ignitis group

2022
Annual report

Consolidated Annual report for the year ended 31 December 2022 and consolidated and the parent company's financial statements for the year ended 31 December 2022, prepared in accordance with International Financial Reporting Standards as adopted by the European Union

Our Annual report 2022 is an integrated report, including the following reports, which can also be accessed through the below links:

- Sustainability report (Corporate social responsibility report)
- Governance report
- Risk and risk management report
- Remuneration report

Ignitis Group – creating an energy smart world

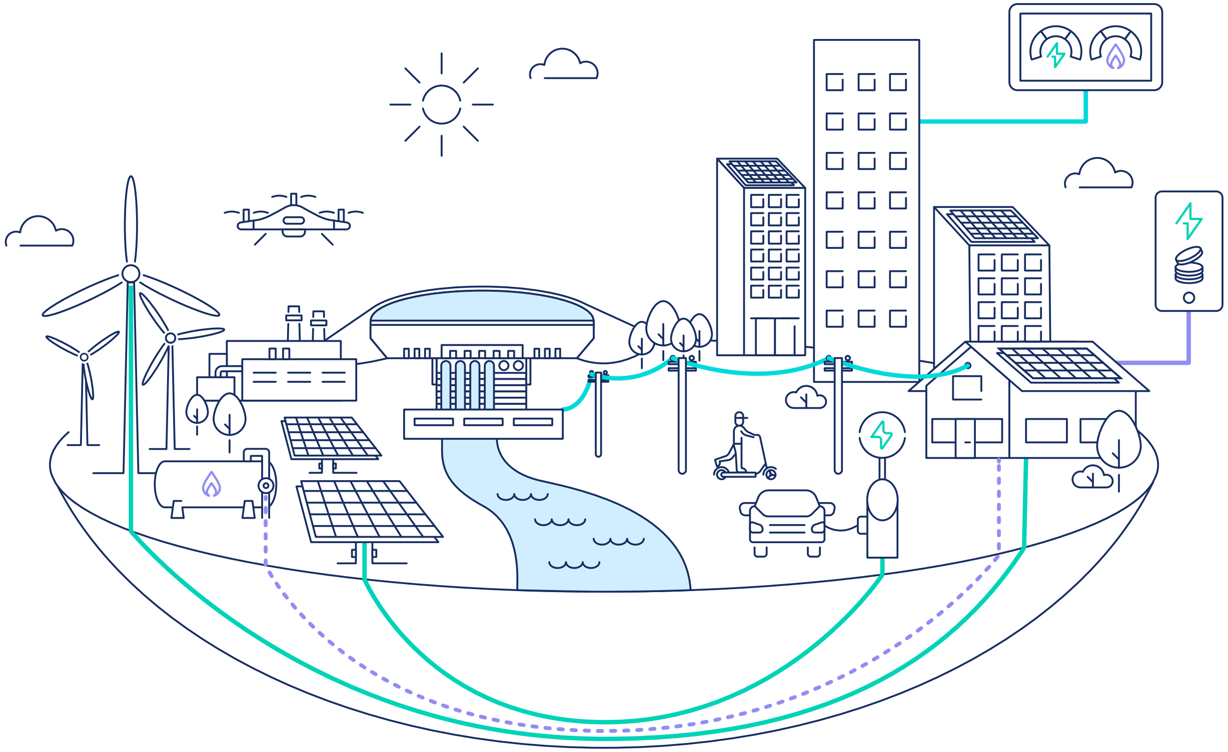
Who we are

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

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

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

Our home markets



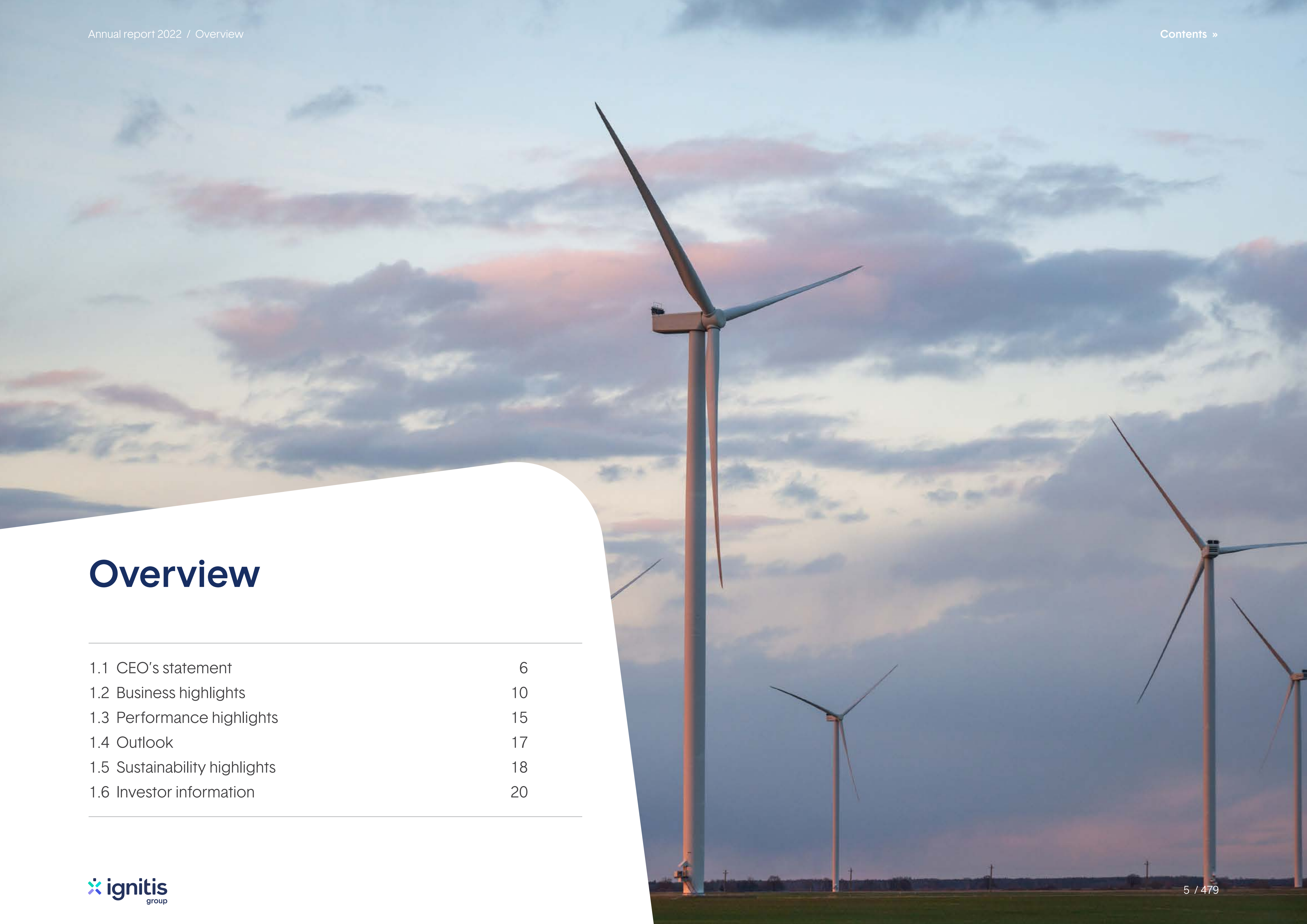
Networks
Resilient and efficient energy distribution networks enabling the energy transition.

Green Generation
Focused, sustainable and profitable growth.

Flexible Generation
Reliable and flexible power system.

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

Contents



Overview

1.1 CEO's statement

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

Highlights

Performance

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

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

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

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

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

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

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

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

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

Business development

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

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

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

Sustainability

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

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

GRI 2-22

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

Our contribution to energy independence

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

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

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

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

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

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

Performance

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

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

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

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

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

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

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

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

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

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

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

Business development

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

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

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

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

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

Sustainability

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

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

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

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

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

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

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

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

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

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

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

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

Looking ahead

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

Darius Maikštėnas
Chair of the Management Board and CEO
Ignitis Group

1.2 Business highlights

January

Green Generation:

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

February

Governance:

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

Green Generation:

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

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

Strategy:

– 2022–2025 Strategic Plan was published.

March

Green Generation:

– Lithuanian legislation setting general offshore development framework for the 1st auction was approved.

April

Finance:

– A dividend of EUR 0.600 per share was paid for the second half of 2021.

Governance:

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

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

Customers & Solutions:

– In relation to the Russian invasion of Ukraine, the Group suspended natural gas purchases from Gazprom and replaced it with LNG cargoes.

May

Green Generation:

– A contract was signed with Valmet for the installation of biomass boiler systems of Vilnius CHP biomass unit. Accordingly, due to a global supply chain disruption and workforce shortage, mainly affected by the Russian invasion of Ukraine, generation of first energy in Vilnius CHP biomass unit was rescheduled to around Q1 2023.

– Gary Bills, an executive with a vast experience in the development and construction of renewable energy projects gained while working at consultancy companies and leading manufacturers, was appointed as COO Wind and Solar development of Ignitis Renewables.

Customers & Solutions:

– The gas interconnection between Poland and Lithuania (GIPL) started commercial operation, allowing natural gas exchange between Lithuania and Poland, which strengthens the energy independence of the region and increases trading opportunities.

– The Baltic states stopped importing electricity from Russia after Europe's Nord Pool power market stopped Russian electricity trading. As a result, activity of Russian related market players such as AB "INTER RAO Lietuva" was stopped, which, in turn, opened opportunities to expand B2B customer portfolio.

June

Green Generation:

– Installation of wind turbines has been started in Mažeikiai WF (63 MW).

– The development of the first Lithuania's hybrid solar park (Tauragė solar project) with a capacity of 22 MW was initiated in the vicinity of an existing Vėjo Gūsis WF (19.1 MW). COD is expected at the end of 2024.

Innovations:

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

July

Finance:

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

Green Generation:

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

Networks:

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

Customers & Solutions:

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

Sustainability:

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

Governance:

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

August

Finance:

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

Green Generation:

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

Customers & Solutions:

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

Governance:

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

September

Green Generation:

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

Customers & Solutions:

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

Governance:

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

October

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

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

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

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

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

November

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

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

December

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

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

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

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

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

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

After the reporting period

January

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

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

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

February

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

Contents »

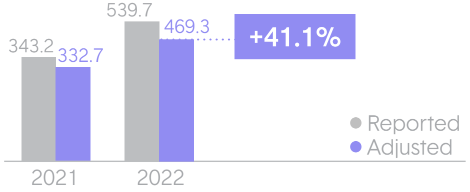
>2x

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

1.3 Performance highlights

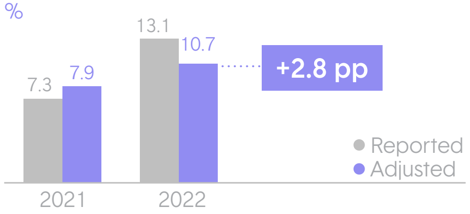
Financial[1]

EBITDA, Adjusted EBITDA APM
EURm



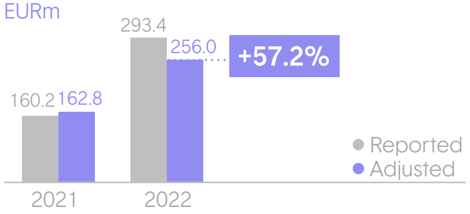
Adjusted EBITDA growth was driven by Green Generation segment, which more than doubled YoY (+134.8%) increasing to EUR 252.4 million, and accounted for 53.8% of total Adjusted EBITDA. Main contributors to the growth were the launch of Pomerania WF in Poland and better results of our operating Green Generation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

ROCE, Adjusted ROCE APM
%



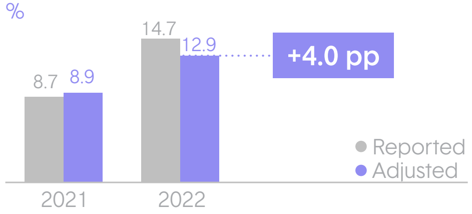
Adjusted ROCE increased to 10.7%, mostly impacted by an increase in Adjusted EBITDA.

Net profit, Adjusted net profit APM
EURm



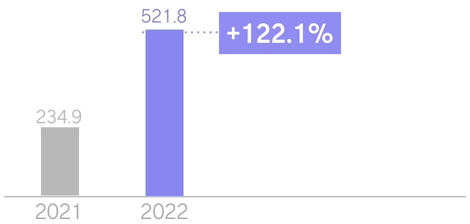
Adjusted Net Profit increase was driven by the growth in Adjusted EBITDA, which was partly offset by higher depreciation and amortisation, interest as well as income tax expenses.

ROE, Adjusted ROE APM
%



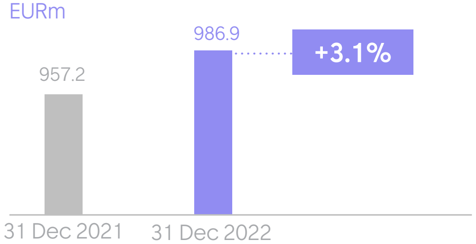
Adjusted ROE increased to 12.9%, mainly due to increased Adjusted net profit.

Investments APM
EURm



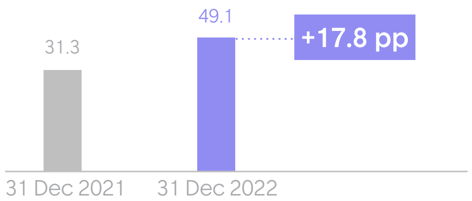
Investments increased, mainly due to new Green Generation segment projects, major investment were made in Lithuania's and Poland's wind farms. Additionally, higher Investments in electricity distribution network expansion and maintenance mainly as a result of increased contractors fees.

Net debt APM
EURm



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

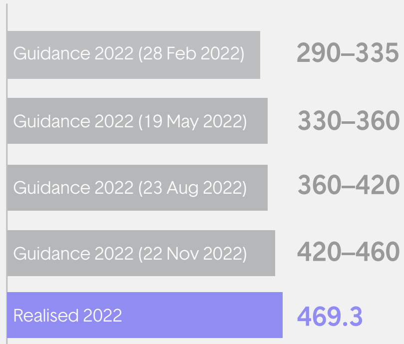
FFO/Net debt APM
%



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

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

Results comparison with the outlook for 2022 Adjusted EBITDA APM
EURm



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

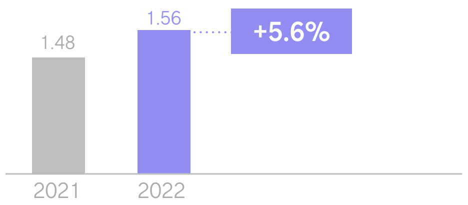
With Adjusted EBITDA of EUR 469.3 million, we exceeded the higher end of the guidance range by 2.0%.

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

[1] Due to change in IAS part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' section '6 Restatement of comparative figures due to change of accounting policy').
APM Alternative Performance Measure – adjusted figures used in this report refer to measures used for internal performance management. As such, they are not defined or specified under International Financial Reporting Standards (IFRS), nor do they comply with IFRS requirements. Definitions of alternative performance measures can be found in the 'Further information' section of this report and on the Group's website.

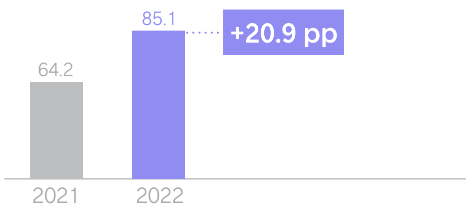
Environment

Green electricity generated (net)
TWh



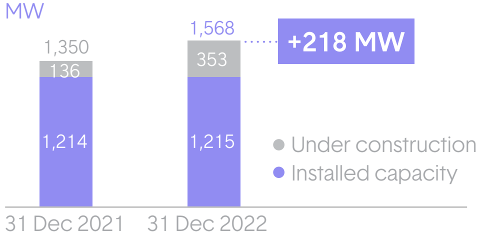
A 5.6% increase in green electricity generated (net) was driven by the higher generation of wind farms due to a full year generation by Pomerania WF. Kaunas HPP also generated more electricity due to higher levels of water in the Nemunas river. The increase was partly offset by lower Kruonis PSHP generation.

Green share of generation
%



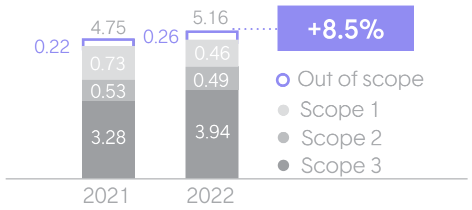
Green share of generation reached 85.1% as a result of increased green electricity generated (net) and a significant decline in electricity generated (net) by CCGT (Flexible Generation) due to high natural gas prices that negatively affected the clean spark spread.

Green Generation secured capacity
MW



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

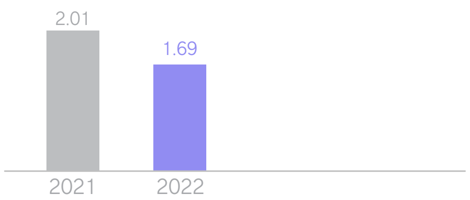
Climate action
GHG emissions[1], million t CO_2-eq



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

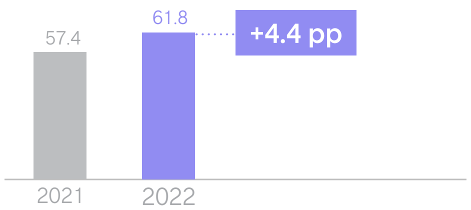
Social

Safety
TRIR, times



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

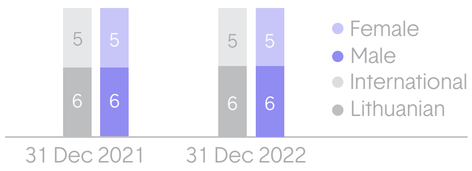
Employee satisfaction
eNPS, % (1-100)



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

Governance

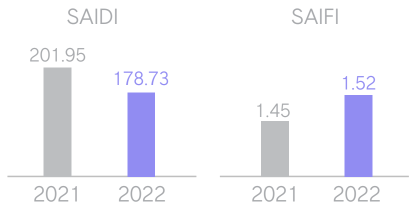
Supervisory and Management Boards
Nationality and gender diversity



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

Operational efficiency

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



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

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

1.4 Outlook

Adjusted EBITDA guidance

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

Green Generation - lower

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

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

Networks – higher

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

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

Flexible Generation – stable

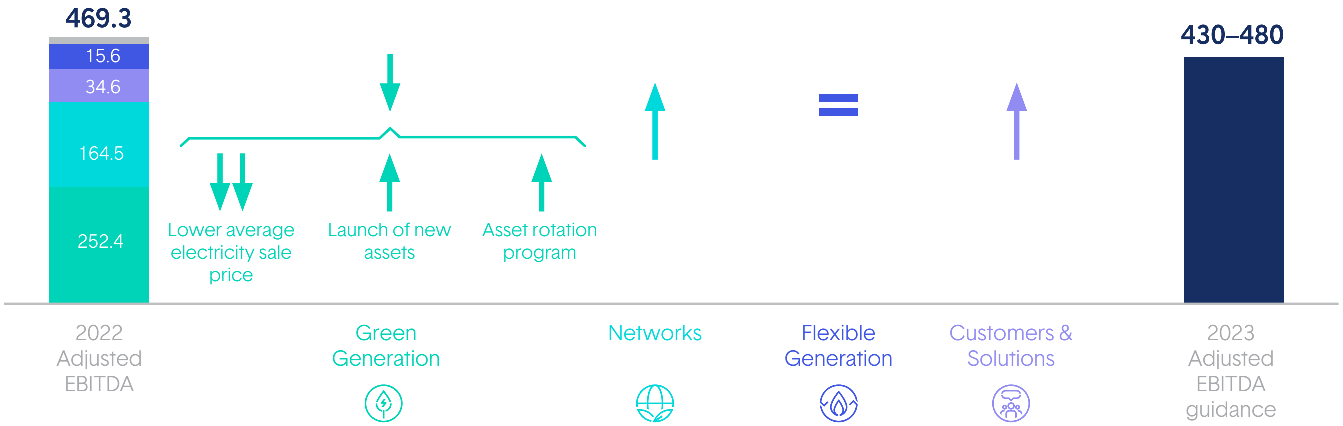
Adjusted EBITDA for Flexible Generation segment is expected to remain stable.

Customers & Solutions – higher

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

Forward-looking statements

The 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 '4.7 Risk and risk management report'.



