct. Control over the implementation of these principles and management of related risks is an integral part of the Group companies' corporate control and risk management.

| UNGC Principle | Our commitment | How we implement it |
|---|---|---|
| 1 | We support and respect internationally recognised human rights | Page 123 of the Sustainability Report |
| 2 | We are committed to not being complicit in human rights violations | Pages 123, 139-140 of the Sustainability Report |
| 3 | We guarantee the freedom of association, including membership in trade unions, and recognise the right of employees to collective bargaining | Page 119 of the Sustainability Report |
| 4 | We do not rely on compulsory or forced labour and seek to contribute to its elimination in the environment in which we can exercise influence | Pages 119, 139-140 of the Sustainability Report |
| 5 | We do not use child labour and we seek to contribute to its elimination in the environment in which we can exercise influence | Pages 119, 139-140 of the Sustainability Report |
| 6 | We do not discriminate, and we seek to contribute to the elimination of discrimination in respect of employment and occupation in the environment in which we can exercise influence | Pages 123, 129 of the Sustainability Report |
| 7 | We undertake preventive measures to ensure environmental protection | Pages 100-115 of the Sustainability Report |
| 8 | We undertake initiatives to increase environmental responsibility where we can exercise influence | Pages 100-115, 129, 141 of the Sustainability Report |
| 9 | We promote the development and dissemination of environmentally friendly technologies | Pages 100-115, 141 of the Sustainability Report |
| 10 | We shape an environment intolerant of corruption and fight all forms of corruption, including bribery and trading in influence | Pages 130-132 of the Sustainability Report |

## The main sustainability areas reflected in the strategic plan*




### Environment

Climate change and energy transition / Energy efficiency / Air, land and water quality




### Social

Occupational health and safety / Local communities / Employee engagement / Employee diversity




### Governance (Economic)

Supply chain sustainability / Transparency and anticorruption / Sustainability governance & accountability

### Expected ESG ratings in 2021-2024:

- **Sustainalytics ESG Risk Rating:** medium (approaching low) category
- **MSCI ESG Rating:** from A to AA
- **Lithuania's Good Corporate Governance Index:** retain A+

** Detailed targets for each of these areas can be found in the Group's 2021-2024 strategic plan on our website.*

## Sustainability governance and accountability

The Group has a two-tier board structure consisting of a Supervisory Board and a Management Board. Sustainability is coordinated centrally at the Group-level, ensuring the most effective and even-handed implementation of sustainability goals. The Management Board of the Group makes decisions regarding the development, approval and updating of the organisation's purpose, strategy, policies and goals related to sustainability. The Supervisory Board oversees the Management Board and the Chief Executive Officer. The effectiveness of the Management Board's performance with respect to governance of ESG topics is evaluated on the basis of the achievement of long-term strategic and annual goals. As part of its duties, the Nomination and Renumeration Committee of the Supervisory Board evaluates the structure, size, composition and activities of the management and supervisory bodies of the parent company and the Group. Renumeration of top management is also directly tied to the achievement of dedicated sustainability goals (as a part of the variable renumeration component) (see more in Annual report section 'Remuneration Report').

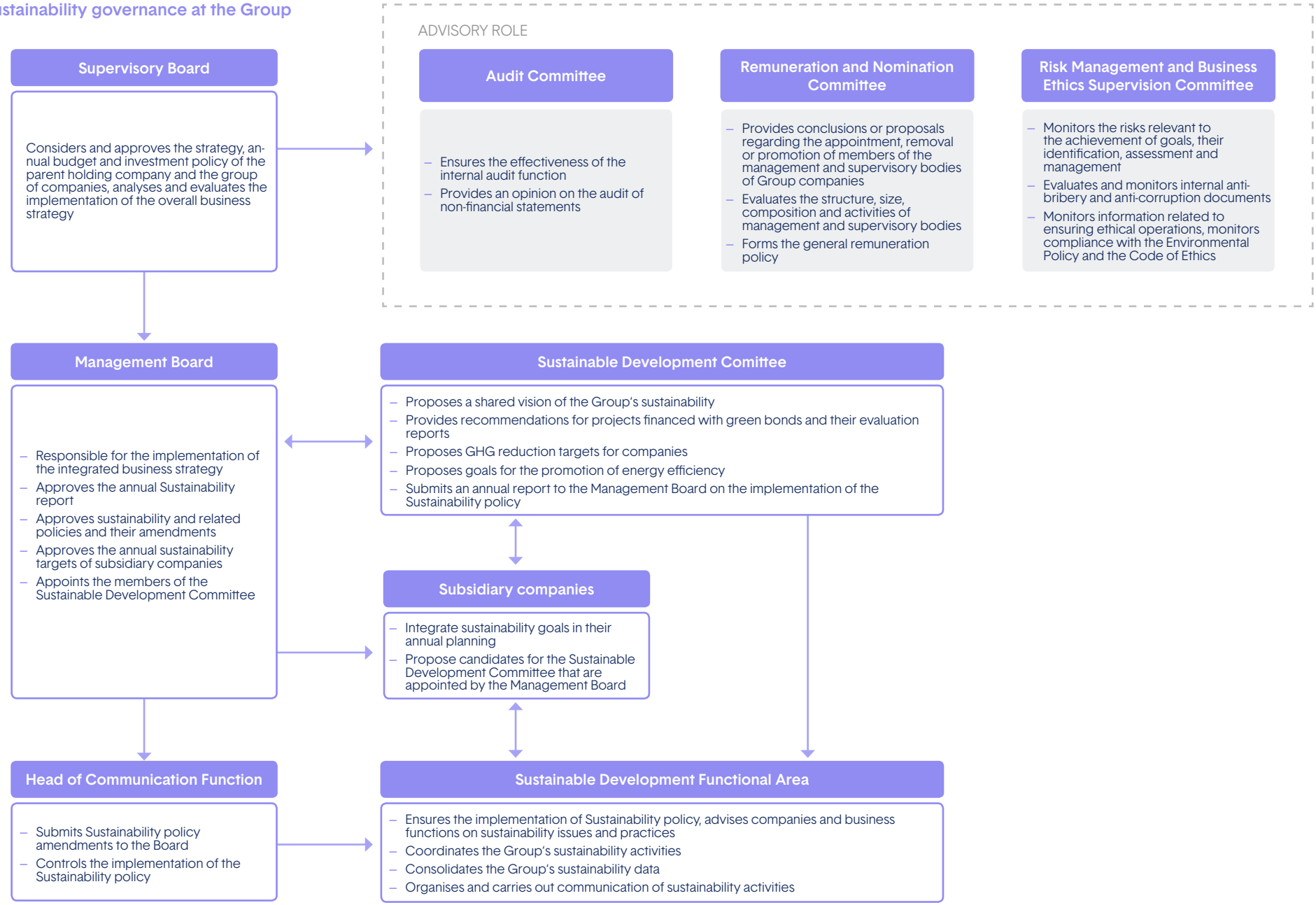
In 2020, the Group's Green Bond Committee was reformed and expanded into the Sustainable Development Committee, which is directly accountable to the Management Board and provides additional level of support for overseeing the Group's sustainability-related issues. The Committee is comprised of the Group's employees with the competence to make proposals regarding the Group's sustainability activities, reduction of greenhouse gas emissions in the Group's operations, promotion of energy efficiency and the effective and transparent allocation of funds to projects meeting the criteria set out in the Green Bond Framework.

In Q4 of 2020, two new members with explicit competence in ESG topics were appointed to the Supervisory Board of the Group. The Supervisory Board members, together with the Sustainable Development Committee, reinforce the oversight of the sustainability activities across the Group.

The following visual scheme presents a condensed overview of sustainability governance at the Group.

GRI 102-18 | GRI 102-19 | GRI 102-20 | GRI 102-26 | GRI 102-27 | GRI 102-28 | GRI 102-29 | GRI 102-32

## Sustainability governance at the Group



# Sustainability management

In 2020, we made significant strides in strengthening sustainability management at the Group. In Q3 of 2020, we published a sustainability management plan, which specified our management approach towards the strategic sustainability priorities embedded in the Group's strategy and the strategic plan.

| The main pillars of our sustainability management approach | Sustainability management highlights of 2020 | 2021-2024 Sustainability management plan |
|---|---|---|
| The Group follows good corporate governance practices and seeks to manage its impacts based on the recommendations of the international institutions and the scientific community | Ignitis Group retained the status of a governance leader by receiving the maximum rating of A+ in the Good Corporate Governance Index by the Governance Coordination Centre, which evaluates the effectiveness of state-owned company governance in Lithuania based largely on OECD guidelines. The rating for transparency, a key component of the Index, increased from A to A+.<br><br>In line with our commitment to long-term decarbonisation, pledged as part of the Business Ambition for 1.5°C initiative, we have completed our GHG emissions calculations based on the GHG protocol. | We will continue our efforts to remain a corporate governance leader.<br><br>We expect to finalize our emissions management plan and submit it to the Science Based Targets initiative (SBTi) for approval in 2021 Q2. |
| The Group seeks to contribute directly to the implementation of the UNCG, SDGs and the Paris Agreement | In March 2020, the Group adopted a new Code of Ethics. The document defines the principles and standards of business ethics that the Group must follow and the behaviour that is expected from the employees in their daily work. The Code of Ethics applies to all employees of the Group and members of the supervisory and management bodies, regardless of their position, the company or country in which they work, as well as the Group's partners (more about the Code of Ethics in the section 'Ethics, anti-corruption and transparency').<br><br>The Group received an ESG Risk Rating from Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research and analysis. The score of 26.5 placed Ignitis Group in the top 20 of its industry group. The Group is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and strong management of material ESG issues. The ESG Risk Rating is an important tool for an objective assessment of progress towards the stated sustainability priorities.<br><br>In 2020, the Group also received a rating of A (on a scale of CCC-AAA) in the MSCI ESG Ratings assessment. | The Group and its key subsidiaries will undergo a strategic materiality assessment in the first half of 2021 in order to involve a broad set of stakeholders in shaping its sustainability goals and targets in line with the SDGs.<br><br>In line with our commitment to continuous sustainability improvement, we will continue to engage with leading ESG ratings providers.<br><br>We believe that a sustainable organisation is the one where every employee recognizes the salience of sustainability to their own work and is empowered to generate ideas to advance sustainability. Throughout 2021, the Group will run an internal awareness raising campaign about sustainability, consisting of engaging activities, articles, workshops, games, lectures and trainings. |
| We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs | With the 2020 interim report, the Group began to publish detailed ESG data.<br><br>The 2020 Sustainability Report is prepared in accordance with the GRI Core framework as well as Nasdaq ESG guidelines.<br><br>We have made all our sustainability-related policies publicly available on our website in English and Lithuanian. | The Group intends to publish GRI Core compliant reports yearly with additional interim ESG disclosures.<br><br>We are committed to aligning our reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Carbon Disclosure Project (CDP). In 2021 we will participate in the CDP climate change questionnaire and begin preparations for full TCFD recommendation implementation in 2022. |

GRI 102-52

## Stakeholder engagement

Stakeholder engagement is crucial to ensuring that the Group is pro-active in its approach to emerging trends, concerns and opportunities.

By including ESG matters in our relations with stakeholders, as is stated in our Sustainability Policy, we aim not only to manage their expectations effectively, but also look for opportunities where our collaboration could strengthen the positive impact on sustainable development.

Due to the broad variety of Group's activities and its expanding geographical and operational scope, the Group attempts to consider and balance the interests of the various affected parties effectively. Sustainability is coordinated centrally at Group-level and integrated into the daily business operations; the representatives of the different business functions and subsidiary companies are responsible for conveying the concerns of specific stakeholder groups to the Management Board (communities, clients, employees, shareholders and other stakeholder group opinions).

The stakeholders whose views were included in this report were, firstly, identified by developing a full list of possible stakeholders across the Group and, secondly, narrowed to the main stakeholders from the input of internal stakeholders via employee and manager focus groups conducted in autumn 2019.

The Group and its key subsidiaries will undertake a strategic materiality assessment in the first half of 2021, which is in line with the commitment to regular materiality assessment set out in the Group's Sustainability Policy. In line with the AA1000 stakeholder engagement standard, we plan to conduct extensive surveys, focus groups and interviews with key stakeholders of the companies of the group and communicate the results to the executive management of respective companies and the Management Board of Ignitis Group. On the basis of the forthcoming stakeholder engagement, additional specific sustainability goals and targets will be clarified for key business segments of the Group. This will reinforce our commitment to our stakeholders and sustainability as well as ensure that our priorities are aligned with both business goals and stakeholder expectations.

| The main stakeholders across the Group |
|---|
| Employees |
| Managers |
| Communities |
| Investors |
| Shareholders |
| Ministry of Finance |
| Clients B2B |
| Clients B2C |
| Regulators |
| Suppliers |
| Partners |
| Associations, NGOs |
| Media |

## The main economic, environmental and social impacts

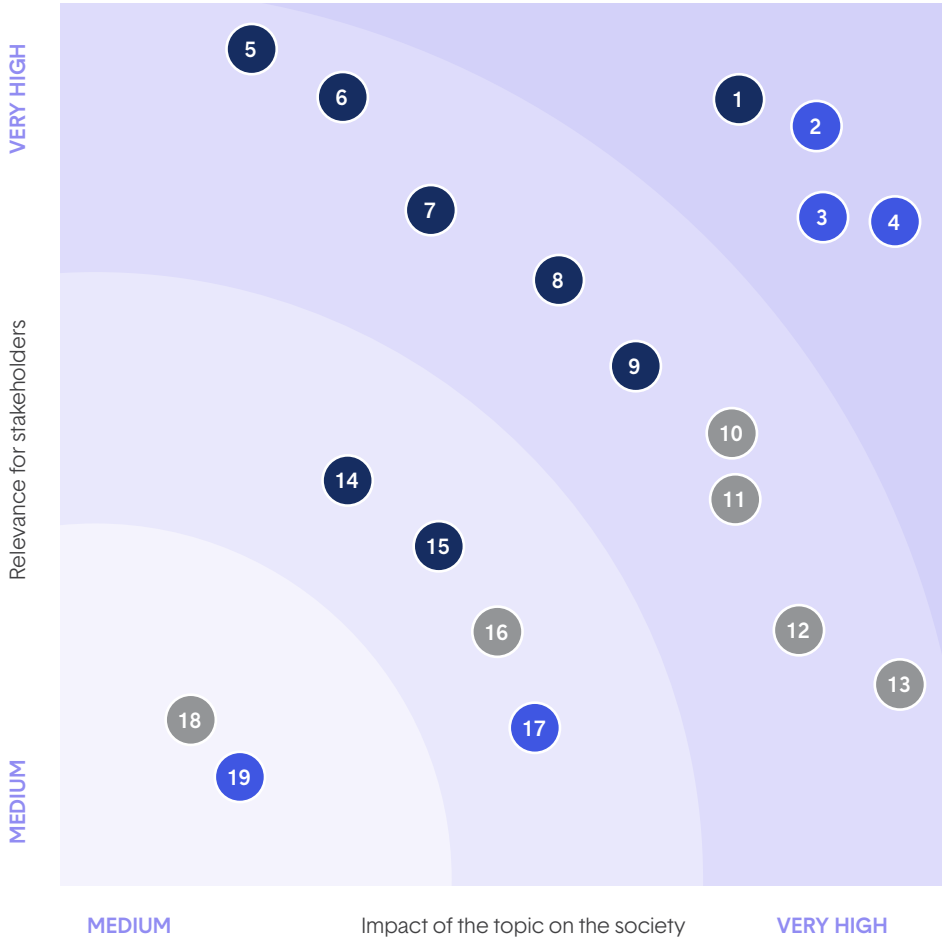
The report content has been determined by analysing the views, opinions and expectations of the key stakeholders and including the perspective of existing business goals, such as specified in the strategy of the Group and the strategic plan. The definition guiding the selection of the material topics for this report was most significantly guided by prioritizing information that could substantively influence the assessments and decisions of stakeholders. The previous sustainability disclosures also shaped the report content, although the scope of information disclosed has been expanded to better reflect materiality and key stakeholder expectations.

The sources for determining priority interests of stakeholders were employee questionnaires and focus groups, customer surveys and management insights on stakeholder expectations, official regulatory guidelines and legal commitments, correspondence with industry experts and ESG rating service providers as well as public opinion and media analysis.

Through this analysis, we identified 19 broad topics that have the highest relevance for the group of companies and its stakeholders. Several of these topics are intricately and inseparably linked but separation of them into discrete topics facilitates both the identification of the areas with the most impact as well as more directed management of the topics. The materiality matrix below supplements the views of stakeholders on materiality by representing the topics based on their relative environmental, social and economic impact on society. Directors of subsidiary companies as well as the Management Board of Ignitis Group were involved in determining the relative impact on society of topics identified by stakeholders.

GRI 102-15 GRI 102-21 GRI 102-29 GRI 102-40 GRI 102-42
GRI 102-43 GRI 102-44 GRI 102-46 GRI 102-49

## Materiality matrix




### Environmental topics

- 1 Climate impact and GHG emissions
- 5 Energy efficiency (for customers and society)
- 6 Sustainable energy services & solutions
- 7 Diverting waste from landfill (CHP)
- 8 Impacts on biodiversity and ecosystems
- 9 Emissions to land, water, and air (other than GHG)
- 14 Energy consumption in own operations
- 15 Materials efficiency and waste management

### Social topics

- 10 Occupational health and safety
- 11 Impact on local communities and community relations
- 12 Labor relations, employee engagement and welfare
- 13 Competent employees today and in the future
- 16 Diversity, equal opportunities, human rights
- 18 Engagement for societal development

### Governance (economic) topics

- 2 Stable and secure energy system
- 3 Ensuring access to energy for all
- 4 Ethics, anti-corruption and transparency
- 17 Responsible and sustainable supply chain
- 19 Sustainable financial instruments

While all the topics represented are material, for more clarity the topics are ordered based on the strength of their relevance to stakeholders and the actual or potential impact on society. Their relative placement within each of the four relevance categories is not intended to signal their importance relative to the other topics within the same relevance category.

The following table explains how each topic is understood at the Group.

GRI 102-47

## Material topics of the Group, by relevance to stakeholders and impact on society

Relevance for stakeholders and impact on society

| | Environmental | Social | Governance (Economic) |
|---|---|---|---|
| Very high | **Climate impact and GHG emissions** – renewable energy generation and decarbonization of our own operations | | **Stable and secure energy system** – grid reliability and resilience, emergency preparedness, energy security, cybersecurity and information security, enabling energy system stability through ancillary services<br><br>**Ensuring access to energy for all** – energy access and affordability, customer-centric solutions, accessibility of digital services<br><br>**Ethics, anti-corruption and transparency** – strong anti-corruption measures, depoliticization, transparency, ethical business practices, prevention of anti-competitive behaviour |
| High | **Energy efficiency for customers and society** – digitalizing the electricity distribution network and supporting customer energy efficiency (including ESCO)<br><br>**Sustainable energy services & solutions** – prosumer integration, EV charging station network expansion, other energy smart customer solutions<br><br>**Diverting waste from landfill** – through the operation of the cogeneration power plants, reducing GHG emissions and land pollution<br><br>**Impacts on biodiversity and ecosystems** – marine and terrestrial biodiversity and water use<br><br>**Emissions to land, water and air** (other than GHG) – air and land quality, pollution prevention | **Occupational health and safety** – health and safety of employees and contractors<br><br>**Impact on local communities and community relations** – safety of operations to communities, grid safety, health hazard avoidance, facilitating community well-being through partnerships and initiatives<br><br>**Labour relations, employee engagement and welfare** – employee renumeration and satisfaction, freedom of association<br><br>**Competent employees today and in the future** – career and personal development of employees, growing young talents, labour market presence | |
| Medium-high | **Energy consumption in own operations** – energy saving and efficiency measures in own operations<br><br>**Materials efficiency and waste management** – own resource and waste management, vehicle fleet management | **Diversity, equal opportunities, human rights** – advancing diversity, non-discrimination and ensuring human rights are respected and promoted | **Responsible and sustainable supply chain** – social and environmental footprint of suppliers, green procurement practices |
| Medium | | **Engagement for societal development** – volunteering, partnerships for the SDGs, participation and promotion of civic initiatives | **Sustainable financial instruments** – green bond emissions, investments through the Ignitis Innovation Fund |

GRI 103-1

## Material topics according to stakeholder group opinions*

| Material topic | Employees | Communities | Shareholders and investors | Ministry of Finance of Lithuania | Clients | Associations, NGOs | Media |
|---|---|---|---|---|---|---|---|
| Climate impact and GHG emissions | | | | | | | |
| Competent employees today and in the future | | | | | | | |
| Diversity, equal opportunities, human rights | | | | | | | |
| Diverting waste from landfill | | | | | | | |
| Emissions to land, water and air | | | | | | | |
| Energy consumption in own operations | | | | | | | |
| Energy efficiency for customers and society | | | | | | | |
| Engagement for societal development | | | | | | | |
| Ensuring access to energy for all | | | | | | | |
| Ethics, anti-corruption and transparency | | | | | | | |
| Impact on local communities and community relations | | | | | | | |
| Impacts on biodiversity and ecosystems | | | | | | | |
| Labour relations, employee engagement and welfare | | | | | | | |
| Materials efficiency and waste management | | | | | | | |
| Occupational health and safety | | | | | | | |
| Responsible and sustainable supply chain | | | | | | | |
| Stable and secure energy system | | | | | | | |
| Sustainable energy services & solutions | | | | | | | |
| Sustainable financial instruments | | | | | | | |

** Darker colour indicates higher relevance. The opinions of stakeholders were derived from existing sources and no separate survey was undertaken for the purposes of the report. Only those stakeholders included for whom information was readily available. A strategic materiality assessment with stakeholders will be conducted in the first half of 2021.*

GRI 102-44

# 5.3 Impact on our planet

## Environmental compliance and precautionary principle

The Group takes a precautionary approach when managing its environmental impacts. As set out in its Environmental Protection Policy, the Group undertakes to comply with the legal and environmental requirements applicable to the Group's activities and other obligations assumed by the Group, with the goal of reducing the likelihood of incidents and environmental impact.

The Group's activities are regulated by the following environmental legislation and other legislation that refers to environmental principles and clauses: the Law of Environmental Protection, Law on Energy, Law on Electricity, the Law on Natural Gas, Law on Renewable Energy, Law on Waste Management, Law on Water, Law on Environmental Monitoring and Law on Environmental Impact Assessment of Planned Activities and others. The Group follows international and national requirements in relation to environmental legislation and norms. Ignitis Gamyba and ESO have implemented the environmental management system corresponding to the international standard ISO 14001. A globally recognised certificate indicates that companies follow the most important requirements for identifying, monitoring, managing, and improving environmental aspects. The environmental aspects of Group's operations are most significantly related to energy generation (Ignitis Gamyba, Ignitis Renewables, Kaunas CHP, Vilnius CHP), distribution (ESO) and energy supply activities (Ignitis). Other Group companies' environmental impact is highlighted throughout this report where relevant.

## Climate impact and GHG emissions




### Growing renewable energy generation

Climate change is one of the major challenges of the 21st century, requiring action by governments, organisations, citizens and businesses. Decarbonisation of the energy sector is particularly urgent as it is one of the biggest contributors to the greenhouse gas emissions globally. At the same time, the climate emergency represents a significant business opportunity. We have undergone a transformation into one of the regional green energy leaders. We have no legacy coal or nuclear assets, and we have ambitious goals of growing our green generation portfolio and increasing green energy in both electricity and heat production.

Our business strategy is based on developing onshore and offshore wind farms, waste-to-energy plants, biomass and solar energy technology at all stages of the development. We also continue to maintain our significant hydro assets in Lithuania.

#### Green generation overview




** Includes installed capacity as well as projects under construction.*
*** Target refers only to installed capacity.*
*See more on the green generation portfolio in the Annual Report.*

The expansion of green generation in the Baltic and neighbouring countries is important to help reach the goals of the European Green Deal and the Paris Agreement and also to reduce the regional dependence on energy imports. In Lithuania only 28% of electricity consumption is covered by national generation, which combined with the phase out of oil shale power generation capacities in Estonia, increases the necessity to develop new regional generation assets. In Poland, where coal represented around 86% of the generation mix in 2020, increasing the share of renewables would have a major impact on the regional decarbonisation.

GRI 102-11 | GRI 103-1 | GRI 103-2 | GRI 103-3

To deliver on the European and global ambition for decelerating climate change, renewable generation will have to be scaled up significantly, which involves utilising the potential for offshore wind energy in the Baltic sea. In 2020, the Group signed a joint bidding agreement with the renewable energy leader and one of the largest offshore wind farm developers Ocean Winds (the Joint Venture of EDP Renewables and Engie). With this strategic partner, the Group plans to participate in the first auctions for offshore wind development in Lithuania (expected in 2023).

The Group's subsidiary Ignitis is the largest energy supplier in the Lithuanian market offering 'Green Lithuanian energy' – a certified energy product produced from renewable sources at the Group's Kaunas HPP (see more in 'Sustainable energy products and services').

45–50%

of the Group's investments over 2021–2024 are allocated to green generation

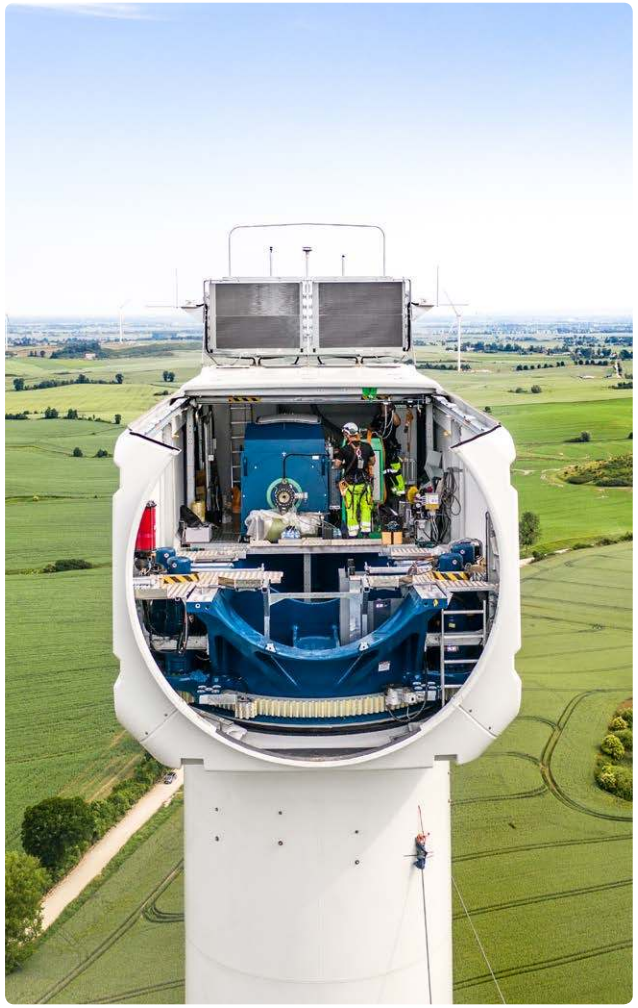
**Climate risks:**

- one of the most visible consequences of a warming world is an increase in the intensity and frequency of extreme weather events. These climate-related extreme weather events may result long-term interruption of appropriated operation of the local energy distribution system infrastructure. Long periods of drought can have a negative impact on energy generation at Kaunas HPP;
- transition risks include potential new or stricter requirements for products and services the Group provides.

**Our actions:**

- a significant share of investments foreseen in the strategic plan are aimed directly at updating the network infrastructure and increasing resilience;
- regular monitoring of relevant water body levels in compliance with legal requirements;
- the Group's long-term growth strategy is based largely on green generation;
- we calculate our $CO_2$ footprint and in 2021 will prepare a GHG emissions management plan in line with the pathway to net zero emissions by 2050;
- we joined the list of supporters of TCFD and expect to align with its recommendations in 2022.

While we grow our green generation capacities, investments for balancing of renewables like solar and wind, which are heavily dependent on weather conditions, are also required. Therefore, we believe that our current and potentially new flexible generation capacities will contribute to the sustainable development of green energy in Lithuania, as well as contributing to successful synchronisation of our energy system with the Continental European network (see more in 'Stable and secure energy system').



GRI 201-2

## Decarbonisation of own operations

Ignitis Group has fully endorsed the global commitment to avoid the worst effects of climate change by limiting the warming of the average Earth's surface temperature to 1.5˚C compared to pre-industrial levels. To achieve this, greenhouse gas (GHG) emissions must drop to net-zero by 2050. In December 2019, the Group joined the initiative of the United Nations and other international organisations Business Ambition for 1.5°C. By joining this initiative, the Group committed to reduce net GHG emissions to zero by 2050 and 2020 integrated this commitment in its updated strategy.

Throughout 2020, we have been focused on calculating and creating an action plan for managing our GHG footprint across our business operations. As per our commitment, we will submit our emissions reduction plan to the Science Based Targets initiative (SBTi) for verification and approval in Q2 of 2021. This additional step allows for assurance that our plan is aligned with the 1.5˚C warming scenario by 2050 to avoid the most dangerous consequences of climate change. After the plan's verification by SBTi, in 2021 and beyond we will implement our GHG management plan.

| GHG emissions | Unit | 2020 | 2019 |
|---|---|---|---|
| Direct (Scope 1) GHG emissions | t $CO_2$ eq | 820,188 | 236,075 |
| Indirect energy (Scope 2) GHG emissions (market-based method) | t $CO_2$ eq | 462,210 | 381,774 |
| Other indirect (Scope 3) GHG emissions | t $CO_2$ eq | 6,498,925 | 7,424,459 |

| GHG emissions intensity | Unit | 2020 | 2019 |
|---|---|---|---|
| Emissions (all scopes) per full-time equivalent (FTE) employee | t $CO_2$ eq/FTE | 2,039 | 2,177 |
| Emissions (all scopes) per unit of revenue | t $CO_2$ eq/ EURm | 6362 | 7,374 |
| Emissions from electricity and heating production per kWh produced | g $CO_2$ eq/kWh | 205 | 19 |

Historically, our generation-based greenhouse gas (GHG) emissions follow a downward trend and in 2020 our total emissions decreased compared to 2019. However, due to increased Flexible Generation, in 2020 our generation-based emissions grew. Through our Flexible Generation assets, we contribute to safeguarding the stability and security of the national energy system in line with regulation and national self-sufficiency goals of Lithuania. In the period of transition towards decarbonisation, some direct source emissions (scope 1) will inherently depend on energy production amounts in the Elektrėnai Complex (mainly Combined Cycle Unit), Kaunas and Vilnius cogeneration power plants, indirect source emissions (scope 2) – on the electricity consumption (mainly at Kruonis PSHP), other indirect emissions (scope 3) – on gas prices and sales of natural gas and electricity.

GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4

Some significant projects that will contribute to reducing our GHG footprint are underway. One major contributor to GHG emissions for grid operators such as our subsidiary ESO are distribution losses. The 10-year ESO investment plan, aimed at updating the gas and electricity grid by, for example, replacing old gas pipes, will contribute significantly to reducing the technological losses and the associated GHG emissions.

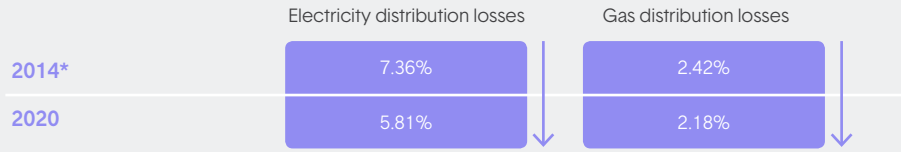
**Reducing distribution losses – significant contribution by ESO to combating climate change**

Distribution losses occur directly in transformers, power lines, substations and other elements of the network, and indirectly – when lines are covered in ice or incorrect amounts of electricity used are declared by customers. Investment plans and the organisation's long-term strategy as well as yearly budgets embed distribution loss reduction targets as key KPIs. To reach them ESO:

- draws up long-term (up to 10 year) and short-term (1 year) distribution loss management plans;
- implements monthly monitoring of factual losses;
- implements distribution loss reduction measure plans and conducts quarterly monitoring of implementation with accountability to directors;
- conducts continuous modernisation of the network, including improved software solutions and smart meter installation;
- maintains the Trust Line ('Pasitikėjimo linija') where residents can report suspected thefts for investigation;
- integrates goals across many business units, as different human, financial, technological, and other resources are allocated towards reaching distribution loss rate reductions.

In 2020 the goal of 10m kWh loss reduction was reached ahead of schedule in the third quarter of 2020.

**Historical distribution loss trends**




** Electricity distribution losses - LESTO. Gas distribution losses – Lietuvos Dujos. ESO was established as a result of the merger of AB LESTO and AB Lietuvos Dujos in 2016.*

Going forward we will continue to strengthen our disclosures of impact, risks and opportunities related to climate change. In 2021, we expect to submit the Carbon Disclosure Project (CDP) climate change questionnaire, a golden standard in the environmental impact disclosure. We became supporters of the Task Force on Climate-related Financial Disclosures in Q1 of 2021 and in 2021 we will begin preparations for aligning with its recommendations in 2022.

# Energy efficiency for customers and society




## Energy efficient society is an energy smart society

As a key component of the climate impact mitigation, energy efficiency is an increasingly important issue for all levels of society. The EU is increasing its climate ambition and aims at becoming the first climate-neutral continent by 2050. In this context, the Commission has created the relevant legislation - the Energy Efficiency Directive (Directive 2012/27/EU) fostering new initiatives and projects in member states. The directive was amended in December 2018 and established a set of binding measures to help the EU reach 32.5% energy efficiency target by 20301. Under the directive, all EU countries are required to use energy more efficiently at all stages of the energy chain, including the areas closely related to the activities of our Group - energy generation, distribution, and end-use consumption.

In the context of the Energy Efficiency Directive, important measures have been adopted throughout the EU, with key measures linked to the impacts of the Group directly or through its business relationships being:

- obligation schemes for energy companies (distribution and transmission) to achieve yearly energy savings;
- large companies conducting energy audits at least every four years;
- protecting the rights of consumers to receive easy and free access to data on real-time and historical energy consumption.

The implementation of obligations under the Energy Efficiency Directive is being managed as one of the strategic initiatives of ESO, the distribution system operator, and is part of the company's operational and risk management measures:

- monthly progress reports;
- annual reports to both the Ministry of Energy and the ESO Board of Directors;
- Energy Efficiency Financing Platform's results and investment directions are being approved by the ESO Board of Directors.

Since 2021, the coordination of energy efficiency measures is conducted centrally for the whole Group by the Head of Energy Efficiency Programme with the aim to create more synergies between the Group companies.

### Energy efficiency commitments

It is estimated that changing consumer behaviour can save up to 10% of energy. In 2017 and 2019, ESO signed the Energy Consumers' Education and Consultation Agreement with the Ministry of Energy of the Republic of Lithuania. In 2020, the parent company Ignitis Group and subsidiaries ESO, Ignitis and Ignitis Gamyba signed a new Energy Consumers' Education and Consultation Agreement with the Ministry of Energy of the Republic of Lithuania for the 2021-2030 period. With this agreement, the Group companies aim to save 1% energy of their target audience using both educational and consultation measures.

In 2017 and 2020, ESO together with the parent company Ignitis Group signed an Energy Efficiency Agreement with the Ministry of Energy of the Republic of Lithuania with the aim to improve the efficient use of energy:

- for the period of 2017 -2020 within various industries, the energy sector, service sector, municipalities;
- for the period of 2021-2030 changing consumer behaviour resulting from the installation of smart meters.

### ESO energy savings target 2017-2020

**1.536 TWh**

### ESO energy savings

**1.589 TWh** customer energy savings achieved (2017-2020)

**5.31 GWh** customer energy savings impact through educational measures in 2020

### ESO energy saving targets

**290.6 GWh** cumulative energy savings over the period of 2021-2024 to final energy users

**1.6 TWh** cumulative energy savings over the period of 2021-2030 to final energy users




**Tips for saving energy while working from home**

During the pandemic, as people spend more time at home, the household energy footprint increases. By saving electricity and natural gas, we not only reduce our bills, but also avoid GHG and other emissions. Throughout the year, ESO and Ignitis shared energy saving tips with the public through various media channels. Turning on power saving features on computers and mobile devices, taking advantage of natural light and making sure that unused electrical appliances are unplugged can contribute to energy savings.

**Ignitis Detectives for youth awareness**

It is important to develop a mindset for responsible energy consumption from an early age. That's why the Group's subsidiary Ignitis is involved in the promotion of energy awareness for the young generation and develops the "Ignitis Detectives" project. The project teaches youth in playful ways about the importance of saving energy and ways to achieve it. The materials can be found on the project website: www.ignitis.lt/detektyvai

We contribute to the education and consultation of both household consumers and business clients through:

- annual conference Use Wisely the Energy You Need ('Tiek, kiek reikia pramonei') on energy efficiency topics presenting financial initiatives; new solutions or instruments for more efficient energy use; success stories of other companies;
- network between companies (Progressive Energy Club) in need of energy efficiency solutions and companies and universities that offer them;
- consultation of biggest consumers on cost saving and energy efficiency options;
- comparative analysis of costumers' energy consumption presented in online and offline energy bills;
- soft initiatives such as webinars, articles, interviews, annual nomination of Progressive Energy Ambassador, etc.

We also create instruments to improve the efficient use of energy across the various industries, the energy sector, service sector, municipalities, and private households, such as:

- financial instrument - Energy Efficiency Financing Platform for ESCO (Energy Service Company) entities and companies;
- data analysis pilot project for municipalities on public bodies' energy consumption: comparative analysis of 3 municipalities. The ambition is to create an instrument based on open data solutions reflecting schools, public bodies, traffic lights, public transport, EV network energy consumption as well as prosumer results in the municipality while creating a relative evaluation per 1,000 residents and comparing it with the results of other municipalities.

**Energy Efficiency Financing Platform, a joint venture of ESO and Lithuania's Public Investment Development Agency (VIPA)**

Energy Efficiency Financing Platform (EEFP) was established on 3 July 2018 and invites all legal entities to join energy efficiency project implementation in Lithuania as well as to apply for energy efficiency investment platform loans designed to increase energy efficiency and become a prosumer.

The European Investment Bank (EIB) granted a loan of EUR 12.5 million to the platform for the development of energy efficiency projects and measures in Lithuania that contribute to reducing final energy consumption.

EEFP provides direct loans for various green projects of companies.

Long-term loans are provided to the administrators of public facilities for the implementation of shallow renovation projects, which are projects that help to increase energy efficiency by investing in one or more energy efficiency measures in apartment buildings.

EEFP's continuation is currently being re-evaluated in the context of the newly signed Energy Efficiency Agreement.

## Smart meters

Another key element of energy efficiency is the mass deployment of smart meters – devices that monitor and record various types of information related to energy consumption. In 2016-2017, the Group's subsidiary ESO implemented a pilot project in several districts in Lithuania, which demonstrated that households where smart meters were installed lowered their energy consumption by 7.1%. Smart meters also offer unparalleled convenience, as consumption data does not need to be manually reported and provides additional positive effects for flexibility in consumer consumption plans.

In 2020 smart metering infrastructure public procurement was underway:

- 1.1 m–1.2 m second generation smart meters;
- communication services for meter data transmission;
- IT systems for meter data collection, processing, and remote meter management.

Procurement is planned to finish in 2021, when meter deployment is also expected to start.

**Long-term benefits of smart meter roll-out to residents**

- Energy savings no less than 5%.
- New tariffs and new plans based on consumption data analysis.
- Dynamic pricing.
- Participation in demand response programmes.
- Enabler for smart home applications.
- No need to write off consumption data.
- Precise bills every month.

**Benefits to the Lithuanian economy**

- Enabler for smart home services.
- Energy insight applications.
- Demand side response, aggregator services enabler.
- Efficiency audits.
- Market platform enabler.

**More efficient management of the distribution network**

- Better quality monitoring of the electricity network.
- Asset management and investment decisions facilitated by data.
- Consumption profile analysis for improved decision-making regarding prosumer connections to the grid.
- Remote operations.
- Better electricity theft identification and less electricity loss.




### Programme of smart meter deployment in Lithuania

| Phase I of deployment | Phase II of deployment |
|---|---|
| For customers consuming more than 1000 kWh per year and all business customers (starting in 2021) | For customers consuming less than 1000 kWh per year (starting in 2024) |
| Around 1.2 million units | The meters will be deployed after the expiration of old meters' metrological verification |

**90% of total electricity consumption in the distribution network will be accounted for by smart meters from 2024 onwards**

## Data Hub

The Group also facilitates the local energy market and its efficiency through data-driven network solutions. In 2020, the Group's subsidiary ESO launched a basic version of its Data Hub platform, which provides information about customers and their electricity consumption habits and allow suppliers to prepare tailored offers and solutions for each customer, and which the Group expects to be launched more widely by 2023. Moreover, the functionality enabling one bill for customers (when supplier provides a bill for supply, distribution, and other services) was launched. As market liberalisation is on its way in Lithuania and customers may choose different electricity suppliers - such functionality, eliminating the need for separate bills, contributes to efficiency and brings environmental benefits.

# Sustainable energy services & solutions




Being the leading player on the energy market in Lithuania and in the region, the Group has a major role in contributing to improving both energy efficiency and helping society transition to more sustainable modes of energy consumption.

At the Group, the greatest share of such solutions being developed comes from the electricity and natural gas distribution network operator ESO and Ignitis, the largest supplier of electricity and gas in Lithuania, providing energy services to more than 1.5 million people and thousands of organisations in Lithuania and across the Baltics. This section focuses on Ignitis, for ESO's contribution see more 'Ensuring energy access for all'.

## Supplying green energy and reducing the environmental impact of gas

Ignitis is the largest energy supplier in the Lithuanian market offering Green Lithuanian energy – a certified energy produced from renewable resources at the Group's Kaunas HPP. Ignitis also provides the guarantees of origin to the market. **More than 60% of the energy volume supplied in 2020 to its business customers was green electricity.**

While natural gas is a desirable alternative to coal-based energy sources, in the long-term transition towards Europe's decarbonisation its use might need to be reduced and made more sustainable. Although biogas is not yet an economically viable alternative to regular gas, Ignitis seeks solutions to help customers reduce the negative environmental impact of gas consumption. In 2020 we decided to close the sales and instalment of gas boilers for customers so as not to support the expansion of fossil-based energy infrastructure. Furthermore, in the first quarter of 2021, Ignitis will begin offering customers $CO_2$ neutral gas – gas for which the $CO_2$ footprint has been offset. It will additionally make it possible for anyone to purchase $CO_2$ offsets from certified projects.

## Solar panels for consumers

Ignitis has two solutions for solar energy: it sells and installs solar panels for its customers and it also develops a solar parks platform.

The solar parks platform enables a remote prosumer model - people without the possibility to install physical solar panels on their property (e.g., those living in apartment buildings) can start owning or renting part of a big solar panel development in some other location. The Lithuanian Business Confederation presented the Service of the Year award to Ignitis solar parks as the world's first nationwide remote solar power plant platform.

The platform connects customers and developers, with Group subsidiary Ignitis Gamyba also among the developers. According to  to the national energy strategy of Lithuania half of all households are expected to be prosumers by 2050. We believe that wind energy also has potential for a similar prosumer platform.

In 2020 we significantly contributed to the development of solar electricity by achieving 6 MW total offering on the remote solar park platform.

The Ignitis solar park platform provides an opportunity to purchase or rent a part of a remote solar power plant. The platform currently has 11 solar park projects being developed by 5 developers.

It is important to us that every solar park installed meets all the economic and environmental requirements, therefore any developer wanting to be on the platform undergoes pre-defined due diligence procedures.

Around

**1,500**

**remote prosumers on the Ignitis solar park platform**

**Most sustainable brand award**

Ignitis was recognised as the most sustainable brand in the electricity and heating category and the 13th overall most sustainable brand chosen by the general public in Lithuania as part of the Sustainable Brand Index. The Group's subsidiary ESO was the second most sustainable brand in the electricity and heating category and took the 27th position in the overall ranking of 49 biggest consumer brands.

## Electric vehicle charging stations – Ignitis ON

Ignitis sells and installs electric vehicle (EV) chargers for home and business use and has also made a public EV charger network available – 60 fast chargers around Vilnius, including the 1st super-charger (320kW) in the Baltics. Overall as of 2020 Ignitis has 82 charging stations in Lithuania and operates an application that allows third party chargers to be added to the platform and to be able to offer their chargers to the customers.

The Ignitis ON charging network uses only certified Green Lithuanian Electricity, and therefore every charged kilometre has zero emissions.

In a few years Ignitis plans to more than triple the number of charging stations. The focus of the expansion will be on the regions across Lithuania.

## Lightning modernisation service

Since 2016 Ignitis has been providing the ESCO (Energy Service Company) model for its customers as an alternative to self-financing for lighting modernisation projects. All needed funds are invested by an ESCO service provider, which recovers the funds from savings on electricity over the agreed period. When the project ends, the modern LED lighting system becomes the property of the client, who can continue using the energy-saving solutions.

Such lightning modernisation service is provided mostly for industrial buildings, hospitals, shopping centres and other commercial buildings, also streetlights for municipalities. There have been more than 60 ESCO projects implemented in Lithuania and Latvia to date.

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# Impact on biodiversity and ecosystems




Generating and distributing energy has an impact on biodiversity and ecosystems. The development of renewable energy resources aims to mitigate climate change; however, renewable electricity generation sources such as wind farms, solar parks and hydropower plants and also the supporting infrastructure such as power lines, can pose risks and challenges to biodiversity if managed improperly. For instance, the construction of renewable energy infrastructure in remote areas has a greater visual impact on natural landscapes compared to construction in urban areas, but at the same time energy generation in rural areas potentially impacts the landscape of a smaller number of residents.

The Group seeks to understand, avoid, and respond to any potential impacts its activities may have on ecosystems and biodiversity. The Group looks for opportunities to make a positive contribution to biodiversity conservation in the locations of its operations.

All Group operations comply with national environmental laws and regulations, such as those listed in the 'Environmental compliance and precautionary principle' section of this report. The Group is also required to obtain environmental and safety permits from various governmental authorities for its operations, which are periodically renewed and compliance with their terms is constantly monitored.

The Group-level environmental approach is coordinated through the Group's Environmental Protection Policy, which was developed in 2020 with the purpose of providing general provisions and principles of environmental protection within the Group.

The policy includes goals to maintain and modernise all managed facilities responsibly, to take care of the protection of landscape and biodiversity and follow the principle of non-disturbance of protected areas, species and habitats of high ecological value. When this cannot be avoided for objective reasons, to implement all and any measures which are necessary to reduce and compensate the impact.

## Biodiversity risks and mitigation measures

– Onshore wind turbines have a visual impact on landscapes, particularly in rural areas, and are more likely to be spread out over larger territory than other types of power stations (although the wind turbines themselves require less land and the space between them can be utilised for other purposes). Another impact of wind farms is the potential of collisions with birds and bats and the potential obstruction of migratory paths of various species.

To mitigate these risks, biodiversity conservation is a key consideration from the early stages of project development and site planning. For instance, when a new wind farm is being developed, third-party environmental consultants measure and model noise and shading levels, assess whether there are no rare plant or animal species, fungi, Natura 2000, or other protected areas in the planned area. To protect birds and bats, the Group undertakes risk mitigation and management practices by hiring external specialists to carry out bird monitoring research at one of our wind farms.

– Hydropower facilities can pose threats to biodiversity in several ways. First, Kruonis PSHP and Kaunas HPP occupy large areas of land. Kruonis PSHP has an upper water reservoir while Kaunas HPP has a dam. Flooded river areas, especially at the initial stages of new hydropower operations, may contribute to the loss of aquatic organisms that are adapted to living in flowing water. Finally, operating a hydroelectric power plant changes the water level of a water body.
– These changes may harm both aquatic and terrestrial fauna. For instance, the Kaunas Lagoon is a Natura 2000 territory and European seagulls breed there. When the water level rises, the bird nests closest to the water could be flooded, and when the water level drops, the nests in small islands could become accessible to predators. Water level changes can also influence fish spawning and movement patterns.



In order to manage the potential risks, Kaunas HPP Dam Use and Maintenance Guidelines provide restrictions of changes in water level and its state is continually monitored. Kaunas HPP electricity generation is performed while ensuring the permissible change in water level in the pond of Kaunas HPP (Kaunas Lagoon) and ensuring the environmentally necessary flow downstream into the river Nemunas.

The Integrated Pollution Prevention and Control (IPPC) permit for the Elektrėnai Complex sets out commitments to ensure the environmentally sufficient water stream in the Strėva river when releasing specific amounts of water through the sluice from the Elektrėnai Pond to the Strėva river. Strėva river flows westward and comes into the Kaunas Lagoon.

In addition to the aforementioned principles and policies, the Group also cooperates with the scientific community.

– Anthropogenic structures such as electricity poles and power lines and maintenance of these corridors can have negative impacts on habitat loss or fragmentation of habitats.

Aging overhead power lines are being replaced with new underground cables. It brings an aesthetic quality to the landscape and significantly reduces hazards to wildlife. The ten-year ESO investment plan includes goals such as laying over 14 thousand kilometres of new underground cables and 67% of 10 kV underground cables in forested areas (see more in ‘Ensuring access to energy for all’).

**Relocating stork nests to ensure safety**

In order to ensure the safe and reliable supply of electricity and to protect wildlife, ESO, in coordination with the Lithuanian Environmental Protection Agency, relocates stork nests that endanger the electricity grid and human safety in accordance with the Law on Protected Animals, Plants and Fungi. To eliminate unplanned emergency failures of overhead power lines, ESO relocates stork nests to nearby bird environments – stork nests are relocated no further than 100 metres from the original location of the wild bird nest.

**Monitoring impact on biodiversity**

The constant monitoring of water levels in the Elektrėnai Reservoir and Kaunas Lagoon is necessary not only to ensure the technological processes, but also to conserve aquatic biodiversity. With the help of scientists, efforts are being made to find out the impact on the aquatic ecosystem such as the impact of water level fluctuations on the fish population (during the spawning period).

The overall situation is improving, fish diversity is growing rapidly while maintaining responsible power plant operations as well as supporting the ban on commercial fishing in ponds.

The reports of environmental monitoring, including the impact on underground water, are published on the website of Ignitis Gamyba. The requirement for automatic measurement of the water level in the ponds is regulated by the Rules on Pond Utilisation and Maintenance approved by the order of the Minister of Environment of the Republic of Lithuania.

## List of areas of high ecological value with close proximity to our operational facilities and the status of the protected species in the areas according to the IUCN Red List

| Location | Proximity to the Group facilities | Group facility | Nearby species | Status in the Red List (IUCN) |
|---|---|---|---|---|
| Vaiguva forest | The Kruonis PSHP lies in close proximity to the Vaiguva forest, a Natura 2000 territory. | Kruonis PSHP (Ignitis Gamyba) | Hermit beetle | Near threatened |
| Kaunas Lagoon Regional Park | Kruonis PSHP and Kaunas HPP are adjacent to the Kaunas Lagoon Regional Park and rely on water from the Kaunas Lagoon and the Nemunas river whereas the Kaunas CHP lies within several kilometres of the Park.<br>The Kaunas Lagoon Regional Park, the largest artificial water body in Lithuania, is a Natura 2000 territory under both the Habitats Directive and the Birds Directive. | Kruonis PSHP (Ignitis Gamyba)<br>Kaunas HPP (Ignitis Gamyba)<br>Kaunas CHP | Common kingfisher | Vulnerable |
| | | | Black kite<br>Little crake<br>White-tailed sea eagle<br>Asp | Least concern |
| | | | Scarlet beetle<br>Pond bat<br>Eurasian otter | Near threatened |
| Neris river | Vilnius CHP 3 and Vilnius CHP are located in an industrial area within 1 km of the Neris River, a designated Natura 2000 territory. | Vilnius CHP 3 (Ignitis Gamyba)<br>Vilnius CHP | Baltic salmon | Vulnerable |
| | | | Eurasian otter | Near threatened |
| | | | European mole-cricket<br>Spined loach<br>Bullhead<br>Green club-tailed dragonfly<br>European river lamprey<br>Asp | Least concern |
| Ilgis Lake Ornithological Reserve | The Elektrėnai Complex as well as the solar park territory in Obeniai (5.5 ha) are located near the Ilgis Lake Ornithological Reserve, where some types of human activity are limited. | Elektrėnai Complex (Ignitis Gamyba) | Ferruginous duck<br>Northern shoveler duck<br>Northern shoveler duck<br>Black tern<br>Spotted crake<br>Bluethroat<br>Bearded reedling | Least concern |

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# Impact on land, water and air




## Quality on land, water and air

Most energy-related activities produce certain amount of direct or indirect emissions. The majority of the emissions of the Group come from the Group's activities of producing electricity and thermal energy.

Emissions from steam boilers of thermal power plants to ambient air include carbon monoxide (CO), carbon dioxide ($CO_2$) and nitrogen oxides ($NO_x$). Industrial wastewater from thermal power stations may contain substances such as organic matter and other compound traces. Some of the facilities have their own wastewater treatment equipment, while others discharge wastewater to the municipal water supply network. Air emissions will likely increase due to operational activity at the new CHP plants in Kaunas and Vilnius. Other aspects of the Group's activities such as facilities and vehicle fleet management also contribute to the overall emissions.

The appropriate management of the impacts on land, water and air quality is therefore a high priority for the Group. The Group seeks to use natural resources in daily activities efficiently, reduce the impact of energy generation facilities on people and the environment – to implement modern, efficient, and safe technologies.

| Air emissions (non-GHG) in 2020 | Unit | Value |
|---|---|---|
| $NO_x$ | Tonnes | 615 |
| CO | Tonnes | 190 |
| $SO_2$ | Tonnes | 53 |
| Dust | Tonnes | 25 |

- All activities within the Group are in line with the requirements from three different levels – EU level, national level and Group level.
- Group-level principles include using the best available technology and making efforts not only to comply with different requirements but to exceed them.
- Strategic policies and principles are provided from the Group level and implemented by the management and dedicated specialist or specialist on the subsidiary company level. The Group's objective is to ensure that these are followed and implemented, whereas detailed management plans and relevant risk assessments are implemented by individual companies.
- Impacts and risks related to new energy generation projects (for example, construction of new wind farms) are managed through project initiation stage assessments (e.g., environmental impact assessment) or permit application process.
- A key aspect of managing different aforementioned impacts and emissions is adequate monitoring at Ignitis Gamyba, Vilnius CHP and Kaunas CHP. These companies publish regular environmental monitoring data on their websites. Ignitis Gamyba discloses levels of non-GHG emissions released to the air and the concentration of various substances in effluents released to surface waters. Both Kaunas and Vilnius CHPs implement comprehensive emission monitoring systems with mobile monitoring stations and periodic independent evaluations. (See also section 'Impact on communities and community relations').

One example about the benefits of using the best available technology is the new Kaunas CHP, where real life emissions are significantly below regulative norms. For example, while permissible NOx level is 200 mg/m$^3$, the average value at the CHP is below 100 mg/m

Two of the largest Group companies with significant environmental impact Ignitis Gamyba and ESO maintain the environmental management standard ISO 14001. A globally recognised certificate indicates that products and services of all the power plants of Ignitis Gamyba in Elektrėnai, Vilnius, Kruonis and Kaunas are supplied by following the most important requirements for identifying, monitoring, managing, and improving environmental aspects.

In pursuit of reducing emission-intensive generation, since 2012 Ignitis Gamyba has decommissioned 6 inefficient units constructed in 1961–1968 (each of 300 MW capacity) at the Elektrėnai Complex. In 2020 the dismantling of the units No. 5 and No. 6 of the reserve power plant at the Elektrėnai Complex was completed.

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Wastewater discharged at Kruonis PSHP and Kaunas HPP is accounted for by a wastewater accounting device. Monitoring of discharged wastewater is performed every month - a chemical laboratory analyses the samples collected and submits a research protocol.

## Water

Water is an important natural resource used in our daily operations, which carries both opportunities and risks.

According to the World Resource Institute, Lithuania is in the low to medium water stress area. Although the overall risk of water scarcity is comparatively low, the greatest share of exposure to water scarcity risk at The Group occurs at two hydroelectric plants – Kruonis PSHP and Kaunas A. Brazauskas HP located in the Nemunas River Basin. The physical risk can manifest itself at The Group in terms of insufficient water to generate electricity, and the regulatory risk can arise from policy responses to water scarcity or potential loss of biodiversity. The Nemunas River Basin has a medium level water risk level according to the WWF Risk filter.

The operations of the hydro power plants directly depend on the water level in Nemunas. On one hand, electricity generation in hydro power plants is one of the cleanest sources of energy which helps Lithuania and the European Union to achieve its climate goals. On the other hand, the increasing rate of climate change increases the possibility of droughts, thus decreasing water levels in rivers and creating challenges for hydropower generation. The Group closely monitors surface water levels and publishes them on the website of Ignitis Gamyba and follows all the necessary environmental protection regulations to preserve this valuable resource (See also 'Impact on biodiversity and ecosystems').

| Water metrics in 2020 | Unit | Water withdrawal | Water discharge | Water consumption* |
|---|---|---|---|---|
| Ground water | thousand $m^3$ | 23.9 | 119.2** | 601.4 |
| Municipal water supply or other public/private water utilities | thousand $m^3$ | 42.7 | | |
| Surface water (wetlands, rivers, lakes, etc.) | thousand $m^3$ | 653.9 | | |
| Surface rainwater and industrial discharge at the Elektrėnai Complex | thousand $m^3$ | N/A | 673.6 | |
| Surface water for hydropower plants (Kruonis PSHP and Kaunas HPP) | thousand $m^3$ | 8,114,332 | | |
| Surface water for Elektrenai Complex power plant cooling | thousand $m^3$ | 130,622 | | |

** Water consumption is water withdrawn minus water discharged.*
*** Water discharged to own wastewater treatment plant or centralised utility network.*

| | Unit | 2020 | 2019 |
|---|---|---|---|
| Water intensity of hydropower generation (Kruonis PSHP and Kaunas HPP) | $m^3$/kWh | 7.95 | 8.06 |
| Water intensity of generation, total* | $m^3$/kWh | 2.7 | 6.5 |

** Excludes water used for open-cycle cooling, which is returned to the original body of water for cooling.*

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# Materials and waste management




Efficient use of resources and the concept of circularity as one of the ways for achieving sustainable consumption and production are becoming increasingly important at the local, national, European and global level. The Group tackles this complex problem from two perspectives: firstly, through encouraging rational and sustainable use of resources and materials and improving own waste management practices; and secondly through its two newly developed modern waste-to-energy cogeneration power plants (CHP, combined heat and power plants) in Vilnius and Kaunas that provide alternative, value adding handling of waste.

The Group operates in nearly 60 locations (facilities, offices) in Lithuania and a few outside Lithuania, which means that the management practices of these facilities have an important role in the pursuit of limiting carbon emissions and promoting sustainable resource and waste management in own operations. Administrative resource and waste management across the Group is coordinated centrally, whereas additional specific management measures are in place for industrial waste.

The Group's approach to resource and waste management is guided by the Environmental Protection Policy, Zero Tolerance for Accidents at Work Policy and other related internal policies and external regulations.

## Administrative waste

All generated waste is sorted by separating secondary raw materials and hazardous waste. In line with Lithuanian legislation, the waste is entered into the Unified Product, Packaging and Waste Record Keeping Information System (PPWIS) before being handed over to licensed waste management companies.

Waste recycling options are present in all the Group facilities. In cases where facility owners do not provide for the separate handling of these different wastes, we are cooperating with facility owners to make the waste management more efficient and sustainable. Landlords are also encouraged to buy green energy for the facilities.

Different companies within the Group can have different solutions and practices and these are periodically reviewed to identify the best examples that could be mainstreamed across the whole Group. There are also many internal initiatives within the Group companies that encourage, for example, energy savings, resource usage and vehicle sharing. Some of the examples include encouraging usage of tap water instead of bottled water, going paperless, using shared desks (in the new joint office) and electric cars.

One of the main recent developments expected to be finalised in 2021 is moving 3 separate offices into one new office building with class A+ energy efficiency and green building certification. A quarter less total working space is required for this change and the size of shared vehicle fleet can be reduced due to the joining of three previously separate groups of shared fleet vehicles. We also plan to run a fully paperless new office.

The COVID-19 pandemic had both negative and positive effects on consumption. On the positive side there was less commuting due to increase in remote working. On the other hand, the increased reliance on masks and other safety equipment meant that the usage of single-use materials increased.

## Industrial waste

The industrial activities of the Group's companies generate the following types of waste:

- hazardous waste – waste that has one or several hazardous qualities, e.g., fluorescent lamps, led batteries, absorbents, filter materials, wipes, protective clothing contaminated with chemicals;
- non-hazardous waste – other waste that is not attributable to hazardous waste, e.g., iron and steel, aluminium, plastic, paper;
- waste with added market value – income is received for the waste disposed, e.g., iron and steel, aluminium, copper;
- waste with negative market value – the waste producer pays for disposal, e.g., oily water, oily sludge, ashes, construction scrap.

At ESO, a significant share of waste is created through the maintenance of networks, replacing or refurbishing old parts. ESO reuses part of old network materials during the reconstruction of the network, and the rest is disposed of in accordance with all environmental standards under contracts with contractors.

The subsidiary Ignitis Gamyba produces most of its waste during the technical maintenance and repair of electricity and heat production facilities; additionally, the operation of the biofuel boiler produces biofuel ash and slag waste. A significant amount of metal and steel waste is produced when decommissioning unused facilities. Subsidiary ESO produces most of its waste during the technical maintenance and repair of electricity distribution facilities – about 60% of it is metal waste and about 25% of it is decommissioned electrical switchgear.

Waste management in each company of the Group is based on the Zero Tolerance for Accidents at Work Policy and the Environmental Protection Policy. Ignitis Gamyba, which produces a significant share of all the Group's waste, additionally follows formal Waste Management Instructions and appoints persons responsible for waste management. It also complies with the requirements set out in the Integrated Pollution Prevention and Control (IPPC) Permits and Pollution Permits issued by the Environmental Protection Agency in Lithuania.

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 306-1 | GRI 306-2

We approach waste management responsibly and aim to prevent possible employee safety and environmental violations. We pay attention to proper accounting, sorting and disposal of waste through waste management companies that have official permits issued by environmental institutions.

We include requirements in our service agreements for ensuring employee safety, environmental protection and other requirements provided for in legal acts. The requirements of how contractors should manage waste are set out additionally in bilateral Limitation of Liability on Employee Safety and Health acts. Contractors are systemically introduced to the effective procedures of waste management at Ignitis Gamyba, are informed about the locations of waste storage, waste removal routes, etc. Contractors are required to provide information on the final locations of managed waste. For violating the terms of agreement or other legal acts, contractors may receive fines or be sanctioned in other ways.

During the external environmental inspections in the last few years, there have been no identified environmental violations in the production facilities of Ignitis Gamyba (the Elektrėnai Complex, Kruonis PSHP, Kaunas HPP, Vilnius CHP 3). Moreover, internal environmental audits were performed in all production facilities in 2020. Ignitis Gamyba follows the implemented environmental management system ISO 14001:2015. Thus, environmental achievements, challenges and waste management news are presented to the management at least every six months in order to assess the effectiveness of the system.

The ISO 14001:2015 standard implemented in ESO includes the compliance with the environmental legal acts and additional commitments towards ensuring effective management of risk-posing hazards, implementation of set environmental goals, tasks and programmes, and the reduction of ESO activities' overall effect on the environment in the most effective way.

| Waste generated in 2020 | Unit | Waste generated |
|---|---|---|
| Hazardous waste | tonnes | 5,100 |
| Non-hazardous, of which: | tonnes | 41,403 |
| Municipal solid waste | tonnes | 96 |
| Iron and steel waste | tonnes | 3,215 |

GRI 306-3 | GRI 307-1 | GRI 102-16

ESO monitors and assesses compliance (legal requirements and other ESO commitments); results of internal and external audits, state of corrective and preventive measures; statements, complaints, feedback related to environmental protection; results of environmental goals, programmes, tasks and other internal status indicators.

The industrial wastewater of the Elektrėnai Complex that may be contaminated is treated in own wastewater treatment facilities before being discharged to the environment. Further measures are being implemented in line with the approved plan for the reduction of resource use.

In 2020 there were 10 external inspections across the Group and one minor violation of environmental regulation with a fine of around EUR100.

## Supporting the circularity transition

The reduction and management of waste is one of the major global and local challenges. Despite efforts at EU and national level, the amount of generated waste is not decreasing. Annual waste generation from all economic activities in the EU amounts to 2.5 billion tonnes, or 5 tonnes per capita a year, and each citizen produces on average nearly half a tonne of municipal waste. The decoupling of waste generation from economic growth will require considerable effort across the whole value chain and in every home.1Two CHP plant developments of the Group have a significant role in offering a better alternative to landfilling of waste, which is in line with the EU action plan for the circular economy and the role of waste-to-energy within it.

- **Kaunas CHP** - the facility will process about 200,000 tons of waste annually. The plant has an electricity generation capacity of 24 MW and district heat production capacity of 70 MW. Electricity produced by the Kaunas CHP will satisfy the needs of around 90,000 households and it will also produce around 40 % of the centralised heating energy for Kaunas. It is estimated that around 100,000 tonnes of carbon emissions will be prevented annually. Kaunas CHP was in commercial production in 2020 and continuous optimisation is ongoing.
- **Vilnius CHP** - the facility will process about 160,000 tons of municipal waste and consume about 400,000 tons of biofuel annually. The plant has an electricity generation capacity of ~92 MW, including ~19 MW from municipal waste and district heat production capacity of 230 MW, including ~60 MW from waste. Electricity produced by the Vilnius CHP will satisfy the needs of around 230,000 households, and it will also produce around a half of the centralised heating energy for Vilnius. It is estimated that around 430 000 tonnes of carbon emissions will be prevented annually. It is expected that the municipal waste processing unit of Vilnius CHP will be operational in 2021 whereas the biomass unit will be operational in 2022.

According to the waste hierarchy the preferred solutions would be to prevent waste generation in the first place or to promote reuse or recycling. At the bottom of the waste hierarchy, representing the worst waste management option, is waste disposal in landfills. A better option is energy recovery, for which the Group provides a solution through the aforementioned waste-to-energy operations. Energy recovery from waste will play an important role in the waste management system and provide a positive alternative to landfilling until better practices in waste prevention and recycling are implemented on a wider scale.

**Raising awareness about circular economy**

Kaunas and Vilnius CHPs want to encourage society to be more interested in the principles and benefits of circular economy. The plants created an educational website that presents why recycling is important, describes how other countries are solving waste management challenges and presents interesting facts and the role of cogeneration plants in the circular economy. Together with partners, the circular textile economy solution platform TEXTALE.LT, the cogeneration plants disseminated waste sorting tips through the media to the general public.

The website is only one part of the educational undertaking. In the first quarter of 2021, the cogeneration plants are planning to open an exhibition in the Energy and Technology museum located in Vilnius. This exhibition will have five interactive stands and present different topics related to circular economy to the general public.

## Energy consumption in own operations

The Group aims to encourage the use of effective energy sources by contributing towards the education of consumers and implementing measures that improve the electricity consumption effectiveness at the Group. Read more about the promotion of consumer energy efficiency in the 'Energy efficiency for consumers and society' chapter.

The energy effectiveness promotion measures target resource consumption in the administrative offices as well as energy production facilities.

The greatest share of energy consumed within the Group is attributable to the energy consumed for the purposes of electricity and thermal energy production at Ignitis Gamyba. The efficiency of energy consumption is being increased by constantly improving the production processes and gradually upgrading less effective equipment.

Internal energy consumption improvements are being implemented by following the results of regular internal audits and audits of certified auditors performed every four years. After assessing the internal energy consumption, the measures and suggestions for short-term (one to three years) and long-term energy efficiency are defined. After the last external audit performed in 2017, Ignitis Gamyba implemented projects such as changing the external lighting, creating transformer switching descriptions and others. The subsidiary company compiles and periodically revises the facility regime cards intended for optimal operations of heating facilities and resource saving for own use. Also, long-term projects optimising resource use are being executed – in 2020 two transformers of 1000 kVA of the Elektrėnai Complex were changed in order to optimise the electric equipment of decommissioned units.

In 2021 Ignitis Gamyba, ESO and Ignitis plan to perform new internal energy consumption audits.

Each employee can contribute towards improving energy efficiency across the Group. Following Lean principles, employees can register suggestions (Kaizen) for improvement of operations. There are additional incentives for employees who provide solutions that greatly increase cost savings.

**Reduction in energy consumption through the ESO internal initiative**

ESO began to implement its forest programme in 2020. The target result for 2020 was to save 5% of electricity costs compared to 2019 and to allocate 5% of the saved amount to planting trees. During 2020 we managed to generate savings equalling 4316 trees. We plan to plant the trees in Vilnius in H2 2021.

| Energy Consumption within the organisation | Unit | 2020 | 2019 |
|---|---|---|---|
| Direct energy consumption | GWh | 3,146 | 295 |
| of which energy consumed from natural gas | GWh | 2,547 | 114 |
| of which energy consumed from petrol | GWh | 2 | 3 |
| of which energy consumed from diesel | GWh | 19 | 21 |
| of which energy consumed from LPG | GWh | 0 | 0 |
| of which energy consumed from biomass | GWh | 138 | 154 |
| of which energy consumed from hydro* | GWh | 3 | 4 |
| of which energy consumed from waste (biogenic)** | GWh | 187 | - |
| of which energy consumed from waste (non-biogenic) | GWh | 249 | - |
| Indirect energy consumption | GWh | 1,114 | 864 |
| of which energy consumed from electricity | GWh | 1,108 | 859 |
| of which energy consumed from heating | GWh | 6 | 5 |
| Direct energy consumed from renewable sources | % | 10 | 53 |
| Total energy sold | GWh | 2,788 | 1,151 |
| of which energy sold from electricity | GWh | 2,452 | 1,058 |
| of which energy sold from heating | GWh | 336 | 94 |
| Energy consumed for production per MWh energy produced | GJ/MWh | 4.3 | 2.7 |

** Generated and consumed Electricity in Kaunas HPP*
*** In Kaunas CHP a share of waste used for energy generation is of biological origin.*

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 302-1 | GRI 302-3




## Vehicle fleet

The Group manages almost 1,000 vehicles, of which the largest share is used for conducting work on the electricity and gas network. We seek to manage our vehicle fleet in a more environmentally friendly way in line with the Environmental Protection Policy and the Fleet Management Policy. The Fleet Management Policy targets neutral vehicle emissions (GHG) by 2050.

The Group implements measures that reduce the fuel consumption of non-electric vehicles, such as:

- promoting the use of video conferencing;
- not limiting mileage allowances for electric vehicles and reviewing mileage allowances of conventional fuel-powered vehicles at least once a year;
- encouraging the employees to use for the performance of their work functions car sharing services and other alternative means of transport.

Group subsidiaries that have more than 10 vehicles in their vehicle fleet must promote a positive percentage change in electric vehicles so that by the end of 2024 electric vehicles would increase from 2% in 2020 to least 8% of the vehicle fleet. Additionally, all vehicles allocated to the Group's managers should be electric by 2024. The more the EV charging station network develops, the more likely employees are to choose EVs and help us reach these goals.

Compared to 2019, in 2020 the impact of the period of quarantine due to the COVID-19 pandemic led to lower GHG emissions from the vehicle fleet. In 2021 we have a goal to generate 10% less GHG emissions compared to 2019.

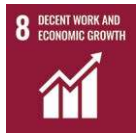
**118,400 km**

travelled
with EVs in 2020

# 5.4 People first

## Labour relations, employee engagement and well-being




### Approach to employee engagement and well-being

Ignitis Group is one of the largest employers in Lithuania. Maintaining good relations with as many employees as possible, and contributing to the engagement and welfare of all its employees – this is a huge responsibility, challenge and opportunity at the same time.

The Group seeks to form and maintain an organisational culture that fosters long-term employer-employee partnerships based on the Group's values and Code of Conduct, mutual value generation and the creation of an energy-smart future together.

The aim is to ensure a positive microclimate for productive and efficient work, employee involvement and empowerment, interest in the success of the Group's companies, quality and efficiency of activities, and socially responsible behaviour.

Not least because of the COVID-19 pandemic, in 2020 the Group paid special attention to the well-being of the employees (e. g. through developing and updating the remuneration system and Equal Opportunity and Diversity Policy). These aspects will be equipped with specific targets for further improvement during 2021.

The Group is making consistent efforts to be the best place to work for its employees. In order to monitor the engagement and satisfaction across the Group an Employee Net Promoter Score (eNPS) is measured on a quarterly basis since 2019 and is embedded in the Group's strategic plan as one of the key aggregate metrics of employee experience. This study reveals how employees value various organisational experiences, how satisfied they are with the company, and whether they would recommend it to their friends or colleagues. Despite the pandemic and other major events at the Group in 2020, the employee satisfaction has more than doubled compared to 2019. eNPS for the final quarter of 2020 reached 61.3%.

**eNPS – employee net promoter score**




GRI 102-7

| Group company | Number of employees (headcount) as of 2020-12-31 | Number of employees (headcount) as of 2019-12-31 |
|---|---|---|
| Energijos Skirstymo Operatorius | 2,424 | 2,374 |
| Ignitis Grupės Paslaugų Centras | 472 | 178 |
| Ignitis Gamyba | 359 | 352 |
| Ignitis | 285 | 103 |
| Vilniaus Kogeneracinė Jėgainė | 86 | 44 |
| Ignitis Grupė | 84 | 101 |
| Kauno Kogeneracinė Jėgainė | 38 | 36 |
| Transporto Valdymas | 23 | 27 |
| Ignitis Polska | 14 | 8 |
| Ignitis Renewables | 13 | 8 |
| Ignitis Latvija | 11 | 9 |
| Gamybos Optimizavimas | 7 | 7 |
| Elektroninių Mokėjimų Agentūra | 5 | 4 |
| Energetikos Paslaugų ir Rangos Organizacija | 5 | 21 |
| Pomerania Wind Farm | 4 | 2 |
| EURAKRAS | 1 | 1 |
| VĖJO GŪSIS | 1 | 1 |
| NT Valdos | 1 | 10 |
| Tuuleenergia | 1 | 1 |
| VĖJO VATAS | 1 | 1 |
| VVP Investment | 1 | 1 |
| Duomenų Logistikos Centras* | - | 14 |
| Verslo Aptarnavimo Centras* | - | 438 |
| Ignitis Eesti | - | 1 |
| **TOTAL** | **3,836** | **3,742** |

** Duomenų Logistikos Centras was sold in 2020 and Verslo Aptarnavimo Centras was merged with Ignitis Grupės Paslaugų Centras.*

### Employees by segment (headcount) in 2020

| 2,424 | 268 | 233 | 310 | 601 |
|---|---|---|---|---|
| Networks | Green Generation | Flexible Generation | Customers & Solutions | Services for business development and support |

The Group practices transparent and open communication with its employees. Major changes and initiatives which affect employees must be communicated clearly and sufficiently. There are dedicated central people and culture partners responsible for each company and function of the Group – their role is to act as counselors and single points of contact regarding all employee issues.

Regular morning team meetings are a common practice. Weekly, bi-weekly or monthly one-on-one meetings with employees provide an opportunity to discuss their development. Joint intranet is in use for internal communication across the Group.

As many employees work in field and do not always have access to computers, the Group is planning to develop mobile tools to allow them to be better connected with their colleagues.

## Employee remuneration and benefits

The Group companies have implemented an advanced employee remuneration system which applies for the whole Group. The principles of the remuneration are based on the performance of each individual, and the value created for the organisation and the team.

The Group takes part of annual compensation survey to benchmark itself with other organisations on the market, and plan salary reviews based on that. The remuneration system of the Group consists of paid salary, variable pay (for all employees based on individual or team performance), and additional benefits. More about the remuneration system, specific remuneration elements for the management and the Remuneration Policy see 'Remuneration Report'.

We offer our employees free emotional assistance from certified counsellors. When faced with anxiety, stress, difficulties in the family or any other issues, they can call the emotional support line advertised on the intranet.




### Additional benefits provided to all employees of the Group

| | | | |
|---|---|---|---|
| Company events and celebrations | Retirement scheme | Health insurance | Remote working |
| Social benefits to employees | Employee referral bonuses | Two days of sick leave without a certificate of incapacity | Additional paid holidays |
| Flexible working hours | Training and continuous professional development | Cultural and sporting activities | First two days of sick leave paid at 100% |

GRI 103-1 GRI 103-2 GRI 103-3 GRI 401-2

The Group has an employee benefit system in place which supplements the national social security scheme (which provides for 20 working days of holidays and implements a national retirement fund system). Our benefits system is an additional motivational tool aimed at increasing employee engagement, helping to reconcile work and rest. Employees can use their additional motivation tools to improve their skills, achieve better performance, and enrich their work experience at the Group.

Around 500 of our employees choose to participate in an additional retirement scheme that is supplemental to the national retirement scheme. In 2021 every employee will have opportunity to participate in the employee stock ownership plan.

Employees have the opportunity to choose working hours that are convenient to them. They can start work between 7 and 9 in the morning and end between 4 and 6 in the evening. On the basis of the place of residence, employees can choose when to go to work, avoiding traffic jams and saving time. Flexible work arrangements also contribute to creating a family-friendly work environment.

COVID-19 has also rapidly increased the uptake of remote working in our Group. During quarantine, when schools and kindergartens were closed, workers could work from home indefinitely. If employees did not have the opportunity to work from home, they could take advantage of the downtime opportunity and continue receiving half of their salary.

**Remuneration transparency**

Until now, each employee knew their position level and the salary grade associated with it. Fostering the value of openness enshrined in our Group, the matrix of group positions and the associated salary grades were published on the intranet to all colleagues.

Additionally, the Group publishes the salary ranges for all advertised new positions.

GRI 102-8 GRI 102-38 GRI 102-39 GRI 201-3 GRI 202-1

## Employee remuneration overview

### Labour market presence in 2020

Ratio of standard entry level wage* to minimum wage in Lithuania




** Entry level positions defined as those falling in the 'workers' category. Average monthly contractual salary converted to FTE. Excluding Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., "Pomerania Invall Sp. z o. o.", OÜ "Tuuleenergia", UAB "VVP Investment", Ignitis Eesti OÜ.*

| Average monthly remuneration by position type*, EUR | 2020** | 2019*** |
|---|---|---|
| Workers | 1,670 | 1,475 |
| Experts, specialists | 2,102 | 1,906 |
| Mid-level executives | 4,038 | 3,323 |
| Top level executives | 8,274 | 6,713 |
| Heads of companies | 8,990 | 7,262 |

**Total yearly salary fund, EUR thousand**

| 2020 | 2019 |
|---|---|
| 102,028 | 87,246 |

** Based on factual salary and other payments paid out to employees.*
*** Data is provided with 4 trainees excluded.*
**** Excluding 23 employees from Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o. o., "Pomerania Invall Sp. z o. o.", OÜ "Tuuleenergia", UAB "VVP Investment", Ignitis Eesti OÜ.*

| Pay ratio in 2020 | |
|---|---|
| Ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees | 7.58:1 |
| Ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees | 2.29:1 |

| Employees (headcount) by contract type in 2020 | Part time | Full time | Temporary | Permanent |
|---|---|---|---|---|
| Women | 12 | 1,089 | 58 | 1,043 |
| Men | 22 | 2,713 | 38 | 2,697 |
| Total | 34 | 3,802 | 96 | 3,740 |




**ESO as leading example**

Since 2019 a trade union delegated employee representative is a member of the Supervisory Board of ESO and thus contributes to the development of ESO by ensuring representation of the rights or legal interests of all employees. ESO was the first in Lithuania to do so voluntarily.

## Employee representation

All our key operations and most suppliers are located in the European Union, where strong freedom of association protection, prohibitions on child and forced labour, are included in the relevant local legislature. As a signatory of UNGC, we endorse the fundamental principles and rights at work stated in the ILO Declaration on Fundamental Principles and Rights at Work.

11 trade unions operate in the Group. These unions were founded by the employees of ESO and Ignitis Gamyba, two largest companies of the Group of Companies. 7 trade unions operate in the subsidiary ESO, and 4 trade unions in Ignitis Gamyba. Collective agreements in the Group are signed by employees of ESO and Ignitis Gamyba, which represents 73% of the Group's employees (headcount).

GRI 102-41 | GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 402-1 | GRI 407-1 | GRI 408-1 | GRI 409-1

| Minimum notice periods regarding operational changes | |
|---|---|
| **Lithuania** | According to the national legislation, Group companies with more than 20 employees:<br>– once per calendar year must provide information and consult with work councils/trade unions about the current and future state of the company's activities, economic position and state of labour relations;<br>– no later than 10 working days before the planned changes must inform and consult with work councils/ trade unions when making changes to the internal policies or other regulations related to labour relations and employees' social and economic status;<br>– before a termination decision regarding a group of employees, the employer must inform work councils/trade unions no later than 7 working days and consult with them for at least 10 working days if not agreed otherwise;<br>– before a decision on company's reorganisation and other decisions that can materially influence the work organisation at the company and the workers' legal status, the company must inform work councils/trade unions no later than 5 working days before the beginning of consultation to be held for 5 working days if not agreed otherwise.<br><br>Additional notice periods and provisions for consultation are specified in collective agreements with ESO and GEN employees, relating to changes in remuneration systems and conditions, planned structural changes, downsizing and other issues that can have a significant impact on employees.<br><br>No later than 10 working days before the transfer of business or part of it the employer must notify the employees to be affected. The employees can refuse the proposed changes within 5 working days. Then the employer terminates the employment in accordance with the Lithuanian Labour Code (notice period, severance pay). |
| **Latvia** | According to Latvian Labour Law the minimum notice period is 1 month. If the changes affect the employment agreement as such, the employee is entitled to refuse the proposed changes and terminate the employment. As regards Ignitis Latvija SIA there is no collective bargaining agreement in place. |
| **Poland** | The typical number of weeks' notice with respect to the organisational changes which may affect the employees is regulated mainly by the Polish Labour Code, collective bargaining agreements (if such agreements are in place) and Act dated 7th of April 2006 on informing and consulting employees (applicable only for employers who have more than 50 employees). As regards Ignitis Polska Sp. z o.o. – there are fewer than 50 employees and there are no collective bargaining agreements in place.<br><br>The Polish Labour Code includes different notice periods with respect to different organisational changes depending on their nature, e.g. (i) for adopting the general work rules at least 2 weeks' notice period should be observed, (ii) in case of changing the working conditions the changes should be announced immediately however not later than 1 month after such change comes into force, (iii) if the proposed organisational change requires the change of concluded employment contracts, the notice periods included in given employment contracts should be observed. Beside the specific provisions included in the Labour Code, the typical number of weeks' notice applied in different situations is 2-4 weeks. |

Group employees are furthermore represented by Work Councils at Ignitis Grupė, Ignitis, Group Shared Service Centre, Vilnius CPH, Kaunas CPH and Transporto valdymas. The other subsidiaries do not have formal Work Councils due to the number of employees being below 20.

Periodic meetings are held at the Group companies to discuss strategic projects being implemented and other relevant questions. Trade union representatives always participate in working groups where employee-related issues are addressed (working conditions, remuneration and social issues).

# Competent employees today and in the future




As every other organisation the Group can achieve desired results only through the contribution of competent employees. Having the right people doing the right job is the key to running business properly and reaching strategic goals. A large organisation requires a fast and innovative learning culture to increase its capabilities.

The energy sector, as many other industries whose development depends on engineering and IT know-how, is affected by the popularity of technical studies among youth. Lithuania too is lacking students who choose technical studies. Although the Group is a leading player in its industry in the region, it must work constantly to stay an attractive employer for talents, especially for IT professionals who might not naturally perceive the Group as a top employer yet. Being a market leader brings a responsibility for the Group to contribute to the popularity and quality of the education of the specialisation needed in the energy sector and engineering in particular.

Recent strategic steps towards the internationalisation of the business have increased the need to attract talents from abroad and Lithuanians able to work for foreign markets. Moreover, as new business lines are developed, there is a growing need for competences that are not readily available in the local market. Therefore, talent identification, attraction, development, and retention comprise an ongoing process that must ensure that the Group has competent employees today and in the future to ensure the continuity of its operations.

## Employee competence development

One of the guiding principles of the Group is learning – the ambition is to become an organisation which learns everywhere, always and quickly. Different approaches are used for developing core and new energy competencies. Learning must be self-driven and supported by the training system which enables constant organisational and personal development.

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 404-2

The People and Culture Policy (formerly the Human Resource Management Policy) sets the guiding principles also for the training and learning of employees. More detailed guidance is fixed in policy implementation guidelines (e. g., education guidelines). Specific initiatives for improving learning and development matters are agreed in 3-year strategic cycles.

In 2020 the Group defined a new leadership vision where the Group's leaders build strong teams in authentic ways. Each managerial and non-managerial leadership role has its own competence model based on the values and strategic skills needed in specific positions:

- empower your people to take ownership;
- guide your people to growth;
- be reliable by creating space for openness;
- inspire strengths-based partnerships.

Four centrally strategic competencies are identified for the Group:

- adaptability;
- energy-specific expertise;
- entrepreneurship;
- sustainnovation (sustainable innovations).

**Leadership development**

In 2020 the Group focused on developing a centralized leadership platform for different levels of leaders. The platform includes leadership development programmes for newly joined leaders, and also continuous higher level programmes for more experienced leaders. Leaders have an option to choose their individual learning path combined with blended learning possibilities.

The focus for specific learning needs is set according to business goals and necessary skills in the energy sector:

- the Group ensures that employees have all the statutory certificates required for their work;
- training sessions to improve general, vocational and managerial competencies are organised in individual companies, in 2020 the focus was on English language (due to more rapid internationalisation), also on agile ways of working (to enable flexible and engaged teams), IT topics, leadership programmes;
- each new employee of the Group attends 'Newcomer Days' and has a virtual tool 'Naujoklis' to guide them on their 3-month long integration journey;
- both in-house trainers and external trainers are used for competence development activities.

The talent management system helps to identify employees that demonstrate outstanding results and high potential for growth, to support talents, to take care of their retention in the Group and further growth, career, and to provide talents with opportunities for self-realisation. In 2020 a standard for internal career development was created within the Group.

As per our commitment for talent retention, we seek to provide regular performance reviews for all employees. During the annual conversations with each employee about the achievement of their objectives, employees are asked for feedback to the management and regular feedback is also gathered during the quarterly eNPS surveys. We provide continuous performance management built on 1:1 meeting culture and formal annual conversations about achievement of each employee and team's objectives. Outside of these performance reviews, we seek daily feedback from/to employees and gather it more formally during the quarterly eNPS surveys.

**Using design thinking technology in employee learning**

All centralised programmes and onboarding are created using design thinking methods to understand individual learning needs, behaviours and feelings. We use focus groups, testing, interviews and other methods that help us focus on the most relevant aspects of employee learning journeys.




| Employee training* | Number of participants | Training hours, total | Training hours, average |
|---|---|---|---|
| **By gender** | | | |
| Women | 935 | 26,692 | 22 |
| Men | 1,513 | 43,076 | 16 |
| **By employee category** | | | |
| Trainees | 3 | 27 | 7 |
| Workers | 272 | 3,879 | 5 |
| Experts, specialists | 1,734 | 37,017 | 13 |
| Mid-level executives | 389 | 26,141 | 69 |
| Top level executives | 39 | 2,081 | 63 |
| Heads of companies | 11 | 622 | 48 |
| **2,448 (62%) employees participated in trainings in 2020** | | | |
| **18 training hours per employee on average per year** | | | |

** Employee count based on number of work contracts. The training hour average represents total training hours divided by all employees (GRI).*

**Training opportunities**

The Grow Academy – our in-house training programme for lecturers – was launched in 2019 in order to support the development of internal trainer network. During 2020 its focus was on the quality of trainers, and a strong internal trainers' team of 50 people was formed.

**Focus on energy-specific knowledge**

In 2020 the Group organised a dedicated thematic week on energy-smartness for its employees – there were trainings on energy topics each day. The initiative was popular and well rated among the employees.

Adapting to the circumstances of the pandemic, the Grow Academy successfully moved online. Due to the necessary change, additional technical and online collaboration skills could be acquired by employees. It also became clear that larger groups can easily take part of virtual classes than it was used to be before. Both internal and external trainers adapted quickly with providing virtual training solutions.

In addition to organising in-house training for employees, the Group also provides opportunities for external training and development. For example, employees can attend language classes. Students can use the opportunity to take paid leave for study. Employees are also encouraged to team up and spend time together in a meaningful way, e.g. the Group has a book club.

## Management of future workforce development and employer brand

The purpose of the Group is to ensure that an employee with the appropriate competences works in the right place and at the right time. This means also a need to form a recognizable, positive and attractive image of the Group and its companies as an employer in order to attract and build the interest of potential employees.

In 2020 the Group started to pay more systematic attention to employer branding and its contribution to the development of future workforce in cooperation with educational institutions. It developed a specific strategy in this area. Aside from universities, the Group cooperates with Lithuania's Governance Coordination Centre, which supports us in the recruitment of top management.

In 2020 the focus was on:

- mapping the current state of employer brand of the Group among target groups;
- dreating a hiring plan and delivering massive campaigns for the recruitment of people with IT-specific know-how.

GRI 404-1 | GRI 404-2 | GRI 404-3

The ambition of the Group is to be an attractive employer for engineering, IT, and senior managerial jobs. As low numbers of students in Lithuania enrol in technical studies, our strategy includes a long-term view to improving the situation with engineering education at the national level.

**Collaboration with educational institutions**

In cooperation with universities, colleges, and high schools the Group contributes to the promotion of engineering professions and to the awareness raising among students on a wide range of positions in the energy sector, more specifically through:

- a dedicated team of employees giving lectures;
- Smart Start programme for internships for students (paid and non-paid placements);
- participation at career fairs, hackathons, and other events at universities;
- hosting visiting groups from schools and helping develop curricula.

**Internal Career and Transparency in Recruitment**

The Group encourages internal career growth and follows a formal Internal Career standard and the internal rule that all the open vacancies should be published (only within the Group or both internally and externally).

The companies of the Group are guided in their activities by the principles of transparency, impartiality and zero tolerance of corruption. Therefore, good reputation is one of the requirements for the candidates, and relevant checks are performed before hiring.

As of 2019, the Group implements a unified Applicant Tracking System (ATS) 'SmartRecruiters'. This ATS helps to save a lot of time spent on technical tasks, and allows more time to be spent on attracting, evaluating, and qualifying the selection process. The system also makes the application process smoother for candidates.

**New employee integration**

A good start is half the job done, as the Lithuanian saying goes. We place high value on the smooth orientation and adaptation of new employees. In 2020 the tradition of the Newcomer Days and relevant training sessions, introductions to the Group's vision, mission and values, presentations from the Group's management and other relevant topics continued in the virtual space. On the first day at work, mentors are appointed to assist the new employees and be responsible for the most diversified assistance during their trial period.



**Smart Start Programme**

The Group companies create conditions for high school and vocational students to adapt theoretical knowledge and acquire practical skills. In 2020, 26 trainees from different universities and vocational schools completed a traineeship at the Group, and 9 of them were subsequently hired by us.

**Referral system**

Since 2017 our employees can refer external candidates for advertised positions, including through a mobile application accessible to all employees. More than 140 employees have joined our Group through this system since 2017. In 2020, 40 employees joined the Group thanks to it. The biggest number of recommendations was for IT, client service, analytics and engineering areas.

**Candidate and hiring manager journey**

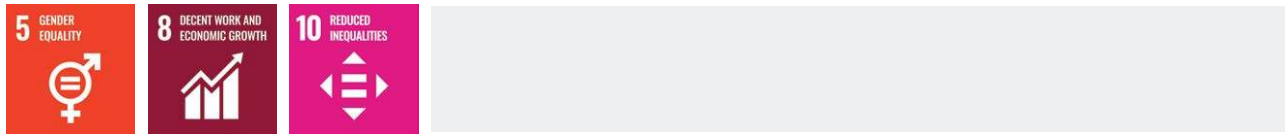
Two most important goals for the Talent Acquisition and Employer Branding function is to ensure the positive experience of both candidates and hiring managers. We measure the experience of both new hires and those who were rejected after an interview as well as the experience of hiring managers after we hire a candidate.

In 2021 the Group intends to apply for the TOP employer certificate from the international TOP Employers Institute. After the planned audits in 2021 the certificate should be obtained in 2022.

**COVID-19 pandemic impact on recruitment**

As a result of the changed circumstances due to COVID-19 pandemic, the Group has become more flexible in its recruitment practices. Rapid developments in remote working habits and organisational culture that facilitates them have made it more common to hire people living away from Vilnius (where the headquarters of the Group are located) as well as people living abroad.

# Diversity, equal opportunities and human rights




The Group's strength is its almost 4000 employees. Therefore, it is important to use and to help flourish every individual's unique abilities and point of view by creating an environment suited for equal opportunity and diversity. Recent development towards more international operations also cause and require the organisational culture to focus even more strongly on diversity and inclusion.

The Group also understands that diversity is the basis for a healthy internal culture, team spirit, and success of the organisation – balance, diverse thinking and experience allow to reach better results. Ensuring equal opportunity and diversity is a key part of the Code of Ethics followed across the whole Group.

The Equal Opportunities and Diversity Policy applies to the entire Group and is, like other policies, set and approved by the Group's Management Board. It provides the principles of equal opportunities and diversity management throughout the Group. It sets basic principles, measures for their implementation, and procedure for reporting and dealing with violations.

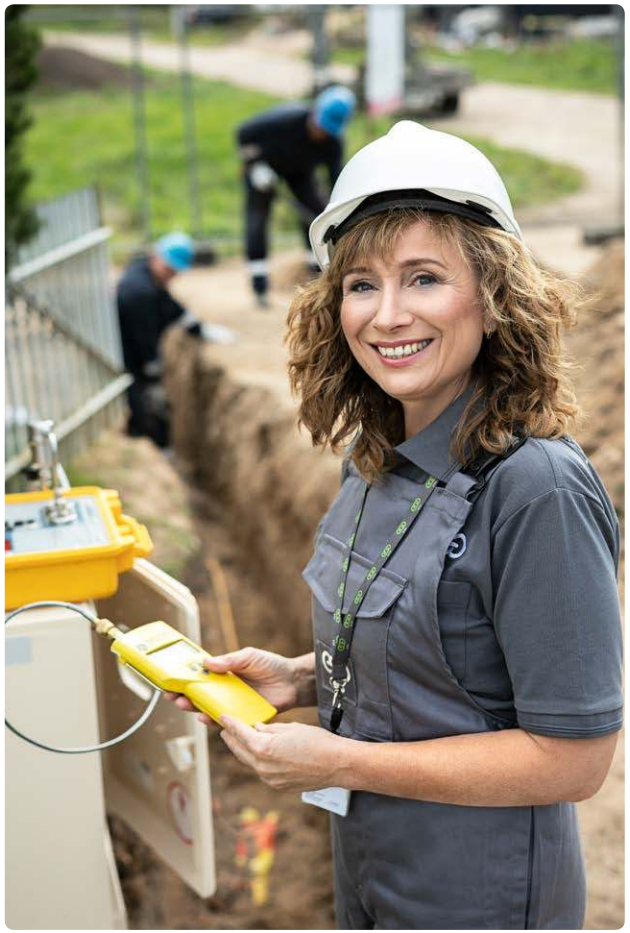
The Group shall ensure equal opportunities and diversity for their employees and not tolerate any direct or indirect discrimination in all and any areas of their activities. Promoting diverse working environment, respecting and protecting the rights of the employees for fair treatment and respect are some of the pillars of our approach.

The Group operates in accordance with the principles of the protection of human rights, promotes and respects international protection of human rights in its sphere, and ensures that it does not contribute to violations of human rights and advocates against any violation thereof.

The Group implements a fair and transparent remuneration policy, complies with the laws governing overtime and working hours, opposes any discrimination (with regard to employees or during employment) and forced or child labour, respects the right of employees to rest, and promotes work-life balance. Aside from diversity based on gender, race, nationality, citizenship, ethnicity, language, origin, social status, religion, faith, belief, age, sexual orientation, disability, state of health, political, family or marital status, the Group highly values diverse views, thinking and mindset. Tolerance for and benefitting from different kind of thinking should be encouraged within the Group, thus in 2021 we plan to set additional specific targets related to diversity, organise diversity trainings as part of the planned internal sustainability education programme and deliver even more strongly on our commitment to diversity.

In 2020 there was one allegation of potential discrimination of an employee on the basis of family status. The preliminary investigation did not establish that any discrimination had taken place.

Because of the specificity of activities in the energy sector and the technological nature of the operations, the workforce consists predominantly of men. Women are working mostly in administration or customer service divisions. Looking at the Group companies, there is a tendency of a larger share of employees to be men in companies with more technological roles. The share of men is higher in the subsidiaries ESO and Ignitis Gamyba. A similar trend can be observed among employees within management positions in these companies. Over the long term, the Group seeks to attract qualified female candidates especially for IT and engineering positions and improve the gender balance in management positions, as is specified in the Group's 2021-2024 strategic plan.



GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 406-1

## Employee diversity overview

| Position | Age | | | | Gender | | Remuneration ratio, women to men* |
|---|---|---|---|---|---|---|---|
| | 17–24 | 25–36 | 37–56 | 57–76 | Women | Men | |
| Trainees | 4 | 0 | 0 | 0 | 25% | 75% | 0.92:1 |
| Workers | 7 | 70 | 406 | 253 | 1% | 99% | 0.75:1 |
| Experts, specialists | 63 | 1,012 | 1,180 | 415 | 36% | 64% | 0.88:1 |
| Mid-level executives | 2 | 129 | 218 | 26 | 33% | 67% | 1.08:1 |
| Top level executives | 0 | 9 | 24 | 1 | 21% | 79% | 0.95:1 |
| Heads of companies | 0 | 6 | 10 | 1 | 18% | 82% | 1.08:1 |
| TOTAL | 76 | 1,226 | 1,838 | 696 | 29% | 71% | 0.97:1 |

** Contractual salary and bonuses included.*

| | Age | | | | Gender | |
|---|---|---|---|---|---|---|
| | 17–24 | 25–36 | 37–56 | 57–76 | Women | Men |
| New employee hires* | 71 | 260 | 125 | 7 | 41% | 59% |
| Employee turnover | 20 | 145 | 100 | 79 | 34% | 66% |

** Only Lithuania-based employees. Excludes Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "VVP Investment", Ignitis Eesti OÜ*

| Tenure at the Group, years | <1 | 1-5 | 6-9 | 10-14 | 15-19 | 20-24 | 25-29 | >30 |
|---|---|---|---|---|---|---|---|---|
| Number of employees | 391 | 1,207 | 354 | 412 | 330 | 305 | 356 | 481 |

| Parental leave* | Gender | |
|---|---|---|
| | Women | Men |
| Employees entitled to parental leave in 2020 (child born in 2020) | 48 | 73 |
| Employees that took parental leave in 2020 | 46 | 4 |
| Employees that returned to work during 2020 after parental leave ended | 33 | 6 |
| Total number of employees returning from parental leave in the prior reporting period (2019) | 22 | 1 |
| Employees that returned to work after parental leave ended that were still employed 12 months after their return to work | 18 | 1 |
| Retention rate | 82% | 100% |

** Only Lithuania-based employees included.*

| Employees by country (headcount) | |
|---|---|
| Lithuania | 3,806 |
| Latvia | 11 |
| Estonia | 1 |
| Poland | 18 |

| Employees | 2020 | 2019 | 2018 |
|---|---|---|---|
| Women | 29% | 28% | 28% |
| Men | 71% | 72% | 72% |

| Diversity of the governance bodies of Ignitis Grupė | Gender | Age |
|---|---|---|
| Supervisory Board | Women – 57%<br>Men – 43% | 30-50 years old – 43%<br>Over 50 years old – 57% |
| Management Board | Women – 20%<br>Men – 80% | 30-50 years old – 80%<br>Over 50 years old – 20% |

| Education category | Employees |
|---|---|
| Doctoral degree | 0.5% |
| Higher | 64.6% |
| Upper secondary | 11% |
| Secondary and vocational | 20.5% |
| Primary and lower secondary | 0.4% |
| Unknown | 3% |

GRI 401-1 | GRI 401-3 | GRI 405-1 | GRI 405-2

# Occupational health and Safety



## Approach to OHS management

Health and safety of employees is by nature one of the most critically relevant issues for the Group due to the energy industry specific jobs. The majority of the Group's employees work in energy production and distribution, with potentially hazardous working environment.

Employees and subcontractors of ESO, Ignitis Gamyba and two WtE cogeneration plants conduct risk-posing activities in their daily work, e.g by using electricity distribution network and natural gas distribution system installations, having access to high voltage electricity, working at height, in excavations, in field conditions, using of potentially hazardous devices and being related to other energy sector specific risk factors. However, safety and health of all the other employees are a priority for the Group too as office-based jobs may also pose specific risks to the mental and physical wellbeing of employees.

We take the approach of zero tolerance of accidents. Avoiding accidents and negative impact on health is a combination of compliance with mandatory requirements, well-planned and implemented health and safety management system, and proper safety culture and attitude of employees.

| Employee work-related injuries* | 2020 | 2019 | 2018 | 2021 target |
|---|---|---|---|---|
| LTIR (lost time injury rate per million hours worked) | 0.30 | 2.14 | 1.69 | TRIR ≤2.29 and 0 employee fatalities |
| TRIR (total recordable injury rate per million hours worked) | 0.45 | 2.29 | 1.97 | |
| Employee fatalities related to work | 0 | 0 | 1 | |
| Contractor fatalities related to work | 1 | 0 | 0 | |

*Note: Starting in 2021 TRIR and LTIR might increase due to the implementation of refined calculation methodology and more accurate reporting. In 2020, the occupational health and safety performance improved significantly due in large part to the increased use of remote working by employees and reduced scope of works conducted at different facilities and at client sites, as imposed by the COVID-19 pandemic.*
** Only Lithuania-based companies.*

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 403-1 | GRI 403-4 | GRI 403-8 | GRI 403-9

The Group has approved its an occupational health and safety (OHS) policy (Zero Tolerance for Accidents at Work Policy) designed to build a safety culture based on personal responsibility and cooperation. The highest-level managers are responsible for a safe and healthy working environment, and safety culture is perceived as a component of the organisational culture. The Group facilitates an active dialogue with its employees related to the implementation of healthcare, monitoring, safe and clean working environment, and improvement of health and safety at work. ESO employees, for example, can report potential workplace health and safety violations using a mobile app – a solution that is considered for implementation across the whole Group. Across the Group, dedicated OHS specialists record and analyse potential violations. As the operations of distribution network operator are spread out geographically, additional regional OHS specialists consult local workers on all OHS questions. Moreover, every half a year a committee comprised of OHS specialists and employees is convened and safety days are also organised for the different regions where ESO operates.

**85%**

**Share of Group employees covered by an OHS system**

Since 2019 Ignitis Gamyba operates in accordance to the occupational safety and health management standard ISO 45001:2018. In ESO the occupational safety and health management system OHSAS 18001:2007 was recertified as ISO 45001:2018 in 2020. Ignitis Grupės Paslaugų Centras has implemented the OHSAS 18001:2007 standard.

OHS policy and major processes are agreed centrally across the Group, and each company is responsible for the implementation of the approach and awareness raising of its employees.

To ensure the safety and health of employees, the Group and its companies implement various measures , including:

- appointing responsible persons for the implementation of the OHS requirements in individual companies and for full coordination of the OHS area at the Group-level;
- assessing safety and health risks related to the workplaces;
- determining and implementing preventative actions based on the risk assessment;
- preparation of safe work instructions and mandatory signoff of post-specific instructions by employees;
- acquisition and distribution of necessary Personal protective equipment (PPE) for employees;
- installation of safe workplaces;
- conducting periodical health checks;
- periodic mandatory training of employees on occupational safety as well as implementation of qualification-enhancing and recertification schemes; management of a comprehensive employee training monitoring database;
- performing inspections and internal audits for the workplaces of own employees and subcontractors;
- recording and monitoring near-misses, incidents and accidents;
- conducting an analysis of violations and accidents and determining corrective actions;
- developing smart solutions for workplace screening.

In 2020 the Group improved the monitoring of OHS key risk indicators to better identify how its companies manage OHS matters and deal with incidents. Weekly updates of accidents and quarterly risk reports provide information about OHS performance and improvement needs for the corresponding employees and top managers.

**Training centre of ESO**

Although in 2020 the COVID-19 pandemic prevented the centre from being used in expected capacity, since 2019 ESO operates an occupational training centre in Panevėžys, where employees have an opportunity to practice operating electricity and gas equipment, which supplements trainings provided by external training institutes. This offering is supplemented with virtual reality-based trainings for completing certain tasks, which will be implemented after the restrictions of the COVID-19 pandemic are lifted.

GRI 403-2 | GRI 403-3 | GRI 403-5 | GRI 403-6 | GRI 403-7

**Implementation of online tools**

At the beginning of 2020 ESO started to use a workplace inspection app. This is the main tool for personnel evaluating the workplaces – the app can record workplace safety violations, photograph and report to the unit's management or the contractor's company in real-time. The app is available to all ESO employees to report.

ESHOPIS is an electronic tool created to provide employees with personal protective equipment. Employees and managers can order the required equipment, check expiration dates, and the order information is automatically passed on the logistics unit that organises the delivery of equipment. The system also tracks the status of health checks required from all employees on a regular basis.

In 2020 an ESO database was created to keep track of expiration dates of the necessary certificates and accreditations and plan the required recertification trainings more efficiently.

## OHS management among contractors

According to its OHS policy, the Group selects only reliable and safe partners, which meet the set safety and health requirements, to perform works for the Group. With respect to infringement of safety at work requirements the Group follows a zero-tolerance policy. Regular checks and inspections are conducted at contractor sites, if necessary, all the infringements are recorded and corrective actions determined and implemented immediately, or the operations may be suspended. Such inspections of the contractor sites, or training or safety days are organised, or other measures are implemented by Group companies at their own initiative, as no such requirements are provided in any legal acts.

| | |
|---|---|
| **Contractor OHS performance evaluations completed by ESO in 2020*** | 1,075 |
| **Works stopped by ESO due to OHS violations** | 40 |
| **Fines paid by contractors to ESO for non-compliance with contractual OHS requirements** | Around EUR 57 thousand |

** In the context of the Group, ESO has the most significant impact on contractor OHS management, so data only for ESO is presented.*

ESO has a significant share of the Group's contractor management and has further applied the procedure of contractor ranking. This procedure is used to assess the quality of contractors' performance, taking into account not only compliance with contractual deadlines, but also whether the works were carried out subject to occupational safety requirements and the number of occupational safety violations. There are special provisions for OHS in contracts and sanctions for infringement are foreseen.

In 2021 the goal is to maintain the same or higher level of contractor safety screening. In November 2020 ESO organised its annual Partner Days, during which ESO representatives presented planned investments and other relevant questions to 60+ representatives of ESO partners and contractors. Data on occupational health and safety was presented to the contractors and related safety issues and expectations were discussed.

## Management of health and wellbeing

The Group is responsible for verifying that all employees have regular medical checks in accordance with national regulation. Optional vaccinations against the flu and tick-borne encephalitis are organised during work hours for the convenience of employees. The Group moreover offers all employees additional benefits that can help them to take better care of their health and well-being. Among other options of the additional benefits package, each employee can choose to take health insurance too. Employees can also take two days of sick leave without a certificate of incapacity, and if a certificate of incapacity is necessary, the first two days of sick leave are paid at 100%.

There are continuous initiatives promoting employee growth and well-being. The entire October, for example, was Health Month. Various initiatives took place throughout the month, such as forest swims or healthy breakfast preparation lessons. Teams across the Group also joined together in a step challenge. Overall 687 colleagues were involved in the activities of the Health Month.

**COVID-19 pandemic impacts**

One of the critical health-related challenges in 2020 was the COVID-19 pandemic. The priority was:

- to protect the health of the employees;
- to prevent the spread of the infection among employees;
- to ensure operational stability for energy production and distribution and gas supply.

Most of the core services cannot be done remotely, so strict, clear action plans had to be in place. In order to achieve that, the Group has:

- formed Group a COVID-19 crisis management group which was chaired by the CEO and involved senior management, representatives of each company of the Group, business continuity and incident management, communication, HSE, legal service, facilities management, and other experts. The team made decisions on preventative actions, completed preparations for different scenarios, analysed data related to share of employees in quarantine as well as employee rates of infection and deaths, infections among contractor personnel;
- prepared preventive measures, including specific rules for work during the quarantine; provided employees with all equipment necessary to work from home, implemented a free psychological support helpline;
- conducted a business impact analysis for the organisation;
- all Business continuity plans (BCP) have been reviewed, updated, some teams drafted new BCPs to prepare for the pandemic;
- structured PPE procurement process were started to ensure all employees are provided with the necessary PPEs during a shortage in the market;
- implemented regular follow-ups on exceptional situations that arise and implemented a monitoring structure for the Group;
- at ESO, professional risks due to COVID-19 were evaluated and rules and procedures were prepared for case notification, proper use of safety equipment and similar.

As a result of a systemic approach, the COVID-19 pandemic did not significantly affect the critical operations of the Group. The long-term impact of the country-wide quarantine on employee health remains to be evaluated.

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 413-2

# Impact on local communities and community relations




## Approach to community relations

The facilities and infrastructure of the Group (power plants, wind and solar parks, electric and gas distribution network) are geographically dispersed throughout the different regions of Lithuania and neighboring countries. The activities of the Group can therefore have an economic, social and environmental impact on the residents living in the vicinity of the Group's facilities. The Group understands that local residents seek to live in a safe and high-quality surrounding environment and defend the interests of the community members. Good relations with local residents also give the license to operate and to develop new facilities which are needed to provide energy for the society. Therefore, good community relations in the Group context are most significant both for the new operations of Ignitis Renewables, Vilnius CHP and Kaunas CHP and also for the long-standing activities of Ignitis Gamyba and ESO.

Maintaining relationships with communities and non-governmental organisations is one of the basic principles set by the Code of Ethics. It means striving for open dialogue and maintaining close contacts with the communities in the environment of which the Group operates and develops projects. The Group takes accountability for its activities in a consistent and transparent manner, and, in cooperation with various organisations, seeks to actively contribute to the sustainable development of communities.

The measures which the Group takes in managing local impacts and community relations include:

- complying with all requirements for the planning process, permits, operations, monitoring and reporting to authorities and public;
- installing the best possible technology and equipment, applying the best-known working methods to mitigate the disturbance;
- maintaining proactive, open and honest dialogue with local residents, considering their expectations and suggestions where possible;
- supporting both the economic and the social development of local communities through job creation and economic benefits created by municipal tax payments and the development of local economy.

The main direct impacts to nearby areas are mostly related to the developments and operations of the energy generation plants and wind farms of the Group (noise, odour, transport congestion, and/or visual disturbances, air emissions, hazardous materials stored on site).

**Local impacts of cogeneration plants**

For the new projects of Vilnius CHP and Kaunas CHP the support from the local communities is crucial.

Environmental impact assessments are conducted before planning such new plants. The process includes also modelling air pollution, noise, and odour. Both of the CHP plants must have Integrated pollution prevention and control permit. This puts strict requirements for automatic measurements systems for boiler temperature, flue gas emissions from chimneys, also for sewage and discharge water. The plants have fully automated emergency systems.

Vilnius and Kaunas CHP plants have the nearest residents living within less than 1km distance from the Group`s facilities. Noise and odour could become a disturbing issue due to a coincidence of several circumstances, e.g meteorological. In dealing with the complaints from nearby residents, the Group pays attention to distinguishing effects which could be caused by other commercial facilities operating next to its CHP plants.

As a voluntary act the Group measures air pollution levels in 1-2 locations around Vilnius and Kaunas CHP plants. Local communities were engaged in selecting suitable locations for the measurement equipment. The measurements for dust, $NO_x$, ammonium, and other substances (HCL, HF, B(a)P, $SO_2$, $O_3$ are done four times a year and PCDD/Fs twice a year. The results are

published online (see air emissions data in 'Impact on land, water and air').

**Local impacts of wind farms**

Similarly to cogeneration plants, wind farms need to have pre-development environmental assessment, dialogue with local communities, specific permits, and monitoring in place. The process of planning and designing new wind farms requires measurements and technological modelling for the levels and impact of noise. Afterwards the modelling results are compared with the actual impacts of ready-built facilities.

Wind farms have significant local economic benefits to local communities through job creation, land payments and local taxes.

| Economic value generated by wind farms to local communities in 2020, EUR thousand | |
|---|---|
| Land use payments to land owners | 34.7 |
| Real estate tax paid to municipalities | 302.4 |

## Emphasis on mutual benefits through close cooperation

We believe that by taking community views into account we can create mutual benefits whereby both the communities and our activities can develop more sustainably.

When developing new wind or solar farms as well as cogeneration power plants we meet with landowners, communities, representatives of the municipalities and other stakeholders. We invite them to visit the facilities. In 2020, community representatives visited the Kaunas CHP but unfortunately due to the ongoing COVID19 pandemic many visits were cancelled. Another way in which we try to reach the community is through participation in local community festivals, where we present information about our activities (for example, in the community festival in the municipality of Mažeikiai, where we are building a wind farm) or through no-contact means due to the pandemic (leaflets, posters in communities living close to the Pomerania wind park being constructed).

Just as with any activities of the Group, we expect our employees and partners to follow our Code of Conduct when engaging with communities. One of the mechanisms that helps us stay true to our commitment is the confidential Trust Line ("Pasitikėjimo linija"), which is available to any internal and external stakeholder to report any potential or actual violations of our sustainability principles (See more about whistleblowing in the section 'Ethics, anti-corruption and transparency'). We also have a contact person for each project that community representatives can reach out to directly with their concerns.

In line with our Sustainability Policy as well as our 2020-2023 Sustainability management plan, which state the commitment to consult with our stakeholders, in 2020 we began to develop more detailed Community Relations and Engagement guidelines. With the guidelines, adopted in Q1 of 2021, we intend to streamline our approach to community relations by formalizing the coordinating responsibilities at the Group-level. Our goal is to reduce the risk of harm to the community, maximize potential positive impact and maintain the trust of our communities.

In 2020 together with the other members of the Lithuanian Wind Power Association, the subsidiary **Ignitis Renewables committed itself to cooperating more closely with local communities** (full commitment text in Lithuanian at this link). In light of the significant scaling up of both onshore and offshore wind parks expected in Lithuania in the near future, the company pledged to conduct this expansion in a way that maximizes environmental, social and economic benefits to the landowners and local communities. The signed document recognizes:

- the value of open dialogue with all stakeholders (residents, landowners, municipalities, etc.) to ensure that everyone has access to information about the projects from the early stages of planning;
- the importance of giving local communities an opportunity to get actively engaged in the process of new developments and at the same time to discover the added value for their livelihood and local area;
- the intention to strengthen partnerships with service providers in the local market, so that the development of wind farms can contribute to maintaining and creating jobs in the respective regions.

## Electricity and gas grid safety to residents

There is a minimal risk that the quality of the Group's distribution networks in some locations may not meet the safety and regulatory requirements due to physical damages caused by wear and tear, because DSO according to national law have to perform periodic and extraordinary inspections of existing distribution networks – with gas network being inspected yearly and electricity network inspection frequency varying depending on type of line, voltage and location.

Other measures that ESO implements to ensure electricity and gas grid safety to communities:

- replacing the overhead lines during reconstruction or connecting new customers only with insulated wires;
- reducing visual pollution by replacing the overhead power lines with underground lines (see also 'Ensuring access to energy for all');
- performing free of charge marking of our network to third parties who perform construction or maintenance works of other networks in our network protection zone;
- carrying out periodic technical inspections of shared user systems in apartment buildings;
- performing gas leak localization works in the household gas system, if necessary, we help to localize accidents, disturbances, or other failures in the non-household consumer system.

**Raising public awareness about safe behaviour close to the power lines**

ESO implements large scale campaigns to educate communities and residents about energy efficiency and energy use safety. Through the media – television, radio, press and internet – ESO informs the public on safety principles that must be followed when performing field works, reminds about the presence of underground electricity and gas networks, disseminates advice on safe behaviour during storms. Much attention is given to the prevention of thefts that are also a cause of disruption in operation of the electricity grid.

# Engagement for societal development




We seek to play an active positive role in society, first and foremost through our products and services and by embedding sustainability in our own operations, but also as a participant in various social initiatives as well as partnerships and collaborations. Our Sustainability Policy clearly states that we strive to join initiatives and enter partnerships where together we can make the greatest impact towards achieving the Sustainable Development Goals.

In this section, we present some of the highlights of this year's partnerships and initiatives (for a full list of our memberships, see 'Memberships and partnerships').

**Working together towards climate neutrality**

The Group joined the Intelligent Energy Lab initiated by the Vilnius City Municipality as one of the first members. The Lab members will collaborate on initiatives spanning energy efficiency, environmental protection and modern urban energy system development. The goal of the Lab is to help Vilnius to become a climate neutral city by 2040.

**Supporting educational initiatives**

The Group signed a partnership agreement with Vilnius Gediminas Technical University (Vilnius Tech), one of the biggest research universities in Lithuania with a focus on technologies and engineering. The partnership will be based on knowledge exchange, internship and study programme development, creation and implementation of innovative new projects.

Employees from various business units and a member of the Management Board presented various activities of the Group to the participants of the annual initiative of the Lithuanian government 'Moksleiviai – į Vyriausybę'. The initiative invites active high school students to join the government for several days and familiarize themselves with governmental institutions from within.

We actively participated in different events commemorating the Energy Professionals Day ("Energetikų diena"): employees conducted over a hundred lectures on renewable energy and energy efficiency to school pupils of various ages.

We continued our cooperation with various student organisations, such as the Vilnius University Young Energy Professionals Club ('VU Jaunųjų energetikų klubas'), supporting their various publications and inviting them to participate in the Ignitis Group #EnergySmart World Hackathon.

We assisted the Lithuanian Energy Industry Veterans Club ("Energetikų senjorų klubas") in publishing the 8th volume of the book about Lithuania's energy system ("Lietuvos energetika").

**Supporting diversity**

Our Group stands for strong, creative women whose voices can be heard. That's why we were proud to be partners of the Alter State platform event for the first international Nordic-Baltic Women Innovation Sprint that took place in November. Alter State, in their own words, is an international community of fearless women enabling each other to thrive in the sustainable innovation world. Three representatives of our Group served as mentors: Management Board Member and Organisational Development Director at Ignitis Group Živilė Skibarkienė, Chair of the Board and General Manager at Ignitis Polska Diana Kazakevič and Head of Innovation at Ignitis Group Paulius Kozlovas.

In 2020 Q3, the Group signed a partnership with the NGO Global Lithuanian Leaders – an active community of over 2,000 Lithuanian professionals across the globe. The Group will share knowledge about the transformation and innovation occurring in the energy sector and introduce Lithuanian professional diaspora to career opportunities in the Baltic region.

**Openness**

Openness is one of our values. Due to the restricted possibilities to conduct live visits to our power plants this year, the Group created several virtual tours that are accessible to the broader public. With an improved public health situation, we hope to be able resume live tours of the power plants next year.

**Contributing to fighting corruption and criminal activity**

The Group has signed a renewed cooperation agreement with Lithuania's Special Investigation Service. In the agreement we committed to cooperate in the prevention, detection and investigation of corruption and other related crimes.

**Supporting human rights**

In September, as the United Nations turned 75, the Group's CEO Darius Maikštėnas was among more than 1,000 CEOs from companies in over 100 countries that demonstrated their support for the United Nations and inclusive multilateralism by signing onto a powerful Statement from Business Leaders for Renewed Global Cooperation. The statement expresses the Group's support for the principles of peace and security, human rights and sustainable development.

**Solar energy**

In 2020 the Group subsidiary Ignitis joined the Lithuanian Solar Energy Association. Together with the association, we seek to educate society about advantages of solar energy. The association was established in 2009 and now has almost 30 members.

Ignitis and the electric car rental network SPARK offered medical staff free trips with their own vehicles. **Healthcare professionals and residents were able to travel free of charge in electric cars** using the SPARK mobile app, and the cars could be recharged at Ignitis ON charging stations free of charge. The whole Group thanks the medical community for their hard work during the coronavirus epidemic.

## Financial grants

As of 2018 the Group has ceased to provide grants to external initiatives through the previously established fund "Lietuvos energijos paramos fondas". The fund is being liquidated. New calls for applications are not being announced and new applications are not being considered. We seek to find other opportunities to maximize positive impact through our direct operations.

# 5.5 Governing for sustainability

## Ethics, anti-corruption and transparency




Transparent corporate conduct and anticorruption practices should be applied by every single business as such practices build a foundation for responsible and successful operations. Responsible corporate governance aspects are particularly important for the Group for four following reasons:

- the Group has accountability to a broad range of stakeholders, and especially its clients, shareholders, employees, communities, and others;
- the Group performs a critical role in national energy security;
- as the shares of the Group are being traded on the Vilnius and London stock exchanges, the position as a public company calls for the continuation of best governance practices;
- the violation of responsible business conduct principles could result in fines, penalties, loss of reputation, or damage made to 3rd parties – the Group aims to prevent all of that.

Being a public interest entity, we are continuously strengthening responsible business conduct and we are paying special attention to positions such as management and procurement that could have a potentially major impact on the whole Group's responsible practices.

### Ethics and Anti-corruption

The ambition of the Group is to maintain a zero tolerance policy with respect to any manifestation of corruption or any other non-compliances with regulatory or ethical terms. The Group supports high ethical, integrity and transparency standards. The Group pays all taxes transparently and ensures the transparency of its procurement practices.

The Group constantly monitors official notifications, complaints, incidents, non-financial sanctions and other relevant aspects.

The foundation of the approach of the Group rests on three externally recognised frameworks:

- in 2020 the Group adopted **ISO 37001** anti-bribery management standard for the better management of these aspects. The system was implemented across the Group in 2020, and the accreditation process should be finalised and certificate obtained in the 1st quarter of 2021. The established system is based on **EBRD**;
- measures included in the **OECD Good Practice Guidance on Internal Controls, Ethics and Compliance** are applied across the Group to ensure adherence to the applicable laws, rules, and standards;
- through its UN Global Compact (UNGC) membership, the Group is formally committed to the 10th principle of the **UNGC** to shape an environment intolerant of corruption and to fight all forms of corruption, including bribery and trading in influence.

**Anti-corruption statement**

The Group follows the publicly disclosed Anticorruption Policy. This policy commits to comply with all legal norms applied to the Group's activity, including anti-corruption measures. The Policy applies to all employees, contractors, suppliers, consultants, and other related parties. The Group companies as legal entities do not support or sponsor any politicians or political parties, and refrain from any direct or indirect forms of influence upon them.

We ensure ethical and corruption-averse governance at the Group through:

- risk analysis and risk management;
- internal policies and standards (e.g. anti-corruption, anti-bribery, market abuse, conflict of interest, gifts, data protection);
- Code of Ethics;
- procedures and control mechanisms (e.g. procurement, partner screening, due diligence of candidates, employee private interest declarations, insider information, gift record database and others);
- yearly development plans and goals;
- monitoring and improving employee awareness of corruption;
- system, performance, and non-compliance monitoring (including the Trust Line for anonymous whistle-blower reports).

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 102-17

**Code of Ethics**

The Group adopted a Code of Ethics at the beginning of 2020. It outlines how the Group expects the people it works with to conduct themselves, and it applies to all Group employees, governance bodies as well as suppliers and partners. The Code of Ethics is based on values of our organisation and defines the principles and standards of business ethics followed by Ignitis Group companies and expected from our employees in their daily work.

The Group`s central Business Resilience Service is responsible for coordinating the management of these aspects. The team cooperates with a network of responsible persons in the companies of the Group who are in direct charge of the implementation of the standards and policies. The Risk Management and Business Ethics Supervision Committee is responsible for the submission of conclusions or proposals to the Supervisory Board on these aspects.

The Group's employees are consistently educated on the benefit and the importance of fighting corruption.

- All the new employees of the Group are required to formally familiarise themselves with the Anticorruption Policy and attend the mandatory training on fighting corruption and business ethics.
- In 2020, a 2-hour online anti-corruption training programme was created.
- In 2020 the Group continued to focus on educating employees in understanding the damage caused by corruption, recognising its manifestations, and remaining vigilant. We regularly organise topic-specific trainings on an as-needed basis.
- Every year, the Group conducts a corruption perception survey, whose results show a trend that the perception of corruption in the Group has remained relatively stable for several years and continues to be very high.

In 2020, there were 2 attempts to bribe Group personnel. In both cases the employees reported that they were given business gifts with money. Thanks to a strong focus on employee education and the existing internal gift record database, employees were able to identify the risk of bribery.

| Annual corruption perception survey of the employees | 2020 | 2021 |
|---|---|---|
| Share of employees participating in the survey | 38% | 38% |
| Employees who say they do not tolerate corruption | 96% | 97% |

| Communication and training about anti-corruption policies and procedures | |
|---|---|
| Total number and percentage of governance body members that the organisation's anti-corruption policies and procedures have been communicated to | 41<br>100% |
| Employees that the organisation's anti-corruption policies and procedures have been communicated to | 100% |
| Total number and percentage of governance body members that have received training on anti-corruption | 41<br>100% |
| Total share of employees that have received training on anti-corruption | 100% received training and 94% passed the test |

**Gift record database**

The Group has a clearly defined procedure regarding permitted/ not permitted gifts and other benefits. A gift record database was launched in 2019 where all received and provided gifts are registered. Group employees cannot accept cash, gift vouchers, discount coupons, alcoholic beverages, gifts exceeding the market value of EUR 150.

**Corruption risk management in tenders**

The Group continuously carries out large-scale tenders that must ensure that confidential information is not disclosed during the procurement process and that due diligence of business partners, service providers or other third party is performed before signing the agreements. The Group follows internal procurement standards which comply with, and exceed the requirements of, the public procurement law.

**Leader in the Corporate Governance Index**

Since 2016, the Group has ranked as a leader in the annual Lithuanian Good Corporate Governance Index for state-owned enterprises. The Group has been awarded the highest possible 'A+' rating according to the index, with an 'A+' sub-rating for transparency.

## Enabling and practicing fair competition

The Group companies, having significant market power,either individually or collectively, cannot drive competitors out of the market or prevent them from entering the market, may not discriminate suppliers/buyers without justification and restrict output/sales. Where relevant, the Group companies must comply with the requirements of REMIT, the Third Energy Package, AML, the National Energy Regulatory Council and other regulatory authorities (European Commission, Ministry of Energy of the Republic of Lithuania, etc.) applicable to the activities of the Group.

**Transparency and Market Abuse Administration**

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of issuer's material information. Efficient prevention of market abuse – one of the main priorities.

The Group complies with the Market abuse regulation (EU) No. 596/2014 (MAR) and all related regulations: Commission Delegated Regulation (EU) 2016/522; Commission Implementing Regulation (EU) 2016/1055; Commission Implementing Regulation (EU) 2016/523; Commission Delegated Regulation (EU) 2016/960; Commission Implementing Regulation (EU) 2016/347 and others.

GRI 102-16 | GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 205-2 | GRI 205-3

The Group also complies with all transparency and market abuse regulations issued by the Bank of Lithuania (financial market supervisory authority of the issuer), with the relevant Guidelines issued by Nasdaq Vilnius and London Stock Exchange, and the documents of the European Securities and Markets Authority (ESMA).

**Persons discharging managerial responsibilities and duty to disclose**

Persons discharging managerial responsibilities (PDMR) and the persons associated with them are under a duty to disclose their transactions with AB "Ignitis grupe" financial instruments when a EUR 5,000 notification threshold has been reached within a calendar year.

The Group has defined that the members of the Management Board and of the Supervisory Board are considered PDMR. Persons associated with them are being duly informed of the transaction reporting requirements applicable to them. The Group takes effective measures to ensure the proper performance of the duties related to the trading and public disclosure of relevant transactions. The Group publishes these transactions through stock exchanges according to MAR Articles 17, 19 and other relevant disclosure requirements.

**Closed Period**

The Group's Management Board and Supervisory Board members as well as other Group personnel identified as having access to sensitive financial information of the Group may not trade in AB "Ignitis grupe" financial instruments for a period of 30 days prior to the publication of interim reports and financial statements (Closed Period). Persons associated with PDMR are not subject to the mentioned restrictions, however according to the Group's policies it is recommended to refrain from trading during the Closed Period in order to avoid unfounded suspicions.

**Internal supervision of insiders and relevant affairs**

The Group's own internal insider and transparency rules are regularly updated and made available to all Group employees. The Group arranges periodic training on market abuse and insider rules. The intranet is constantly updated with useful and preventative information. The coordination and control of market abuse affairs are among the responsibilities of the Group's Business Resilience Service.

In 2020 the Management Board of the issuer updated and significantly improved the Group's Market Abuse Prevention Policy. The main objectives of the mentioned policy are:

- properly implement the requirements of the legal acts of the EU and the Republic of Lithuania related to the prevention of market abuse;
- to ensure the timely and lawful disclosure of information of interest to investors;
- to define the main measures for the prevention of market abuse and to ensure their effective application at the level of the entire Group.

In 2020 Insider Management Guidelines have been adopted to strengthen controls in this area. The main objectives of the mentioned guidelines are: (i) to define criteria for proper identification of inside information; (ii) to establish effective inside information disclosure requirements; (iii) to lay down functional requirements for the establishment and updating of insider lists; (iv) to elaborate market sounding requirements.

In parallel, an Insider Management Committee has been set up with the purpose of effectively dealing with complex insider management issues, to ensure proper disclosure of inside information and maximum transparency. The Committee is comprised of various experts (from finance, compliance, investor relations and communication), whose diverse competencies ensure not only the adoption of timely decisions, but also high-quality management of this area.

In 2020 there were two ongoing legal proceedings related to anti-competitive behaviour, anti-trust, and monopoly practices.

**Economic transparency**

On 26 March 2018, the National Energy Regulatory Council (NERC) initiated an unplanned inspection aiming to evaluate ESO's compliance with the requirements set for the reliability of electricity distribution and service quality (as of January 2012 to February 2018). On 19 September 2019, the NERC found that ESO breached its regulated activity by not complying with the requirements set for the reliability of electricity distribution and service quality. Consequently, on 17 October 2019, recalculating the price caps for ESO distribution services in medium and low voltage networks for 2020, the NERC decided to reduce ESO's allowed revenue for 2020 in medium and low voltage networks. In addition, on 17 March 2020, the NERC concluded that ESO breached its regulated activity by not complying with the requirements set for the reliability of electricity distribution and service quality, and imposed a sanction of EUR 62,827.32. No legal proceedings were initiated regarding the abovementioned inspection and its legal outcomes.

For a detailed overview of direct economic value generated and distributed by the Group in 2020, see section 'Annual results' in the Annual Report.

| Tax paid by country in 2020 | Amount, EURm |
|---|---|
| Lithuania | 239.4 |
| Latvia | 8.6 |
| Estonia | 0.8 |
| Poland | 0.4 |

## Data protection

The Group takes the privacy of the personal information of its employees, clients, partners, and other stakeholders seriously. Data breaches can occur as a result of non-technological issues, including breaches by the Group or by persons with whom it has commercial relationships that result in the unauthorised release of personal or confidential information. In response to the General Data Protection Regulation (GDPR), the Group has prepared procedures, policies and other governance documents required under the GDPR and applies them in its business processes that involve data processing and incorporates the relevant principles when purchasing or designing new data processing or other information or operational technologies.

GRI 103-1 | GRI 103-2 | GRI 103-3 | GRI 201-1 | GRI 201-4 | GRI 206-1 | GRI 207-4 | GRI 419-1

The Group's Data Protection Policy and Data Protection Guidelines form the basis of a unified data protection management strategy and objectives. The Personal Data Protection Policy states that personal data is managed in a clearly defined legal manner and according to the GDPR and the Law on Legal Protection of Personal Data of the Republic of Lithuania. The subsidiary companies integrate technical and organisational measures to protect personal data from accidental or illegal destruction, alteration, disclosure, as well as from any other type of illegal data handling. The Group implements personal data management and protection measures such as records of processing activities, data protection impact assessment, risk management and education of employees.

In 2020 we focused on implementing measures of the action plan which was approved after the carrying out of a regular internal audit of the customers' personal data protection controls in 2019. Executing the plan, we have updated the records of processing activities of Group companies and the process of enforcing data subjects' rights. An actual list of Data Processors was drawn up and other measures were successfully implemented improving data protection management process in the Group. There are still some issues we have been working with related to data deletion/depersonalisation in IT systems, which we plan to resolve by the end of 2021.

**94%**

**of all employees completed the online training on data protection in 2020**

In 2020 we also worked on improving existing procedures and developing new ones. The standard data processing agreement of the Group was updated according to the recommendations of European Data Protection Board and Guidelines on data security measures approved by State Data Protection Inspectorate of Lithuania. We have approved the control process of Data Processors that will ensure that our Data Processors comply with requirements set in the data processing agreement and the GDPR. The list of technical and security requirements for IT systems programs and databases (where the personal data is processed) has been prepared. These requirements are mandatory when new IT systems or programs are purchased or created.

In IIQ of 2020 the mandatory data protection online training for all employees was prepared. There were also live trainings on specific data protection themes such as data protection impact assessment, legitimate interest and personal data breaches. Three separate session trainings were conducted for the employees of new contact centre service provider of ESO. It is noticeable that after the training employees have more questions and they actively ask about data protection, also they identify personal data breaches in their daily work and inform about them in accordance with internal procedures. The data protection online training is mandatory for new employees and will be organised once a year for all employees of the Group.

The Group and its subsidiaries actively cooperate and consult with the State Data Protection Inspectorate. Specific recommendations and consultations had been received on electricity market deregulation process that began in 2020. Data processing in smart metering systems is the next crucial topic we plan to discuss with the Inspectorate in 2021. In 2020 the subsidiary ESO received a reprimand from the Inspectorate regarding one instance of a breach of customer privacy and the legal proceedings are ongoing.

In 2021 our priority - to improve data protection management processes, digitising them as much as possible, so that they are simple and easy to apply on daily basis. In 2021 we plan to start auditing our Data Processors' compliance with the GDPR. The education of employees will continue to be among our priorities, so trainings on general as well as specific data protection topics are also planned.

## Grievance mechanism

The Group encourages the reporting of possible cases of any violations of the Sustainability Policy, Environmental Protection Policy, Equal Opportunity and Diversity Policy, Code of Conduct, Anticorruption Policy or any other violation of the Group's stated principles. Any suspected or actual violations can be reported confidentially by email to the Trust Line at pasitikejimolinija@ignitis.lt or by phone +370 640 88889. These contacts are available to employees as well as all external stakeholders on our website www.ignitisgrupe.lt.The Group undertakes to protect the confidentiality of whistle blowers. The grievances are investigated according to the formal rules of the internal Investigation Commission.

The Group's Investigation Commission in brief:

- a minimum of 3 members;
- appointed by the decision of the Director of Business Resilience Service;
- investigates the grievance in 5 working days by no fewer than two appointed employees;
- guards all personal information while the investigation is ongoing;
- can recommend to the Director of the Business Resilience Service to extend, cease the investigation (if no violation is established) or determine that a violation of internal policies and rules and legal acts and/or Lithuanian legal acts has taken place.

The reports are processed according to a procedure established in the Rules on the Implementation and Operation of Internal Reporting Channels for Information about Violations. Among the most important steps are:

- an appointed employee collects all the reports, transfers them to a computerised workplace and stores them in a dedicated network drive directory;
- replies to the submitted messages are sent in the manner in which the messages were submitted, unless the reporter has indicated otherwise;
- the responsible person not later than within 5 working days from the receipt of the information on the violation informs the person about the progress of the examination of the information provided by them or refusal to examine this information;
- after examining the information submitted by the person within 30 calendar days, the company must immediately notify the person of the results of the examination. The term may be extended if a more detailed investigation is needed.

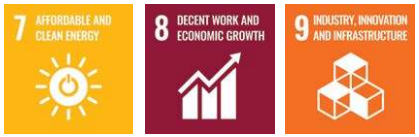
GRI 102-17 | GRI 418-1

In cases when a report is received which meets the requirements set forth in Paragraph 5 of Article 4 of the Law on Protection of Whistle Blowers of the Republic of Lithuania or in which the information complies with the above law (danger to public safety or health, life or health; obstruction or undue influence on law enforcement investigations or trials in the administration of justice; illicit financing of activities; illegal or non-transparent use of public funds or assets; illegally acquired assets; concealment of the consequences of the violation; obstruction of quantification; other violations), not later than within 2 working days from the day of receipt of the report, the report must be forwarded to the Vilnius Regional Prosecutor's Office and the reporter shall be notified thereof.

**Trust line reports in 2020**

| | |
|---|---|
| **Reports received** | 336 |
| **Nature of reports** | The majority of reports were related to the quality of services provided and were thus passed on to the customer service units. |
| **Our actions** | In 16 cases we conducted more detailed information verification due to indications of potential violations of legal acts (electricity theft, fraudulent reporting of energy consumption, etc.). All the investigations concluded that there had been no violations. |

# Ensuring energy access for all




Enabling access to energy for all members of society is critically relevant both for the Group and for the society. Access to energy involves reliable technical conditions, physical connectivity as well as customer relations-related issues. Therefore, the Group's subsidiaries which are responsible for energy generation, distribution, energy supply as well as all supporting functions are all involved in ensuring proper access to energy.

## Connection process

The quality and speed of the process for adding new customers to the network is related to the most fundamental objectives of the Group – enabling the Lithuanian economy by ensuring access to energy.

According to the legislation all potential customers have the right to gain access to the grid. A specific procedure is followed after a new customer has submitted their application for access. Certain technical requirements need to be fulfilled if there has been no previous connection to the grid. In some cases, additional construction of the network might be needed to connect new organisations or private customers. In such cases, the costs of the actual investment are shared by the distribution system operator ESO and the customer. We aim to find ways to reduce the costs of establishing new connections, thus making it more affordable for customers too.

ESO constantly monitors the length of the 5-step process of connecting new customers to the grid and is making efforts to shorten the period. This can be achieved through improved efficiency of internal processes and through inclusion of specific requirements for subcontractors who perform the needed works. The legislative environment is also an important factor.

In 2020 only a small part of new connection projects for the electricity grid did not meet the given deadline. Five years ago, the process took almost 70 days – improvements in efficiency of internal services, IT solutions, reducing the role of unnecessary elements of the process, more efficient public procurement, and changes in legislation have almost halved the connection time.

**Increasing the number of prosumers**

A major area of focus in 2020 was on improving the readiness and stability of the grid for prosumers. The Lithuanian national target is to reach around half a million prosumers by 2030 (this would make around 30% of Lithuanian consumers). As of 2020 over 10,000 prosumers are connected, which means that the ambition presents a challenge for the network too.

Investments to make the network capable for such large access are needed in upcoming years. In 2020 the Group initiated discussions with its stakeholders to develop the best solutions for achieving the ambitious target.

| | 2020 target | 2020 result |
|---|---|---|
| Average connection time (electricity) | 32 calendar days | 31.15 calendar days |
| Share of new connection projects meeting the deadline | 100% | 97.31% |



## Enabling energy use

All who express the desire to be connected to the distribution operator's network and to use electricity have the right to it. The costs related to this right - connection fees – are reviewed and set at the end of each year by the National Energy Regulatory Council of Lithuania. The process of reviewing and setting new connection fees is based on statistical analysis of the number of connected customers, costs incurred by ESO and customers based on the length of cables, technological assets installed to meet the power demand and other project costs.

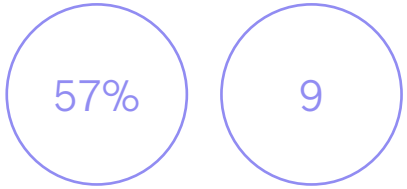
ESO is increasingly focusing on the development of flexibility services. The essence of these services is the possibility for consumers to change their consumption or production profile in response to external signals (e.g. market price, ESO or the Lithuanian TSO Litgrid signals concerning changes in consumption/generation). This way customers can get financial benefits and ESO and Litgrid can use the infrastructure more efficiently.

## Customer service

The Group's subsidiaries with the greatest share of direct contact with customers – Ignitis and ESO – have set service standards, monitor daily performance, track KPIs, and arrange various customer service development projects.

ESO, as the distribution system operator, serves around 1.78 million clients across Lithuania. Ignitis, the electricity and gas supplier, held the monopoly on the Lithuanian private customer market until 2020. The Lithuanian energy market has now been affected by the market liberalization which started in 2020 (the business customer market has been opened for 10 years already). Still, at the end of 2020 Ignitis provides more than 1.65 million private and around 15 thousand business customers with all key energy services.

### ESO customers*




** Presented annual data is calculated as the average of the assessment results received per year. The assessment results of the end of 2020 may differ from the results presented here (e.g. ESO NPS at the end of 2020 reached 60%).*

ESO and Ignitis are developing their digital communication and service tools. Ignitis encourages customers to switch to digital channels, where a variety of services can be accessed, while collaborating with libraries, where people can learn how to use the online self-service platform. ESO, in addition to running an online platform, continues to operate a call centre as well as providing an opportunity for in-person appointments.

Customer satisfaction at both ESO and Ignitis is monitored via the Net Promoter Score (NPS). Transactional NPS is obtained immediately after the customer contact, representing the customers' satisfaction after the inquiry, whereas relationship NPS is measured twice a year, based on a statistically meaningful sample, representing how the customer feels about the company itself.

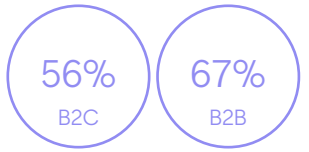
For communication with its customers Ignitis:

- runs a call centre with up to 7,000 calls daily;
- has five physical customer service centres in major Lithuanian cities;
- provides an online self-service portal which is used by ~300,000 active monthly users;
- has developed a self-service mobile application;
- informs and educates customers via newsletters;
- business customer units have key account managers for more direct and personal contact.

In 2020 the Group's companies which have the most direct link to customers worked with their long-term programmes for improving customer service. The focus was on capturing complaints and challenges and improving the bottlenecks. Attention was also paid to building a customer-oriented organisational culture – for example, increasing the awareness of managers and back-office employees about frontline operations and interactions with customers.

In 2021 the Group will start providing electricity bundle-contracts for commercial customers. So far, this group of customers had to sign two different contracts – one with the distribution system operator, and another with the supplier of the energy. Such an approach is in place for the gas service already – it makes the communication with the service provider easier for customers.