[1] *Adjusted EBITDA indication for the Group is the prevailing guidance, whereas directional effect per business segment serves as a mean to support it. Higher/stable/lower indicates the direction of the business segment's change in 2023 relative to the actual results for 2022.*

1.5 Sustainability highlights

Key achievements in 2022

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

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

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

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

Following globally recognised standards

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

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

Taxonomy overview

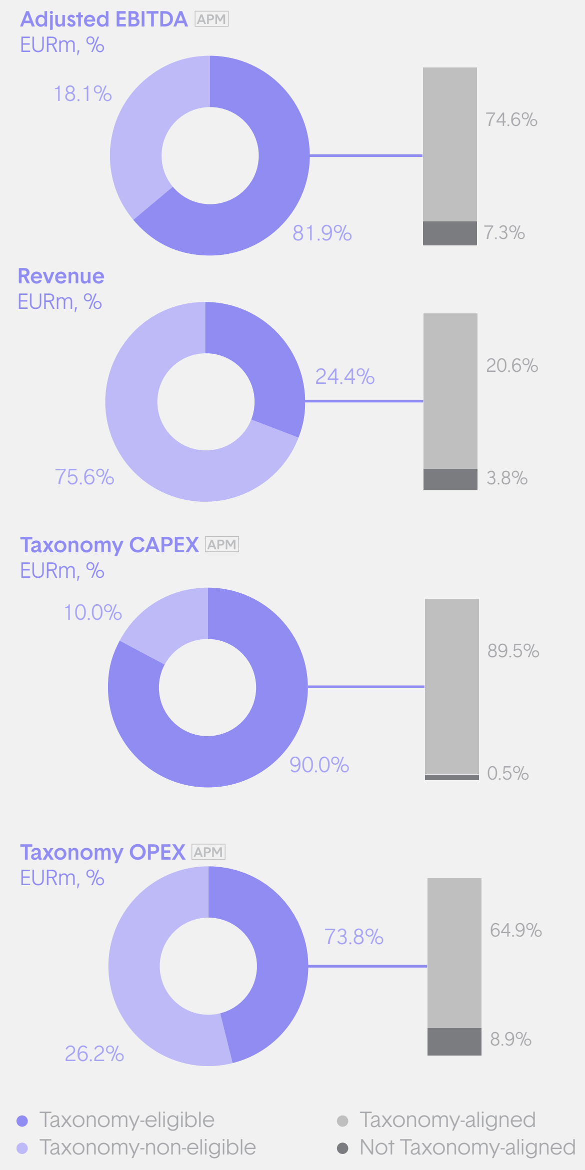
The EU Taxonomy Regulation establishes a common classification system for sustainable economic activities and provides common language to describe what an environmentally sustainable activity is. The key role of this regulation is to help scale up sustainable investments, provide companies, investors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

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

> Disclosures under the EU Taxonomy Regulation of KPIs and additional information is available in section '5.9 Sustainability governance and other disclosures' of this report.
>
> The detailed Taxonomy Report, explaining the alignment of the Group's activities with the EU Taxonomy, is available here.

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

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



1.6 Investor information

Overview

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

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

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

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

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

The Group's securities are constituents of the below indices

Benchmark index

MSCI Frontier Markets Index

MSCI

Benchmark index

OMX Baltic Benchmark

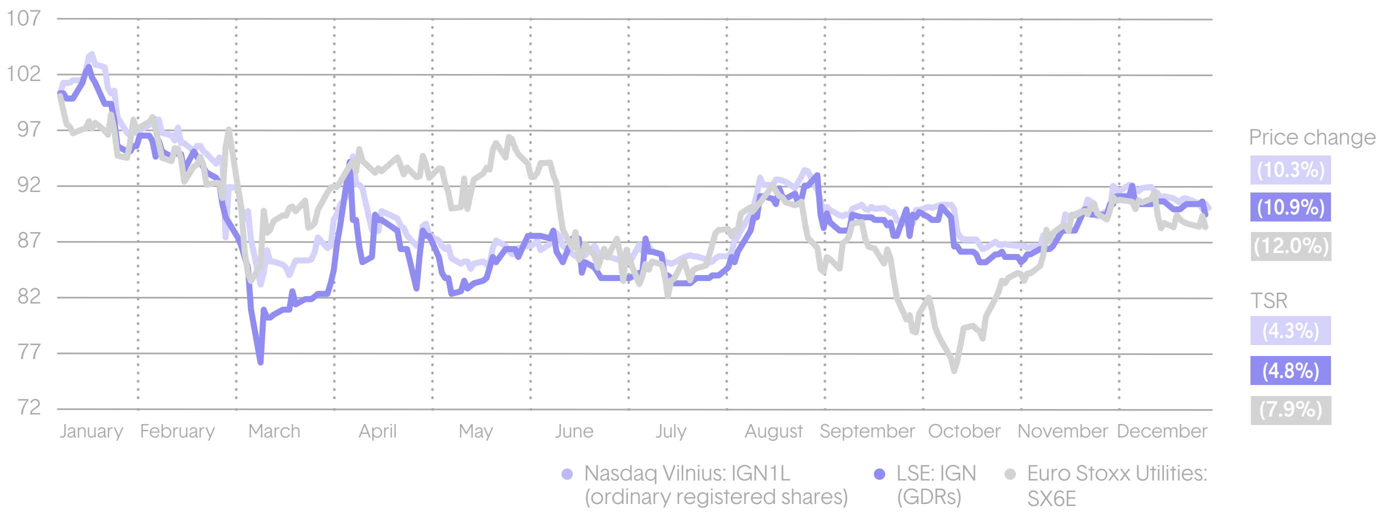
Nasdaq

Tradable index

OMX Baltic 10

Nasdaq

Price development in 2022[1], EUR



Shareholder return KPI's[2,3]

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

[1] Indexed at 100.

[2] Data provided based on the dividends distributed or to be distributed for a specified period. A dividend of EUR 1.248 per share for 2022 comprises a dividend of EUR 0.624 paid for H1 2022 and a proposed dividend of EUR 0.624 for H2 2022, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023.

[3] DPS, EPS indicators for 2021 and 2022 were calculated using the weighted average number of nominal shares (before and after the parent company's acquisition of own shares).

[4] Dividend yield is calculated by dividing DPS by the year end price of the ordinary registered share or GDR for the respective period: (i) dividend yield for ordinary registered shares owners is calculated using EUR 21.00 and EUR 19.02 year end closing prices for 2021 and 2022 respectively; (ii) dividend yield for GDR owners is calculated using EUR 20.50 and EUR 18.80 year end prices for 2021 and 2022 respectively.

Share capital

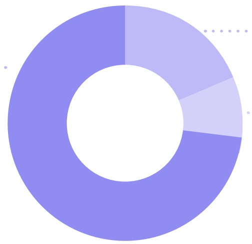
The parent company's share capital is divided into 72,338,960 ordinary registered shares registered in Lithuania. They are all the same class of shares, each entitled to equal voting and dividend rights, specifically – one vote at the General Meetings of Shareholders, and to equal dividend.

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

Shareholder composition

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

Shareholders composition (at the end of the reporting period)



Price performance information in 2022

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

Parameters of the securities issues

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

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

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

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

General shareholders' meetings

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

Dividends

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

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

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

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

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

Credit rating

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

Investor relations

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

On the Group's website, 'Investors' section, we provide relevant information, including annual, interim reports and presentations, investor calendar, analyst recommendations and a wide range of other data which we believe is of interest for our stakeholders. Additionally, further disclosure on the parent company's ordinary registered shares, GDRs, and bonds is disclosed in section '7.1 Further investor related information' of this report.

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

Financial calendar 2023

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

Business overview

2.1 Business profile

Creating an Energy Smart world

Core businesses

Green Generation

Focused, sustainable, and profitable growth.

Activities

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

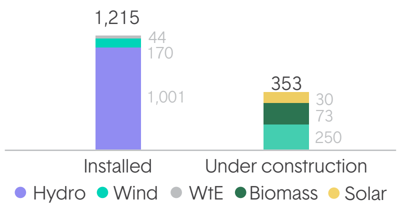
Revenue model

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

Net zero strategy support

Through development of zero carbon electricity generating assets.

Electricity capacity, MW[1]



1.56 TWh

Electricity generated (net)

Networks

Resilient and efficient energy distribution enabling the energy transition.

Activities

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

Revenue model

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

Net zero strategy support

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

Network size[1]

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

Complementary businesses

Flexible Generation

Reliable and flexible power system.

Activities

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

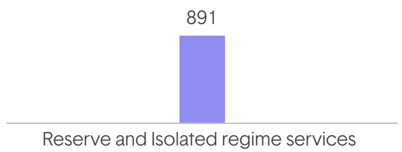
Revenue model

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

Net zero strategy support

Enabling the system to integrate more renewable energy capacities.

Electricity capacity, MW[1]



0.27 TWh

Electricity generated (net)

Customers & Solutions

Innovative solutions for easier life and energy evolution.

Activities

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

Revenue model

Regulated tariffs and commercial contracts.

Net zero strategy support

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

Electricity and natural gas retail sales, TWh[1]

	B2C	B2B
Electricity retail sales 7.71 TWh	2.57 TWh	5.15 TWh
Natural gas retail sales 9.94 TWh	2.55 TWh	7.40 TWh

17.65 TWh

Total retail sales

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

2.2 Market presence

Regional leader exploring opportunities in the markets undergoing energy transition paths

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

LITHUANIA

Networks
- Country-wide electricity and natural gas distribution

Green Generation:

OPERATIONAL (1,103 MWe, 180 MWth)
- Kruonis PSHP (900 MW)
- Kaunas HPP (101 MW)
- Eurakras WF (24 MW)
- Vėjo gūsis WF (19 MW)
- Vėjo vatas WF (15 MW)
- Kaunas CHP (24 MWe, 70 MWth)
- Vilnius CHP's WtE unit (20 MWe, 70 MWth)
- Biomass boiler in Elektrėnai (40 MWth)

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

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

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

Flexible Generation

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

Customers & Solutions
- B2B and B2C supply of electricity and natural gas, solar, e-mobility

FINLAND

Customers & Solutions
- B2B supply of natural gas

ESTONIA

Green Generation:

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

Customers & Solutions
- B2B supply of electricity

LATVIA

Green Generation

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

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

Customers & Solutions
- B2B supply of electricity and natural gas

POLAND

Green Generation

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

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

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

Customers & Solutions
- B2B supply of electricity

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

GRI 2-1 GRI 2-6

2.3 Strategy and targets

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

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

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

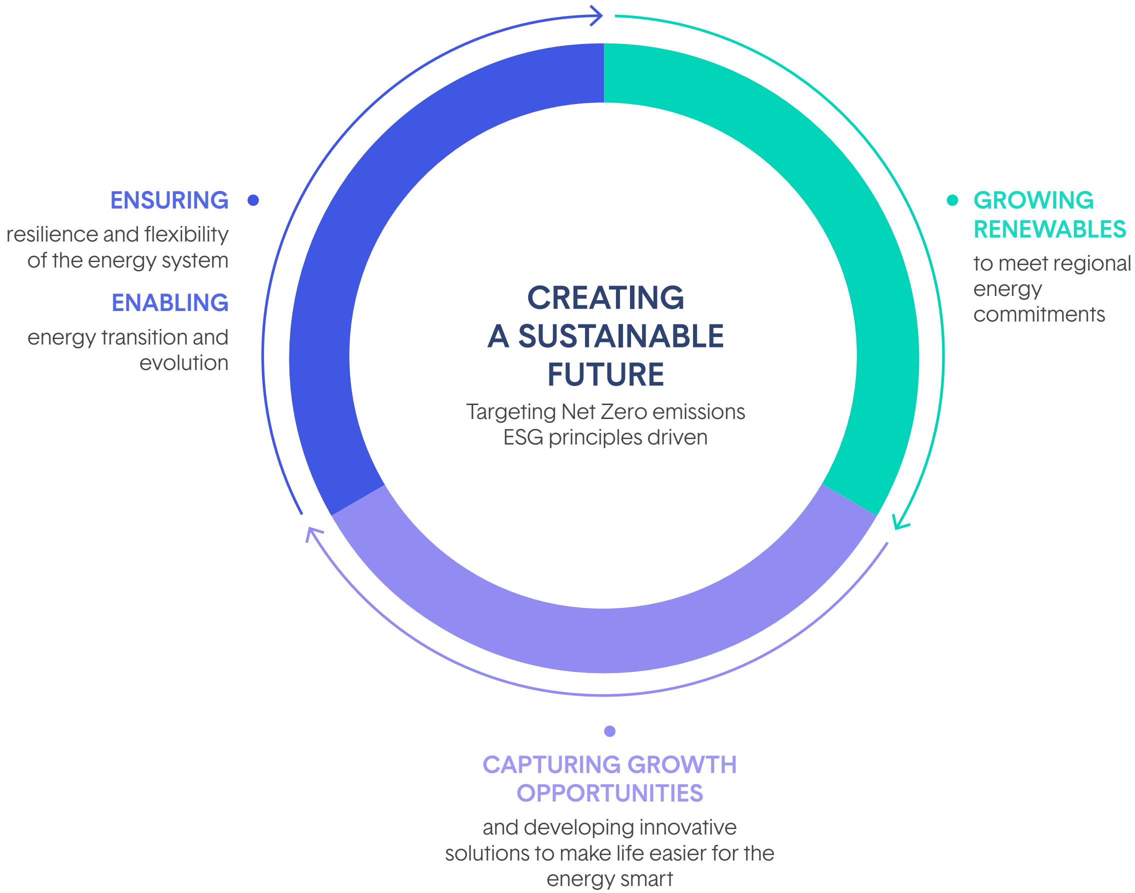
We pursue our strategic priorities with a strong focus on financial discipline. Our engaged people, agile teams, learning culture, organisation with strong governance model and digital approach are the integral parts of our strategy.

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

Our values

RESPONSIBILITY	PARTNERSHIPS	OPENNESS	GROWTH
Care. Do. For Earth. Starting with myself.	Diverse. Strong. Together.	See. Understand. Share. Open to the world.	Curious. Bold. Everyday.

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



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

Strategic directions in depth

Networks

Resilient and efficient energy distribution enabling the energy transition.

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

Green Generation

Focused, sustainable, and profitable growth.

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

Flexible Generation

Reliable and flexible power system.

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

Customers & Solutions

Innovative solutions for easier life and energy evolution.

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

	Creating a **SUSTAINABLE FUTURE**	Growing **RENEWABLES**	**ENSURING** resilience **ENABLING** transition	Capturing regional growth **OPPORTUNITIES**
Networks	●		●	
Green Generation	●	●	●	●
Flexible Generation	●		●	
Customers & Solutions	●		●	●

Creating an **Energy Smart** world

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

Our people and culture

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

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

Our organisation

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

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

Focus on financial discipline

Target returns, capital structure, dividends.

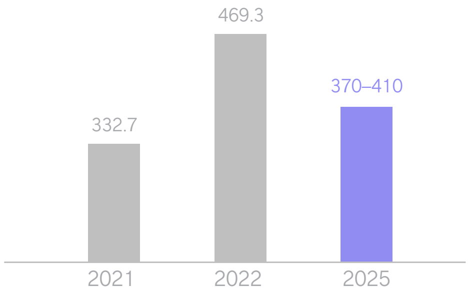
- We target high single-digit/low double-digit levered equity returns depending on the risk profile of the projects.
- Solid investment-grade rating: BBB and above. Net Debt to EBITDA < 5x.
- We aim to deliver dividends to our shareholders in line with our growth and at a minimum annual dividend growth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

Our strategic targets and KPIs for 2022–2025

With this report we present our Strategic Plan for 2022–2025, placing sustainable expansion of our businesses at the core whilst ensuring return to our shareholders and the highest sustainability standards. Our annual targets and the overview of their achievement is detailed in section '4.6 Remuneration report'.

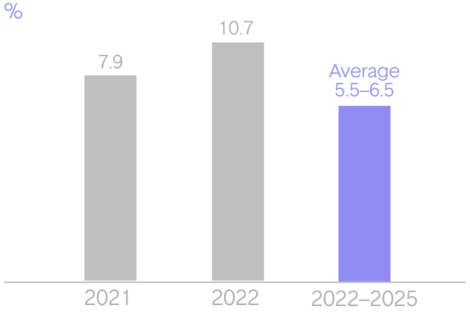
Financial

Adjusted EBITDA APM
EURm



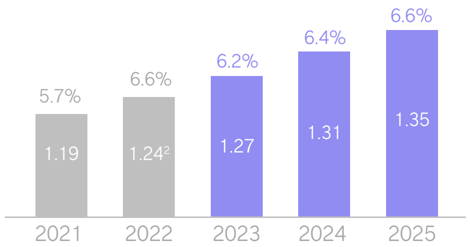
Adjusted EBITDA is expected to reach EUR 370–410 million in 2025 or up to 11–23% growth compared to 2021 driven by Green generation.

Adjusted ROCE APM
%



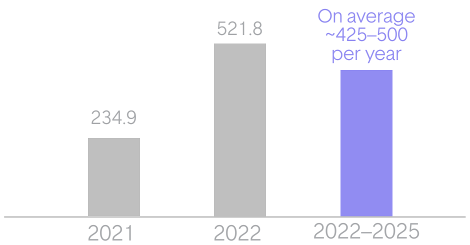
Average Adjusted ROCE during 2022-2025 is expected to be around 5.5–6.5%. Revised WACC in electricity DSO and better than usual results in 2021 for Flexible generation and Customers & Solutions segments are the key drivers for the lower 2022–2025 targeted level.

Minimum DPS and dividend yield[1]
EUR/%



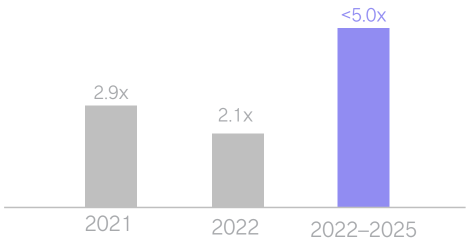
We aim to grow our dividends to shareholders at a minimum 3% annual rate. The starting dividend level for 2020 was set at EUR 85 million with EUR 88 million declared for 2021 and EUR 90.3 million for 2022. Implied dividend yield 2022-2025: 6.0-6.6%.

Investments APM
EURm



We aim to invest EUR 1.7–2.0 billion over 2022–2025 period, of which >90% a sustainable share. The major portion of that will be allocated to Green Generation capacity expansion and maintenance, modernisation and digitisation of our electricity distribution network.

Net debt / Adjusted EBITDA APM
Times



Net Debt / Adjusted EBITDA is expected to be below 5x during 2022–2025.

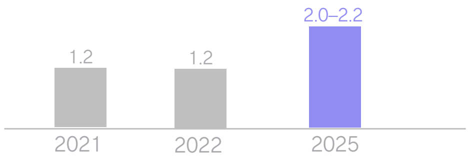
Credit rating
S&P

We are committed to solid investment–grade rating. We expect to keep BBB or above rating over the 2022–2025 period.

[1] Calculated based on the No. of shares (73,040,514 ordinary shares) for 2023–2025 period. Implied dividend yield is calculated based on the Group's share price: 20.5 EUR/share.
[2] A dividend of EUR 1.248 per share comprises of a dividend of EUR 0.624 paid for H1 2022 and a dividend of EUR 0.624 for H2 2022, which is subject to the decision of the Annual General Meeting of Shareholders to be held on 30 March 2023.

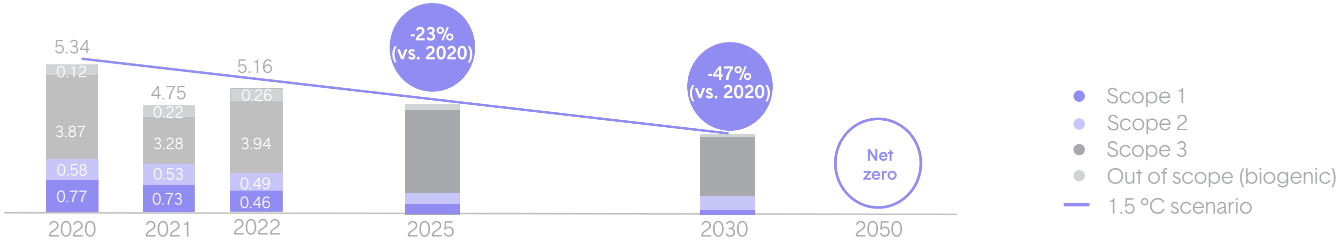
Environment

Green Generation installed capacity
GW



We expect to reach 2.0–2.2 GW of installed Green Generation capacity in 2025.

GHG emissions
million t CO_2-eq

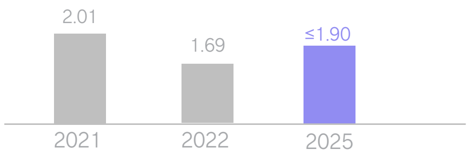


By 2030, we plan to reduce GHG emissions by halve, based on GHG emission management plan validated by SBTi in 2021.

Social

Safety at work
of fatal accidents & TRIR[1]

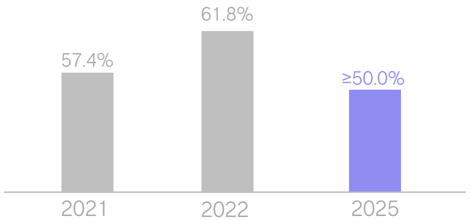
2025 target:
Fatal accidents = 0 (own emplyees and contractors) and TRIR[1] of:



Our key focus is on health and safety at work to have 0 fatal accidents (contractors and own employees) in 2025. Also, we target to have TRIR of own employees below 1.90 level in 2025.

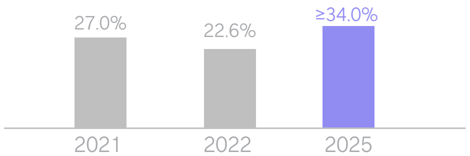
Engaged employees
Employee NPS, %

We aim to retain eNPS level of ≥50%



We measure the Group's eNPS since 2019. Our target is to retain the reached level and to have eNPS level ≥50% over 2022–2025 period.

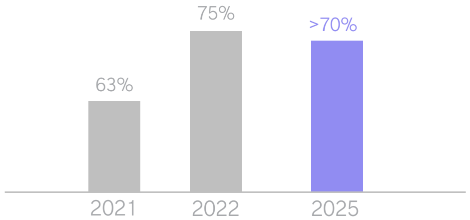
Diverse and inclusive workplace
% of women in top management



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

Governance

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

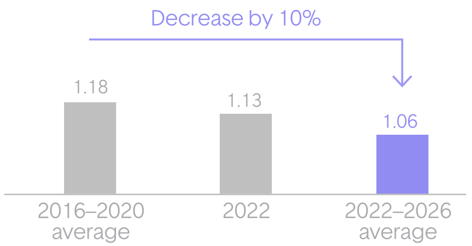


We plan to grow sustainable EBITDA share to 70% or above in 2025.