### Ignitis transaction NPS*




### Ignitis relationship NPS*




** Presented annual data is calculated as the average of the assessment results received per year.*

**Client service during the COVID-19 pandemic**

During the pandemic, all customers were encouraged to use e-services with no service fee being charged. Particular attention was paid to the population at risk: messaging targeted senior citizens and encouraged them to use self-service services.

During the quarantine, ESO employees performed only the necessary work on the grid to minimise inconvenience to the large number of residents working from home.

All Ignitis customers who faced financial difficulties during the quarantine were offered preferential payment terms for their services. Customers were able to defer payments for natural gas and electricity consumed throughout the quarantine period and for an additional month thereafter. Additionally, when large amounts accumulate, there is an opportunity for customers to spread their payments according to an individual schedule for a period of up to one year.

**Keeping customers informed**

When performing electricity network maintenance works, ESO notifies consumers about the planned interruption or restriction of electricity distribution and supply not later than 5 calendar days in advance by text message, specifying the planned time and duration of disruption.

In addition, to improve customer information, ESO has implemented an interactive map, which publishes information on the operation of the electricity distribution network in real time. The map can be used to find out in which area the electricity distribution network devices are disconnected, as well as to report power failures.

For 12 hours a day, COVID-19 mobile testing points in Vilnius, Lithuania were using petrol-based generators. The management of the Group was informed about this issue by members of the Lithuanian Riflemen's Union ("Lietuvos šaulių sąjunga") on 23 March 2020. Within 18 minutes experts from ESO arrived at the mobile testing point to evaluate the situation and the following day the connection to the electricity grid was established.

# Secure and stable energy system




## Strategic role in energy system security and stability

The Group's flexible generation assets and capabilities are key to the energy security of Lithuania, with the Government of Lithuania as well as residents and businesses in Lithuania as key long-term stakeholders.

As Lithuania is highly dependent on energy imports, the national energy assets are critical for the energy security of the country. The Group through its subsidiary Ignitis Gamyba controls flexible generation assets (including the largest electricity generation capacity in Lithuania – Elektrėnai Complex) which are used to provide balancing and ancillary services to the transmission system operator (TSO) Litgrid. The ancillary services ensure the stability and reliability of the energy system, help to prevent and respond to system emergencies, and maintain the required power reserve in line with the established requirements for the quality and reliability of electricity supply.

The Group also contributes to the goals of the National Energy Independence Strategy adopted by the Lithuanian Parliament in 2018. The Flexible Generation segment aims to contribute to the successful synchronisation of the Baltic States' energy systems with the network of Continental Europe (expected to be effective in 2025), which is intended to enhance Lithuania's ability to independently manage its power system. Moreover, it is expected that flexible generation assets managed by Ignitis Gamyba will contribute to expected renewable energy expansion in Lithuania.

Ignitis Gamyba would also play a key role in ensuring the stability of the energy system in case of unexpected shutdown or system failure. This came to a test on 9 June 2020 when two Riga cogeneration power plants shutdown unexpectedly and the electricity connection with Sweden, NordBalt, was unavailable. Most of the electricity demand in Lithuania was provided by the Kruonis PSHP, Combined Cycle Unit in Elektrėnai and the Kaunas HPP, which ensured almost 73% Lithuania's electricity demand and showed the importance of Ignitis Gamyba to ensuring the security of the country's energy system under difficult circumstances. On 25 July 2020 and 1-2 August 2020, internal tests of electricity system recovery after a total accident and a test of the operation of a part of the isolated Lithuanian energy system were successfully carried out in the power plants of Ignitis Gamyba.

In 2020 Ignitis Gamyba provided a range of services, such as power reserve, trade in regulation power, trade in balancing power, reactive power management, isolated regime and system recovery after complete failure services (more information can be found in the Annual Report of Ignitis Gamyba).

Advancing the strong national priority of energy independence, the Group is also the sole designated supplier to the LNG Terminal, meaning that it is responsible for ensuring that a minimum quantity of liquified natural gas is delivered to the LNG Terminal in Klaipėda (through its Customers and Solutions segment). The LNG Terminal is the only alternative to Gazprom-controlled pipeline gas imports in Lithuania until the gas interconnection with Poland – GIPL – becomes effective in 2022.

## Electric & gas grid reliability and resilience

ESO operates around 126 thousand kilometres of electricity distribution and around 9,7 thousand kilometres of gas distribution networks. It thus has a major responsibility to ensure access to energy through a stable, reliable and resilient distribution network. That's why we are continuously investing in the network's modernisation, and one of the main goals of the 10-year ESO investment programme is to ensure uninterrupted and high-quality energy distribution via an environmentally safe electricity and natural gas networks.

**45–50%** of the Group's investment portfolio over 2021–2024 allocated to the networks segment

**€1b** Planned investments in the electricity and gas distribution network renewal and mitigation of physical climate risks over 2020-2029

Summary of priorities and measures to improve network reliability and resilience:

- replacement of overhead lines with underground lines;
- reconstruction of old steel natural gas pipelines;
- alternative solutions securing natural gas supply;
- replacement of unreliable and frequently breaking-down equipment;
- implementation of voltage quality improvement solutions;
- installation of remote dispatcher-controlled equipment;
- installation of network operation monitoring equipment;
- installation and development of the distribution management system;
- installation of the self-healing network equipment (operating without dispatcher involvement during breakdowns);
- automated and integrated network operation activity planning and control tools/systems.

Electricity supply disruptions can occur for several reasons: outdated equipment that no longer conforms to best standards, the damage caused by natural forces and other reasons. The overhead lines are more vulnerable to natural disasters: falling trees, snow and icing can cause the breaking of wires, and falling branches can cause short-circuits. Underground cable lines, although more resilient to weather conditions, require more time for troubleshooting and are often damaged during earth excavation works, particularly in highly urbanised areas.

One of the most significant measures of the ESO investment programme is the replacement of overhead lines with underground lines, giving priority to the replacement of unreliable lines in high outage-rate areas and woodlands as well as voltage quality improvement solutions, including reconstruction of unreliable natural gas steel pipelines and replacement and reconstruction of other unreliable elements of electricity and natural gas networks. We prioritise forested areas for two main reasons: two thirds of outages occur in the parts of the network located in forests, and the change of overhead lines to cable lines will significantly reduce the necessity to cut down trees in the clearing areas. Thus, positive environmental impacts will go together with improving network reliability.

The process of administering third-party network damages has been renewed and amendments to legal acts have been initiated regarding the increase of fines and sanctions for these actions. Communication campaigns and regular information on the principles of safe work in the network area also continue to be implemented.

To ensure network automation and installation of the network management equipment to accelerate the recovery of power supply in the event of disruptions will be continued from 2021 onwards. Additional advanced and innovative solutions will be implemented, in particular to ensure smooth and optimal integration of distributed energy sources (RES, energy storage, etc.), as well as asset management digitisation solutions. To find the most optimal solutions, ESO plans to implement experimental-pilot projects to test the feasibility of large-scale implementation.

### 2020-2029 ESO investment programme contributing to network reliability and resilience

| | 2020 | 2029 target |
|---|---|---|
| Total length of underground lines | 40,380 km | 56,216 km |
| Share of underground electricity lines in forested areas | 39% | 67% |
| Reconstruction of old steel pipes using polyethylene pipes | 2 km | 132 km |

### ESO network reliability indicators

| | 2017 baseline | 2020 result | 2030 target |
|---|---|---|---|
| Electricity network | | | |
| SAIFI | 1.32 times | 1.12* times | 0.66 times |
| SAIDI | 138 min | 80.46* min | 70 min |
| Gas network | | | |
| SAIFI | 0.01 times | 0.01 times | 0.01 times |
| SAIDI | 1.16 min | 1.61 min | 0.94 min |

*SAIFI measures the number of supply interruptions per customer per year, SAIDI – the average duration of supply interruption per customer per year.*
** The reliability indicators of electricity distribution 2020 were mainly affected by the strong storm 'Laura' that happened on 12-13 March 2020. The table does not take the influence of the storm on network reliability indicators into consideration.*

**ESO pilot projects to boost network reliability**

ESO inspects around 12,000 km of medium voltage overhead lines. In 2020 ESO piloted a project of inspecting around 1,000 km of overhead power lines using LiDAR (Light Detection and Ranging) technology. With the help of laser scanning from a piloted helicopter, detailed reports about the condition of the surroundings and the power lines themselves were drawn. ESO plans to use this technology in 2021 and 2022 to inspect close to 8,000 lines.

In 2019-2020 a pilot project was being implemented concerning the use of accumulation systems for network voltage control and reduction of network reconstruction costs. Additionally, a study to investigate the distribution network parameters is underway in 2020-2021. Conclusions of this study will be used as a basis for the installation of voltage quality recorders in the distribution network which will be intended for analysis and later adoption of technological solutions regarding voltage directions and interruptions as well as the improvement of other network quality parameters.

## Information security

The Group's business and operations depend on the proper functioning of the Group's key information technologies and operational technologies. There is a potentially significant disruption to the Group's operations if informational and operational technologies fail or if there are data security breaches or other cybersecurity attacks. Cybersecurity is therefore an essential component of the overall safety and security of the operations of the Group.

The Information Security Policy sets the direction and principles ensuring information security and the proper management of related risks at the Group. The Group ensures information security by acting according to the international information security standards (ISO 27001, IEC62443) and global best information security practices. The Group's Shared Service Centre (Ignitis Grupes Paslaugu Centras – GSC) holds the information security management standard ISO 27001:2017, which forms the basis of a unified data protection management strategy and objectives. GSC is the primary Group's IT services provider ensuring that other Group enterprises have secure IT services.

The Group manages cybersecurity risks by periodically evaluating the information security risks of critical business processes, informational technology (IT) and operational technology (OT) systems. To ensure information security, the Group also trains and raises employees' awareness, systematically manages information security incidents, security events, and vulnerabilities. The subsidiary companies are required to identify and assign owners to information assets, IT/OT systems, OT devices, critical business processes; incorporate information security obligations in contracts with third parties, who must ensure the same level of information security as is applicable within the Group.

In 2020, processes related to cyber threat monitoring/detection were continuously strengthened by introducing and updating existing systems. During 2020, the relevance of information security continuously increased as a result of developed and implemented security servers and sensors in some OT systems and wind power plants, the General Data Protection Regulation and internal and external changes being implemented (introduction of smart meters, digitalisation).

The main changes in the field of information security in 2020 are related to the increase of management efficiency. The information security management function has been integrated with other security-related functional areas into the Business Resilience Service and renamed to Digital Security function area.

In 2021, the focus will be on increasing informational and operational networks visibility in the SIEM systems, updating and implementing vulnerability management processes, and developing related monitoring systems and dashboards. These improvements will strengthen the level of information security and contribute to the successful implementation of smart meters, digitalisation and other related changes.

## Emergency preparedness

As an owner of flexible generation and energy distribution infrastructure the Group has developed comprehensive emergency preparedness plans and procedures. The Group's power plants and other facilities, including its natural gas and waste-to-energy/biomass, heat and power plants, hydropower facilities, wind farms, distribution infrastructure and information systems controlling these facilities are subject to system failure, power outage, capacity limitation and physical damage due to natural disasters as well as a number of other emergencies that could interrupt the generation and distribution of energy and other aspects of the Group's business.

Ignitis Group and Lithuania's Police Department signed a renewed cooperation agreement to ensure crime prevention and cybersecurity. The cooperation will strengthen the resilience of the Group to various internal and external risks

In the Group, the approach to emergency preparedness is established in the Business Continuity Policy and related documents and standards. The Policy provides a framework that ensures the Group's preparedness for unforeseen disruptions. The highest level of attention is paid to safe and uninterrupted operations: the Business Continuity Policy and crisis management plans of the Group of companies are reviewed and approved by the Group's Management Board.

On the basis of the business impact analysis, business continuity plans are prepared in each of the Group's subsidiary companies in coordination with the parent company. The main business continuity plans of the Group companies are: the Business Continuity Plan, the Emergency Plan, the Crisis Management Plan and the Disaster Recovery Plan. The Business Continuity Policy sets out responsibilities for the preparation, review, and periodic testing of the plans. Regular training exercises are also held in the Group companies.

In 2020 due to the pandemic, worker health and safety had to be ensured while maintaining the critical energy generation and distribution operations. Read more about our approach in the section 'Occupational Health and Safety'.

# Responsible and sustainable supply chain

A broad variety of services and products are required for the successful operations of the Group. At the same time, by purchasing services, products and operations for its needs, the Group can stimulate market demand for transparent, responsible and sustainable solutions. The Group companies that are contracting authorities and contracting entities choose new suppliers through public procurement according to the provisions of the Law on Public Procurement/Law on Procurement of Utility Entities. A smaller share of the Group companies' procurements is not public but rather commercial and regulated by the resolutions of the Government of the Republic of Lithuania. The Group's Commercial and Resolution-Regulated Procurement Policy, guidelines and process descriptions regulate the planning, execution, and control procedures of the latter category of procurements.

Public procurements are centralised, which enables a unified public procurement process and compliance with legal acts as well as greater transparency. The optimised process enables effective procurement of necessary goods, services or works, flexible distribution of the workload and more focused development of specialists' competences.

The public procurement processes are regulated in the legal acts of the Group and Ignitis Grupės Paslaugų Centras (GSC) – the Public Procurement Policy, guidelines, standards, and in other detailed documents. Public procurements planning is conducted annually. The system of quantitative and qualitative indicators of public procurements has been created and is constantly monitored, which can effectively identify deviations from the set targets and allow for prompt actions.

Employee Withdrawal and Removal from Procurement Procedures Standard of the Group applies to all types of procurement within the Group, with the help of which we ensure the proper management of conflicts of interest, set out measures to avoid them, implement decisions based on principles of impartiality, transparency and publicity and thereby shape a corruption-intolerant environment. There is an established procedure for the withdrawal or removal of employees from decision-making due to a conflict of interest.

**96.9%** Share of total value of goods / services / works procured using public procurement procedure with publication to total goods / services / works procured

**Around 2%** Share of total value of procured goods / services / works from a single supplier to total goods / services / works procured

We have been nominated and **awarded for the application of the qualification systems in the smartly organised procurements** category of the most effective public procurement awards organised by the Ministry of Economy and Innovation. The qualification system allows us to organise public procurements more effectively (the procurement process duration is reduced by about 20% and the effective time spent by a person to perform the procurements process is reduced by about 20%).



GRI 102-9 GRI 103-1 GRI 103-2 GRI 103-3

## Supplier selection and evaluation

The suppliers must verify the absence of grounds for exclusion in all public procurements, excluding low value and simplified procurements which are not published, and if they cannot verify it – the suppliers are excluded from the public procurement procedure. The grounds for exclusion are associated with criminal activity, fraud, corruption, terrorist activity, money laundering, child labour and other forms of human trafficking, tax evasion, illegal agreements, professional misconduct, etc. The requirements are set out in the European Single Procurement Document (ESPD), which suppliers must submit to the Group. Documentary evidence is submitted before signing the contract.

Depending on the procurement object, a public procurement procedure can include supplier suitability requirements (e.g. permits to conduct commercial activities), their economic, financial, technical, and professional capacities.



We plan to increase our focus on green procurement and prepare a separate Supplier Code of Ethics in 2021

- During a public procurement procedure, additional measures can be performed to verify that suppliers have the option/ capacity to comply with the effective national environmental, social, safety and/or work standards as well as the requirements set by the company of the Group.
- If objects being procured may be procured using environmental criteria set out in the Order of the Minister of Environment, the Group performs green public procurements and dismisses the tenders which do not meet such criteria.
- Separate procurements can apply additional energy efficiency and other environmental (for example, compliance with environmental management systems or standards) requirements.
- Additionally, in some cases, social criteria are applied to tender assessments– how much the offered monthly median wage of the employees who will execute the contract and its tasks exceeds the official minimum wage of the Republic of Lithuania. The greater the supplier's remuneration for the employees performing the contact, the higher is the assessment of their tender.
- If procurement relates to national security according to preestablished criteria, before its initiation together with the Ministry of National Defence of Lithuania we evaluate the technology risks related to the information infrastructure of high importance. Before concluding contracts related to national security, we ensure that their compliance with national security interests is assessed by the Commission for Coordination of Protection of Objects of Importance to National Security.
- Contracts with winners of commercial and resolution-regulated procurement tenders are concluded only after the completion of supplier due diligence in accordance with the Anti-corruption Control Measure Standard.

The Group applies a unified standard for conclusion, execution and enforcement of contracts as well as other internal legal acts. Pursuant to this standard, a timely execution of the contract in accordance with its terms and conditions is ensured and possible cases of violation of the contract or inadequate execution of it must be reacted to preventatively.

The contracts stipulate that suppliers commit to comply with the requirements of the Anticorruption Policy and the Code of Ethics while executing the contracts. All contracts set out mechanisms that ensure contract execution (for example, fines, late fees, bank guarantees), and provisions for upholding environmental, safety standards and work safety requirements.

2020 saw the implementation of many procurement process updates, complex updates of the public procurement document forms, the standardisation and other upgrades allowing to save time spent on procurement processes. New robots are being used in procurement processes. Also, a training programme was created for employees and procurement project managers of the Group companies who initiate and execute the procurement processes.

Further development of procurement processes is expected in 2021. The Group is planning to increase its focus on green procurement and prepare a separate Supplier Code of Ethics in the coming year.

| | |
|---|---|
| **Proportion of spending on local suppliers** | Around 80% |
| **New suppliers that were screened using social criteria** | Around 500 procurement procedures screened using the ESPD criteria, comprising around 96% of the total procured value. Less than 2% potential suppliers were eliminated from the procurement procedures as a result. |

GRI 204-1 GRI 414-1

# Sustainable financial instruments




## Green Bonds

Due to its size and unique position in the capital market of Lithuania and the wider Baltic region, the Group promotes the development of sustainable finance and especially the green bond market. At the end of 2020, two thirds of the bonds issued to date were green. For the Group, green finance is one of the strategic transformation tools that ensure investments for sustainable future energy solutions.

The Group has successfully completed two green bond issuances (in 2017 and 2018) with a total face value of EUR 600 million, with the 2017 bond being awarded the Green Bond Pioneer award by the Climate Bonds. The bond issued in 2020, in the value of EUR 300 million, is for general corporate purposes.

Proceeds of the green bonds are being used for a number of projects which are expected to contribute to reducing carbon emissions. Projects are required to meet the eligibility criteria set out in the company's Green Bond Framework, which was established in 2017 and is published on the Group's website. Independent Norwegian Centre for International Climate Research (CICERO) and Swedish Environmental Research Institute have granted the highest green category to the Green Bond Framework of the Group.

The Green Bond Framework sets out, among other things, the type of projects and investments that are eligible for proceeds raised from Green Bonds, the process for selection and allocation of proceeds to eligible projects and how the Group will manage and report on the allocation and impact of its Green Bonds.

The Group is planning to finance further investments in wind and solar energy, efficiency enhancement of the electricity distribution grid, as well as clean transportation projects. The Group reports annually in the Green Bond Investors Letter on the fund allocation to eligible projects and their assumed positive environmental effect.

## Funding energy smart tech solutions

As part of its commitment to innovation, in 2017 the Group established the Ignitis Innovation Fund (previously – Smart Energy Fund) managed by Contrarian Ventures which provides funding for early stage start-ups in the energy sector. In addition to financing start-ups and promoting the development of energy solutions, Ignitis Innovation Fund helps attract talent and ideas from outside, the potential of which can be used to increase the quality and efficiency of services. The activities of the venture capital fund also contribute to increasing Lithuania's competitiveness in EnergyTech. According to the Fund's updated strategy, in 2020 the size of the fund has been increased to EUR 12.5 million, and the Fund plans to invest about EUR 2 million each year.

The Fund invests in early stage companies that manage or develop software or technological equipment, products or services in the following energy sectors:

- data and analytics;
- smart grids;
- virtual power plants;
- energy efficiency;
- small-scale electricity generation;
- energy storage technologies;
- bioenergy, solar and wind energy technologies;
- non-polluting or electric transport.

The Ignitis Innovation Fund has invested in energy start-ups based in the Baltics, the UK, Israel, Sweden, Norway and France, including PVcase (solar design and engineering), Inbalance grid (electric vehicle charging solutions), Moixa (smart battery), H2Pro (green, carbon-free hydrogen production technology), Sterblue (AI automating infrastructure inspection) and Zoomo (sustainable mobility solutions).

In 2020 the total investment in start-ups through the Ignitis Innovation Fund amount to over EUR 2 million.

| Ignitis Innovation Fund investments in 2020, EUR thousands | |
|---|---|
| **Existing portfolio start-ups with follow-on investments in 2020** | |
| Switchee | 113 |
| H2Pro | 231 |
| Zoomo | 326 |
| Sterblue | 187 |
| Inion | 25 |
| Fusebox | 100 |
| Chooose | 44 |
| Hepta | 100 |
| **New start-up investments in 2020** | |
| Vianova | 500 |
| Eliq | 300 |
| InBalance | 132 |

# 5.6 Memberships and partnerships

We carry out sustainable activities together with our partners. By participating in the activities of various organisations, we share our experience and learn from others.

In 2016, the Group expressed its support for the United Nations Global Compact and committed itself to implementing its activities in accordance with the 10 principles of the pact. As a member of the Baltic Institute of Corporate Governance (BICG), the Group contributes to improving the transparency, competitiveness, and governance of companies in the Baltic region. The Group also participates in the activities of the National Lithuanian Energy Association (NLEA) and the Lithuanian Responsible Business Association (LAVA).

In 2019, the Group joined Wind Europe, which unites members of the wind industry in Europe and the world. Group companies developing renewable resource projects participate in the activities of the Lithuanian Wind Power Association and other organisations operating in this field.

In 2020 one of the Group companies Ignitis joined the Lithuanian Solar Energy Association. Together with the association, we seek to raise awareness among the public about the advantages of solar energy.

The Group cooperates with the largest Lithuanian universities, contributes to the development of studies and practical programmes, and participates in events and other activities.

The highest standards of transparency are a very important part of the Group's activities, to which we pay great attention, so we cooperate with the Special Investigation Service of Lithuania in ensuring the prevention of corruption. We also work with the Police Department to ensure the highest standards of cyber security and crime prevention.

We aim to contribute to the development of the energy sector, so together with partners we participate in Intelligent Energy lab and Clean Technology Cluster projects.

**Organisations of which the Group companies are members**

**Our partners**

GRI 102-12 GRI 102-13

# 5.7 GRI content index

AR refers to the Annual Report and SR to the Sustainability Report.

| GRI Standard | Title | Page of AR or SR |
|---|---|---|
| **ORGANIZATIONAL PROFILE** | | |
| 102-1 | Name of the organization | AR 5 |
| 102-2 | Activities, brands, products, and services | AR 14 |
| 102-3 | Location of headquarters | AR 15 |
| 102-4 | Location of operations | AR 15 |
| 102-5 | Ownership and legal form | AR 12 |
| 102-6 | Markets served | AR 15 |
| 102-7 | Scale of the organization | AR 33, SR 116 |
| 102-8 | Information on employees and other workers | SR 118 |
| 102-9 | Supply chain | SR 139 |
| 102-10 | Significant changes to the organization and its supply chain | AR 7, 12 |
| 102-11 | Precautionary Principle or approach | SR 100 |
| 102-12 | External initiatives | SR 142 |
| 102-13 | Membership of associations | SR 142 |
| **STRATEGY** | | |
| 102-14 | Statement from senior decision-maker | AR 5 |
| 102-15 | Key impacts, risks, and opportunities | AR 78, SR 96 |
| **ETHICS AND INTEGRITY** | | |
| 102-16 | Values, principles, standards, and norms of behaviour | AR 16, SR 113 |
| 102-17 | Mechanisms for advice and concerns about ethics | SR 130, 133 |
| **GOVERNANCE** | | |
| 102-18 | Governance structure | AR 55, SR 93 |
| 102-19 | Delegating authority | SR 93 |
| 102-20 | Executive-level responsibility for economic, environmental, and social topics | SR 93 |
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | SR 96 |
| 102-22 | Composition of the highest governance body and its committees | AR 55 |
| 102-23 | Chair of the highest governance body | AR 59 |
| 102-24 | Nominating and selecting the highest governance body | AR 58 |
| 102-25 | Conflicts of interest | AR 58 |
| 102-26 | Role of highest governance body in setting purpose, values, and strategy | AR 58, SR 93 |
| 102-27 | Collective knowledge of highest governance body | SR 93 |
| 102-28 | Evaluating the highest governance body's performance | AR 65, 76, SR 93 |
| 102-29 | Identifying and managing economic, environmental, and social impacts | SR 93, 96 |
| 102-30 | Effectiveness of risk management processes | AR 67, 79 |
| 102-31 | Review of economic, environmental, and social topics | AR 58 |
| 102-32 | Highest governance body's role in sustainability reporting | SR 93 |
| 102-33 | Communicating critical concerns | AR 62, 65, 67 |
| 102-34 | Nature and total number of critical concerns | AR 62, 65, 67 |
| 102-35 | Remuneration policies | AR 74 |
| 102-36 | Process for determining remuneration | AR 73, 74 |
| 102-37 | Stakeholders' involvement in remuneration | AR 73, 74 |
| 102-38 | Annual total compensation ratio | SR 118 |
| 102-39 | Percentage increase in annual total compensation ratio | SR 118 |
| **STAKEHOLDER ENGAGEMENT** | | |
| 102-40 | List of stakeholder groups | SR 96 |
| 102-41 | Collective bargaining agreements | SR 119 |
| 102-42 | Identifying and selecting stakeholders | SR 96 |
| 102-43 | Approach to stakeholder engagement | SR 96 |
| 102-44 | Key topics and concerns raised | SR 96, 99 |
| **REPORTING PRACTICE** | | |
| 102-45 | Entities included in the consolidated financial statements | AR 85-88, SR 90 |

GRI 102-55

| GRI Standard | Title | Page of AR or SR |
|---|---|---|
| 102-46 | Defining report content and topic Boundaries | SR 90, 96 |
| 102-47 | List of material topics | SR 97 |
| 102-48 | Restatements of information | SR 90 |
| 102-49 | Changes in reporting | SR 96 |
| 102-50 | Reporting period | SR 90 |
| 102-51 | Date of most recent report | SR 90 |
| 102-52 | Reporting cycle | SR 95 |
| 102-53 | Contact point for questions regarding the report | SR 90 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | SR 90 |
| 102-55 | GRI content index | SR 143-145 |
| 102-56 | External assurance | SR 90 |
| 103-1 | Explanation of the material topic and its Boundaries | SR 98 |
| **GRI 201: ECONOMIC PERFORMANCE 2016** | | |
| 201-1 | Direct economic value generated and distributed | SR 132 |
| 201-2 | Financial implications and other risks and opportunities due to climate change | SR 101 |
| 201-3 | Defined benefit plan obligations and other retirement plans | SR 118 |
| 201-4 | Financial assistance received from government | SR 132 |
| **GRI 202: MARKET PRESENCE 2016** | | |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | SR 118 |
| **GRI 204: PROCUREMENT PRACTICES 2016** | | |
| 103-1/2/3 | Management Approach | SR 139-140 |
| 204-1 | Proportion of spending on local suppliers | SR 140 |
| **GRI 205: ANTI-CORRUPTION 2016** | | |
| 103-1/2/3 | Management Approach | SR 130-131 |
| 205-2 | Communication and training about anti-corruption policies and procedures | SR 131 |
| 205-3 | Confirmed incidents of corruption and actions taken | SR 131 |
| **GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016** | | |
| 103-1/2/3 | Management Approach | SR 131-132 |
| 206-1 | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | SR 132 |
| **GRI 207: TAX 2019** | | |
| 207-4 | Country-by-country reporting | SR 132 |
| **GRI 302: ENERGY 2016** | | |
| 103-1/2/3 | Management Approach | SR 114 |
| 302-1 | Energy consumption within the organization | SR 114 |
| 302-3 | Energy intensity | SR 114 |
| **GRI 303: WATER AND EFFLUENTS 2018** | | |
| 103-1/2/3 | Management Approach | SR 110-111 |
| 303-3 | Water withdrawal | SR 111 |
| 303-4 | Water discharge | SR 111 |
| 303-5 | Water consumption | SR 111 |
| **GRI 304: BIODIVERSITY 2016** | | |
| 103-1/2/3 | Management Approach | SR 107-108 |
| 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | SR 109 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | SR 107 |
| 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | SR 109 |
| **GRI 305: EMISSIONS 2016** | | |
| 103-1/2/3 | Management Approach | SR 100-102 |
| 305-1 | Direct (Scope 1) GHG emissions | SR 102 |
| 305-2 | Energy indirect (Scope 2) GHG | SR 102 |
| 305-3 | Other indirect (Scope 3) GHG emissions | SR 102 |
| 305-4 | GHG emissions intensity | SR 102 |
| 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | SR 110 |
| **GRI 306: WASTE 2020** | | |
| 103-1/2/3 | Management Approach | SR 112-113 |
| 306-1 | Waste generation and significant waste-related impacts | SR 112 |

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| GRI Standard | Title | Page of AR or SR |
|---|---|---|
| 306-2 | Management of significant waste-related impacts | SR 112 |
| 306-3 | Waste generated | SR 113 |
| **GRI 307: ENVIRONMENTAL COMPLIANCE 2016** | | |
| 103-1/2/3 | Management Approach | SR 100 |
| 307-1 | Non-compliance with environmental laws and regulations | SR 113 |
| **GRI 401: EMPLOYMENT 2016** | | |
| 103-1/2/3 | Management Approach | SR 117-118 |
| 401-1 | New employee hires and employee turnover | SR 124 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | SR 117 |
| 401-3 | Parental leave | SR 124 |
| **GRI 402: LABOUR MANAGEMENT RELATIONS 2016** | | |
| 103-1/2/3 | Management Approach | SR 119 |
| 402-1 | Minimum notice periods regarding operational changes | SR 119 |
| **GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018** | | |
| 103-1/2/3 | Management Approach | SR 125-126 |
| 403-1 | Occupational health and safety management system | SR 125 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | SR 126 |
| 403-3 | Occupational health services | SR 126 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | SR 125 |
| 403-5 | Worker training on occupational health and safety | SR 126 |
| 403-6 | Promotion of worker health | SR 126 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | SR 126 |
| 403-8 | Workers covered by an occupational health and safety management system | SR 125 |
| 403-9 | Work-related injuries | SR 125 |
| **GRI 404: TRAINING AND EDUCATION 2016** | | |
| 103-1/2/3 | Management Approach | SR 120-122 |
| 404-1 | Average hours of training per year per employee | SR 121 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | SR 120-121 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | SR 121 |
| **GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016** | | |
| 103-1/2/3 | Management Approach | SR 123 |
| 405-1 | Diversity of governance bodies and employees | SR 124 |
| 405-2 | Ratio of basic salary and remuneration of women to men | SR 124 |
| **GRI 406: NON-DISCRIMINATION 2016** | | |
| 406-1 | Incidents of discrimination and corrective actions taken | SR 123 |
| **GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016** | | |
| 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | SR 119 |
| **GRI 408: CHILD LABOUR 2016** | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labour | SR 119 |
| **GRI 409: FORCED OR COMPULSORY LABOUR 2016** | | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | SR 119 |
| **GRI 413: LOCAL COMMUNITIES 2016** | | |
| 103-1/2/3 | Management Approach | SR 127-128 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | SR 127 |
| **GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016** | | |
| 103-1/2/3 | Management Approach | SR 139-140 |
| 414-1 | New suppliers that were screened using social criteria | SR 140 |
| **GRI 418: CUSTOMER PRIVACY 2016** | | |
| 103-1/2/3 | Management Approach | SR 132-133 |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | SR 133 |
| **GRI 419: SOCIOECONOMIC COMPLIANCE 2016** | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | SR 132 |

GRI 102-55

# 5.8 Nasdaq ESG indicators

The ESG indicator data provided below has not been externally verified and represents the best available estimates at the point of disclosure. Additionally, as indicated throughout the disclosures, some indicator values are of preliminary nature and will be updated once more information is available.

## Environmental Indicators

| E1. Greenhouse Gas Emissions* | | 2020 | 2019 |
|---|---|---|---|
| Scope 1 | t $CO_2$ eq | 820,188 | 236,075 |
| Scope 2 (location-based) | t $CO_2$ eq | 220,814 | 194,482 |
| Scope 2 (market-based) | t $CO_2$ eq | 462,210 | 381,774 |
| Scope 3 | t $CO_2$ eq | 6,498,925 | 7,424,459 |
| Biomass | t $CO_2$ eq | 44,881 | 50,081 |

*E1 | UNGC: P7 | GRI 305-1,305-2,305-3 | SASB: General Issue / GHG Emissions | TCFD: Metrics & Targets*
** Provided data is being verified at the date of publication of the report.*

| E2. Emissions Intensity | | 2020 | 2019 |
|---|---|---|---|
| GHG emissions from electricity and heating production per kWh produced | g $CO_2$ eq/kWh | 205 | 19 |
| GHG emissions (all scopes) per unit of revenue | t $CO_2$ eq/EURm | 6,362 | 7,374 |

*E2 | UNGC: P7, P8 | GRI 305-4 | SDG: 13 | SASB: General Issue / GHG Emissions, Energy Management*

| E3. Energy Usage | | 2020 | 2019 |
|---|---|---|---|
| Total energy consumption | GWh | 4,259 | 1159 |
| Of which energy from natural gas | GWh | 2,547 | 114 |
| Of which energy from biomass | GWh | 138 | 154 |
| Of which energy from petrol | GWh | 2 | 3 |
| Of which energy from diesel | GWh | 19 | 21 |
| Of which energy from electricity | GWh | 1,108 | 859 |
| Of which energy from hydro* | GWh | 3 | 4 |
| Of which energy from waste | GWh | 436 | - |
| Of which energy from heating | GWh | 6 | 5 |
| Direct Energy Consumption | GWh | 3,146 | 295 |
| Indirect Energy Consumption | GWh | 1,114 | 864 |

*E3 | UNGC: P7, P8 | GRI 302-1, 302-2 | SDG: 12 | SASB: General Issue / Energy Management*
** Generated and consumed Electricity in Kaunas HPP*

| E4. Energy Intensity | | 2020 | 2019 |
|---|---|---|---|
| Total energy consumption per unit of revenue | GWh/EURm | 3.48 | 1.06 |
| Energy consumed for production per MWh energy produced | GJ/MWh | 4.3 | 2.7 |

*E4 | UNGC: P7, P8 | GRI 302-3 | SDG: 12 | SASB: General Issue / Energy Management*

| E5. Energy Mix* | | 2020 | 2019 |
|---|---|---|---|
| Non-Renewable Energy | % | 90 | 47 |
| Renewable Energy | % | 10 | 53 |

*E5 | GRI 302-1 | SDG: 7 | SASB: General Issue / Energy Management*
** Only from direct consumption.*

| E6. Water Usage | | 2020 | 2019 |
|---|---|---|---|
| Total water consumed | Thousand m³ | 8,115,052 | 8,230,840 |
| Total water reclaimed (Kruonis PSHP) | Thousand m³ | 3,169,405 | 2,430,691 |

*E6 | GRI: 303-5 | SDG: 6 | SASB: General Issue / Water & Wastewater Management*

| E7. Environmental Operations | | 2020 | 2019 |
|---|---|---|---|
| Does your Group follow a formal Environmental Policy? | Yes/No | Yes | Partially* |
| Does your Group follow specific waste, water, energy, and/or recycling policies? | Yes/No | No | No |
| Does your company use a recognised energy management system? | Yes/No | No | No |

*E7 | GRI: 103-2 | SASB: General Issue / Waste & Hazardous Materials Management*
** Group subsidiaries Ignitis Gamyba and ESO had formal Environmental Policies in 2019. The Group-wide Policy was adopted in August 2020.*

| E8. Climate Oversight / Board | | 2020 | 2019 |
|---|---|---|---|
| Does your Management Board oversee and/or manage climate-related risks? | Yes/No | Yes | Yes |

*E8 | GRI: 102-19, 102-20, 102-29, 102-30, 102-31 | SASB: General Issue / Business Model Resilience, Systematic Risk Management | TCFD: Governance (Disclosure A)*

| E9. Climate Oversight / Management | | 2020 | 2019 |
|---|---|---|---|
| Does your Senior Management Team oversee and/or manage climate-related risks? | Yes/No | Yes | Yes |

*E9 | GRI: 102-19, 102-20, 102-29, 102-30, 102-31 | SASB: General Issue / Business Model Resilience, Systematic Risk Management | TCFD: Governance (Disclosure B)*

| E10. Climate Risk Mitigation | | 2020 | 2019 |
|---|---|---|---|
| Total annual investment in climate-related infrastructure, resilience, and product development: | | | |
| Green generation | EURm | 197.0 | 253.9 |
| Upgrading of electricity networks | EURm | 49.0 | 44.4 |
| Upgrading of gas networks | EURm | 9.6 | 7.0 |

*E10 | UNGC: P9 | SASB: General Issue / Physical Impacts of Climate Change, Business Model Resilience | TCFD: Strategy (Disclosure A)*

## Social Indicators

| S1. CEO Pay Ratio | | 2020 | 2019* |
|---|---|---|---|
| CEO Salary & Bonus (X) to median FTE Salary | X:1 | 7.58 | 6.70 |

*S1 | UNGC: P6 | GRI 102-38*
**Excluding Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "VVP Investment", Ignitis Eesti OÜ.*

| S2. Gender Pay Ratio | | 2020 | 2019* |
|---|---|---|---|
| Median total compensation for men (X) to median total compensation for women | X:1 | 1.19 | 1.20 |

*S2 | UNGC: P6 | GRI: 405-2 | SASB: General Issue / Employee Engagement, Diversity & Inclusion*
**Excluding Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "VVP Investment", Ignitis Eesti OÜ.*

| S3. Employee Turnover | | 2020 | 2019* |
|---|---|---|---|
| Change over period for full-time employees | % | 8.1 | 9.8 |
| Change over period for part-time employees | % | 34.8 | 28.6 |
| Change over period for contractors and/or consultants | % | 36.5 | 70.4 |

*S3 | UNGC: P6 | GRI: 401-1b | SDG: 12 | SASB: General Issue / Labor Practices*
** Excluding Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "VVP Investment", Ignitis Eesti OÜ.*

| S4. Gender Diversity | | 2020 | 2019 |
|---|---|---|---|
| Total Group headcount held by men and women | % | Women – 28<br>Men – 72 | Women – 28<br>Men – 72 |
| Trainees positions held by men and women | % | Women – 25<br>Men – 75 | no data |
| Worker-level positions held by men and women | % | Women – 1<br>Men – 99 | Women – 1<br>Men – 99 |
| Specialist-level positions held by men and women | % | Women – 36<br>Men – 64 | Women – 35<br>Men – 65 |
| Mid-level positions held by men and women | % | Women – 33<br>Men – 77 | Women – 31<br>Men – 69 |
| Senior-level positions held by men and women | % | Women – 21<br>Men – 79 | Women – 23<br>Men – 77 |
| Executive-level positions held by men and women | % | Women – 18<br>Men – 82 | Women – 24<br>Men – 76 |

*S4 | UNGC: P6 | GRI: 102-8, 405-1 | SASB: General Issue / Employee Engagement, Diversity & Inclusion*

| S5. Temporary Worker Ratio | | 2020 | 2019* |
|---|---|---|---|
| Total headcount held by part-time employees | % | 0.89 | 1.18 |
| Total headcount held by contractors and/or consultants | % | 2.5 | 2.18 |

*S5 | GRI: 102-8 | UNGC: P6*
** Excluding Group subsidiaries UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm Sp. z o. o., Tuuleenergia OÜ, UAB "VVP Investment", Ignitis Eesti OÜ.*

| S6. Non-Discrimination | | 2020 | 2019 |
|---|---|---|---|
| Does your Group follow a sexual harassment and/or non-discrimination policy? | Yes/No | Yes | Yes |

*S6 | UNGC: P6 | GRI: 103-2 (see also: GRI 406: Non-Discrimination 2016)|SASB: General Issue / Employee Engagement, Diversity & Inclusion*

| S7. Injury Rate* | | 2020 | 2019 |
|---|---|---|---|
| Frequency of injury events relative to total workforce time | % | 0.08 | 0.41 |

*S7 | GRI: 403-9 | SDG: 3 | SASB: General Issue / Employee Health & Safety*
** Only companies based in Lithuania.*

| S8. Global Health & Safety | | 2020 | 2019 |
|---|---|---|---|
| Does your Group publish and follow an occupational health and/or global health & safety policy | Yes/No | Yes | Yes |

*S8 | GRI: 103-2 (See also: GRI 403: Occupational Health & Safety 2018)|SDG: 3|SASB: General Issue / Employee Health & Safety*

| S9. Child & Forced Labour | | 2020 | 2019 |
|---|---|---|---|
| Does your Group follow a child labour policy? | Yes/No | Yes | Yes |
| Does your Group follow a forced labour policy? | Yes/No | Yes | Yes |
| If yes, does your child and/or forced labour policy cover suppliers and vendors? | Yes/No | No | No |

*S9 | GRI: 103-2 (See also: GRI 408: Child Labour 2016, GRI 409: Forced or Compulsory Labour, and GRI 414: Supplier Social Assessment 2016) |UNGC: P4, P5 | SDG: 8 | SASB: General Issue / Labour Practices*

| S10. Human Rights | | 2020 | 2019 |
|---|---|---|---|
| Does your Group publish and follow a human rights policy? | Yes/No | Yes | Yes |
| If yes, does your human rights policy cover suppliers and vendors? | Yes/No | No | No |

*S10 | GRI: 103-2 (See also: GRI 412: Human Rights Assessment 2016 & GRI 414: Supplier Social Assessment 2016 ) |UNGC: P1, P2 | SDG: 4, 10, 16 | SASB: General Issue / Human Rights & Community Relations*

## Corporate Governance Indicators

| G1. Board Diversity | | 2020 | 2019 |
|---|---|---|---|
| Total Management Board seats occupied by women (as compared to men) | % | 20 | 20 |
| Total Supervisory Board seats occupied by women (as compared to men) | % | 57 | 60 |
| Committee Chairs occupied by women | % | 67 | 67 |

*G1 | GRI 405-1 | SDG: 10 | SASB: General Issue / Employee Engagement, Diversity & Inclusion (See also: SASB Industry Standards)*

| G2. Board Independence | | 2020 | 2019 |
|---|---|---|---|
| Does the company prohibit CEO from serving as Management Board chair? | Yes/No | No | No |
| Total Management Board seats occupied by independents | % | 0* | 0* |
| Total Supervisory Board seats occupied by independents | % | 71** | 60 |

** The parent company has a two-tier corporate governance system. The Management Board is composed of 5 executive directors who are employees of the parent company. Independent members are elected only to the Supervisory Board. See more in the Guidelines for Corporate Governance on our website.*
*** On 8 April 2020 the updated Articles of Association of Ignitis Grupe were registered and a total number of Supervisory Board members was changed from 5 to 7.*

| G3. Incentivized Pay | | 2020 | 2019 |
|---|---|---|---|
| Are executives formally incentivised to perform on sustainability | Yes/No | Yes | Yes |

*G3 | GRI: 102-35*

| G4. Collective Bargaining | | 2020 | 2019 |
|---|---|---|---|
| Total enterprise headcount covered by collective bargaining agreements to the total employee population | % | 73 | 73 |

*G4 | UNGC: P3 | SDG: 8 |GRI: 102-41 | SASB: General Issue / Labour Practices (See also: SASB Industry Standards)*

| G5. Supplier Code of Conduct | | 2020 | 2019 |
|---|---|---|---|
| Are your vendors or suppliers required to follow a Code of Conduct | Yes/No | Yes | No |
| If yes, what percentage of your suppliers have formally certified their compliance with the code | % | N/A* | N/A* |

*G5 | UNGC: P2, P3, P4, P8 | GRI: 102-16, 103-2 (See also: GRI 308: Supplier Environmental Assessment 2016 & GRI 414: Supplier Social Assessment 2016|SDG: 12|SASB General Issue / Supply Chain Management (See also: SASB Industry Standards)*
** There is a Code of Ethics that applies to employees as well as partners and suppliers. In 2021, it is planned to prepare a Supplier Code of Ethics. Data collection is foreseen for 2021, once the Supplier Code of Ethics is in force.*

| G6. Ethics & Anti-Corruption | | 2020 | 2019 |
|---|---|---|---|
| Does your Group y follow an Ethics and/or Anti-Corruption policy? | Yes/No | Yes | Yes |
| If yes, what percentage of your workforce has formally certified its compliance with the policy? | % | 99* | 99* |

*G6 | UNGC: P10 | SDG: 16 | GRI: 102-16, 103-2 (See also: GRI 205: Anti-Corruption 2016)*
** 99% of the workforce of the parent company has formally certified their compliance with the Anti-corruption Policy and 99% of new employees of the Group with the Code of Ethics.*

| G7. Data Privacy | | 2020 | 2019 |
|---|---|---|---|
| Does your Group follow a Data Privacy policy? | Yes/No | Yes | Yes |
| Has your company taken steps to comply with GDPR rules? | Yes/No | Yes | Yes |

*G7 | GRI: 418 Customer Privacy 2016 | SASB: General Issue / Customer Privacy, Data Security (See also: SASB Industry Standards)*

| G8. ESG Reporting | | 2020 | 2019 |
|---|---|---|---|
| Does your Group publish a sustainability report? | Yes/No | Yes | Yes |
| Is sustainability data included in your regulatory filings? | Yes/No | Yes | Yes |

*G8 | UNGC: P8*

| G9. Disclosure Practices | | 2020 | 2019 |
|---|---|---|---|
| Does your Group provide sustainability data to sustainability reporting frameworks? | Yes/No | Yes | Yes |
| Does your Group focus on specific UN Sustainable Development Goals (SDGs)? | Yes/No | Yes | Yes |
| Does your Group set targets and report progress on the UN SDGs? | Yes/No | Yes | No |

*G9 | UNGC: P8*

| G10. External Assurance | | 2020 | 2019 |
|---|---|---|---|
| Are your sustainability disclosures assured or validated by a third party? | Yes/No | Partially* | Partially* |

*G10 | UNGC: P8 | GRI: 102-56*
** GHG emissions are externally verified.*



# Financial statements

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# 6.1 Consolidated financial statements

## For the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union


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The Group's consolidated financial statements were prepared and signed by AB "Ignitis grupė" management on 26 February 2021:

**Darius Maikštėnas**
Chief Executive Officer

**Darius Kašauskas**
Finance and Treasury Director

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras"
Head of Accounting Department acting under
Order No IS-185-20 of 18/12/2020

# Consolidated Statement of Financial Position

**As at 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 7 | 176,077 | 142,737 |
| Property, plant and equipment | 8 | 2,559,554 | 2,347,817 |
| Right-of-use assets | 9 | 63,879 | 61,044 |
| Prepayments for non-current assets | | 40 | 27,809 |
| Investment property | 10 | 5,183 | 5,530 |
| Non-current receivables | 12 | 161,515 | 165,031 |
| Other financial assets | 14 | 7,269 | 3,735 |
| Other non-current assets | 15 | 2,788 | 5,087 |
| Deferred tax assets | 28 | 6,431 | 11,770 |
| **Total non-current assets** | | **2,982,736** | **2,770,560** |
| **Current assets** | | | |
| Inventories | 16 | 33,110 | 46,621 |
| Prepayments and deferred expenses | 17 | 50,703 | 50,548 |
| Trade receivables | 18 | 128,423 | 117,867 |
| Other receivables | 19 | 47,468 | 31,780 |
| Other current assets | 15 | 67,365 | 5,796 |
| Prepaid income tax | | 223 | 2,434 |
| Cash and cash equivalents | 20 | 658,795 | 131,837 |
| | | **986,087** | **386,883** |
| Assets held for sale | 21 | 473 | 40,643 |
| **Total current assets** | | **986,560** | **427,526** |
| **TOTAL ASSETS** | | **3,969,296** | **3,198,086** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | 22 | 1,658,756 | 1,212,156 |
| Reserves | 23 | 269,769 | 259,651 |
| Retained earnings (deficit) | | (86,164) | (172,188) |
| **Equity attributable to equity holders of the parent** | | **1,842,361** | **1,299,619** |
| Non-controlling interests | | 1,470 | 49,001 |
| **Total equity** | | **1,843,831** | **1,348,620** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current loans and bonds | 25 | 1,246,128 | 821,929 |
| Non-current lease liabilities | 27 | 29,128 | 33,818 |
| Grants and subsidies | 29 | 280,370 | 267,949 |
| Deferred tax liabilities | 28 | 52,174 | 38,408 |
| Provisions | 31 | 40,695 | 35,564 |
| Deferred income | 30.1 | 164,413 | 151,910 |
| Other non-current amounts payable and liabilities | | 3,258 | 883 |
| **Total non-current liabilities** | | **1,816,166** | **1,350,461** |
| **Current liabilities** | | | |
| Current portion of non-current loans | 25 | 6,333 | 37,454 |
| Current loans | 25 | 9,143 | 196,737 |
| Lease liabilities | 27 | 13,401 | 8,400 |
| Trade payables | 32 | 51,693 | 78,567 |
| Advances received | 30.2 | 42,644 | 51,745 |
| Income tax payable | | 7,738 | 6,171 |
| Provisions | 31 | 30,399 | 19,818 |
| Deferred income | 30.1 | 8,579 | 9,749 |
| Other current amounts payable and liabilities | 33 | 139,369 | 85,042 |
| | | **309,299** | **493,683** |
| Liabilities directly associated with the assets held for sale | | - | 5,322 |
| **Total current liabilities** | | **309,299** | **499,005** |
| **Total liabilities** | | **2,125,465** | **1,849,466** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,969,296** | **3,198,086** |

# Consolidated Statement of Profit or Loss and other Comprehensive Income

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 2020 | 2019 (restated)* |
|---|---|---|---|
| Revenue from contracts with customers | 34 | 1,215,355 | 1,080,559 |
| Other income | 35 | 7,735 | 18,717 |
| **Total revenue and other income** | | **1,223,090** | **1,099,276** |
| Purchases of electricity, gas and other services | 36 | (702,591) | (726,649) |
| Salaries and related expenses | | (92,793) | (86,986) |
| Repair and maintenance expenses | | (34,072) | (29,798) |
| Other expenses | 37 | (56,192) | (48,775) |
| **Total** | | **(885,648)** | **(892,208)** |
| **EBITDA**** | | **337,442** | **207,068** |
| Depreciation and amortisation | 7, 8, 9, 29 | (113,374) | (109,887) |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | 7, 8, 21 | (5,930) | (13,689) |
| Revaluation of emission allowances | 7.1, 31 | (3,223) | (431) |
| **Operating profit (loss) (EBIT**)** | | **214,915** | **83,061** |
| Finance income | 38 | 2,414 | 1,910 |
| Finance expenses | 39 | (22,659) | (18,818) |
| **Finance activity, net** | | **(20,245)** | **(16,908)** |
| **Profit (loss) before tax** | | **194,670** | **66,153** |
| Current income tax (expenses)/benefit | 40 | (11,392) | (6,739) |
| Deferred tax (expenses)/benefit | 28 | (14,016) | (438) |
| **Net profit for the year** | | **169,262** | **58,976** |
| Attributable to: | | | |
| Equity holders of the parent | | 169,816 | 56,665 |
| Non-controlling interest | | (554) | 2,311 |
| **Other comprehensive income (loss)** | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods (net of tax)** | | | |
| Revaluation of property, plant and equipment | 8, 28 | 90 | (2) |
| Revaluation of emission allowances through other comprehensive income | 7, 28 | 17,550 | 721 |
| Remeasurement of the defined benefit plan obligation | | 208 | (28) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | | **17,848** | **691** |
| **Items that may be reclassified to profit or loss in subsequent periods** | | | |
| Exchange differences on translation of foreign operations into the Group's presentation currency | | (2,240) | (5) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | **(2,240)** | **(5)** |
| **Total other comprehensive income (loss) for the year** | | **15,608** | **686** |
| **Total comprehensive income (loss) for the year** | | **184,870** | **59,662** |
| Attributable to: | | | |
| Equity holders of the parent | | 185,084 | 57,351 |
| Non-controlling interests | | (214) | 2,311 |
| **Basic earnings per share (in EUR)** | 41 | **2.88** | **1.04** |
| **Diluted earnings per share (in EUR)** | 41 | **2.88** | **1.04** |
| **Weighted average number of shares** | 41 | **59,050,880** | **54,283,757** |

** Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2019 due to reclassification of comparative figures and changes in general presentation of SPLOCI. See more information disclosed in Notes 5 and 6.*

*** EBITDA – earnings before finance activity, taxes, depreciation, and amortization, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets, revaluation of emission allowances. For more information on EBITDA as an alternative performance measure – see Note 44.*
*EBIT – earnings before finance activity, taxes. For more information on EBIT as an alternative performance measure – see Note 44.*

# Consolidated Statement of Changes in Equity

**For the year ended 31 December 2020**
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 | Legal reserve | Revaluation reserve | Other reserves | Retained earnings | Subtotal | | |
| **Balance as at 1 January 2019** | | **1,212,156** | **-** | **49,851** | **162,935** | **16** | **(169,994)** | **1,254,964** | **47,558** | **1,302,522** |
| Revaluation of non-current assets, net of tax | | - | - | - | (2) | - | - | **(2)** | - | **(2)** |
| Revaluation of emission allowances | | - | - | - | 699 | - | - | **699** | 22 | **721** |
| Exchange differences on translation of foreign operations into the Group's presentation currency | | - | - | - | - | (5) | - | **(5)** | - | **(5)** |
| Result of change in actuarial assumptions | | - | - | - | - | - | (26) | **(26)** | (2) | **(28)** |
| **Total other comprehensive income (loss) for the year** | | **-** | **-** | **-** | **697** | **(5)** | **(26)** | **666** | **20** | **686** |
| Net profit for the year | | - | - | - | - | - | 56,665 | **56,665** | 2,311 | **58,976** |
| **Total comprehensive income (loss) for the year** | | **-** | **-** | **-** | **697** | **(5)** | **56,639** | **57,331** | **2,331** | **59,662** |
| Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax) | | - | - | - | (15,827) | - | 15,827 | **-** | - | **-** |
| Emission allowances utilised | | - | - | - | (812) | - | 812 | **-** | - | **-** |
| Transfer to reserves and movement in reserves | | - | - | 62,796 | - | - | (62,796) | **-** | - | **-** |
| Dividends | 42 | - | - | - | - | - | (13,000) | **(13,000)** | (896) | **(13,896)** |
| Ignitis grupės paslaugų centras UAB issued capital increase portion to non-controlling interest | | - | - | - | - | - | - | **-** | 8 | **8** |
| Other changes in retained earnings | | - | - | - | - | - | 324 | **324** | - | **324** |
| **Balance as at 31 December 2019** | | **1,212,156** | **-** | **112,647** | **146,993** | **11** | **(172,188)** | **1,299,619** | **49,001** | **1,348,620** |
| **Balance as at 1 January 2020** | | **1,212,156** | **-** | **112,647** | **146,993** | **11** | **(172,188)** | **1,299,619** | **49,001** | **1,348,620** |
| Revaluation of non-current assets, net of tax | | - | - | - | 90 | - | - | **90** | - | **90** |
| Revaluation of emission allowances | | - | - | - | 17,210 | - | - | **17,210** | 340 | **17,550** |
| Exchange differences on translation of foreign operations into the Group's presentation currency | | - | - | - | - | (2,240) | - | **(2,240)** | - | **(2,240)** |
| Result of change in actuarial assumptions | | - | - | - | - | - | 208 | **208** | - | **208** |
| **Total other comprehensive income (loss) for the year** | | **-** | **-** | **-** | **17,300** | **(2,240)** | **208** | **15,268** | **340** | **15,608** |
| Net profit for the year | | - | - | - | - | - | 169,816 | **169,816** | (554) | **169,262** |
| **Total comprehensive income (loss) for the year** | | **-** | **-** | **-** | **17,300** | **(2,240)** | **170,024** | **185,084** | **(214)** | **184,870** |
| Issue of share capital | 22 | 446,600 | 3,400 | - | - | - | - | **450,000** | - | **450,000** |
| Transaction costs | 22 | - | (3,400) | - | - | - | (7,632) | **(11,032)** | - | **(11,032)** |
| Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax) | | - | - | - | (15,747) | - | 15,747 | **-** | - | **-** |
| Emission allowances utilised | | - | - | - | (294) | - | 294 | **-** | - | **-** |
| Transfer to reserves, movement in reserves | | - | - | 2,523 | - | - | (2,523) | **-** | - | **-** |
| Dividends | 42 | - | - | - | - | - | (70,000) | **(70,000)** | (2,793) | **(72,793)** |
| Equity acquisition from non-controlling interest | 11 | - | - | 1,207 | 7,717 | - | (20,234) | **(11,310)** | (43,383) | **(54,693)** |
| Sale of disposal group | 21 | - | - | (348) | - | - | 348 | **-** | (1,141) | **(1,141)** |
| **Balance as at 31 December 2020** | | **1,658,756** | **-** | **116,029** | **155,969** | **(2,229)** | **(86,164)** | **1,842,361** | **1,470** | **1,843,831** |

# Consolidated Statement of Cash Flows

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the year | | 169,262 | 58,976 |
| **Adjustments for non-monetary expenses (income):** | | | |
| Depreciation and amortisation expenses | 7, 8, 9 | 122,535 | 118,898 |
| Impairment of property, plant and equipment, including held for sale | 8, 21 | 1,644 | 8,655 |
| Revaluation of property, plant and equipment | 8 | 30 | 787 |
| Revaluation of investment property | 10 | 112 | - |
| Fair value changes of derivatives | | 1,632 | (730) |
| Impairment/(reversal of impairment) of financial assets | 12, 14, 18, 19 | 1,813 | (172) |
| Income tax expenses | 40 | 25,408 | 7,177 |
| Amortisation of grants | 29 | (9,161) | (9,011) |
| Increase/(decrease) in provisions | 31 | 12,359 | 5,010 |
| Inventory write-off to net realizable value/(reversal) | | 315 | (27) |
| Expenses/(income) of revaluation of emission allowances | 7, 31 | 3,223 | 367 |
| Emission allowances utilised | | (5,962) | 880 |
| **Elimination of results of investing activities:** | | | |
| Loss on disposal/write-off of property, plant and equipment | | 2,494 | 3,158 |
| **Elimination of results of financing activities:** | | | |
| Interest income | 38 | (1,152) | (1,547) |
| Interest expenses | 39 | 20,228 | 15,288 |
| Other expenses of financing activities | | 1,169 | 2,899 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other amounts receivable | | (18,599) | 10,429 |
| (Increase)/decrease in inventories, prepayments and other current and non-current assets | | (52,903) | (21,490) |
| Increase/(decrease) in amounts payable, deferred income and advance amounts received | | 17,618 | (17,840) |
| Income tax paid | | (9,591) | (4,552) |
| **Net cash flows from operating activities** | | **282,474** | **177,155** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (303,377) | (428,160) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 14,404 | 39,536 |
| Acquisition of a subsidiary, net of cash acquired | 11 | - | (27,965) |
| Grants received | 29 | 25,757 | 64,048 |
| Interest received | | 547 | 1,054 |
| Finance lease payments received | | 2,359 | 3,543 |
| Other increases/(decreases) in cash flows from investing activities | | - | 657 |
| **Net cash flows from investing activities** | | **(260,310)** | **(347,287)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Increase of share capital | 22 | 450,000 | - |
| Transaction costs | 22 | (11,033) | - |
| Loans received | 26 | 182,950 | 130,937 |
| Issue of bonds | 26 | 295,457 | - |
| Repayments of loans | 26 | (86,798) | (70,394) |
| Lease payments | 26 | (10,351) | (7,379) |
| Interest paid | 26 | (15,885) | (14,146) |
| Dividends paid | 42 | (72,528) | (13,915) |
| Equity acquisition from non-controlling interest | 11 | (35,727) | - |
| **Net cash flows from financing activities** | | **696,085** | **25,103** |
| | | | |
| **Increase/(decrease ) in cash and cash equivalents (including overdraft)** | | **718,249** | **(145,029)** |
| Cash and cash equivalents (including overdraft) at the beginning of the year | 20 | (59,454) | 85,575 |
| **Cash and cash equivalents (including overdraft) at the end of the year** | 20 | **658,795** | **(59,454)** |

# Explanatory Notes to the Consolidated Financial Statements

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

## 1 General information

Ignitis grupė AB (hereinafter "the Company" or "parent company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. On 5 October 2020 the Company increased its share capital and on 7 October 2020 the Company has executed initial public offering (hereinafter "IPO") distributing the increased share capital between private and institutional investors.

The Company's registered office address is Žvejų str. 14, LT-09310, 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. Reporting period is one year ended 31 December 2020.

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 11.

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

| Shareholder of the Group | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | 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 | 100 |
| Other shareholders | 446,600 | 26.92 | - | - |
| | **1,658,756** | | **1,212,156** | |

These consolidated financial statements were prepared and signed for issue by Group's management on 26 February 2021.

The Group's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements. These are consolidated financial statements of the Group. The Company also prepares separate financial statements in accordance with local requirements.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Group's consolidated financial statements (hereinafter "financial statements") for the year ended 31 December 2020 are summarized below:

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union.

The Group's financial statements as at and for the year ended 31 December 2020 have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment (see Note 2.5) , emission allowances measured at revalued amount, investment property, and certain financial instruments measured at fair value.

These financial statements are presented in euros and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated. The Group's financial statements provide comparative information in respect of the previous period. During 2020, presentation of certain line items of the statement of profit or loss and other comprehensive (hereinafter "SPLOCI") was changed; consequently, the presentation of 2019 statement of SPLOCI was amended to correspond to such changes. Additionally, the Group made reclassifications related to presentation of results from derivatives which had impact on SPLOCI prepared for the year ended 31 December 2019. See Note 5 for full disclosure.

## 2.2 New standards, amendments and interpretations

### 2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020:

#### Conceptual Framework in IFRS standards

The International Accounting Standards Board (hereinafter "IASB") issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020

The management of the Group has assessed that these amendments have no impact on these financial statements.

#### IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

The management of the Group has assessed that these amendments have no impact on these financial statements but may impact future periods if the Group enters to any business combinations.

#### International Accounting Standard (hereinafter "IAS") 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS standards.

The management of the Group has assessed that these amendments have no impact on the these financial statements.

#### Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the IASB issued Amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The Amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform (hereinafter "IBOR"), which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (hereinafter "RFR"). There are also Amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from IBOR. The Amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (Exposure draft - ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with RFR.

The management of the Group has assessed that these amendments have no impact on the these financial statements.

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

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

#### IFRS 17: Insurance Contracts

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

The Group's management has assessed that this IFRS will have no impact on the financial position or performance of the Group as insurance services are not provided.

### IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

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

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
The amendments to IFRS 17 have not yet been endorsed by the EU.

The management of the Group has assessed that these amendments will have no impact on the financial statements.

### Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

The management of the Group has assessed that adoption of these amendments may have an impact on the financial statements for future periods if the Group will enter into transactions of sale or contribution of assets for associate or joint venture.

### IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the Covid-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. 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. These amendments have not yet been endorsed by the EU.

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

### IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

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

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of SPLOCI.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU. The management of the Group is currently assessing the impact of these amendments on the financial statements.

### IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 (for more information about COVID-19 refer to the Note 4.1) related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

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

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

### Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly RFR. In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of IBOR on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The management of the Group has assessed that these amendments will have no impact on the financial statements.

## 2.3 Consolidation

### 2.3.1 Consolidation

The financial statements of the Group comprise the financial statements of the parent company and its directly and indirectly controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances and unrealized gains and/or losses on transactions among the Group companies are eliminated.

Non-controlling interest represents a part of net profit and net assets which is not controlled by the Group. Non-controlling interest is reported separately in the consolidated SPLOCI. The share of equity attributable to the non-controlling interest and to the owners of the parent is shown separately in the consolidated statement of financial position.

### 2.3.2 Business combinations

#### 2.3.2.1 Business combination applying IFRS 3 (subsidiaries that are not under common control)

Acquisition of subsidiaries that are not under common control is accounted for using the acquisition method. When the acquisition method is applied the consideration transferred in a business combination is measured as fair value of net assets transferred to the former owners of the acquiree. Acquisition-related costs are recognised in profit or loss of SPLOCI as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period , or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

#### 2.3.2.2 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable net assets assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss of SPLOCI as a bargain purchase gain.

#### 2.3.2.3 Contingent consideration

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss of SPLOCI.

#### 2.3.2.4 Business combination is achieved in stages

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss of SPLOCI. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss of SPLOCI, where such treatment would be appropriate if that interest were disposed of.

#### 2.3.2.5 Business combination of entities under common control

For a business combination of entities under common control the following methods are applied:
(a) the acquisition method set out in IFRS 3 or;
(b) the pooling of interests' method.

In selecting which method to apply to the accounting for business combinations of entities under common control, the Group assesses whether there is a "commercial substance" for which the following criteria are considered:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a 'reporting entity' that did not exist before.

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Acquisition of subsidiaries that are not under common control", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:

- the assets and liabilities of the entities in business combinations are measured at their carrying amounts equal to those reported in the financial statements of the ultimate parent company;
- no newly arising goodwill is recognised on a business combination, however acquiree can recognise intangible assets that meet the recognition criteria in IAS 38;
- any difference between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings.

### 2.3.3 Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received. recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2.4 Foreign currency translation

### 2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter 'the functional currency'). The financial statements are presented in the euros (EUR).

### 2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in SPLOCI.

### 2.4.3 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their SPLOCI are translated at average exchange rates observed during reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss of SPLOCI.

## 2.5 Property, plant and equipment

Property, plant and equipment is measured by applying acquisition cost or revaluation model. The following categories of Property, plant and equipment are accounted for at cost less accumulated depreciation and impairment:

- Assets of Hydro Power Plant, Pumped Storage Power Plant,
- Structures and machinery of Thermal Power Plant (Elektrėnai Complex and Vilnius Thermal Power Plant No 3)
- Cogeneration plant and related installations,
- Gas distribution pipelines, gas technological equipment and installations,
- Wind power plants and their installations,
- IT and telecommunication equipment.

All other property, plant and equipment are measured at revalued amounts, based on periodic valuations by external independent valuers or by the Group's management, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the costs can be measured reliably. All other repairs and maintenance costs charged to SPLOCI during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income of SPLOCI and accumulated to the revaluation reserve in equity. However, the increase is recognised in profit or loss of SPLOCI to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss section. Decreases in the carrying amount of an asset arising on revaluation are generally recognised in profit or loss section; decreases that offset previous increases of the same asset are recognised in other comprehensive income section and charged against the revaluation reserve. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) is charged to profit or loss section and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred tax.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost/revalued amounts to their residual values over their estimated useful lives (number of years), as follows:

| Category of property, plant and equipment | Useful lives (number of years) |
|---|---|
| **Buildings** | 8–75 |
| **Structures and machinery** | |
| - electrical and communication devices | 20–25 |
| - electricity distribution equipment | 15-45 |
| - electrical equipment | 15-35 |
| - other equipment | 5-50 |
| **Wind power plants and their installations** | 20 |
| **Cogeneration plants and their installations** | 30-45 |
| **Assets of Hydro Power Plant, Pumped Storage Power Plant, and Structures and machinery of Thermal Power Plant (Reserve Power Plant and Combined Cycle Unit)** | |
| Assets of Hydro Power Plant, Pumped Storage Power Plant: | |
| - hydrotechnical waterway structures and equipment | 75 |
| - pressure pipelines | 50 |
| - hydrotechnical turbines | 25-40 |
| - other equipment | 8-15 |
| Structures and machinery of Reserve Power Plant: | |
| - structures and infrastructure | 10-70 |
| - thermal and electricity equipment | 10-60 |
| - measuring devices and equipment | 5-30 |
| - other equipment | 8-15 |
| Structures and machinery of Combined Cycle Unit: | |
| - structures and infrastructure | 20-50 |
| - electricity lines | 20-40 |
| - electricity generation equipment | 20-50 |
| **Gas distribution pipelines, gas technological equipment and installations** | 18–55 |
| **IT and telecommunication equipment** | 3-10 |
| **Other property, plant and equipment** | 2-35 |

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

The assets' residual values and useful lives are reviewed at least once per year, and adjusted if appropriate.

For accounting of borrowing costs - see Note 2.11.2.

When asset is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gains or losses are included in profit or loss of SPLOCI. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed. When revalued assets are disposed, the corresponding portion of revaluation reserve is transferred to retained earnings.

Construction in progress is transferred to appropriate categories of property, plant and equipment when asset is completed and ready for its intended use.

## 2.6 Intangible assets

### 2.6.1 Patents, licences and trademarks

Patents, licenses and trademarks are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is calculated using a straight-line basis over the estimated useful life of 3 to 5 years or a specific validity term of a license and/or patent, if any. Useful life is reviewed on year-by-year basis. For the licenses acquired in a business combination (licenses to produce electricity with incentive tariff), useful life is determined to be 12 years.

### 2.6.2 Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 4 years).

### 2.6.3 Emission allowances

For detailed description of accounting policy for emission allowances see Note 2.22.

### 2.6.4 Servitudes

The Group's intangible assets includes 'Servitudes' which comprise the Group's rights to use the land plots owned by third persons on the basis of servitudes. Servitudes comprise statutory and contractual servitudes. Statutory servitudes comprise the Group's rights to use the land plots owned by third persons in which electric networks were established up to 10 July 2004 on the basis of statutory servitudes. Contractual servitudes comprise the Group's rights to use the land plots owned by third persons in which electric networks were established since 2018 on the basis of contractual servitudes. The useful life of an intangible asset (right to use the land which has a servitude) is indefinite, therefore, these assets are not subject to amortisation. Useful life of intangible assets are indefinite since the right to use the land is granted for an indefinite period of time according to the conditions of agreements for compensation for servitudes as well as Civil code. Accordingly, right to use the land (to which servitude is applied) is retained by the Group regardless of the condition, repairs or renewals of Group's assets constructed on the mentioned land. Since right-to-use the land is indefinite both contractual and statutory servitudes are out of scope of IFRS 16 Leases. However, the Group has accounted for provision to compensate land owners for servitudes in accordance with requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see Note 2.18, Provisions). Remeasurement of provision due to changes in underlying assumptions is accompanied with respective adjustment of carrying amount of intangible assets.

The Group tests the intangible assets of servitudes for potential impairment, by comparing their recoverable value with the carrying value at least once per year or when there are signs of impairment. If the value of the asset changes, such change is accounted for by decreasing/increasing the value of the servitudes.

### 2.6.5 Special conditions on land use (protection zones)

The Group's intangible assets include the Group's obligations to register and the right to use a third-party land on the basis of special conditions on land use. The accounting policies applied are similar to those applied for intangible assets 'Servitudes'.

### 2.6.6 Other intangible assets

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years.

The Group's intangible asset amortization expenses are accounted for within depreciation and amortization item in SPLOCI.

## 2.7 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Group to use the leased asset over the life of a lease. The Group recognise a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

### 2.7.1 Initial measurement of right-of-use assets

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Group recognises these costs as part of the cost of right-of-use asset when the Group incurs an obligation for these costs.

### 2.7.2 Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Group measures the right-of-use asset using the cost model. Under the cost model, the Group measures a right-of-use asset at cost less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use assets depreciated by the Group under the depreciation requirements of IAS 16, Property, Plant and Equipment.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

## 2.8 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its property, plant and equipment, intangible assets and right-of-use assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit - hereinafter "CGU") is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in SPLOCI.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in SPLOCI.

## 2.9 Investment property

Investment property, which consists of the Group's buildings and structures, is held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and is subsequently measured at fair value, which is determined by independent property valuers. Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss of SPLOCI for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Certain immovable property may be occupied by the Group, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Group can be sold separately, the Group accounts for such property separately. The portion that is owner-occupied is accounted for under IAS 16 and the portion that is held to earn rentals is accounted for under IAS 40.

## 2.10 Assets held-for-sale

Non-current assets held-for-sale are stated at the lower of the carrying amount and fair value less costs of disposal if the carrying amount is recovered principally through a sale transaction rather than through a continuing use.

## 2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 2.11.1 Financial assets

The Group classifies its financial assets into the following three categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"); and
(iii) financial assets subsequently measured at fair value through profit or loss (hereinafter "FVPL").

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Transaction costs comprise all charges and commissions that the Group would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in SPLOCI. Impairment losses are accounted for as other expenses (Note 37) in SPLOCI.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Group applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Group. The intentions of the Group's management regarding separate instruments has no effect on the applied business model. The Group may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI as the Group does not have this kind of assets, is as follows:

#### 2.11.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (hereinafter “EIR”) method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. The Group’s financial assets at amortised cost includes loans granted by the Group, trade and other amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

#### 2.11.1.2 Financial assets at FVPL

Debt instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are classified as financial assets to be measured at FVPL.

The Group classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss of SPLOCI in the period in which it arises. The Group classifies in this category amounts receivable from EPSO-G (note 4.7), investments to mutual funds units or equity instruments that do not meet the SPPI conditions.

#### 2.11.1.3 Effective interest method

The EIR method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss of SPLOCI over the relevant period.

The EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the EIR, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

#### 2.11.1.4 Impairment of financial assets – expected credit losses

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the Group are calculated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original EIR. The Group estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including forward-looking information.

For short-term trade receivables without a significant financing component the Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables (Note 4.13).

The Group’s management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

For the purpose of determining the lifetime expected credit losses of amounts receivable, the Group on a collective basis applies the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years or of customer types. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics. The non-recoverability analysis is conducted for the last several years in order to determine the general default ratio. As regards different groups of consumers, a different loss ratio matrix is used.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Group's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

Recognition stages of expected credit losses:

1. Upon granting of a loan or concluding a finance lease agreement, the Group recognises the expected credit losses for the twelve-month period. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
2. Upon establishing that the credit risk related to the borrower or lessee has significantly increased, the Group accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
3. Where the Group establishes that the recovery of the loan is doubtful or that the condition of the lessee shows that the loan of this lessee needs to be classified as doubtful debts, the Group classifies this loan (finance lease receivables) as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan (finance lease) is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Group recognises all lifetime expected credit losses of the loan granted or a finance lease agreement is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

#### 2.11.1.5 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

#### 2.11.1.6 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

### 2.11.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

#### 2.11.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade and other payables or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade ant other payables, net of directly attributable transaction costs.

#### 2.11.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL;
- Financial liabilities at amortised cost.

### 2.11.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in SPLOCI.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

### 2.11.2.4 Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, trade payables, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss of SPLOCI when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in SPLOCI.

### 2.11.2.5 Classification and borrowing costs

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the statement of financial position date proves that the liability was non-current by its nature as of the date of the statement of financial position, that financial liability is classified as non-current.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. All other borrowing costs are expensed as incurred. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

### 2.11.2.6 Effective interest rate method

The EIR method is used in the calculation of the amortised cost of a financial liabilities and in the allocation of the interest expenses in profit or loss of SPLOCI over the relevant period.

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability. When calculating the EIR, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, put and similar options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

### 2.11.2.7 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

### 2.11.2.8 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in SPLOCI.

## 2.11.3 Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments transactions related to purchase and sale prices of electricity and gas.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

#### 2.11.3.1 Presentation

Fair value of derivative financial instruments is presented In the statement of financial position as “Other current assets” and “Other current amount payables and liabilities” (Note 33.1).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in SPLOCI either as “Other income” (Note 35),if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 37).

Changes in fair value and result of settled derivatives for hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### 2.11.3.2 Fair value hedges

The change in the fair value of a hedging instrument that is related to electricity or gas prices is recognised in SPLOCI as “Purchases of electricity, gas and other services”. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the same line of SPLOCI.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss of SPLOCI. The group did not have such hedges as at 31 December 2020.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss of SPLOCI.

#### 2.11.3.3 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income part of SPLOCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss part of SPLOCI in other income or expenses (accounting method is similar to derivative financial instruments that do not meet the hedge criteria) . The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

The group does not have cash flow hedges as at 31 December 2020.

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, except for natural gas and liquefied natural gas, the cost of which is determined using the weighted average costing method (see below). The cost of inventories comprises purchase price, taxes (other than those subsequently recoverable by the Group from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The weighted average price is calculated as the weighted average of the stock at the beginning of the month and the purchases during the month.

### 2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under liabilities within current borrowings in the statement of financial position.

### 2.14 Issued capital, share premium

Ordinary shares are classified as equity.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

#### 2.14.1 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (market value of share price).

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in SPLOCI for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

### 2.15 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### 2.15.1 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### 2.15.2 Group as a lessor in operating leases

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in SPLOCI due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 2.15.3 Group as a lessor in finance leases

Leases in which the Group does transfer substantially all the risks and rewards incidental to ownership of an asset or the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent, are classified as finance leases. At the commencement date, Group recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Lease payments are apportioned between finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Finance charges are recognised in Finance income in SPLOCI.

## 2.16 Current and deferred tax

### 2.16.1 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. Calculation of income tax is based on requirements of the countries where the Group operates and the Group company generates taxable income on applicable legislation.

Standard corporate income tax rate of 15 per cent was applicable to the companies in Lithuania, in Poland – 19 per cent.

Standard corporate income tax rate in Latvia and Estonia is 20 (14 in certain cases) per cent on the gross amount of the distribution.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group changes its activities due to which these losses incurred except when the Group does not continue its activities due to reasons which do not depend on Group itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature In terms of utilizing tax losses carried-forward the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

The prepaid income tax and recognised income tax liabilities are offset in the statement of financial position of the Group when they relate to the same taxation authority.

### 2.16.2 Deferred tax

Deferred income tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. These assets and liabilities are not recognised when temporary differences arise from goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The carrying amounts of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred income tax assets could be utilised in full or in part. Deferred income tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

### 2.16.3 Current and deferred income tax for the reporting period

Current and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

### 2.16.4 Intra-group transfer of accrued tax losses

Upon transfer of the accumulated tax losses to other companies of the Group the transferor derecognises deferred tax attributable to transferred tax loss carried forward and recognises the consideration receivable in SPLOCI under ‘Deferred income tax expense’ caption.

## 2.17 Employee benefits

### 2.17.1 Social security contributions

The Group pays social security contributions to the State Social Security Fund (hereinafter “the Fund”) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

### 2.17.2 Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognise termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

Actuarial gains or losses arising from adjustments based on experience or from changes in actuarial assumptions are recognised immediately within the Group’s other comprehensive income. All past service costs are recognised immediately.

### 2.17.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Group upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

## 2.18 Provisions

Provisions are recognised when the Group have a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recorded in SPLOCI, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is applied, increase in the provisions reflecting the period of past time is accounted for as finance expense.

### 2.18.1 Provisions for servitudes

Costs related to provision for servitudes are recognised as intangible assets are measured at amounts to be compensated.

Payments of compensations to land owners are recorded as decreases of provision, while remeasurement of provision due to changes in underlying assumptions is recorded as a change in respective intangible asset (Note 2.6.4).

### 2.18.2 Provisions for registration of protection zones

Costs related to provision for registration of protection zones and compensations are recognised as intangible assets based on the amounts to be compensated.

Payments related to registration of protection zones are recorded as decreases of provision, while remeasurement of provision due to changes in underlying assumptions is recorded as change in respective intangible asset (Note 2.6.5).

## 2.19 Revenue from contracts with customers

The Group in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligations if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

(i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and

(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

Group's major legal performance obligations identified in the contracts with customers are: sale of electricity and gas, supply of electricity, sales of produced electricity, services ensuring the isolated operation of power system and capacity reserve, distribution of gas and electricity, new customers connection, provision of Public Service Obligations (hereinafter "PSO services") and provision of Liquefied Natural Gas Terminal Security Component Obligations (hereinafter "LNGT services").

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Group takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

### 2.19.1 Electricity related revenue

The Group's electricity related revenue includes sale of electricity, revenue from public electricity supply, sale of produced electricity, income from services ensuring the isolated operation of power system and capacity reserve, revenue from electricity transfer (distribution and transmission), income from public service obligations funds (hereinafter "PSO funds"). Electricity related sales are performed to business customers and household customers. Electricity to household customers is supplied at the public electricity tariff. Sale of electricity to business customers is performed according to bilateral agreement.

Accounting policy for revenue from public electricity supply may be presented in accordance with the components of the public electricity tariff applied to the consumed electricity by household customers. The tariff comprises of the following components:

(a) Purchase price of public electricity (Note 2.19.1.2),
(b) Fee for electricity public supply services (Note 2.19.1.2),
(c) Price of electricity transfer services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 2.19.1.5),
(d) Price of electricity system services (includes capacity reserve services) (Note 2.19.1.4),
(e) Fee for PSO services (hereinafter "PSO fees") (Note 2.19.1.6.1).

Regulation of tariffs and the Group's profitability is presented in the Note 2.19.4.

Accounting policy for revenue from business customers is presented in Notes 2.19.1.1, 2.19.1.5.

#### 2.19.1.1 Revenue from the sale of electricity

Revenue from sales of electricity (Note 34 line item "Revenue from the sale of electricity") mainly consists of sale of electricity to business customers (non-household customers) on Power exchange. Revenue from the sale of electricity to non-household customers includes the price of electricity and the fee for electricity supply services. This revenue is recognized in each reporting period on the basis of VAT invoices issued, which includes the calculated amount of electricity consumed. Electricity consumption is calculated on the basis of the declared meter readings provided by consumers.

#### 2.19.1.2 Revenue from public electricity supply

Revenue from public electricity supply (Note 34 line item “Revenue from public electricity supply“) directly relates to public electricity tariff components and consists of the following: sale of consumed public electricity and public supply service fee. Revenue from public electricity supply is recognised over time based and measured on the actual electricity supplied, the quantity of which is determined by meter readings.

Revenue from public electricity supply is regulated (Note 2.19.4).

#### 2.19.1.3 Revenue from sale of produced electricity

The sales of electricity produced (Note 34 line item “Revenue from sale of produced electricity”) using own resources (i.e. green and flexible energy generation, Note 45) are conducted at the Power exchange by submitting electricity sale offers to the Power exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Power exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller’s performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller’s offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller payable at a flat rate. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Group at the Power exchange.

#### 2.19.1.4 Income from services ensuring capacity reserve and isolated operation of the power system

The Group provides services ensuring capacity reserve and isolated operation of the power system (Note 34 line item “Income from the services ensuring the isolated operation of power system and capacity reserve”), for the provision of which is responsible transmission system operator. Transmission service operator purchases the services from the Group according to the bilateral agreement.

Capacity reserve services ensure the required power reserve and are understood as the potential of electricity generation which is used to maintain the set frequency, to ensure the balance of the electricity system and to generate electricity in the event of a decrease in production or an increase in consumption. Capacity reserve services are provided continuously 24 hours a day.

Revenue from capacity reserve services is recognised over time. The price which is paid by transmission system operator to the Group is set up by National Energy Regulatory Council (hereinafter “NERC”) for one MW/h and the quantity is measured as MW for the whole year for 24 hours a day.

Revenue from services ensuring the isolated operation of the power system services is recognised over time. The price of these services which is paid by transmission system operator to the Group is set by NERC for one MW/h and the quantity is agreed in the contract as MW for the whole year. The measurement of the service is performed by the readings of electricity meters.

Revenue from capacity reserve services and services ensuring the isolated operation of power system are regulated by NERC (Note 2.19.4, 4.15.1).

#### 2.19.1.5 Revenue from electricity transmission and distribution

Revenue from transmission and distribution of electricity (Note 34 line item “Revenue from electricity transmission and distribution”) to household customers is recognised in each reporting period on the basis of declared or actual, i.e. determined upon inspection or received via smart meters, readings. If declared or actual meter readings are not available, revenue from transmission and distribution of electricity is recognised based on the average usage estimation method.

Revenue from transmission and distribution of electricity to business customers and household customers is recognised over time based on the actual electricity supplied which is determined according to the readings of electricity meters.

Electricity transmission services in Lithuania are provided and acquired from transmission system operator which is not a part of the Group. The Group collects electricity transmission fees from business customers and households customers and transfer them to transmission system operator. The Group is a principal for transmission services fees and recognise the revenue of them (Note 4.10).

Because the Group has no control over transmission and distribution service obligations provided in Latvia (Note 4.10), the Group treats itself as an agent in the provision of such services: (i) electricity transfer, which includes both transmission and distribution and (ii) gas distribution in Latvia.

Revenue from transmission and distribution of electricity is regulated (Note 2.19.4).

#### 2.19.1.6 Revenue from Public Service Obligations: PSO fees and PSO funds

The purpose of PSO services provision is to implement the strategic objectives of the energy, economic and environmental policy of the Republic of Lithuania, ensuring the implementation of the interests of all electricity consumers. Under the public service obligation scheme approved by Ministry of Energy PSO fees are collected by electricity suppliers from end users through the electricity tariff. PSO fees are transferred further to the budget, from which the PSO funds are distributed (i.e. disbursed) to PSO service providers. The PSO budget is administered by the operator of energy exchange Baltpool UAB, which is engaged in the collection of PSO fees from electricity suppliers and disbursement of PSO funds to PSO service providers. The list of services supported by PSO is determined by the Government of the Republic of Lithuania.

##### 2.19.1.6.1 The Group as an electricity supplier

PSO fee is an integral part of electricity tariff to the customer. The Group collects PSO fees from end-customers, connected to electricity distribution grid, and transfers them to the administrator of PSO funds Baltpool UAB. The Group is agent for PSO fees, collected from the end-customers, and doesn’t recognise the revenue of them (Note 4.11).

#### 2.19.1.6.2 The Group as a PSO service provider

The Group generates electricity using renewable energy sources which are considered as PSO services and are financed by PSO funds through the PSO budget. Revenue from PSO funds is recognised over time according to issued monthly invoices to Baltpool UAB. For measuring the progress of completion the Group using the practical expedient recognises revenue in the amount to which it has a right to invoice. Revenue of PSO funds for 1 MW of electricity supplied to the electricity grid during the month is recognised as the difference between the fixed tariff set by the NERC and the weighted average price of electricity sold in Power exchange in previous month. The quantity of electricity supplied is determined by the readings of metering devices.

Revenue from PSO funds (Note 34 line item “Revenue from PSO”) is regulated (Note 2.19.4)

### 2.19.2 Gas related revenue

The Group’s gas related revenue includes sale of gas, revenue from gas transfer (transmission and distribution) and income of LNGT security component. Gas related sales are performed to business customers and household customers. Income of LNGT security component is received as a compensation for providing services of designated supplier (Note 2.19.2.3.2)

Accounting policy for revenue from natural gas supply to household customers may be presented in accordance with the components of the natural gas tariff applied to the consumed gas by household customers.

Final natural gas tariff to household customers comprise of the following components:

(a) Price of gas import (Note 2.19.2.1)
(b) Price of natural gas transfer services, which includes transmission over high-pressure and distribution over medium and low pressure grid services (Note 2.19.2.2)
(c) LNGT security component (Note 2.19.2.3.1)

Regulation of tariffs and the Group’s profitability is presented in the Note 2.19.4.

Accounting policy for revenue from business customers is presented in Notes 2.19.2.1, 2.19.2.2, for income of LNGT security component – in Note 2.19.2.3.2.

#### 2.19.2.1 Revenue from gas sales

Revenue from sales of gas (Note 34 line item “Revenue from gas sales“) consists of gas sales, that are performed by the Group as a natural gas supplier to household customers and as a designated LNG supplier to gas market.

Revenue from supply of natural gas to end-customers is recognised on a monthly basis referring to the supplied gas quantity readings devices provided by them and verified by the distribution system operator (an accrual basis).

#### 2.19.2.2 Revenue from gas transmission and distribution

Revenue from non-household customers for the transmission and distribution of natural gas (Note 34 line item “Revenue from gas transmission and distribution”) is recognised over time based on to the readings of measuring devices provided by users or, if users did not provide the readings of measuring devices, referring to the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, as agreed with NERC (an accrual basis).

Revenue from household customers is recognised over time based on the quantities of gas calculated according to the approved methodology for the calculation of quantities of natural gas, i.e. the calculation of revenue takes into account mismatches between quantities of gas declared by household customers and quantities of gas transferred to them (an accrual basis).

Revenue from gas transmission and distribution is regulated (Note 2.19.4).

In Lithuania natural gas distribution services are provided by the Group and the revenue from them is recognised over time based on the actual natural gas supplied. Gas transmission services are provided and acquired from company which is not a part of the Group. Fees for transmission services are collected directly from customers or natural gas suppliers, if the customers don’t have a direct contract with the operator of transmission system. The Group is a principal in collection of transmission services fees (Note 4.10).

In Latvia natural gas distribution and transmission services are provided and acquired from the operator of gas transfer network which is not a part of the Group. The Group is an agent in the collection of distribution and transmission services fees in Latvia (Note 4.10).

#### 2.19.2.3 LNGT security component income

The Law on the Liquefied Natural Gas Terminal of the Republic of Lithuania provides that contribution so-called security component related to the following securities of natural gas supply shall be collected from end users and added to the natural gas transmission price:

- for the installation of LNGT, its infrastructure and connection and all fixed operating costs that are not included in other state regulated prices, and
- to compensate for the reasonable costs of supplying the minimum quantity required to ensure the necessary operation of the LNGT.

Similarly to PSO fees, LNGT security component is collected by natural gas suppliers from end users through the natural gas tariff and transferred then to the budget, from which the LNGT funds are distributed (i.e. disbursed) to LNGT service providers.

The Group company Ignitis UAB acts as a natural gas supplier that collects LNGT security component from end users and as designated liquefied natural gas supplier (hereinafter “designated supplier”) the function of which is to ensure the necessary operation of the LNGT by supplying the minimum quantity of natural gas.

#### 2.19.2.3.1 Ignitis UAB activity as natural gas supplier to end users

LNGT security component is an integral part of natural gas tariff to the customer. Payments for LNGT security component collected directly from customers or natural gas suppliers, if the customers don't have a direct contract with the operator of transmission system. Collected amounts of LNGT security component are transferred to gas transmission system operator AB Amber Grid (doesn't belong to the Group) which is appointed to perform the function of administering the LNGT security component. In accordance of IFRS 15 the Group in providing these services consider itself by acting as an Agent and recognises the revenue on a net basis (Note 4.11). Income and disbursements of LNGT security component (regardless whether the net of it is positive or negative) are recognised under the item "Purchases of electricity, gas and other services" in SPLOCI.

#### 2.19.2.3.2 Ignitis UAB activity as designated LNG supplier to gas market

Since 2019, Ignitis UAB is providing dedicated LNG supply function. The subsidiary took over these activities after the acquisition of another company of the Group – LitGas UAB.

In order to maintain the LNG Terminal infrastructure in minimum mode, a certain amount of natural gas, which is to be supplied through the LNG Terminal, is required for filling, regasification or transhipment and supply to the Lithuanian natural gas system or the international LNG market.

The Law on the LNG Terminal and the Description of the Natural Gas Supply Diversification Procedure determines that the required quantity shall be supplied by the designated supplier (nominated by the Ministry of Energy for 10 years) by concluding a contract with the LNG supplier.

To ensure the operation of LNG terminal the designated supplier shall sell the required quantity on a competitive market and therefore its costs which due to the nature of its activities are exclusively borne (whereas other suppliers don't incur) are compensated by operator of transmission system paying LNGT funds that are paid from the budget of LNGT security component collected by natural gas suppliers from end customers. Accordingly, the Group receives revenue from LNGT funds.

The revenue of LNGT funds is recognised over time by issuing VAT invoices to the operator of transmission system according to the statements which are received from it and include information of degassed and (or) reload quantity of LNG and the quantity of LNG used for the Group's technological needs at LNG Terminal. Revenue of LNGT funds is recognised under the "Revenue from contracts with customers" item in SPLOCI. LNGT security component income is presented in Note 34 line item "LNGT security component income".

Revenue from LNGT security component is regulated (Note 2.19.4).

### 2.19.3 Other significant revenue from contracts with customers

#### 2.19.3.1 New customers connection fees

The Group obtains revenue from services of new customers connection to the electricity and natural gas distribution networks (Note 34 line item "Revenue from new customers' connection fees"). Connection fees obtained by the Group are non-refundable upfront fees paid by the customers for the connection to electricity and gas distribution network. The Group signs separate agreements with customers for connection services. The Group also signs agreement with private customers and business customers for electricity and gas distribution. Connection fees do not represent a separate performance obligation from the sale of ongoing distribution of electricity or gas services as they are highly interrelated. Therefore, revenue from connection fees is deferred and recognised as revenue over the estimated average useful life of assets providing the connection service, being 27 years for electricity grid and 46-55 years on for gas grid. Connection fees received from customers which are deferred are accounted as liabilities under connection contracts with customers in the statement of financial position.

### 2.19.4 Regulation of tariffs and profitability

Profitability of some individual Group companies and their individual activities is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

Actual costs of regulated activities incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, actual earnings from regulated activities may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

The Group usually does not recognise assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level, provided the difference will be recovered/refunded only through the provision of services in the future, except those presented in Note 4.15.

#### 2.19.4.1 Regulation of electricity related activities

The NERC regulates the prices of electricity transmission, distribution, public supply services and the price of public electricity by setting price caps. The Group as a public electricity supplier supplies electricity at the public electricity price to all household costumers, who have not chosen an independent electricity supplier.

The public electricity price is regulated by NERC by setting price caps for purchase price of electricity, transmission, distribution services and public supply service fee, by setting specific prices for PSO services and electricity system services and by adding the difference between actual purchase price of electricity and the forecasted electricity price for the previous period.

Customers who are guaranteed by guaranteed electricity supply are subject to the guaranteed supply price, which is regulated by NERC and is calculated by applying the coefficient 1.25 to the average electricity exchange price of the previous reporting month formed in the Lithuanian price zone.

#### 2.19.4.2 Regulation of gas related activities

The NERC regulates the prices of transmission, distribution by setting price caps and price for LNGT security component by setting a specific price.

Liquefied natural gas is sold to regulated (supervised) energy producers at the market price set and approved by NERC. Non-regulated sales of natural gas are conducted at the prices agreed between the parties.

## 2.20 Other revenue

### Operating lease income

Operating lease income is recognised on a straight-line basis over the lease period.

## 2.21 Expense recognition

Expenses are recognised in SPLOCI as incurred applying accrual basis of accounting.

## 2.22 Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis. The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan. A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

### 2.22.1 Intangible assets

The EU emission allowances are treated as intangible assets that were provided by the state or acquired by an entity in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

After the initial recognition (Note 2.23.2) emission allowances are carried using the revaluation method using the active market prices. Increases in the carrying amount arising on the revaluation of emission allowances are presented in other comprehensive income and credited against revaluation reserve directly to equity and decreases in excess of the previously accumulated amount in the revaluation reserve are recognised in the profit or loss of SPLOCI. Upon the realisation of emission units, the positive balance in the revaluation reserve is recognised directly within retained earnings.

### 2.22.2 Government grant

The EU emission allowances provided to the Group at no consideration are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to emission allowances utilised during the validity period of emission allowances or upon their disposal.

### 2.22.3 Provision for the utilisation of emission allowances

As the Group makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred by the Group for the settlement of liability at financial reporting date. The liability can be offset against intangible assets only when the actual quantity of emissions is approved by an appropriate regulatory state authority. Changes in the value of liability are recognised in SPLOCI.

### 2.22.4 Lending of emission allowances

Lending of emission allowances is a sale transaction during which assets are disposed and the right to receive emission allowances is acquired. The right to receive emission allowances is recognised as other non-current assets. Such assets are initially recognised at acquisition cost, and subsequently such assets are tested for impairment as described in Note 2.8.

## 2.23 Grants and subsidies

### 2.23.1 Asset-related grants

For presentation of grants related to assets the Group uses the method which recognises the grant as deferred income that is recognised in SPLOCI on a systematic basis over the useful life of the asset. Government and the EU asset-related grants comprise grants received in the form of non-current assets or in the form of cash intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised in SPLOCI by reducing the depreciation charge of the related asset over the expected useful life of the asset. Liability related to received asset-related grants is presented in the statement of financial position under the non-current liabilities' item "Grants and subsidies".

Upon the revaluation of non-current assets and in case impairment was recognised on revaluation, grants related to this non-current assets are written off in a respective proportion.

### 2.23.2 Income-related grants

Government and the EU grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants related to income are presented as part of SPLOCI.

## 2.24 Dividend distribution

Dividend distribution to the parent company shareholders is recognised as a liability in the Group financial statements in the period in which the dividends are approved by the parent company shareholders.

## 2.25 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

## 2.26 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

## 2.27 Diluted earnings per share

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

## 2.28 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in Note 48.

## 2.29 Related parties

Related parties are defined as shareholders, heads of administration and their deputies, their close family members, state-owned enterprises and companies that directly or indirectly (through the intermediary) control the Group, and such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

## 2.30 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

## 2.31 Fair value

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– In the principal market for the asset or liability
or
– In the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

– Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2: fair value of assets is based on other observable market data, directly or indirectly.
– Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2.32 Put option arrangements

The Group has a written put option over the equity of subsidiary Kauno kogeneracinė jėgainė UAB which permit the holder to put their shares in the subsidiary back to the group in a deadlock situation at the value of funds invested (period of construction and one year after the end of construction) and the market price (one year after start-up) less 15%. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount within liabilities with a corresponding charge directly to non-controlling interest in equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to non-controlling interest in equity.

# 3 Financial risk management

## 3.1 Financial risk factors

The Group is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the Group companies seek to mitigate the impact of factors which could adversely affect the Group financial performance results.

### 3.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency exchange risk.

#### 3.1.1.1 Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The sale/purchase contracts of the Group is mainly denominated in the euro. Foreign exchange risk is mainly characteristic to contracts concluded by the Group for the purchase of natural gas from third parties. Aiming to reduce foreign exchange risk the agreement on natural gas purchase and supply is concluded in the same currency.

#### 3.1.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's income and cash flows are affected by fluctuations in market interest rates because the Group's loans and borrowings had fixed and variable interest rates as at 31 December 2020. The Group has financial assets measured at amortised cost with variable interest rates, therefore, it is exposed to interest rate risk.

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount (in the context of the Group), interest rate derivatives are used for the purpose of interest management, including interest rate swaps, interest rate options, interest rate collars, and interest rate swaptions. The aim is that non-current borrowings with fixed interest rates comprised no less than 50% of the Group's consolidated long-term loan portfolio. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Interest rate risk is assessed in relation to sensitivity of the Group's profit to potential shift in interest rates. This assessment is given in the table below.

| Group | Increase/decrease, percentage points | (Decrease)/increase in profit |
|---|---|---|
| 2020 | 0.3/(0.3) | (50)/50 |
| 2019 | 0.3/(0.3) | (48)/48 |

As at 31 December 2020 the Group had no significant valid interest rate derivatives.

### 3.1.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group's exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (cash and cash equivalents.)

The Group is not exposed to significant credit risk concentration related to trade receivables and other amounts receivable, except as noted below. As at 31 December 2020, other receivables of the Group principally consisted of the EPSO-G UAB outstanding receivables for the sale of LitGrid AB shares in year 2012 (Note 4.7).

The priority objective of the Group's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) not lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk as at 31 December 2020 is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

| | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Financial assets measured at amortised cost:** | | | |
| Non-current receivables | 12 | 1,962 | 3,330 |
| Trade receivables | 18 | 128,423 | 117,867 |
| Other receivables | 19 | 28,180 | 24,858 |
| Cash and cash equivalents | 20 | 658,795 | 131,837 |
| **Amounts receivable under finance lease agreements** | | | |
| Non-current portion | 13 | 8,860 | 21,057 |
| Current portion | 13 | 2,634 | 4,582 |
| **Financial assets measured at FVPL in SPLOCI** | | | |
| Amount receivable on disposal of LitGrid AB | 12,19 | 150,693 | 158,658 |
| Investments into convertible bonds | 14 | - | 500 |
| Derivative financial instruments | 33.1 | 3,311 | 5,788 |
| **In total** | | **982,858** | **468,477** |

### 3.1.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of each Group company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support Group's ordinary activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2020, the Group's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 3.19 and 3.08 respectively (31 December 2019: 0.857 and 0.763 respectively). As at 31 December 2020, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 344,504 thousand (31 December 2019: EUR 283,593 thousand).

The table below summarises the Group's financial liabilities by category:

| | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Amounts payable measured at amortised cost** | | | |
| Borrowings | 25 | 1,261,604 | 1,056,120 |
| Lease liabilities | 27 | 42,529 | 42,218 |
| Non-current trade payables | | 3,239 | 550 |
| Trade payables | 32 | 51,693 | 78,567 |
| Other current amounts payable and liabilities | | 32,005 | 33,327 |
| **Financial liabilities measured at FVPL in SPLOCI** | | | |
| Derivative financial instruments | 33.1 | 2,202 | 3,047 |
| Put option redemption liability | 33 | 16,660 | 16,660 |
| **In total** | | **1,409,932** | **1,230,489** |

The table below summarises the maturity profile of the Group's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | 1 and 5 years | After 5 years | In total |
| Borrowings and lease liabilities | 10,130 | 40,963 | 279,223 | 1,171,891 | **1,502,207** |
| Trade payables and non-current amounts payable to suppliers | 12,923 | 38,770 | 3,239 | - | **54,932** |
| Other payables | 12,166 | 36,499 | - | - | **48,665** |
| Derivative financial instruments | 2,202 | - | - | - | **2,202** |
| **As at 31 December 2020** | **37,421** | **116,232** | **282,462** | **1,171,891** | **1,608,006** |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | 1 and 5 years | After 5 years | In total |
| Borrowings and lease liabilities | 63,447 | 195,787 | 205,307 | 773,628 | **1,238,169** |
| Trade payables and non-current amounts payable to suppliers | 19,642 | 58,925 | 550 | - | **79,117** |
| Other payables | 12,497 | 37,490 | - | - | **49,987** |
| Derivative financial instruments | 3,047 | - | - | - | **3,047** |
| **As at 31 December 2019** | **98,633** | **292,202** | **205,857** | **773,628** | **1,370,320** |

## 3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand, the issued capital of a private limited liability company must be not less than EUR 2,5 thousand, and the shareholders' equity must be not lower than 50% of the company's issued capital. Foreign subsidiaries are subject for compliance with capital requirement according to regulation adopted in those foreign countries. As at 31 December 2020, the Company and all the companies of the Group, except for Ignitis Latvija SIA, complied with these requirements.

When managing the capital risk in a long run, the Group seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure according to internal factors relating to operating activities, also - the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

The Board of the Company has an approved dividend policy, which sets principles for the payment of dividends for all the Group companies. The dividend policy is one of capital risk management tools.

On 3 September 2020 the Board of the Company approved a new dividend policy of the Company. Under the new dividend policy, the Company will pay EUR 85 million in dividends for the financial year 2020. For each subsequent financial year, will allocate at least 3 percent more than the amount paid for the previous financial year.

On 15 December 2020 the Board of the Company approved the updated dividend policy of companies owned by Ignitis Group. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries. According to the updated Dividend Policy of Owned Companies, a subsidiary owned by the Company shall allocate dividends for the financial year or a period shorter than the financial year using at least 80 per cent of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exclusions for paying dividends by subsidiaries may apply if certain conditions are met.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to IFRS as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on financial statements of the Group in the future.

Only significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used refer to other notes of these financial statements.

## 4.1 COVID 19 pandemic

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

### 4.1.1 Going concern

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

### 4.1.2 Residual value and useful life of property, plant and equipment

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

### 4.1.3 Assessment of expected credit losses

The Group's management has assessed past events, current and future economic conditions as at the date of issue of these financial statements in determining the expected credit losses due to impact of COVID-19. The Group's management has determined that the future economic situation due to COVID-19 does not significantly change the matrix of loss ratios used in the calculation of 31 December 2020 expected credit losses on the Group's financial assets comparing to the usual matrix of loss coefficients that is used for expected credit losses' calculation. Also the Group reviewed expected credit losses for financial assets, the assessment of which is performed individually, no significant impairment losses were identified due to COVID-19. It should also be noted that the part of the Group's business regulated by the NERC has a possible short-term impact in the near future (as described in Note 4.1.9) due to the increased level of the COVID-19 pandemic in the end of 2020 and the introduction of second quarantine in the Republic of Lithuania and other neighbouring countries, but potential losses in the medium and long term due to the impact of COVID-19 will be compensated to the Group in accordance with the regulatory mechanism approved by NERC, including direct credit losses and potential additional short-term financing costs.

### 4.1.4 Fair value measurement and impairment of property, plant and equipment

Management has reviewed the key assumptions that are used to measure a fair value and in impairment tests of property, plant and equipment:

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

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

### 4.1.5 Impairment of goodwill

The management did not identify any COVID-19 related circumstances that would indicate impairment of goodwill.

### 4.1.6 Net realisable value of inventory

As the business activities were not disrupted due to COVID-19 the management evaluated that the carrying amount of inventory as at 31 December 2020 corresponds to at least its net realisable value.

### 4.1.7 Classification of financial instruments as current and non-current

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

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

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

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

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

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

In relation to the emergency situation the Parliament of the Republic of Lithuania adopted amendments aimed at preserving jobs and helping the people. On 16 March 2020 the Government took the decision and concluded a Plan for the economic stimulation and the implementation of measures directed to mitigate the spread of COVID-19 (hereinafter "the Plan"). One of the measures was to make possible to defer or arrange in portions the payments for the consumed electricity and natural gas to the Company's subsidiary Ignitis UAB. This means that the Company's subsidiary Ignitis UAB and accordingly other Company's subsidiary Energijos skirstymo operatorius AB directly experienced delays in customers' payments for services. Requests for payments' deferrals were approved only during the first wave of quarantine period 16 March 2020 – 16 June 2020. Payments were deferred for the following period: for household customers payments were deferred for the whole quarantine period and additional 1 month after the quarantine ended, business customers – for the whole quarantine period and additional 3 month. Insignificant part exclusively was deferred for up to 9 – 12 months from the end of quarantine. The management didn't identify any significant financing component.

Due to the increase in the number of COVID-19 diseases, a second quarantine has been announced throughout Lithuania since 7 November 2020 until 31 March 2021 (with a probability of being extended), but the restrictions on business were lower than during the first quarantine period until the additional precautionary restrictions were introduced on 15 December 2020.

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

| Factors | Effect |
|---|---|
| Cash flows from electricity and gas payments, settlement delays, agreements on longer debt repayments and expected increase in bad debts | In accordance with the recommendations of the Government of the Republic of Lithuania, during the quarantine period from 16 March 2020 till 16 June 2020 the Group provided special payment deferrals to customers who have encountered financial difficulties due to announced quarantine. Requests from private and business customers for the distribution and supply of electricity and gas individually were accepted and analysed, and decisions were made within the prescribed amount.<br>During the three-month quarantine period until the 30 June 2020 the total amount of overdue debts due to COVID-19 was EUR 7.2 million (including deferred payments - EUR 4.3 million). The level of overdue debts has returned to the pre-quarantine period level and deferred payments are repaid on an agreed schedule (over 99% of deferred payments are already collected as at reporting date). Following the announcement of the second quarantine in Lithuania, management has not identified increased risk in regards of overdue debts as at reporting date. However, the risk of late payments may increase depending on quarantine duration.<br><br>Refer to the Note 18 for more information on total credit losses booked as at 31 December 2020. |
| Cash flow from declining electricity consumption during the quarantine period and slower recovery after it | The change in electricity consumption that took place during the quarantine period 16 March 2020 - 16 June 2020, when B2B* consumption decreased by around 8-9% and B2C* consumption increased by 5-6%, stabilized. It should be noted that, comparing to 2019 Ignitis UAB increased its customer portfolio, therefore the total yearly electricity consumption increased by 18.0% (from 5.40 to 6.37 TWh), of which B2C* increased by 5.0% (from 2.88 to 3.03 TWh), B2B* – 32,9% (from 2.51 to 3.34 TWh).<br>Following the announcement of the second quarantine in Lithuania, depending on its duration, the risk of negative impact on electricity consumption in certain business segments increases (there are prohibited activities of health service centres, public catering establishments, restaurants, cafes, bars, night clubs, gambling salons, betting outlets, all commercial and non-commercial cultural, entertainment, sports events, celebrations, fairs, festivals and etc., but the electricity consumption will probably increase in the segment of private customers (due to the recommended working and education in distance, etc.)).<br>Natural gas consumption. During the start of the quarantine period, no decrease in the amount of natural gas distributed in the network of Energijos skirstymo operatorius AB was observed, which could be directly related to the impact of quarantine.<br>**B2B (abbr. of "business-to-business", i.e. business segment), B2C (abbr. of "business-to-customers", i.e. household segment)* |
| Cash flows related to the risk of delays in major infrastructure projects' development (construction and development of new power plants) | Due to impact of COVID-19 and the quarantine restrictions there appeared some delays in green generation development projects (Pomerania wind park, Kaunas and Vilnius combined heat and power plants) or their individual phases. The delay is approximately proportional to the duration of quarantine with some planned investments moved to the 2021. |

All amounts are in EUR thousand unless otherwise stated

#### 4.1.10 Risk management of COVID-19 infection in employees

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

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

#### 4.1.11 Management of Group's liquidity risk

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

During the year 2020 the Group entered into the following new loan agreements, issued emission of bonds (for movement in borrowings refer to the Note 25.1):
- On 10 March 2020 the Group concluded an agreement with the European Investment Bank for PLN 258 million (EUR 56.4 million) loan for the implementation of the Pomerania wind farm project.
- On 16 April 2020 entered into the loan agreement with Swedbank AB bank for amount of EUR 100 million.
- On 14 May 2020, the Group placed a EUR 300 million issue of bonds with a 10-year term to maturity.
- On 14 October 2020 the Group company Pomerania Wind Farm sp. z o. o. signed an agreement with the Nordic Investment Bank for the loan of up to PLN 150 million (EUR 32.9 million) for the implementation of the Pomerania wind farm project.

Furthermore, refer to the Note 47 where events after reporting date which have a significant influence to the liquidity of the Group are presented (if any) .
At the date of issue of these financial statements, the Group did not experience any significant liquidity problems.

### 4.2 Revaluation of property, plant and equipment, used in electricity distribution

Major part of such assets presented in "Structures and machinery" are used in electricity distribution activities performed by subsidiary Energijos skirstymo operatorius AB. The carrying amount of the assessed assets in the Group accounts was EUR 1,206,394 thousand as at 31 December 2020 (EUR 1,180,953 thousand as at 31 December 2019).

In 2020 and 2019 given that no significant changes have taken place in the regulatory environment for electricity and having assessed relevant assumptions, the Group has identified that the carrying amount of property, plant and equipment attributed to the electricity distribution as at the reporting date of 31 December would increase immaterially (less than 5%), hence the management of the Group decided to withhold from making full revaluation to reflect the mentioned assets at new fair value. For more detailed information – see Note 8.

### 4.3 Impairment of property, plant and equipment, used in gas distribution

The carrying amount of assessed assets of *"Gas distribution pipelines, gas technological equipment and installations"* managed by the Group's company Energijos skirstymo operatorius AB and attributable to gas distribution CGU in the Group accounts was EUR 262,307 thousand as at 31 December 2020 (EUR 242,288 thousand as at 31 December 2019). This property, plant and equipment attributable to gas distribution CGU is accounted applying cost model and is stated at acquisition cost less accumulated depreciation and impairment.

As at 31 December 2020, it was assessed whether there is any indication that the carrying amount of this CGU could be impaired, and one major fluctuation has been established (because of depreciation) in regulatory environment. As from the beginning of 2020, new provisions of the NERC ruling No O3E-464 of 21 December 2018 will be applied for acquired (put into operation) assets (due to new consumers). Adjustments were made to the provision on the allocation of depreciation cost to regulated price services (products) by introducing prohibition from 2020 onwards to assign part of cost for regulated price services (products) which is calculated based on the value of fixed assets created with funds paid by persons for connection to the operator's gas system. Until the beginning of 2020, there was a provision prohibiting the allocation of regulated price services (products) part of the costs calculated from the value of fixed assets which was paid 100% by consumer for connection to the network. Moreover, during the analysis of signs of impairment it was identified that the amount of planned investments in assets of the Gas Business Segment and their financing assumptions changed in the updated Group's 10-year investment plan

As a result of the impairment test, it was determined that the assets' recoverable amount exceeded their carrying amount as of 31 December 2020. Accordingly, no additional impairment during 2020 was recognised. For more detailed information – see Note 8.

### 4.4 Review of power plants impairment

The carrying amount of assessed assets of *"Assets of Hydro Power Plant, Pumped Storage Power Plant"* and *"Structures and machinery of Thermal Power Plant"* managed by subsidiary Ignitis gamyba AB in the Group amounts to EUR 422,477 thousand as at 31 December 2020 (EUR 446,553 thousand as at 31 December 2019).

Thermal Power Plant consists of Elektrėnai Complex and Vilnius Thermal Power Plant No 3. Elektrėnai Complex consists of the Reserve Power Plant, Combined-Cycle Unit and new Biofuel and Steam Boiler Plants.

#### 4.4.1 Power plants impairment

As at 31 December 2020 the Group's management determined that there are no indications of possible impairment related to above-mentioned assets. Thus, no impairment test was performed and no additional impairment during 2020 was recognised.

#### 4.4.2 Previous review of power plants impairment

As at 31 December 2019, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. In view of this, it was decided to carry out an impairment test of the Elektrėnai Complex as a cash-generating unit. Following the Elektrėnai Complex impairment test and after deducting grants, the recoverable amount (value in use method) exceeded the carrying amount of Elektrėnai Complex. No impairment indications were identified for the remaining property, plant and equipment.

As a result of the impairment test in Elektrėnai Complex, it was determined that the assets' recoverable amount exceeded their carrying amount (less grants) as of 31 December 2019. Accordingly, no additional impairment during 2019 was recognised.

### 4.5 Impairment of goodwill

The Group performed an impairment test of EUR 1,461 thousand goodwill recognised on acquisition of subsidiary Eurakras UAB, an impairment test of EUR 2,150 thousand goodwill recognised on acquisition of subsidiary VVP Investment UAB and impairment test of EUR 1,316 thousand goodwill recognised on acquisition of subsidiary Pomerania Invall Sp. z o. o. and determined no impairment of goodwill as at 31 December 2020 (Note 7.3).

### 4.6 Judgements and accounting estimates pertaining to control over Kauno kogeneracinė jėgainė UAB

As at 31 December 2020, the Group held 51% shareholding in Kauno kogeneracinė jėgainė UAB (hereinafter "KKJ"), and the remaining 49% of shares was held by FORTUM HEAT LIETUVA UAB (hereinafter "FORTUM").

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Group has an option to buy (call option) all the shares of KKJ held by FORTUM and thus, whereas FORTUM has an option to sell (put option) to the Group its shareholding in KKJ, for the price, the calculation of which is defined in the Shareholders' Agreement. As a result the Management believe the Group exercise control over KKJ, as this can be exercised when decisions need to be made.

In the Group's management view, the call option's exercise price that the Group will have to pay to FORTUM for buyout of KKJ shares owned by FORTUM, in case the Group accepts option executed by Fortum, approximates the fair value of the shares less 15% within the limits of the materiality (materiality threshold is based on the best estimate practice, such as +/- 15% of the market value).

At 31 December 2020, the Group accounted for EUR 16,660 thousand (31 December 2019: EUR 16,660 thousand) put option exercise liability (Note 33) measured as net present value of the single future cash outflow, which would be paid to FORTUM for KKJ shares in a deadlock situation in case the put option is exercised.

### 4.7 Deferred payment on disposal of shares of LitGrid AB

In 2012, the shares of LitGrid AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. The purchase-sale agreement of shares of LitGrid AB provides for a premium to the final price, the amount of which depends on the return on regulated assets of the electricity transmission activity in year 2014–2018.

At the initial assessment of the price premium the Group concluded that according to the purchase-sale agreement of shares of LitGrid AB, the price premium is negative and amounts to EUR 4,679 thousand at 31 December 2020 (31 December 2019: EUR 4,679 thousand). According to EPSO-G UAB calculations the price premium at 31 December 2020 is negative and amounts to EUR 27,075 thousand (31 December 2019: EUR 27,075 thousand).

The Group disagrees with EPSO-G UAB prepared calculations. There is still a debate on how to resolve the situation. For the purposes of the statement of financial position, the Group's management has assessed and recognised the negative premium price for amount EUR 15,877 thousand (as at 31 December 2019: EUR 15,877 thousand) on the basis of a scenario, that the possible agreement between the parties would be the average value of the Group's and EPSO-G UAB calculations. After this assumption the gross receivable on disposal of the shares of LitGrid AB amounted to EUR 166,570 thousand was reduced by EUR 15,877 thousand as the sales price will be adjusted by the price premium. Net receivable on disposal of the shares of LitGrid AB is accounted in the items "Non-current receivables" (non-current part of the receivable) (Note 12) and "Other receivables" (current part of the receivable) (Note 19) of the statement of financial position.

During the year 2020 EPSO-G UAB has repaid a debt by EUR 7,965 thousand. The deferred consideration is due to be paid by the year 2022, with EUR 14.5 million to be paid in year 2021 and the remainder to be paid in full in the year 2022.

These deferred receivables are measured at fair value and are assigned to level 3 of the fair value hierarchy.

## 4.8 Provision for statutory servitudes and special conditions on land use (protection zones)

### 4.8.1 Provisions for rights to servitudes

On 1 November 2017 Amendments to the Law on Electricity of the Republic of Lithuania entered into force, which provide basis for the reimbursement of easements established during the installation of electricity networks on land plots not belonging to the operator. This law stipulates that when constructing transmission, distribution networks or installing other electrical equipment, one-time compensation for losses will be paid for the establishment of statutory servitudes (which entered into force before 10 July 2004). The servitudes payment methodology came into force in 31 July 2018. Based on this methodology, in 2018, the expected total amount of easement benefits was estimated and accounted for. In making this assessment, a significant assumption was made regarding the number of landowners who will apply for compensation, as the law provides reimbursement payments to those owners who will apply for it. At initial recognition, the Group recognised EUR 28,563 thousands of Intangible assets (assets are stated at cost less impairment, their useful lifetime is indefinite) and a provision for non-current liabilities in accordance with IAS 37, which amounted to EUR 28,725 thousand (provision calculated at discounted value). During period of 31 July 2018 – 31 December 2020 the amount of compensation paid amounted to EUR 1,933 thousand. Therefore, this amount reduced the initial provision for servitudes compensation, which amounted to EUR 27,318 thousand (part of assets) and EUR 27,642 thousand (liabilities side) before further changes in assumptions described below.

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

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

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

- The discount rate for calculating the provision was selected based on a borrowing rate of 0.219% for similar liabilities (31 December 2019: 0.559%).
- The expected number of applicants was estimated on the basis of available actual historical two-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits - 65% (15% used as at 31 December 2019), which is based on management's assessment and the number of customers actually applying during 2018-2019, where, on average, only about 3% apply per year (Historical data of year 2020 is not included in methodology calculations due to break of methodology, as described above, which would distort the total average)
- The period during which customers will apply for compensation has been set at 10 years starting in 2020, as the application of the methodology has been temporarily suspended (the updated methodology is expected to be approved in the year 2021) An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

After assessing the changed circumstances, the Group decided to adjust a provision decreasing the amount of the provision (which was recognised as at 31 December 2019) from EUR 26,952 thousand to EUR 14,679 thousand.

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

| 31 December 2020 | Number of applicants, % | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 20% | 35% | 45% | 55% | 65% | 75% | 85% | 95% |
| Change in provision for compensations of servitudes, thousand EUR | -5,192 | - | +4,822 | +9,829 | +14,837 | +19,844 | +24,851 | +29,858 |

### 4.8.2 Provision for servitudes of real estate

On 8 July 2020 the Constitutional Court issued a ruling stating that servitudes payment methodology, which was based on the principles of determining the coefficient and the value of a land plot, are against the Constitution and laws of The Republic of Lithuania not only for the land plots, but also for real estate (due to the applied 0.1 coefficient, where as in the meantime different principles and different coefficient was applied to the servitude by contract). This means that the Group will not be able to examine the requests and apply the methodology in the part in which the conflict of the methodology with the Constitution is recognised until the new provisions are approved according to the Governments of the Republic of Lithuania resolution taken on 25 July 2018 No.725 "On the Approval of the Methodology for Determining the Maximum Amount of One-Time Compensation to be Paid for the Use of a Land Easement Established by Law or a Contract for the Benefit of Network Operators" (hereinafter “the Methodology”) provisions.

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

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

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

### 4.8.3 Provision for special conditions on land use (protection zones)

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

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

According to the management, the implementation of the obligation provided for in the Law on Special Land Use Conditions of the Republic of Lithuania to register special protection conditions (protection zones) and related provisions for the existing electricity and natural gas distribution network will be subject to a simpler procedure than in 2019. According to the Group, the simplified procedure will lead to lower surveyor costs, as it is expected that only a part of the plots will need to adjust the measurements, which will significantly reduce protection zone's registration costs. The planned amount of expenses related to the registration of protection zones for 2021-2024 is – EUR 15,069 thousand (i.e. for the 4 years period, change compared to 1 year period used for calculation as at 31 December 2019, which in turn increased the amount of the provision).

After assessing the changed circumstances, the Group decided to adjust a provision for asset’s security registration expenses for 2021-2024, increasing the amount of the provision (which was recognised as at 31 December 2019) from EUR 8,328 thousand to EUR 15,069 thousand.

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

## 4.9 Determining whether statutory and contractual servitudes are a lease

Management of the Group analysed whether statutory and contractual servitudes are in scope of IFRS 16 Leases and concluded that statutory and contractual servitudes are not in scope since both statutory and contractual servitudes are not limited in time and can be used by the Group for an indefinite period of time.

## 4.10 Determining whether the Group acts as a Principal or an Agent in relation to electricity transfer, which includes both transmission and distribution, and gas distribution services

### 4.10.1 Electricity transfer services

In providing electricity transfer service, which includes transmission and distribution services, to end-users, the Group in Lithuania and Latvia acquires electricity transmission services from transmission grid operator (not a part of the Group), and in Latvia acquires electricity distribution services from distribution grid operator which is not a part of the Group. Management of the Group analysed related contracts with electricity transmission and distribution grid operators and contracts with customers, also evaluated applicable regulatory environment for the conclusion whether the Group is acting as a Principal or as an Agent in relation of electricity transmission services in Lithuania and electricity transfer (includes both transmission and distribution) services in Latvia , management has concluded that the Group acts:

- as an Agent in relation to electricity transmission and distribution services acquired from the Latvian operator of electricity transfer system ;
- as a Principal in relation to electricity transmission services acquired from the Lithuanian operator of transmission system.

### 4.10.2 Gas distribution services

In providing gas distribution services to customers in Lithuania the Group uses its own distribution network, in Latvia – the Group acquires these services from the company which is not a part of the Group. Management of the Group analysed related contracts with the Latvian gas distribution grid operator and contracts with customers, also evaluated applicable regulatory environment and for the conclusion whether the Group is acting as a Principal or as an Agent in relation to gas distribution services in Latvia have considered arguments provided further:

- For gas distribution services the Group is not ultimately responsible, since according to the laws and regulations and agreements with customers the owner of the distribution grid takes full responsibility;
- The Group also does not bear inventory risk since price of distribution services is determined based on meter readings – i.e. distribution fee is charged to the Group only to the amount of gas consumed by the end-customer;
- The price of distribution component is determined by the grid operator, which is not a part of the Group, and approved by regulator.

Following the arguments presented above the Management has applied a significant judgement and concluded that the Group acts as an Agent in relation to gas distribution services acquired from the Latvian operator of gas distribution system.

### 4.11 Determining whether the Group acts as a Principal or an Agent in relation to PSO fees and LNGT security component

Management has applied a significant judgment and concluded that the Group acts as an Agent in relation to collection of PSO fees and LNGT security component from customers due to the following argumentation:

1) The Group is not responsible for PSO and LNGT projects/initiatives, accordingly it is not responsible that collected PSO fees and LNGT security component are used for their intended purpose,
2) The Group is not exposed to any inventory risk,
3) The Group has no legal power to establish pricing of these components.

### 4.12 Leases – determining the lease term and estimating the incremental borrowing rate

#### 4.12.1 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of shorter non-cancellable period (i.e., one to three, three to five, five to seven years, etc.). The Group usually exercises its option to renew for these leases. Lease of the state-owned land is not subject to an extension clause, after which the lessee has a pre-emptive right to extend the lease. The periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

#### 4.12.2 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter “IBR”) to measure lease liabilities (Note 27). The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

### 4.13 Expected credit losses of trade receivables

The Group’s uses a provision matrix to calculate expected credit losses for trade receivables. The Group accounts for expected credit losses (hereinafter “ECL”) assessing amounts receivable on an individual basis or on a collective basis applying provision matrixes adopted by the Group companies in respect of their clients.

#### 4.13.1 Collective assessment of ECL applying provision matrix

The Group companies use provision matrixes to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type).

The provision matrixes are initially based on the Group companies’ historical observed default rates. The Group companies calibrate the matrixes to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., changes in gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECL on the Group trade receivables is disclosed in Note 18.

#### 4.13.2 Individual assessment of ECL

Decision to asses amounts receivable on an individual basis depends on the possibility to obtaining information on the credit history of a particular client / borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular client, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular client / borrower. These accounting estimates require significant judgement. Judgement is based on information about substantial financial difficulties experienced by the debtor, probability that the debtor will enter bankruptcy or any other reorganisation, default of delinquency in payments.

In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

### 4.14 Estimation of over declaration of electricity usage by private customers and accounting for deferred revenue

In the circumstances when the tariff in subsequent period is higher than in current period according to the historical evidence of the Group it has been identified that private customers tend to over declare the consumption of electricity in the last months of the year. Since Group electricity distribution revenue depends on declarations of electricity consumed by the customers, over declaration increases Group revenue and therefore the Group needs to estimate the amount of the overdeclared consumption to evaluate the amount of deferred revenue. Estimation is based on historical consumption by the customers as well as Group assessment of technological losses in the electricity grid. All assumptions are reviewed at each reporting date.

### 4.15 Regulated activity: Accrual of income and regulatory provisions from regulated activities

Profitability of the Group is regulated by NERC through the service tariffs approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

Actual costs incurred by the Group during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, the actual earnings of the Group may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

#### 4.15.1 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 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.

With regard to the resolution above, the Group recognises assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

As at 31 December 2020 the management of the Group accounted for EUR 16,390 thousand to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the caption “Provisions” in the statement of financial position (Note 31). The current portion of provision for isolated power system operation services for amount EUR 871 thousand was accounted in the current liabilities under the caption “Provisions” (Note 31).

As at 31 December 2019 the amount EUR 7,630 to be refunded for tertiary capacity reserve, isolated power system operation and reactive power and voltage management services was accounted in the non-current liabilities under the caption “Provisions” (Note 31), while EUR 475 thousand of receivables related to secondary active capacity reserve were accounted for in the Non-current receivables (Note 12). As at 31 December 2019, EUR 5,060 thousand of funds receivable for isolated power system operation services were accounted for in the Other receivables (Note 19).

#### 4.15.2 Public electricity supply

On 25 September 2020, NERC adopted a resolution No O3E-879 “On approval of the methodology for determining electricity transmission, distribution and public supply services and the public price cap”. The resolution includes the methodology of determination of the additional component for distribution services to household consumers to compensate the difference between the actual and forecasted reasonable costs of a public supplier. The additional component is paid by household customers through the electricity distribution service price which is included as one of the components of public electricity tariff applied to the consumed electricity by household customers. This component is collected by distribution system operator (Group company) from all electricity suppliers that sell electricity to household customers. The calculation of the difference includes the difference resulting from the discrepancy between the forecast electricity purchase price and the actual electricity purchase price, as well as the amount of costs resulting from the difference between the public supplier's public electricity price cap and the actual electricity distribution service price caps. If the difference is negative a loss is compensated through the increased price of additional component applied in the next year and accordingly, if the difference is positive a gain is reduced through the decreased price additional component.

This resolution also stipulates for the first time that if the Group discontinues public supply services, the Group must refund raised discrepancies between the forecasted and actual costs of providing these services if the costs actually incurred by the Group were less than the income received. The amount must be refunded to the Group if the costs actually incurred by the Group were higher than the income of the transmission system operator. Before the resolution mentioned above the Group did not recognise this difference as an asset or liability. The difference shall be reimbursed till the 31 December 2025.

With regard what is said above, the Group recognises assets and liabilities of the difference to eliminate mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

As at 31 December 2020 the current part of a receivable EUR 3,114 thousand to be refunded within the one year to the Group for a public supply services was accounted for in the Other receivables (Note 19) and non-current part of receivable EUR 12,324 thousand was accounted for in the Non-current receivables (Note 12) .

### 4.16 Collection of cash on suspense account

The Group’s subsidiary Elektroninių mokėjimų agentūra UAB (hereinafter “EMA”) made a significant decision regarding cash amounts collected from customers. These cash amounts are held in EMA’s deposit account for one business day before transferring them to customer’s service providers. These cash amounts are held in separate bank deposit account, their purpose is clearly defined in agreements with the banks. Moreover, EMA is not allowed to invest these cash amounts and thus does not receive any interest or similar income. The principle of such cash holding and handling is disclosed to EMA’s customers and EMA is able to identify the owners of these cash amounts any time. For reasons abovementioned, EMA assesses, that the risk related to cases of banks bankruptcy and to this fact related possible intentions when customers could sue EMA for these cash amounts, is low. Therefore, it is considered that EMA does not have credit risk. Therefore the Group does not recognise clients cash amounts in the statement of financial position. Clients funds held in deposit account amounted to EUR 3,510 thousand as at 31 December 2020 (EUR 2,752 thousand as at 31 December 2019

All amounts are in EUR thousand unless otherwise stated

# 5 Restatement of comparative figures due to reclassifications

**Restatement related to 2019**

| | 2019 before restatement | Restatement | 2019 after restatement |
|---|---|---|---|
| Revenue from contracts with customers | 1,079,347 | 1,212 | 1,080,559 |
| Other income | 11,280 | 7,437 | 18,717 |
| **Revenue** | **1,090,627** | **8,649** | **1,099,276** |
| **Operating expenses** | | | |
| Purchases of electricity, gas for trade and related services | (711,669) | 8,007 | (703,662) |
| Purchases of gas | (22,987) | - | (22,987) |
| Depreciation and amortisation | (109,887) | - | (109,887) |
| Salaries and related expenses | (86,986) | - | (86,986) |
| Repair and maintenance expenses | (29,798) | - | (29,798) |
| Revaluation of property, plant and equipment | (816) | - | (816) |
| (Impairment) / reversal of impairment of amounts receivable and loans | 172 | - | 172 |
| (Impairment) / reversal of impairment of property, plant and equipment | (8,655) | - | (8,655) |
| Other expenses | (37,208) | (16,388) | (53,596) |
| **Total operating expenses** | **(1,007,834)** | **(8,381)** | **(1,016,215)** |
| Finance income | 2,193 | (283) | 1,910 |
| Finance expenses | (18,833) | 15 | (18,818) |
| **Profit (loss) before tax** | **66,153** | **-** | **66,153** |
| Current year income tax (expenses)/benefit | (6,739) | - | (6,739) |
| Deferred income tax (expenses)/benefit | (438) | - | (438) |
| **Net profit (loss)** | **58,976** | **-** | **58,976** |
| Attributable to: | | | |
| Equity holders of the parent | 56,665 | - | 56,665 |
| Non-controlling interests | 2,311 | - | 2,311 |
| **Other comprehensive income (loss)** | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods** | | | |
| Revaluation of property, plant and equipment | (2) | | (2) |
| Revaluation of Emission allowances | 721 | - | 721 |
| Recalculation of the defined benefit plan obligation, net of deferred income tax | (28) | - | (28) |
| **Items that will not be reclassified to profit or loss in subsequent periods, total** | **691** | **-** | **691** |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | | | |
| Exchange differences on translation of foreign operations into the Group's presentation currency | (5) | - | (5) |
| **Items that may be reclassified to profit or loss in subsequent periods, total** | **(5)** | **-** | **(5)** |
| **Total other comprehensive income (loss)** | **686** | **-** | **686** |
| **Total comprehensive income (loss) for the year** | **59,662** | **-** | **59,662** |
| Attributable to: | | | |
| Equity holders of the parent | 57,351 | - | 57,351 |
| Non-controlling interests | 2,311 | - | 2,311 |

In preparing these financial statements, the Group has changed presentation of financial derivative-related operations in SPLOCI. The change has impact on the previous financial year, consequently reclassifications have been reflected in the comparative financial information of 2019. The information regarding reclassifications is presented below:

The Group changed presentation of financial derivative-related operations in the SPLOCI. After thorough analysis of the previous presentation of derivatives the management determined that reclassifications should be made to give more reliable information for the users of the financial statements. The Group reclassified profit and loss recognised on closed contracts of derivatives as well as profit and loss from changes in fair values of open contracts of derivates. The reclassification was made from other lines of SPLOCI to Other expenses (as the total net result for the period from all transactions related to derivatives is loss). Such presentation clarifies the total impact of financial derivatives in the SPLOCI in a more conventional way. The new accounting policy of the derivatives is fully disclosed in Note 2.11.3.

This restatement did not materially affect the figures presented in the statements of financial position, changes in equity and cash flows for 2019.

All amounts are in EUR thousand unless otherwise stated

# 6 Change in presentation of statement of profit or loss and other comprehensive income

During 2020 the Company's and consequently the Group's shares became listed. The management believed that changes in SPLOCI are necessary as they will provide reliable and more relevant information for users of consolidated financial statements. Thus, the management determined that there is a need to voluntarily change presentation and classification of items in SPLOCI. The management determined that main users of financial statements are:

- Shareholders of the company, including new investors from IPO.
- Financial institutions, which provide financing to the Group.

Satisfying the requirements of IAS 8, the management presents the following main changes in SPLOCI:

1. Decrease the number of lines shown, to concentrate on the most important and disclose other information in the notes. As noted above, the management believes that less lines and their new names will present the information more reliably and in more relevant way.
2. Added new lines for a sub-total reflecting the alternative performance measures of EBITDA and EBIT. Adjusted EBITDA is the main performance indicator and target of the Group (including annual targets and strategic plan targets). Thus, it is very important for the users of financial statements to be able to identify EBITDA directly in SPLOCI. And including it in SPLOCI, it would present information that is reliable and is more relevant.

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 changes of classification and amendments of the line items in SPLOCI prepared for the year ended 31 December 2019:

| Line No. | Old SPLOCI structure | New SPLOCI structure | 2019 after reclassification (Note 5) | Changes | 2019 after reclassification and changes | Explanation on changes |
|---|---|---|---|---|---|---|
| 1 | Revenue from contracts with customers | Revenue from contracts with customers | 1,080,559 | - | 1,080,559 | No changes |
| 2 | Other income | Other income | 18,717 | - | 18,717 | No changes |
| 3 | | **Total revenues and other income** | **1,099,276** | **-** | **1,099,276** | Added name for the "total" line |
| 4 | | | | | | |
| 5 | **Operating expenses** | | | | | Deleted line name |
| 6 | Purchases of electricity, gas for trade, and related services | Purchases of electricity, gas and other services | (703,662) | (22,987) | (726,649) | Added amounts from the line No.7, changed name to more fairly represent amounts |
| 7 | Purchases of gas | | (22,987) | 22,987 | - | Line deleted by adding to the line No.6 |
| 8 | Depreciation and amortisation | | (109,887) | 109,887 | - | Line is presented now in the line No.20 |
| 9 | Salaries and related expenses | Salaries and related expenses | (86,986) | - | (86,986) | No changes |
| 10 | Repair and maintenance expenses | Repair and maintenance expenses | (29,798) | - | (29,798) | No changes |
| 11 | Revaluation of property, plant and equipment | | (816) | 816 | - | Line deleted by adding to the line No.21 |
| 12 | (Impairment) / reversal of impairment of investments in subsidiaries | | - | - | - | Line deleted as it is not material to the Group |
| 13 | (Impairment) / reversal of impairment of amounts receivable and loans | | 172 | (172) | - | Line deleted by adding to the line No.15 |
| 14 | (Impairment) / reversal of impairment of property, plant and equipment | | (8,655) | 8,655 | - | Line deleted by adding to the line No.21 |
| 15 | Other expenses | Other expenses | (53,596) | 4,821 | (48,775) | Added amount from line No.13, write-offs of property, plant and equipment amounted to EUR 4,218 thousand and revaluation of emission allowances amounted to EUR 431 thousand were deleted from this line by adding them to the line item No.21 and No.22 respectively. |
| 16 | **Total operating expenses** | **Total** | **(1,016,215)** | **124,007** | **(892,208)** | Changed name |
| 17 | | | | | | |
| 18 | | **EBITDA** | **-** | **207,068** | **207,068** | New line. EBITDA is calculated using the formula, which is used in the Note 45 for Operating segments and was used in IPO prospectus. |
| 19 | | | | | | |
| 20 | | Depreciation and amortisation | - | (109,887) | (109,887) | The line is reclassified from the line No.8 |
| 21 | | Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | - | (13,689) | (13,689) | New line reclassifying rows No.11 and No.14 and part of row No.15. |

*the table continues on the next page*

All amounts are in EUR thousand unless otherwise stated

*continuation of the table presented on the preceding page*

| Line No. | Old SPLOCI structure | New SPLOCI structure | 2019 after reclassification (Note 5) | Changes | 2019 after reclassification and changes | Explanation on changes |
|---|---|---|---|---|---|---|
| 22 | | Revaluation of emission allowances | - | (431) | (431) | New line |
| 23 | | | | | | |
| 24 | | **Operating profit (loss) (EBIT)** | **-** | **83,061** | **83,061** | New line. EBIT is calculated using the formula, which is used in the Note 45 for Operating segments and was used in IPO prospectus. |
| 25 | | | | | | |
| 26 | Finance income | Finance income | 1,910 | - | 1,910 | No changes |
| 27 | Finance expenses | Finance expenses | (18,818) | - | (18,818) | No changes |
| | | **Finance activity, net** | **-** | **(16,908)** | **(16,908)** | Added name for "net" line |
| 28 | | | | | | |
| 29 | **Profit (loss) before tax** | **Profit (loss) before tax** | **66,153** | **-** | **66,153** | No changes |
| 30 | Current year income tax (expenses)/benefit | Current year income tax (expenses)/benefit | (6,739) | - | (6,739) | No changes |
| 31 | Deferred tax (expenses)/benefit | Deferred tax (expenses)/benefit | (438) | - | (438) | No changes |
| 32 | | | | | | |
| 33 | **Net profit for the year** | **Net profit for the year** | **58,976** | **-** | **58,976** | No changes |
| 34 | | | | | | |
| 35 | Attributable to: | Attributable to: | | | | |
| 36 | Equity holders of the parent | Equity holders of the parent | 56,665 | - | 56,665 | No changes |
| 37 | Non-controlling interest | Non-controlling interest | 2,311 | - | 2,311 | No changes |
| 38 | | | | | | |
| 39 | **Other comprehensive income (loss)** | **Other comprehensive income (loss)** | | | | |
| 40 | **Items that will not be reclassified to profit or loss in subsequent periods** | **Items that will not be reclassified to profit or loss in subsequent periods** | | | | |
| 41 | Revaluation of property, plant and equipment, net of deferred income tax effect | Revaluation of property, plant and equipment, net of deferred income tax effect | (2) | - | (2) | No changes |
| 42 | Revaluation of emission allowances | Revaluation of emission allowances through other comprehensive income | 721 | - | 721 | No changes |
| 43 | Recalculation of the defined benefit plan obligation, net of deferred income tax | Recalculation of the defined benefit plan obligation, net of deferred income tax | (28) | - | (28) | No changes |
| 44 | **Items that will not be reclassified to profit or loss in subsequent periods, total** | **Items that will not be reclassified to profit or loss in subsequent periods, total** | **691** | **-** | **691** | No changes |
| 45 | | | | | | |
| 46 | **Items that may be reclassified to profit or loss in subsequent periods** | **Items that may be reclassified to profit or loss in subsequent periods** | | | | |
| 47 | Exchange differences on translation off foreign operations into the Group's presentation currency | Exchange differences on translation off foreign operations into the Group's presentation currency | (5) | - | (5) | No changes |
| 48 | **Items that may be reclassified to profit or loss in subsequent periods, total** | **Items that may be reclassified to profit or loss in subsequent periods, total** | **(5)** | **-** | **(5)** | No changes |
| 49 | | | | | | |
| 50 | **Total other comprehensive income (loss) for the year** | **Total other comprehensive income (loss) for the year** | **686** | **-** | **686** | No changes |
| 51 | | | | | | |
| 52 | **Total comprehensive income (loss) for the year** | **Total comprehensive income (loss) for the year** | **59,662** | **-** | **59,662** | No changes |
| 53 | | | | | | |
| 54 | Attributable to: | Attributable to: | | | | |
| 55 | Equity holders of the parent | Equity holders of the parent | 57,351 | - | 57,351 | No changes |
| 56 | Non-controlling interests | Non-controlling interests | 2,311 | - | 2,311 | No changes |
| 57 | | | | | | |
| 58 | | **Basic and diluted earnings per share (in EUR)** | | | | New lines - due to listing of shares |
| 59 | | **Diluted earnings per share (in EUR)** | | | | New lines - due to listing of shares |
| 60 | | **Weighted average number of shares** | | | | New lines - due to listing of shares |

All amounts are in EUR thousand unless otherwise stated

# 7 Intangible assets

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

| | Patents and licences | Computer software | Emission allowances | Other intangible assets | Goodwill | Servitudes and security zones | In total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | | | |
| Cost or revalued amount | 21,295 | 21,523 | 48,301 | 3.968 | 6.831 | 28.877 | **130,795** |
| Accumulated amortisation | (6,818) | (17,115) | - | (532) | - | - | **(24,465)** |
| **Carrying amount** | **14,477** | **4,408** | **48,301** | **3.436** | **6.831** | **28.877** | **106,330** |
| **Carrying amount at 1 January 2019** | **14,477** | **4,408** | **48,301** | **3,436** | **6,831** | **28,877** | **106,330** |
| Additions | 90 | 621 | - | 30,508 | - | - | **31,219** |
| Revaluation | - | - | 354 | - | - | - | **354** |
| Impairment losses | - | - | - | (35) | - | - | **(35)** |
| Reclassified (to) from property plant and equipment | 9 | 160 | - | - | - | - | **169** |
| Reclassified (to) from assets held for sale | - | (11) | - | (4) | - | - | **(15)** |
| Reclassifications between categories | (10,890) | 5,906 | (8) | 8,212 | (3,220) | - | **-** |
| Emission allowances utilised | - | - | (973) | - | - | - | **(973)** |
| Additions to Rights to servitudes and security zones | - | - | - | - | - | 9,890 | **9,890** |
| Re-measurement of provision related to Rights to servitudes and security zones | - | - | - | - | - | (464) | **(464)** |
| Grant received on emission allowances | - | - | 4,131 | - | - | - | **4,131** |
| Amortisation charge | (1,456) | (5,333) | - | (1,080) | - | - | **(7,869)** |
| **Carrying amount at 31 December 2019** | **2,230** | **5,751** | **51,805** | **41,037** | **3,611** | **38,303** | **142,737** |
| **As at 31 December 2019** | | | | | | | |
| Cost or revalued amount | 4,665 | 25,958 | 51,805 | 50,861 | 3,611 | 38,303 | **175,203** |
| Accumulated amortisation | (2,435) | (20,207) | - | (9,824) | - | - | **(32,466)** |
| **Carrying amount** | **2,230** | **5,751** | **51,805** | **41,037** | **3,611** | **38,303** | **142,737** |
| **Carrying amount at 1 January 2020** | **2,230** | **5,751** | **51,805** | **41,037** | **3,611** | **38,303** | **142,737** |
| Additions | - | 114 | 1,931 | 9,917 | - | 1,169 | **13,131** |
| Revaluation | - | - | 20,811 | - | - | - | **20,811** |
| Reclassified (to) from property plant and equipment | - | 37 | - | 2,219 | 1,316 | - | **3,572** |
| Reclassified (to) from assets held for sale | - | - | - | 11 | - | - | **11** |
| Reclassifications between categories | (2,144) | 8,126 | - | (5,982) | - | - | **-** |
| Emission allowances utilised | - | - | (386) | - | - | - | **(386)** |
| Lent emission allowances received | - | - | 5,087 | - | - | - | **5,087** |
| Re-measurement of provision related to Rights to servitudes and security zones | - | - | - | - | - | (4,838) | **(4,838)** |
| Grant received on emission allowances | - | - | 1,992 | - | - | - | **1,992** |
| Amortisation charge | (23) | (3,442) | - | (2,575) | - | - | **(6,040)** |
| **Carrying amount at 31 December 2020** | **63** | **10,586** | **81,240** | **44,627** | **4,927** | **34,634** | **176,077** |
| **As at 31 December 2020** | | | | | | | |
| Cost or revalued amount | 312 | 30,182 | 81,240 | 56,679 | 4,927 | 34,634 | **207,974** |
| Accumulated amortisation | (249) | (19,596) | - | (12,052) | - | - | **(31,897)** |
| **Carrying amount** | **63** | **10,586** | **81,240** | **44,627** | **4,927** | **34,634** | **176,077** |

All amounts are in EUR thousand unless otherwise stated

## 7.1 Emission allowances

If the Group's emission allowances had not been revalued, the carrying amount the assets as at 31 December 2020 and 2019 would have been following:

| | Emission allowances |
|---|---|
| As at 31 December 2019 | 28,705 |
| As at 31 December 2020 | 42,181 |

The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. At the end of each reporting period, emission allowances are measured with reference to year-end market prices. No amortisation is recorded in respect of the emissions allowances.