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

Resilient Network

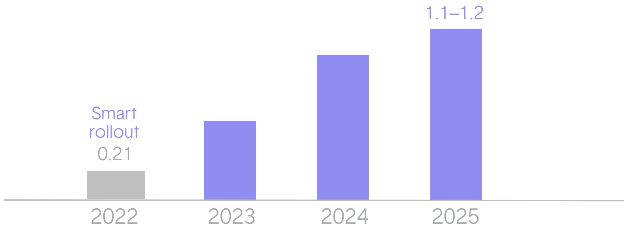
Electricity SAIFI[1]
Interruptions per customer



Investments in service quality and network efficiency boost the network resilience, resulting in an planned decrease of the SAIFI indicator by 10% over the strategic period.

Network Digitalisation

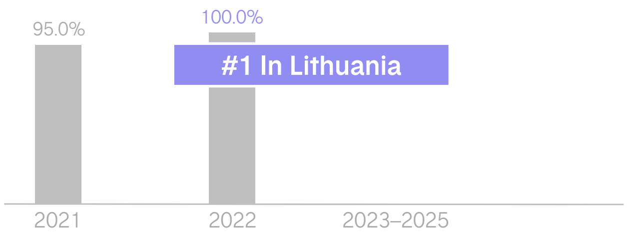
 # Smart meters
m



We digitise our electricity distribution network by implementing smart metering programme. By the end of 2025, we aim to install smart meters for all business customers and households, consuming >1,000 kWh/year. Further installations of smart meters will be continued as ongoing operating activities.

Flexible Energy System

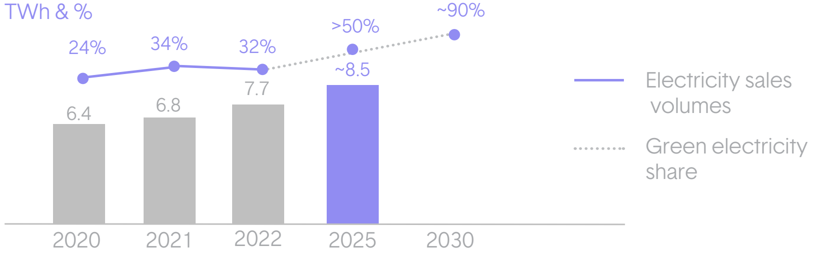
Ancillary and power reserve services
Market share & position



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

Green Energy Supply

Retail electricity sales volumes & Share of green electricity supply
TWh & %



We aim to increase energy retail electricity sales volumes up to about 8.5 TWh in 2025 (implying a ~5.8% CAGR for 2022–2025) and to grow share of green electricity supplied to customers to >50% in 2025 and >90% in 2030 by scaling core energy supply business in the region complemented with innovative energy solutions.

[1] *Excluding (1) interruptions due to natural phenomena corresponding to the values of natural, catastrophic meteorological and hydrological phenomena indicators; (2) interruptions due to failures in the network of the transmission system operator.*

Strategic enablers

In order to keep the pace with the rapidly changing energy sector, we focus on innovation and digitalisation – our key strategic enablers ensuring operational efficiency and growth.

Innovations

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

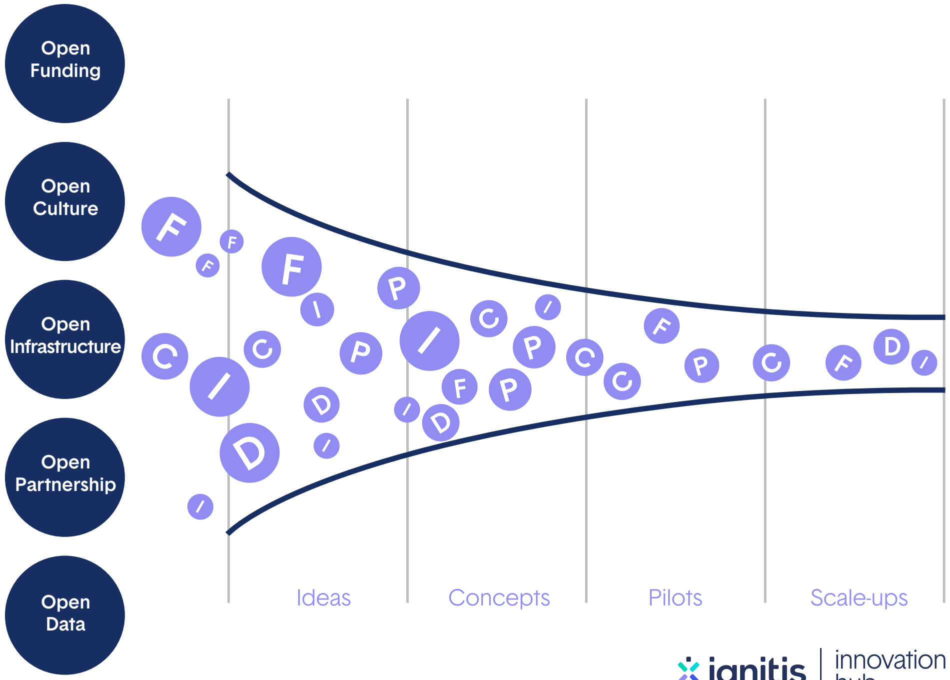
During 2020–2024 Ignitis Innovation Hub aims to develop at least 50 scenarios for the use of innovative solutions, and at least 35 pilot projects are expected to be implemented. In 2022, 12 concepts and 13 pilot projects were implemented, and 4 solutions were developed :

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

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

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

Open-innovation pillars and the process of idea development



ignitis innovation hub

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

Smart Energy Fund powered by Ignitis Group

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

Digitalisation

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

Key initiatives

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

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

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

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

Improving digital skills

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

Reducing the volume of internal IT queries

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

Plans ahead

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

Contents »

2.4 Investment program

Overview

The Group's sustainable growth is led by investments in our core business segments – Green Generation and Networks. In total, we expect to deploy around EUR 1.7–2.0 billion of capital over 2022–2025 or around EUR 425–500 million per annum.

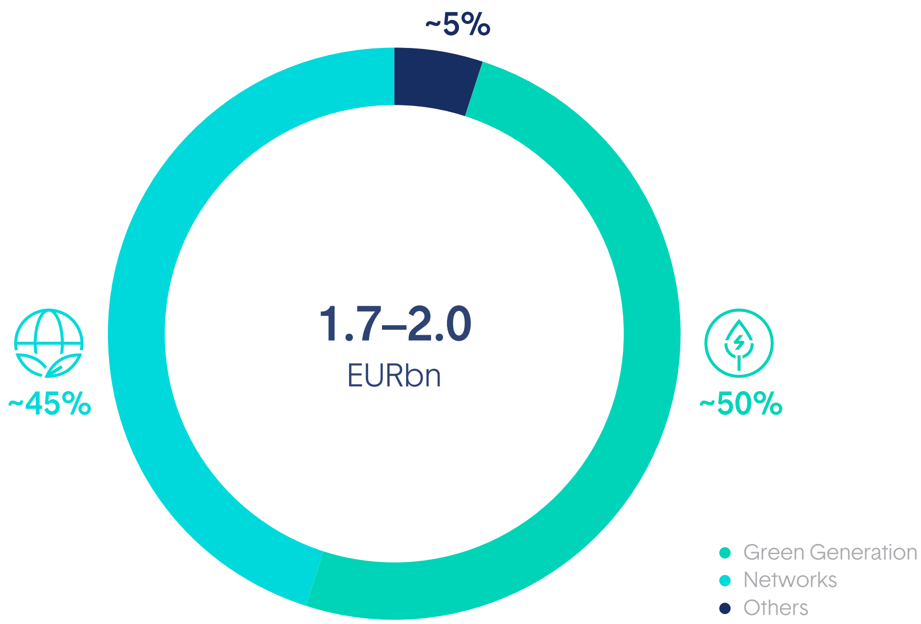
A large part or, around 50%, of the investments will be directed towards the expansion of Green Generation capacity. Based on current assumptions, we should reach 2.0–2.2 GW of installed renewables capacity by 2025, compared to currently operational portfolio of 1.2 GW.

The second largest proportion of funds or ~45% will be directed to Networks maintenance and expansion. It will contribute to the grid maintenance by increasing its security and reliability, development of new customer connections and upgrades, and digitalise the Lithuanian energy sector with the smart electricity metering programme. Regulated Asset Base to increase from EUR 1.3 billion in 2021 to EUR 1.6–1.7 billion in 2025.

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

In order to successfully implement our investment plans while achieving financial targets, including a commitment to increase dividends annually, we have defined and apply clear investment policy. Additionally, on a regular basis (with interim and annual reporting) we disclose the updates on our key investment projects. More information on both matters is available in the following sections of this report.

Investments over 2022–2025, EURm



85–95% of investments are SDGs related

~90% of investments are EU Taxonomy aligned

Investment policy

Green Generation

The Group applies a prudent investment framework with hurdle rates for the Green Generation projects returns to ensure value-creating growth. A disciplined investment policy targets high single-digit to low double-digit levered equity return depending on the risk profile on a project by project basis.

Based on envisaged asset rotation program, we target to sell up to 49% equity stakes of our operational Green Generation projects to capture additional return and recycle capital for future growth.

Target markets
Primarily the Baltics and Poland

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

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

Financing
60–75% leverage at the project level

Asset rotation
Targeting up to 49% asset rotation on a project level

Target returns
High single-digit to low double-digit levered equity returns depending on the risk profile of a project

Networks

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

Unlike the return on investments in Green Generation segment, it is capped by the regulatory WACC set for a 5-year regulatory period.

Target markets
Lithuania

Technologies
Electricity and natural gas distribution grid

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

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

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

Update on key ongoing and planned Investments

Green Generation

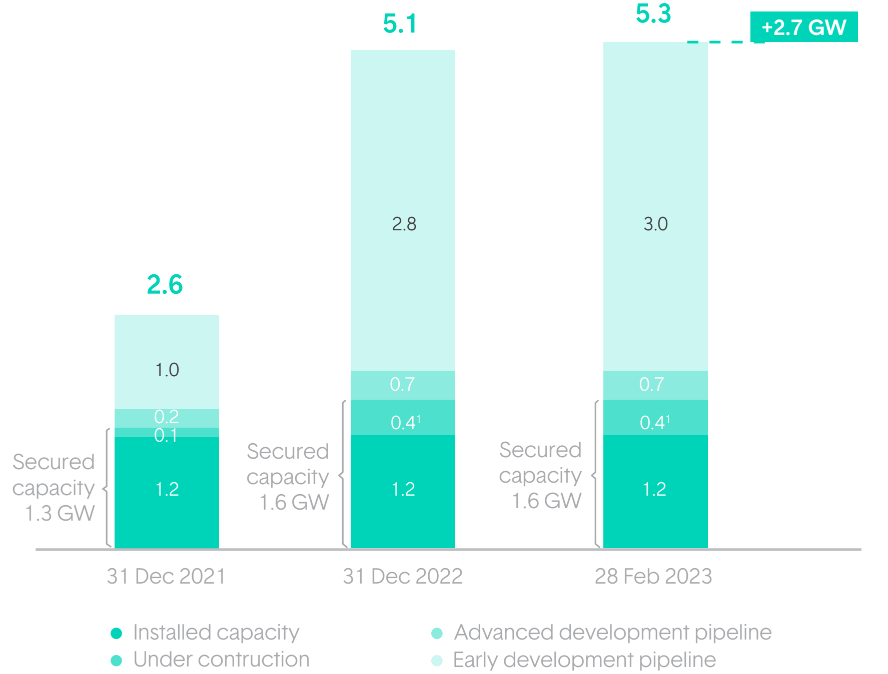
In 2022, our Green Generation Portfolio increased almost twofold to 5.1 GW (from 2.6 GW). Our projects Pipeline tripled to 3.9 GW (from 1.3 GW), out which the largest share of growth was captured by accelerated greenfield projects expansion, which increased eleven times to around 1.8 GW (from 170 MW).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

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

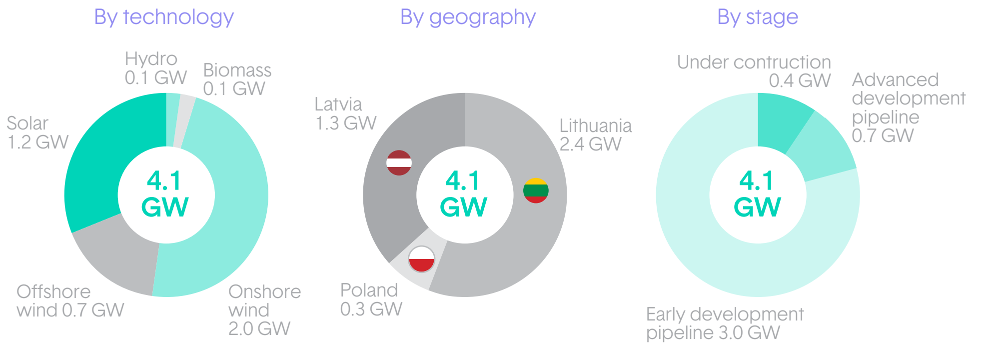
Implementation of projects Portfolio is progressing as planned with a few exceptions. Our targets to generate the first energy on testing mode around Q1 2023 and commence full commercial operation of Vilnius CHP biomass unit (73 MWe, 169 MWth) in Lithuania during the next heating season remain unchanged.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

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

Green Generation Portfolio



Green Generation Pipeline



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

Status on key investment projects / Under construction

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

On track   Time delay and / or budget deviation

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

Status on key investment projects / Advanced development pipeline

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

On track   Time delay and / or budget deviation

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

Status on key investment projects / Early development pipeline

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

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

On track   Time delay and / or budget deviation

Networks

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

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

Status on key investment projects

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

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

On track   Time delay and / or budget deviation

~ 5.3 GW

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

2.5 Business environment

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

Macroeconomic environment

GDP

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

GDP change, %

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

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

Inflation

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

Inflation rate change measured by harmonised CPI, %

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

Source: Eurostat.

Industry environment

Overview of key changes

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

Electricity

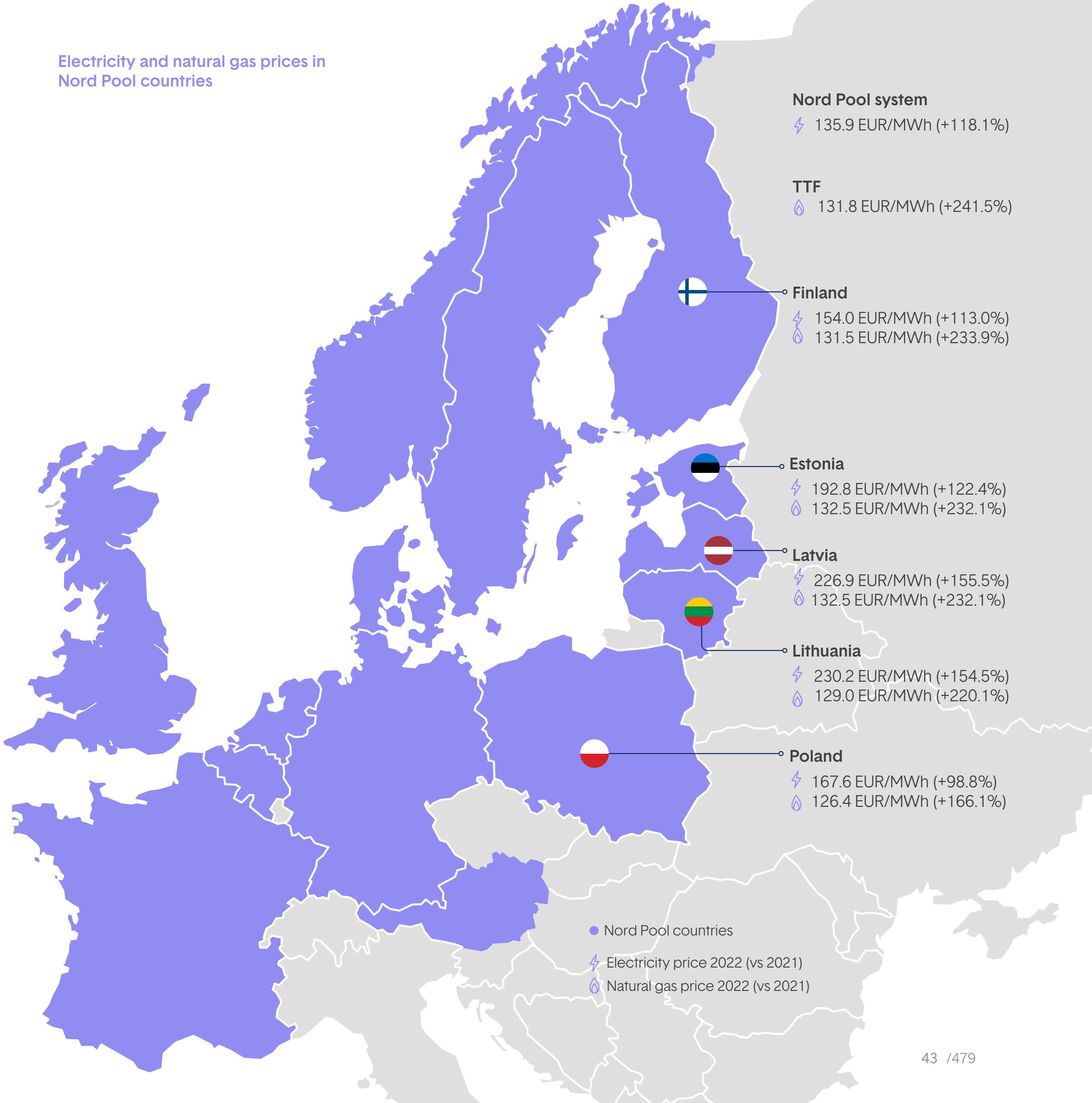
	Consumption, TWh			Generation, TWh		
	2022	2021	Δ, %	2022	2021	Δ, %
Lithuania	12.2	12.4	*(1.6%)*	4.6	4.2	*9.5%*
Latvia	6.8	7.3	*(6.8%)*	4.5	5.6	*(19.6%)*
Estonia	8.2	8.4	*(2.4%)*	7.1	5.9	*20.3%*
Finland	79.2	84.7	*(6.5%)*	63.6	63.7	*(0.2%)*
Poland	172.9	174.9	*(1.1%)*	176.0	175.0	*0.6%*

Natural gas

Consumption, TWh

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

Electricity and natural gas prices in Nord Pool countries

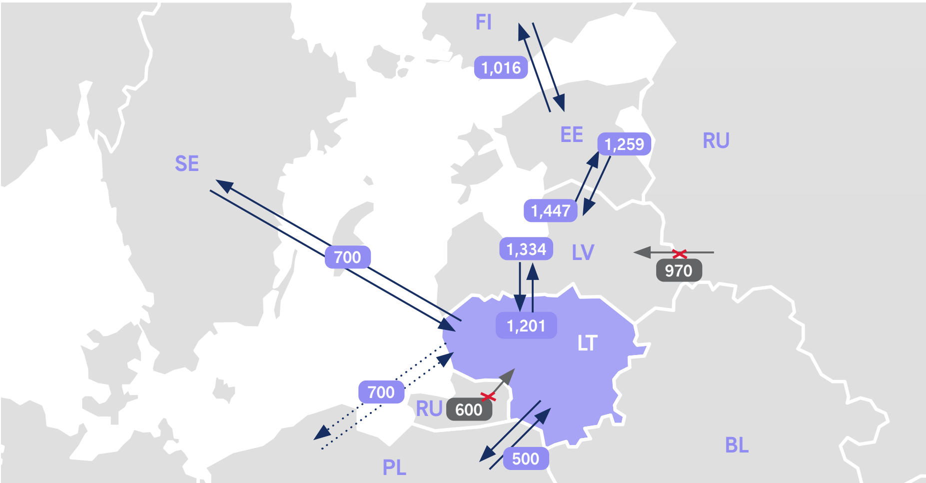


Regional interconnections and infrastructure

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

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

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



xx Transmission capacity (MW)

Interconnections in place

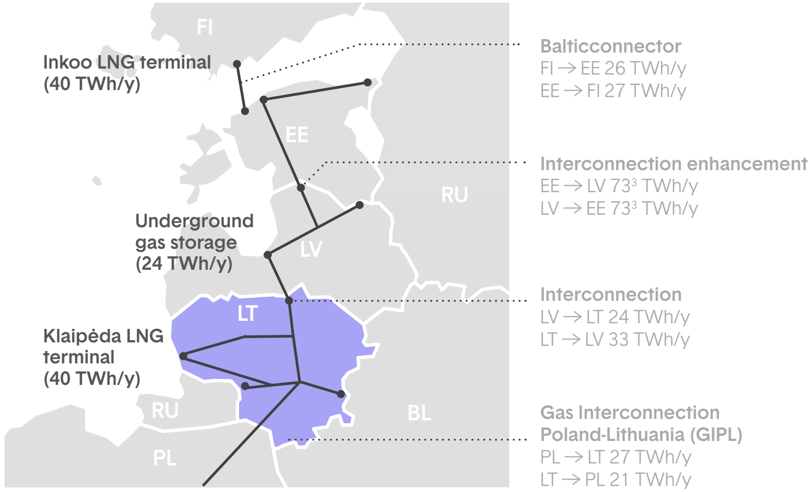
Interconnection under construction (Harmony Link, expected to be operational around 2025)

Interconnections with Russia and Belarus no longer in use

Lithuanian power capacity

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

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



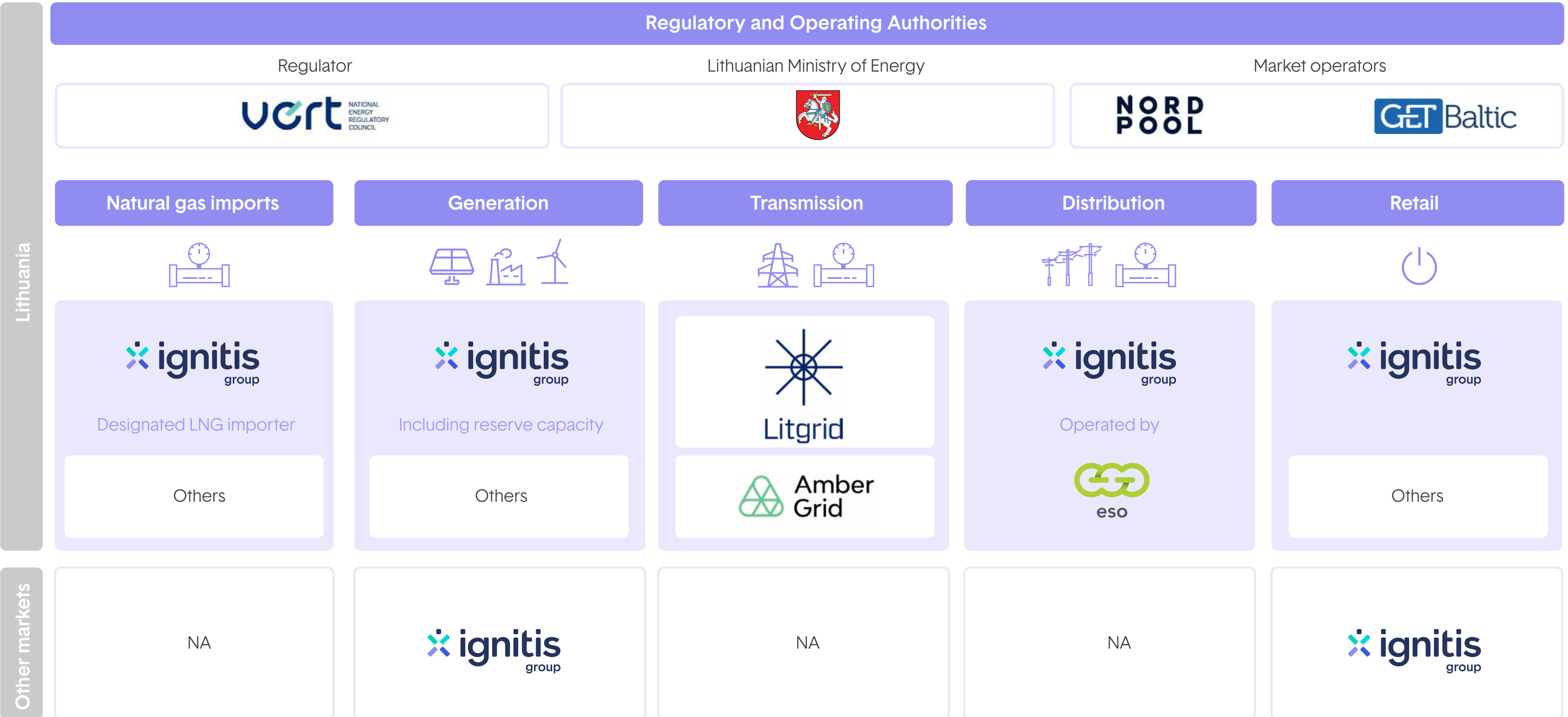
	Annual demand 2022, TWh/y	*Consumption change 2022 vs 2021, %*
Poland	177.6	*(18.0%)*
Lithuania	15.7	*(35.4%)*
Finland	11.5	*(53.6%)*
Latvia	8.8	*(29.6%)*
Estonia	3.7	*(24.6%)*
Total	**217.3**	***(23.2%)***

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

The Group's role in home market countries

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

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



Regulatory environment

EU-wide

REPowerEU

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

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

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

European Gas Demand Reduction Plan

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

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

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

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

The Marienborg declaration

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

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

Icons represent to which business segments regulatory changes are relevant.

Emergency Regulation

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

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

Temporary mechanism to limit excessive natural gas prices

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

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

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

Consultation on Revision of the EU's electricity market design

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

	Emergency Regulation	Temporary mechanism to limit excessive natural gas prices	Consultation on Revision of the EU's electricity market design
Date of adoption:	6 October 2022	Undergoing	23 January 2023
Relevance to the Group's business segments:			
Impact to the Group:	As of report announcement date, a negative impact is expected.	Lower NWC level, as a result of decreased prices of natural gas.	As of report announcement date, financial impact cannot be evaluated.

Icons represent to which business segments regulatory changes are relevant.

Lithuania

Transposition of Clean Energy Package into Lithuanian energy law

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

Lithuanian offshore wind legislation framework for the first offshore wind farm

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

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

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

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

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

Icons represent to which business segments regulatory changes are relevant.

National 'Breakthrough Package'

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

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

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

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

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

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

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

Icons represent to which business segments regulatory changes are relevant.

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

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

Changes in ancillary services and balancing market

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

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

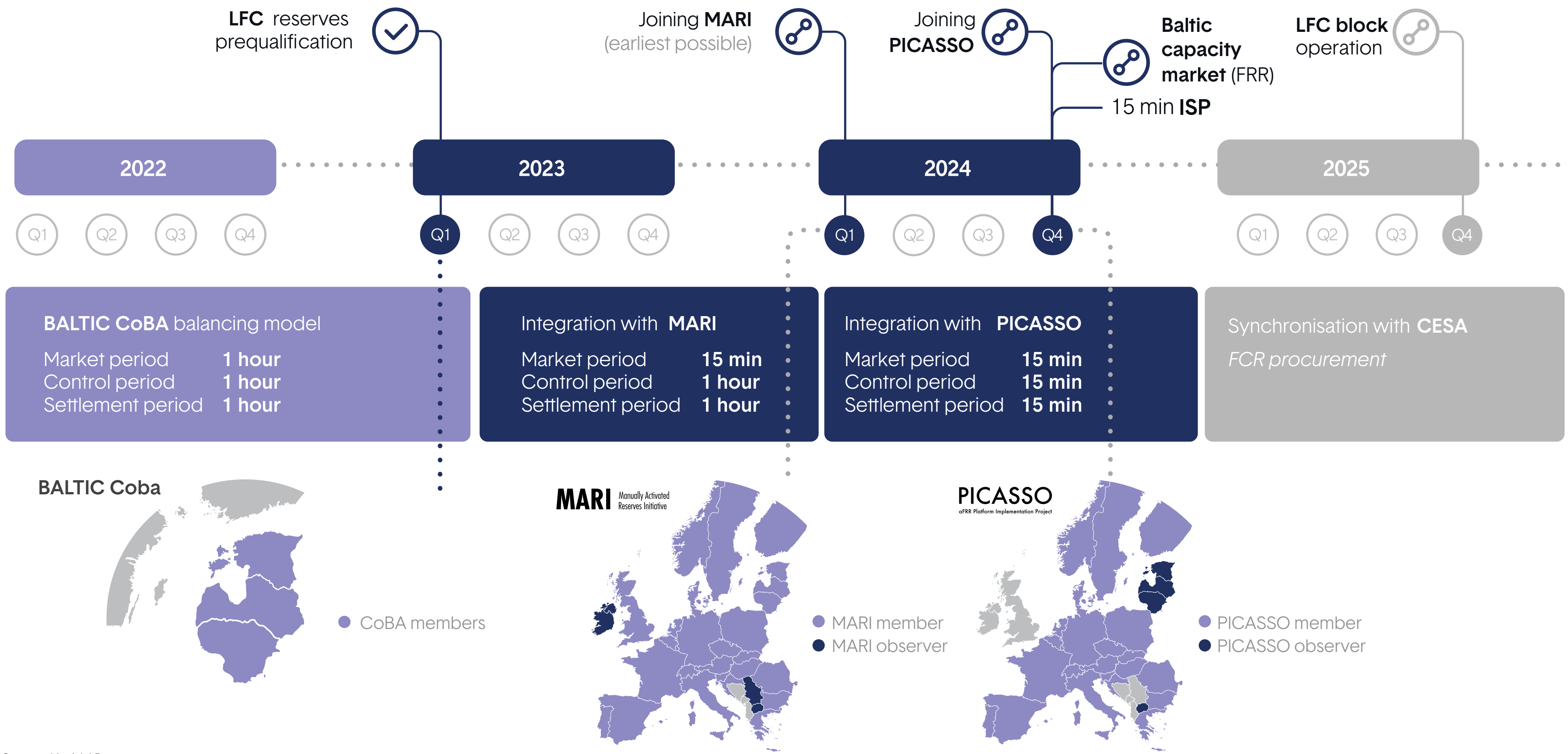
In addition, taking into account the geopolitical situation and until the project of synchronisation of the electricity system of the Republic of Lithuania with the electricity grid of Continental Europe is completed (expected to be finished by the end of 2025), the TSO has acquired the right to issue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

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

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

Icons represent to which business segments regulatory changes are relevant.

Foreseen developments and changes until 2025[1]



Source: Ligrid AB.

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

AST Litgrid elering

Partial compensation of increased energy prices

For B2C customers

Compensation in 2022

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

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

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

Compensation in 2023

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

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

For B2B customers

Compensation in 2022 – Q1 2023

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

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

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

Implementation of Regulation (EU) 2022/1854

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

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

Icons represent to which business segments regulatory changes are relevant.

Lithuanian offshore wind legislation framework for the second offshore wind farm

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

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

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

The development of onshore wind and solar photovoltaic plants in Lithuania

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

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

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

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

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

Icons represent to which business segments regulatory changes are relevant.

Latvia

Ease of new renewable capacity development

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

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

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

Electricity transmission and distribution system capacity reservation fee

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

Latvia and Estonia offshore wind project

A joint offshore wind project

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

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

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

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

Icons represent to which business segments regulatory changes are relevant.

Poland

Potential ease of onshore wind farm construction

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

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

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

Implementation of Regulation (EU) 2022/1854

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

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

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

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

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

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

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

Icons represent to which business segments regulatory changes are relevant.

Results

3.1 Annual results[1]

Key financial indicators

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

[1] Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.
[2] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy').
[3] Other – other activities and eliminations (consolidation adjustments and related party transactions), including financial results of the parent company. More information about it is disclosed in the section '6.2 Parent company's financial statements'.
[4] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy projects pipeline. For updated formula, see section '7.3 Alternative performance measures' or our website.

Highlights

2022 vs 2021

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

Realised vs guidance

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

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

– better results of the Green Generation segment, mainly Kruonis PSHP, due to higher spread between peak and off-peak market prices;

– better performance of the Flexible Generation segment due to a more favorable clean spark spread, especially in December 2022;

– it was partly offset by lower Customers & Solutions result, driven by a more negative than expected B2C activities result.

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

Realised vs guidance 2022

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

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

Overview and impact of partial compensation of energy prices

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

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

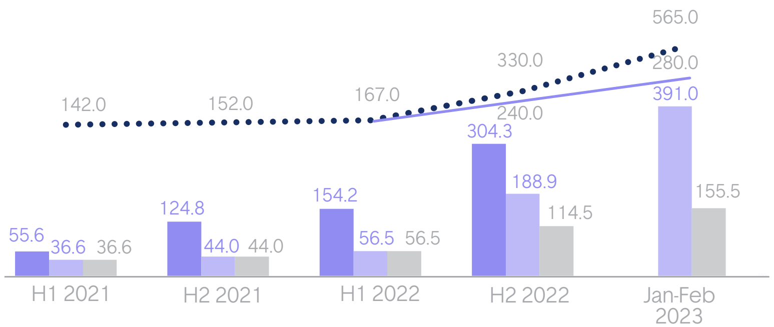
Icons represent to which business segments regulatory changes are relevant:

Customers & Solutions Networks.

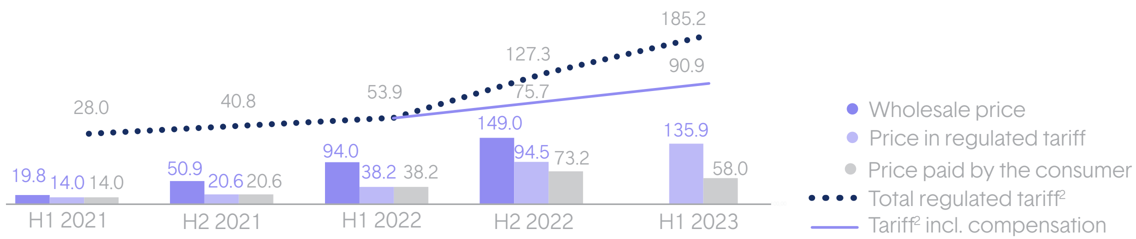
[1]Based on publicly available information as of Annual report 2022 announcement date.

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

Electricity prices and regulated tariffs, EUR/MWh



Natural gas prices and regulated tariffs, EUR/MWh



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Revenue

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

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

Revenue by segment, EURm

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

Revenue by country, EURm

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

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

Revenue by type[4], EURm

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

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

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

Expenses

Purchase of electricity, natural gas, and other services

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

OPEX

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

Other

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

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

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

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

Expenses, EURm

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

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

EBITDA

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

The main reasons behind Adjusted EBITDA changes were as follows:

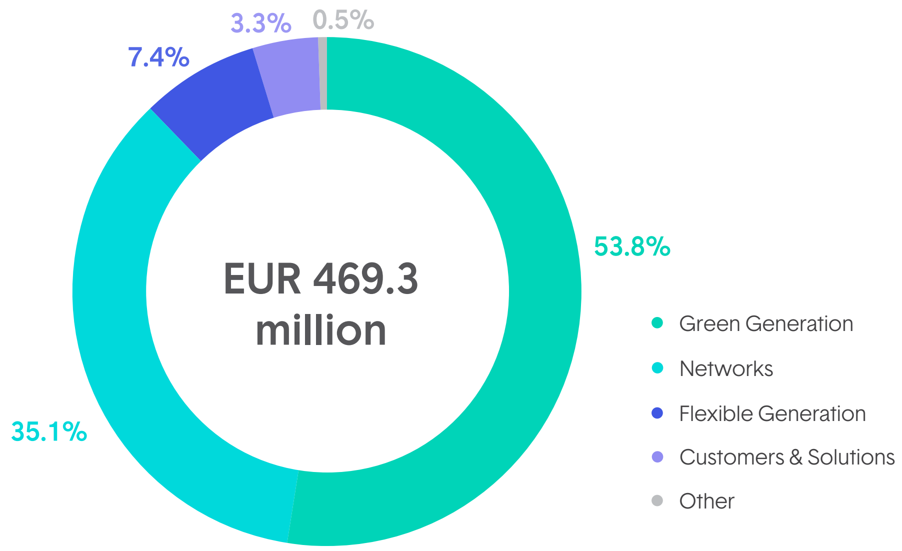
1. **Green Generation (EUR +144.9 million).** The increase recorded throughout all technologies (Wind, Hydro, Waste-to-Energy) was mainly driven by higher electricity market prices, new PPAs signed and Pomerania WF, due to COD reached in December 2021. Even though electricity market price increased significantly,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

Adjusted EBITDA by segments, EURm

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

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

Adjusted EBITDA 2022, EURm



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

Adjusted EBITDA by activity type

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

Regulated activities include:

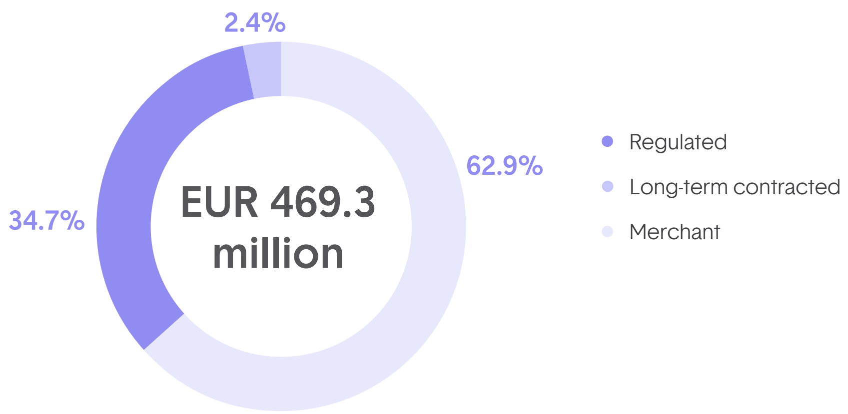
1. electricity and natural gas distribution;
2. reserve and ancillary services provided to the transmission system operator;
3. public supply of electricity, electricity supply of last resort, natural gas supply to residents of Lithuania and the designated LNG supplier services.

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

Adjusted EBITDA by types of activities, EURm

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

Adjusted EBITDA by types of activities 2022, %



EBITDA adjustments

EBITDA adjustments, EURm

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

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

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

The 2021 adjustment includes elimination of retrospective adjustments made after the changes in Networks RAB methodology, specifically, EUR -44.4 million for 2021. Additionally, the 2021 adjustment includes the add-back of lower Networks and Customers & Solutions segments' profit earned from regulated activities (EUR +21.2 million and EUR +14.2 million respectively), which resulted from higher actual electricity and natural gas purchase prices compared to the prices set by the regulator.

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

EBIT

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

Adjusted EBIT by segments, EURm

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

EBIT adjustments, EURm

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

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

Net profit

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

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

Net profit adjustments, EURm

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

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

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

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

Investments

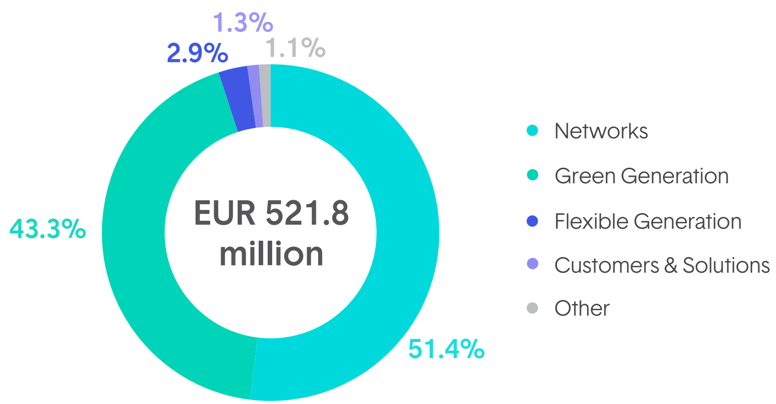
In 2022, Investments amounted to EUR 521.8 million and were EUR 286.9 million higher compared to 2021. The largest contributor to the growth was the Green Generation segment, where investments increased by EUR 193.9 million and reached EUR 226.2 million. The largest share of investments made was in the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

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

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

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

Investments by segment, 2022, %



Investments by segment, EURm

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

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

Investments by geographical region, EURm

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

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

Statement of financial position

Assets

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

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

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

Equity

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

Liabilities

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

Net working capital

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

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

Partly offset by:

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

Balance sheet, EURm

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

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

Financing

Net debt

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

Net debt, EURm

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

Debt summary, EURm

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

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

Bond issues and loans

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

Outstanding bond issues

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

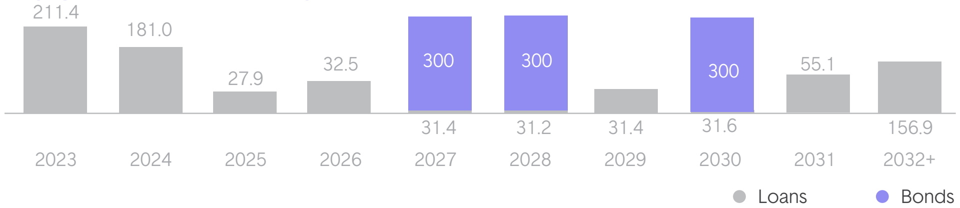
During the reporting period, there have been no material changes regarding bonds. Related information, including the structure of bondholders as of the issue date, is available in the section '7.1 Further investor related information'.

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

Maturities

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

Repayment schedule of Group's financial liabilities, EURm



Interest rate, currency, and liquidity risk

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

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

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

Cash flows

CFO

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

CFI

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

CFF

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

Cash flows, EURm

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

FFO

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

FFO, EURm

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

FCF

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

FCF, EURm

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

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

Key operating indicators

Electricity

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

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

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

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

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

Key operating indicators

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

Heat

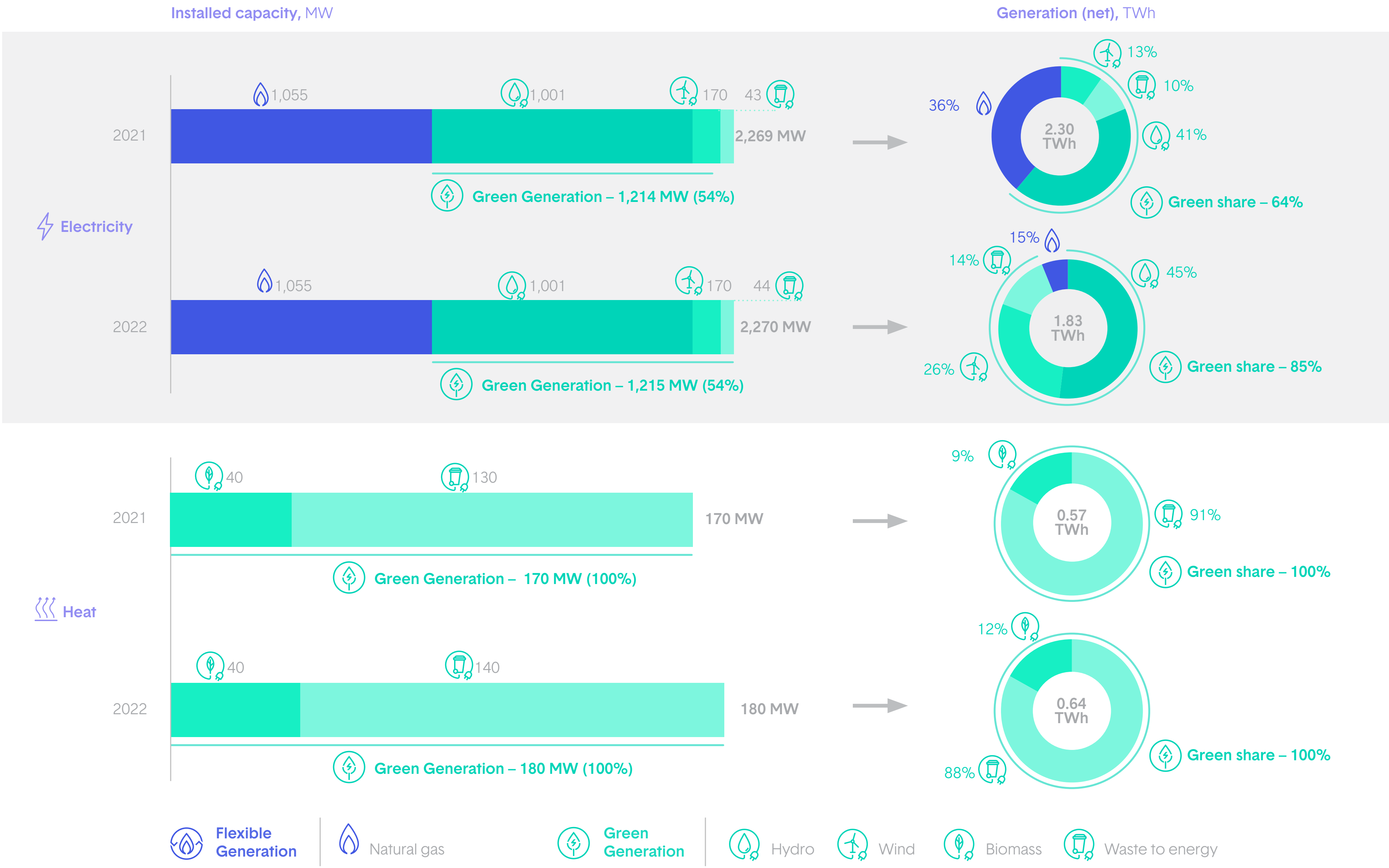
In 2022, heat generated (net) amounted to 0.89 TWh and was 4.0% higher compared to 2021. This increase was mainly driven by the heat produced in Elektrėnai biomass boiler.