Market price of emission allowances increased from EUR 24.93 per unit as at 31 December 2019 to EUR 32.04 per unit as at 31 December 2020.

The table below includes information on the results of revaluation of emission allowances conducted in 2020:

| | Recognised in other comprehensive income and revaluation reserve in equity | Recognised in profit or loss | Total revaluation effect |
|---|---|---|---|
| Increase (decrease) in carrying amount | 20,473 | 338 | 20,811 |
| **In total** | **20,473** | **338** | **20,811** |

Results of revaluation of emission allowances conducted in 2019:

| | Recognised in other comprehensive income and revaluation reserve in equity | Recognised in profit or loss | Total revaluation effect |
|---|---|---|---|
| Increase (decrease) in carrying amount | 721 | (367) | 354 |
| **In total** | **721** | **(367)** | **354** |

## 7.2 Other intangible assets

As at 31 December 2020 and 2019 the Group's other intangible assets comprise following significant items:

- The subsidiary's Eurakras UAB right to produce electricity with an incentive rate with carrying amount EUR 8,794 thousand (EUR 10,036 thousand as at 31 December 2019);
- The subsidiary's Vėjo Gūsis UAB right to produce electricity with an incentive rate with carrying amount EUR 681 thousand (EUR 1,156 thousand as at 31 December 2019);
- The subsidiary's Vėjo Vatas UAB right to produce electricity with an incentive rate with carrying amount EUR 1,094 thousand (EUR 1,509 thousand as at 31 December 2019);
- The subsidiary's Pomerania Wind Farm Sp. z o. o. right to produce electricity with an incentive rate with carrying amount EUR 24,430 thousand (EUR 24,430 thousand as at 31 December 2019).

## 7.3 Goodwill

As at 31 December 2020 goodwill comprises from acquisition of subsidiaries in previous periods:

- VVP Investment UAB – EUR 2,150 thousand;
- Eurakras UAB – EUR 1,461 thousand;
- Pomerania Wind Farm sp. z o. o. – EUR 1,316 thousand.

As at 31 December 2020 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2020. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2045-2052, with reference to the typical operational period of 30 years.
2. The production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. The price of electricity is set at the agreed tariff and a third-party electricity price forecast after the tariff expiration (Eurakras UAB, Pomerania Wind Farm sp. z. o. o.). For VVP Investment UAB the price of electricity is set at a third-party electricity price forecast.
4. Discount rate of 4.7-5.6% after tax (5.5-6.9% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

## 7.4 Fully amortised intangible assets

As at 31 December 2020 and 2019, the cost of acquisition of fully amortized intangible assets used by the Group were as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Patents and licences | 218 | 1,948 |
| Computer software | 6,093 | 6,894 |
| Other intangible assets | 362 | 377 |
| **Cost of fully amortised assets, total** | **6,673** | **9,219** |

## 7.5 Acquisition commitments

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 6,469 thousand as at 31 December 2020. As at 31 December 2019 there were no significant acquisition commitments of intangible assets

All amounts are in EUR thousand unless otherwise stated

# 8 Property, plant, and equipment

## 8.1 The Group's property, plant and equipment

| | Land | Buildings | Structures and machinery | Gas distribution pipelines, gas technological equipment and installations | Assets of Hydro Power Plant, Pumped Storage Power Plant | Wind power plants and their installations | Structures and machinery of Thermal Power Plant | Cogenera-tion plants | IT and telecommu-nication equipment | Other property, plant and equipment | Construction in progress | In total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2018** | | | | | | | | | | | | |
| Cost or revalued amount | 3,378 | 28,504 | 1,274,877 | 238,940 | 210,834 | 92,922 | 774,145 | - | 29,611 | 13,598 | 165,302 | **2,832,111** |
| Accumulated depreciation | - | (435) | (160,696) | (37,691) | (101,619) | (8,283) | (330,743) | - | (11,907) | (4,831) | - | **(656,205)** |
| Accumulated impairment | - | - | - | - | - | - | (83,119) | - | - | - | (1,401) | **(84,520)** |
| **Carrying amount** | **3,378** | **28,069** | **1,114,181** | **201,249** | **109,215** | **84,639** | **360,283** | **-** | **17,704** | **8,767** | **163,901** | **2,091,386** |
| Reclassified to right-of-use assets | - | - | (7,209) | - | - | (27,290) | (446) | - | - | (1,024) | - | **(35,969)** |
| **Carrying amount at 1 January 2019** | **3,378** | **28,069** | **1,106,972** | **201,249** | **109,215** | **57,349** | **359,837** | **-** | **17,704** | **7,743** | **163,901** | **2,055,417** |
| Additions | - | 7 | 266 | - | 152 | - | 255 | - | 2,288 | 13,106 | 398,051 | **414,125** |
| Sales | - | (75) | (89) | - | - | - | - | - | (7) | (912) | (328) | **(1,411)** |
| Write-offs | - | (20) | (3,971) | (358) | (220) | - | (11) | - | (36) | (68) | 468 | **(4,216)** |
| Revaluation | - | - | (2) | - | - | - | - | - | - | - | - | **(2)** |
| Impairment losses | - | - | - | - | - | - | - | - | - | - | (3,985) | **(3,985)** |
| Reverse of impairment | - | - | - | - | - | - | 4 | - | - | - | - | **4** |
| Reclassifications between categories | (7) | 3,252 | 133,799 | 50,144 | 244 | (4,144) | 3,202 | - | (3,691) | 5,870 | (188,669) | **-** |
| Reclassified from (to) intangible assets | - | - | - | - | - | - | - | - | (169) | - | - | **(169)** |
| Reclassified from (to) finance lease | - | - | - | - | - | - | - | - | - | (10,531) | - | **(10,531)** |
| Reclassified from (to) assets held for sale | - | - | (625) | - | - | - | - | - | (569) | 132 | - | **(1,062)** |
| Reclassified from (to) investment property | - | (339) | - | - | - | - | - | - | - | - | - | **(339)** |
| Reclassified from (to) inventories | - | - | - | - | 43 | - | 20 | - | (6) | - | - | **57** |
| Reclassified from (to) right-of-use assets | - | - | - | - | - | - | - | - | - | - | (1,196) | **(1,196)** |
| Depreciation charge | - | (4,474) | (55,397) | (8,747) | (6,225) | (3,290) | (19,963) | - | (4,028) | (2,422) | (1) | **(104,547)** |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | 5,672 | **5,672** |
| **Carrying amount at 31 December 2019** | **3,371** | **26,420** | **1,180,953** | **242,288** | **103,209** | **49,915** | **343,344** | **-** | **11,486** | **12,918** | **373,913** | **2,347,817** |
| **As at 31 December 2019** | | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 30,981 | 1,390,318 | 290,446 | 210,729 | 65,234 | 776,583 | - | 22,827 | 16,192 | 374,248 | **3,180,929** |
| Accumulated depreciation | - | (4,561) | (209,365) | (48,158) | (107,520) | (15,319) | (370,974) | - | (11,341) | (3,274) | - | **(770,512)** |
| Accumulated impairment | - | - | - | - | - | - | (62,265) | - | - | - | (335) | **(62,600)** |
| **Carrying amount** | **3,371** | **26,420** | **1,180,953** | **242,288** | **103,209** | **49,915** | **343,344** | **-** | **11,486** | **12,918** | **373,913** | **2,347,817** |

*(Cont'd on the next page)*

All amounts are in EUR thousand unless otherwise stated

*(continued)*

| | Land | Buildings | Structures and machinery | Gas distribution pipelines, gas technological equipment and installations | Assets of Hydro Power Plant, Pumped Storage Power Plant | Wind power plants and their installations | Structures and machinery of Thermal Power Plant | Cogenera-tion plants | IT and telecommu-nication equipment | Other property, plant and equipment | Constr-uction-in-progress | In total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 30,981 | 1,390,318 | 290,446 | 210,729 | 65,234 | 776,583 | - | 22,827 | 16,192 | 374,248 | **3,180,929** |
| Accumulated depreciation | - | (4,561) | (209,365) | (48,158) | (107,520) | (15,319) | (370,974) | - | (11,341) | (3,274) | - | **(770,512)** |
| Accumulated impairment | - | - | - | - | - | - | (62,265) | - | - | - | (335) | **(62,600)** |
| **Carrying amount** | **3,371** | **26,420** | **1,180,953** | **242,288** | **103,209** | **49,915** | **343,344** | **-** | **11,486** | **12,918** | **373,913** | **2,347,817** |
| **Carrying amount at 1 January 2020** | **3,371** | **26,420** | **1,180,953** | **242,288** | **103,209** | **49,915** | **343,344** | **-** | **11,486** | **12,918** | **373,913** | **2,347,817** |
| Additions | - | 6 | 463 | (24) | 28 | - | 123 | - | 1,957 | 2,245 | 309,499 | **314,297** |
| Sales | - | (92) | (86) | (6) | - | - | - | - | (3) | (371) | - | **(558)** |
| Write-offs | - | (3) | (3,743) | (219) | (19) | - | (29) | - | (12) | (35) | (84) | **(4,144)** |
| Revaluation | - | - | - | - | - | - | - | - | - | 76 | - | **76** |
| Impairment losses | - | - | - | - | - | - | - | - | - | (61) | (696) | **(757)** |
| Reverse of impairment | - | - | - | - | - | - | - | - | - | - | 56 | **56** |
| Reclassifications between categories | - | 1,841 | 87,491 | 25,087 | 453 | 599 | 113 | 137,956 | 6,206 | 4,294 | (264,040) | **-** |
| Reclassified from (to) intangible assets | - | - | - | - | - | - | - | - | (37) | - | (3,535) | **(3,572)** |
| Reclassified from (to) finance lease | - | - | - | - | - | - | - | - | - | (378) | - | **(378)** |
| Reclassified from (to) assets held for sale (Note 21) | - | 62 | (42) | - | - | - | - | - | (18) | 16,044 | 3 | **16,049** |
| Reclassified from (to) investment property | - | (62) | (17) | - | - | - | 314 | - | - | - | - | **235** |
| Reclassified from (to) inventories | - | - | - | - | 116 | - | 19 | - | (1) | (4) | (910) | **(780)** |
| Reclassified from (to) right-of-use asset‘s | - | - | - | - | - | - | 356 | - | - | - | - | **356** |
| Reclassified from (to) other current assets | - | - | - | - | - | - | - | - | - | (119) | - | **(119)** |
| Depreciation charge | - | (4,647) | (58,625) | (4,818) | (5,745) | (3,384) | (19,805) | (2,270) | (4,021) | (5,709) | - | **(109,024)** |
| **Carrying amount at 31 December 2020** | **3,371** | **23,525** | **1,206,394** | **262,308** | **98,042** | **47,130** | **324,435** | **135,686** | **15,557** | **28,900** | **414,206** | **2,559,554** |
| **As at 31 December 2020** | | | | | | | | | | | | |
| Cost or revalued amount | 3,371 | 32,682 | 1,473,664 | 314,756 | 211,264 | 65,833 | 776,152 | 137,956 | 29,903 | 40,241 | 414,206 | **3,500,028** |
| Accumulated depreciation | - | (9,157) | (267,270) | (52,448) | (113,222) | (18,703) | (410,309) | (2,270) | (14,346) | (11,341) | - | **(899,066)** |
| Accumulated impairment | - | - | - | - | - | - | (41,408) | - | - | - | - | **(41,408)** |
| **Carrying amount** | **3,371** | **23,525** | **1,206,394** | **262,308** | **98,042** | **47,130** | **324,435** | **135,686** | **15,557** | **28,900** | **414,206** | **2,559,554** |

## 8.2 Revalued property, plant and equipment

If property, plant and equipment had not been revalued, the carrying amount of the Group’s property, plant and equipment would have been following:

| | Land | Buildings | Structures and machinery | Vehicles | Other property, plant and equipment: | Construction-in-progress | In total |
|---|---|---|---|---|---|---|---|
| As at 31 December 2019 | 2,990 | 28,124 | 1,278,314 | 2,535 | 10,286 | 373,913 | **1,696,162** |
| As at 31 December 2020 | 3,255 | 25,975 | 1,296,637 | 15,540 | 13,339 | 414,206 | **1,768,952** |

## 8.3 Impairment and Revaluation of property, plant and equipment

### 8.3.1 Impairment of property, plant and equipment used in gas distribution activities

The Group reviewed the carrying amount of its property, plant and equipment which are recognised at acquisition cost less depreciation and impairment to determine whether there are any indications that those assets have suffered an impairment loss. Assets with carrying amount of EUR 262,308 thousand (attributable to gas distribution CGU) showed some indications (see Note 4.3) and impairment test was performed. The impairment test showed that there is no need for additional impairment loss as at 31 December 2020. The following key assumptions were used by the Group in making impairment test:

(1) Depreciation expenses from the share of new customers for the assets, which were entered into operation before 2020, will be included into the income (regulated tariffs) of gas distribution; Depreciation expenses from the share of new customers for the assets, which were entered into operation after 2020, will not be included into the income of gas distribution;
(2) WACC (rate of return set by the regulator) – 3.90% for years 2021-2023, 5.09% from 2024 (equal to pre-tax discount rate) as at 31 December 2020 (respectively 3.84% for 2020-2023, 5.96% from 2024 as at 31 December 2019);
(3) Discount rate pre-tax – 5.09% (5.96% a at 31 December 2019);
(4) the test was performed with cash flow planning until 2075, as distribution activities are regulated on the basis of a regulated base of fixed assets, which consists mainly of long-lived assets - pipelines (55 years).
(5) Updated long-term investment forecast of gas CGU and its financing in accordance with the Group's updated 10-year investment plan: 1) based on cost-benefit analysis, the decision was made not to install smart meters (recommendation to update cost-benefit analysis every 4 years); 2) increase investments into new customers, increase financing of new customers.

No reasonable change in key assumptions would result in impairment being recognized.

### 8.3.2 Revaluation of property, plant and equipment used in electricity distribution

The Group has reviewed the carrying amounts of property, plant and equipment that are recognised at revalued amount less depreciation and impairment to determine whether the key assumptions used in calculating the fair value of this CGU have changed significantly since 2018 valuation. Assets with a carrying amount of EUR 1,206,394 thousand. Eur (attributable to electricity distribution CGU, including construction in progress). The Group has determined that the fair value of the electricity distribution CGU as at 31 December 2020 would increase insignificantly (up to 5%) and the Group's management decided not to make fair value adjustments. The Group used the following key assumptions in performing the test:

(1) discount rate - 4.33% after taxes (5.09% - before taxes) in 2020. 31 December (31 December 2019 - 5.07% (5.96% - before taxes))
(2) WACC (Regulator Return) 2021. - 5.34%, 2022-2026 - 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. 5.09% (equal to the pre-tax discount rate) (31 December 2019 Respectively: 5.28% in 2020, 4.78% in 2021-2025, 5.96% from 2027)
(3) the fair value test of the assets was performed by planning the cash flow until 2060, because the distribution activity is regulated on the basis of the fixed assets, which mainly consist of long-term assets (40 years)
(4) an updated forecast of long-term investments in electricity CGU and their financing was used in accordance with the Group's updated 10-year investment plan.
(5) The valuation model provides for the setting price limits of distribution services in average and low voltage networks in 2019-2020 there is estimated difference in income level of EUR 53 million (and interest expenses of EUR 0.567 million), reducing revenues of the subsidiary, will be returned (as part of distribution price limits) in the next regulatory period (from 2021).Therefore, value of assets will not change due to NERC Resolution no. O3E-334 "Due to the recalculation of the average price caps for distribution services of AB Energijos skirstymo operatorius at the average and lowest voltage network in 2019".

As at 31 December 2020 the Group has performed a sensitivity analysis of the fair value test to changes in unobservable inputs:

(1) The NERC would continue to calculate the return on investment on the basis of the historical cost of property, plant and equipment and apply only limited adjustments to the long-run average incremental cost (LRAIC) model (as adjusted for 2019-2020 prices) rather than the full LRAIC model. the fair value of the Groups property, plant and equipment would decrease by about EUR 450 million.
(2) If the NERC does not repay the amount by which the Group's distribution income was reduced in 2019-2020 by 53 million EUR amount and additionally calculated interest expenses of EUR 0.5 mln. The Group's revenue in the forecasted period (2021-2060) would decrease by the above-mentioned EUR 53 million. EUR and 0.5 million. and the fair value of property, plant and equipment would decrease by EUR 49 million.
(3) Sensitivity to changes in the rate of return on investment (WACC) (from the regulatory period starting in 2027) and the discount rate. An increase of 0.25% in the pre-tax WACC rate would increase the fair value by EUR 83 million, while a decrease of 0.25% would reduce the fair value EUR 83 million. A 0.51% increase in the discount rate would reduce the fair value by EUR 180 million, while a decrease of 0.51% in a discount rate would increase the fair value by EUR 207 million.

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

## 8.4 Acquisitions and disposals of property, plant and equipment

Acquisitions of property, plant and equipment during 2020 include the following major acquisitions to the construction in progress:

- acquisitions for the construction of new high-efficiency waste-fired cogeneration power plants, the final exploitation and start of commercial activities of which started in the end of 2020,
- acquisitions related to the development of the electricity distribution network,
- acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 112,075 thousand as at 31 December 2020 (31 December 2019: EUR 128,504 thousand).

During 2020, the Group disposed the property, plant and equipment with a carrying amount of EUR 558 thousand for consideration of EUR 1,147 thousand (in 2019 EUR 1,411 thousand and EUR 2,027 thousand respectively). The net result was recognised in item 'Other income' of SPLOCI.

During 2020, the Group companies capitalised EUR 2,790 thousand of interest expenses on borrowings intended to finance development of non-current assets (2019: EUR 653 thousand). The average capitalised interest rate was 1.40% in year 2019 and 1.97% in 2019.

## 8.5 Fully depreciated property, plant and equipment

The cost or revalued amount of fully depreciated property, plant and equipment, but still in use by the Group were as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Structures and machinery | 5,419 | 1,395 |
| Gas distribution pipelines, gas technological equipment and installations | 18,910 | 16,882 |
| Assets of Hydro Power Plant and Pumped Storage Power Plant | 29,184 | 19,945 |
| Structures and machinery of Thermal Power Plant | 110,035 | 85,735 |
| Vehicles | 922 | 690 |
| IT and telecommunication equipment | 6,508 | 5,328 |
| Other property, plant and equipment: | 737 | 431 |
| **In total** | **171,715** | **130,406** |

## 8.6 Fair value hierarchy of property, plant and equipment

During 2020, the Group disposed the property, plant and equipment with a carrying amount of EUR 558 thousand for consideration of EUR 1,147 thousand (in 2019 EUR 1,411 thousand and EUR 2,027 thousand respectively). The net result was recognised in item 'Other income' of SPLOCI.

In the opinion of the Group's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2020 did not differ significantly from their fair value. The table below presents allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was stated at revalued amount as at 31 December 2020 (refer to Note 2.31 for the description of the fair value hierarchy levels). The last full revaluation was performed in 2018. The revaluation was performed internally.

| | Level 1 Quoted prices in active markets | Level 2 Other directly or indirectly observable inputs | Level 3 Unobservable inputs | In total |
|---|---|---|---|---|
| Land | - | - | 3,371 | **3,371** |
| Buildings | - | - | 23,525 | **23,525** |
| Structures and machinery | - | 3 | 1,206,391 | **1,206,394** |
| Vehicles | - | 2,318 | 13,228 | **15,546** |
| Other property, plant and equipment | - | 386 | 12,969 | **13,355** |
| Construction-in-progress | - | 561 | 413,645 | **414,206** |
| **In total** | **-** | **3,268** | **1,673,129** | **1,676,397** |

In the opinion of the Group's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2019 did not differ significantly from their fair value. The table below presents allocation between the fair value hierarchy levels of the Group's property, plant and equipment that was stated at revalued amount as at 31 December 2019 (refer to Note 2.31 for the description of the fair value hierarchy levels).

| | Level 1 Quoted prices in active markets | Level 2 Other directly or indirectly observable inputs | Level 3 Unobservable inputs | In total |
|---|---|---|---|---|
| Land | - | 1,845 | 1,526 | **3,371** |
| Buildings | - | 582 | 25,838 | **26,420** |
| Structures and machinery | - | 1,792 | 1,205,398 | **1,207,190** |
| Vehicles | - | 61 | 6,392 | **6,453** |
| Other property, plant and equipment | - | 231 | 11,532 | **11,763** |
| Construction-in-progress | - | - | 373,913 | **373,913** |
| **In total** | **-** | **4,511** | **1,624,599** | **1,629,110** |

Assets were attributed to level 2 in fair value hierarchy if the value was determined using either the comparative value or cost method approach and using inputs that are observable either directly or indirectly.

Assets were attributed to level 3 in fair value hierarchy if the value was determined using either the income method, comparative value, cost method, depreciated replacement method or mixed of these approach

## 8.7 Pledged property, plant and equipment

As at 31 December 2020, the Group had pledged to the banks its property, plant and equipment in amount of EUR 20,121 thousand (31 December 2019: EUR 21,033 thousand) (Note 25).

All amounts are in EUR thousand unless otherwise stated

# 9 Right-of-use assets

## 9.1 The Group's right-of-use assets

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

| | Land | Buildings | Structures and machinery | Wind power plants and their installations | Vehicles | IT and telecommunication equipment | Other property, plant and equipment | In total |
|---|---|---|---|---|---|---|---|---|
| **Carrying amount at 1 January 2019** | **-** | **-** | **-** | **-** | **-** | - | **-** | **-** |
| IFRS 16 adoption impact – reclassification from property, plant and equipment | 1,196 | - | 8,233 | 27,290 | 446 | - | - | **37,165** |
| Additions: | | - | | - | | - | | **-** |
| Whereof: recognition as right-of-use asset | 5,719 | 5,612 | 123 | - | 303 | 2,580 | 229 | **14,566** |
| Whereof: lease contracts signed | 9,248 | 10,263 | 191 | - | 162 | 77 | 104 | **20,045** |
| Write-offs and disposals | - | (930) | (140) | - | (283) | - | (16) | **(1,369)** |
| Reclassified from (to) assets held for sale | - | (441) | (96) | - | - | (2,342) | - | **(2,879)** |
| Depreciation charge | (143) | (2,744) | (805) | (2,246) | (150) | (315) | (81) | **(6,484)** |
| **Carrying amount as at 31 December 2019** | **16,020** | **11,760** | **7,506** | **25,044** | **478** | **-** | **236** | **61,044** |
| **31 December 2019** | | | | | | | | |
| Acquisition cost | 16,143 | 13,874 | 8,232 | 27,290 | 823 | - | 317 | **66,679** |
| Accumulated depreciation | (123) | (2,114) | (726) | (2,246) | (345) | - | (81) | **(5,635)** |
| **Carrying amount as at 31 December 2019** | **16,020** | **11,760** | **7,506** | **25,044** | **478** | **-** | **236** | **61,044** |
| **31 December 2019** | | | | | | | | |
| Acquisition cost | 16,143 | 13,874 | 8,232 | 27,290 | 823 | **-** | 317 | **66,679** |
| Accumulated depreciation | (123) | (2,114) | (726) | (2,246) | (345) | **-** | (81) | **(5,635)** |
| **Carrying amount at 1 January 2020** | **16,020** | **11,760** | **7,506** | **25,044** | **478** | **-** | **236** | **61,044** |
| Additions | 7,055 | 4,561 | 5 | - | 19 | - | 259 | **11,899** |
| Write-offs | (157) | (1,087) | - | - | - | - | (233) | **(1,477)** |
| Reclassifications between categories | - | 15 | (15) | - | - | | - | **-** |
| Reclassified from / (to) tangible assets | - | - | - | - | (356) | - | - | **(356)** |
| Reclassified from / (to) assets held for sale | - | 144 | 96 | - | - | - | - | **240** |
| Depreciation | (675) | (3,589) | (774) | (2,246) | (52) | - | (135) | **(7,471)** |
| **Carrying amount at 31 December 2020** | **22,243** | **11,804** | **6,818** | **22,798** | **89** | **-** | **127** | **63,879** |
| **31 December 2020** | | | | | | | | |
| Acquisition cost | 22,947 | 16,398 | 8,329 | 27,290 | 124 | - | 343 | **75,431** |
| Accumulated depreciation | (704) | (4,594) | (1,511) | (4,492) | (35) | - | (216) | **(11,552)** |
| **Carrying amount as at 31 December 2020** | **22,243** | **11,804** | **6,818** | **22,798** | **89** | **-** | **127** | **63,879** |

The Group has lease contracts for various items:

Wind power plants and their installations and Structures and machinery. The Group's companies engaged in the production of electricity from renewable sources have lease agreements for wind power plants with towers, infrastructure and other installation components. The lease agreements for some wind farms are until February 2021, the others – until February 2022. The discount rate as of 31 December 2020 and as of 31 December 2019 was 1.050%.

Buildings. The Group has lease contracts for office and warehouse premises with the term of 2 to 7 year and as well as contracts with lease term of 12 months or less. The discount rate on 31 December 2020 and on 31 December 2019 was from 0.51 to 2.29%.

Land. The Group has lease agreements of land whereas major one of them is concluded until the year 2095 with the discount rate of 4.07-4.18% and carrying amount as at 31 December 2020 of EUR 5,317 thousand (as at 31 December 2019 – EUR 4,468 thousand), other significant land lease contracts entered into by subsidiary Pomerania Wind Farm s. p. z o. o. are valid until 2049-2051 with discount rate of 2.80% and carrying amount of EUR 12,034 thousand (as at 31 December 2019 EUR 6,386 thousand). Maturity date of other land lease agreements varies from the year of 2030 till 2112.

### 9.2 Expenses related to lease agreements recognised in SPLOCI

The Group's lease expenses recognised in SPLOCI were as follows:

| | 2020 | 2019 |
|---|---|---|
| Depreciation charge | 7,470 | 6,483 |
| Interest charges | 960 | 551 |
| Expenses related to short-term leases (other expenses) | 381 | 201 |
| Expenses related to leases of low value assets (other expenses) | 3 | 261 |
| Write-off of assets and liabilities | - | 950 |
| **Lease expenses, total** | **8,814** | **8,446** |

## 10 Investment property

| | 2020 | 2019 |
|---|---|---|
| **Carrying amount at 1 January** | **5,530** | **6,494** |
| Fair value change | (112) | (179) |
| Reclassification from property, plant and equipment | (235) | 339 |
| Reclassification to assets held for sale | - | (1,124) |
| **Carrying amount at 31 December** | **5,183** | **5,530** |

The Group's investment property consists of buildings and structures and machineries. The fair value of real estate and structures and machineries was determined by independent property valuers on using a comparative method and a cost method respectively. Investment property is measured at FVPL. All investment property is categorised to the third level of fair value hierarchy (same in year 2019).

The Group has leases on all investment property consisting of buildings, structures and machineries. The terms of the leases are from 1 to 10 years. In year 2020, the Group's income from lease of investment property amounted to EUR 2,297 thousand (2019 – EUR 1,372 thousand).

All amounts are in EUR thousand unless otherwise stated

# 11 Structure of the group

The Group's structure as at 31 December 2020:

| Company name | Country of business | Company type | Group's effective ownership interest, % | Non-controlling interest's effective ownership interest, % | Profile of activities |
|---|---|---|---|---|---|
| Ignitis grupė AB | Lithuania | Parent company | - | - | Parent company - management and coordination of activities of the Group companies |
| **Subsidiaries of the Group:** | | | | | |
| Energijos skirstymo operatorius AB | Lithuania | Subsidiary | 98.5299 | 1.4701 | Distribution of electricity and gas, supply of last resort service |
| Ignitis gamyba AB | Lithuania | Subsidiary | 98.1961 | 1.8039 | Generation and trading of electricity |
| NT Valdos UAB | Lithuania | Subsidiary | 100.0000 | - | Management and other related services of real estate |
| Energetikos paslaugų ir rangos organizacija UAB | Lithuania | Subsidiary | 100.0000 | - | Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures |
| Elektroninių mokėjimų agentūra UAB | Lithuania | Subsidiary | 100.0000 | - | Payment aggregation |
| Ignitis Eesti, OÜ | Estonia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis Latvija SIA | Latvia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity and gas |
| Ignitis Polska Sp. z o.o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Supply and trading of electricity and gas |
| Ignitis grupės paslaugų centras UAB | Lithuania | Subsidiary | 99.2250 | 0.7750 | Shared business support services |
| Ignitis UAB | Lithuania | Subsidiary | 100.0000 | - | Electricity and gas supply, trading, energy efficiency projects |
| Lietuvos Energijos Paramos Fondas | Lithuania | Subsidiary | 100.0000 | - | Provision of support to projects, initiatives and activities, relevant to the society (no longer pursues any of its activities) |
| Vilniaus Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 100.0000 | - | Development and operation of cogeneration power plant project |
| Kauno Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 51.0000 | 49.0000 | Electricity and heat production from waste |
| Tuuleenergia OÜ | Lithuania | Subsidiary | 100.0000 | - | Generation of renewable electricity |
| Eurakras UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Generation of renewable electricity |
| Transporto valdymas UAB | Lithuania | Subsidiary | 100.0000 | - | Vehicle rental, leasing, repair, maintenance, renewal and service |
| Vėjo Vatas UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Generation of renewable electricity |
| Vėjo Gūsis UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Generation of renewable electricity |
| Gamybos optimizavimas UAB | Lithuania | Subsidiary | 100.0000 | - | Planning, optimization, forecasting, trading, brokering and other electricity related services |
| VVP Investment UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Development of a renewable energy (wind) power plant project |
| Ignitis renewables UAB | Lithuania | Subsidiary | 100.0000 | - | Coordination of operation, supervision and development of renewable energy projects |
| Pomerania Wind Farm Sp. z o. o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Development and operation of a renewable energy (wind) power plant project |

## 11.1 Acquisition of shares from non-controlling interest

During 2020 the Group have acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (31,768,397 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (8,941,615 shares for the price of 0.64 EUR per share). Acquisition lead to increased percentage of ownership by 3.55% in Energijos skirstymo operatorius AB and 1.38% in Ignitis gamyba AB. Total consideration paid for the acquired shares equal to EUR 35,727 thousand, including premium equal to dividends for year 2019 of EUR 2,048 thousand.

As at 18 May 2020, the parent company of the Group has exercised its right as the majority shareholder of Energijos skirstymo operatorius AB and Ignitis gamyba AB and has initiated the process of mandatory shares buy out from minority shareholders of these companies. The price of shares during mandatory buyout was agreed with the Bank of Lithuania and was set at same level as during the non-competitive tender offers (EUR 0.88 per share for Energijos skirstymo operatorius AB and EUR 0.64 per share for Ignitis gamyba AB).

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

Mandatory buyout of Ignitis gamyba AB was finished as at 17 August 2020. Mandatory buyout of Energijos skirstymo operatorius AB was finished as at 3 November 2020. Upon finalisation of mandatory shares buyout of Ignitis gamyba AB and Energijos skirstymo operatorius AB, the parent company of the Group applied to the court regarding the transfer of ownership rights to the remaining minority shares of the abovementioned Group's companies.

The management of the Group determined, that the Group has a plan and contractual obligation to buy out all the shares of the abovementioned subsidiaries. Consequently, the liability of EUR 19,025 thousand was recognised under the statement of financial position caption "Other current amounts payable and liabilities" as at 31 December 2020. The Group applied an accounting policy of derecognising the non-controlling interest. The difference between the liability of EUR 19,025 thousand and the non-controlling interest derecognised was recognised in equity, using above mentioned agreed prices of EUR 0.88 for 13,118,175 shares of Energijos skirstymo operatorius AB and EUR 0.64 for 11,688,245 shares of Ignitis gamyba AB. The price per share was determined using a recommendation from the Bank of Lithuania and was based on 6 months weighted average price of shares. The Group believes that the price for shares will not significantly change.

All amounts are in EUR thousand unless otherwise stated

The Group's structure as at 31 December 2019:

| Company name | Country of business | Company type | Group's effective ownership interest, % | Non-controlling interest's effective ownership interest, % | Profile of activities |
|---|---|---|---|---|---|
| Ignitis grupė UAB | Lithuania | Parent company | - | - | Parent company - management and coordination of activities of the Group companies |
| **Subsidiaries of the Group:** | | | | | |
| Energijos skirstymo operatorius AB | Lithuania | Subsidiary | 94.9827 | 5.0173 | Distribution of electricity and gas, supply of last resort service |
| Ignitis gamyba, AB | Lithuania | Subsidiary | 96.8164 | 3.1836 | Generation and trading of electricity |
| NT Valdos UAB | Lithuania | Subsidiary | 100.0000 | - | Management and other related services of real estate |
| Duomenų logistikos centras, UAB | Lithuania | Subsidiary | 79.6360 | 20.3640 | Information technology and telecommunication services |
| Energetikos paslaugų ir rangos organizacija UAB | Lithuania | Subsidiary | 100.0000 | - | Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures |
| Elektroninių mokėjimų agentūra UAB | Lithuania | Subsidiary | 100.0000 | - | Payment aggregation |
| Ignitis Eesti, OÜ | Estonia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity |
| Ignitis Latvija SIA | Latvia | Indirectly controlled subsidiary | 100.0000 | - | Supply of electricity and gas |
| Ignitis Polska sp. z o.o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Supply and trading of electricity and gas |
| Ignitis grupės paslaugų centras, UAB | Lithuania | Subsidiary | 97.9447 | 2.0553 | Shared business support services |
| Verslo aptarnavimo centras, UAB | Lithuania | Subsidiary | 98.4061 | 1.5939 | Organisation and execution of public procurement, accounting, legal, personnel administration services |
| Ignitis UAB | Lithuania | Subsidiary | 100.0000 | - | Electricity and gas supply, trading, energy efficiency projects |
| Lietuvos Energijos Paramos Fondas | Lithuania | Subsidiary | 100.0000 | - | Provision of support to projects, initiatives and activities, relevant to the society |
| Vilniaus Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 100.0000 | - | Development and operation of cogeneration power plant project |
| Kauno Kogeneracinė Jėgainė UAB | Lithuania | Subsidiary | 51.0000 | 49.0000 | Electricity and heat production from waste |
| Tuuleenergia OÜ | Lithuania | Subsidiary | 100.0000 | - | Generation of renewable electricity |
| Eurakras UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Generation of renewable electricity |
| Transporto valdymas UAB | Lithuania | Subsidiary | 100.0000 | - | Vehicle rental, leasing, repair, maintenance, renewal and service |
| Vėjo Vatas UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Generation of renewable electricity |
| Vėjo Gūsis UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Generation of renewable electricity |
| Gamybos optimizavimas UAB | Lithuania | Subsidiary | 100.0000 | - | Planning, optimization, forecasting, trading, brokering and other electricity related services |
| VVP Investment UAB | Lithuania | Indirectly controlled subsidiary | 100.0000 | - | Development of a renewable energy (wind) power plant project |
| Ignitis renewables, UAB | Lithuania | Subsidiary | 100.0000 | - | Coordination of operation, supervision and development of renewable energy projects |
| Pomerania Wind Farm Sp. z o. o. | Poland | Indirectly controlled subsidiary | 100.0000 | - | Development and operation of a renewable energy (wind) power plant project |

All amounts are in EUR thousand unless otherwise stated

Summarised statement of financial position of the Group companies with non-controlling interest as at 31 December 2020 and 31 December 2019:

| Company name / Year | Current assets and liabilities | | | Non-current assets and liabilities | | | Net assets | Non-controlling interest |
|---|---|---|---|---|---|---|---|---|
| | Assets | Liabilities | Total net current assets | Assets | Liabilities | Total net non-current assets | | |
| **Energijos skirstymo operatorius AB** | | | | | | | | |
| *As at 31 December 2020* | 87,333 | (147,227) | (59,894) | 1,623,760 | (895,619) | 728,141 | 668,247 | 9,824 |
| *As at 31 December 2019* | 74,789 | (308,328) | (233,539) | 1,568,396 | (678,433) | 889,963 | 656,424 | 32,933 |
| **Ignitis gamyba AB** | | | | | | | | |
| *As at 31 December 2020* | 172,833 | (50,683) | 122,150 | 517,089 | (221,726) | 295,363 | 417,513 | 7,532 |
| *As at 31 December 2019* | 158,421 | (39,404) | 119,017 | 519,691 | (228,655) | 291,036 | 410,053 | 13,054 |
| **Duomenų logistikos centras UAB** | | | | | | | | |
| *As at 31 December 2019* | 2,487 | (1,054) | 1,433 | 6,771 | (2,783) | 3,988 | 5,421 | 1,104 |
| **Ignitis grupės paslaugų centras UAB** | | | | | | | | |
| *As at 31 December 2020* | 9,471 | (6,741) | 2,730 | 12,157 | (1,291) | 10,866 | 13,596 | 105 |
| *As at 31 December 2019* | 5,186 | (5,543) | (357) | 9,472 | (1,033) | 8,439 | 8,082 | 166 |
| **Verslo aptarnavimo centras UAB** | | | | | | | | |
| *As at 31 December 2019* | 4,332 | (4,027) | 305 | 2,254 | (1,380) | 874 | 1,179 | 19 |
| **Kauno kogeneracinė jėgainė UAB** | | | | | | | | |
| *As at 31 December 2020* | 15,561 | (8,375) | 7,186 | 144,562 | (114,749) | 29,813 | 36,999 | 1,470 |
| *As at 31 December 2019* | 8,621 | (13,223) | (4,602) | 103,199 | (61,077) | 42,122 | 37,520 | 1,725 |

The table above has been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

Summarised SPLOCI of the Group companies with non-controlling interests for the year 2020 and 2019:

| Company name / Year | Revenue | Profit (loss) before tax | Income tax (expense)/benefit | Net profit (loss) from continuing operations | Other comprehensive income (loss) | Total comprehensive income (loss) for the year | Profit (loss) attributable to non-controlling interest | Dividends paid to non-controlling interest |
|---|---|---|---|---|---|---|---|---|
| **Energijos skirstymo operatorius AB** | | | | | | | | |
| *2020* | 482,206 | 86,198 | (9,819) | 76,379 | 208 | 76,587 | 1,123 | 1,593 |
| *2019* | 418,848 | 31,076 | 494 | 31,570 | (30) | 31,540 | 1,584 | - |
| **Ignitis gamyba AB** | | | | | | | | |
| *2020* | 175,410 | 50,375 | (8,582) | 41,793 | 16,859 | 58,652 | 754 | 1,196 |
| *2019* | 145,504 | 50,650 | (7,858) | 42,792 | 722 | 43,514 | 1,362 | 805 |
| **Duomenų logistikos centras UAB** | | | | | | | | |
| *2019* | 3,764 | 720 | (118) | 602 | - | 602 | 123 | 82 |
| **Ignitis grupės paslaugų centras UAB** | | | | | | | | |
| *2020* | 27,255 | 776 | (45) | 731 | - | 731 | 6 | 4 |
| *2019* | 17,163 | 941 | (164) | 777 | - | 777 | 16 | 7 |
| **Verslo aptarnavimo centras UAB** | | | | | | | | |
| *2019* | 14,203 | 411 | (86) | 325 | - | 325 | 5 | 2 |
| **Kauno kogeneracinė jėgainė UAB** | | | | | | | | |
| *2020* | 7,174 | (1,209) | - | (1,209) | 687 | (522) | (592) | - |
| *2019* | - | (1,590) | - | (1,590) | - | (1,590) | (779) | - |

The table above has been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

All amounts are in EUR thousand unless otherwise stated

Summarised Statement of Cash Flows of the Group companies with non-controlling interest for the years 2020 and 2019:

| Company name / Year | Cash flows from operating activities | Income tax (paid) recovered | Net cash flows from operating activities | Net cash flows from investing activities | Net cash flows from financing activities | Net increase (decrease) in cash and cash equivalents | Cash and cash equivalents at beginning of the year | Cash and cash equivalents at the end of the year |
|---|---|---|---|---|---|---|---|---|
| **Energijos skirstymo operatorius AB** | | | | | | | | |
| *2020* | 189,231 | - | 189,231 | (132,850) | (52,191) | 4,190 | 4,775 | 8,965 |
| *2019* | 163,286 | - | 163,286 | (156,482) | (4,295) | 2,509 | 2,266 | 4,775 |
| **Ignitis gamyba AB** | | | | | | | | |
| *2020* | 105,703 | (8,381) | 97,322 | 38,524 | (56,227) | 79,619 | 58,501 | 138,120 |
| *2019* | 51,914 | (2,015) | 49,899 | (779) | (38,505) | 10,615 | 47,885 | 58,500 |
| **Duomenų logistikos centras UAB** | | | | | | | | |
| *2019* | 2,250 | (135) | 2,115 | (248) | (1,052) | 815 | 1,130 | 1,945 |
| **Ignitis grupės paslaugų centras UAB** | | | | | | | | |
| *2020* | 3,929 | (153) | 3,776 | (3,304) | 49 | 521 | 421 | 942 |
| *2019* | 3,111 | (163) | 2,948 | (2,870) | (813) | (735) | 1,156 | 421 |
| **Verslo aptarnavimo centras UAB** | | | | | | | | |
| *2019* | 650 | - | 650 | (1,418) | (860) | (1,628) | 1,837 | 209 |
| **Kauno kogeneracinė jėgainė UAB** | | | | | | | | |
| *2020* | 4,478 | - | 4,478 | (50,810) | 51,882 | 5,550 | 7,777 | 13,327 |
| *2019* | (1,218) | - | (1,218) | (50,942) | 50,161 | (1,999) | 9,777 | 7,778 |

The table above has been prepared on the basis of the financial statements of subsidiaries adjusted or consolidation purposes and presents data before intercompany eliminations.

All amounts are in EUR thousand unless otherwise stated

# 12 Non-current receivables

Amounts receivable after one year comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Non-current receivables** | | |
| Amount receivable on disposal of LitGrid AB (Notes 3.1.2, 4.7) | 136,212 | 158,658 |
| Accrued revenue related to regulatory activity of the public electricity supply (Note 4.15.2) | 12,324 | - |
| Finance lease (Note 13) | 8,860 | 3,043 |
| Accrued Kaunas cogeneration plant infrastructure installation cost compensation | - | 606 |
| Accrued revenue related to the system services (Note 4.15.1) | - | 475 |
| Loans granted | 1,908 | 211 |
| Other non-current amounts receivable | 2,211 | 2,126 |
| **Total:** | **161,515** | **165,119** |
| Less: allowance | - | (88) |
| **Carrying amount** | **161,515** | **165,031** |

According to the agreement EPSO-G UAB during the period until 2022 must repay the debt to the Group for the shares of AB LitGrid acquired in 30 September 2012. Amount of the estimated final price premium during the year 2020 has not changed. The amount receivable from EPSO-G UAB for shares is treated as a financial asset measured at FVPL.

# 13 Finance lease receivables

The Group's finance lease receivables were reported in the following line items in the statement of financial position:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Non-current receivables | 8,860 | 3,043 |
| Other receivables | 2,634 | 520 |
| Assets held-for-sale | - | 22,076 |
| **Carrying amount** | **11,494** | **25,639** |

Finance lease receivables of subsidiary Transporto valdymas UAB for the lease of motor vehicles and amounts receivable under the energy saving services agreements are included in the line items 'Amounts receivable after one year' and 'Other amounts receivable'.

The Group's finance lease receivables comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Minimum payments** | | |
| Within the first year | 3,183 | 5,666 |
| From two to five years | 8,012 | 20,449 |
| More than five years | 1,571 | 3,124 |
| **In total** | **12,766** | **29,239** |
| **Unearned finance income** | | |
| Within the first year | (549) | (1,084) |
| From two to five years | (632) | (2,303) |
| More than five years | (91) | (213) |
| **In total** | **(1,272)** | **(3,600)** |
| **Carrying amount** | **11,494** | **25,639** |

During the year 2015–2018, the Group signed repurchase agreements for motor vehicles. These agreements stipulated particular repurchase amounts for motor vehicles used in long-term lease. The repurchase amount of motor vehicles stipulated in all repurchase agreements totalled EUR 7,357 thousand as at 31 December 2020 (31 December 2019: EUR 7,512 thousand). The repurchase term ranges from 1 to 5 years.

The Group does not earn contingent finance income related to finance lease arrangements.

As at 31 December 2020 and 2019, the Group assessed whether credit risk of finance lease clients has increased significantly and did not establish a significant increase in credit risk.

All amounts are in EUR thousand unless otherwise stated

# 14 Other financial assets

The Group's other non-current financial assets comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Sun Investment Group | 2,357 | - |
| Convertible bonds of Contrarian Ventures UAB | - | 500 |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 4,912 | 3,474 |
| Platform for Financing Energy Efficiency | 379 | 261 |
| **In total** | **7,648** | **4,235** |
| Less: impairment | (379) | (500) |
| **Carrying amount** | **7,269** | **3,735** |

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

On 26 July 2017 the parent company of the Group signed the establishment agreement of the limited partnership "Smart Energy Fund powered by Ignitis Group" (hereinafter "the Partnership") with UAB Contrarian Ventures. Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (hereinafter "SEF") invests in start-ups that are developing new technologies in the energy technology field and other fields. According to the Partnership there is one full member - UAB Contrarian Ventures, which acts on behalf of the SEF, has the right to manage SEF, makes decisions on the management of SEF affairs, concludes transactions on behalf of the SEF. All other SEF members (including the parent company of the Group) acts under the Partnership Participant Agreement. Investment decisions are made and approved by the Investment Committee, which is made up solely of Key-men that are shareholders of Contrarian Ventures UAB.

By the management's judgment the Group does not have control over the Partnership because, under the terms of the Partnership, the Group does not have the power to manage the activities of the SEF as the Group is not a partner of SEF, investment decisions are made in accordance with SEF investment strategy or approved by the Investment Committee, where the Group has only observer.

## 14.2 Sun Investment Group

On 16 September 2020 the Group's subsidiary Ignitis renewables UAB signed preliminary share purchase agreement with UAB "SIG Poland 3" having the intention to purchase all the shares in all project companies – "Sun Investment Group" (hereinafter "SIG") once the photovoltaic installations become operational. Carrying amount of investment into SIG as of 31 December 2020 represents payments to SIG for development of the photovoltaic projects as per the preliminary share purchase agreement. Due to the fact that there were no operational projects as of 31 December 2020 and that the Group does not have the power to manage SIG activities it is considered that the Group does not have a control over investments in SIG as of 31 December 2020.

# 15 Other assets

## 15.1 Other non-current assets

Other non-current assets comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deposit related to guarantee independent electricity suppliers activity | 2,787 | - |
| Other non-current assets | 1 | - |
| Emission allowances to be received in future | - | 9,702 |
| Emission allowances returned | - | (4,615) |
| Less: allowance | - | - |
| **Carrying amount** | **2,788** | **5,087** |

On 30 December 2020, 400,000 units of emission allowances lent on 31 December 2011 were repaid, the residual value of which on 31 December 2019 was EUR 5,087 thousand. The debtor taking the advantage of terms agreed in a contract on 1 December 2009 returned 300,000 units of emission allowances and 100,000 units of emission reduction units.

These refunded emission allowance units and emission reduction units were recognised as intangible assets at revalued value as other emission allowances. As a result of this transaction, the Group did not incur and did not recognise any loss in SPLOCI.

## 15.2 Other current assets

Other current assets comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deposit into an escrow account | 45,000 | - |
| Deposit related to buyout of shares in subsidiaries | 19,050 | - |
| Derivatives | 3,311 | 5,788 |
| Other current assets | 4 | 8 |
| **Carrying amount** | **67,365** | **5,796** |

On 7 October 2020 the Company has executed IPO distributing the increased share capital between private and institutional investors. Together with IPO process the Group deposited in an escrow account EUR 45,000 thousand till May 2021 in accordance with stabilisation activities performed by Swedbank AB. This deposit is not available to finance the Group's day-to-day operations until the specified term.

The Group has a contractual obligation to buy out all the shares of the subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB. In accordance with buy out procedures, the Group deposited in a bank account amount of EUR 19,050 thousand to cover the price of shares. This deposit is not available to finance the Group's day-to-day operations.

All amounts are in EUR thousand unless otherwise stated

# 16 Inventories

The Group's inventories comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Natural gas | 25,063 | 40,923 |
| Consumables, raw materials and spare parts | 6,361 | 4,946 |
| Heavy fuel oil | 204 | 204 |
| Biofuel | 141 | 342 |
| Other | 4,342 | 2,872 |
| **In total** | **36,111** | **49,287** |
| Less: write down to net realisable value | (3,001) | (2,666) |
| **Carrying amount** | **33,110** | **46,621** |

The Group's inventories expensed were as follows:

| | 2020 | 2019 |
|---|---|---|
| Natural gas | 211,924 | 224,071 |
| Biofuel | 912 | 1,299 |
| Other inventories | 1,599 | 1,151 |
| **In total** | **214,435** | **226,521** |

Movements on the account of inventory write-down to net realisable value were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Carrying amount at 1 January** | **2,666** | **2,547** |
| Additional decrease of value | 394 | 260 |
| Additional decrease of value reclassified from property, plant and equipment | 527 | - |
| Reversal of decrease of value | (586) | (141) |
| **Carrying amount at 31 December** | **3,001** | **2,666** |

The acquisition cost of the Group's inventories carried at net realisable value as at 31 December 2020 amounted to EUR 3,001 thousand (31 December 2019: EUR 2,666 thousand). Movements on the account of inventory write-down to net realisable value were recognised in SPLOCI within the line item 'Other expenses'.

# 17 Prepayments and deferred expenses

The Group's current prepayments and deferred expenses were as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Prepayments for natural gas | 7,710 | 8,880 |
| Deposits related to Power exchange | 37,431 | 19,195 |
| Deferred expenses | 1,499 | 1,306 |
| Prepayments for other goods and services | 949 | 13,693 |
| Prepayments for electricity due to over-declaration by customers | - | 5,194 |
| Other prepayments | 3,114 | 2,280 |
| **Carrying amount** | **50,703** | **50,548** |

All amounts are in EUR thousand unless otherwise stated

# 18 Trade receivables

The Group trade receivables comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Amounts receivable under contracts with customers** | | |
| Receivables from electricity related sales | 96,523 | 81,537 |
| Receivables from gas related - non-household | 30,311 | 31,990 |
| Receivables from gas related - household | 2,881 | 3,479 |
| Other receivables | 8,575 | 8,916 |
| **Amounts receivable under other contracts** | | |
| Receivables for lease of assets | 7 | 722 |
| **In total** | **138,297** | **126,644** |
| Less: impairment of trade receivables | (9,874) | (8,777) |
| **Carrying amount** | **128,423** | **117,867** |

As at 31 December 2020 and 2019, the Group had not pledged the claim rights to trade receivables.

Under the contracts with customers, no interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlement between related parties see Note 44.

As at 31 December 2020 the outstanding amount of payments deferred in respect of the first quarantine due to COVID-19 disease (Note 4.1) is less than EUR 100 thousand from total satisfied requests that as at 16 June 2020 amounted to EUR 4.3 million. During the second quarantine (Note 4.1) no payment deferrals are provided.

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

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2020 that are assessed on a collective basis using the loss ratio matrix:

| | Loss ratio | Trade receivables | Impairment |
|---|---|---|---|
| Not past due | 0.56 | 54,994 | 308 |
| Up to 30 days | 2.81 | 3,632 | 102 |
| 30–60 days | 5.69 | 843 | 48 |
| 60-90 days | 10.49 | 467 | 49 |
| 90-120 days | 15.02 | 333 | 50 |
| More than 120 days | 75.87 | 8,277 | 6,280 |
| **As at 31 December 2020** | **9.97** | **68,546** | **6,837** |

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

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

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

| | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | Trade receivables | Impairment | Trade receivables | Impairment |
| Not past due | 66,098 | 743 | 53,824 | 437 |
| Up to 30 days | 830 | 77 | 550 | 35 |
| 30–60 days | 169 | 18 | 214 | 28 |
| 60-90 days | 173 | 93 | 78 | 21 |
| 90-120 days | 209 | 87 | 109 | 7 |
| More than 120 days | 2,272 | 2,019 | 2,389 | 1,068 |
| **Carrying value** | **69,751** | **3,037** | **57,164** | **1,596** |

Movements in the account of impairment of trade receivables during the year 2020 and 2019 were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Carrying amount as at 1 January** | **8,777** | **9,587** |
| Impairment of the year | 2,267 | 1,010 |
| Write-down of doubtful receivables | (77) | - |
| Reversal of impairment | (1,093) | (1,820) |
| **Carrying amount as at 31 December** | **9,874** | **8,777** |

Impairment of receivables was recognised in the profit or loss of SPLOCI.

The fair values of trade receivables as at 31 December 2020 and 2019 approximated their carrying amounts.

All amounts are in EUR thousand unless otherwise stated

# 19 Other receivables

The Group other receivables comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Value added tax | 16,654 | 6,402 |
| Current portion of the receivable on disposal of LitGrid AB (Note 12) | 14,481 | - |
| Unbilled accrued revenue from electricity sales (including related VAT) | 6,787 | 4,943 |
| Accrued revenue related to regulatory activity of the public electricity supply (Note 4.15.2) | 3,114 | - |
| Accrued amounts receivable for natural gas | 400 | 73 |
| Accrued revenue related to the isolated power system operation services (Note 4.15.1) and PSO services | 2 | 15,566 |
| Current portion of finance lease relating to energy saving services (Note 13) | 2,634 | 520 |
| Other receivables | 4,127 | 4,349 |
| **In total** | **48,199** | **31,853** |
| Less: impairment of other receivables | (731) | (73) |
| **Carrying amount** | **47,468** | **31,780** |

Significant decrease during the year 2020 in accrued revenue related to the isolated power system operation services and PSO services, that were rendered and the revenue of them was recognised in previous periods, mainly affected by issuing invoices for them during the year 2020 by EUR 10.31 million. As well the decrease was affected by covering the accrued revenue of EUR 5.06 million which was recognised according to the NERC's decision (No. O5E-705, 28 November 2019) as a regulatory difference due to isolated power system operation services provided in year 2018 (Note 4.15.1). There was no gap between issued invoices and revenue accrued under these contracts as at 31 December 2019.

Line items "Unbilled accrued revenue from electricity sales (including related VAT)" and "Accrued amounts receivable for natural gas" represent contract assets (Note 34.2).

The fair values of other receivables as at 31 December 2020 and 2019 approximated their carrying amounts.

# 20 Cash and cash equivalents

The Group 's cash and cash equivalents comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash balances in bank accounts | 658,795 | 131,837 |
| | **658,795** | **131,837** |

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and cash equivalents | 657,314 | 130,686 |
| Restricted cash | 1,481 | 1,151 |
| Bank overdraft | - | (191,291) |
| **Carrying amount** | **658,795** | **(59,454)** |

The fair values of cash and cash equivalents as at 31 December 2020 and 2019 approximated their carrying amounts.
Restricted cash is held with banks in accordance with certain agreements requirements, for example deposits related to guarantee of performance of the contract. These deposits are not available to finance the Group's day-to-day operations.

Under the loan agreements signed with the banks, the Group has pledged current and future cash inflows. As at 31 December 2020, the balance of cash pledged amounted to EUR 16,024 thousand (31 December 2019: EUR 256 thousand).

All amounts are in EUR thousand unless otherwise stated

# 21 Assets held-for-sale

Non-current assets held-for-sale comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Property, plant and equipment and investment property | 473 | 4,753 |
| Disposal group | - | 35,890 |
| | **473** | **40,643** |

Movements of non-current assets held-for-sale were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Carrying amount as at 1 January** | **40,643** | **65,706** |
| Disposals | (13,337) | (33,392) |
| Write-offs | - | (19) |
| Result of revaluation of non-current assets | - | (608) |
| Change of other assets attributed to disposal group | - | 11,394 |
| Increase (decrease) in property, plant and equipment and investment property | (943) | (572) |
| Impairment loss recognised on the remeasurement to fair value less costs to sell | - | (4,067) |
| Reclassified (to) from: | | |
| *Intangible assets* | *(11)* | *15* |
| *Property, plant, and equipment* | *(16,049)* | *1,062* |
| *Investment property* | - | *1,124* |
| *Right-of-use assets* | *(240)* | - |
| *Finance lease receivables* | *(8,564)* | - |
| *Non-current assets* | *(1,026)* | - |
| **Carrying amount as at 31 December** | **473** | **40,643** |

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

During 2020 the Group sold property classified as held for sale of EUR 13,322 thousand carrying value for EUR 14,398 thousand consideration.

# 22 Equity

Issued capital of the Group consisted of:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Authorised shares** | | |
| Ordinary shares, EUR | 1,658,756,294 | 1,212,156,294 |
| **Ordinary shares issued and fully paid, EUR** | **1,658,756,294** | **1,212,156,294** |

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

As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Group. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Group is changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Group was divided into 54,283,757 ordinary registered shares.

On 7 October 2020 the Group's whole newly issued capital consisting of 20,000,000 ordinary registered shares has been admitted to the Main Trading List of Nasdaq Vilnius, as well the global depositary receipts (hereinafter "GDR") representing the shares have been admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority (FCA) and to trading on the Main Market of the London Stock Exchange. The IPO solely was comprised of 20,000,000 shares newly issued on 5 October 2020. The IPO consists of two tranches: 1) securities in the form of shares and GDR offered to institutional investors, and 2) securities in the form of shares offered to retail investors who are residents of Lithuania, Latvia and Estonia. During the IPO, institutional investors subscribed for 18,130,699 shares in the form of shares and GDRs. Retail investors subscribed for 1,869,301 shares during the IPO.

As at 31 December 2020 the Group's issued capital comprised EUR 1,658,756,294 and was divided in to 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share, emission price EUR 22.50 value for a share.

On 7 October 2020 the Group's share premium comprised EUR 3,400 thousand.
The attributable costs of the issuance of the shares of EUR 11,033 thousand have been charged directly to equity as a reduction in share premium EUR 3,400 thousand and EUR 7,633 thousand as a reduction in retained earnings. Transaction costs directly attributable to issuing new shares of EUR 11,033 thousand comprised mainly of fees to syndicate banks of the IPO.

# 23 Reserves

## 23.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

The Group's legal reserve as at 31 December 2020 and 2019 was not fully formed.

## 23.2 Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment and emission allowances due to increase in value. The revaluation cannot be used to cover losses.

## 23.3 Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit. As at 31 December 2020, the Group accounted for the result of the translation of the Group's net investments in Ignitis Polska Sp. z o.o. and Pomerania Wind Farm Sp. z o.o., a Poland-based companies indirectly controlled by the Group, in the amount of EUR (2,229) thousand into the Group's presentation currency within the item of other reserves (31 December 2019: EUR 11 thousand). No other reserves were formed by the Group as at 31 December 2020 and 2019.

# 24 Share-based payments

On September 16, 2020, the Group received a decision from the Ministry of Finance of the Republic of Lithuania, the authority implementing the rights of the sole shareholder of the Company, that Ministry of Finance approved Share Allocation Rules of the Company (hereinafter – "the Rules"). The Rules provide that employees of the Company and its subsidiaries, including members of the Management Board of the Company, will have the opportunity to participate in the share option program.

On 4 December 2020 the Supervisory Board of the Company approved the long-term strategic goals and their indicators for 2020–2023, their achievement evaluation criteria and the maximum number of shares offered to the managers related to the share options programme (hereinafter – "the Programme") for the long-term promotion of the managers of the Company's group of companies. The total maximum number of shares offered for the period of 2020–2023 is 9,497.

On 18 December 2020 option agreements of the long-term promotion of key executives of the Group companies programme have been concluded with nine key executives of the Group.

Shares will be offered free of charge in 2024, after the long-term strategic targets (indicators) of the Group, approved by the Supervisory Board of the Company, which are linked with the strategic plan of the Company for 2020–2023 are achieved.

As the vesting period beings mainly from 2021, the signed agreements did not have material impact on the Group's statements of financial position or SPLOCI.

# 25 Loans and bonds

Borrowings of the Group consisted of:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 886,945 | 590,120 |
| Bank borrowings | 359,183 | 231,809 |
| **Current** | | |
| Current portion of non-current loans | 6,333 | 37,454 |
| Bank overdraft | - | 191,291 |
| Accrued interest | 9,143 | 5,446 |
| **In total** | **1,261,604** | **1,056,120** |

Non-current borrowings by maturity:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| From 1 to 2 years | 128,720 | 32,104 |
| From 2 to 5 years | 44,396 | 95,719 |
| After 5 years | 1,073,012 | 694,106 |
| **In total** | **1,246,128** | **821,929** |

All borrowings of the Group are denominated in euros.

## 25.1 Movement of borrowings

Movement of borrowings during the year 2020 mainly consisted of the following:

On 14 October 2020 the Group company Pomerania Wind Farm Sp. z o. o. signed an agreement with the Nordic Investment Bank (hereinafter "NIB") for the loan of up to PLN 150 million (EUR 32.9 million) for the implementation of the Pomerania wind farm project which is being developed in Poland. As at 31 December 2020 the loan was disbursed in the amount of EUR 32.572 thousand. Under this loan agreement all shares for a 100% of the Group's subsidiary Pomerania Wind Farm Sp. z o. o. were secondary pledged to the NIB. The date of loan repayment is 31 December 2035.

During the year 2020 the Group has withdrawn a credit of EUR 42,958 thousand according to the agreement with Swedbank AB signed on 31 May 2017 for the loan of EUR 120 million. By this agreement a funding to the subsidiary Kauno kogeneracinė jėgainė UAB for the construction of a co-generation power plant in Kaunas was designated. As at 31 December 2020 total credit withdrawn amounts to EUR 114,709 thousand (31 December 2019: EUR 61,029 thousand), repayment term of the credit is 31 May 2022 paying the full amount.

On 14 May 2020, the Group placed a EUR 300 million issue of bonds with a 10-year term to maturity. Annual interest of 2.00% will be payable for bonds. As at 31 December 2020 net cash inflows from bond emission comprise 98.564% of the par value of the bond issue or EUR 295,694 thousand.

On 7 April 2020 the Group received a fourth tranche EUR 40 million of funding from the European Investment Bank under the agreement signed on 5 December 2016 for the loan of EUR 190 million. By this agreement a funding to the subsidiary Vilniaus kogeneracinė jėgainė UAB for the construction of a co-generation power plant in Vilnius was designated. During the period 2018-2020 total fundings were received in amount of EUR 140 million and the repayment term of them is 2035-2037 year. The outstanding debt as at 31 December 2020 is EUR 139,984 thousand (31 December 2019: EUR 99,796 thousand).

On 10 March 2020 the Group concluded an agreement with the European Investment Bank (hereinafter "EIB") for PLN 258 million (EUR 56.4 million) loan for the implementation of its wind farm project. As at 31 December 2020 the loan was fully disbursed. Under this loan agreement all shares for a 100% of the Group's subsidiary Pomerania Wind Farm Sp. z o. o. were pledged to the EIB. The date of loan repayment is 31 December 2035.

During the year 2020 the Group fully repaid loans that were refinanced by OP Corporate Bank Plc and SEB Bankas AB according to trilateral agreements signed on 8 November 2017 on the transfer of debt and rights and obligations of Group's subsidiary (as at 31 December 2019 the outstanding debt amounted to 82,246 thousand).

During the year 2020 the Group repaid overdrafts taken from banks Swedbank AB and SEB Bankas AB, the outstanding balance of which on 31 December 2019 was EUR 191,291 thousand.

For the year of 2020 expenses related to interest on the issued bonds totalled EUR 16,689 thousand (2019: EUR 12,731 thousand). The accrued amount of coupon payable as at 31 December 2020 amounted to EUR 9,143 thousand (31 December 2019: EUR 5,446 thousand).

For the year of 2020 expenses related to interest on the loans and overdrafts totalled EUR 2,578 thousand (2019: EUR 1,934 thousand).

## 25.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2020 and 2019.

As at 31 December 2020, the Group unwithdrawn balance of loans and bank overdrafts amounted to EUR 344,504 thousand (31 December 2019: EUR 283,593 thousand).

## 25.3 Interest rates

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Non-current borrowings** | | |
| Fixed interest rate | 1.920 | 2.069 |
| Variable interest rate | 0.789 | 0.958 |
| **Current loans** | | |
| Variable interest rate | 0.446 | 0.446 |

All amounts are in EUR thousand unless otherwise stated

# 26 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, lease liabilities and related interest payables.

This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and cash equivalents | (658,795) | (131,837) |
| Deposit (Note 15.2) | (45,000) | - |
| Borrowings payable after one year | 1,246,128 | 821,929 |
| Borrowings payable within one financial year (including overdraft and accrued interest) | 15,476 | 234,191 |
| Lease liabilities | 42,529 | 42,218 |
| **Net debt** | **600,338** | **966,501** |
| Cash and cash equivalents | (658,795) | (131,837) |
| Deposit (Note 15.2) | (45,000) | - |
| Borrowings – fixed interest rate | 1,125,342 | 695,820 |
| Borrowings – variable interest rate | 136,262 | 360,300 |
| Lease liabilities | 42,529 | 42,218 |
| **Net debt** | **600,338** | **966,501** |

All amounts are in EUR thousand unless otherwise stated

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

| | Assets | | Lease liabilities | | Borrowings | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Term deposits and deposit into an escrow account | Non-current lease liabilities | Current lease liabilities | Non-current portion of non-current borrowings | Current portion of non-current borrowings | Current borrowings | |
| **Net debt at 1 January 2019** | **(127,835)** | **(656)** | **14,334** | **5,220** | **735,410** | **61,819** | **47,727** | **736,019** |
| **Cash changes** | | | | | | | | |
| Increase (decrease) in cash and cash equivalents (including overdraft) | (4,002) | - | - | - | - | - | 149,031 | **145,029** |
| Proceeds from borrowings | - | - | - | - | 130,937 | - | - | **130,937** |
| (Repayments) of borrowings | - | - | - | - | - | (70,394) | - | **(70,394)** |
| (Repayments) of borrowings related to investments in subsidiaries | - | - | - | - | - | (7,209) | - | **(7,209)** |
| Lease payments (principal portion) | - | - | - | (7,379) | | | | **(7,379)** |
| Interest paid | - | - | - | (444) | - | (13,000) | (702) | **(14,146)** |
| Redemption of term deposits | - | 656 | - | - | - | - | - | **656** |
| **Non-cash changes** | | | | | | | | |
| Accrual of interest payable | - | - | - | 551 | - | 14,618 | 772 | **15,941** |
| Recognition of lease liabilities under IFRS 16 | - | - | 8,292 | 6,274 | - | - | - | **14,566** |
| Lease contracts concluded | - | - | 12,188 | 6,592 | - | - | - | **18,780** |
| Reclassification of interest payable from (to) trade payables | - | - | - | - | - | - | (91) | **(91)** |
| Acquisition of subsidiaries | - | - | - | - | 7,202 | - | - | **7,202** |
| Reclassifications between items | - | - | 1,674 | (1,674) | (51,620) | 51,620 | - | **-** |
| Reclassifications to liabilities attributable to assets held for sale | - | - | (2,670) | (740) | - | - | - | **(3,410)** |
| **Net debt at 31 December 2019** | **(131,837)** | **-** | **33,818** | **8,400** | **821,929** | **37,454** | **196,737** | **966,501** |
| **Net debt at 1 January 2020** | **(131,837)** | **-** | **33,818** | **8,400** | **821,929** | **37,454** | **196,737** | **966,501** |
| **Cash changes** | | | | | | | | |
| (Increase) decrease in cash and cash equivalents | (526,958) | - | - | - | - | - | - | **(526,958)** |
| Issued bonds | - | - | - | - | 295,457 | - | - | **295,457** |
| Proceeds from borrowings | - | - | - | - | 182,950 | - | - | **182,950** |
| (Repayments) of borrowings | - | - | - | - | (43,553) | (43,245) | - | **(86,798)** |
| Lease payments (principal portion) | - | - | (2,120) | (8,231) | - | - | - | **(10,351)** |
| Interest paid | - | - | - | (960) | (1,095) | (12,522) | (1,308) | **(15,885)** |
| (Repayments) of overdraft | - | - | - | - | - | - | (191,291) | **(191,291)** |
| Deposit into an escrow account (Note 15.2) | - | (45,000) | - | - | - | - | - | **(45,000)** |
| **Non-cash changes** | | | | | | | | |
| Lease contracts concluded | - | - | 9,915 | 506 | - | - | - | **10,421** |
| Accrual of interest payable | - | - | 10 | 950 | 8,684 | 10,495 | 2,879 | **23,018** |
| Reclassification of interest payable from (to) trade payables | - | - | - | - | 103 | (566) | 389 | **(74)** |
| Reclassifications to liabilities attributable to assets held for sale | - | - | 126 | 115 | - | - | - | **241** |
| Reclassifications between items | - | - | (12,621) | 12,621 | (18,347) | 14,717 | 3,630 | **-** |
| VAT on interest payable | - | - | - | - | - | - | (1,893) | **(1,893)** |
| **Net debt at 31 December 2020** | **(658,795)** | **(45,000)** | **29,128** | **13,401** | **1,246,128** | **6,333** | **9,143** | **600,338** |

All amounts are in EUR thousand unless otherwise stated

# 27 Lease liabilities

The Group minimum payments under leases are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Minimum payments** | | |
| Within the first year | 14,022 | 8,927 |
| From two to five years | 11,835 | 19,466 |
| More than five years | 38,484 | 29,497 |
| **In total** | **64,341** | **57,890** |
| **Future finance costs** | | |
| Within the first year | (621) | (527) |
| From two to five years | (2,416) | (1,348) |
| More than five years | (18,775) | (13,797) |
| **In total** | **(21,812)** | **(15,672)** |
| **Carrying amount** | **42,529** | **42,218** |

Major Group's lease liabilities are related to wind power parks, buildings and land.