Natural gas

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

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

Installed capacity and generation mix overview

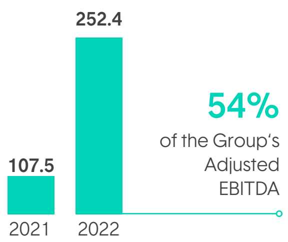


3.2 Results by business segment

Overview[1]

Green Generation

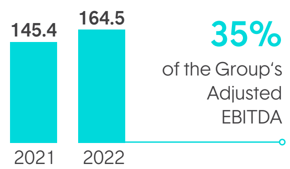
Adjusted EBITDA, EURm



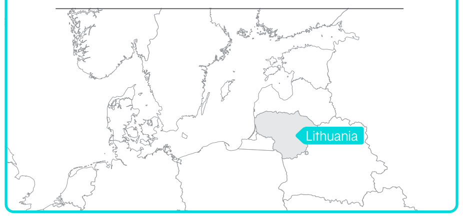
Revenue, EURm	458.4
Adjusted EBIT, EURm	221.7
Investments, EURm	226.2
Net debt, EURm	758.8

Networks

Adjusted EBITDA, EURm

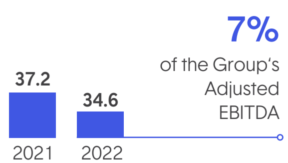


Revenue, EURm	681.1
Adjusted EBIT, EURm	62.6
Investments, EURm	268.1
Net debt, EURm	776.1

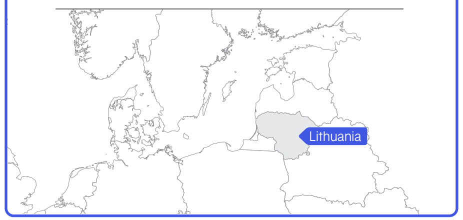


Flexible Generation

Adjusted EBITDA, EURm

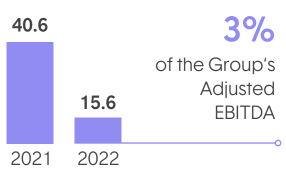


Revenue, EURm	240.7
Adjusted EBIT, EURm	23.1
Investments, EURm	15.0
Net debt, EURm	71.9

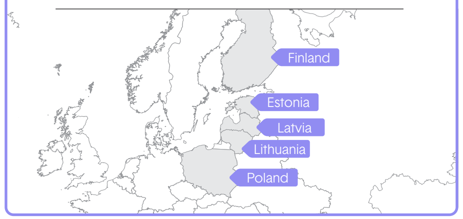


Customers & Solutions

Adjusted EBITDA, EURm



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



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

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

Green Generation

Highlights

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

Financial results

Revenue

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

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

Key financial indicators, EURm

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

Key regulatory indicators

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

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

Adjusted EBITDA

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

Investments

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

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

Operating performance

Electricity

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

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

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

Heat

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

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

Key operating indicators

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

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

Networks

Highlights

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

Financial results

Revenue

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

Adjusted EBITDA

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

Investments

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

Key financial indicators, EURm

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

Key regulatory indicators

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

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

Operating performance

Electricity distribution

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

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

Natural gas distribution

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

Smart meters

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

Key operating indicators

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

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

Flexible Generation

Highlights

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

Financial results

Revenue

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

Adjusted EBITDA

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

Investments

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

Operating performance

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

The total installed electricity generation capacity of Elektrėnai Complex is 1,055 MW, and 891 MW were used for reserve and isolated regime services. In 2021, the tertiary active power reserve in the capacity of 482 MW was ensured by units 7 and 8 at Elektrėnai Complex, while in 2022 the tertiary active power reserve was ensured in the scope of 519 MW by the same units. In 2021, CCGT was providing isolated system operation services in the scope of 371 MW. The remaining part of the isolated system operation services were provided by unit 7 in the scope of 38 MW. In 2022, CCGT was providing isolated system operation services in the scope of 371 MW. The remaining part of the isolated system operation services were provided by unit 8 in the scope of 1 MW.

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

Key financial indicators, EURm

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

Key operating indicators

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

Key regulatory indicators

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

[1] *Numbers approved and published by NERC*

Customers & Solutions

Highlights

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

Financial results

Revenue

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

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

Adjusted EBITDA

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

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

Net working capital

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

Key financial indicators, EURm

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

Key regulatory indicators[2]

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

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

Amortisation of energy price increase

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

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

Operating performance

Electricity sales

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

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

Natural gas sales

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

Other

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

Key operating indicators

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

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

3.3 Five-year annual summary

Key financial indicators

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

Key operating indicators

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

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

3.4 Results Q4

Financial results

Revenue

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

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

Adjusted EBITDA

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

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

Adjusted net profit

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

FCF

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

Operating performance

Electricity

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

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

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

Heat

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

Natural gas

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

Key financial indicators

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

Key operating indicators

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

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

Results by business segments Q4

Green Generation

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

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

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

Networks

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

Adjusted EBITDA was 52.2%, or EUR 16.4 million, higher compared to Q4 2021. The increase was driven by introduction of an additional tariff component (EUR +7.8 million). Additionally, the increase is related to the fact that adjusted EBITDA in December 2021 was very low because of higher volumes distributed before December as annual ROI and compensated D&A is fixed for the year, but allocated between the months based on distributed volumes.

Investments were 3.2% or EUR 2.8 million higher, due to more investments made into expansion of electricity distribution network and roll-out of smart maters (EUR +16.4 million and EUR +9.6 million respectively). The investment numbers were partly off-set by a decrease in maintenance investments (EUR -14.5 million) and decrease in Gas network investments (EUR -5.0 million).

Flexible Generation

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

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

Customers & Solutions

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

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

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

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

3.5 Quarterly summary

Key financial indicators[1]

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

[1] Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' section '6 Restatement of comparative figures due to changes in the accounting policy').
[2] The Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets. Such presentation shows the amount of Investments made during the year more accurately since the number of advance payments grew significantly with the increase of renewable energy project pipeline. For updated formula, see section '7.3 Alternative performance measures' or our website.

Key operating indicators

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

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

Governance

ignitis group

4.1 Supervisory Board Chair's statement

Trusted Supervisory Board – Governance excellence continuity

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

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

Focus on Green Generation expansion

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

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

Sustainability at its core

We encourage the Group's ambitious greenhouse gas reduction targets and commitment to reach net-zero emissions by 2050. The fact that the Science-Based Target initiative validated the Group's targets proves that we are on the right direction, and we will continue to oversee its progress towards reaching the Group's ambitious goals.

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

Management Board continuity

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

Looking ahead

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

Alfonso Faubel
Chair of the Supervisory Board
Ignitis Group

4.2 Governance framework

Overview of the Group's corporate governance

The Group's governance structure and model have been developed on the basis of the most advanced international and national practices, following the recommendations published by the OECD, having regard to the Corporate Governance Code for the companies listed on Nasdaq Vilnius and the Guidelines on the Governance for State-Owned Enterprises (SOEs) recommended by the Baltic Institute of Corporate Governance. Additionally, the corporate governance model of the state-owned group of energy companies was implemented in observance of the Corporate Governance Guidelines approved by the Ministry of Finance of the Republic of Lithuania (Corporate Governance Guidelines). The most recent amendments were adopted on 30 August 2022, and the latest wording of Corporate Governance Guidelines is available here.

The parent company acknowledges the importance of good corporate governance and currently applies the Corporate Governance Code for the companies listed on Nasdaq Vilnius to the extent possible. This code is based on the principle of 'comply or explain' (link in Lithuanian). In accordance with Article 12 (3) of the Law on Securities and Paragraph 24.5 of the Nasdaq Vilnius Listing Rules, the parent company must disclose annually how it complies with, or reasons for non-compliance with, the Nasdaq Vilnius Corporate Governance Code (including its specific provisions or recommendations). For a detailed description, please see section 'Further information'.

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

Key principles of corporate governance

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

Corporate governance recognitions

Ignitis Group – 2021/2022 Governance Index leaders

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

Since 2012 the parent company receives the highest rating in Good Corporate Governance Index and has been recognised as the best managed SOE. The Good Corporate Governance Index has been compiled since 2012 by the Governance Coordination Centre on annual basis with the aim to assess and measure how each SOE implements key good governance practices. Currently, this index is the most widely used measure for assessing the quality of governance of all SOEs. In the Corporate Governance Index of the SOEs of 2021–2022, the parent company received the highest possible (A+) rating and was recognised as the governance leader in the category of large companies for the fourth year in a row. The rating total was compiled in accordance with the three governance criteria – collegial bodies, strategic planning and implementation and transparency standards. Same as last year, the parent company maintained the highest possible rating (A+) in all three criteria.

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

Governance model

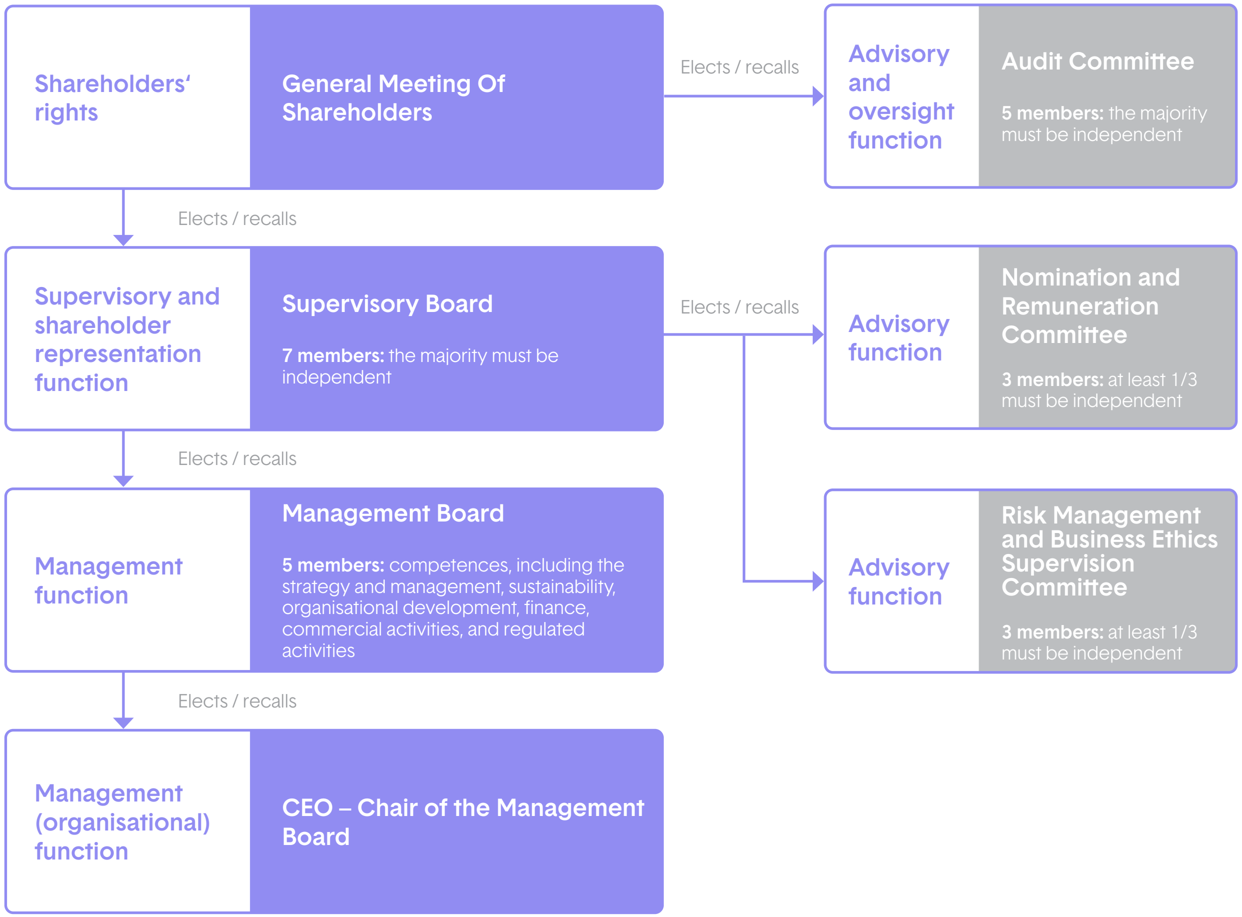
The parent company employs a corporate governance system designed to manage and control the Group as a whole with a view to achieve common objectives. The corporate governance of the Group is exercised through the parent company's functions, e.g., by coordinating common Group areas such as finance, law,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

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

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

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

Corporate governance model



Shareholders' rights and general meetings

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

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

Shareholders' competence

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

General meetings

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

On 29 March 2022, the Ordinary General Meeting of Shareholders passed the following resolutions:
- regarding the assent to AB „Ignitis grupė" consolidated annual report for the year 2021, except for the part of the remuneration report;
- regarding the assent to the remuneration report of AB „Ignitis grupė", as a part of the consolidated annual report of AB „Ignitis grupė" for the year 2021;
- regarding the approval of the set of audited annual financial statements of AB „Ignitis grupė" and consolidated financial statements of AB „Ignitis grupė" group of companies for the year 2021;
- regarding the formation of reserve for acquisition of own ordinary registered shares;
- regarding the allocation of profit (loss) of AB „Ignitis grupė" for the year 2021;
- regarding the acquisition of AB „Ignitis grupė" own ordinary registered shares;
- regarding the approval of the new wording of the Articles of Association of AB „Ignitis grupė" and the power of attorney;
- regarding the approval of the updated Group Remuneration Policy of AB „Ignitis grupė";
- regarding the acknowledgement of Share Allocation Rules of AB „Ignitis grupė" as no longer effective.

On 24 May 2022, the Extraordinary General Meeting of Shareholders passed the following resolutions:
- regarding the reduction of the share capital of AB „Ignitis grupė";
- regarding the approval of the new wording of the Articles of Association of AB „Ignitis grupė" and the power of attorney.

On 29 September 2022, the Extraordinary General Meeting of Shareholders passed the following resolutions:
- regarding the assent to the consolidated interim report of AB „Ignitis grupė" for the six months period ended 30 June 2022;
- regarding the approval of the set of audited interim condensed financial statements of AB „Ignitis grupė" for the six months period ended 30 June 2022;
- regarding the allocation of dividends to the shareholders of AB „Ignitis grupė" for a period shorter than the financial year;
- regarding the approval of the updated Remuneration Policy of AB „Ignitis grupė" group of companies;
- regarding the remuneration of the members of the Supervisory Board of AB „Ignitis grupė".

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

Majority Shareholder

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

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

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

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

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

Expectations of Majority Shareholder

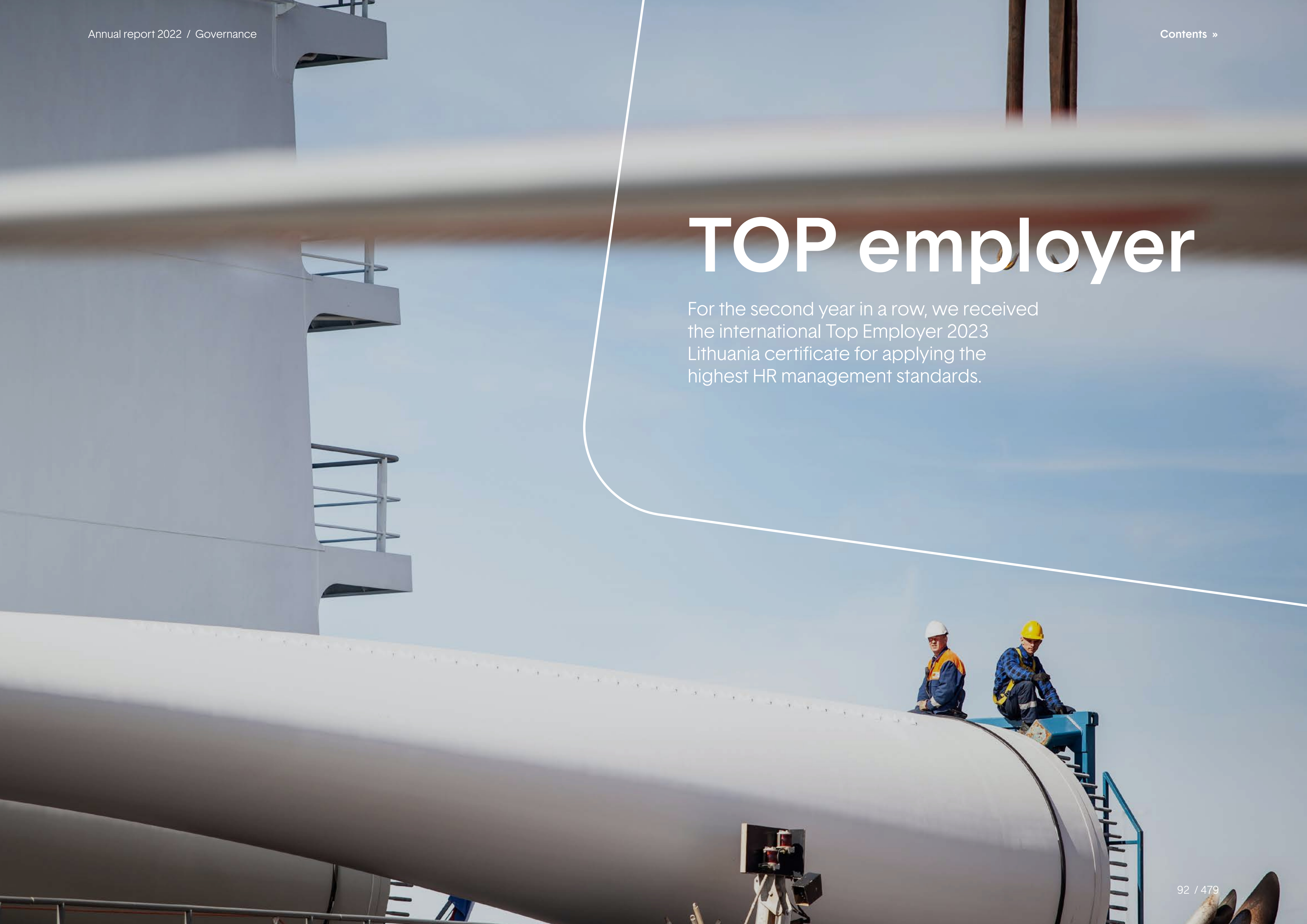
In accordance with the Property Guidelines (link in Lithuanian), the Majority Shareholder submits a Letter of Expectations to the parent company at least once every four years on the objectives pursued by the Majority Shareholder in the SOE and its expectations. With that in mind, the Letter of Expectations regarding the activities of the Group was approved by the Order of the Minister of Finance on 13 April 2018, and the latest amendment supporting the Group's strategy have been issued on 17 February 2021.

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

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

TOP employer

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



4.3 Supervisory Board and committees

Overview

Supervisory Board

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

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

The Supervisory Board is elected by the General Meeting for the period of four years. The Supervisory Board of the parent company comprises seven members: five independent members and two representatives of the Majority Shareholder. The Supervisory Board also elects its Chair from among its members. Such method of forming a Supervisory Board is in line with the corporate governance principles.

Key responsibilities of the Supervisory Board are the following:

- considering and approving the business strategy, annual budget and investment policy of the parent company and the Group;
- analysing and evaluating implementation of business strategy, providing this information to the General Meeting of Shareholders;
- electing and removing members of the Management Board;
- supervising activities of the Management Board and the CEO;
- providing comments to the General Meeting of Shareholders on a set of financial statements, allocation of profit or loss, and annual report;
- considering the conclusion of the parent company's Audit Committee, delivering an opinion regarding certain agreements of the parent company to be made with a related party.