The Group's lease liabilities related to the development of the wind power parks amounted to EUR 9,452 thousand as at 31 December 2020 (31 December 2019: EUR 14,220 thousand). Average interest rate for the lease of the equipment of the wind power parks is 1.05% as at 31 December 2020 and as at 31 December 2019. As at 31 December 2020, the validity terms of the effective lease contracts for the wind power parks expire in the period from the year 2021 to 2022.

The Group's lease liabilities related to buildings amounted to EUR 10,897 thousand as at 31 December 2020 (31 December 2019: EUR 11,135 thousand). Interest rates for lease of buildings are 0.51-2.29% as at 31 December 2020 and as at 31 December 2019. As at 31 December 2020, the validity terms of the effective lease contracts for buildings expire in the period from the year 2022 to 2027.

The Group's lease liabilities related to the land amounted to EUR 19,569 thousand as at 31 December 2020 (31 December 2019: EUR 14,256 thousand). Interest rates for lease of the land are 2.80-4.18 % as at 31 December 2020 and as at 31 December 2019. As at 31 December 2020, the validity terms of the effective lease contracts for the land expire in the period from the year 2030 to 2112.

All amounts are in EUR thousand unless otherwise stated

# 28 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. Movement of deferred income tax assets and liabilities during the reporting period were as follows:

| | As at 31 December 2018 | Recognised in profit or loss | Deferred taxes recognised in business combination | Reclassifications to liabilities attributable to assets held-for-sale | As at 31 December 2019 | Recognised in profit or loss | Impact from utilised tax losses | Reclassifications from liabilities attributable to assets held-for-sale | Recognised in other comprehensive income | As at 31 December 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | | | | |
| Deferred income | 2,242 | (948) | - | - | **1,294** | (303) | - | - | - | 991 |
| Accrued expenses | 1,634 | 315 | - | - | **1,949** | 2,320 | - | - | - | 4,269 |
| Impairment of assets | 6,056 | 763 | - | - | **6,819** | (3,640) | - | - | - | 3,179 |
| Tax losses carry forward | 10,297 | (1,801) | - | - | **8,496** | (4,015) | 383 | - | - | 4,864 |
| Difference of financial and tax value of assets identified on business combination | 5,394 | 1,001 | - | - | **6,395** | (442) | - | - | - | 5,953 |
| Other | 2,549 | (421) | - | 15 | **2,143** | (1,814) | (631) | - | - | (302) |
| **Deferred income tax asset before impairment** | **28,172** | **(1,091)** | **-** | **15** | **27,096** | **(7,894)** | **(248)** | **-** | **-** | **18,954** |
| Less: impairment | (2,305) | (1,689) | - | - | **(3,994)** | 1,073 | - | - | - | (2,921) |
| **Deferred income tax asset, net** | **25,867** | **(2,780)** | **-** | **15** | **23,102** | **(6,821)** | **(248)** | **-** | **-** | **16,033** |
| **Deferred income tax liabilities** | | | | | | | | | | |
| Valuation of property, plant and equipment (PPE) (increase/decrease in value) | 27,270 | 130 | - | (138) | **27,262** | (3,441) | - | 962 | 2,939 | 27,722 |
| Differences in depreciation rates | 20,810 | 4,780 | | 28 | **25,618** | 805 | - | - | - | 26,423 |
| Tax relief on acquisition of PPE | (2,829) | (5,419) | - | - | **(8,248)** | 6,135 | - | 28 | - | (2,085) |
| Difference on recognition of income from new customer connection services | (1,633) | 335 | - | - | **(1,298)** | 587 | - | - | - | (711) |
| Accrued revenue | - | - | - | - | - | 897 | - | - | - | 897 |
| Result of valuation of financial assets | (49) | | - | - | **(49)** | - | - | - | - | (49) |
| Difference of financial and tax value of assets identified on business combination | 1,607 | | 4,384 | - | **5,991** | 912 | - | - | - | 6,903 |
| Derivative financial instruments | 2,632 | (2,626) | | | **6** | 768 | - | - | - | 774 |
| Other | - | 458 | - | - | **458** | 532 | 912 | - | - | 1,902 |
| **Deferred income tax liability, net** | **47,808** | **(2,342)** | **4,384** | **(110)** | **49,740** | **7,195** | **912** | **990** | **2,939** | **61,776** |
| **Deferred income tax, net** | **(21,941)** | **(438)** | **(4,384)** | **125** | **(26,638)** | **(14,016)** | **(1,160)** | **(990)** | **(2,939)** | **(45,743)** |

The Group's statement of financial position presents separately deferred tax assets (EUR 6,431 thousand) and deferred tax liabilities (EUR 52,174 thousand) related to different subsidiaries. The net balance of deferred tax is liability of EUR 45,743 thousand. Deferred tax assets and liabilities arising from the same entity are presented on net basis in the statement of financial position.

As at 31 December 2020, the Group did not recognise deferred income tax assets on accumulated tax loss from operations of EUR 19,540 thousand (31 December 2019: EUR 14,961 thousand).

All amounts are in EUR thousand unless otherwise stated

# 29 Grants and subsidies

The balance of grants and subsidies comprises grants to finance acquisition of property plant and equipment and intangible assets received in return for no consideration. Movements on the account of grants were as follows:

| | Asset-related grants | | | |
|---|---|---|---|---|
| | Asset-related grants - projects for renovation, improvement of environmental and safety standards | Asset-related grants - other projects of the Group | Grants for emission allowances | In total |
| **Carrying amount as at 1 January 2019** | **140,608** | **64,687** | **3,579** | **208,874** |
| Depreciation and amortisation | (7,761) | (1,250) | - | **(9,011)** |
| Grants received | 16 | 64,032 | 4,131 | **68,179** |
| Emission allowances utilised | - | - | (93) | **(93)** |
| **Carrying amount as at 31 December 2019** | **132,863** | **127,469** | **7,617** | **267,949** |
| **Carrying amount as at 1 January 2020** | **132,863** | **127,469** | **7,617** | **267,949** |
| Depreciation and amortisation | (7,937) | (1,224) | - | **(9,161)** |
| Grants received | - | 25,757 | 1,992 | **27,749** |
| Emission allowances utilised | - | - | (6,348) | **(6,348)** |
| Grants reversed due to recognised impairment of property, plant and equipment and other reasons | - | (5) | - | **(5)** |
| Grants transferred (to)/from short term liabilities | 186 | - | - | **186** |
| Reclassifications between categories | (16) | 16 | - | **-** |
| **Carrying amount as at 31 December 2020** | **125,096** | **152,013** | **3,261** | **280,370** |

Amortisation of grants is accounted for under depreciation and amortisation in SPLOCI and reduces depreciation expenses of related property, plant and equipment. Grants reversed are reported within revaluation/impairment of assets and reduce these expenses.

All amounts are in EUR thousand unless otherwise stated

# 30 Deferred income and advances received

## 30.1 Deferred income

Movements in the Group's deferred income:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Current portion | Non-current portion | Current portion | Non-current portion |
| **Balance as at 1 January** | **9,749** | **151,910** | **9,122** | **136,438** |
| Increase during the year | 668 | 19,994 | - | 21,654 |
| Recognised as revenue | (7,429) | - | (5,555) | - |
| Reclassified from (to) other current amounts payable | (1,900) | - | - | - |
| Reclassifications between items | 7,491 | (7,491) | 6,182 | (6,182) |
| **Balance as at 31 December** | **8,579** | **164,413** | **9,749** | **151,910** |

As at 31 December 2020 and 2019 deferred income mainly represents an income from connection of new customers to natural gas system and to the electricity grid under the contracts with customers. Revenue from connection of new customers to natural gas system and to electricity grid is recognised over the average useful life of related items of property, plant and equipment.

## 30.2 Advances received

The Group's advances received were as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current prepayments under contracts with customers (contract liabilities) | 40,617 | 51,665 |
| Current prepayments under other contracts | 2,027 | 80 |
| **In total** | **42,644** | **51,745** |

The advances received for electricity and overdeclared electricity from the customers amounted to EUR 11,239 thousand as of 31 December 2020.

All amounts are in EUR thousand unless otherwise stated

# 31 Provisions

The Group's provisions were as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Non-current | 40,695 | 35,564 |
| Current | 30,399 | 19,818 |
| **Total** | **71,094** | **55,382** |

Movement of the Group's provisions was as follows:

| | Emission allowance liabilities (Note 2.22) | Provisions for employee benefits | PSO provision | Provisions for servitudes (Note 4.8) | Provisions for registration of protection zones (Note 4.8) | Provision for isolated power system operations' and system services (Note 4.15) | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | **895** | **2,868** | **7,554** | **28,023** | **-** | **-** | **1,573** | **40,913** |
| Increase during the year | 478 | 209 | - | 324 | 8,328 | 12,718 | 2,106 | **24,163** |
| Utilised during the year | (987) | (1,013) | (7,554) | (931) | - | - | (314) | **(10,799)** |
| Revaluation of emission allowances utilised | 93 | - | - | - | - | - | - | **93** |
| Result of change in assumptions | - | 877 | - | (464) | - | - | - | **413** |
| Reclassified from (to) other non-current amounts payable | - | 599 | - | - | - | - | - | **599** |
| **Balance as at 31 December 2019** | **479** | **3,540** | **-** | **26,952** | **8,328** | **12,718** | **3,365** | **55,382** |
| **Balance as at 1 January 2020** | **479** | **3,540** | **-** | **26,952** | **8,328** | **12,718** | **3,365** | **55,382** |
| Increase during the year | 14,010 | 161 | - | - | - | 7,592 | 503 | **22,266** |
| Utilised during the year | (826) | (125) | - | (258) | - | (3,049) | (143) | **(4,401)** |
| Revaluation of emission allowances utilised | 3,561 | - | - | , | , | - | - | **3,561** |
| Result of change in assumptions | - | 73 | - | (12,015) | 6,741 | - | (513) | **(5,714)** |
| **Balance as at 31 December 2020** | **17,224** | **3,649** | **-** | **14,679** | **15,069** | **17,261** | **3,212** | **71,094** |

Provision for servitudes is the provision for one-off compensations to third parties for damages related to the establishment of statutory servitudes (effective until 10 July 2004). Significant change in provisions for rights to servitudes and protection zones were caused by change in management's key assumptions used to estimate the period-end balance (Note 4.8).

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees. The balance of provisions at the reporting date is reviewed with reference to actuarial calculations to ensure that estimation of retirement benefit liabilities is as much accurate as possible. The liabilities are recognised at discounted value using the market interest rate.

The item of "Other provisions" mainly consists of provision related to dismantling of units in Elektrenai Complex.

All amounts are in EUR thousand unless otherwise stated

# 32 Trade payables

The Group's trade payables were as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Amounts payable for electricity | 34,216 | 49,847 |
| Amounts payable for contractual works, services | 825 | 1,841 |
| Amounts payable for gas | 2,113 | 7,718 |
| Other trade payables | 14,539 | 19,161 |
| **Carrying amount** | **51,693** | **78,567** |

# 33 Other current amounts payable and liabilities

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Payroll related liabilities | 16,268 | 6,942 |
| Irrevocable commitment to acquire a minority interest (Note 11) | 19,025 | - |
| Amounts payable for property, plant and equipment | 26,583 | 26,056 |
| Taxes (other than income tax) | 15,271 | 15,358 |
| Accrued expenses | 37,937 | 9,710 |
| Derivative financial instruments | 2,202 | 3,047 |
| Put option redemption liability (Note 4.6) | 16,660 | 16,660 |
| Non-controlling interest dividends | 3,212 | 2,947 |
| Other amounts payable and liabilities | 2,211 | 4,322 |
| **Carrying amount** | **139,369** | **85,042** |

## 33.1 Derivative financial instruments

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Other current assets** | | |
| Derivative financial instruments linked to the market prices of electricity | 3,022 | 752 |
| Derivative financial instruments linked to the market price of gas | 289 | 5,036 |
| **In total** | **3,311** | **5,788** |
| **Other current amounts payable and liabilities** | | |
| Derivative financial instruments linked to the market prices of electricity | - | 1,408 |
| Derivative financial instruments linked to the market price of gas | 2,202 | 1,639 |
| **In total** | **2,202** | **3,047** |

Trading of derivatives linked to electricity market prices is carried out by the subsidiary Ignitis UAB (until 1 June 2019 – Energijos tiekimas UAB) on the NASDAQ Commodities trading platform over-the-counter (OTC) trading with other market participants. At the NASDAQ Commodities exchange, Ignitis UAB performs the market maker functions in respect of financial instruments linked to Latvian electricity market prices (*EPAD Riga*)

All amounts are in EUR thousand unless otherwise stated

# 34 Revenue from contracts with customers

## 34.1 Disaggregated revenue information

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

| | 2020 | 2019 (restated) * |
|---|---|---|
| **Electricity related revenue** | | |
| Revenue from the sale of electricity* | 177,324 | 156,611 |
| Revenue from public electricity supply | 165,134 | 137,190 |
| Revenue from sale of produced electricity | 121,188 | 69,290 |
| Income from services ensuring the isolated operation of power system and capacity reserve | 55,554 | 62,258 |
| Revenue from electricity transmission and distribution* | 412,371 | 331,625 |
| Revenue from PSO | 10,189 | 13,855 |
| **Gas related revenue** | | |
| Revenue from gas sales | 179,492 | 210,857 |
| LNGT security component income | 27,636 | 29,372 |
| Revenue from gas transmission and distribution | 36,344 | 34,870 |
| **Other revenue** | | |
| Revenue from new customers' connection fees | 7,429 | 5,294 |
| Proceeds from the sale of heat energy | 3,997 | 3,631 |
| Other revenue from contracts with customers | 18,697 | 25,706 |
| **Total** | **1,215,355** | **1,080,559** |

*The line item "Revenue from the sale of electricity" was increased by EUR 1,212 thousands for the year 2019 due to restatement of comparative figures due to reclassified results related to derivatives as disclosed in the Note 5*

** the revenue from the guaranteed electricity supply services amounting to EUR 17,930 thousand (2019: EUR 27,954 thousand) was reclassified from the line item "Revenue from electricity transmission and distribution" to the line item "Revenue from the sale of electricity"*

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

| | 2020 | 2019 |
|---|---|---|
| Performance obligation settled over time | 1,205,701 | 1,074,219 |
| Performance obligation settled at a specific point in time | 9,654 | 6,340 |
| **In total** | **1,215,355** | **1,080,559** |

## 34.2 Contract balances

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

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Trade receivables*** | 18 | **128,416** | **117,145** |
| **Contract assets** | | **7,187** | **5,016** |
| Accrued revenue from electricity related sales | 19 | 6,787 | 4,943 |
| Accrued revenue from gas sales | 19 | 400 | 73 |
| **Contract liabilities** | | **213,609** | **213,324** |
| Advances received | 30.2 | 40,617 | 51,665 |
| Deferred income | 30.1 | 172,992 | 161,659 |

** Trade receivables related to lease contracts are excluded*

### 34.2.1 Contract assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts. Recognised expected credit losses if any are disclosed in the Notes 17-19.

### 34.2.2 Contract liabilities

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Current | 30.1 | 49,196 | 61,414 |
| Non-current | 30.1 | 164,413 | 151,910 |
| **Total** | | **213,609** | **213,324** |

Deferred income mainly relates to new customers' connection services, the fees of which is recognised as revenue over time although the customer pays up-front in full for these services. The revenue of these services is recognised over the period which is the average useful life of related items of property, plant and equipment (Note 2.19.3.1).

## 34.3 Rights to returned goods assets and refund liabilities

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

## 34.4 Performance obligations

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| More than one year | 164,413 | 151,910 |
| Within one year | 8,579 | 9,749 |
| **Total liability under connection contracts** | **172,992** | **161,659** |

All amounts are in EUR thousand unless otherwise stated

# 35 Other income

The Group's other income during the year were as follows

| | 2020 | 2019 (restated) |
|---|---|---|
| Gain/(loss) on disposal of non-current assets | 3,725 | 1,213 |
| Rent income | 2,297 | 1,923 |
| Other income | 1,143 | 5,415 |
| Interest on late payments equivalent to interest | 570 | 890 |
| Compensation for alleged damage of Alstom Power Ltd. | - | 9,276 |
| **In total** | **7,735** | **18,717** |

*Results from derivatives were reclassified to Other expenses in order to give more reliable information for the users of the financial statements (Note 5)*

The Group provides motor vehicle and real estate lease services under operating lease contracts concluded for definite period, which may be extended for additional period ranging from several hours to several years. Income from lease of motor vehicles and real estate is recognised as income in profit or loss of SPLOCI on a proportionate basis over the entire lease term.

# 36 Purchases of electricity, gas and other services

The Group's purchases of electricity, gas and other services were as follows:

| | 2020 | 2019 (restated*) |
|---|---|---|
| Costs of purchases of gas for trade | 194,747 | 216,281 |
| Costs of purchases of gas for generation | 34,609 | 22,987 |
| Purchases of electricity and related services for trade | 450,085 | 448,368 |
| Purchases of electricity for generation | 19,865 | 34,186 |
| Purchases of sub-contractual services | 3,285 | 4,827 |
| **In total** | **702,591** | **726,649** |

** Results from derivatives were reclassified to Purchases of electricity, gas and other services in order to give more reliable information for the users of the financial statements (Note 5). Moreover, changes in this note due to change of general SPLOCI presentation are disclosed in Note 6.*

# 37 Other expenses

The Group's other expenses were as follows:

| | 2020 | 2019 (restated*) |
|---|---|---|
| Derivatives | 14,106 | 16,387 |
| Telecommunications and IT services | 7,228 | 4,216 |
| Customer service | 5,970 | 4,561 |
| Taxes | 5,234 | 6,177 |
| Consultation services | 3,273 | 1,443 |
| Transport | 3,200 | 4,032 |
| Write-offs of non-current and current amounts receivable (bad debts) | 3,005 | 1,335 |
| Utilities | 2,862 | 2,683 |
| Short-term and low-value lease (Note 9) | 1,895 | 1,671 |
| Personnel development | 677 | 903 |
| Other | 8,742 | 5,367 |
| **In total** | **56,192** | **48,775** |

** Results from derivatives were reclassified to Other expenses in order to give more reliable information for the users of the financial statements (Note 5). Moreover, changes in this note due to change of general SPLOCI presentation are disclosed in Note 6.*

The result of realised and unrealised derivatives is presented through profit and loss of SPLOCI (Note 2.11.3). In SPLOCI result of derivatives is presented on NET basis, depending on the final outcome of the reporting period. The result of such financial instruments can be presented as follows:

| | 2020 | 2019 |
|---|---|---|
| Gain (loss) of realised financial derivatives: | (31,679) | 343 |
| Gain (loss) of unrealised financial derivatives: | 17,573 | (16,730) |
| **In total gain (loss)** | **(14,106)** | **(16,387)** |

# 38 Finance income

The Group's finance income was as follows:

| | 2020 | 2019 (restated) |
|---|---|---|
| Interest income at the effective interest rate | 1,152 | 1,547 |
| Other income from financing activities | 1,262 | 363 |
| **In total** | **2,414** | **1,910** |

*Results from derivatives were reclassified to Other expenses in order to give more reliable information for the users of the financial statements (Note 5)*

## 38.1 The Group's interest income

The Group's interest on receivable for disposal of LitGrid AB (Note 12) in year 2020 amounted to EUR 747 thousand (in 2019: EUR 1,017 thousand). In 2020, the Group received in cash the amount of EUR 547 thousand (in 2019: EUR 1,054 thousand) interest income, which is presented in the cash flow statement under 'Interest received'.

# 39 Finance expenses

The Group's finance expenses were as follows:

| | 2020 | 2019 (restated) |
|---|---|---|
| Interest expenses | 19,269 | 14,737 |
| Interest and discount expense on lease liabilities | 959 | 551 |
| Negative effect of changes in exchange rates | 1,806 | 146 |
| Other expenses of financing activities | 625 | 3,384 |
| **In total** | **22,659** | **18,818** |

*Financial derivatives not designated as hedging instruments were reclassified to Other expenses in order to give more reliable information for the users of the financial statements (Note 5)*

## 39.1 The Group's interest expense

The Group incurs interest expense on long-term and short-term loans payable and bonds issued (Note 25). In 2020, the Group paid interest in cash in the amount of EUR 15,844 thousand (in 2019: EUR 14,416 thousand), which are presented in the cash flow statement under 'Interest paid'.

# 40 Income tax expenses

Income tax expenses for the period comprise current year income tax and deferred income tax. The Group's income tax expenses were as follows:

| | 2020 | 2019 |
|---|---|---|
| Income tax expenses (benefit) for the year | 11,392 | 6,739 |
| Deferred income tax expenses (benefit) | 14,016 | 438 |
| **Income tax expenses (benefit) recognised in profit or loss** | **25,408** | **7,177** |

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:

| | 2020 | 2019 |
|---|---|---|
| Profit (loss) before tax | 194,670 | 66,153 |
| Income tax expenses (benefit) at tax rate of 15% | 29,201 | 9,923 |
| Expenses not deductible for tax purposes | 10,901 | 4,202 |
| Income not subject to tax | (6,463) | (2,434) |
| Income tax relief for the investment project | (3,201) | (5,057) |
| Adjustments in respect of prior years | (82) | 12 |
| Tax losses utilised | (4,617) | (1,544) |
| Realisation of unrecognised tax losses | (1,073) | 1,689 |
| Unrecognised deferred income tax on tax losses | 309 | 386 |
| Other | 433 | - |
| **Income tax expenses (benefit)** | **25,408** | **7,177** |

All amounts are in EUR thousand unless otherwise stated

# 41 Earnings per share

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

| | 2020 | 2019 |
|---|---|---|
| **Net profit (loss)** | **169,262** | 58,976 |
| Attributable to: | | |
| Equity holders of the parent | 169,816 | 56,665 |
| Non-controlling interests | (554) | 2,311 |
| Weighted average number of nominal shares | 59,050,880 | 54,283,757 |
| Basic earnings/(loss) per share attributable to shareholders of the Parent Company | 2.88 | 1.04 |
| Diluted earnings/(loss) per share attributable to shareholders of the Parent Company | 2.88 | 1.04 |

Basic and diluted earnings per share indicators have been calculated based on 59,050,880, a weighted average number of ordinary shares for 2020 as Ignitis grupė AB authorised capital has been increased by twenty million ordinary nominal shares on 5 October 2020 in relation with the IPO.

As at 31 December 2019 the Company's issued capital was divided in to 4,179,849,289 registered ordinary shares with par value of EUR 0.29 per each. As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Company. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Company was changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Company was divided into 54,283,757 ordinary registered shares. In order to ensure comparability of EPS figures between the periods weighted average number of shares used in calculation for 2019 was adjusted to 54,283,757.

Share-based options for employee's were excluded from calculations in year 2020, but could potentially affect diluted EPS in future periods.

# 42 Dividends

Dividends declared by the Company during the year:

| | 2020 | 2019 |
|---|---|---|
| Ignitis grupė AB | 70,000 | 13,000 |

During the year 2020 dividends declared for non-controlling interest were EUR 2,793 thousand (31 December 2019 – Eur 896 thousand), see Note 11.

A dividend of EUR 28 million for the year of 2019 was declared in May 2020. A dividend of EUR 42 million for the first half of 2020 was declared in September 2020 and paid prior to the IPO. A remaining part of EUR 43 million for the second half of 2020 is subject to approval at the Annual General Meeting on 25 March 2021. Declared dividend for the year of 2020 will amount EUR 85 million according to approved dividend policy.

Dividends received by Stabilisation Manager („Swedbank", AB) in connection with Stabilisation Shares, shall be transferred back to the Company.

# 43 Contingent liabilities and commitments

## 43.1 Rate adjustments due to profit earned in preceding periods exceeding the return on investment permitted by NERC (2020 year)

### 43.1.1 Electricity distribution

By the resolution No.O3E-989 taken on 16 October 2020 NERC established the price caps for the electricity distribution service for the year 2021 on the basis of certificate No.O5E-841 issued on 15 October 2020. The level of income from electricity distribution activities was not reduced by the return on investment earned in previous periods, which exceeded the return on investment set by NERC. The evaluation of the return on investment for 2018-2020 will be performed in 2021, setting the limits for electricity distribution prices for 2022.

### 43.1.2 Gas distribution

By the resolution No.O3E-1010 taken on 30 October 2020 NERC set the upper limit of the natural gas distribution price for the 2021 on the basis of certificate No.O5E-838 issued on 14 October 2020 and stated that the 2021 year level of income from natural gas distribution activities is reduced by EUR 6,885 thousand, the remaining part of the investment return earned by Energijos skirstymo operatorius AB in the period 2014-2018, exceeding the amount set by NERC (EUR 12,703 thousand) will be assessed by determining the price of the natural gas distribution service for subsequent periods.

## 43.2 Litigations

Below there are described most significant litigations as at 31 December 2020:

### 43.2.1 Litigation with Šiaulių energija AB

Šiaulių energija AB filed a claim against the Group's subsidiary Energijos skirstymo operatorius AB (hereinafter "ESO") for indemnification of losses incurred due to a failure in LitGrid AB networks on 25 March 2019, which caused a short circuit and overvoltage in ESO networks and the electrical equipment of the Šiaulių energija AB power plant connected to them. This claim seeks joint and several damages from ESO and LitGrid AB in the amount of EUR 1,272 thousand.

Due to this incident, an investigation was carried out by the NERC, during which ESO's liability for failure of the plaintiff's electrical equipment was not established. The Group's management does not agree with the claim, as ESO did not violate the contract or other legal acts, and is of the opinion that Šiaulių energija AB is responsible for the losses incurred during the accident. Next hearing in case is scheduled on 1 March 2021. The Group believes that it will defend its interests these proceedings successfully and has not made provisions for these proceedings.

### 43.2.2 Litigation with Vilniaus energija UAB

The plaintiff Vilniaus energija UAB has filed a claim with the Vilnius Regional Court regarding the award of EUR 9,284 thousand from Energijos skirstymo operatorius AB. The plaintiff claims to have incurred EUR 9,284 thousand losses due to the fact that Energijos skirstymo operatorius AB during the year 2014 purchased only the electricity produced by the Plaintiff's cogeneration plants in the technical minimum regime. On 17 March 2017, the Plaintiff updated the subject-matter of the claim and requested the court to award damages in the amount of EUR 10,712 thousand.

By its decision of 28 January 2020, the Vilnius Regional Court partially satisfied the claim of Vilniaus energija UAB and
1) acknowledged that Vilniaus energija UAB was discriminated against in relation to other cogeneration plants;
2) awarded Vilniaus energija UAB from ESO EUR 1,725 thousand in damages incurred in year 2014. And EUR 535 thousand in damages incurred in year 2015. (in total EUR 2,260 thousand);
3) awarded annual procedural interest in the amount of 6 per cent for the awarded amount of damages from the day of instituting proceedings in court in 24 May 2014 until the date of full execution of the judgment.
The part of the claim, in which Vilniaus energija UAB requested to be recognised as having discriminated by the balancing energy supplier AB Ignitis gamyba against it, and ordered ESO to pay EUR 4,615 thousand as damages incurred in year 2014 and EUR 3,837 thousand as damages incurred in year 2015 was rejected.

On 27 February 2020 ESO filed an appeal against the part of the decision of the Vilnius Regional Court of 28 January 2020, which satisfied the claim of Vilniaus energija UAB: ESO did not agree with the conclusion of the Vilnius Regional Court that it discriminated against Vilniaus energija UAB in purchasing eligible electricity. In the absence of a violation of competition law in ESO's actions, ESO is not obliged to compensate Vilniaus energija UAB for the losses it allegedly incurred.

By a ruling of 11 June 2020, the Lithuanian Court of Appeal reversed the decision of the Vilnius Regional Court of 28 January 2020 and completely rejected the claim of Vilniaus energija UAB.

By its ruling of 22 September 2020, the Supreme Court of Lithuania accepted the cassation appeal of Vilniaus energija UAB. ESO's response to the cassation appeal of Vilniaus energija UAB was filed on 21 October 2020. A hearing of the Supreme Court of Lithuania has been scheduled on 31 March 2021.

The Group's management expects that the cassation appeal of Vilniaus energija UAB will be rejected as unfounded.

### 43.2.3 Litigation with a minority shareholder of Energijos skirstymo operatorius AB

On 10 August 2020, the Group received a claim from minority shareholder of subsidiary ESO regarding buyout of shares (Note 11). The claim requires to determine the correct price of ESO shares, which must be paid by the Company to the shareholders during the mandatory redemption of shares. On 15 February 2021 the plaintiff specified that the price, which must be paid by the Company to him is 22,57 Eur per 1 share. In the opinion of the management, there should be no significant impact on the Group's financial position or results because the price noted by the plaintiff has no legal and finance ground.

### 43.2.4 Litigation with Rafako S.A.

On 10 July 2020 Rafako S.A. filed a claim in Arbitration Institute of the Stockholm Chamber of Commerce (hereinafter “Arbitration Court”) concerning the construction contract. On 22 January 2021, Rafako S.A. filed full Statement of Claim and mandates its requests after assessing the termination of the contract on 6 October 2020. The 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 considers the claimant's claim to be unfounded.

According to the Group’s management, the position of the company in this dispute is strong, so it is expected to win the dispute. According to the management, this dispute will not have significant financial consequences for the implementation of the project.

### 43.2.5 Litigation with Kauno termofikacijos elektrinė UAB

The Group as at 17 December 2018 applied to the Vilnius Commercial Arbitration Court for compensation of EUR 1,677 thousand for losses incurred due to the Kauno termofikacijos elektrinė UAB failure to acquire the entire required LNG quantity allocated for 2015 year and for the award of EUR 123 thousand in default interest. On 21 May 2021 a written hearing is scheduled. The case is still pending.

### 43.2.6 Litigation with subcontractors regarding the Vilniaus kogeneracinė jėgainė construction works

As at 31 December 2020 the Group, as a defendant or a third party, has been involved in litigation with subcontractors regarding possible liabilities, although it has fully settled the contract with the main contractor and the work performed by it. The outcome of litigation should not create additional obligations for the Group in relation to subcontractors.

### 43.2.7 Investigation by European Commission

Based on a press release of the European Commission, the Group informs that on 3 June 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Group in the context of a strategic reserve measure. The Group’s management is not aware of any circumstances that could result in potential significant liabilities for the Group in this respect, so therefore no provisions are recognized.

## 43.3 Contract with Equinor ASA due to the required purchase of liquefied gas at the LNGT

On 10 February 2014 the Minister of Energy appointed the Group to carry out the activities of the designated supplier (Note 2.19.2.3.2) for a period of 10 years, i.e. until 2024. In 2014 having received all the necessary approvals of the Government of the Republic of Lithuania (hereinafter “GRL”) and the sole shareholder and based on the legislation in force at that time, the Group selected the LNG supplier Equinor ASA (formerly Statoil ASA) by tender and entered into a 5-year LNG supply contract. With the market price of natural gas falling significantly and gas demand in the Lithuanian energy sector declining, the agreement with Equinor ASA was renegotiated and on 19 February 2016 was signed with the conditions approved by GRL: the annual contracted natural gas supply was reduced from 5.98 TWh to 3.87 TWh per year (or from 6 to 4 standard LNG ships per year), the contract term was extended from 2019 to 2024.

The required LNG quantity at LNGT is coordinated with NERC and approved by the GLR. LNGT Operator in accordance with the established procedure on 8 April 2019 submitted to GRL the required LNG quantity, which was coordinated with the Group and approved by NERC resolution No. O3E-95 on 1 April 2019, for all 5 years, i.e. from 1 January 2020 till 1 January 2025, – from 3.87 TWh to 5.98 TWh per year. According to the resolutions by GRL, the required quantity was approved for 2014-2019 and 2020.

GLR was looking for ways to reduce LNGT required quantity for 2021 year and on 2 December 2020 registered a draft resolution where is proposed to set the LNGT quantity 1.9 TWh per year (or 2 standard LNG ships per year). A lower minimum required quantity of the LNGT could lead to possible losses to the Group, as the Group is contractually obliged to purchase 4 standard LNG ships from Equinor ASA. The LNG price per MWh stipulated in the Equinor ASA contract is about EUR 5-7 higher than the market price, and this price difference is compensated to the Group through the regulatory model of the designated supply. Therefore, in the opinion of the Group's management, after the adoption of the said draft resolution, the Group would suffer from 9.8 to 13.8 million. Eur loss.

On 30 December 2020 GLR adopted the resolution No. 1482, which approved the LNGT required quantity for 2021 year – 3.87 TWh (or 4 standard LNG ships). The Group is committed by GLR to find ways to optimize the cost of the designated supply and is currently in negotiations with Equinor ASA. As the required quantity is approved only for the year 2021, the risk of significant losses to the Group remains if the required quantity of less than 4 standard size LNG ships will be approved for the years 2022 - 2024. The Group considers that such risk is minimal, as both the LNGT Operator and NERC declared the required LNG quantity from 3.87 TWh to 5.98 TWh per year for the period 2021 – 2024.

# 44 Related-party transactions

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

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

| Related parties | Accounts Receivable 31 December 2020 | Accounts Payable 31 December 2020 | Sales 2020 | Purchases 2020 | Finance income (expenses) 2020 |
|---|---|---|---|---|---|
| EPSO-G UAB | 150,842 | - | 28 | - | 747 |
| LitGrid AB | 9,407 | 18,900 | 84,638 | 165,659 | - |
| Amber Grid AB | 4,217 | 5,227 | 30,380 | 45,443 | - |
| Baltpool UAB | 10,334 | 11,353 | 122,297 | 85,517 | - |
| TETAS UAB | 51 | 1,276 | 440 | 8,143 | - |
| GET Baltic | 2,903 | 1 | 24,928 | 28,507 | - |
| Associates and other related parties of the Group | 30 | 280 | 182 | 524 | - |
| **Total** | **177,784** | **37,037** | **262,893** | **333,793** | **747** |

| Related parties | Accounts Receivable 31 December 2019 | Accounts Payable 31 December 2019 | Sales 2019 | Purchases 2019 | Finance income (expenses) 2019 |
|---|---|---|---|---|---|
| EPSO-G UAB | 158,943 | - | 32 | - | 1,017 |
| LitGrid AB | 10,297 | 14,749 | 75,474 | 134,833 | - |
| Amber Grid AB | 4,203 | 6,329 | 32,575 | 62,409 | 1 |
| Baltpool UAB | 11,682 | 10,177 | 39,300 | 36,980 | - |
| TETAS UAB | 84 | 869 | 555 | 6,115 | 6 |
| GET Baltic | 754 | - | 26,050 | 2,110 | - |
| Associates and other related parties of the Group | 116 | 217 | 62 | 1,217 | - |
| **Total** | **186,079** | **32,341** | **174,048** | **243,664** | **1,024** |

The major sale and purchase transactions with related parties in 2020 and 2019 comprised transactions with the companies controlled by the Lithuanian Ministry of Energy: Litgrid AB and Baltpool UAB. The Group's purchases from these entities mainly included purchases of electricity, capacity, transmission, PSO services and gas. Sales transactions included sales of electricity, capacity and PSO services

Amount receivable from EPSO-G UAB represents unpaid amount on disposal of Litgrid AB, the outstanding balance of the amount receivable and interest accrued thereon. Finance costs include interest charged during the year.

Transactions with other state-owned entities included regular business transactions and therefore they were not disclosed.

## 44.1 Terms of transactions with related parties

The payment terms set range from 15 to 90 days, except for the EPSO-G receivable (Notes 4.7, 12, 19). Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivable.

## 44.2 Compensation to key management personnel

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries and other short-term benefits to key management personnel | 5,034 | 4,967 |
| Whereof: termination benefits and benefits to Board Members | 453 | 434 |
| Number of key management personnel | 55 | 62 |

For share-based payments related to key management personnel – see Note 24.

# 45 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.;
- 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, Energijos Tiekimas UAB (until 31 May 2019), Ignitis Eesti OÜ, Ignitis Latvija SIA, Ignitis Polska Sp. z o. o.

Other activities and eliminations include:

- support services companies (Ignitis grupės paslaugų centras UAB, Verslo aptarnavimo centras UAB (until 31 December 2019));
- non-core activities companies (Energetikos paslaugų ir rangos organizacija UAB, Duomenų logistikos centras (until 7July 2020) UAB, NT Valdos UAB, Transporto valdymas UAB);
- additional service entities (Elektroninių mokėjimų agentūra UAB, Gamybos optimizavimas UAB);
- parent company Ignitis grupė AB;
- consolidation corrections and eliminations of intercompany transactions.

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

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

The Group management calculates EBITDA as follows:

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

EBITDA

The Group management calculates adjusted EBITDA as follows:

EBITDA +
Management adjustments (for revenues) +
Management adjustments (for expenses)

Adjusted EBITDA

The Group management calculates EBIT as follows:

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

EBIT

The Group management calculates adjusted EBIT as follows:

EBIT +
Management adjustments (for revenues) +
Revaluation of emission allowances

Adjusted EBIT

The Group management calculates adjusted EBITDA margin as follows:

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

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 26.

All amounts are in EUR thousand unless otherwise stated

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

Management's adjustments for revenues include:

- temporary regulatory differences;
- temporary fluctuations in fair value of electricity and gas derivatives;
- cash effect restatement of new connection points and upgrades;
- result of disposal of non-current assets;
- compensations received for the previous periods;
- revenue related to GDRs

Management's adjustments for expenses include:

1. 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 for revenues and expenses. Management's adjustments for revenues and expenses all may have both positive and negative impact on the reporting period results.
Adjusted EBIT is EBIT further adjusted by adding management's adjustments for revenues and eliminating the result of revaluation of emission allowances. These adjustments may have both positive and negative impact on the reporting period results.

Management's adjustments for revenues (used in calculating adjusted EBITDA and adjusted EBIT) and expenses (used in calculating adjusted EBITDA):

| Segment / Management's adjustments | 2020 | 2019 |
|---|---|---|
| **Networks** | | |
| Temporary regulatory differences of Energijos skirstymo operatorius AB | 4,687 | 36,905 |
| Cash effect restatement of new connection points and upgrades of Energijos skirstymo operatorius AB | 13,224 | 16,105 |
| Result of disposal of non-current assets | (732) | (609) |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | 696 | 502 |
| Compensation received for the previous periods | - | (2,613) |
| **Green generation** | | |
| Temporary regulatory differences of Ignitis gamyba AB | 566 | 544 |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | - | (3) |
| **Flexible generation** | | |
| Temporary regulatory differences of Ignitis gamyba AB | (409) | (6,279) |
| Temporary fluctuations in fair value of derivatives | (431) | 431 |
| Result of disposal of non-current assets | (7) | - |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | 70 | (1,054) |
| Received compensation related to carried out projects in previous periods | - | (9,276) |
| **Customers and Solutions** | | |
| Temporary regulatory differences of Ignitis UAB | (43,306) | 564 |
| Temporary fluctuations in fair value of electricity and gas derivatives of Ignitis UAB and Energijos tiekimas", UAB (until 31 May 2019) | (18,085) | 16,373 |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | 2,418 | 3,808 |
| **Other segments and consolidation adjustment** | | |
| Revenue related to GDRs | (1,782) | - |
| Result of disposal of non-current assets | (2,986) | (595) |
| Impairment and write-offs of current and non-current amounts receivables, loans, goods and others | 258 | (1,968) |
| **Total Management's adjustments for Adjusted EBITDA** | **(45,819)** | **52,835** |
| **Total Management's adjustments for Adjusted EBIT** | **(49,261)** | **51,550** |

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.

Adjusted EBITDA and adjusted EBIT more accurately present results of operations and enable to better compare results between the periods as it indicate the amount that was actually earned by the Group in the reporting year by:

- eliminating differences between the permitted return set by the NERC and the actual return;
- adjusting for temporary fluctuations in the fair value of derivatives related to other periods (including contracts that are settled in the current period but are related to future periods);
- reflecting generated cash flow for the services provided to the new customers (hereinafter – NC) during the reporting period when those services were provided, i.e. fulfilment of the contractual connection obligations to the customers;
- adjusting for effects not related to the main activities of the Group or related to other periods.

## 45.2 Networks segment

Adjusted EBITDA and adjusted EBIT are calculated by adding management's adjustments that comprise the impact of the recalculation of regulated activity revenue of prior periods resulting from the NERC resolutions and by deducting the current year difference arising between the return on investments permitted by the NERC and estimated by management. For 2020 the adjustment amounted to EUR 4,687 thousand (EUR 36,905 thousand for 2019). This adjustment includes:

- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 60,876 thousand for 2020 (EUR 61,724 thousand during 2019). These amounts are based on resolutions published by the NERC
- new amounts of temporary regulatory differences formed during the reporting period – EUR (56,189) thousand (during 2019 EUR (24,819) thousand). The amounts for current year are based on management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by management using actual financial and operating data for the current period.

Adjusted EBITDA and adjusted EBIT include adjustment of eliminating NC connections and upgrades deferred income and adding NC generated cash flow for the reporting period. During 2020 Group received EUR 20,653 thousand cash for new customer connection (EUR 21,660 thousand during 2019) and the deferred income recognised as revenue amounted to EUR 7,429 thousand for 2020 (EUR 5,555 thousand for 2019). Total amount of this adjustment amounted to EUR 13,224 thousand for 2020 (EUR 16,105 thousand for 2019).

During 2020 the result of disposal of non-current assets of Energijos skirstymo operatorius AB amounted to EUR (732) thousand (EUR (609) thousand for 2019). Impairment and write-offs of current and non-current amounts receivables, loans, goods and others for 2020 amounted to EUR 696 thousand (EUR 502 thousand for 2019).

During 2019 Energijos skirstymo operatorius AB received compensation from Litgrid AB for transmission (including systemic) services (for January and February 2016) amounting EUR 2,613 thousand which was adjusted by management as a one-time factor related to prior periods.

### 45.3 Green generation segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, adjusted EBITDA and adjusted EBIT) from Kruonis pumped storage power plant regulated services provided by Ignitis gamyba AB, if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR 566 thousand for 2020 (EUR 544 thousand for 2019).

### 45.4 Flexible generation segment

Adjusted EBITDA and adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, adjusted EBITDA and EBIT) from Elektrėnai Complex regulated services provided by Ignitis gamyba AB, if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR (409) thousand for 2020 (EUR (6,279) thousand for 2019.

Adjusted EBITDA and adjusted EBIT are calculated by eliminating the difference between derivatives, booked in the statement of the financial position, fair value (Mark to market) and acquisition price – unrealized profit. Management evaluates only the results of closed positions – realized profit or loss. During 2020 related eliminations amounted to EUR (431) thousand (EUR 431 thousand during 2019).

In 2019 Ignitis gamyba AB received compensation of EUR 9,276 thousand for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of the public limited liability company Lietuvos Elektrinė in 2005–2009 which is eliminated as a one-time factor related to prior periods.

### 45.5 Customer and Solutions segment

Adjusted EBITDA and adjusted EBIT are calculated by eliminating deviations arising in the regulated activities of gas and electricity supply due to the variance between actual and projected prices for the acquisition prices and other components established in the calculation methodology used by the NERC. During 2020 the effect was positive and according to management estimate amounted to EUR 43,306 thousand. During 2019 the effect was negative and amounted to EUR 564 thousand.

Adjusted EBITDA and adjusted EBIT are adjusted for temporary fluctuations in the fair value of derivatives related to other periods (including contracts that are settled in the current period but are related to future periods). The Group uses derivatives for economic hedge of gas and electricity supply contracts, however does not fully apply hedge accounting, therefore the management eliminates them when analysing current period results. During 2020 related eliminations amounted to EUR (18,085) thousand (EUR 16,373 thousand during 2019).

The result of impairment and write-offs of current and non-current amounts receivables, loans, goods and others for 2020 amounted to EUR 2,418 thousand (EUR 3,808 thousand for 2019).

### 45.6 Other activities and eliminations segment

Adjusted EBITDA and adjusted EBIT are adjusted for the amount of revenue related to GDRs (EUR 1,782 thousand) which was collected from GDR holders during IPO process as this was a one-off transaction not related to continued operations of the Group.

All amounts are in EUR thousand unless otherwise stated

The table below shows the Group information on segments for the year 2020:

| | Networks | Green generation | Flexible generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| *IFRS** | | | | | | |
| Sales revenue from external customers | 481,300 | 88,701 | 110,022 | 533,245 | 9,822 | **1,223,090** |
| Inter-segment revenue (less dividend) | 906 | 321 | 1,706 | 15,287 | (18,220) | **-** |
| **Total revenue and other income** | **482,206** | **89,022** | **111,728** | **548,532** | **(8,398)** | **1,223,090** |
| | | | | | | |
| Purchases of electricity, gas and other services | (194,475) | (21,405) | (62,339) | (437,356) | 12,984 | **(702,591)** |
| Salaries and related expenses | (51,368) | (6,437) | (7,002) | (9,876) | (18,110) | **(92,793)** |
| Repair and maintenance expenses | (24,842) | (2,857) | (6,257) | (5) | (111) | **(34,072)** |
| Other expenses | (30,422) | (8,141) | (3,549) | (31,278) | 17,198 | **(56,192)** |
| **EBITDA** | **181,099** | **50,182** | **32,581** | **70,017** | **3,563** | **337,442** |
| | | | | | | |
| Depreciation and amortization | (78,283) | (17,633) | (11,370) | (1,551) | (4,537) | **(113,374)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (4,699) | (19) | (157) | (49) | (1,006) | **(5,930)** |
| Revaluation of emission allowances | - | (558) | (2,665) | - | - | **(3,223)** |
| **Operating profit (loss) (EBIT)** | **98,117** | **31,972** | **18,389** | **68,417** | **(1,980)** | **214,915** |
| | | | | | | |
| *Adjusted*** | | | | | | |
| **EBITDA** | **181,099** | **50,182** | **32,581** | **70,017** | **3,563** | **337,442** |
| Management adjustments (for revenues) | 17,179 | 566 | (847) | (61,391) | (4,768) | **(49,261)** |
| Management adjustments (for expenses) | 696 | - | 70 | 2,418 | 258 | **3,442** |
| **Adjusted EBITDA** | **198,974** | **50,748** | **31,804** | **11,044** | **(947)** | **291,623** |
| *Adjusted EBITDA margin* | *39.8%* | *56.6%* | *28.7%* | *2.3%* | *(7.2%)* | ***24.8%*** |
| | | | | | | |
| Depreciation and amortisation | (78,283) | (17,633) | (11,370) | (1,551) | (4,537) | **(113,374)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (4,699) | (19) | (157) | (49) | (1,006) | **(5,930)** |
| Write-offs and impairment of non-current and current receivables, inventories and other write-offs | (696) | - | (70) | (2,418) | (258) | **(3,442)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **115,296** | **33,096** | **20,207** | **7,026** | **(6,748)** | **168,877** |
| | | | | | | |
| Property, plant and equipment, intangible and right-of-use assets | 1,616,944 | 755,387 | 400,982 | 6,633 | 19,564 | **2,799,510** |
| Investments | 140,607 | 197,017 | 1,520 | 2,187 | 5,432 | **346,763** |
| Net debt | 680,701 | 352,413 | (40,197) | 29,365 | (421,944) | **600,338** |

** Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*
*** 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 information on segments for the year 2019*:

| | Networks | Green generation | Flexible generation | Customers and Solutions | Other activities and eliminations | Total Group |
|---|---|---|---|---|---|---|
| *IFRS*** | | | | | | |
| Sales revenue from external customers | 413,793 | 83,269 | 80,130 | 511,146 | 10,938 | **1,099,276** |
| Inter-segment revenue (less dividend) | 1,187 | (234) | 689 | 11,103 | (12,745) | **-** |
| **Total revenue and other income** | **414,980** | **83,035** | **80,819** | **522,249** | **(1,807)** | **1,099,276** |
| Purchases of electricity, gas and other services | (183,335) | (27,698) | (28,391) | (493,745) | 6,520 | **(726,649)** |
| Salaries and related expenses | (46,000) | (4,391) | (6,305) | (4,925) | (25,365) | **(86,986)** |
| Repair and maintenance expenses | (21,745) | (2,367) | (4,885) | (3) | (798) | **(29,798)** |
| Other expenses | (33,702) | (5,678) | (3,028) | (33,396) | 27,028 | **(48,776)** |
| **EBITDA** | **130,198** | **42,901** | **38,210** | **(9,820)** | **5,578** | **207,067** |
| Depreciation and amortization | (80,957) | (15,346) | (11,592) | (412) | (1,581) | **(109,888)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (8,210) | -, | (275) | -, | (5,202) | **(13,687)** |
| Revaluation of emission allowances | -, | -, | (431) | -, | -, | **(431)** |
| **Operating profit (loss) (EBIT)** | **41,031** | **27,555** | **25,912** | **(10,232)** | **(1,205)** | **83,061** |
| *Adjusted**** | | | | | | |
| **EBITDA** | **130,198** | **42,901** | **38,210** | **(9,820)** | **5,578** | **207,067** |
| Management adjustments (for revenues) | 49,788 | 544 | (15,124) | 16,937 | (595) | **51,550** |
| Management adjustments (for expenses) | 502 | (3) | (1,054) | 3,808 | (1,968) | **1,285** |
| **Adjusted EBITDA** | **180,488** | **43,442** | **22,032** | **10,925** | **3,015** | **259,902** |
| *Adjusted EBITDA margin* | *38.8%* | *52.0%* | *33.5%* | *2.0%* | *(125.5)%* | ***22.6%*** |
| Depreciation and amortisation | (80,957) | (15,346) | (11,592) | (412) | (1,581) | **(109,888)** |
| Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | (8,210) | - | (275) | - | (5,202) | **(13,687)** |
| Write-offs and impairment of non-current and current receivables, inventories and other write-offs | (502) | 3 | 1,054 | (3,808) | 1,968 | **(1,285)** |
| **Total adjusted operating profit (loss) (adjusted EBIT)** | **90,819** | **28,099** | **11,219** | **6,705** | **(1,800)** | **135,042** |
| Property, plant and equipment, intangible and right-of-use assets | 1,565,350 | 585,296 | 392,012 | 4,234 | 4,706 | **2,551,598** |
| Investments | 178,954 | 253,866 | 551 | 3,166 | 16,701 | **453,238** |
| Net debt | 657,710 | 278,479 | (43,151) | 91,188 | (17,725) | **966,501** |

**Certain amounts presented above do not correspond to the consolidated financial statements prepared for the period of 2019 due to restatement of comparative figures due to reclassified results related to derivatives as disclosed in the Note 5.*
*** Amounts are presented according to Consolidated Statement of Profit or Loss and other Comprehensive Income of these financial statements*
**** 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*

# 46 Fair values of financial instruments

## 46.1 Financial instruments, measured at fair value

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

As at 31 December 2020 and 2019, the Group accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2019 – 0.614%).

As at 31 December 2020 and 2019, the Group accounted for the option to acquire all the shares of Kauno kogeneracinė jėgainė UAB held by FORTUM HEAT LIETUVA UAB (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to FORTUM HEAT LIETUVA UAB for the redeemable FORTUM HEAT LIETUVA UAB owned Kauno kogeneracinė jėgainė UAB shares, if 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. The fair value was approximately equal to the carrying amount.

As at 31 December 2020 and 2019, 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 2.11.3. Fair value corresponds to level 2 in the fair value hierarchy.

As at 31 December 2020 and 2019, the Group has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB". The Group accounts for financial asset at fair value and their accounting policies are set out in Note 14. Fair value corresponds to level 3 in the fair value hierarchy.

## 46.2 Financial instruments for which fair value is disclosed

The Group's fair value of loans granted is approximately equal to carrying amount as disclosed in Note 12. The measurement of financial assets related to the loans issued is attributed to Level 2 of the fair value hierarchy.

The Group's bond issue debt (Note 25) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 2.186% as at 31 December 2020 (31 December 2019 – 1.29%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that are similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities to commercial banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.56% as at 31 December 2020 (31 December 2019 – 2.39%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities to state-owned investment banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.56% as at 31 December 2020 (31 December 2019 – 4.04%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2020:

| | 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** | | | | | | |
| Receivable for the sale of LitGrid AB | 12,19 | **150,693** | - | - | 150,693 | **150,693** |
| Derivative financial instruments | 33.1 | **3,311** | - | 3,311 | - | **3,311** |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 14 | **4,912** | - | - | 4,912 | **4,912** |
| **Liabilities** | | | | | | |
| Put option redemption liability | 33 | **16,660** | - | 16,660 | - | **16,660** |
| Derivative financial instruments | 33.1 | **2,202** | - | 2,202 | - | **2,202** |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Loans granted | 12 | **1,908** | - | 1,908 | - | **1,908** |
| **Liabilities** | | | | | | |
| Bonds issued | 25 | **896,088** | - | 894,158 | - | **894,158** |
| Debt liabilities to commercial banks | 25 | **136,262** | - | 130,808 | - | **130,808** |
| Debt liabilities to state-owned investment banks | 25 | **229,254** | - | 196,045 | - | **196,045** |

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2019:

| | 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** | | | | | | |
| Receivable for the sale of LitGrid AB | 12,19 | 158,658 | - | - | 158,658 | 158,658 |
| Derivative financial instruments | 33.1 | 5,788 | 13 | 5,775 | - | 5,788 |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 14 | 3,474 | - | 3,474 | - | 3,474 |
| **Liabilities** | | | | | | |
| Put option redemption liability | 33 | 16,660 | - | 16,660 | - | 16,660 |
| Derivative financial instruments | 33.1 | 2,528 | 500 | 2,028 | - | 2,528 |
| **Financial instruments measured at amortised costs** | | | | | | |
| **Assets** | | | | | | |
| Loans granted | 12 | 211 | - | 211 | - | 211 |
| **Liabilities** | | | | | | |
| Bonds issued | 25 | 590,120 | - | 630,732 | - | 630,732 |
| Debt liabilities to commercial banks | 25 | 169,383 | - | 161,361 | - | 161,361 |
| Debt liabilities to "European Investment Bank" | 25 | 99,796 | - | 64,222 | - | 64,222 |

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 (over-the-counter contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange by additionally adding price area differences (a potential risk) that are evaluated using the expert method.

# 47 Remuneration to auditors

Following Group's remuneration to the independent audit firms:

| | 2020 | 2019 |
|---|---|---|
| Audit of the financial statements under the agreements | 547 | 390 |
| Assurance and other related services | 2 | 22 |
| Initial public offering related services | 367 | - |
| Bonds issue related services | 142 | - |
| Tax consultation services | - | 52 |
| Expenses of other services | 3 | 55 |
| **In total** | **1,061** | **519** |

# 48 Events after the reporting period

## 48.1 Events related to litigation and claims

### Litigations with UAB „AXIS Tech"

On 26 January 2021 UAB "AXIS Tech" filed a lawsuit with the Vilnius Regional Court regarding EUR 5,284 thousand debt, unjust enrichment for construction works, materials. The Group considers the claimant's claim to be unfounded.

## 48.2 Other events

### Kruonis Pumped Storage Hydroelectric Powerplant expansion plan

On 24 February 2021 the Supervisory Board of its subsidiary AB "Ignitis gamyba" approved the decision of the Management Board of AB "Ignitis gamyba" to approve the expansion plan of the Kruonis Pumped Storage Hydroelectric Powerplant (hereinafter – Kruonis PSHP) and initiate the first stage of the development – a tender for technical consultation services.

According to the preliminary assessment, the 5th hydropower unit of Kruonis PSHP will commence operations in 2025.

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

## For the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union


| | |
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The Company's financial statements were prepared and signed by AB "Ignitis grupė" management on 26 February 2021:

**Darius Maikštėnas**
Chief Executive Officer

**Darius Kašauskas**
Finance and Treasury Director

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras"
Head of Accounting Department acting under
Order No IS-185-20 of 18/12/2020

# Statement of Financial Position

**As at 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | 1,874 | 1,874 |
| Property, plant and equipment | | 55 | 86 |
| Right-of-use assets | | 520 | 838 |
| Prepayments for non-current assets | | - | 144 |
| Investment property | | 77 | - |
| Investments in subsidiaries | 5 | 1,239,045 | 1,204,494 |
| Non-current receivables | 6 | 890,114 | 723,201 |
| Other financial assets | 8 | 4,912 | 3,474 |
| Other non-current assets | 9 | 19,050 | - |
| Deferred tax assets | | 643 | 763 |
| **Total non-current assets** | | **2,156,290** | **1,934,874** |
| **Current assets** | | | |
| Prepayments and deferred expenses | | 51 | 32 |
| Trade receivables | | 313 | - |
| Other receivables | 6.1 | 14,754 | 380 |
| Other current assets | 9 | 45,000 | - |
| Current loans and interest receivable | 7 | 73,956 | 270,949 |
| Cash and cash equivalents | 10 | 421,289 | 144 |
| | | **555,363** | **271,505** |
| Assets held for sale | 11 | - | 7,141 |
| **Total current assets** | | **555,363** | **278,646** |
| **TOTAL ASSETS** | | **2,711,653** | **2,213,520** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 12 | | |
| Issued capital | | 1,658,756 | 1,212,156 |
| Reserves | 13 | 82,330 | 80,720 |
| Retained earnings (deficit) | | 71,869 | 36,525 |
| **Total equity** | | **1,812,955** | **1,329,401** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Non-current loans and bonds | 15 | 886,945 | 639,465 |
| Non-current lease liabilities | | 267 | 563 |
| **Total non-current liabilities** | | **887,212** | **640,028** |
| **Current liabilities** | | | |
| Current portion of non-current loans | 15 | - | 32,901 |
| Current loans | 15 | 9,143 | 196,737 |
| Lease liabilities | | 253 | 277 |
| Trade payables | | 461 | 259 |
| Advances received | | 50 | 52 |
| Other current amounts payable and liabilities | 18 | 1,579 | 13,865 |
| **Total current liabilities** | | **11,486** | **244,091** |
| **Total liabilities** | | **898,698** | **884,119** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,711,653** | **2,213,520** |

# Statement of Profit or Loss and other Comprehensive Income

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 2020 | 2019 |
|---|---|---|---|
| Revenue from contracts with customers | 18 | 4,886 | 3,283 |
| Other income | | 1,464 | 25 |
| Dividend income | 23 | 120,163 | 25,918 |
| **Total revenue and other income** | | **126,513** | **29,226** |
| Depreciation and amortisation | | (274) | (273) |
| Salaries and related expenses | | (5,437) | (5,582) |
| (Impairment) / reversal of impairment of investments in subsidiaries | 5 | (4,083) | 13,047 |
| (Impairment) / reversal of impairment of amounts receivable and loans | 7 | 806 | (1,394) |
| Other expenses | 19 | (4,309) | (1,891) |
| **Total expenses** | | **(13,297)** | **3,907** |
| **Operating profit (loss)** | | **113,216** | **33,133** |
| Finance income | 20 | 20,007 | 15,502 |
| Finance expenses | 21 | (19,077) | (17,015) |
| **Finance activity, net** | | **930** | **(1,513)** |
| **Profit (loss) before tax** | | **114,146** | **31,620** |
| Current year income tax (expenses)/benefit | 22 | - | - |
| Deferred tax (expenses)/benefit | 16 | 441 | 583 |
| **Net profit for the year** | | **114,587** | **32,203** |
| **Total other comprehensive income (loss) for the year** | | - | - |
| **Total comprehensive income (loss) for the year** | | **114,587** | **32,203** |

# Statement of Changes in Equity

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | Issued capital | Share premium | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | | **1,212,156** | **-** | **19,811** | **78,231** | **1,310,198** |
| Other comprehensive income | | - | - | - | - | **-** |
| **Total other comprehensive income (loss) for the year** | | **-** | **-** | **-** | - | **-** |
| Net profit for the year | | - | - | - | 32,203 | **32,203** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **32,203** | **32,203** |
| Dividends | 24 | - | - | - | (13,000) | **(13,000)** |
| Transfers to legal reserve | 13 | - | - | 60,909 | (60,909) | **-** |
| **Balance as at 31 December 2019** | | **1,212,156** | | **80,720** | **36,525** | **1,329,401** |
| **Balance as at 1 January 2020** | | **1,212,156** | | **80,720** | **36,525** | **1,329,401** |
| Other comprehensive income | | - | - | - | - | **-** |
| **Total other comprehensive income (loss) for the year** | | **-** | **-** | **-** | - | **-** |
| Net profit for the year | | - | - | - | 114,587 | **114,587** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **114,587** | **114,587** |
| Issue of share capital | 12 | 446,600 | 3,400 | **-** | - | **450,000** |
| Transaction costs | 12 | - | (3,400) | **-** | (7,633) | **(11,033)** |
| Transfers to legal reserve | 13 | - | - | 1,610 | (1,610) | **-** |
| Dividends | 24 | - | - | - | (70,000) | **(70,000)** |
| **Balance as at 31 December 2020** | | **1,658,756** | | **82,330** | **71,869** | **1,812,955** |

# Statement of Cash Flows

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

| | Notes | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the year | | 114,587 | 32,203 |
| **Adjustments for non-monetary expenses (income):** | | | |
| Depreciation and amortisation expenses | | 274 | 273 |
| Impairment/(reversal of impairment) of financial assets | | (806) | 1,394 |
| Impairment/(reversal of impairment) of investments in subsidiaries | 5 | 4,083 | (13,047) |
| Income tax expenses | 22 | (441) | (583) |
| Increase/(decrease) in provisions | | - | (806) |
| **Elimination of results of investing activities:** | | | |
| Dividend income | 24 | (120,163) | (25,918) |
| Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment | | (1,445) | - |
| **Elimination of results of financing activities:** | | | |
| Interest income | 21 | (20,007) | (15,500) |
| Interest expenses | 22 | 18,336 | 14,413 |
| Other expenses of financing activities | 22 | 741 | 2,600 |
| **Changes in working capital:** | | | |
| (Increase)/decrease in trade receivables and other receivables | | 5,182 | (1,714) |
| (Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets | | (63,925) | 702 |
| Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities | | (1,713) | (2,127) |
| Income tax (paid)/received | | 561 | 897 |
| **Net cash flows from (to) operating activities** | | **(64,736)** | **(7,213)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | - | (45) |
| Proceeds from sale of assets held for sale | 11 | 6,167 | - |
| Loans granted | | (234,250) | (191,876) |
| Loan repayments received | | 245,279 | 67,579 |
| Acquisition of a subsidiary, net of cash acquired | 5.7 | (47,588) | (13,300) |
| Disposal of subsidiary | | - | 39,748 |
| Interest received | | 18,556 | 14,017 |
| Dividends received | 24.2 | 120,163 | 25,918 |
| **Net cash flows from investing activities** | | **108,327** | **(57,959)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Issue of share capital | 12 | 450,000 | - |
| Transaction costs | 12 | (11,033) | - |
| Issue of bonds | 16 | 295,657 | - |
| Repayments of borrowings | 16 | (82,246) | (57,401) |
| Lease payments | 16 | (261) | (238) |
| Interest paid | 16 | (13,272) | (13,306) |
| Dividends paid | 24 | (70,000) | (13,000) |
| Other increases/(decreases) in cash flows from financing activities | | - | (1) |
| **Net cash flows from financing activities** | | **568,845** | **(83,946)** |
| | | | |
| **Increase/(decrease) in cash and cash equivalents (including overdraft)** | | **612,436** | **(149,118)** |
| Cash and cash equivalents (including overdraft) at the beginning of the period | 10 | (191,147) | (42,029) |
| **Cash and cash equivalents (including overdraft) at the end of the period** | 10 | **421,289** | **(191,147)** |

# Explanatory Notes to the Financial Statements

**For the year ended 31 December 2020**
All amounts are in EUR thousand unless otherwise stated

## 1 General information

Ignitis grupė AB (hereinafter "the Company" or "parent company") is a public limited liability company registered in the Republic of Lithuania. The Company's sole shareholder as at 30 June 2020 has adopted a decision to change the Company's legal status to a public limited liability company (AB) and on 28 July 2020 the new articles were registered. On 5 October 2020 the Company has increased its share capital and on 7 October 2020 the Company has executed initial public offering (hereinafter "IPO") distributing the increased share capital between private and institutional investors.

The Company's registered office address is Žvejų str. 14, LT-09310, 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. Reporting period is one year ended 31 December 2020.

The Company is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 5) engaged in electricity and heat generation (including electricity generation from renewable energy sources), supply, electricity import and export, distribution and trade, natural gas distribution and supply, as well as the maintenance and development of the electricity sector, management and coordination of activities. The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

The Company analyses the activities of 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 State of the Republic of Lithuania (73.08%):

| Shareholder of the Company | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|
| | 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 | 100 |
| Other shareholders | 446,600 | 26,92 | - | - |
| | **1,658,756** | | **1,212,156** | |

These financial statements were prepared and signed for issue by Group's management on 26 February 2021.

The Company's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Company's financial statements for the year ended 31 December 2020 are summarized below:

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Reporting period of these financial statements is one year ended 31 December 2020.

The Company's financial statements as at and for the year ended 31 December 2020 have been prepared on a going concern basis applying measurement based on historical cost (hereinafter "acquisition costs"), except for certain financial instruments measured at fair value.

These 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 financial statements provide comparative information in respect of the previous period.

### 2.2 New standards, amendments and interpretations

#### 2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020:

Conceptual Framework in IFRS standards

The International Accounting Standards Board (hereinafter "IASB") issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The management of the Company has assessed that these amendments have no impact on these financial statements.

All amounts are in EUR thousand unless otherwise stated

### IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

The management of the Company has assessed that these amendments have no impact on these financial statements but may impact future periods if the Company enters to any business combinations.

### International Accounting Standard (hereinafter "IAS") 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS standards.

The management of the Company has assessed that these amendments have no impact on the these financial statements.

### Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the IASB issued Amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The Amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform (hereinafter "IBOR"), which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (hereinafter "RFR"). There are also Amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from IBOR. The Amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (Exposure draft - ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with RFR.

The management of the Company has assessed that these amendments have no impact on the these financial statements.

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

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

### IFRS 17: Insurance Contracts

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

The Company's management has assessed that this IFRS will have no impact on the financial position or performance of the Company as insurance services are not provided.

### IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

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

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
The amendments to IFRS 17 have not yet been endorsed by the EU.

The management of the Company has assessed that these amendments will have no impact on the financial statements.

### Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

The management of the Company has assessed that adoption of these amendments will have no significant effect on the financial statements.

### IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. 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. These amendments have not yet been endorsed by the EU.

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

### IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

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

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss of the statement of profit or loss and other comprehensive income (hereinafter "SPLOCI").
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU. The management of the Company is currently assessing the impact of these amendments on the financial statements.

### IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 (for more information about COVID-19 refer to the Note 4.2) related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

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

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

### Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly RFR. In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when a RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of IBOR on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The management of the Company has assessed that these amendments will have no impact on the financial statements.

## 2.3 Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position at acquisition cost less impairment loss, when the investment's carrying amount exceeds its estimated recoverable amount. An adjustment to the value is made to write-down the difference as expense in SPLOCI. If the basis for the write-down can no longer be justified at the balance sheet date, it is reversed. If there is a present obligation to cover a deficit in subsidiaries, a provision is recognised for this.

## 2.4 Foreign currency translation

### 2.4.1 Functional and presentation currency

The functional and presentation currency of the Company is euro.

### 2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss of SPLOCI.

## 2.5 Intangible assets

The Company's intangible assets consist of patents and licenses which are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful lives which are of 3 to 5 years or a specific validity term. Useful life is reviewed on year-by-year basis.

The Company recognised the assets from future synergies that were identified on the acquisition of assets of TE-3 from Vilniaus Šilumos Tinklai AB on 12 October 2017. The benefit of synergies will be realised by ensuring the connection of Vilnius co-generation power plant, which is constructed by the Company's subsidiary and other objects of the Company's subsidiaries to the heat distribution infrastructure of Vilnius city.

## 2.6 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. The Company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

### 2.6.1 Initial measurement of right-of-use assets

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises these costs as part of the cost of right-of-use asset when the Company incurs an obligation for these costs.

### 2.6.2 Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company measures the right-of-use asset using the cost model. Under the cost model, the Company measures a right-of-use asset at cost: less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use assets depreciated by the Company under the depreciation requirements of IAS 16, Property, Plant and Equipment.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
The Company presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

## 2.7 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amount of its intangible assets, property, plant and equipment and right-of-use assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit.

## 2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 2.8.1 Financial assets

The Company classifies their financial assets into the following three categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"); and
(iii) financial assets subsequently measured at fair value through profit or loss (hereinafter "FVPL").

Transaction costs comprise all charges and commissions that the Company would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in SPLOCI. Impairment losses are accounted for as other expenses in SPLOCI.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's management regarding separate instruments have no effect on the applied business model. The Company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI as the Company does not have this kind of assets, is as follows:

#### 2.8.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (herein after "EIR") method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

#### 2.8.1.2 Financial assets at FVPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVPL.

The Company classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss of SPLOCI in the period in which it arises. The Company classifies in this category amounts receivable from EPSO-G (Note 4.3), investments to mutual fund units or equity instruments that do not meet the SPPI conditions.

#### 2.8.1.3 Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss of SPLOCI over the relevant period.

EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

#### 2.8.1.4 Impairment of financial assets – expected credit losses (hereinafter "ECL")

The Company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original EIR. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are ECL that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. ECL are recognised by taking into consideration individually or collectively assessed credit risk of loans granted, trade and other receivables. Credit risk is assessed based on all reasonable information, including future-oriented information.

The Company assesses impairment of amounts receivable individually or collectively, as appropriate.

The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime ECL in respect of that particular borrower. In the absence of reliable sources of information on the credit history of a particular debtor its financial position as at the date of assessment, including forward-looking information, the Company assesses the debt on a collective basis.