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

Information on selection criteria of the Supervisory Board members

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

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

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

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

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

Conflicts of interest

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

Committees of the Supervisory Board

In order to perform its functions and duties effectively, the parent company's Supervisory Board forms committees. The committees submit their conclusions, opinions and suggestions to the parent company's Supervisory Board in accordance with their competence. The committee must have at least three members, where at least one member must be a member of the Supervisory Board and at least 1/3 of the members must be independent. The members of the committees are elected for the period of four years.

The committees of the Supervisory Board are the following:

- **the Nomination and Remuneration Committee** is responsible for submitting comments and proposals to the Supervisory Board on the matters of appointment, removal or promotion of the Management Board members and members of the supervisory and management bodies of the parent company's subsidiaries. The committee's functions also cover forming a common remuneration policy for the Group companies, determining the size and composition of remuneration, incentive principles, etc.;
- **the Risk Management and Business Ethics Supervision Committee** is responsible for submitting comments and proposals regarding the management and control system in the Group and/or the status of implementation of the main risk factors and risk management tools to the Supervisory Board; for compliance with business ethics, maintenance of a bribery and corruption risk management system and submitting recommendations to the Supervisory Board.

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve specific issues, to prepare, supervise or coordinate strategic projects, etc.). At the end of the reporting period and as of the date of this report, only the committees of Nomination and Remuneration and Risk Management and Business Ethics Supervision were operating in the parent company.

Activities, composition of the committees as well as information on members' education, experience, place of employment and shareholdings of the Group companies at the end of the reporting period is provided below in the report. Furthermore, details of remuneration during the reporting period are provided in '4.6 Remuneration report' section of this report.

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

Overview of the current Supervisory Board and it's committees

Key information

	Supervisory Board	Nomination and Remuneration Committee	Risk Management and Business Ethics Supervision Committee
Term of office	26 October 2021 – 25 October 2025	3 November 2021 – 25 October 2025	22 April 2022 – 25 October 2025
Independence, including the Chair	71%	67%	100%
Meeting attendance	100%	98%	92%
Share holdings of the parent company or its subsidiaries	None	None	None

Meeting attendance[1]

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

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

Competence matrix

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

Supervisory Board

Information about the current Supervisory Board

The Supervisory Board members were elected by the General Meeting of Shareholders on 26 October 2021. The newly elected Supervisory Board members started their activities immediately after the end of the General Meeting of Shareholders that elected them.

The current Supervisory Board comprises seven members, five of them are independent and two represent the Majority Shareholder. On 29 October 2021, the Supervisory Board elected Alfonso Faubel as the Chair from amongst its members. The term of office of the current Supervisory Board expires on 25 October 2025.

The members of the Supervisory Board were selected on the basis of the general expectations and competencies set out in the Competence Profile of the Supervisory Board. The profile included general requirements, independence requirements (for independent members only), ethical and values requirements (including diversity requirement). The members were being selected to the six areas of competence – financial management, organisational development, sustainable development and risk management, strategy development and international expansion, renewable energy as well as public policy and governance.

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

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

Activities of the current Supervisory Board

Overview

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

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

During the reporting period

Overall 15 meetings of the Supervisory Board were held in 2022, covering the following key areas:

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

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

After the reporting period

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

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

Performance evaluation

At least once every three years, the parent company contracts an independent external consultant to carry out evaluation of the Supervisory Board's performance. The first such evaluation was conducted in the third quarter of 2021. The findings of the evaluation are used to improve the work of the Supervisory Board and its committees and prepare a supervisory board profile. In addition, in line with good governance practices and the Majority Shareholder's expectations, each year, on its own initiative, the Supervisory Board conducts a self-assessment and agrees on further actions to improve the functioning of the Supervisory Board.

Members of the Supervisory Board

Alfonso Faubel

Chair, member since 26/10/2021
Independent
Competence: renewable energy
Committees: R
Term of office expires: 25/10/2025

Experience
Alfonso has held executive responsibilities in Siemens Gamesa, Alstom/GE (which are leading players in the global wind power & energy markets) and Delphi Automotive. As CEO he has led the turn-around and integration of Siemens Gamesa, secured key target projects for over €12 billion in new orders across Alstom/GE's power businesses, and earlier opened 16 new markets worldwide for their wind power business. Alfonso Faubel is an executive with a career that spans 34 years and five continents in automotive, digitization and energy industries and is valued for his skills in business turnaround, improving operational excellence, working with teams in different cultural environments on assignments worldwide.

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

Other current place of employment, position
None.

Owned shares of the parent company
None.

Lorraine Wrafter

Member since 26/10/2021
Independent
Competence: organisational development
Committees: N
Term of office expires: 25/10/2025

Experience
Lorraine is a global HR director with a specialisation in Organisation Effectiveness (change, culture, M&A, organisation design, reward and talent management), working with boards and executive teams to transform organisations and workforce performance to deliver business value in complex multinational organisations.

Lorraine has more than 30 years of experience in big multinational corporations: CARGILL Inc. and HOLCIM.

Currently she has her own business 'The Problem' and works on varied projects such as organisation transformation, culture, team dynamics, and coaching. She is also a Board Advisor to a German start-up company HACK - CMP.

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

Other current place of employment, position
Consultant and owner of 'THE PROBLEM'.

Owned shares of the parent company
None.

Judith Buss

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

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

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

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

Owned shares of the parent company
None.

Tim Brooks

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

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

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

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

Other current place of employment, position
Vice President, Corporate Responsibility at LEGO System A/S (Åstvej 1 7190, Billund, Syddanmark); Board Trustee, the Global Action Plan (network of organisations); Member of the Board, the Honnold Foundation (non-profit organisation).

Owned shares of the parent company
None.

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

Bent Christensen

Member since 12/11/2020
Re-elected on 26/10/2021
Independent
Competence: strategic management and international development
Committees: N
Term of office expires: 25/10/2025

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

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

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

Owned shares of the parent company
None.

Aušra Vičkačkienė

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

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

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

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

Owned shares of the parent company
None.

Ingrida Muckutė

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

Experience
Ingrida is a highly experienced accounting and reporting, financial audit regulation professional with a career of 18 years working at the Ministry of Finance. She started her career in the Ministry of Finance as a Director of Accounting Methodology Department in 2004, where she initiated and led the public sector accounting reform. In 2013, during Lithuania's presidency in the European Council, she was chairing the Task Force on Company Law meetings on Audit Directive and Regulation. From then on, her responsibilities cover chairing the Committee of National Accounting Standards for private and public sectors. She also actively contributes to modernising the national systems of accounting, companies' insolvency and property and business valuation through proposals of legal initiatives.

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

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

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

Owned shares of the parent company
None.

71%
Independence, including the Chair

57%
Share of women in the Supervisory Board

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

Nomination and Remuneration Committee

Overview

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

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

- to submit proposals in relation to the long-term remuneration policy of the parent company and the Group companies (fixed base salary, performance based incentives, pension insurance, other guarantees and remuneration forms, compensations, severance pay, other items of the remuneration package), and the principles of compensation for expenses related to the person's activities;
- to monitor compliance of the remuneration and bonuses policies of the parent company and the Group companies with the international practice and good governance practice guidelines, and provide suggestions for their improvement;
- to assess the terms and conditions of the agreements between the parent company and the Group companies or the members of the management and supervisory bodies;
- to assess the procedures for recruitment and hiring of candidates to the positions of management and supervisory bodies of the parent company and Group companies[1], and establish qualification requirements for them; submit comments and proposals to the Supervisory Board;
- to assess the structure, size, composition and activities of management and supervisory bodies of the parent company and the Group companies;
- to oversee and assess the implementation of measures ensuring business continuity of the management and supervisory bodies of the parent company and the Group companies;
- to perform other functions falling within the scope of competence of the committee as decided by the Supervisory Board.

Information about the current Nomination and Remuneration Committee

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

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

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

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

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

Activities of the current Nomination and Remuneration Committee

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

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

During the reporting period

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

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

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

After the reporting period

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

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

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

Members of the Nomination and Remuneration Committee

Lorraine Wrafter

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

Member of the Supervisory Board
See page 97

Bent Christensen

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

Member of the Supervisory Board
See page 98

Aušra Vičkačkienė

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

Member of the Supervisory Board
See page 98

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

67%

Independence

67%

Share of women in the Nomination and Remuneration Committee

Risk Management and Business Ethics Supervision Committee

Overview

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

Key responsibilities of the Risk Management and Business Ethics Supervision Committee are the following:
- to monitor how risks relevant to the achievement of the parent company's and the Group companies' objectives are identified, assessed and managed;
- to assess the adequacy of internal control procedures, operational ethics and risk management measures for identified risks;
- to assess the state of implementation of risk management measures;
- to monitor the implementation of the risk management process;
- to assess the risks and the risk management plan of the parent company and the Group companies;
- to assess the periodic risk identification and assessment cycle;
- to monitor whether risk registers are compiled, analyse their data, submit proposals;
- to monitor the preparation of internal documents related to risk management;
- to assess the sufficiency and adequacy of a company's internal documents governing the fight against bribery and corruption and periodically monitor their implementation/compliance;
- to periodically monitor information related to operational ethics management actions, events and unresolved incidents (ensuring transparency, prevention of bribery, corruption risk management/prevention, etc.);
- to perform other functions assigned to the competence of the Committee by the decision of the Supervisory Board;
- to prepare and submit a report on its activities to the Supervisory Board at least every 6 months.

Information about the current Risk Management and Business Ethics Supervision Committee

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

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

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

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

Activities of the current Risk Management and Business Ethics Supervision Committee

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

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

During the reporting period

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

After the reporting period

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

Members of the Risk Management and Business Ethics Supervision Committee

Tim Brooks

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

Member of the Supervisory Board
See page 97

Alfonso Faubel

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

Member of the Supervisory Board
See page 97

Šarūnas Rameikis

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

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

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

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

Number of shares in parent company
None.

100%

Independence including the Chair

0%

Share of women in the Risk Management and Business Ethics Supervision Committee

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

4.4 Audit Committee report

2022 highlights

Overview

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

Activities of the committee

During the reporting period

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

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

Key areas covered in 2022

The committee carried out the following activities in 2022:

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

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

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

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

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

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

After the reporting period

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

Plans for 2023

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

Irena Petruškevičienė
Chair of the Audit Committee
Ignitis Group

Audit Committee overview

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

Audit Committee and internal audit function

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

Key responsibilities of the Audit Committee are the following:

Financial reporting

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

External audit

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

Internal audit

- To monitor effectiveness of the internal audit function, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of the Head of the Group Internal Audit, to coordinate and evaluate periodically the work of the Group Internal Audit, to discuss verification results, removal of identified deficiencies and implementation of internal audit plans.
- To approve operational rules of the Group Internal Audit and the Internal Audit Plan.

Internal control and risk management

- To monitor the effectiveness of the Group companies' internal control and risk management systems affecting the audited company's financial statements.
- To submit opinions to the Group companies regarding transactions with related parties, as provided in Paragraph 5 of Article 37^{2} of the Law on Companies of the Republic of Lithuania.

Governance

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

Information about the current Audit Committee

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

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

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

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

Competence matrix

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

Overview of the current Audit Committee

Key information

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

Meeting attendance[1]

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

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

Members of the Audit Committee

Irena Petruškevičienė

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

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

Education
Vilnius University, Diploma in Economics.

Other current place of employment, position
Maxima Grupė, Chair of the Audit Committee.

Owned shares of the parent company
None.

Saulius Bakas

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

Experience
Saulius is an experienced professional with over 25 years of experience in accounting & reporting, audit and assurance, internal controls and risk management in Lithuanian, USA and Ukrainian markets. He worked as an auditor at an audit and consulting company PricewaterhouseCoopers. Saulius was also a country managing partner at Deloitte Lithuania from 2012 to 2020. He is a member of the Lithuanian Association of Certified Auditors and a fellow member of the Association of Chartered Certified Accountants (ACCA).

Education
Vilnius University, Master's degree in Economics; Vilnius University, Bachelor's degree in Business Administration, CIA – Certified Internal Auditor.

Other current place of employment, position
Self-employed consultant at UAB "Sauba".
Director of UAB "VIRIDIS Sustainability".

Owned shares of the parent company
None.

Marius Pulkauninkas

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

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

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

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

Owned shares of the parent company
None.

Judith Buss

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

Member of the Supervisory Board
See page 97

Ingrida Muckutė

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

Member of the Supervisory Board
See page 98

80%

Independence including the Chair

60%

Share of women in the Audit Committee

[1] The term of office of the Audit Committee ends on 26/09/2025, however, according to the Articles of Association of the parent company, if a member of the Supervisory Board ceases to be a member of the Supervisory Board, he or she shall be deprived of the office in the committee, therefore the term of office of the individual Supervisory Board members on the committee is linked to the term of office of the Supervisory Board.

4.5 Management Board

Overview

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

Key responsibilities of the Management Board are the following:

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

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

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

Information on the selection criteria of the members

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

Information on remuneration of the members during the reporting period

Remuneration for the activities of the Management Board, provided below in section 'Remuneration report' below and on our website, is paid in accordance with the Group's Remuneration Policy. The policy's latest version was approved by the General Meeting of Shareholders on 29 September 2022.

Conflicts of interest

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

Information about the current Management Board and its activities

Overview

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

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

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

Competence matrix

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

Activities of the Management Board

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

During the reporting period

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

- approval of the parent company's Annual Report and its submission to the Supervisory Board and the General Meeting of Shareholders;
- approval of the interim report of the Group for the six months period ended on 30 June 2022 and the set of audited interim condensed financial statements for the six months, the allocation of dividends to the Shareholders and its submission to the General Meeting of Shareholders;
- evaluation of the parent company's annual financial statements and draft allocation of profit (loss) and providing comments to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the most significant transactions planned by the parent company, approval of their conclusion and approval of essential terms of those transactions;
- making decisions on participation and voting in general meetings of shareholders of the companies in which the parent company is a shareholder;
- evaluation of the organisation of the parent company's and the Group companies' activities and taking decisions related thereto;
- evaluation and approval of the parent company's operational planning documents, taking into account the opinion of the parent company's Supervisory Board;
- making decisions on approval of Group's internal policies.

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

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

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

After the reporting period

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

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

Members of the Management Board

Darius Maikštėnas

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

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

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

Other current place of employment, position
Eurelectric, Member of the Management Board.

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

Jonas Rimavičius

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

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

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

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

Owned shares of the parent company[1]
500.

Dr. Živilė Skibarkienė

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

Experience
Živilė is a professional in law and organisational development with 5+ years of executive experience. She joined the Group in 2018 and since then she has transformed how the Group is governed, and has successfully implemented digitalisation and operational excellence programmes. She also serves as Member of the Supervisory Board at Ignitis Gamyba. Prior to that, Živilė had gained executive experience while working in the financial sector. She was Head of Legal and Administrative Department at Šiaulių Bankas, Member of the Management Board and deputy CEO at Finasta Bank as well as Head of Compliance at DNB Bankas (now Luminor), and Head of Legal Department at SEB Bankas.

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

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

Owned shares of the parent company[1]
300.

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

Vidmantas Salietis

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

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

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

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

Owned shares of the parent company[1]
200.

Mantas Mikalajūnas

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

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

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

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

Owned shares of the parent company[1]
220.

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

CEO overview

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

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

During the reporting period, on 18 February 2022 the Supervisory Board elected the new members of the Management Board and submitted an opinion regarding the CEO of the parent company. During the first meeting of the new Management Board held on the same day, Darius Maikštėnas was elected as the CEO of the parent company. The term of the CEO and the current Management Board ends on 17 February 2026.

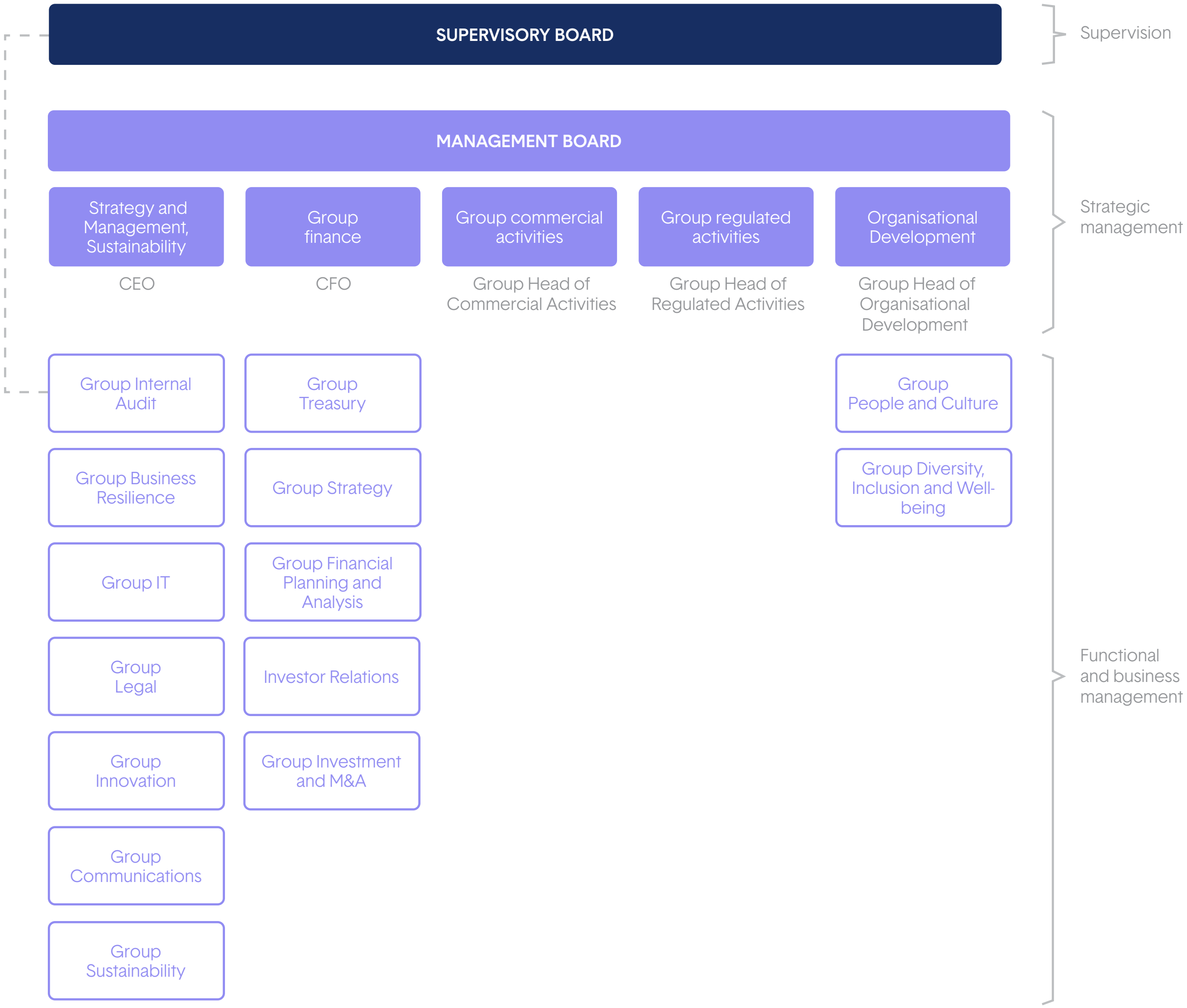
The main functions and responsibilities of the CEO are:

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

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

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

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



4.6 Remuneration report

Overview

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

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

Key activities in 2022

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

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

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

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

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

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

Plans for 2023

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

Lorraine Wrafter
Chair of the Nomination and
Remuneration Committee
Ignitis Group

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

Remuneration within the group

Remuneration-related decision-making process

Remuneration structure of the Group is based on two key documents: Remuneration Policy and Remuneration Guidelines. The Remuneration Policy defines the key principles and essential provisions on remuneration management and structure whereas Remuneration Guidelines, which is an internal document, is a supporting document detailing the provisions of Remuneration Policy (e.g., setting and evaluation of objectives, determination, and payment of short-term incentives). Both documents are integrated and apply to all companies of the Group.

Remuneration Policy's approval process is based on the Lithuanian Labour Code, the Corporate Governance Code for the Companies Listed on Nasdaq, and the Law on Companies. The parent company is required to submit any proposed amendments of the Remuneration Policy for the approval of the General Meeting of Shareholders. Before that, the parent company's Nomination and Remuneration Committee and the Supervisory Board provide their comments and proposals regarding the amendments of the Remuneration Policy.

Procedures for informing and consulting the representatives of employees of the parent company and the Group companies as well as other stakeholders are also implemented. The latest version of the Remuneration Policy is available on our website.

Remuneration Guidelines are approved by the decision of the parent company's Management Board.

Remuneration Policy-related decision-making process

1. The parent company's Management Board submits proposed Remuneration Policy amendments to the Nomination and Remuneration Committee
2. The Nomination and Remuneration Committee reviews, discusses, and provides its opinion on the suggested amendments
3. A review and discussion about the Remuneration Policy's amendments is conducted with the employee representatives of the parent company and the Group companies and / or other stakeholders
4. The Supervisory Board reviews, discusses and gives opinion on the suggested amendments
5. The parent company's Management Board submits suggested Remuneration Policy amendments to the General Meeting of Shareholders for approval
6. The Remuneration Policy comes into force once it is approved by the General Meeting of Shareholders
7. The Remuneration Policy is implemented through internal legal acts (e.g., Remuneration Guidelines which are approved by the parent company's Management Board, etc.)

Regulated by the Lithuanian Labour Code, the Corporate Governance Code for the Companies Listed on Nasdaq and the Law on Companies.

Remuneration Policy and its structure

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

Key principles of Group Remuneration Policy	
Internal fairness	We ensure that similar- or same-value-creating work is compensated equally throughout the organisation.
External competitiveness	Employees are entitled to receive a competitive salary based on their function, market conditions and geography.
Clarity	We aim that all employees are informed about how their performance, competences and qualification impact their remuneration package as well as on what basis it is set.
Transparency	We believe in transparency and share our objective remuneration criteria with our employees.
Equal opportunities and non-discrimination	Decisions on remuneration must be made in accordance with the provisions set out in the Remuneration Policy and the Policy of Equal Opportunities and Diversity in force in the Group.