Recognition stages of ECL:

1. Upon granting of a loan, the Company recognises ECL for the twelve-month period. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL.
2. Upon establishing that the credit risk related to the borrower has significantly increased, the Company accounts for the lifetime expected credit losses of the loan agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL.
3. Where the Company establishes that the recovery of the loan is doubtful, the Company classifies this loan as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan is calculated on the carrying amount of financial assets which is reduced by the amount of ECL.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

#### 2.8.1.5 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

#### 2.8.1.6 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

### 2.8.2 Financial liabilities and equity instruments issued

#### 2.8.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### 2.8.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL;
- Financial liabilities at amortised cost (loans, borrowings and others payables not measured at FVPL )

#### 2.8.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL.

#### 2.8.2.4 Financial liabilities at amortised cost

All financial liabilities of the Company are attributed to this category. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss of SPLOCI when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interests. The effective interests amortisation is included as finance costs in SPLOCI.

This category generally applies to trade payables, interest-bearing loans and borrowings. The Company's financial liabilities include the following:

#### 2.8.2.5 Classification

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the statement of financial position date proves that the liability was non-current by its nature as of the date of the statement of financial position, that financial liability is classified as non-current.

#### 2.8.2.6 Financial guarantee contracts

The Company provides financial guarantees to subsidiaries in relation to loans taken from banks or other liabilities and receives a consideration, which is recognised in SPLOCI on an accrual basis. The fair value of financial guarantee is determined based on present value which corresponds to the reduced payments that subsidiaries would pay to banks if the guarantee would not be received from the Company. If the consideration corresponds to a reduction of payments, the Company does not account for financial guarantees as their fair value approximate to 0, while subsidiaries recognise the liability at fair value including the value of the guarantee provided. If the consideration is at lower amount than the reduction of payments, the Company recognise the fair value of financial guarantee as 'Investment in subsidiary' and accordingly 'Financial guarantee obligation' in its separate financial statements, while subsidiaries recognise the liability without the guarantee and the difference recognized as a capital contribution. The methods to determine expected credit losses for financial guarantee contracts are used as for financial assets (see in Note 2.8.1.4 in heading 'Impairment of financial assets – expected credit losses'). Financial guarantee contracts are measured at the higher of expected credit loss and the amount, that is initially recognised less any cumulative amount of income/amortisation recognised. No expected credit losses were identified as at 31 December 2020.

#### 2.8.2.7 Recognition of instruments as debt or equity instruments

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

#### 2.8.2.8 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

#### 2.8.2.9 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in SPLOCI.

## 2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under liabilities within current borrowings in the statement of financial position.

## 2.10 Issued capital, share premium

### 2.10.1 Issued capital

Ordinary shares are classified as equity. The Company's issued capital consists only of ordinary shares.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

### 2.10.2 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (market value of share price).

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in SPLOCI for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

## 2.11 Lease liabilities

At the commencement date of the lease the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### 2.11.1 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 2.12 Current and deferred tax

### 2.12.1 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. Standard corporate income tax rate applicable in Lithuania is 15 per cent.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature In terms of utilizing tax losses carried-forward the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

The prepaid income tax and recognised income tax liabilities are offset in the statement of financial position of the Company when they relate to the same taxation authority.

### 2.12.2 Deferred tax

Deferred tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. These assets and liabilities are not recognised when temporary differences arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets could be utilised in full or in part. Deferred tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

### 2.12.3 Current and deferred tax for the reporting period

Current and deferred tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

## 2.13 Employee benefits

### 2.13.1 Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter "the Fund") on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

### 2.13.2 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Non-current benefits are recognised at present value discounted using market interest rate.

Actuarial gains or losses arising from adjustments based on experience or from changes in actuarial assumptions are recognised immediately within the Company's other comprehensive income. All past service costs are recognised immediately.

### 2.13.3 Non-current employee benefits

Each employee of retirement age who terminates employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

All amounts are in EUR thousand unless otherwise stated

## 2.14 Revenue from contracts with customers

The Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

(i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and
(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

### 2.14.1 Management services

The Company provides management services to its subsidiaries. The control of management services is transferred over time and, therefore, the Company satisfies a performance obligation and revenue is recognised over time. The Company has concluded that it is the principal in its revenue arrangements.

For measuring a progress towards to complete satisfaction of a performance obligation the Company applies a practical expedient allowed by IFRS 15. As the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance completed to date, the Company recognises revenue in the amount to which it has a right to invoice. The Company bills a fixed amount for each hour of service provided.

Payment term is 30 days from the date of invoice issued for the services rendered in past month. The contract has no significant financing component as there is no significant length of time between the payment and the transfer of services.

After one calendar year of providing services the Company recalculates the price of the provided services, taking into account its actual costs incurred in providing these services to the customer and adjusts the amount payable by the customer accordingly.

### 2.14.2 Contract balances

#### 2.14.2.1 Contract assets and contract liabilities

The timing of satisfaction of the Company's performance obligation and typical timing of payment is determined according to service report which is reviewed and approved by the customer. After approval the services are recognised as satisfactory rendered to the customer. During the reporting period the Company had no contract liability or contract assets.

#### 2.14.2.2 Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.8.1

## 2.15 Dividend income

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows.

## 2.16 Expense recognition

Expenses are recognised in SPLOCI as incurred applying accrual basis.

## 2.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 2.18 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

## 2.19 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in the notes to the financial statements.

## 2.20 Related parties

Related parties are defined as shareholders, key management personel, their close family members, state-owned enterprises and companies that directly or indirectly (through the intermediary) are controlled by the Company, and such relationship empowers one of the parties to exercise control or significant influence over the other party in making financial and operating decisions.

## 2.21 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

## 2.22 Fair value

Fair value is defined by IFRS as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

or

- In the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value of assets is based on other observable market data, directly or indirectly.
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# 3 Financial risk management

## 3.1 Financial risk factors

The Company is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the Company seeks to mitigate the impact of factors which could adversely affect the Company's financial performance results.

### 3.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency exchange risk.

#### 3.1.1.1 Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The sale/purchase contracts of the Company are denominated in the euro.

#### 3.1.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and cash flows are affected by fluctuations in market interest rates because the loans and borrowings had fixed and variable interest rates as at 31 December 2020. The Company has financial assets measured at amortised cost with variable interest rates, therefore, it is exposed to interest rate risk.

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Interest rate risk is assessed in relation to sensitivity of the Company's profit to potential shift in interest rates. This assessment is given in the table below.

| | Increase/decrease, percentage points | (Decrease)/increase in profit |
|---|---|---|
| 2020 | 0,3/ (0,3) | 50/(50) |
| 2019 | 0,3/ (0,3) | 51/(51) |

As at 31 December 2020, the Company had no significant valid interest rate swaps.

### 3.1.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Company's exposure to credit risk arises from operating activities (other amounts receivable) and from financing activities (cash and cash equivalents, loans granted).

The Company is not exposed to significant credit risk concentration related to other amounts receivable. As at 31 December 2020 and 2019, other receivables of the Company principally consisted of the EPSO-G outstanding receivables for the sale of LitGrid AB shares in year 2012 (Note 6.1). In the Company, principally all loans granted and other amounts receivable are due from related parties (Note 26).

The priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk is equal to the carrying amount of cash, amounts receivable and the nominal value of guarantees issued.

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Financial assets measured at amortised cost:** | | | |
| Non-current receivables | 6 | 753,902 | 564,543 |
| Trade receivables | | 313 | - |
| Other receivables | | 14,754 | 380 |
| Current loans | 7 | 73,956 | 270,949 |
| Cash and cash equivalents | 10 | 421,289 | 144 |
| **Financial assets at FVPL in SPLOCI** | | | |
| Amount receivable on disposal of LitGrid AB | 6.1 | 150,693 | 158,658 |
| Investments into convertible bonds | | - | 500 |
| **In total** | | **1,414,907** | **995,174** |
| **Off-balance sheet commitments:** | | | |
| Open guarantees issued | 25.1 | 371,227 | 199,322 |
| **In total** | | **1,786,134** | **1,194,496** |

### 3.1.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the Company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support the Company's ordinary activities. The refinancing risk is managed by ensuring that borrowings over a certain period were repaid from available cash, from cash flows expected from operating activities of the Group companies over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2020, the Company's current liquidity ratio (total current assets/total current liabilities) was 48.35 (31 December 2019 – 1.142). As at 31 December 2020, the Company's balance of credit and overdraft facilities not withdrawn amounted to EUR 267,896 thousand (31 December 2019 – EUR 108,709 thousand).

To support the fulfilment of obligation of the Group companies to credit institutions and other creditors, the Company issued guarantees in the amount of EUR 371,227 thousand as at 31 December 2020 (31 December 2019 – EUR 199,322 thousand) (Note 25.1).

The table below summarises the Company's financial liabilities and off-balance-sheet commitments by category:

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Amounts payable measured at amortised cost** | | | |
| Borrowings | 15 | 896,088 | 869,103 |
| Trade payables | | 461 | 259 |
| Other current amounts payable and liabilities | 18 | 124 | 1,316 |
| **Off-balance sheet commitments:** | | | |
| Open guarantees issued | 25.1 | 371,227 | 199,322 |
| **In total** | | **1,267,900** | **1,070,000** |

The table below summarises the maturity profile of the Company's financial liabilities and off-balance sheet commitments under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | 1 and 5 years | After 5 years | In total |
| Borrowings and lease liabilities | 4,358 | 22,216 | 69,596 | 945,011 | **1,041,181** |
| Trade payables and non-current amounts payable to suppliers | 461 | - | - | - | **461** |
| Open guarantees issued | 17,685 | 304 | 68,774 | 284,464 | **371,227** |
| **In total** | **22,504** | **22,520** | **138,370** | **1,229,475** | **1,412,869** |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Less than 3 months | 3 months to 1 year | 1 and 5 years | After 5 years | In total |
| Borrowings and lease liabilities | 59,366 | 183,545 | 76,014 | 651,556 | **970,481** |
| Trade payables and non-current amounts payable to suppliers | 259 | - | - | - | **259** |
| Open guarantees issued | 13,526 | 40,580 | 45,335 | 99,881 | **199,322** |
| **In total** | **73,151** | **224,125** | **121,349** | **751,437** | **1,170,062** |

All amounts are in EUR thousand unless otherwise stated

## 3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand, the issued capital of a private limited liability company must be not less than EUR 2,5 thousand, and the shareholders' equity must be not lower than 50% of the company's issued capital. Foreign subsidiaries are subject for compliance with capital requirement according to regulation adopted in those foreign countries. As at 31 December 2020, the Company complied with these requirements.

When managing the capital risk in a long run, the Company seeks to maintain an optimal capital structure of subsidiaries to ensure a consistent implementation of capital cost and risk minimization objectives. The Group companies form their capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of the Group companies, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

The Board of the Company has an approved dividend policy, which sets principles for the payment of dividends for all the Group companies. The dividend policy is one of capital risk management tools.

On 3 September 2020 the Board of the Company approved a new dividend policy of the Company. Under the new dividend policy, the Company will pay EUR 85 million in dividends for the financial year 2020. For each subsequent financial year,it will allocate at least 3 percent more than the amount paid for the previous financial year.

On 15 December 2020 the Board of the Company approved the updated dividend policy of companies owned by Ignitis Group. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries. According to the updated Dividend Policy of Owned Companies, a subsidiary owned by the Company shall allocate dividends for the financial year or a period shorter than the financial year using at least 80 per cent of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exclusions for paying dividends by subsidiaries may apply if certain conditions are met.

All amounts are in EUR thousand unless otherwise stated

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the Company's financial statements in the future.

Only significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used refer to other notes of these financial statements.

## 4.1 Impairment of investments

On 31 December 2020, the Company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. The Company considered information from external and internal sources of information. During the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate, and such changes are unlikely to occur soon. The Company considered other information from external and internal sources and, having identified impairment indications for investments in subsidiaries, the Company estimated the recoverable amount, and accounted for the impairment of investments as at 31 December 2020 (Note 5.6).

For the purpose to determine impairment indications it is assessed whether at least one of the following conditions exists (except for early stage companies):

1. Actual adjusted EBITDA (Earnings Before Interests Taxes Depreciations and Amortizations) is less than budgeted adjusted EBITDA;
2. The actual adjusted net profit is less than the actual dividends paid;
3. Carrying amount of investment is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications.

## 4.2 COVID 19 pandemic

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

### 4.2.1 Going concern

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

### 4.2.2 Management of the Company's liquidity risk

The following measures are applied by the Company to manage liquidity risk:

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

During the year 2020 the Company:

- concluded a loan agreement with AB Swedbank for EUR 100 million (Note 15);
- issued bond emission for EUR 300 million (Note 15);
- On 23 September 2020 the Company signed an agreement with European investment bank of EUR 110 million. Loan will be used for the implementation of IT solutions for smart meters and their data collection and management. ;
- On 7 October 2020 during the initial public offering (IPO), the Company issued 20,000,000 ordinary registered shares at a price of EUR 22.50 per share. This allowed the Company to attract funds of EUR 450 million.

Also, refer to the Note 29 where events after reporting date which have a significant influence to the liquidity of the Company are presented (if any).

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

### 4.2.3 Risk management of COVID-19 infection in employees

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

### 4.2.4 Impact on the assessment of expected credit losses

The Company's management, having assessed the potential impact of COVID-19 factors on the impairment of amount receivables and loans granted (Note 6), has not identified any circumstances that would require the recognition of an impairment loss of non-trade receivables.

#### 4.2.5 Classification of financial instruments as current and non-current

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

#### 4.2.6 General information on the impact of COVID-19 on the Company's operations

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

### 4.3 Deferred payment on disposal of shares of Litgrid AB

In 2012, the shares of LitGrid AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. The purchase-sale agreement of shares of LitGrid AB provides for a premium to the final price, the amount of which depends on the return on regulated assets of the electricity transmission activity in year 2014–2018.

At the initial assessment of the price premium the Company concluded that according to the purchase-sale agreement of shares of LitGrid AB, the price premium is negative and amounts to EUR 4,679 thousand at 31 December 2020 (31 December 2019: EUR 4,679 thousand). According to EPSO-G UAB calculations the price premium at 31 December 2020 is negative and amounts to EUR 27,075 thousand (31 December 2019: EUR 27,075 thousand).

The Company disagrees with EPSO-G UAB prepared calculations. There is still a debate on how to resolve the situation. For the purposes of the statement of financial position, the Company's management has assessed and recognised the negative premium price for the amount of EUR 15,877 thousand (as at 31 December 2019: EUR 15,877 thousand) on the basis of a scenario, that the possible agreement between the parties would be the average value of the Company's and EPSO-G UAB calculations. After this assumption the gross receivable on disposal of the shares of LitGrid AB amounting to EUR 166,570 thousand was reduced by EUR 15,877 thousand as the sales price will be adjusted by the price premium.

During the year 2020 EPSO-G UAB has repaid a debt by EUR 7,965 thousand. The deferred consideration is due to be paid by the year 2022: EUR 14.5 million – in year 2021 and the remainder in full – in year 2022.

Deferred receivables are assigned to level 3 of the fair value hierarchy.

All amounts are in EUR thousand unless otherwise stated

# 5 Investments in subsidiaries

Information on the Company's investments in subsidiaries as at 31 December 2020 provided below:

| | Acquisition cost | Impairment | Carrying amount | Company's ownership interest, % | Group's effective ownership interest, % |
|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | |
| Energijos skirstymo operatorius AB | 738,877 | - | 738,877 | 98.53 | 98.53 |
| Ignitis gamyba AB | 313,720 | - | 313,720 | 98.20 | 98.20 |
| Vilniaus kogeneracinė jėgainė UAB | 52,300 | - | 52,300 | 100.00 | 100.00 |
| Ignitis UAB | 47,136 | - | 47,136 | 100.00 | 100.00 |
| Ignitis renewables UAB | 44,700 | - | 44,700 | 100.00 | 100.00 |
| Kauno kogeneracinė jėgainė UAB | 20,400 | - | 20,400 | 51.00 | 51.00 |
| Tuuleenergia OÜ | 6,659 | - | 6,659 | 100.00 | 100.00 |
| Ignitis grupės paslaugų centras UAB | 5,975 | - | 5,975 | 50.47 | 99.22 |
| NT Valdos UAB | 8,958 | (3,833) | 5,125 | 100.00 | 100.00 |
| Transporto valdymas UAB | 2,359 | - | 2,359 | 100.00 | 100.00 |
| Elektroninių mokėjimų agentūra UAB | 1,428 | - | 1,428 | 100.00 | 100.00 |
| Gamybos optimizavimas UAB | 350 | - | 350 | 100.00 | 100.00 |
| Lietuvos energijos paramos fondas | 16 | - | 16 | 100.00 | 100.00 |
| Energetikos paslaugų ir rangos organizacija UAB | 22,961 | (22,961) | - | 100.00 | 100.00 |
| | **1 265 839** | **(26 794)** | **1 239 045** | | |

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

| | Acquisition cost | Impairment | Carrying amount | Company's ownership interest, % | Group's effective ownership interest, % |
|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | |
| Energijos skirstymo operatorius AB | 710,921 | - | 710,921 | 94.98 | 94.98 |
| Ignitis gamyba AB | 307,997 | - | 307,997 | 96.82 | 96.82 |
| NT Valdos UAB | 8,823 | - | 8,823 | 100.00 | 100.00 |
| Vilniaus kogeneracinė jėgainė UAB | 52,300 | - | 52,300 | 100.00 | 100.00 |
| Kauno kogeneracinė jėgainė UAB | 20,400 | - | 20,400 | 51.00 | 51.00 |
| Ignitis UAB | 47,136 | - | 47,136 | 100.00 | 100.00 |
| Tuuleenergia OÜ | 6,659 | - | 6,659 | 100.00 | 100.00 |
| Ignitis grupės paslaugų centras UAB | 3,479 | - | 3,479 | 50.04 | 97.94 |
| Elektroninių mokėjimų agentūra UAB | 1,428 | - | 1,428 | 100.00 | 100.00 |
| Verslo aptarnavimo centras UAB | 298 | - | 298 | 51.50 | 98.41 |
| Energetikos paslaugų ir rangos organizacija UAB | 22,711 | (22,711) | - | 100.00 | 100.00 |
| Lietuvos energijos paramos fondas | 3 | - | 3 | 100.00 | 100.00 |
| Gamybos optimizavimas UAB | 350 | - | 350 | 100.00 | 100.00 |
| Ignitis renewables UAB | 44,700 | - | 44,700 | 100.00 | 100.00 |
| | **1,227,205** | **(22,711)** | **1,204,494** | | |

All amounts are in EUR thousand unless otherwise stated

Movement of the Company's investments during the year were as follows:

| | 2020 | 2019 |
|---|---|---|
| **Carrying amount at 1 January** | **1,204,494** | **1,206,921** |
| Increase in issued capital of subsidiaries | 2,197 | 15,960 |
| Establishment of subsidiaries | - | 44,700 |
| Decrease in issued capital of subsidiaries | - | (36,386) |
| Buyout of shares in subsidiaries | 33,680 | - |
| Disposal of investments | - | (39,747) |
| Coverage of losses | 398 | - |
| Reclassification from assets held for sale | 2,359 | - |
| (Impairment) / reversal of impairment of investments in subsidiaries | (4,083) | 13,046 |
| **Carrying amount at 31 December** | **1,239,045** | **1,204,494** |

During the year 2020 total cash payments for acquisition of investment to subsidiaries and coverage of losses amount to EUR 47,588 thousand including EUR 11,313 thousand payment for share capital of the Company's subsidiary Vilniaus kogeneracinė jėgainė UAB which was increased in 2019 year.

The changes in the Company's investments in subsidiaries during the year 2020 were covered by the following events:

## 5.1 Reorganisation of subsidiaries

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

## 5.2 Change in issued capital

During the year 2020 the issued capital of the following subsidiaries of the Company was increased:

| Subsidiary | Issue date | Number of newly issued shares* | Issue price per share, EUR | Total issue price | Amount paid up | Amount not paid up | Date of amendment to Articles of Association |
|---|---|---|---|---|---|---|---|
| Ignitis grupės paslaugų centras UAB | 25/05/2020 | 7,577,391 | 0.29 | 2,197 | 2,197 | - | 25/05/2020 |
| **Total:** | | | | **2,197** | **2,197** | **-** | |

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

On 4 June 2020, the Company and its subsidiaries Ignitis gamyba AB, Ignitis UAB and Energijos skirstymo operatorius AB decided to increase the issued capital of Ignitis grupės paslaugų centras to EUR 12,269,066 through the issue of 15,015,247 shares with the par value of EUR 0.29 each. The Company acquired 7,577,391 shares for EUR 2,197 thousand by making a cash contribution. On 14 July 2020, the new version of the Articles of Association of the Group's company Ignitis grupės paslaugų centras UAB related to increase in issued capital was registered with the Register of Legal Entities.

During the year 2020 the issued capital of the Company's subsidiaries was not reduced.

On 16 January 2020, the increase of the issued share capital of the Company's subsidiary Vilniaus kogeneracinė jėgainė UAB was paid-in by the Company in the amount of EUR 11,313 thousand (the increase in the issued capital was registered with the Register of Legal Entities on 30 January 2019).

## 5.3 Reclassification from held for sale

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

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

## 5.4 Contributions against losses

Contributions against losses of the Group companies and impairment of investments in the subsidiaries in year 2020:

| Subsidiary | Carrying amount at 31 December 2019 | Increase in share capital | Coverage of losses | (Impairment) / reversal of impairment | Carrying amount at 31 December 2020 |
|---|---|---|---|---|---|
| Energetikos paslaugų ir rangos organizacija UAB | - | - | 250 | (250) | - |
| NT Valdos UAB | 8,823 | - | 135 | (3,833) | **5,125** |
| Lietuvos energijos paramos fondas | 3 | - | 13 | - | **16** |
| | **8,826** | **-** | **398** | **(4,083)** | **5,141** |

## 5.5 Buyout of shares in subsidiaries

During 2020 the Company have acquired shares from minority shareholders of subsidiaries Energijos skirstymo operatorius AB (31,768,397 shares for the price of 0.88 EUR per share) and Ignitis gamyba AB (8,941,615 shares for the price of 0.64 EUR per share). Acquisition lead to increased percentage of ownership by 3.55% in Energijos skirstymo operatorius AB and 1.38% in Ignitis gamyba AB. Total consideration paid for the acquired shares equal to EUR 35,727 thousand, including premium equal to dividends for year 2019 (EUR 2,048 thousand – Note 24.3).

As at 18 May 2020, when the Company has exercised its right as the majority shareholder of Energijos skirstymo operatorius AB and Ignitis gamyba AB and has initiated the process of mandatory shares buyout from minority shareholders of these companies. The price of shares during mandatory buyout was agreed with the Bank of Lithuania and was set at same level as during the non-competitive tender offers (EUR 0.88 per share for Energijos skirstymo operatorius AB and EUR 0.64 per share for Ignitis gamyba AB).

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

Mandatory buyout of Ignitis gamyba AB was finished as at 17 August 2020. Mandatory buyout of Energijos skirstymo operatorius AB was finished as at 3 November 2020. Upon finalisation of mandatory shares buyout of Ignitis gamyba AB and Energijos skirstymo operatorius AB, the Company applied to the court regarding the transfer of ownership rights to the remaining minority shares of the abovementioned companies.

The management of the Company determined, that as at 31 December 2020 ownership of the shares Ignitis gamyba AB and Energijos skirstymo operatorius AB has not passed to the Company, the shareholders can still exercise voting rights and are eligible for dividends. Thus, the liability and increase in investment in subsidiaries are not recognised as at 31 December 2020. The Company has accounted for the mandatory buyout offers as derivative financial instruments at FVPL. As at 31 December 2020, the fair value of the derivatives is not significant as the offers are exercisable at amounts that approximate fair value of the underlying shares at the date of exercise.

## 5.6 Impairment test for investments into subsidiaries

Having identified impairment indications for investments in subsidiaries and receivables as at 31 December 2020, the Company performed impairment tests for the following subsidiaries: UAB Ignitis, Tuuleenergia OÜ, NT Valdos UAB.

*Ignitis UAB*

As at 31 December 2020, the Company performed an impairment test for investment into subsidiary Ignitis UAB and determined no impairment for investment into Ignitis UAB as at 31 December 2020.

As at 31 December , the Company tested for impairment its investment in subsidiary Ignitis UAB using the discounted cash flow method (post-tax) and by applying the following key assumptions:

1. The cash flow forecast covered the period until 2030;
2. In the period of terminal year (after 2030), cash flow growth is forecasted at 2%
3. Discount rate of 6.1% (post-tax) (7.2% pre-tax) was used to calculate discounted cash flows.

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

*Tuuleenergia OÜ*

As at 31 December 2020, the Company performed an impairment test for investment into subsidiary Tuuleenergia OÜ and determined no impairment for investments into Tuuleenergia OÜ as at 31 December 2020.
The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2043, with reference to the typical operational period of 30 years;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. During the first twelve years of operation, the price of electricity is the market price plus 53.7 EUR/MWh feed-in premium;
4. Discount rate of 4.7% (post-tax) (5.9% pre-tax) was used to calculate discounted cash flows.

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

*NT Valdos UAB*

As at 31 December 2020, the Company tested for impairment indications for investment into subsidiary NT Valdos UAB and recognised impairment loss of EUR 3,833 thousand as at 31 December 2020. Impairment test was carried out, taking into account dividends paid by NT Valdos UAB – the carrying amount was decreased to the carrying fair value of net assets of the subsidiary.

*The Company's other investments in subsidiaries*

Apart from the above and the impairment already recognised previously, as at 31 December 2020, there were no indications of impairment in respect of other investments in the subsidiaries of the Company.

### 5.7 Cash flows from investments in subsidiaries

Reconciliation of the factors that had impact on cash flows from the Company's investments into subsidiaries to data reported in the statement of cash flows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Sale of subsidiaries | - | 39,023 |
| Increase in issued capital of subsidiaries | (2,197) | (12,575) |
| Buyout of shares in subsidiaries | (33,680) | - |
| Coverage of losses | (398) | - |
| Other payments related to increase in issued capital of subsidiaries in earlier periods | (11,313) | - |
| **Total** | **(47,588)** | **26,448** |

## 6 Non-current receivables

Amounts receivable after one year comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Non-current receivables** | | |
| Amount receivable on disposal of LitGrid AB (Note 4.3) | 136,212 | 158,658 |
| Loans granted | 753,092 | 564,543 |
| Other non-current amounts receivable | 810 | 88 |
| **Total** | **890,114** | **723,289** |
| Less: allowance | - | (88) |
| **Carrying amount** | **890,114** | **723,201** |

### 6.1 Deferred payment on disposal of shares of LitGrid AB

According to the valid agreement, EPSO-G UAB during the period until 2022 must repay the debt to the Company for the shares of AB Litgrid acquired on 30 September 2012. Amount of the estimated final price premium during the year 2020 has not changed.

During the year 2020 EPSO-G UAB has repaid a debt by EUR 7,965 thousand. The deferred consideration is due to be paid by the year 2022, of which EUR 14,481 million is to be paid in year 2021 and the remainder EUR 136,212 thousand to be paid in full in the year 2022. The current part of the receivable is accounted for in the line item of "Other receivables" in the statement of financial position.

The amount receivable from EPSO-G UAB for shares is treated as a financial asset measured at FVPL.

### 6.2 Expected credit losses of loans granted

As at 31 December 2020, the Company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 7).

Movements on the impairment account of non-current receivables:

| | 2020 | 2019 |
|---|---|---|
| **As at 1 January** | **88** | **-** |
| Impairment losses | - | 88 |
| Write-off of impairment on disposal of asset | (88) | |
| **As at 31 December** | **-** | **88** |

### 6.3 Loans granted

The Company's loans granted as at 31 December 2020 comprised loans granted to the following subsidiaries:

| | Interest rate type | Within one year (Note 7) | After one year | Total |
|---|---|---|---|---|
| Energijos skirstymo operatorius AB | Fixed interest | - | 616,288 | **616,288** |
| Energijos skirstymo operatorius AB (loans taken over) | Variable interest | 7,901 | 41,444 | **49,345** |
| Tuuleenergia OÜ | Fixed interest | - | 19,119 | **19,119** |
| Eurakras UAB | Fixed interest | - | 17,555 | **17,555** |
| Ignitis UAB | Variable interest | - | 27,000 | **27,000** |
| Ignitis UAB | Fixed interest | 77 | 11,800 | **11,877** |
| Transporto valdymas UAB | Variable interest | - | 17,236 | **17,236** |
| Ignitis renewables UAB | Fixed interest | 56,922 | 2,650 | **59,572** |
| **Carrying amount** | | **64,900** | **753,092** | **817,992** |

On 30 June 2020, the Company signed a long-term loan agreement with Energijos skirstymo operatorius AB, under which EUR 200 million loan is granted to ensure reliability and efficiency of distribution network, and to refinance outstanding liabilities. The repayment date of the loan is 21 May 2030. The fixed interest rate under the agreement coincides with the effective interest rate on the Company's bonds issued on 14 May 2020 (Note 15) and is set as 2.17%. The essential terms and conditions of the agreement coincide with the terms and conditions of the green bonds issue. The agreement does not provide for any other additional obligations (guarantees, warranties, pledges, etc.) to enforce obligations. Under this agreement, the loan was disbursed as at 1 July 2020.

As well during the year 2020 the Company granted new non-current loan to subsidiary Ignitis UAB for amount of EUR 8,300 thousand with a fixed interest rate 2.97% and to subsidiary Ignitis renewables UAB for amount of EUR 2,650 thousand with a fixed rate 2.28%, the maturity of these loans is 10 July 2028.

Fair values of loans granted are presented in Note 27.

All amounts are in EUR thousand unless otherwise stated

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

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

Non-current borrowings by maturity:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| From 1 to 2 years | 6,907 | 7,049 |
| From 2 to 5 years | 64,958 | 73,084 |
| After 5 years | 681,227 | 484,410 |
| **Carrying amount** | **753,092** | **564,543** |

The weighted average interest rates (%) on non-current loans granted with fixed and variable interest rates:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Fixed interest rate | 2.317 | 2.346 |
| Variable interest rate | 1.771 | 1.746 |

All amounts are in EUR thousand unless otherwise stated

# 7 Current loans and interests receivable

The Company's current loans comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Current portion of non-current loans | 7,901 | 35,449 |
| Cash-pool loans | 77 | 171,708 |
| Current loans | 56,922 | 57,322 |
| Interest receivable | 9,056 | 7,276 |
| **In total** | **73,956** | **271,755** |
| Less: impairment of loans | - | (806) |
| **Carrying amount** | **73,956** | **270,949** |

During the year the Company reversed an impairment loss related to a cash pool loan granted to one subsidiary for an amount of EUR 806 thousand. No additional impairment was calculated or accounted for (Note 6.2).

The current loan amounted to EUR 56,922 thousand (31 December 2019: EUR 56,922 thousand) has been issued to the subsidiary Ignitis renewables UAB with the fixed interest rate 1.33% (31 December 2019: 2.82%). The weighted average interest rate (%) on current loans and cash-pool loans was 1.132% as at 31 December 2020 and 0.943% as at 31 December 2019.

# 8 Other financial assets

The Company's other non-current financial assets comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Convertible bonds of Contrarian Ventures UAB | - | 500 |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | 4,912 | 3,474 |
| **In total** | **4,912** | **3,974** |
| Less: impairment of convertible bonds | - | (500) |
| **Carrying amount** | **4,912** | **3,474** |

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

On 26 July 2017 the Company signed the establishment agreement of the limited partnership "Smart Energy Fund powered by Ignitis Group" (hereinafter – the Partnership) with UAB Contrarian Ventures. Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB (hereinafter – "SEF") invests in start-ups that are developing new technologies in the energy technology field and other fields. According to the Partnership there is one full member - UAB Contrarian Ventures, which acts on behalf of the SEF, has the right to manage SEF, makes decisions on the management of SEF affairs, concludes transactions on behalf of the SEF. All other SEF members (including the Company) acts under the Partnership Participant Agreement. Investment decisions are made and approved by the Investment Committee, which is made up solely of Key-men that are shareholders of Contrarian Ventures UAB.

# 9 Other assets

## 9.1 Other non-current assets

Other non-current assets comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deposit related to buyout of shares in subsidiaries | 19,050 | - |
| **Carrying amount** | **19,050** | **-** |

The Company has a contractual obligation to buy out all the shares of the subsidiaries Energijos skirstymo operatorius AB and Ignitis gamyba AB. In accordance with buy out procedures, the Company deposited in a bank account EUR 19,050 thousand to cover the price of shares. This deposit is not available to finance the Company's day-to-day operations.

## 9.2 Other current assets

Other current assets comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Deposit into an escrow account | 45,000 | - |
| **Carrying amount** | **45,000** | **-** |

On 7 October 2020 the Company has executed IPO distributing the increased share capital between private and institutional investors. Together with IPO process the Company deposited in an escrow account EUR 45,000 thousand till May 2021 in accordance with stabilisation activities performed by Swedbank AB. This deposit is not available to finance the Company's day-to-day operations until the specified term.

# 10 Cash and cash equivalents

The Company's cash and cash equivalents comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash balances in bank accounts | 421,289 | 144 |
| **In total** | **421,289** | **144** |

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

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and cash equivalents | 421,289 | 144 |
| Bank overdraft | - | (191,291) |
| **Carrying amount** | **421,289** | **(191,147)** |

As at 31 December 2020 and 2019, cash and cash equivalents comprised cash in bank.

The fair values of cash and cash equivalents as at 31 December 2020 and 2019 approximated their carrying amounts.

# 11 Assets held-for-sale

Non-current assets held-for-sale comprised as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Property, plant and equipment and investment property | - | 77 |
| Investments in subsidiaries | - | 7,064 |
| **In total** | **-** | **7,141** |

Movement of non-current assets held-for-sale during the year 2020 was as follows:

| | 2020 | 2019 |
|---|---|---|
| **Carrying amount as at 1 January** | **7,141** | **7,141** |
| Disposals | (4,705) | - |
| Reclassified (to) from: | | |
| *Investments in subsidiaries* | *(2,359)* | - |
| *Investment property* | *(77)* | - |
| **Carrying amount as at 31 December** | **-** | **7,141** |

During the year 2020 the management changed its decision to sell a subsidiary Transporto valdymas UAB. A subsidiary Duomenų logistikos centras UAB was sold as at 7 July 2020.

During 2020 the Company sold property classified as held for sale of EUR 4,705 thousand carrying value for EUR 6,167 thousand consideration.

# 12 Equity

Issued capital of the Company consisted of:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Authorised shares** | | |
| Ordinary shares, EUR | 1,658,756,294 | 1,212,156,294 |
| **Ordinary shares issued and fully paid, EUR** | **1,658,756,294** | **1,212,156,294** |

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

As at 26 August 2020 a decision was adopted to change the nominal value and number of shares issued by the Company. In accordance with the decision of the Ministry of Finance, the nominal value of one ordinary registered share of the Company is changed from EUR 0.29 to EUR 22.33. Upon the change of the nominal value of one share, the authorized capital of the Company was divided into 54,283,757 ordinary registered shares.

On 7 October 2020 the Company's whole newly issued capital consisting of 20,000,000 ordinary registered shares has been admitted to the Main Trading List of Nasdaq Vilnius, as well the global depositary receipts (hereinafter "GDR") representing the shares have been admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority (FCA) and to trading on the Main Market of the London Stock Exchange.
The IPO solely was comprised of 20,000,000 shares newly issued on 5 October 2020. The IPO consists of two tranches: 1) securities in the form of shares and GDR offered to institutional investors, and 2) securities in the form of shares offered to retail investors who are residents of Lithuania, Latvia and Estonia. During the IPO, institutional investors subscribed for 18,130,699 shares in the form of shares and GDRs. Retail investors subscribed for 1,869,301 shares during the IPO.

As at 31 December 2020 the Company'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, emission price EUR 22.50 value for a share.

On 7 October 2020 the Company's share premium comprised EUR 3,400 thousand.
The attributable costs of the issuance of the shares of EUR 11,033 thousand have been charged directly to equity as a reduction in share premium EUR 3,400 thousand and EUR 7,633 thousand as a reduction in retained earnings. Transaction costs directly attributable to issuing new shares of EUR 11,033 thousand comprised mainly of fees to syndicate banks of the IPO.

# 13 Reserves

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer at least 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

The Company's legal reserve as at 31 December 2020 was not fully formed.

# 14 Share based payments

On September 16, 2020, the Company received a decision from the Ministry of Finance of the Republic of Lithuania, the authority implementing the rights of the sole shareholder of the Company, that Ministry of Finance approved Share Allocation Rules of the Company (hereinafter – the Rules). The Rules provide that employees of the Company and its subsidiaries, including members of the Management Board of the Company, will have the opportunity to participate in the share option program.

On 4 December 2020 the Supervisory Board of the Company approved the long-term strategic goals and their indicators for 2020–2023, their achievement evaluation criteria and the maximum number of shares offered to the managers related to the share options programme (hereinafter – the Programme) for the long-term promotion of the managers of the Company. The total maximum number of shares offered for the period of 2020–2023 is 6977. Moreover, maximum of 2520 shares is offered for a key executives of Company's subsidiaries.

On 18 December 2020 option agreements of the long-term promotion of key executives of the Company and it's subsidiaries' programme have been concluded with 5 key executives of the company and 4 key executives of subsidiaries.

Shares will be offered free of charge in 2024, after the long-term strategic targets (indicators) of the Group, approved by the Supervisory Board of the Company, which are linked with the strategic plan of the Company for 2020–2023 are achieved.

As the vesting period beings mainly from 2021, the signed agreements did not have material impact on the Company's statement of financial position or SPLOCI.

# 15 Loans and bonds

Borrowings of the Company consisted of:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| **Non-current** | | |
| Bonds issued | 886,945 | 590,120 |
| Bank loans | - | 49,345 |
| **Current** | | |
| Current portion of non-current loans | - | 32,901 |
| Bank overdraft | - | 191,291 |
| Accrued interest | 9,143 | 5,446 |
| **Total borrowings** | **896,088** | **869,103** |

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

For the year 2020 expenses related to interest on the issued bonds totalled EUR 16,689 thousand (2019: EUR 12,731 thousand). The accrued amount of coupon payable as at 31 December 2020 amounted to EUR 9,143 thousand (31 December 2019: EUR 5,446 thousand).

Non-current borrowings by maturity:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| From 1 to 2 years | - | 7,049 |
| From 2 to 5 years | - | 21,148 |
| After 5 years | 886,945 | 611,268 |
| **In total** | **886,945** | **639,465** |

All borrowings are denominated in euros.

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

As at 31 December 2020, the Company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 267,896 thousand (31 December 2019: EUR 108,709 thousand).

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

| | 31 December2020 | 31 December 2019 |
|---|---|---|
| **Non-current borrowings** | | |
| Fixed interest rate | 1.886 | 2.054 |
| Variable interest rate | 0.765 | 0.911 |
| **Current borrowings** | | |
| Variable interest rate | 0.446 | 0.446 |

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 Company.

For the purpose of net debt calculation, borrowings comprise only debts to financial institutions, lease liabilities and other debts relating to financing.

This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash and cash equivalents | (421,289) | (144) |
| Deposit into an escrow account (Note 9.2) | (45,000) | - |
| Borrowings payable after one year | 886,945 | 639,465 |
| Borrowings payable within one financial year (including overdraft and accrued interest) | 9,143 | 229,638 |
| Lease liabilities | 520 | 840 |
| **Net debt** | **430,319** | **869,799** |
| Cash and cash equivalents | (421,289) | (144) |
| Deposit into an escrow account (Note 9.2) | (45,000) | - |
| Borrowings – fixed interest rate | 896,088 | 595,566 |
| Borrowings – variable interest rate | - | 273,537 |
| Lease liabilities | 520 | 840 |
| **Net debt** | **430,319** | **869,799** |

All amounts are in EUR thousand unless otherwise stated

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

| | Assets | | Lease liabilities | | Borrowings | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash and cash equivalents | Deposit into an escrow account | Non-current lease liabilities | Current lease liabilities | Non-current portion of non-current borrowings | Current portion of non-current borrowings | Current borrowings | Total |
| **Net debt at 1 January 2019** | **(231)** | **-** | **-** | **-** | **671,245** | **57,401** | **47,721** | **776,136** |
| **Cash changes** | | | | | | | | |
| Increase (decrease) in cash and cash equivalents (including overdraft) | 87 | - | - | - | - | - | 149,030 | **149,117** |
| (Repayments) of borrowings | - | - | - | - | - | (57,401) | - | **(57,401)** |
| Lease payments (principal portion) | - | - | - | (238) | - | - | - | **(238)** |
| Interest paid | - | - | - | (3) | - | (12,593) | (710) | **(13,306)** |
| **Non-cash changes** | | | | | | | | |
| Recognition of lease liabilities under IFRS 16 | - | - | 253 | 771 | - | - | - | **1,024** |
| Lease contracts concluded | - | - | 33 | 41 | - | - | - | **74** |
| Accrual of interest payable | - | - | - | 3 | 12,731 | 983 | 696 | **14,413** |
| Expenses of issue of bonds | - | - | - | - | | - | - | **-** |
| Reclassifications between items | - | - | 277 | (277) | (44,511) | 44,511 | - | **-** |
| Reclassification of interest payable from (to) trade payables | - | - | - | (20) | - | - | - | **(20)** |
| **Net debt at 31 December 2019** | **(144)** | **-** | **563** | **277** | **639,465** | **32,901** | **196,737** | **869,799** |
| **Net debt at 1 January 2020** | **(144)** | **-** | **563** | **277** | **639,465** | **32,901** | **196,737** | **869,799** |
| **Cash changes** | | | | | | | | |
| (Increase)decrease in cash and cash equivalents | (421,145) | - | - | - | - | - | - | **(421 145)** |
| Issue of bonds | - | - | - | - | 295,657 | - | - | **295 657** |
| (Repayments) of borrowings (including overdraft) | - | - | - | - | (43,418) | - | (38,828) | (191 291) | **(273 537)** |
| Lease payments (principal portion) | - | - | - | (261) | - | - | - | **(261)** |
| Interest paid | (275) | - | - | - | - | (12,220) | (777) | **(13,272)** |
| Deposit into an escrow account (Note 9.2) | - | (45,000) | - | - | - | - | - | **(45,000)** |
| **Non-cash changes** | | | | | | | | |
| Lease contracts concluded | - | - | (60) | 2 | - | - | - | **(58)** |
| Accrual of interest payable | 275 | - | (1) | - | 7,375 | 9,910 | 777 | **18,336** |
| Reclassification of interest payable from (to) trade payables | - | - | - | - | - | - | - | **-** |
| Reclassifications between items | - | - | (235) | 235 | (11,934) | 8,237 | 3,697 | **-** |
| Cost of issue of bond correction | - | - | - | - | (200) | - | - | **(200)** |
| **Net debt at 31 December 2020** | **(421,289)** | **(45,000)** | **267** | **253** | **886,945** | **-** | **9,143** | **430,319** |

All amounts are in EUR thousand unless otherwise stated

# 17 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. Movement of deferred tax assets and liabilities during the reporting period were as follows:

| | 31 December 2018 | Recognised in profit or loss | Impact from utilised tax losses | 31 December 2019 | Recognised in profit or loss | Impact from utilised tax losses | 31 December 2020 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Accrued expenses | 169 | (6) | - | 163 | (66) | - | 97 |
| Tax losses carried forward | 908 | 589 | (897) | 600 | 507 | (561) | 546 |
| **Deferred tax asset, net** | **1,077** | **583** | **(897)** | **763** | **441** | **(561)** | **643** |
| **Deferred tax liabilities** | | | | | | | |
| **Deferred tax liability, net** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Deferred tax, net** | **1,077** | **583** | **(897)** | **763** | **441** | **(561)** | **643** |

All amounts are in EUR thousand unless otherwise stated

# 18 Other current amounts payable and liabilities

The Company's other current amounts payable and liabilities are as follows:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Payroll related liabilities | 1,087 | 80 |
| Taxes (other than income tax) | 368 | 1,155 |
| Accrued expenses | 124 | 1,316 |
| Unpaid shares of Vilniaus kogeneracinė jėgainė UAB | - | 11,314 |
| **Carrying amount** | **1,579** | **13,865** |

# 19 Revenue from contracts with customers

The Company's revenue from contracts with customers are as follows:

| | 2020 | 2019 |
|---|---|---|
| Management fee income | 3,104 | 3,283 |
| Other revenue from contracts with customers | 1,782 | - |
| **Total** | **4,886** | **3,283** |

The Company's revenue from contracts with customers during 2020 and 2019 mainly comprised the revenue from advisory and management services provided to subsidiaries.

The seasonality does not have any impact on the Company's revenue. Also, the Company did not present any segment information as there is only one segment.

The timing when the Company satisfies its performance obligations:

| | 2020 | 2019 |
|---|---|---|
| Performance obligation settled over time | 3,104 | 3,283 |
| Performance obligation settled at point of time | 1,782 | - |
| **In total** | **4,886** | **3,283** |

The Company's balances under the contracts with customers:

| | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Trade receivables | 313 | 380 |

# 20 Other expenses

The Company's other expenses are as follows:

| | 2020 | 2019 |
|---|---|---|
| Business support services | 1,315 | 717 |
| Consultation services | 1,141 | 444 |
| Public relationship and marketing services | 747 | 464 |
| Telecommunications and IT services | 370 | 409 |
| Personnel development | 201 | 120 |
| Utilities | 103 | 104 |
| Transport | 78 | 112 |
| Business trips | 21 | 44 |
| Expenses of low-value inventories | 16 | - |
| Taxes | (11) | 27 |
| Provision for guarantees for the fulfilment of obligations of the subsidiaries | - | (806) |
| Other expenses | 328 | 256 |
| **In total** | **4,309** | **1,891** |

# 21 Finance income

The Company's finance income are as follows:

| | 2020 | 2019 |
|---|---|---|
| Interest income at the effective interest rate | 20,007 | 15,500 |
| Other income of financing activities | - | 2 |
| **In total** | **20,007** | **15,502** |

The Company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 6, 7). During the year 2020, the Company received EUR 18,556 thousand (2019: EUR 14,017 thousand) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

All amounts are in EUR thousand unless otherwise stated

# 22 Finance expenses

The Company's finance expenses are as follows:

| | 2020 | 2019 |
|---|---|---|
| Interest expenses | 18,337 | 14,411 |
| Interest and discount expense on lease liabilities | (1) | 2 |
| Negative effect of changes in exchange rates | 9 | 16 |
| Other expenses of financing activities | 732 | 2,586 |
| **In total** | **19,077** | **17,015** |

The Company incurs interest expense on long-term and short-term loans payable and bonds issued (Note 15). During the year 2020, the Company paid interest in cash in the amount of EUR 13,272 thousand (2019: EUR 13,306 thousand), which are presented in the cash flow statement under 'Interest paid'.

# 23 Income tax expenses

Income tax expenses for the period comprise current year income tax and deferred tax. Under the Republic of Lithuania Law on Corporate Income Tax, the income tax rate of 15% was assessed on profit in year 2020 and 2019. The Company's income tax expenses during the year 2020 and 2019 were as follows:

| | 2020 | 2019 |
|---|---|---|
| Income tax expenses (benefit) for the reporting period | - | - |
| Deferred tax expenses (benefit) | (441) | (583) |
| **Income tax expenses (benefit) recognised in profit or loss** | **(441)** | **(583)** |

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

| | 2020 | 2019 |
|---|---|---|
| Profit (loss) before tax | 114,146 | 31,620 |
| Income tax expenses (benefit) at tax rate of 15% | 17,122 | 4,743 |
| Expenses not deductible for tax purposes | 214 | 519 |
| Income tax from income not subject to tax | (18,389) | (3,888) |
| Impairment/(reversal of impairment) of investments in subsidiaries | 612 | (1,957) |
| **Income tax expenses (benefit)** | **(441)** | **(583)** |

# 24 Dividends

## 24.1 Dividends declared by the Company

The table below provides dividends declared by the Company during the year:

| | 31 December 2020 (EUR'000) | 31 December 2019 (EUR'000) |
|---|---|---|
| Ignitis grupė AB | 70,000 | 13,000 |

A dividend of EUR 28 million for the year of 2019 was declared in May 2020. A dividend of EUR 42 million for the first half of 2020 was declared in September 2020 and paid to the principal shareholder prior to the IPO. A remaining part of EUR 43 million for the second half of 2020 is subject to approval at the Annual General Meeting on 25 March 2021. Declared dividend for the year of 2020 will amount EUR 85 million according to approved dividend policy.

Dividends received by Stabilisation Manager („Swedbank", AB) in connection with Stabilisation Shares, shall be transferred back to the Company.

## 24.2 Dividends received by the Company

Dividends received by the Company from Group companies during the year 2020 are the following:

| Declared at | Dividends declared by | Period for which dividends are allocated | Dividends per share, in EUR | Amount of dividends declared | Dividend income attributable to the Company | Non-controlling interest dividends |
|---|---|---|---|---|---|---|
| 30/04/2020 | Energijos skirstymo operatorius AB | 2019 | 0.0760 | 67,992 | 66,399 | 1,593 |
| 27/04/2020 | NT valdos UAB | 2019 | 21.7901 | 3,762 | 3,762 | - |
| 22/04/2020 | Ignitis grupės paslaugų centras UAB | 2019 | 0.0175 | 739 | 374 | 4 |
| 30/04/2020 | Ignitis gamyba AB | 2019 | 0.0560 | 36,288 | 35,361 | 927 |
| 28/09/2020 | Ignitis gamyba AB | 2020 I half-year | 0.0230 | 14,904 | 14,635 | 269 |
| 26/10/2020 | Tuuleenergia OÜ | 2019 | 1,680 | 1,680 | 1,680 | - |
| 05/2020 | Energijos skirstymo operatorius AB* | | | | (1,819) | |
| 05/2020 | Ignitis gamyba AB* | | | | (229) | |
| **Total** | | | | **125 365** | **120 163** | **2 793** |

**For the purpose of SPLOCI, 2020 dividend income was reduced by the amount of dividends paid as premium to the former shareholders of Energijos skirstymo operatorius AB and Ignitis gamyba AB (Note 24.3).*

Dividends received by the Company from Group companies during the year 2019 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 |
|---|---|---|---|---|---|---|
| 05/03/2019 | Duomenų logistikos centras UAB | 2018 | 0.0290 | 405 | 324 | 82 |
| 30/04/2019 | Ignitis grupės paslaugų centras, UAB | 2018 | 0.0150 | 327 | 164 | 7 |
| 30/04/2019 | Verslo aptarnavimo centras UAB | 2018 | 0.2100 | 123 | 63 | 2 |
| 30/04/2019 | Tuuleenergia OÜ | 2018 | 1.8000 | 899 | 899 | - |
| 29/04/2019 | Eurakras UAB | 2018 | 11.7200 | 1,870 | - | - |
| 12/04/2019 | Ignitis gamyba AB | 2nd half of 2018 | 0.0100 | 6,480 | 6,274 | 206 |
| 27/09/2019 | Ignitis gamyba AB | 1st half of 2018 | 0.0290 | 18,792 | 18,194 | 599 |
| | | | | **28,896** | **25,918** | **896** |

## 24.3 Additional bonus equal to the amount of dividends

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

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

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

# 25 Contingent liabilities and commitments

## 25.1 Guarantees issued and received by the Company

### 25.1.1 Issued guarantees related to loans

The Company's guarantees issued in respect of loans received by subsidiaries were as follows:

| Name of the subsidiary | Beneficiary of the guarantee | Issue at | Maturity | Maximum amount of the guarantee | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|---|---|
| Vilniaus kogeneracinė jėgainė UAB | European Investment Bank | 30/12/2016 | 07/04/2034 | 190,000 | 139,984 | 99,881 |
| Kauno kogeneracinė jėgainė UAB | Swedbank AB | 18/10/2017 | 18/10/2022 | 68,000 | 58,502 | 31,125 |
| Vėjo gūsis UAB | Swedbank lizingas, UAB | 29/01/2019 | 28/02/2022 | 9,258 | 4,327 | 6,797 |
| Vėjo vatas UAB | Swedbank lizingas, UAB | 29/01/2019 | 28/02/2021 | 9,687 | 5,125 | 7,413 |
| Pomerania Wind Farm sp. z o. o. | European Investment Bank | 09/03/2020 | 31/12/2035 | 67,872 | 56,560 | - |
| Pomerania Wind Farm sp. z o. o. | Nordic Investment Group | 14/10/2020 | 31/12/2035 | 32,920 | 32,920 | - |
| Ignitis grupė UAB Group companies | Ignitis grupė UAB Group companies | 12/03/2020 | 11/03/2021 | - | 12,459 | 54,106 |
| | | | | **377,737** | **309,877** | **199,322** |

The Group companies can lend each other their funds by virtually transferring them to the Group's corporate account (cashpool) opened at the bank Swedbank AB. The Company guarantees that funds borrowed by the subsidiaries at the cashpool account are timely repaid to the subsidiaries that have lent funds. As at 31 December 2020, the amount lent and borrowed by the subsidiaries at the Group's cashpool account totalled EUR 12,536 thousand (31 December 2019: EUR 225,783 thousand), including the amount of EUR 77 thousand (31 December 2019: EUR 171,708 thousand) lent by the Company.

Pomerania Wind Farm Sp. z o. o., part of the group of companies owned by the Company, has entered into an agreement with the European Investment Bank (hereinafter "EIB") by which the loan of PLN 258 million (approx. EUR 56.6 million) was disbursed to the company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and EIB. The guarantee amounts to 120% of loan amount – i.e. PLN 309.6 million (approx. EUR 67.9 million). The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm Sp. z o. o. signed an agreement with EIB for pledging 100% of the shares of Pomerania Wind Farm Sp. z o. o. in favour of the lender. The repayment date of the loan is 31 December 2035.

On 5 December 2016, the Company and the EIB (Luxembourg) signed a guarantee and indemnity agreement under which the Company secured fulfilment of all current and future obligations of subsidiary Vilniaus kogeneracinė jėgainė UAB in the amount of EUR 190,000 thousand under the credit agreement signed on 5 December 2016 with the EIB for the term of 17 years. The guarantee cover the repayment of all types of payables related to the usage of the provided loan to the EIB. As at 31 December 2020, amounts withdrawn by Vilniaus kogeneracinė jėgainė UAB from the loan provided by the EIB totalled EUR 139,984 thousand (31 December 2019: EUR 99,881 thousand).

On 31 May 2017, the Company's subsidiary Kauno kogeneracinė jėgainė UAB and Swedbank AB signed the credit agreement for the amount of EUR 120,000 thousand. The loan is designated for the financing of construction works of the co-generation power plant complex in Kaunas and the financing of the following construction-related expenses of the project being implemented: financing of payments under the agreements on construction, supply of equipment, electrification, general construction works, general systems, installation of automation systems, insurance, management of the construction site, project management, as well as the financing of advance payments (credit funds cannot be used for the financing of interest and unforeseen expenditure), excl. VAT. As at 31 December 2020, amounts withdrawn from the loan provided totalled EUR 114,709 thousand (31 December 2019: EUR 61,029 thousand). Monetary liabilities of Kauno kogeneracinė jėgainė UAB to the bank under the credit agreement are secured by the guarantees issued by the Company and Fortum OYJ (Finland) in proportion to the number of shares of Kauno kogeneracinė jėgainė UAB held, i.e. 51% of shares is held by the Company and 49% is held by FORTUM HEAT LIETUVA UAB.

Pomerania Wind Farm Sp. z o. o., part of the group of companies owned by the Company, has entered into an agreement with the Nordic Investment Group (hereinafter "NIB") by which the loan of PLN 150 million (approx. EUR 32.9 million) was disbursed to the company for the Pomerania wind farm project in Poland. The first-call guarantee agreement for this loan was concluded between the Company and NIB. The guarantee amounts to 100% of loan amount. The Company's subsidiary Ignitis renewables UAB, which owns all the shares of Pomerania Wind Farm Sp. z o. o. signed an agreement with NIB for secondary pledging 100% of the shares of Pomerania Wind Farm Sp. z o. o. in favour of the lender.

### 25.1.2 Other issued guarantees

The Company has provided the following other guarantees for its subsidiaries:

| Name of the subsidiary | Beneficiary of the guarantee | Issue at | Maturity | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| Energetikos paslaugų ir rangos organizacija UAB | SEB bankas AB | 04/07/2018 | 30/12/2021 | 405 | 871 |
| VVP Investments UAB | Swedbank AB | 11/10/2019 | 01/08/2023 | 945 | 945 |
| Ignitis UAB | NASDAQ Clearing AB | 01/01/2020 | termless | 55,000 | - |
| Gamybos optimizavimas UAB | Ignitis gamyba AB | 01/01/2020 | 30/06/2022 | 5,000 | - |
| | | | | **61,350** | **1,816** |

On 1 January 2020 the Company has issued guarantee for its subsidiary Ignitis UAB for the market risk exposure related to trading activities performed on NASDAQ platform. Subsidiary performs electricity-related trading of financial derivatives for hedge accounting purposes. Guarantee was issued due to increased trading activity on NASDAQ platform.

## 25.2 Litigations

Litigation with a minority shareholder of Energijos skirstymo operatorius AB (hereinafter "ESO")

On 10 August 2020, the Group received a claim from minority shareholder of subsidiary ESO regarding buyout of shares (Note 5.5). The claim requires to determine the correct price of ESO shares, which must be paid by the Company to the shareholders during the mandatory redemption of shares. On 15 February 2021 the plaintiff specified that the price, which must be paid by the Company to him is 22,57 Eur per 1 share. In the opinion of the management, there should be no significant impact on the Group's financial position or results because the price noted by the plaintiff has no legal and finance ground.

All amounts are in EUR thousand unless otherwise stated

# 26 Related-party transactions

As at 31 December 2020 and 31 December 2019, the Company's controlling party was the Government of the Republic of Lithuania represented by the Lithuanian Ministry of Finance. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The below disclosures comprise transactions and balances with the shareholder, subsidiaries (the Company's transactions) and all entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

The Company's transactions with related parties during the year 2020 and year-end balances arising on these transactions as at 31 December 2020 are presented below:

| Related parties | Accounts Receivable | Loans receivable | Accounts Payable | Sales | Purchases | Finance income / (cost) |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| Energijos skirstymo operatorius AB | 88 | 673,281 | - | 1,055 | (37) | 12,404 |
| Ignitis gamyba AB | 34 | - | - | 440 | (6) | - |
| Energetikos paslaugų ir rangos organizacija UAB | - | 2 | - | - | - | 22 |
| Elektroninių mokėjimų agentūra UAB | 3 | - | - | 51 | - | - |
| Transporto valdymas UAB | - | 17,260 | 9 | - | 97 | 289 |
| Ignitis grupės paslaugų centras UAB | 55 | 1 | 444 | 293 | 1,801 | 10 |
| Ignitis UAB | 66 | 39,135 | - | 682 | (17) | 1,282 |
| Vilniaus kogeneracinė jėgainė UAB | 23 | 192 | - | 144 | - | 1,728 |
| Eurakras UAB | - | 17,660 | - | - | - | 621 |
| Tuuleenergia OÜ | - | 19,402 | - | - | - | 583 |
| Kauno kogeneracinė jėgainė UAB | 6 | 194 | - | 92 | (21) | 540 |
| Vėjo gūsis UAB | - | 5 | - | - | - | 57 |
| Vėjo vatas UAB | - | 11 | - | - | - | 117 |
| Gamybos optimizavimas UAB | 2 | - | 50 | 16 | - | 17 |
| VVP investment UAB | - | 2 | - | - | - | 21 |
| Ignitis renewables UAB | 36 | 59,689 | - | 332 | (72) | 1,415 |
| Pomerania Invall Sp.z.o.o | - | 69 | - | - | - | 154 |
| **Other related parties** | | | | | | |
| EPSO-G UAB | 150,839 | - | - | - | - | 747 |
| **Total** | **151,152** | **826,903** | **503** | **3,105** | **1,745** | **20,007** |

The Company transactions with related parties during the year 2019 and year-end balances arising on these transactions as at 31 December 2019 are presented below:

| Related parties | Accounts Receivable | Loans receivable | Accounts Payable | Sales | Purchases | Finance income / (cost) |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| Energijos skirstymo operatorius AB | 159 | 608,690 | - | 1,446 | - | 9,708 |
| Ignitis gamyba AB | 42 | - | - | 478 | - | - |
| Energetikos paslaugų ir rangos organizacija UAB | - | 1,484 | - | 4 | - | 45 |
| Elektroninių mokėjimų agentūra UAB | 4 | - | - | 21 | - | - |
| Energijos tiekimas UAB | - | - | - | 96 | - | 91 |
| Duomenų logistikos centras UAB | - | - | 1 | 5 | - | - |
| NT valdos UAB | - | - | - | 30 | - | 3 |
| Transporto valdymas UAB | - | 25,539 | 10 | - | 100 | 359 |
| Ignitis grupės paslaugų centras UAB | 8 | 1,474 | 41 | 126 | 407 | 10 |
| Ignitis UAB | 51 | 90,913 | - | 424 | - | 911 |
| Verslo aptarnavimo centras UAB | 49 | - | 166 | 228 | 971 | 2 |
| Vilniaus kogeneracinė jėgainė UAB | 11 | 3,473 | 11,314 | 125 | 20 | 683 |
| Eurakras UAB | - | 24,754 | - | 10 | - | 709 |
| Tuuleenergia OÜ | - | 19,403 | - | 1 | - | 655 |
| Kauno kogeneracinė jėgainė UAB | 21 | 104 | - | 166 | - | 236 |
| Vėjo gūsis UAB | - | 7 | - | - | - | 75 |
| Vėjo vatas UAB | - | 2,766 | - | - | 1 | 133 |
| Gamybos optimizavimas UAB | 1 | - | - | 7 | - | - |
| VVP investment UAB | - | 403 | - | - | - | 14 |
| Ignitis renewables UAB | 9 | 57,087 | - | 59 | - | 805 |
| **Other related parties** | | | | | | |
| EPSO-G UAB | 158,739 | 201 | - | - | - | 1,017 |
| **Total** | **159,094** | **836,298** | **11,532** | **3,226** | **1,499** | **15,456** |

The Company's dividend income received from subsidiaries during the year 2020 and 2019 is disclosed in Note 24.

As at 31 December 2020, the Company accounted for EUR 806 thousand loan impairment reversal related to EUR 1,480 thousand borrowings provided by the Company to the subsidiary Energetikos paslaugų ir rangos organizacija UAB at the Group's cash pool account. The full amount was repaid during the year 2020.

As at 31 December 2019, the Company accounted for EUR 806 thousand loan impairment related to EUR 1,480 thousand borrowings provided by the Company to the subsidiary Energetikos paslaugų ir rangos organizacija UAB at the Group's cash pool account.

As at 31 December 2020 the Company has issued guarantees for financial loans to its subsidiaries (Note 25.1)

## 26.1 Compensation to key management personnel:

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries and other short-term benefits to key management personnel | 1,347 | 1,264 |
| Whereof: termination benefits and benefits to Board Members | 152 | 118 |
| Number of key management personnel | 11 | 12 |

For share-based payments related to key management personnel – see Note 14.

# 27 Fair values of financial instruments

*Financial instruments, measured at fair value*

The Company's amounts receivable for disposal of LitGrid AB shares (Level 3) and investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" (Level 3) are measured at fair value.

As at 31 December 2020 and 2019, the Company accounted for an amount receivable for the sale of LitGrid AB at fair value through profit or loss. Their fair value is attributed to Level 3 in the fair value hierarchy. Fair value was estimated on the basis of discounted cash flows using the rate of 0.298% (31 December 2019 – 0.614%).

As at 31 December 2020 and 2019, the Company has accounted for investment into "Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB" . The Company accounts for financial asset at fair value and their accounting policies are set out in Note 8. Fair value corresponds to level 3 in the fair value hierarchy.

*Financial instruments for which fair value is disclosed*

The carrying amount of the Company's short-term financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts. The measurement of financial instruments related to the loans and bonds issued is attributed to Level 2, of the fair value hierarchy.

As at 31 December 2020 and 2019, the fair value of the Company's amounts receivable related to bond amounts receivable of the subsidiary Energijos skirstymo operatorius AB is estimated by discounting cash flows with market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The cash flows were discounted using a weighted average discount rates of 2.19% (31 December 2019: 1.29%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of loans granted is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2,56% as at 31 December 2020 (31 December 2019 – 4,04%). 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 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 2.19% as at 31 December 2020 (31 December 2019 – 1.29%). Discount rates for certain bond issues are determined as market interest rate increased by EUR interest rate swap for tenors that is similar to period left until redemption of issued bonds. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2020:

| | Note | Carrying amount | Level 1 Quoted prices in active markets | Level 2 Other directly or indirectly observable inputs | Level 3 Unobser-vable inputs | In total |
|---|---|---|---|---|---|---|
| **Financial instruments measured at fair value through profit (loss)** | | | | | | |
| **Assets** | | | | | | |
| Receivable for the sale of LitGrid AB | 6 | 150,693 | - | - | 150,693 | 150,693 |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | | 4,912 | - | - | 4,912 | 4,912 |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Bond receivables from subsidiary Energijos skirstymo operatorius AB | 6 | 616,288 | - | 614,862 | - | 614,862 |
| Loans granted | | 210,760 | - | 207,105 | - | 207,105 |
| **Liabilities** | | | | | | |
| Bonds issued | 15 | 896,088 | - | 894,158 | - | 894,158 |

The table below presents allocation between the fair value hierarchy levels of the company's financial instruments as at 31 December 2019 :

| | Note | Carrying amount | Level 1 Quoted prices in active markets | Level 2 Other directly or indirectly observable inputs | Level 3 Unobser-vable inputs | In total |
|---|---|---|---|---|---|---|
| **Financial instruments measured at fair value through profit (loss)** | | | | | | |
| **Assets** | | | | | | |
| Receivable for the sale of LitGrid AB | 6 | 158,658 | - | - | 158,658 | 158,658 |
| Innovation Fund Smart Energy Fund powered by Ignitis Group KŪB | | 3,474 | - | - | 3,474 | 3,474 |
| **Financial instruments for which fair value is disclosed** | | | | | | |
| **Assets** | | | | | | |
| Green bond receivables from subsidiary Energijos skirstymo operatorius AB | 6 | 416,288 | - | 445,059 | - | 445,059 |
| Loans granted | | 420,010 | - | 413,825 | - | 413,825 |
| **Liabilities** | | | | | | |
| Bonds issued | 15 | 590,120 | - | 630,732 | - | 630,732 |
| Debt liabilities to OP Corporate Bank Plc and SEB Bankas AB | 15 | 82,247 | - | 80,936 | - | 80,936 |

All amounts are in EUR thousand unless otherwise stated

# 28 Remuneration to auditors

Following Company's remuneration to the independent audit firms:

| | 2020 | 2019 |
|---|---|---|
| Audit of the financial statements under the agreements | 74 | 27 |
| Assurance and other related services | - | 19 |
| Initial public offering related services | 367 | - |
| Bonds issue related services | 142 | - |
| Tax consultation services | - | 52 |
| Expenses of other services | 1 | 21 |
| **Carrying amount** | **584** | **119** |

# 29 Events after the reporting period

On 1 February 2021 Supervisory Board of the Company approved the loan agreement, which would not exceed EUR 293 million, with the subsidiary UAB "Ignitis renewables". The funds from the loan will be used, if needed, to acquire and develop renewable energy projects and refinance the current loans. Actual scope and use of the funds will depend in large part on the situation in the market and the supply of investment projects meeting the returns expectations. The lending complies with the green generation development priorities and goals set out in the Company's strategy. The loan will be allocated from the bond funds raised by the Company and its equity. The loan repayment period – no longer than 10 years from the moment of the money transfer.

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

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VAT payer code LT108784411
Register of Legal Entities

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ignitis grupe

## Report on the Audit of the Parent Company's and Consolidated Financial Statements

### Opinion

We have audited the accompanying separate financial statements of AB Ignitis grupe (hereinafter the Company), and the consolidated financial statements of AB Ignitis grupe and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2020, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| ***Impairment assessment of investments into subsidiaries and receivables from subsidiaries (Parent Company's financial statements)*** | |
| As disclosed in Note 5 to the financial statements, the carrying value of the Company's investments into subsidiaries amounts to EUR 1,239 million and the total balance of receivables from these subsidiaries (comprising loans granted and accrued interest), amounts to EUR 827 million (Notes 6 and 7) as at 31 December 2020. | We gained an understanding of the management's process for the evaluation of performance of subsidiaries and for assessment of the recoverable value of investments in subsidiaries.<br><br>Among other procedures, we considered the completeness of the impairment indicators identified by the management by comparing the carrying value of the Company's investments into each subsidiary |

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| Key audit matter | How the matter was addressed in the audit |
|---|---|
| During the current year impairment indicators were identified by the management regarding the investments in certain subsidiaries, therefore an impairment assessment was performed by comparing the carrying value of these investments to their recoverable amount to determine whether an impairment was required to be recognised. The Company's management has assessed the recoverable amount based on the value in use calculations or fair value of net assets of a subsidiary. As a result, EUR 4,083 thousand additional impairment loss has been identified and recorded.<br><br>The management's assessment of the recoverable amount of investments into subsidiaries and impairment losses on receivables from them requires estimation and judgement around assumptions used as disclosed in Notes 5 and 6. Changes to these assumptions could lead to material changes in the estimated recoverable amount of investments and impairment losses on receivables from subsidiaries, impacting both potential impairment charges and also potential reversals of impairment recorded in prior years.<br><br>This annual impairment test was significant to our audit as it involves management judgment regarding the assumptions used in the underlying cash flows forecasts or the estimated fair value of net assets amounts, respectively. Furthermore, the investments into subsidiaries and receivables from these subsidiaries represent more than 76 % of the total assets of the Company as at 31 December 2020. Therefore, we considered it to be a key audit matter. | with the Company's share in the net assets of the subsidiary at their book value and discussing with the management their performance and outlook.<br><br>We also considered the assumptions and methodologies used by the management to determine the recoverable amounts of the investments in subsidiaries that had impairment indications, including receivables from these subsidiaries. We involved an internal valuation specialist to assist us with the assessment of the valuation models and key assumptions used by the management in the value in use for a specific business.<br><br>We assessed whether future cash flows were based on the business plans in the respective cash generating units. We tested the sensitivity in the available headroom of the investment considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and assessed the historical accuracy of management's estimates.<br><br>We also considered the subsidiaries' ability to repay the amounts due to the Company by examination of their liquidity position based on their financial statements as well as their future cash flow forecasts.<br><br>Finally, we evaluated the adequacy of the Company's disclosures included in Notes 5 and 6 to the financial statements about the assumptions used in the impairment test and the outcome of the test. |
| ***Revenue recognition related to the estimation of overdeclaration / underdeclaration of electricity usage and to the deferred revenue from new customer connections over the estimated useful life of respective assets (Consolidated financial statements)***<br><br>The Group's electricity revenue depends on declarations of electricity consumed by private customers, which do not have automated meter readings. Due to customers' behavior to declare amounts not exactly at the year-end, the Group at each year-end has to estimate the amount of the overdeclared / underdeclared consumption in order to calculate the actually earned revenue to be recognized to the statement of profit or loss and other comprehensive income for the year. The management's estimation is based on historical consumption by private customers as well as the Group's assessment of technological losses in the electricity grid. As disclosed in Note 30.2, the advances received for electricity and overdeclared electricity from the customers amounted to EUR 11 million as of 31 December 2020. | In relation to revenue recognition related in the estimation of overdeclaration / underdeclaration of electricity usage we performed the following procedures, among others:<br><br>- we obtained management's model for calculation of overdeclaration / underdeclaration and compared it to prior year model to assess the consistency of the model and the estimates made;<br>- we obtained and reviewed evidence supporting main inputs used in the model and recalculated formulas in order to check the accuracy of the calculations;<br>- we performed analytical review procedures by forming an expectation of overdeclared consumption to evaluate the amount of the actually earned revenue based on the key performance indicators, including taking into |

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| Key audit matter | How the matter was addressed in the audit |
|---|---|
| Another significant estimation related to revenue recognition is that the Group accounts for the upfront fees paid by the customers for the connection to electricity and gas distribution networks (further – connection fees) by deferring the fees received over the estimated useful lives of the assets, used in provision of the connection service. Under the Group's accounting policy the estimated average useful life of such assets is 27 years for the electricity grid and 46-55 years for the gas grid. As disclosed in Note 30.1, the deferred revenue – the liabilities under connection contracts (current and non-current) – amounted to EUR 173 million as of 31 December 2020.<br><br>Revenue recognition factors mentioned above are significant to our audit due to the materiality of the amounts, significant management judgments applied, estimations used and impact on the financial statements for the current year. | consideration historical revenue and technological grid losses information, changes in approved tariffs and comparing with actual results;<br>- finally, we considered the adequacy of the Group's disclosures included in Notes 4.14 and 30.2.<br><br>In relation to revenue recognition related to deferred revenue from new customer connections we performed the following procedures, among others:<br>- we have updated our understanding of the new connection fee revenue recognition and measurement process and related internal controls;<br>- we tested key controls implemented over the connection of new customers to the distribution system revenue recognition, by testing a representative sample of new contracts signed during financial year, reconciling inputs and reviewing respective approvals to primary supporting documents;<br>- we have performed correlation analysis of transactions between cash – received advances – trade accounts receivable – deferred revenues – revenues accounts. We have tested a sample of advances received by reviewing bank payments, issued invoices and work transfer and acceptance acts to assess the completeness of deferred revenue;<br>- we performed analytical review procedures by forming an expectation of additional deferred revenue to be recognized during 2020 and comparing it to actual additional deferred revenue recognized in 2020;<br>- we reviewed the management's calculation of deferred revenue from contracts with new customers, inspected the formula applied and recalculated the amounts split for current and non-current periods;<br>- we performed analytical review procedures by forming an expectation of the connection fees amount, which should be recognized as revenue for the year and comparing it to the actual revenues recognized in the statement of profit or loss and other comprehensive income for the current financial year;<br>- finally, we considered the adequacy of the Group's disclosures included in Notes 2.19.3.1 and 30.1. |
| ***Fair value assessment of property, plant and equipment of the electricity distribution segment (Consolidated financial statements)***<br><br>The property, plant and equipment allocated to the electricity distribution business segment (electricity PPE) is accounted for at revalued amounts less subsequent accumulated depreciation and subsequent | Our audit procedures included, among others, the following:<br>- we have obtained an understanding of the process (including assumptions and methods) |

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| accumulated impairment losses and had a net book value of EUR 1,206 million as at 31 December 2020.<br><br>In 2018 the Group performed a revaluation of property, plant and equipment of the electricity PPE and accounted for revaluation results. IAS 16 requires the Group to perform a further revaluation of assets, when the fair value of a revalued asset differs materially from its carrying amount.<br><br>As disclosed in Note 8.3.2, the possible change in the fair value of the electricity PPE was assessed by the management of the Group by using a discounted cash flows model and comparing the potential fair value derived from the model to the carrying value of the electricity PPE as of 31 December 2020.<br><br>The fair value assessment of property, plant and equipment was significant to our audit as it involves management's judgment in making the assumptions related to cash flows forecasts, as well as the discount rate used in it, as disclosed in Note 8.3.2. Furthermore, the carrying value of the electricity PPE represents approximately 30% of the total assets of the Group as at 31 December 2020. | through which management perform their assessment of fair value changes of the electricity PPE;<br>- we considered significant assumptions used by management in their estimation of cash flow forecasts by comparing previous management estimates of cash flows components to actual levels;<br>- we involved valuation specialists to assist us with the consideration of the discount rate and calculation model used by the management in the fair value assessment;<br>- we tested arithmetical accuracy of the discounted cash flows model;<br>- we tested the sensitivity of potential fair value changes of the electricity PPE considering if a reasonably possible change in the assumptions (as disclosed in Note 8.3.2) could cause the fair value to significantly differ from its carrying value;<br>- we have read and compared the property, plant and equipment disclosure prepared by the management and presented in Note 8 to source data and supporting accounting registers;<br>- finally, we considered the adequacy of the Group's disclosures included in Note 8.3.2 about the assumptions used in the fair value assessment and the outcome of the it, including sensitivity disclosures. |
| *Impairment assessment of property, plant and equipment*<br><br>The property, plant and equipment allocated to the gas distribution segment cash generating unit (the gas CGU) and the major part of hydrolelectric and thermal power plant assets are accounted for at cost less accumulated depreciation and accumulated impairment losses and had a net book value of EUR 262 million and 422 EUR million as at 31 December 2020, respectively.<br><br>As disclosed in Notes 4.3 and 4.4, the management of the Group performed an assessment of impairment indications for property, plant and equipment. The management concluded that there are no indications of impairment for hydroelectric and thermal power plants, therefore as of 31 December 2020 no impairment tests were required for these assets.<br><br>Furthemore, the legislative changes in the calculation of regulated tariffs (for more information refer to Note 4.3) and decreasing operating results of the gas distribution business segment in 2020 were considered as an indication for potential impairment. Therefore, management of the Group performed an impairment test of the gas CGU based on the recoverable value estimate (using the discounted cash flows model) as disclosed in Note 8.3.1 to the financial | Our audit procedures included, among others, the following:<br>- we discussed with the management how external and internal indications of assets impairment are assessed;<br>- we have involved valuation specialists to assist us in the assessment of potential impairment indicators;<br>- we have obtained an understanding of the process (including assumptions and methods) how the management performs assessment of the gas CGU impairment;<br>- we considered significant assumptions used by the management in their estimation of cash flow forecasts by comparing previous management estimates of cash flows components to actual levels;<br>- we involved valuation specialists to assist us with the consideration of the discount rate and valuation model used by the management in the gas CGU impairment test;<br>- we tested arithmetical accuracy of the discounted cash flows model;<br>- we tested the sensitivity in the available headroom of the gas CGU considering if a reasonably expected change in the assumptions |

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| statements. As a result of testing no impairment was recognized.<br><br>The impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts, as well as the discount rate, used in the recoverable value estimates as disclosed in Note 8.3.1. Furthermore, the gas CGU and hydroelectric and thermal power plant assets carrying values represent approximately 7% and 11% of the total assets of the Group as at 31 December 2020, respectively. | (as disclosed in Note 8.3.1) could cause the carrying amount to exceed its recoverable amount;<br>- we have read and compared the property, plant and equipment disclosure prepared by the management and presented in Note 8 to source data and supporting accounting registers;<br>- finally, we have considered the adequacy of the Group's disclosures included in Note 8.3.1 about the assumptions used in the impairment test and the outcome of the test, including sensitivity disclosures. |

**Other information**

Other information consists of the information included in the 2020 Annual Report, including the Summary of the Corporate Governance Report, the Sustainability (the Corporate Social Responsibility) Report and the Remuneration Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

We also have to evaluate, if the financial information included in the Annual Report, including the Summary of the Corporate Governance Report and the Remuneration Report, corresponds to the financial statements for the same financial year and if the Annual Report, including the Summary of the Corporate Governance Report and the Remuneration Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Annual Report, including the Summary of the Corporate Governance Report and the Remuneration Report, corresponds to the financial information included in the financial statements for the year then ended; and
- The Annual Report, including the Summary of the Corporate Governance Report and the Remuneration Report, was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that the Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group'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 and/or the Group or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

‣ Identify and assess the risks of material misstatement of the 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 and Group'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 and/or the Group'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 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 and/or the Group to cease to continue as a going concern.

‣ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

‣ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Report on Other Legal and Regulatory Requirements

*Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.*

Appointment and approval of the auditor

In accordance with the decision made by the shareholder in 2019 we have been appointed to carry out the audit of the Company's and the Group's consolidated financial statements. Our appointment to carry out the audit of the Company's and the Group's consolidated financial statements in accordance with the shareholder's has been made for a three-year period. The audit of the financial statements for the year ended 31 December 2020 was our second annual audit of the Company's and the Group's financial statements.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report which we have submitted to the Company, the Group and the Audit Committee.

Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in the Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have not provided to the Company and the Group any other services except for the audit of the financial statements, the review of the consolidated financial statements for the 6 months period ended 30 June 2020, the issuance of the comfort letter in connection with the bonds issue, the issuance of a comport letter in connection with the initial public offering, EY Atlas Client Edition database subscription and the services of translation of the financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Jonas Akelis.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

26 February 2021

# 6.4 Information on the independent auditor

## Independent auditor selection

UAB PricewaterhouseCoopers (PWC) has been appointed as the Group's independent auditor for the financial period of 2008–2018. Due to the fact that PWC had been the Group's auditor for the last 10 years, the Group was required to change independent auditor under relevant legal requirements. Following a competitive tender process carried out during 2018–2019, UAB „Ernst & Young Baltic" (EY) was appointed by the General Meeting of Shareholders of the Group's independent Auditor for the financial period of 2019–2021.

Any future tenders will be carried out in line with the prevailing best practice. For any future selection there will be public tender organized. Suppliers which will want to win the tender will have to meet specific requirements. The whole selection of auditor is supervised by the Audit Committee. The appointment of inthe dependent auditor is made by the General Meeting of the Shareholders of the Company.

### Independent auditors

| 2019 to 2021 | 2008-2018 |
|---|---|
| EY<br>Aukštaičių St. 7<br>LT-11341, Vilnius<br>Republic of Lithuania | PWC<br>J. Jasinskio St. 16B<br>LT-03163, Vilnius<br>Republic of Lithuania |

## Independent auditor's services and fees

During the period of 2019–2020, the following services have been provided to the Group by the independent auditor and its international partners.

### Independent auditors services and fees, EUR thousand

| | 2020 | 2019 |
|---|---|---|
| Financial statement audits | 547 | 390 |
| Tax advisory services | N/A | 52 |
| Assurance services | 2 | 22 |
| IPO related services | 367 | N/A |
| Bond related services | 142 | N/A |
| Other | 3 | 55 |
| **Total** | **1,061** | **519** |



# Further information


| | | |
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# 7.1 Bondholder and delisted companies information

## Bonds

As of 31 December 2020, the Group had three bond issues outstanding (two of them being green bonds ) listed on the Nasdaq Vilnius and Luxembourg stock exchanges. Total nominal value of these bonds is EUR 900 million.

The bond specific information and the composition of their holders are provided in the figures below. As of issue date, there has been 121 bondholders of 2017 bond issue, 115 bondholders of 2018 issue and 91 bondholders of 2020 bond issue.

Further information on the debt instruments and its related information can be found on the Group's website.

### Outstanding bond issues

**2017 issue**

| | |
|---|---|
| Issuer | Ignitis Group |
| Issued amount | EUR 300,000,000 |
| Coupon | 2.000% |
| Maturity date | 14 July 2027 |
| ISIN-code | XS1646530565 |
| Credit rating | BBB+ |

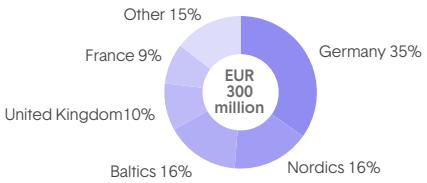
**2018 issue**

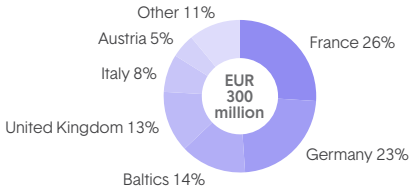
| | |
|---|---|
| Issuer | Ignitis Group |
| Issued amount | EUR 300,000,000 |
| Coupon | 1.875% |
| Maturity date | 10 July 2028 |
| ISIN-code | XS1853999313 |
| Credit rating | BBB+ |

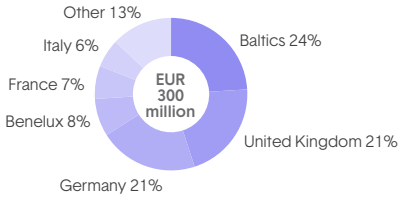
**2020 issue**

| | |
|---|---|
| Issuer | Ignitis Group |
| Issued amount | EUR 300,000,000 |
| Coupon | 2.000% |
| Maturity date | 21 May 2030 |
| ISIN-code | XS2177349912 |
| Credit rating | BBB+ |

### Bondholder structure as of issue date




## Credit rating

In May 2020, after annual review, credit rating agency S&P Global Ratings affirmed BBB+ (negative outlook) credit rating for the parent company. The conclusion of IPO in October had strengthened the capital structure of the parent company, which led to the event driven review of credit rating and outlook and improvement from 'negative' to 'stable' with BBB+ credit rating.

## Information on the delisted subsidiaries

On 4 December 2019, the Extraordinary General Meetings of Ignitis Gamyba (ISIN-code LT0000128571) and ESO (ISIN-code: LT0000130023) took the decisions to delist the shares of these companies from trading on the Nasdaq Vilnius Stock Exchange and to approve the parent company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius decided to delist the shares of ESO and Ignitis Gamyba from trading on the Baltic Main List on 1 July 2020 (the last trading day on the Baltic Main list of shares was on 30 June 2020).

On 17 August 2020, the buy-out of Ignitis Gamyba shares has been finished, after which the parent company increased its holdings in Ignitis Gamyba to 98.20%. The buy-out of ESO shares ended on 3 November 2020, after which the parent company increased its holding in ESO to 98.53%. After the buy-out period, the parent company had made payments to the deposit accounts of Ignitis Gamyba and ESO shareholders who did not sell their shares, and applied to the court, requesting to oblige the managers of share accounts to make records on the transfer of ownership of shares to the parent company.

Further information on the transfer of ownership status can be found on the Group's website.

# 7.2 Material events of the parent company

## During the reporting period (2020)

| Date | Event |
|---|---|
| **30 December** | Regarding the updated Methodology on Rate of Return on Investments |
| **30 December** | Regarding the amendment of procedure description for determining the mandatory supply volume for the LNG terminal |
| **30 December** | Regarding AB Ignitis Gamyba agreement on isolated regime service |
| **30 December** | Preliminary financial data of Ignitis Group for 11 months of 2020 |
| **29 December** | Update: Regarding the rebuttal of information provided about the long-term motivation with share option agreement programme of key executives of AB "Ignitis grupė" group of companies published by |
| **29 December** | Regarding the rebuttal of information provided about the long-term motivation with share option agreement programme of key executives of AB "Ignitis grupė" group of companies published by VšĮ "Lietuvos nacionalinis radijas ir televizija" |
| **29 December** | Regarding AB Ignitis Gamyba agreement on tertiary active power reserve |
| **22 December** | AB "Ignitis grupė" financial calendar 2021 |
| **18 December** | Regarding the notices of concluded option agreements with the members of the Board of AB "Ignitis grupė" |
| **18 December** | Regarding the conclusion of option agreements with key executives of AB "Ignitis grupė" group of companies |
| **15 December** | Regarding the dividend policy update of companies owned by AB "Ignitis grupė" |
| **9 December** | Regarding the mandatory supply of liquefied natural gas |
| **4 December** | Decision made regarding the long-term promotion of the managers of AB "Ignitis grupė" group of companies with share options programme |
| **30 November** | Preliminary financial data of Ignitis Group for 10 months of 2020 |
| **27 November** | Regarding AB Ignitis Grupė loan to UAB Ignitis Renewables |
| **24 November** | Regarding the agreement signed by Mažeikiai wind farm developer for the supply, construction and maintenance services |
| **18 November** | Ignitis Group presented first nine months of 2020 results on the earnings call |
| **16 November** | Ignitis Group to present first nine months of 2020 results on the earnings call |
| **13 November** | Interim report for the first nine months of 2020 |
| **12 November** | S&P Global Ratings improved the credit rating outlook of AB Ignitis Grupė to stable |
| **12 November** | Resolutions of Extraordinary General Meeting of AB "Ignitis grupė" shareholders |
| **10 November** | Ignitis Group to present first nine months of 2020 results on 17 November |
| **5 November** | Regarding the completed process of mandatory buyout of shares of AB Energijos Skirstymo Operatorius |
| **5 November** | Post-Stabilisation Period Announcement |
| **30 October** | Preliminary financial data of Ignitis Group for 9 months of 2020 |

| Date | Event |
|---|---|
| **30 October** | Correction: Regarding court's decision to lift the temporary protection measures of mandatory buy-out of shares of AB Energijos skirstymo operatorius and resumption of the process of buy-out |
| **30 October** | The General Meeting of Shareholders of AB "Ignitis grupė" of 12 November 2020 will be held by written vote in advance |
| **29 October** | Regarding court's decision to lift the temporary protection measures of mandatory buy-out of shares of AB Energijos skirstymo operatorius and resumption of the process of buy-out |
| **27 October** | The Board of AB Ignitis grupė approved signing a new office lease agreement |
| **26 October** | Mid-Stabilisation Period Notice |
| **22 October** | Regarding the setting income caps for natural gas distribution for 2021 |
| **21 October** | Notice convening the Extraordinary General Meeting of AB "Ignitis grupė" |
| **16 October** | Regarding the price-setting for electricity distribution price caps for 2021 |
| **15 October** | Mid-Stabilisation Period Notice |
| **14 October** | An agreement with Nordic Investment Bank for the loan to Pomerania Wind Farm sp. Z o.o, part of AB Ignitis Grupė is signed |
| **13 October** | Correction: Regarding signing an agreement with Nordic Investment Bank for the loan to Pomerania Wind Farm sp. Z o.o, part of AB Ignitis Grupė |
| **12 October** | Regarding signing an agreement with Nordic Investment Bank for the loan to Pomerania Wind Farm sp. Z o.o, part of AB Ignitis Grupė |
| **7 October** | Admission to Trading on the Nasdaq Vilnius Stock Exchange and London Stock Exchange plc |
| **6 October** | AB Ignitis grupė stabilisation notice |
| **6 October** | Regarding the contract termination with AB "Ignitis grupė" subsidiary Vilnius CHP Plant's contractor Rafako S.A. |
| **5 October** | Regarding the increase of AB Ignitis Grupė authorised capital and registration of a new version of the Articles of Association |
| **2 October** | Correction: Announcement of the final Offer price |
| **2 October** | Announcement of the final Offer price |
| **30 September** | Preliminary financial data of Ignitis Group for 8 months of 2020 |
| **30 September** | AB Ignitis grupė announcement on pricing guidance |
| **29 September** | Detailed information on the pre-emptive right of the former minority shareholders of ESO and Ignitis gamyba to acquire shares of Ignitis Group |
| **23 September** | Regarding entering into a contract for financing with the European Investment Bank |
| **23 September** | AB Ignitis Grupė reached the settlement agreement with V. Martikonis, a shareholder of its subsidiary AB Ignitis gamyba |
| **22 September** | Ignitis Group invites retail investors to the presentation of the company's IPO |
| **21 September** | Announcement of Price Range and Publication of Approved Prospectus of AB Ignitis Grupė |
| **17 September** | Regarding the approved rules for granting shares of AB Ignitis grupė |
| **17 September** | UAB Ignitis renewables concluded a transaction for the acquisition of a portfolio of solar parks which are being developed in Poland |
| **16 September** | Regarding the adopted order of the Ministry of Finance to increase share capital of AB "Ignitis grupė" and apply for listing of financial instruments |
| **15 September** | Regarding the decision of the Ministry of Finance to pay dividends for a period shorter than the financial year |
| **14 September** | Regarding a contract for financing |
| **14 September** | AB Ignitis Grupė selected strategic partner for the development of offshore wind farm projects |

| Date | Event |
|---|---|
| **11 September** | Regarding Confirmation of Intention to Float |
| **10 September** | Correction: Preliminary financial data of Ignitis Group for 7 months of 2020 |
| **8 September** | Regarding the amendment of corporate governance guidelines of AB Ignitis Grupė group of companies |
| **4 September** | Regarding the decision to propose to pay dividends for a period shorter than the financial year |
| **4 September** | The renewed AB Ignitis Grupė dividend policy has entered into force |
| **4 September** | Correction: Announcement of Publication of Registration Document |
| **4 September** | Announcement of Publication of Registration Document |
| **4 September** | Announcement of Intention to Publish a Registration Document and Potential Intention to Launch an Initial Public Offering |
| **3 September** | Regarding the Extraordinary General Meeting of Shareholders of Ignitis Gamyba, AB |
| **3 September** | Regarding the decision to propose to pay dividends for a period shorter than the financial year |
| **3 September** | Regarding the renewal of AB Ignitis Grupė dividend policy |
| **1 September** | Regarding the amendment of the Articles of Association of AB Ignitis grupė |
| **31 August** | Preliminary financial data of Ignitis Group for 7 months of 2020 |
| **27 August** | Regarding change of the nominal value and the number of the shares of AB Ignitis Grupė |
| **26 August** | Ignitis Group's sees significant increase in overseas revenue in first half of 2020 |
| **25 August** | Correction: Correction: Reporting dates of Ignitis Group in 2020 |
| **24 August** | The Ministry of Finance submitted draft resolutions to the Government regarding the amount of dividends of AB Ignitis Grupė |
| **20 August** | Regarding the decision to appeal the judgement |
| **19 August** | Regarding the completed process of mandatory buyout of shares of AB Ignitis Gamyba |
| **13 August** | Correction: Regarding UAB Ignitis grupė consolidated annual report for 2019, consolidated and separate financial statements and profit (loss) distribution project |
| **12 August** | Regarding the claim brought before the Court and the temporary protection measures applied |
| **6 August** | Regarding the pre-emptive right of the minority shareholders of AB Ignitis gamyba and AB Energijos skirstymo operatorius to acquire the shares of Ignitis Group during planned initial public offer |
| **4 August** | Regarding the claim brought before the Court |
| **31 July** | Preliminary financial data of Ignitis Group for 6 months of 2020 |
| **30 July** | Selection for vacant positions of independent members of the Supervisory Board of AB Ignitis grupė is announced |
| **28 July** | UAB Ignitis Grupė is converted to AB Ignitis Grupė |
| **23 July** | The Ministry of Finance submitted for consideration draft resolutions regarding the amount of dividends of UAB Ignitis Grupė |
| **14 July** | Regarding the granting a loan from UAB Ignitis grupė to UAB Ignitis renewables |
| **8 July** | Regarding the granting a loan from UAB Ignitis grupė to UAB Ignitis |
| **7 July** | Regarding the completion of the sale of the shares of UAB Duomenų logistikos centras, a subsidiary of UAB Ignitis Grupė |
| **1 July** | Regarding the Investor's Letter of UAB Ignitis Grupė |

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

| Date | Event |
|---|---|
| **23 March** | UAB Ignitis Grupė will start preparation for its initial public offering |
| **19 March** | Courts approved waivers of claims of minority shareholders of AB Energijos Skirstymo Operatorius and AB Ignitis Gamyba |
| **18 March** | The Government approved the conversion of UAB Ignitis Grupė and the increase of share capital |
| **17 March** | Ignitis Group and minority shareholders of its subsidiaries AB Energijos Skirstymo Operatorius and AB Ignitis Gamyba reached a settlement |
| **10 March** | Financing contract for the Pomerania wind farm project is signed |
| **5 March** | Correction: Reporting dates of Ignitis Group in 2020 |
| **28 February** | Preliminary financial data of Ignitis Group for 1 month of 2020 |
| **28 February** | In 2019 , the year of transformation, Ignitis Group improved its financial indicators |
| **28 February** | Regarding recommendation of the working group set up by the Ministry of Finance and the proposal to approve the actions authorizing to prepare for the initial public offering of shares of UAB Ignitis Grupė |
| **25 February** | Regarding financing contracts for the Pomerania wind farm project |
| **31 January** | Correction: Preliminary financial results of UAB Ignitis Grupė for 12 months of 2019 |
| **31 January** | Preliminary financial results of UAB Ignitis Grupė for 12 months of 2019 |
| **10 January** | Regarding the information submitted to the Bank of Lithuania about official tender circulars of subsidiaries shares |
| **8 January** | Regarding the decision to appeal the judgement |
| **6 January** | Regarding the decision to appeal the judgement |
| **3 January** | Regarding the decision of the Court |

## After the reporting period (2021)

| Date | Event |
|---|---|
| **25 February** | AB “Ignitis gamyba” approved Kruonis Pumped Storage Hydroelectric Powerplant expansion plan |
| **23 February** | Ignitis Group to present full-year 2020 results and 2021-2024 Strategic Plan on 2 March |
| **18 February** | AB “Ignitis grupė” initiated coordination process to update remuneration policy |
| **17 February** | Regarding AB “Ignitis grupė” issue of guarantee to fulfil obligations of its owned company UAB “VVP Investment” |
| **17 February** | AB “Ignitis grupė” received the Letter of Expectations revised by the Ministry of Finance |
| **11 February** | Regarding the intent of UAB “Ignitis”, managed by AB “Ignitis grupė”, to establish a subsidiary company in Finland |
| **9 February** | ESO, subsidiary of AB “Ignitis grupė”, established a tender ranking of the procurement of smart metering infrastructure |
| **1 February** | Regarding the AB “Ignitis grupė” intention to loan up to 293m euros to UAB “Ignitis renewables” |
| **28 January** | Correction: Preliminary financial data of Ignitis Group for 12 months of 2020 |
| **28 January** | Preliminary financial data of Ignitis Group for 12 months of 2020 |
| **13 January** | Correction: Decision made regarding the long-term promotion of the managers of AB “Ignitis grupė” group of companies with share options programme |
| **8 January** | Information regarding the long-term promotion programme of AB “Ignitis grupė” executives |

# 7.3 Alternative performance measures

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Adjusted EBIT | Adjusted EBITDA - depreciation and amortisation expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items) - impairment and write-offs of current and non-current amounts receivables, loans, goods and others | Adjusted EBITDA less depreciation and amortization expenses. | Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT. |
| Adjusted EBIT margin | $\frac{\text{Adjusted EBIT}}{\text{Total revenues and other income + management adjustments (for revenues)}}$ | Profitability ratio, which shows Adjusted EBIT as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. |
| Adjusted EBITDA | EBITDA + temporary regulatory differences + temporary fluctuations in fair value of derivatives + cash effect of new connection points and upgrades + impairment and write-offs of current and non-current amounts receivables, loans, goods and other-gains from disposal of non-current assets excluding result of asset rotation - other 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 | 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. | Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA. |
| Adjusted EBITDA margin | $\frac{\text{Adjusted EBITDA}}{\text{Total revenues and other income + management adjustments (for revenues)}}$ | Profitability ratio, which shows Adjusted EBITDA as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. The higher the Adjusted EBITDA margin of the Group, the lower the Group's OPEX compared to Revenue, and the higher the efficiency. |
| Adjusted net profit | Adjusted EBIT + financial income - financial expenses + results of the revaluation and closing of derivative financial instruments - current year income tax expenses - deferred income tax expenses - adjustments' impact on income tax | Net profit after eliminating items which are non-recurring, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period. | This is one of the key indicators that measures profitability of the Group. It is also used for computing Adjusted ROE, which is another key indicator of the Group's performance. |
| Adjusted net profit margin | $\frac{\text{Adjusted net profit}}{\text{Total revenues and other income + management adjustments (for revenues)}}$ | Profitability ratio, which shows Adjusted net profit as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. The indicator is also useful for monitoring Group's efficiency. |

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Adjusted return on equity (Adjusted ROE) | Adjusted net profit / Average equity at the beginning and end of the reporting period | Profitability ratio of Adjusted net profit in relation to equity. | Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits. |
| Asset turnover | Total revenues and other income / Average assets at the beginning and end of the reporting period | Efficiency ratio, which measures revenues relative to total assets. | The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets. |
| Current ratio | Current assets at the end of the period / Current liabilities at the end of the period | Liquidity ratio, which shows how many times current assets cover current liabilities. | Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position. |
| Dividends per share (DPS) | Total proposed dividend / Number of ordinary nominal shares at the end of the period | Profitability ratio, which shows proposed dividends for the period attributable to one ordinary nominal share. | The higher the indicator value, the higher the profitability attributable to one ordinary nominal share for the period. |
| Gross debt | Non-current loans and bonds + non-current lease liabilities + current portion of non-current loans + current loans + current lease liabilities | Total debt of the Group. | Indicator shows the level of debt of the Group. |
| Gross debt/Equity | Gross debt / Equity | Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity. | The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy. |
| EBIT | Profit (loss) before tax - Financial income + Financial expenses | EBIT – earnings before interest and tax expenses are deducted. | Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortization expenses. |
| EBIT margin | EBIT / Total revenues and other income | Profitability ratio, which shows EBIT as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. |
| EBITDA | EBIT - depreciation and amortisation expenses - revaluation of emission allowances - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets | EBITDA - earnings before interest, taxes, depreciation, and amortization. | Profit measure used as a proxy for operating cash flow. |
| EBITDA margin | EBITDA / Total revenues and other income | Profitability ratio, which shows EBITDA as a percentage of revenue. | The higher the indicator value, the higher the profitability of the Group. |
| Equity ratio | Equity at the end of the period / Total assets at the end of the period | Leverage ratio, which shows the proportion of the total assets financed by equity. | This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities. |

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Free Cash Flow (FCF) | FFO - Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + proceeds from sale of property, plant and equipment + change in net working capital. | Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures. | The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations. |
| Funds from operations (FFO) | EBITDA + interest received - interest paid - income tax paid | FFO is the proxy for Group's cashflow after taking into account EBITDA, net interest, and income tax paid. | FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group. |
| Investments | Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property | Capital spent on acquiring non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. | Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels. |
| Net debt | Gross debt - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option | Net debt is the total financial liabilities of the Group, net of cash and cash equivalents. | Net debt shows the level of indebtedness of the Group, if its cash and cash equivalents were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group. |
| Net debt/Adjusted EBITDA | $\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$ | Leverage ratio, which shows the Group's ability to repay its debt from the profit earned. | The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level. |
| Net debt/EBITDA | $\frac{\text{Net debt}}{\text{EBITDA}}$ | Leverage ratio, which shows the Group's ability to repay its debt from the profit earned. | The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group. |
| OPEX | Salaries and related expenses + repair and maintenance expenses + other expenses - energy hedging - write-offs and impairments of short term and long-term receivables, inventories and other | Selling, general and administrative expense. | This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses. |
| Return on assets (ROA) | $\frac{\text{Net profit (loss)}}{\text{Average assets at the beginning and end of the reporting period}}$ | Profitability ratio, which shows how well the Group employs its total assets. | This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets. |
| Return on Capital Employed (ROCE) | $\frac{\text{EBIT}}{\text{Average net debt at the beginning and end of the reporting period + average equity at the beginning and end of the reporting period}}$ | Profitability ratio, which shows how well the Group employs its capital. | This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed. |

| Indicator | Formula | Definition | Meaning and interpretation of indicator |
|---|---|---|---|
| Return on equity (ROE) | Net profit (loss) / Average equity at the beginning and end of the reporting period | Profitability ratio of net profit in relation to equity. | ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits. |
| Net working capital | Current assets (excluding non-current assets held for sale) - cash and cash equivalents - deposit into escrow account in relation to IPO overallotment option - other current financial assets - prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + prepayments for property, plant and equipment, - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + lease liabilities + payable income tax+ derivative financial instruments liabilities + current provision | Net working capital shows the amount of capital, other than that used for investing in non-current assets, tied in business operations. | Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds. |
| Net working capital/ Revenue | Net working capital / Total revenue and other income | Efficiency ratio, which shows Net working capital as proportion of revenue. | Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds. |

*For those indicators, which consist of a number from the Statement of financial position as a numerator and a number from the Statement of profit or loss and other comprehensive income or the statement of cash flows as a denominator (or vice versa), for interim period calculations LTM figures are used in order not to distort the comparability.*

# 7.4 Compliance with the Guidelines for Ensuring the Transparency of State-Controlled Enterprises

| Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 March 2019) | | Disclosure | Explanation |
|---|---|---|---|
| **Section 2. Disclosure of information of a State-Owned company** | | | |
| 5. The following data and information must be published on the website of a State-owned company: | | | |
| 5.1. | name; | Ongoing | |
| 5.2. | code and register that collects and stores data on the enterprise; | Ongoing | |
| 5.3. | registered office (address); | Ongoing | |
| 5.4. | legal status if a State-owned company is being reformed, reorganized (the method of reorganization shall be specified), liquidated, is facing bankruptcy or is bankrupt; | Ongoing | |
| 5.5. | name of the authority representing the State and a link to its website; | Ongoing | |
| 5.6. | operational goals, vision and mission; | Ongoing | |
| 5.7. | structure; | Ongoing | |
| 5.8. | details of the Head; | Ongoing | Information is published on www.ignitisgrupe.lt |
| 5.9. | details of the Chairman and of the members of the Board, if, according to the Articles of Association, the Board is formed | Ongoing | |
| 5.10. | details of the Chairman and of the members of the Supervisory Board, if, according to the Articles of Association, the Supervisory Board is formed; | Ongoing | |
| 5.11. | names of the committees, details of their chairmen and of the member, if committees are formed; | Ongoing | |
| 5.12. | the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and share (percentage) in the authorized capital of a State-owned company; | Ongoing | |
| 5.13. | special obligations being fulfilled, which are determined in accordance with the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations, the state budget appropriations allocated to their implementation in the current calendar year, and the legislation entrusting a State-owned company with the performance of a special obligation shall be indicated, the conditions for fulfilling a special obligation and/or regulated pricing shall be established; | Not relevant | |
| 5.14. | information on social responsibility initiatives and measures, important ongoing or planned Investment projects. | Ongoing | |
| 6. For publicity purposes in connection with the management and supervisory bodies set up in State-owned companies, as well as in connection with the professionalism of the members of the committees, the following data of the persons specified in sub-clauses 5.8–5.11 of the Description are published: forename, surname, date of commencement of the current position, other management posts held in other legal entities, educational background, qualification, professional experience. If the person specified in Sub-clauses 5.9–5.11 of the Description is elected or appointed as an independent member, this shall be additionally specified along with his/her details. | | Ongoing | Information is published on www.ignitisgrupe.lt |

| Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 March 2019) | Disclosure | Explanation |
|---|---|---|
| 7. The following documents must be published on the website of a state-owned company: | Ongoing | Information is published on www.ignitisgrupe.lt |
| 7.1. articles of Association; | Ongoing | |
| 7.2. an official letter from an authority representing the State on the setting state goals and expectations in a State-owned company; | Ongoing | |
| 7.3. operations strategy or its summary in cases where the operations strategy contains confidential information or information that is considered a commercial (industrial) secret; | Ongoing | |
| 7.4. document that establishes the remuneration policy covering determining the salary of the Head of a State-owned company and the remuneration of the members of collegial bodies and committees formed in a State-owned company; | Ongoing | |
| 7.5. annual and interim reports of a state-owned company, annual and interim activity reports of a State Enterprise for a period of at least 5 years; | Ongoing | |
| 7.6. sets of annual and interim financial statements for a period of at least 5 years and reports of an auditor of annual financial statements. | Ongoing | |
| 8. If a state-owned company is the parent company, the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of the subsidiaries and subsequent subsidiaries, website addresses, portion (percentage) of shares held by the parent company in their authorized capital, as well as annual consolidated financial statements and consolidated annual reports must be published on its website. | Ongoing | Information is published on www.ignitisgrupe.lt |
| 9. If a state-owned company is a participant of legal entities other than those specified in Point 8 of the Description, the data referred to in Sub-clauses 5.1–5.3 of the Description of those legal entities and the addresses of their websites must be published on its website. | Ongoing | Information is published on www.ignitisgrupe.lt |
| 10. Data, information and documents referred to in Points 5 and 6, Sub-clauses 7.1 to 7.4, and in Points 8 and 9 of the Description, that have changed or, in cases where incorrect data of this kind has been published, must be changed immediately on the website too. | Ongoing | Information and documents that have changed are updated immediately |
| 11. A set of annual financial statements of a state-owned company, annual report of a state-owned company, annual activity report of a State Enterprise, as well as a report of an auditor of the annual financial statements of a state-owned company must be published on the website of a state-owned company within 10 working days from the approval of the set of annual financial statements of a state-owned company. | Ongoing | Documents are published on the website within the set deadline |
| 12. The sets of interim financial statements of a State-owned company, the interim reports of a state-owned company and the interim activity reports of a State Enterprise must be published on the website of a State-owned company no later than 2 months after the end of the reporting period. | Ongoing | Documents are published on the website within the set deadline |
| 13. The documents referred to in Point 7 of the Description shall be published in a PDF format and technical possibilities for their printing shall be ensured. | Ongoing | Published PDF documents |
| **Section 3. Preparation of sets of financial statements, reports and activity reports** | | |
| 14. State-owned companies shall keep their accounts in such a way as to ensure the preparation of financial statements in accordance with international accounting standards. | Ongoing | The parent company keeps its accounts in accordance with IFRS |
| 15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, while a State Company – sets of interim financial statements for 3, 6 and 9 months. | Ongoing | The parent company prepares sets of interim financial statements for 3, 6 and 9 months |
| 16. A State-owned company, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest entity, in addition to the annual report, prepares a 6-month interim report. A State Enterprise, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest enterprise, in addition to the annual activity report, prepares a 6-month interim report. | Ongoing | The company prepares a 6-month interim report |

| Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 March 2019) | Disclosure | Explanation |
|---|---|---|
| 17. In addition to the Contents requirements established in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or in the Law on State and Municipal Enterprises of the Republic of Lithuania, in the annual report of a State-owned company or in the annual activity report of a State Enterprise additionally must be provided: | Ongoing | The company provides information in the annual report |
| 17.1. a brief description of the business model of a state-owned company; | Ongoing | |
| 17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) and which were essential to the operation of a state-owned company; | Ongoing | |
| 17.3. results of the implementation of the objectives provided for in the operational strategy of a state-owned company; | Ongoing | |
| 17.4. profitability, liquidity, asset turnover, debt indicators; | Ongoing | |
| 17.5. fulfilment of special obligations; | Not relevant | |
| 17.6. implementation of Investment policy, ongoing and planned Investment projects and Investments during the reporting year; | Ongoing | |
| 17.7. implementation of the risk management policy applied in a state-owned company; | Ongoing | |
| 17.8. implementation of dividend policy in state-owned companies; | Ongoing | |
| 17.9. implementation of remuneration policy; | Ongoing | |
| 17.10. total annual payroll fund, average monthly salary by current position and/or units; | Ongoing | |
| 17.11. information on compliance with the provisions of Sections 2 and 3 of the Description: shall be specified how they are implemented, which provisions are not complied with, and explanation as to why they are not complied with shall be provided. | Ongoing | |
| 18. State-Owned companies and State Enterprises, that are not required to prepare social responsibility reports, are recommended to provide in the annual report or in the annual activity report, as appropriate, information related to environmental, social and personnel, human rights, fight against corruption and bribery matters. | Not relevant | The company prepares a social responsibility report (integrated in the annual report) |
| 19. If information referred to in Point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned company, a state-owned company may not disclose such information. However, it must be specified in the annual report of a state-owned company or in the annual activity report of a State Enterprise, as appropriate, that this information is not being disclosed and the reason for the non-disclosure must be specified. | Not relevant | The company provides information in the annual report |
| 20. Other information not specified in this Description may also be specified in the annual report of a State-owned company or in the annual activity report of a State Enterprise. | Ongoing | Other information is also provided in the annual report |
| 21. A state-owned company, which is the parent company, shall present in the consolidated annual report and, if it is not required by law to draw up a consolidated annual report, then in its annual report the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of each subsidiary, portion (percentage) of shares held in the authorized capital of a subsidiary, financial and non-financial performance for the financial year. If a State-owned company, which is the parent company, draws up a consolidated annual report, the requirements of Point 17 of the Description shall apply to it mutatis mutandis. | Ongoing | The company provides information in the annual report |
| 22. The interim report of a state-wned company or the interim activity report of a State Enterprise presents a brief description of the business model of a State-owned company, analysis of financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their changes compared to the corresponding period of the previous year. | Ongoing | The company provides information in the interim report |

# 7.5 Compliance with the Corporate Governance Code

Parent company, acting in compliance with Article 12(3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with are indicated and the reasons for such non-compliance are specified.

## Summary of the Corporate Governance Report

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

Corporate governance activities are concentrated at the level of the parent company of the Group – the responsibilities which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities. Use this link for the description of the corporate governance principles and of the governance and control system. More information on the management bodies ant its members, committees etc. is provided in the annual report and in the table below, in which information on compliance with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius is disclosed.

The Corporate Governance Report was prepared in accordance with the current version of the Corporate Governance Code for the Companies listed on Nasdaq Vilnius, approved at the meeting of the Board of AB Nasdaq Vilnius on 15 January 2019 (Minutes No. 19-63), at the meeting of the Bank of Lithuania on 7 January 2019 (Decision No. 241-3).

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| **Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights**<br>The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders. | | |
| 1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed. | Yes | All information that shall be public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange Nasdaq Vilnius and on the website of the parent company. The place, date and time of the General Meeting of Shareholders convened by the parent company is determined in order to enable all shareholders to participate in the decision-making process where significant corporate matters are discussed. |
| 1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders. | Yes | The parent company's authorized share capital consists of EUR 22.33 nominal value ordinary shares, which provide their holders equal property and non-property rights. |
| 1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. | Yes | The rights, provided by the shares are indicated in the parent company's Articles of Association, which are publicly available on the parent company's website. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders. | Yes | The Articles of Association of the parent company provide that the General Meeting of Shareholders shall approve these particularly important decisions regarding:<br>– the parent company becoming a founder, participant of other legal entities (except the decisions regarding becoming a founder, participant of associations);<br>– the following of the companies of the Group of Companies of the parent company of strategic and significant importance to national security, which carry out manufacturing, distribution, supply activities in the energy sector, as well as of companies directly managed by the parent company which carry out activities in the electricity production sector:<br>– the transfer, pledge, other restriction or disposal of the shares or the rights attached thereto;<br>– the increase, decrease of the authorized capital or other actions that may alter the structure of the authorized capital (e.g. issue of convertible bonds);<br>– the reorganization, separation, restructuring, liquidation, reformation or other acts changing the status of these companies;<br>– the transfer of a business or a substantial part of it. |
| 1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. | Yes | The parent company convenes General Meetings of Shareholders and implements other meeting-related procedures in accordance with the procedure established in the Law on Companies of the Republic of Lithuania and provides all shareholders with equal opportunities to participate in the meeting, get familiarised with the draft resolutions and materials necessary for adopting the decisions. The notice of General Meetings of Shareholders specifies that draft decisions could be submitted at any time before or during the General Meeting of Shareholders in accordance to Law on Companies of the Republic of Lithuania. |
| 1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed. | Yes | All documents and information related to the General Meeting of Shareholders including notices of the meetings, draft decisions, decisions of the meetings are publicly announced in Lithuanian and English via information system of Nasdaq Vilnius and London stock exchange and on the parent company's website. |
| 1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. | Yes | All shareholders may exercise their right to attend the General Meeting of Shareholders under the procedure laid down in the legal acts and this right is not restricted. The parent company provides information on how to implement this right in the notice of General Meeting of Shareholders. |
| 1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person. | No | At the moment, the parent company does not comply with this recommendation as there are no means to ensure proper identification of the voting persons. Nevertheless, the parent company is actively looking for ways to address this issue. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. | Yes | Information on candidates to a collegial body of a state-controlled company elected by the General Meeting of Shareholders is provided under the procedure established in the laws. The nominees are publicly announced as soon as the parent company receives nominations. The selection procedures and selection requirements are set by separate legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV) , their proposed remuneration and other documents specified in the legal acts are provided with the notice of General Meeting of Shareholders.<br>The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a draft decision for the General Meeting of Shareholders. |
| 1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. | Yes | Prior to the date of publication of this report only one General Meeting of parent company's Shareholders was held (until October 2020, the parent company had a sole shareholder) which due to COVID-19 took place with shareholders voting in advance in writing. Nevertheless, the parent company intends that in the upcoming General Meetings of Shareholders members of the management bodies and other competent persons will be present in order to provide information to shareholders. |
| **Principle 2: Supervisory board** | | |
| **2.1. Functions and liability of the supervisory board**<br>The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.<br>The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system. | | |
| 2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. | Yes | All members of the Supervisory Board act in good will with respect to the parent company, with due regard to the parent company's interests and public welfare.<br>The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board. |
| 2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest. | Yes | Collegial bodies of the parent company follow the prescribed recommendations. Before taking decisions, members of the collegial bodies discuss their influence to the parent company's performance and the shareholders. The parent company's Articles of Association oblige the collegial bodies of the parent company and also each of their members to act on behalf of the parent company and its shareholders. Communication with the shareholders and obligations for them are established in accordance with requirements of legal acts. |
| 2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them. | Yes | The parent company's Supervisory Board is independent from the parent company's management bodies and takes decisions that are significant to the parent company's activities and strategy, acts independently in accordance with requirements of legal acts. |

[1] *For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.*

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. | Yes | Members of the Supervisory Board have the right to express their opinion concerning all questions included to the agenda that according to work regulations of the Supervisory Board must be properly reflected in the protocol of the meeting.<br>The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board. |
| 2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. | Yes | In exercising its competence to supervise the activities of the parent company's management bodies, the Supervisory Council performs the duties specified in the recommendation, and submits its opinion on tax planning issues. |
| 2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees. | Yes | The parent company ensures that the Supervisory Board is supplied with all of the resources required for its activities (monitors technical aspects of the Supervisory Board meetings, provides all the required information and performs other functions specified in the Supervisory Board's Work Regulations).<br>Agreement of activities of a member of the supervisory board defines that the parent company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work.<br>The Articles of Association set out that the supervisory board has the right to apply to the board and chief executive officer asking for documents and information pertaining to the parent company's operations, and the board of directors. Chief executive officer must ensure that the documents and information so requested are produced to the supervisory board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board. |
| **2.2. Formation of the supervisory board**<br>The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance. | | |
| 2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. | Yes | Pursuant to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and the qualification of its members is assessed at the general meeting of shareholders.<br>The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Supervisory Board have experience in the field of corporate governance as well as experience in energy sector which is the sector that the parent company and its subsidiaries operate. |

*[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.*

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. | Yes | The members of the Supervisory Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office.<br>The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Supervisory Board and the whole Supervisory Board in corpore, without waiting for their mandates' terms to end. The members of the Supervisory Board (separate or the body itself) may be dismissed by the General Shareholder Meeting. |
| 2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision. | Yes | The Chairman of the parent company's Supervisory Board and the CEO of the parent company is not the same person.<br>The members of the Supervisory Board and the Chairman have not been members of the Board of the parent company or the CEO of the parent company. |
| 2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. | Yes | Members of the Supervisory Board are active participants of the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body. In 2020, there were 24 (twenty four) Supervisory Board's meetings, and 22 of them were attended by all members of the Supervisory Board elected at the time, 1 was unattended by one member and another 1 was unattended by two members. |
| 2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. | Yes | Information on the candidates to the parent company's Supervisory Board members (as well as information on the candidate's compliance with the independence requirements) is provided to the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania (see commentary on recommendation 1.9). |
| 2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. | Yes | The independent member of the Supervisory Board is remunerated for his/her activity in the Supervisory Board according to the procedure and terms established in the agreement signed with him/her on activity as an independent member of the Supervisory Board.<br>The conditions of the agreement with the independent member of the Supervisory Board are approved by the General Meeting of Shareholders. According to the Corporate Governance Guidelines, the amount of remuneration to the independent member of the Supervisory Board has been limited to a maximum amount sum calculated in proportion to the remuneration of the CEO of the parent company (1/4 of the CEO's remuneration to an independent member of the Supervisory Board and 1/3 of the Independent Chairman of the Supervisory Board). |
| 2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. | Yes | The Supervisory Board makes an assessment of its activity every year. The Supervisory Board assesses the organization of meetings, efficiency, the need for competences, mutual cooperation, and sufficiency of the information furnished by the management for decision-making. Information on the internal structure and working procedures of the Supervisory Board is published in the parent company's annual report. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| **Principle 3: Management Board** | | |
| **3.1. Functions and liability of the management board**<br>The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups. | | |
| 3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. | Yes | The parent company's Management Board carries out the duty of implementation of the parent company's strategy approved by the parent company's Supervisory Board. |
| 3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. | Yes | As there is a Supervisory Board formed at the parent company, the Management Board performs the functions of the parent company's collegial management body. The obligation to take into account the parent company, the shareholders, the employees and other interest groups is established in the agreement on performance in the Management Board signed by each member of the Management Board. |
| 3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. | Yes | The Management Board of the parent company adheres to the aforementioned recommendation, approves and ensures compliance with internal policies. |
| 3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. | Yes | The Management Board of the parent company follows the aforementioned recommendation. |
| 3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. | Yes | When appointing the CEO of the parent company the Management Board takes into account the balance of his/her qualifications, experience and competence as well as the opinion of the parent company's Supervisory Board. |
| **3.2. Formation of the management board** | | |
| 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | Yes | The Management Board of the parent company ensures the balance of its members' qualifications.<br>The main activities of the parent company are the exercise of the functions of the parent company of the group, and the majority of the members of the Management Board have experience in the field of corporate governance as well as experience in energy sector which is the sector in which the parent company and its subsidiaries operate. |

[3] *Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf*

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | Yes | Information on candidates to the Management Board of a state-controlled company is provided under the procedure established in the laws. The selection procedures and selection requirements are set by separate legal acts. An opinion on the suitability of candidates is submitted by the Selection Commission formed in accordance with the procedure established by legal acts. Information on the candidate's education, work experience, competence, position held and former positions (CV), declaration of interests and other documents specified in the legal acts are provided at the meeting of the parent company's Supervisory Board, which elects the Management Board or its individual members. Information on offices held by members of the Management Board or their involvement in activities of any other companies is constantly collected, accumulated, and published in the annual report, as well as on the parent company's website. |
| 3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. | Yes | The members of the Management Board after their election are acquainted with the parent company's activities, organizational and management structure, strategy, activities and financial plans. |
| 3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status. | Yes | The members of the Management Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. Limitations concerning re-election of the members of the Management Board are not provided in the parent company's Articles of Association, nevertheless, limitations provided by valid legal acts are applied to candidates to members of the Management Board.<br>The parent company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Management Board and the whole collegial body in corpore, without waiting for their mandates' terms to end. The members of the Management Board (separate or the body itself) may be dismissed by the Supervisory Board. |
| 3.2.5. Chair of the management board should be a person who's current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. | Yes | Current or past positions of the Chairman of the Management Board of the parent company do not create preconditions for possible impartiality. The Chairman at the Management Board of the parent company is a member of the Management Board and CEO of the parent company, but in this case the impartiality of its activities is ensured, as there is the Supervisory Board formed in the parent company. |
| 3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof. | Yes | The members of the Management Board of the parent company actively participate in the meetings of the Management Board and devoted sufficient time to the performance of their duties as a member of the collegial body. In 2020, 83 (eighty-three) meetings of the Board of the parent company were held. In 2020, all elected members of the Management Board participated in 81 meetings of the Management Board, 4 members – in 2 meetings. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| 3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. | Not applicable | There is the Supervisory Board formed at the parent company. |
| 3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board. | Not applicable | Since the parent company has a Supervisory Board that has the competence to elect and revoke the members of the Management Board, the remuneration of the Management Board members is also determined by the Supervisory Board. |
| 3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. | Yes | The members of the Management Board act in good faith towards the parent company and in accordance with the interests of the parent company and taking into account the welfare of the society. |
| 3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. | Yes | Each year the members of the parent company's Management Board perform an assessment of their activities by completing the questionnaires, which include the evaluation of the work of the Management Board. Information on the internal structure and working procedures of the Management Board is published in the parent company's annual report. |
| **Principle 4: Rules of procedure of the supervisory board and the management board of the company**<br>The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies. | | |
| 4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. | Yes | Legal acts, Articles of Association and rules of procedure governing activities of the parent company's supervisory and management bodies lay down the principles and procedure of cooperation between supervisory and management bodies of the parent company and ensure that management and supervisory bodies cooperate to attain the greatest possible benefit to the parent company and its shareholders. |

[4] *For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.*

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| 4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter. | Yes | Meetings of collegial bodies proceed according to the pre-approved schedule. An annual plan of the meetings and their agendas are formed for the Supervisory Board which, with consideration to activities of the group of Companies and processes going on in them, is supplemented in the course of the year. Meetings of the Supervisory Board are held at least once a month and of the Management Board – once a week. Members of the Supervisory Board suggest issues to be discussed during meetings. Members of the Supervisory Board are familiarized with activities pursued not only by the parent company, but also those of subsidiary companies of the Group. |
| 4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. | Yes | Members of the collegial body are informed on the agenda of a meeting in advance. The agenda of the future meeting is discussed at the end of the current meeting, and issues are included into the agenda of the future meeting by consensus. In the course of the meeting, the agenda is not usually changed. All members of collegial bodies receive the material necessary for decision-making on issues on the agenda in advance and have a possibility to familiarise with them, ask questions before the meeting and during the meeting; they have the right to suggest that materials of the issue discussed should be supplemented, or ask to specify it. All members of the collegial bodies are informed about any received comments or specification. |
| 4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. | Yes | Meetings of the Supervisory Board are also attended by the Management Board of the parent company.<br>Dates and agenda of the meetings are coordinated in such a way that they could be attended by all members of collegial bodies. The Supervisory Board and the Management Board cooperate in forming agendas of the meetings by including relevant issues on activities of the parent company or the Group's companies. |
| **Principle 5: Nomination, remuneration and audit committees** | | |
| **5.1. Purpose and formation of committees**<br>The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body. | | |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| 5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5]. | Yes | There are three supervisory committees set up at the parent company - Risk Management and Business Ethics Supervision, Nomination and Remuneration and Audit committees that operate on the Group level. |
| 5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. | Not applicable | |
| 5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. | Not applicable | See the comments for recommendation 5.1.1 |
| 5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. | Yes | Committees consist of at least 3 members by also involving independent members. Chairpersons of all committees are independent members. |
| 5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. | Yes | Committees are advisory bodies of the Supervisory Board. Their regulations are approved and members are appointed by the Supervisory Board. Committees prepare reports on their performance at least once every 6 (six) months. These reports are delivered at the meeting of the Supervisory Board.<br>Information on composition of the committees, the number of meetings, attendance and main activities are disclosed in the parent company's annual report. |
| 5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee. | Yes | All chairpersons of committees are independent members, there are members of the Supervisory Board in the composition of the committees. The members of the Supervisory Board have the right to attend meetings of committees. If necessary, at the invitation of committees, particular employees or experts attend the meetings. |

*[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).*

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| **5.2. Nomination committee** | | |
| 5.2.1. The key functions of the nomination committee should be the following:<br>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment is expected;<br>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;<br>3) devote the attention necessary to ensure succession of planning. | Yes | The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, are not limited to, the functions laid down in this principle. |
| 5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee. | Yes | The Nomination and Remuneration Committee submits an opinion on candidatures to the management and supervision bodies of the Group's companies (if necessary, it may also submit an opinion regarding other candidatures). Decisions on the approval of such candidatures are adopted by the Supervisory Board. An opinion on the suitability of the mentioned candidatures is also submitted by the parent company's Management Board (including the CEO). |
| **5.3. Remuneration committee** | | |
| 5.3.1. The main functions of the remuneration committee should be as follows:<br>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;<br>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;<br>3) review, on a regular basis, the remuneration policy and its implementation. | Yes | The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and comply with, however, are not limited to, the functions listed in this principle. The Nomination and Remuneration Committee submits an opinion on the guidelines for the top-level management policy to the Supervisory Board. The Supervisory Board adopts decisions on the approval of such remuneration guidelines with consideration to the opinion of the Nomination and Remuneration Committee. |
| **5.4. Audit committee** | | |
| 5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6]. | Yes | The main functions of the Audit Committee are described in the Corporate Governance Guidelines and conform with the functions laid down in the legal acts regulating the activities of the audit committee. |

[6] *Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.*

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. | Yes | All members of the committee are provided with detailed information on specific issues of the parent company's accounting system. |
| 5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. | Yes | Meetings of the Audit Committee are attended by the Head of the Internal Audit Unit, and, if necessary, by other employees when discussing specific issues. The Audit Committee also cooperates with other committees, and, if necessary, joint meetings are organised. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements. |
| 5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. | Yes | The Audit Committee receives the information referred to in this paragraph, approves annual plans of internal audit. The Internal Audit Unit informs the Audit Committee on the implementation of internal audit plans and submits reports. If necessary, a meeting of the Audit Committee is attended by representatives of the company conducting an independent audit of financial statements. |
| 5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. | Yes | Audit committee performs these functions. |
| 5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. | Yes | The Audit Committee submits its performance reports to the Supervisory Board at least once every 6 months. |
| **Principle 6: Prevention and disclosure of conflicts of interest**<br>The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies. | | |
| 6.1. Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value. | Yes | The parent company does observe the recommendations. According to the parent company's Articles of Association, each candidate for a member of the collegial body is obliged to provide a declaration of interest to the body electing him/her, stating all of the circumstances that could lead to a conflict of interests between the candidate and the parent company. In the event where a new circumstance emerges that may rise to a conflict of interest between a member of the collegial body and the parent company, a member of the Supervisory Board must immediately inform the parent company and the Supervisory Board of such new circumstances in writing.<br>Besides, according to the parent company's Articles of Association, members of the Management Board may not have any other job or hold any other office that would be incompatible with as part of their activity on the Management Board, including the holding at of management positions in other legal entities (except at the position and work in the company or the Group of companies) or work in civil service, statutory service. Members may hold any other position or have other jobs, except for the position held in the parent company and other legal entities. The member may also engage in educational, creative, or authorship activities only on receipt of prior consent from the Supervisory Board. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
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| **Principle 7: Remuneration policy of the company**<br>The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy. | | |
| 7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. | Yes | The Remuneration Policy of the parent company governs the setting and payment of remuneration in the parent company.<br>The parent company's remuneration policy is published on the parent company's website. |
| 7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. | Yes | The Remuneration Policy defines remuneration components, their maximum amounts, the principles of allocation and payout, which are common for all companies of the Group. According to the provisions of the Remuneration Policy, the variable remuneration component is paid only in case the target achievement value is at least 70 percent. If criteria for the evaluation of performance results are not met, i.e. the goal achievement value is below 70 percent, the variable remuneration component is not paid. |
| 7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. | Yes | The Remuneration Policy is aimed at defining the principles of employee remuneration. The published Guidelines for Corporate Governance of State-Controlled Energy Group, provide for the principles of remuneration of collegial bodies.<br>The remuneration of members of collegial bodies carrying out supervisory functions does not depend on the performance of the parent company. |
| 7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. | Yes | The parent company follows this recommendation in accordance with provisions of the Labor Code of the Republic of Lithuania, without exceeding the sums laid down therein. |
| 7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares. | Yes | On the 17th of September, 2020 Share Allocation Rules of AB "Ignitis grupė" were approved. These contain information about the retention period. According to the rules, the retention period shall mean the term of 3 years for employees specified in the option agreement and the term of 4 years for key executives, which starts from the date of signing the option agreement and upon which the right of ownership of shares may be exercised (for key executives the right of ownership of shares may be exercised not earlier than the Supervisory Board of the parent company makes a decision on adjustment of the number of shares) under the established conditions and procedure. |
| 7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. | Yes | The parent company publishes information on the implementation of Remuneration Policy in the Annual Report. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. | Yes | Share Allocation Rules of the parent company were approved by the General Meeting of Shareholders in 2020. The parent company intends to provide Remuneration Policy for approval at the Annual General Meeting of Shareholders in 2021. |
| **Principle 8: Role of stakeholders in corporate governance**<br>The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes: investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned. | | |
| 8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. | Yes | The parent company's management system provides protection for the rights of the stakeholders that are protected by law.<br>The parent company pursues the maximum possible transparency in its relations with all stakeholders and the compliance with the highest ethical requirements and principles in its activities, because honest and open business activities are one of the key elements of impeccable business reputation.<br>The parent company takes into account the changing customer needs, constantly improving its operational processes, empowering employees, taking care of the safety and health of its employees, seeking to maintain a close relationship with investors and ensure information accessible to all, continuously updating the information and posting it in the "Investors" section of its website. |
| 8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc. | Yes | The parent company observes these recommendations when establishing the general rules applied to the Group of companies.<br>Interest holders (e.g. trade unions of employees of subsidiary companies) may participate in the management of subsidiary companies to the extent provided for by the law. |
| 8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. | Yes | The parent company does observe the recommendations. The stakeholders are given access to the necessary information. |
| 8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. | Yes | The parent company has a trust line, information can also be provided anonymously by e-mail: pasitikejimolinija@ignitis.lt. |
| **Principle 9: Disclosure of information**<br>The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company. | | |
| **9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:** | | |
| 9.1.1. operating and financial results of the company; | Yes | The parent company's operating and financial results are published each month, also in the parent company's interim and annual reports. |
| 9.1.2. objectives and non-financial information of the company; | Yes | The parent company's business objectives and non-financial information is published in the parent company's interim and annual reports, the parent company's strategy and activity plans. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.1.6. potential key risk factors, the company's risk management and supervision policy; | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.1.7. the company's transactions with related parties; | Yes | The information is published on the parent company's website. |
| 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.1.9. structure and strategy of corporate governance; | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned Investment projects.<br>This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts. | Yes | The information is published in the parent company's interim and annual reports, and on the parent company's website. |
| 9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. | Yes | The parent company discloses the Group's consolidated results. |
| 9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | Yes | The information specified in Item 4 of the recommendation is published in the parent company's annual report and on the parent company's website.<br>The parent company makes the salary to the parent company's CEO and other benefits associated with the functions as members of the management bodies public. |

| Principles / recommendations | Yes / No / Not applicable | Commentary |
|---|---|---|
| 9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. | Yes | The parent company discloses the information via the information disclosure system used by the Vilnius Stock Exchange in Lithuanian and English language simultaneously. The parent company observes the recommendation and announces its material events before or after a trading session on the Vilnius Stock Ex-change, except for the cases provided for by legal acts. The parent company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange. |
| **Principle 10: Selection of the company's audit firm**<br>The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm. | | |
| 10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm. | Yes | The parent company executes its annual financial statement audit. The audit firm also verifies the compliance of the parent company's annual report with its audited financial statements. |
| 10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. | Yes | Articles of association of the parent company state that Supervisory Board considers and submits proposals regarding the auditor or audit firm elected by the General Meeting and the terms of payment for the audit services. |
| 10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. | Yes | The parent company does observe the recommendations. |

# 7.6 Other statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of AB "Ignitis grupė" (hereinafter AB "Ignitis grupė" or the "parent company") about the parent company's and its controlled companies, which altogether are called group of companies (hereinafter and the "Group" or "Ignitis Group") operations for the period of January-December, 2020.

The Annual report has been prepared by the parent company's administration in accordance with the Lithuanian Law on Companies, the Lithuanian Law on Consolidated Financial Reporting.

The parent company's management is responsible for the information contained in the Annual Report. The report and the documents, on the basis of which it was prepared, are available at the head office of the parent company (Žvejų st. 14, Vilnius), on working days Monday through Thursday from 7.30 a.m. to 4.30 p.m., and on Fridays from 7.30 a.m. to 3.15 p.m. (by prior arrangement).

All public announcements, which are required to be published by the parent company according to the effective legal acts of the Republic of Lithuania, are published on the parent company's 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. There were no arrangements between the parent company and the members of its management bodies or its employees that would provide for payment of termination benefits in the event of their resignation or dismissal without a valid reason or in the event of termination of their employment as a result of changes in the parent company's control situation.

## Detrimental transactions

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

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

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

## Significant agreements

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. No significant agreements were concluded to which the parent company is a party and which would enter into force, change or terminate as a result of the changed control of the parent company, as well as their effect, except where because of the nature of the agreements their disclosure would cause significant harm to the parent company. 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.) or agreements concluded in the event of a conflict of interests between the parent company's managers, the controlling shareholders or other related parties obligations to the parent company and their private interests and/or other duties.




# Glossary

# Glossary

| | |
|---|---|
| **#** | Number |
| **%** | Percent |
| **'000/k** | Thousand |
| **AB** | Joint stock company |
| **B2B** | Business to business |
| **B2C** | Business to consumer |
| **BICG** | Baltic Institute of Corporate Governance |
| **bn** | Billion |
| **c.d.** | Calendar days |
| **CARG** | Compound Annual Growth Rate |
| **CCGT** | Combined Cycle Gas Turbine Plant |
| **CDP** | Carbon Disclosure Project |
| **$CO_2$** | Carbon dioxide |
| **CHP** | Combined heat and power |
| **Customers of independent suppliers** | Electricity users who have selected an independent electricity supplier as their supplier |
| **DPS** | Dividends per share |
| **E** | Electricity |
| **EA** | Emission allowances |
| **EBIT** | Earnings before interest and tax |
| **EBITDA** | Earnings before interest, tax, depreciation and amortisation |
| **Electricity generated** | Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex |
| **Electricity sales** | 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 |
| **ESG** | Environmental, social and corporate governance |
| **EPS** | Earnings per share |
| **ESO** | AB "Energijos skirstymo operatorius" |
| **etc.** | et cetera |
| **EU** | European Union |
| **Eurakras** | UAB "EURAKRAS" |
| **FTE** | Full-time equivalent |
| **GDP** | Gross domestic product |
| **GDPR** | General Data Protection Regulation |
| **GHG** | Greenhouse Gas |
| **Government of the Republic of Lithuania** | Government of the Republic of Lithuania |
| **GPAIS** | Unified Product, Packaging and Waste Record Keeping System |
| **GPC** | UAB "Ignitis grupės paslaugų centras" |
| **Green electricity generated** | Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants 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 |
| **Hydro power** | Kaunas Algirdas Brazauskas' hydroelectric power plant and Kruonis pumped storage power plant |
| **IFRS** | International Financial Reporting Standards |
| **IFRS** | International Financial Reporting Standards |
| **Ignitis** | Ignitis UAB (former Lietuvos energijos tiekimas and Energijos tiekimas) |
| **Ignitis Eesti** | Ignitis Eesti OÜ |
| **Ignitis Gamyba** | AB "Ignitis gamyba" |
| **Ignitis Latvija** | Ignitis Latvija SIA |
| **Ignitis Polska** | Ignitis Polska sp. z o.o. |
| **Ignitis Renewables** | UAB "Ignitis renewables" |
| **Installed capacity** | Where all assets have been completed and have passed a final test |
| **Investments** | Acquisition of property, plant and equipment and intangible assets, acquisition of shareholdings |
| **IPO** | Initial Public Offering |
| **ISO** | International Organization for Standardization |
| **Kaunas A. Brazauskas HPP** | Kaunas Algirdas Brazauskas Hydroelectric Power Plant |
| **Kaunas CHP** | UAB Kauno kogeneracinė jėgainė |
| **Kruonis PSHP** | Kruonis Pumped Storage Hydroelectric Plant |
| **KTU** | Kaunas University of Technology |
| **Lietuvos energija** | "Lietuvos energija", UAB (current AB "Ignitis grupė") |

| | |
|---|---|
| **Lietuvos Energijos Tiekimas** | Lietuvos Energijos Tiekimas UAB |
| **Litgas** | Litgas UAB |
| **Litgrid** | Litgrid AB |
| **LNG** | Liquefied natural gas |
| **LNGT** | Liquefied natural gas terminal |
| **LRAIC** | Long-run average incremental cost |
| **LTM** | Last twelve months |
| **LVPA** | Lithuanian Business Support Agency |
| **Mažeikiai** | UAB "VVP Investment" |
| **min.** | Minimum |
| **MLN / m** | Million |
| **mnth.** | Month/months |
| **MW** | Megawatt |
| **MWh** | Megawatt hour |
| **n/a** | Not applicable |
| **NEIS** | National Energy Independence Strategy |
| **NERC** | The National Energy Regulatory Council |
| **New connection points and upgrades** | Number of new customers connected to the network and capacity upgrades of the existing connection points |
| **NG** | Natural gas |
| **NPS** | Net promoter score |
| **NT Valdos** | NT Valdos, UAB |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OHS** | Occupational Health and Safety Policy |
| **OPEX** | Operating expenses |
| **Parent company** | AB "Ignitis grupė" (former "Lietuvos energija", UAB) |
| **Pomerania WF** | Pomerania Wind Farm sp. z o. o. |
| **PSO** | Public service obligation |
| **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 |
| **RBM** | Remuneration of the Board member |
| **RE** | Renewable energy |
| **RES** | Renewable energy sources |
| **RPA** | Robotic process automation |
| **SAIDI** | Average duration of unplanned interruptions in electricity or gas transmission |
| **SAIFI** | Average number of unplanned long interruptions per customer |
| **SASB** | Sustainability Accounting Standards Board |
| **SBTi** | Science Based Targets initiative |
| **SDG** | Sustainable Development Goal |
| **SOE** | State-owned company |
| **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 |
| **TCFD** | Task Force on Climate-Related Financial Disclosures |
| **TRIR** | Total Recordable Incident Rate |
| **Tuuleenergia** | "Tuuleenergia osaühing" |
| **TWh** | Terawatt-hour |
| **UAB** | Private Limited Liability Company |
| **UN** | United Nations |
| **UNGC** | United Nations Global Compact |
| **Units** | Units |
| **Vėjo Gūsis** | UAB "VĖJO GŪSIS" |
| **Vėjo Vatas** | UAB "VĖJO VATAS" |
| **Vilnius CHP** | UAB Vilniaus kogeneracinė jėgainė |
| **Visagino atominė elektrinė** | Visagino atominė elektrinė UAB |
| **vs.** | Versus |
| **WACC** | Weighted average cost of capital |
| **YoY** | Year over year |




# Certification statement

# Certification statement

## 26/02/2021

Referring to the provisions of the Article 14 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer of AB "Ignitis grupė" and, Darius Kašauskas, Finance and Treasury Director of AB "Ignitis grupė", and Giedruolė Guobienė Head of Accounting department UAB "Ignitis grupės paslaugų centras" acting under Order No IS-185-20 of 18 December 2020, hereby confirm that, to the best of our knowledge, AB "Ignitis grupė" interim condensed consolidated and parent company's financial statements for the twelve month period ended 31 December 2020 prepared according to International financial reporting standard 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of AB "Ignitis grupė" consolidated and parent company's assets, liabilities, financial position, profit or loss for the period and cash flows, the Interim Report includes a fair review of the development and performance of the business as well as the condition of AB "Ignitis grupė" together with the description of the principle risks and uncertainties it faces.

**Darius Maikštėnas**
Chief Executive Officer

**Darius Kašauskas**
Finance and Treasury Director

**Giedruolė Guobienė**
UAB "Ignitis grupės paslaugų centras"
Head of Accounting Department acting under
Order No IS-185-20 of 18/12/2020

**AB “Ignitis grupė”**

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ignitis group