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

Overall, our Remuneration Policy is designed to attract, retain, and motivate employees to ensure the achievement of the Group's targets. Thus, we aim to bring remuneration closer to the median of the market where the Group companies operate. Depending on the competitive environment in a certain country or the strategic objectives set for a Group company, a different remuneration ratio (higher or lower) than the median remuneration market may be set. In order to ensure the principle of external competitiveness, the FBS salary ranges may be determined and reviewed annually, considering the data of an independent national salary survey and the remuneration market trends. Salary ranges are determined for each job level based on the median of the salary market (except for the top level managers, which salary ranges are below the median of the market salary due to historical gap between the ranges and market salary which is being decreased on a yearly basis).

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

Remuneration structure[1]

Type	Element		Applicability	Description and performance measures
Fixed remuneration	Fixed base salary (FBS)		All Group employees	FBS is established in the employment contract while considering the level of the position and the level of competence of the employee required for the position. Base salary is paid on a monthly basis. Fixed base salary revision is performed during the annual performance review or when necessary (in case of changes in functions, career, etc.).
Fixed remuneration	Additional benefits		All Group employees	Non-cash remuneration such as accidental injury insurance (all employees are covered with a maximum payout of EUR 30,000) and a variety of health insurance schemes with pre-set funds, contributions to a private pension fund, spa treatment and other benefits applied according to the internal legal acts and employee decision. Benefits package for the members of the parent company's and Group companies' Management Boards additionally includes a company's car.
Fixed remuneration	Payment for being a board member (PBM)		Members of the parent company's or Group companies' collegial bodies	PBM is fixed and paid on a monthly basis (for more information see section 'Remuneration of collegial bodies of the parent company').
Variable remuneration	Short-term incentives (STI)		All Group employees	Performance-based incentivization, i.e., for meeting targets or indicators set for an individual position. STI proportion is determined as a percentage of FBS, up to 20% STI (of the annual FBS) is applied for the executives and positions with strategic responsibilities, other employees receive up to 10%. In order to achieve the flexibility of the remuneration system for specific job groups, a specialized remuneration system can be introduced.
Variable remuneration	Bonus	Additional financial incentives	All Group employees except CEOs and members of the Management Boards of the parent company and Group companies	Performance based incentivization to promote extraordinary results or for managing Group's strategically important initiatives. Additional financial incentives shall be provided at the initiative and discretion of the employer and is not guaranteed part of the remuneration package.
Variable remuneration	Bonus	Long-term bonus	Executives of Group companies' (only subsidiaries)	Performance-based incentivization to promote successful long-term strategic objectives set within the scope of developed and/or managed renewable energy projects and/or activities carried out in the Green Generation segment. Amount, together with STI, cannot exceed the amount of the FBS of the Executives during the respective period.

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

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

Short-term incentives

Short-term incentives (STI) are tied to performance results, i.e., a percentage of the annual FBS set for a particular position or an employee for meeting their targets. The maximum STI level set for the parent company's Management Board as well as CEOs, members of management boards and top executives of the Group companies is 20% (since 2020) of the annual FBS. For the remaining employees, except employees with alternative energy product/related services management, commercial, and strategic objectives, the maximum STI level is capped at 10%. STI composition depends on a mix of objectives of the parent company, the Group/function, and team/individual objectives.

Objective-based STI composition, depending on the employee's position within the Group, is provided in the following table. Additionally, further information about STI objectives of members of the parent company's Management Board, including the CEO, and its performance outcomes are provided in the section 'Remuneration of the parent company's Management Board' below.

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

STI composition depending on the employee position within the Group

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

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

Long-term incentives

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

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

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

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

Remuneration of the parent company's management board

Overview

During the reporting period, on 18 February 2022 the term of the former parent company's Management Board has ended. Accordingly, we provide the development of paid remuneration including both former and current members of the Management Board. More in-depth information about the former members of the Management Board is available on Annual report 2021, section 'Governance report', and about the current Management Board – in section 'Governance report' of this report.

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

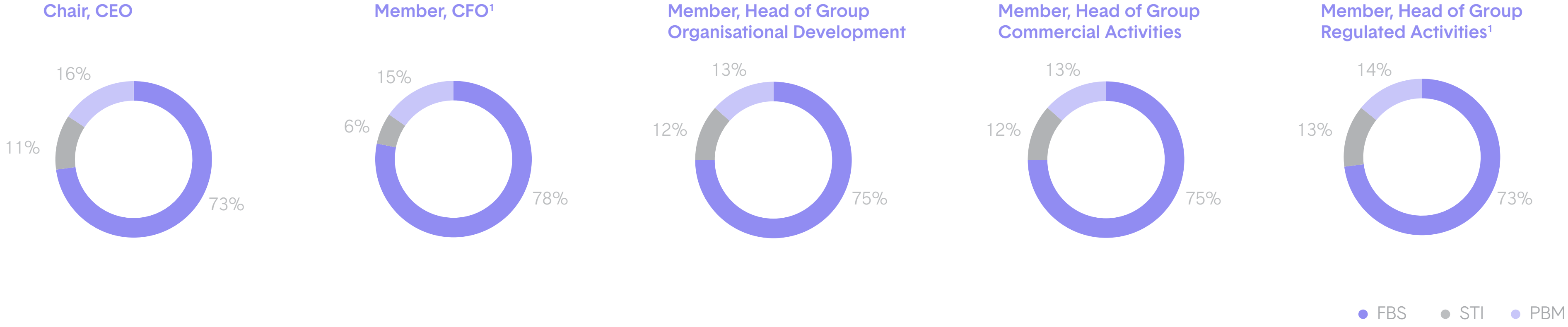
Despite a turbulent year marked with uncertainty as a result of Russia's invasion of Ukraine, logistics and energy crisis, the Group's overall results were strong, which resulted in exceeded guidance and, thus, achievement of 2022 STI objectives for which STI payments will be made in Q2 2023 (for further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

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

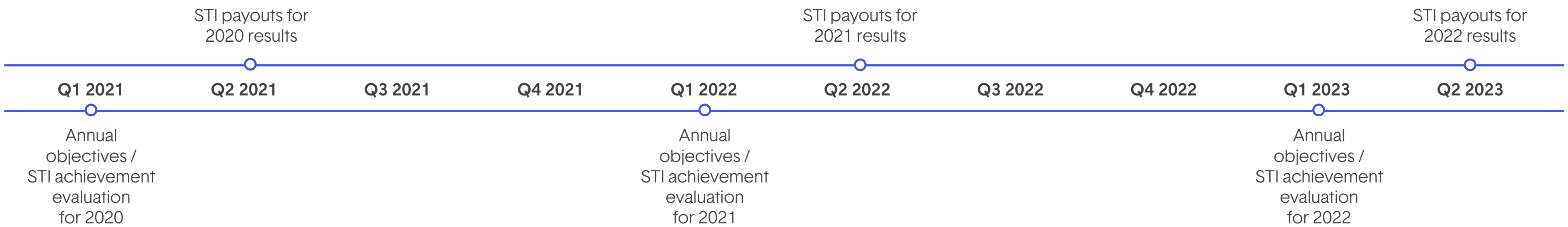
		2022	2021	2020[3]	2019
FBS[1]	Darius Maikštėnas	144,040	128,578	121,311	94,135
	Jonas Rimavičius[4]	94,919	-	-	-
	Dr. Živilė Skibarkienė	121,042	107,998	98,374	74,261
	Vidmantas Salietis	120,396	107,770	101,477	77,540
	Mantas Mikalajūnas[4]	96,100	-	-	-
	Darius Kašauskas[5]	40,871	108,049	101,617	78,573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

[1] FBS is the same for all former members (except CEO / Chair of the Management Board) of the parent company's Management Board. The differences appear due to sick leaves.
[2] STI are paid in Q2 for previous calendar year's results (e.g., STI for 2021 was paid in Q2 2022, thus STI pay-out in 2022 reflects the achievement of 2021 targets, for further details see diagram 'Remuneration payment timeline for a fiscal year' below).
[3] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to the FBS, thus increasing FBS paid for 2020 and decreasing STI paid for 2019 in 2020.
[4] Jonas Rimavičius and Mantas Mikalajūnas elected as members of the Management Board on 18 February 2022 causing comparison discrepancies.
[5] On 18 February 2022, term ended for Darius Kašauskas as Management Board member (the job agreement terminated on 28 February 2022) causing comparison discrepancies. Accordingly, STI payment in 2022 includes 9 months' severance payment of EUR 94,599 (before taxes).
[6] On 25 June 2021 Dominykas Tučkus resigned from the position of a member of the Management Board causing comparison discrepancies.
[7] Dominykas Tučkus STI pay-out in 2021 includes STI for 2021 results (the job agreement terminated on 25 June 2021), whereas for other members of the Management Board includes STI for 2020 targets achieved.

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



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



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

Short-term incentives

2022 STI objectives and achievement overview

Annual objectives of the CEO and the members of the parent company's Management Board are based on the Group's strategic plan and are aligned with the annual objectives of the parent company. The objectives are approved and their achievement, which is related to the STI size, is assessed by the Group's Supervisory Board. The maximum STI size for the achievement of objectives is capped at 20% of the annual FBS.

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

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

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

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

2023 STI objectives' overview

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

The parent company Management Board's STI objectives for 2023

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

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

Further information on contractual terms of the members of the parent company's Management Board

Severance payments

Members of the parent company's Management Board (who are also employees of the parent company) are entitled to the severance payments in accordance with the Labour Code acts upon termination of their contractual relationship. According to the Remuneration Policy, severance payments higher than provided for in the Labour Code could only be awarded to the Management Board members by the decision of the parent company's Supervisory Board.

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

Non-compete overview

Non-compete agreements with members of the Management Board may be concluded in accordance with the Labour Code. The Group's Non-Compete Standard specifies in further detail the non-compete compensation limits (when employment contract is terminated) applicable to the Group's employees:

- monthly compensation limits are 50%, 70% or 100% of the average monthly salary depending on the non-competition period which could be 6, 9 or 12 months respectively;
- non-compete compensation terms may be negotiated and concluded on a case-by-case basis but not exceed the above-mentioned limits.

In 2022, the parent company entered into one non-compete agreement with the CEO and Chair of the parent company's Management Board (see below). In 2023, it is planned to review non-compete policies across the Group and sign and/or review existing non-compete agreements with strategically important positions.

Overview of the CEO's contractual terms

In accordance with the Law on Companies, an employment agreement is concluded with the CEO of the parent company. The CEO may resign by a written notice addressed to the Management Board that elected him. The Management Board that elected the CEO shall decide regarding the removal of the CEO within 15 days from the date of receipt of the notice of resignation. Also, according to the Law on Companies, the CEO may be removed from office by the competent body without notice. A separate written non-compete agreement was concluded with the CEO in accordance with the provisions of the Labour Code on 1 March 2022. Non-compete agreement conditions correspond to overall company and market best practices.

Other information

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

Remuneration of collegial bodies of the parent company

Overview

Remuneration principles for members of collegial bodies are established under the Guidelines for Corporate Governance of State-Owned Energy Group. Following the recommendations of the Governance Coordination Centre and best market practices, the principle of remuneration for members of collegial bodies of the parent company and the Group companies was adjusted in 2022, starting to pay remuneration for civil servants that are members of collegial bodies as well as adjusting amounts of other members. This principle came into force with the General Meeting of Shareholders' approval of the adjusted Remuneration Policy on 29 September 2022. We expect this change to improve both, the remuneration transparency, clarity, and in the future help to attract civil servants.

Key principles of remuneration of collegial bodies

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

- remuneration for activities in collegial bodies shall be fixed for the full term and shall not depend on the results of the performance of the parent company or the Group companies;
- the remuneration of the members of the parent company's Supervisory Board for participating in the activities of the committees, including the Audit Committee, shall be included in their remuneration for their activities in the Supervisory Board, and they shall not receive additional remuneration for the activities in the committees;
- members of the Supervisory Board and Audit Committee members are not entitled to severance payments upon termination of their contractual relationship.

Remuneration for activities in the parent company's collegial bodies shall be paid to:

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

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

More information about remuneration of collegial bodies of Group companies is available in our Remuneration Policy.

Remuneration structure

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

Remuneration of members of the parent company's collegial bodies

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

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

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

In 2021, the term of the former Supervisory Board has ended. As a result, on 26 October 2021, new members of the Supervisory Board were elected by the General Meeting of Shareholders for a four-year term. Further on, new Supervisory Board committees were formed, and the candidates to the Audit Committee were elected by the General Meeting of Shareholders. As a result, we provide separately the development of paid remuneration for former members of the Supervisory Board, its committees, and the Audit Committee and the current members of the collegial bodies.

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

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

Name (position)	2022		2021	
	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]
Alfonso Faubel (Chair of the Supervisory Board, Member of the Risk Management and Business Ethics Supervision Committee)	35,940	-	5,645[4]	-
Lorraine Wrafter (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	27,420	-	4,387[4]	-
Timothy Brooks (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics Supervision Committee)	27,420	-	4,387[4]	-
Judith Buss (Member of the Supervisory Board, Member of the Audit Committee)	27,420	-	4,387[4]	-
Bent Christensen (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	27,420	-	4,387[4]	-
Aušra Vičkačkienė[2] (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	4,710	-	-[2]	-
Ingrida Muckutė[2] (Member of the Supervisory Board, Member of the Audit Committee)	4,710	-	-[2]	-
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	-[3]	-	-[3]
Irena Petruškevičienė (Chair of the Audit Committee)	-	24,000	-	6,000[4]
Saulius Bakas (Member of the Audit Committee)	-	21,600	-	5,400[4]
Marius Pulkauninkas (Member of the Audit Committee)	-	21,600	-	5,400[4]
Total remuneration	**155,040**	**67,200**	**23,193**	**16,800**

[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees is included in their remuneration for their activities in the Supervisory Board, and they do not receive additional remuneration for the activities in the committees.

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

[3] Šarūnas Rameikis was elected as a member of the Risk Management and Business Ethics Supervision Committee on 20 April 2018 and his term of office is until 19 April 2022. Due to the fact that the monthly remuneration approach delineated in the new version of the Remuneration Policy and is applicable only to collegial body members who were elected for a new term, Šarūnas Rameikis remuneration was based on hourly terms and remuneration awarded to him is reflected in the table below 'Development of awarded remuneration for activities in the parent company's former Supervisory Board, its committees and the Audit Committee'.

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

As described in the overview of the remuneration of collegial bodies of the parent company, on 27 September 2021, the remuneration principle was changed from hourly to monthly. New remuneration approach was applied starting from the new terms of collegial bodies, thus it was not applicable for the former members of the Supervisory Board, its committees and the Audit Committee detailed in the table below.

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

Name (position)	2022		2021		2020		2019		2018	
	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]	Supervisory Board	Committees[1]
Darius Daubaras (Chair of the Supervisory Board, Member of the Risk Management and Business Ethics Supervision Committee)	-	-	14,850[5]	-	22,950	-	16,650	-	13,877	-
Andrius Pranckevičius (Member of the Supervisory Board, Chair of the Risk Management and Business Ethics Supervision Committee)	-	-	23,881[5]	-	-[4]	-	5,288	-	7,618	-
Daiva Lubinskaitė – Trainauskienė (Member of the Supervisory Board, Chair of the Nomination and Remuneration Committee)	-	-	6,750[5]	-	6,263	-	5,070	-	3,929	-
Judith Buss[2] (Member of the Supervisory Board)	-	-	10,125[5]	-	3,038	-	-	-	-	-
Bent Christensen[2] (Member of the Supervisory Board)	-	-	10,725[5]	-	2,625	-	-	-	-	-
Aušra Vičkačkienė[3] (Member of the Supervisory Board, Member of the Audit Committee)	-	-	-	-	-	-	-	-	-	-
Daiva Kamarauskienė[3] (Member of the Supervisory Board, Member of the Nomination and Remuneration Committee)	-	-	-	-	-	-	-	-	-	-
Irena Petruškevičienė (Chair of the Audit Committee)	-	-	-	14,700[5]	-	15,488	-	11,738	-	9,720
Danielius Merkinas (Member of the Audit committee)	-	-	-	10,763[5]	-	11,888	-	10,590	-	6,780
Šarūnas Radavičius (Member of the Audit Committee)	-	-	-	9,787[5]	-	9,750	-	8,258	-	3,180
Ingrida Muckutė[3] (Member of the Audit Committee)	-	-	-	-	-	-	-	-	-	-
Lėda Turai – Petrauskienė (Member of the Nomination and Remuneration Committee)	-	-	-	7,650[5]	-	4,125	-	-[4]	-	1,800
Šarūnas Rameikis (Member of the Risk Management and Business Ethics Supervision Committee)	-	750[5]	-	4,950	-	-[4]	-	3,375	-	2,580
Total remuneration	**-**	**750**	**66,331**	**47,850**	**34,876**	**41,251**	**27,008**	**33,961**	**25,424**	**24,060**

[1] The remuneration of the members of the parent company's Supervisory Board for participation in the activities of the committees is included in their remuneration for their activities in the Supervisory Board, and they do not receive additional remuneration for their activities in the committees.
[2] Elected as members of the Supervisory Board since 12 November 2020.
[3] Members of the Supervisory Board, its committees or the Audit Committee who are delegated by the Majority Shareholder do not receive any remuneration from the parent company for their activities in the Supervisory Board.
[4] Due to late submission of hours worked, remuneration was paid in the next periods thus appearing 0 in respective years.
[5] The data does not reflect full-year remuneration, i.e. it reflects remuneration awarded till the end of each member's term of office.

Additional information on remuneration of the group employees

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

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

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

[1] Due to the Management Board's decision to keep only the strategic positions in the parent company, other positions are moved to other Group companies, thus constantly reducing number of employees.
[2] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020.
[3] Average salary was recalculated by including STI, thus data differs compared to reported in Annual report 2020.
[4] As a result of individual tax system reform in Lithuania, gross salaries were recalculated, increasing it by 28.9% in 2019.

Average monthly remuneration and number of the Group employees[1, 2], EUR (before taxes)

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

[1] Excluding trainees: 7 in 2021,4 in 2020.
[2] The average salary of the employees of the Group companies operating in Poland is calculated using the official EUR/PLN exchange rate on the last day of each month during which the salary was paid.
[3] To align STI structure within the Group, part of STI (20% out of 40%) was transferred to FBS, thus increasing the FBS paid for 2020 and decreasing the STI paid for 2019 in 2020.
[4] Excluding data of employees from the following Group companies: UAB "EURAKRAS", Ignitis Latvija SIA, Ignitis Polska Sp. z o.o., Pomerania Wind Farm sp. z o. o., „Tuuleenergia osaühing", UAB „VVP Investment", Ignitis Eesti OÜ.
[5] As a result of individual tax system reform in Lithuania, gross salaries were recalculated increasing, it by 28.9% in 2019.

4.7 Risk and risk management report

Risk management framework

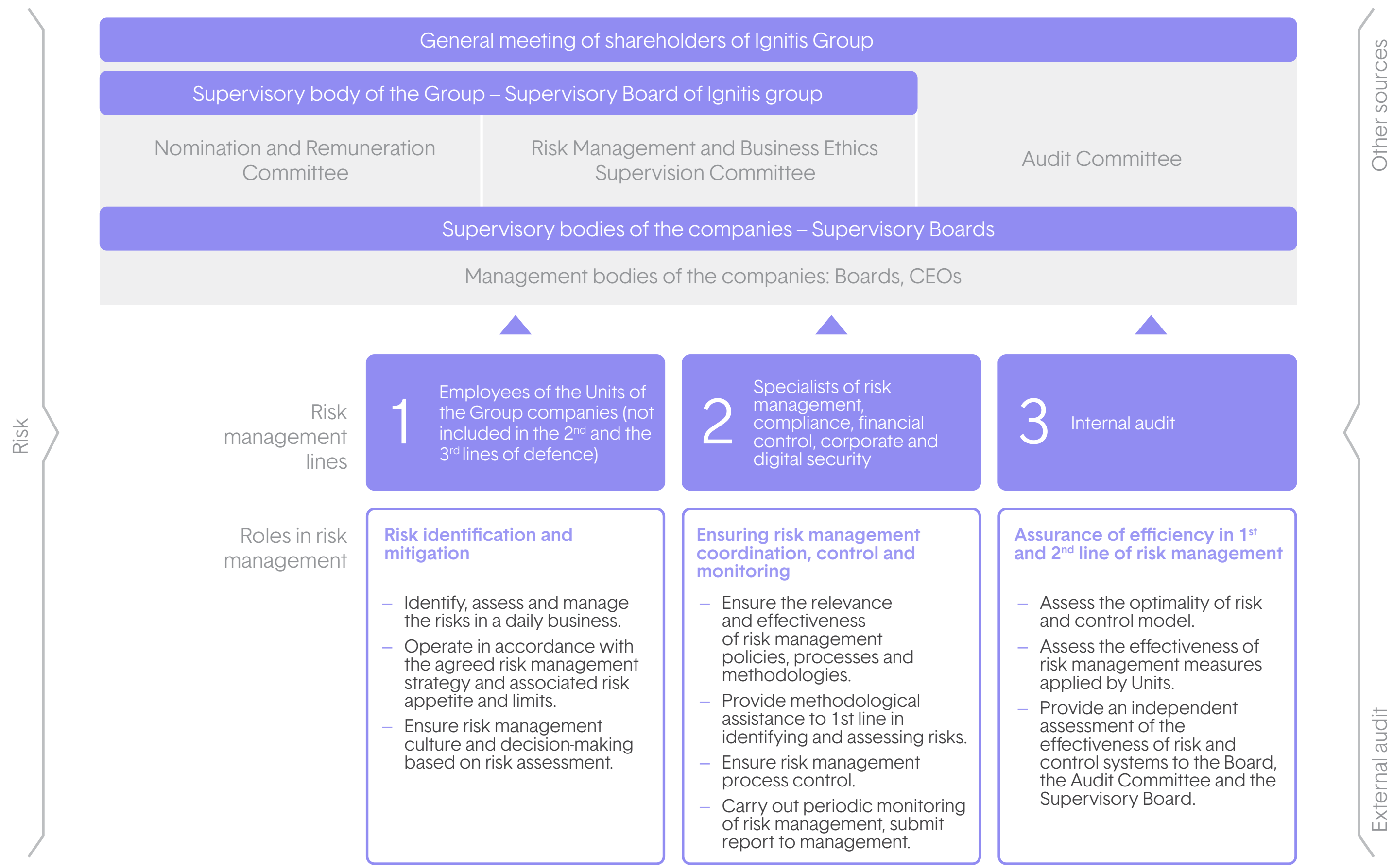
Overview

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

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

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

Three-lines risk management framework



Key risk management objectives:

- to eliminate or reduce the impact of the materialised risks on the Group's goals for different periods as much as possible;
- to ensure that correct information is provided to decision-makers, shareholders, and other stakeholders in a timely manner;
- to protect and ensure the Group's reputation and reliability;
- to protect the interests of shareholders, employees, customers, stakeholders, and the public;
- to ensure the stability (including financial) and sustainability of the Group's activities.

Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic operating environment, the Group pays special attention to proactive risk management. Therefore, on a quarterly basis, the Group reviews risk levels, plans new risk management measures as needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that our management receives the most relevant information to make necessary decisions in a timely manner.

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

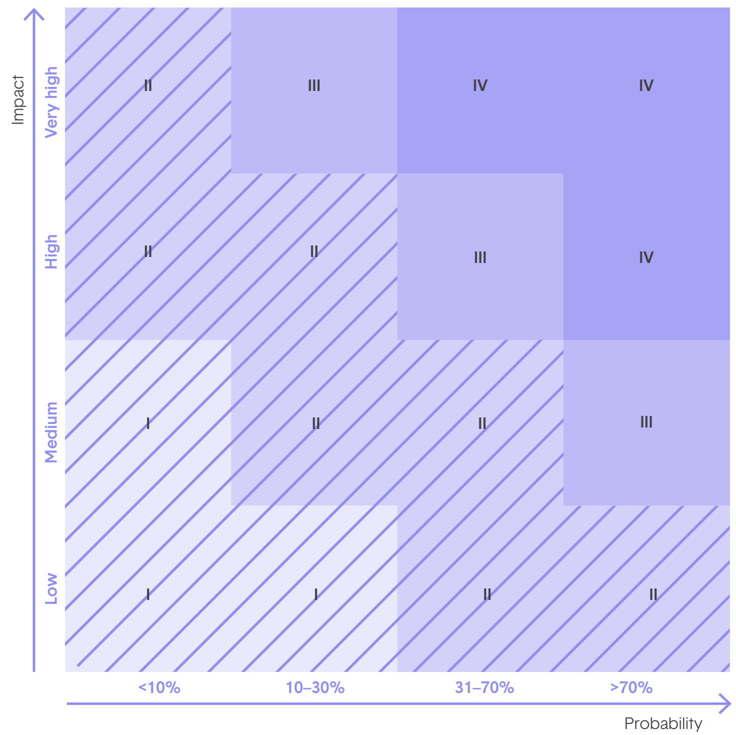
1. **Identification stage.** At the beginning of each annual planning process, the Group's enterprise risk management team issues risk management planning guidelines, which contain the most relevant information on various sources of risks and their potential impact on the Group. During the last quarter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

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

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

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

Risk assessment matrix



Risk levels

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

Criteria for TOP risks on Group level

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

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

Risk financial materiality assessment

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

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

Risk categories

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

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

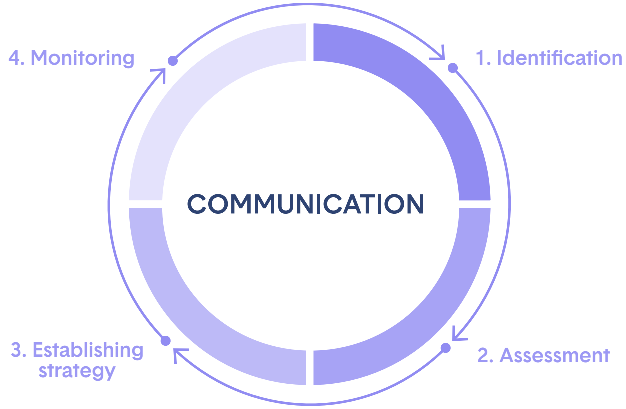
If a risk meet specific criteria, it could also be assigned to ESG risks type (for further details, see section 'ESG risks').

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

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

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

Risk management process



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

Key risks and their control

Risk management in 2022

Overview

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

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

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

Q4 2022 risk management update

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

Occupational health & safety (OHS)

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

Russia's invasion of Ukraine

Overview

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

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

Impact on business segments

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

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

Networks

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

Green Generation

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

Flexible Generation

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

Customers & Solutions

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

Cyber security

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

Mitigation

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

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

Other

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

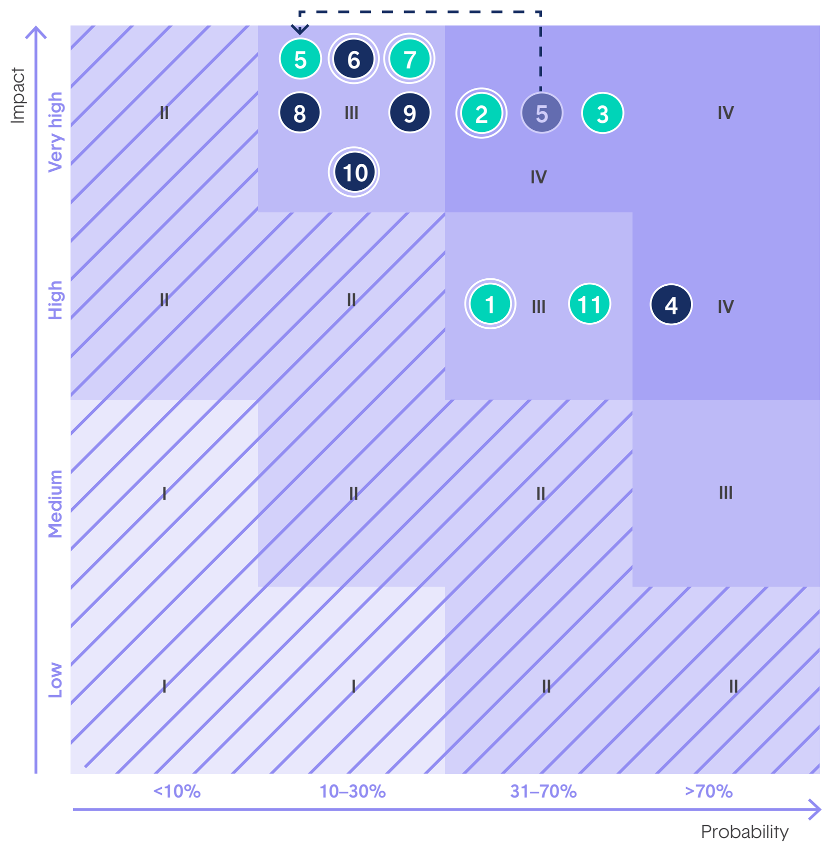
Risk management in 2023

Overview

After the annual risk reassessment, the key risks of the Group determined for the 2023 are listed in the heat map below. As we started to categorize all risks according to their relevance to ESG issues, we introduced a special marking of these risks in the heat map as well.

1. Risk of occupational health & safety accidents of employees and contractors (the Group)
2. Risk of insufficient transmission grid capacities (Green Generation)
3. Risk of not winning the Lithuanian offshore wind tender (Green Generation)
4. Risk of liquid hedging products' deficit (Customers & Solutions)
5. Employee attraction, development and retention risk (Green Generation)
6. Financial liquidity risk (the Group)
7. Risk of unplanned and adverse regulatory changes (the Group)
8. Risk of failure to complete the Vilnius CHP biomass unit project properly and in time (Green Generation)
9. Risk of recovery of not notified State-aid (Flexible Generation)
10. Lithuanian energy system security risk (Flexible Generation)
11. Risk of cyber-attack (the Group)

Heat map of the key risks of the Group



Risk levels

- IV Very high (extreme)
- III High
- II Medium
- I Low
- Group's risk appetite

Criteria for TOP risks on Group level

Risks with significant financial impact (above Group risk appetite, i.e., > 2% Group adj. EBITDA)

Group risks above Group risk appetite (relevant for more than two companies)

- New or adjusted risks
- ESG risks

TCFD-R (a)

ESG risks

As countries, international organizations pay more and more attention to various sustainability topics: climate change prevention, anti-corruption, promotion of transparency, social welfare, implementation of good governance principles, the Group understands its responsibility and contributes to the implementation of sustainability goals. To achieve these goals, the Group focuses its risk management on areas important for environmental protection, social responsibility, and governance (ESG). Therefore, all risks in the Group are assessed while considering ESG factors, i.e., assigning the relevant risks under ESG risks. Below we reveal our main principles on ESG risks' information disclosure, management, and promoting awareness of these risks.

1. **Information related to ESG risks' disclosure:** transparency of sustainability related information is essential to maintain the trust of our stakeholders. Therefore, the Group follows the recommendations of the TCFD for the disclosure of this type of information.
2. **ESG risks management:** climate change related risks and opportunities are addressed as an integral part of the Group's daily business and are fully integrated into the applied risk management process, i.e., our processes for identifying and assessing risks related to climate change follow the same procedures as for assessing other risks (see 'Risk management process' section above). The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the Group's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Climate change can be a negative factor in assessing the likelihood of materialisation of various risks and/or assessing the potential impact of risks on finance/reputation/compliance/people's health and safety.
3. **Promoting awareness of ESG risks:** the Group's employees are being trained and consulted on climate change and other ESG risks and their possible impact on achieving business goals. This increases the Group's ability to identify and manage climate related and other ESG risks in a timely manner and, at the same time, contribute to global sustainability goals.

The Group assess all the risks if they meet ESG risks' criteria. Based on these criteria, ESG type is assigned to the risk. E type is assigned to risks including climate-related physical, transitional, and other environmental risks, S to social and G to governance related risks. Below we disclose the Group's key ESG risks according to their type (additional information on the typology of these and other key risks of the Group, risk management directions and other relevant information are available in section 'Management plan of the key risks').

ESG risks meeting the environmental criteria:

2 The risk of insufficient grid capacities. The risk is attributable to the transitional market changes risk type.

3 The risk of not winning the Lithuanian offshore wind tender. The risk can be attributed to the transitional reputational risk type.

ESG risks meeting the social criteria:

1 Risk of occupational health & safety accidents of employees and contractors.

5 Employees' attraction, development, and retention risk.

ESG risks meeting the corporate governance criteria:

7 Risk of adverse/unplanned regulatory changes.

11 Risk of cyber-attack.

The risks of corruption, non-compliance, failure to ensure business continuity and to implement greenhouse gas emission mitigation goals are not in the Group's key risks register. All of these risks are medium or low level because of applied effective risk management measures. However, the Group understands the importance of the aforementioned risks for the achievement of sustainability goals, therefore pays attention to the management of these risks and also discloses information about their management (see 'Other significant ESG risks and their management directions'). More information on the Group's sustainability goals, initiatives is available in section 'Sustainability (Corporate Social Responsibility) report' of this report.

Management plan of key risks

1 Risk of occupational health & safety accidents of employees and contractors

Main source of risk:
- Insufficient risk assessment of workplaces (employees and contractors)
- Lack of practical skills and knowledge
- Failure to comply with safety requirements

Key risk indicators:
- Fatal accidents
- Workplaces with violations
- TRIR
- Inspected employees' workplaces
- Control of contractors' workplaces in the facilities of the Group

Risk category | Operational

ESG type | Social

Period | Long-term

Impact on strategic direction
Sustainability

Primary potential impact
On people's health & safety

Risk level
High

Main risk management directions
- Training of employees according to the approved OHS instructions and the functions assigned to the positions
- Mandatory training of employees is carried out (where necessary – certification) in accordance with the applicable requirements
- Training of contractors' responsible persons
- OHS control of workplaces (and contractors' employees) is carried out
- Occupational risk assessment of workplaces is carried out
- Sharing accident or incident investigation material and conclusions with employees and OHS specialists of other companies (prevention is in progress)
- Group companies: AB „Energijos skirstymo operatorius", AB „Ignitis gamyba", UAB „Ignitis" and UAB „Ignitis grupės paslaugų centras" are ISO 45001 certified
- Education of contractors and subcontractors and collection of TRIR data is carried out
- Update of Occupational Health & Safety Policy
- Implementation of Group occupational health & safety programme "Is it safe?"
- Standardization of the process of occupational health & safety incidents and accidents

2 Risk of insufficient transmission grid capacities

Main source of risk:
- The limited availability of electricity transmission network power reservations (both due to the technical capabilities of the network, decisions of regulatory authorities, and due to growing competition in the markets) limits the Group's opportunities to develop Green Generation projects

Key risk indicators:
- Secured gross Green Generation pipeline, GW
- Green Generation pipeline, with grid reservations, GW
- Green generation pipeline, limited by grid capacities, GW

Risk category | Strategic

ESG type | Environmental – climate

Period | Long-term

Impact on strategic direction
Green Generation

Primary potential impact
Financial

Risk level
Very high

Main risk management directions
- Cooperation with State authorities
- A hybrid project model is applied to the development of Green Generation combining wind, solar and storage capacities
- Innovations related to electricity storage, conversion to other chemicals and transportation
- Development of Green Generation projects in various countries

3 Risk of not winning the Lithuanian offshore wind tender

Main source of risk:
- Parties participating in the competition can submit better tenders for the implementation of the project

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category | Strategic

ESG type | Environmental – climate

Period | Short-term

Impact on strategic direction
Green Generation

Primary potential impact
Financial

Risk level
Very high

Main risk management directions
- Partnership with Ocean winds, which has many years of experience in the implementation of Green Generation projects
- Attracting and retaining professional employees with experience in the development of offshore wind projects
- Development of competencies of existing employees in the field of offshore wind energy (as part of partnership with Ocean Winds, employees secondment program to offshore wind farm Moray West in Scotland is being implemented).
- Use of external consultants

4 Risk of liquid hedging products' deficit

Main source of risk:
- Lack of derivative hedging, transaction parties and producers in Lithuania and other Baltic states

Key risk indicators:
- Share of hedged portfolio

Risk category | Financial

ESG type | Not related

Period | Medium-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
Very high

Main risk management directions
- Daily monitoring of the hedging portfolio
- Increasing Lithuania's/Latvia's hedging share in the retail electricity portfolio
- Contracting long-term PPAs in LT/LV

5 Employee attraction, development and retention risk

Main source of risk:
- Difficulty to ensure the sufficient human resources, replacement, taking into account extremely rapid development of Green Generation projects

Key risk indicators:
- Hiring rate

Risk category | Strategic

ESG type | Social

Period | Long-term

Impact on strategic direction
People and culture

Primary potential impact
Financial

Risk level
High

Main risk management directions
- Employees are offered a competitive salary and additional benefits
- Critically important competences for the development of Green Generation are identified within the Group
- Employees are given opportunities to improve their competence
- Cooperation with human resources agencies in Lithuania and abroad
- Energy Smart Start programme implementation

6 Financial liquidity risk

Main source of risk:

- Due to the increased need for working capital, there may be difficulties in managing the Group's cash flows

Key risk indicators:

- The value of the S&P credit rating liquidity indicator
- The Group's net working capital need at the end of each quarter of the year

Risk category | Financial

ESG type | Not related

Period | Short-term

Impact on strategic direction

Finance

Primary potential impact

Financial

Risk level

High

Main risk management directions

- Maintaining a certain committed liquidity reserve from various sources of short-term financing (e.g., credit lines from commercial banks, short-term debt securities, short-term financing from institutional banks)
- The Group controls cash flows centrally. Group companies also finance working capital through the Group's mutual lending platform

7 Risk of unplanned and adverse regulatory changes

Main source of risk:

- Changing existing regulations in the waste incineration sector may have a negative impact on the Group's performance
- Changing legal base, requirements, and expectations for ancillary services (electric power)
- Complicated mandatory coordination of investments and costs of the distribution system operator with the regulator, ensuring adequate regulated returns

Key risk indicators:

- Periodic reporting of risk signals to the management

Risk category | External

ESG type | Governance

Period | Long-term

Impact on strategic direction

Finance

Primary potential impact

Financial

Risk level

High

Main risk management directions

- Cooperation with regulatory authorities
- Participation in consultations and working groups
- Centralized coordination and monitoring of regulatory issues is carried out in the Group

8 Risk of failure to complete the Vilnius CHP biomass unit project properly and in time

Main source of risk:
- Due to the tense geopolitical situation, there is uncertainty of prices and delivery terms of raw materials and products needed for construction
- Due to the fault of the former contractor (Rafako), the main construction contract was terminated and then a new one was concluded, the duration of the project implementation was extended, and the costs increasedts

Key risk indicators:
- Biofuel power plant project budget deviation (from the approved plan)
- Implementation of the project according to the planned schedule

Risk category | Operational

ESG type | Not related

Period | Short-term

Impact on strategic direction
Green Generation

Primary potential impact
- Financial
- Reputation

Risk level
High

Main risk management directions
- Active control of the contractor's activities, organization of sub-contracts, work schedules is carried out
- Project solutions are changed, which may allow to reduce the project budget or help to implement the project faster
- Constant cooperation with the authorities, and in the event of a possible manifestation of risk – presentation of the delay scenario and provision of measures

9 Risk of recovery of not notified State-aid

Main source of risk:
- The EC has not been notified about the state support allocated to AB "Ignitis gamyba"

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category | External

ESG type | Not related

Period | Long-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
High

Main risk management directions
- Continuous collaboration and provision of information to the authorities (the EC and the Ministry of Energy of the Republic of Lithuania)
- Centralized coordination of regulatory issues within the Group

10 Lithuanian energy system security risk

Main source of risk:
- Group owns energy generation and storage infrastructure, that is important for Lithuanian energy system security and is responsible for this infrastructure proper operation
- Failure to fulfil contracted provisioning of services (e.g., as a result of both internal and external factors), may result in failure for ensuring the security of the electrical energy system

Key risk indicators:
- Energy blocks availability, reliability rates

Risk category | External

ESG type | Not related

Period | Long-term

Impact on strategic direction
Finance

Primary potential impact
- Reputation

Risk level
High

Main risk management directions
- Personnel training, employees are being rotated between different energy blocks in order to maintain competence
- Periodic testing of units providing tertiary reserve or isolated network service
- Quality control procedures for the performance and execution of technical maintenance (including repairs) have been established
- Equipment maintenance schedule and annual review, adjustment, approval and implementation of maintenance and repair plans
- Use of the integrated asset management system of energy facilities

11 Risk of cyber-attack

Main source of risk:
- Cyber-attacks against the Group companies organized by third parties
- Social engineering attacks, data theft
- Known vulnerabilities in systems have been removed late or improperly

Key risk indicators:
- Number of internal and external critical vulnerabilities
- Average time to fix critical vulnerabilities

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction
Organization

Primary potential impact
- Reputation
- Compliance

Risk level
High

Main risk management directions
- Periodic preparation of vulnerability reports and submission to responsible persons
- Removal of internal and external cyber-vulnerabilities
- Internal audit
- Cooperation with external partners
- Developing digital security competencies by becoming accredited members of the CERT organization, participating in cyber security exercises with external partners
- The Group-wide cybersecurity supervision is ensured 24/7

Other significant ESG risks and their management directions

Information on other ESG risks (whose levels, due to effective risk management measures applied, are within Group's risk appetite) that are important for the achievement of Sustainability goals, is disclosed below.

Risk of non-compliance

Main source of risk:

The Group's must comply with:

- GDPR;
- MAR;
- REMIT, EMIR;
- Requirements of the III energy package;
- AML;
- other requirements relevant to the Group.

Key risk indicators:

- Sanctions
- Incidents
- Complaints

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction

Organization

Primary potential impact

- Compliance
- Reputation
- Financial

Risk level

Medium

Main risk management directions

- Centralized coordination of compliance issues in the Group
- Mandatory employee training programmes
- Completed separation of distribution, supply, and production activities
- Improvement of control mechanisms

Risk of not ensuring business continuity

Main source of risk:

- The Group companies that are important for national security must meet the requirements of the legal acts regulating the continuity of the activities of these companies
- Different perception of ensuring the continuity in the Group, different level of maturity
- Changing external legal regulation leads to uncertainty in the transition period (Mobilization, Civil Protection and Crisis Management)

Key risk indicators:

- Periodic reporting of risk signals to the man-agement

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction

Organization

Primary potential impact

- Compliance
- Reputation
- Financial
- People's health & safety

Risk level

Medium

Main risk management directions

- Updated Group Business Continuity Policy and Standard (integration of internal and external legal regulations into a unified business continuity model applicable to the entire Group; separated responsibilities, etc.)
- Business impact analyses are carried out, during which processes critical to the Group are identified, emergency situations management plans and other plans for ensuring business continuity are prepared/renewed and exercises of these plans are carried out
- Periodic trainings for company managers, owners of critical processes are carried out

Corruption risk

Main source of risk:
- Abuse of power
- Conflicts of public-private interests

Key risk indicators:
- Conflicts of interest cases
- Corrupt violations
- Misdeclaration or non-declaration of private interests
- Reports on corruption violations
- Declaration of gift

Risk category | Operational

ESG type | Governance

Period | Long-term

Impact on strategic direction
Organization

Primary potential impact
- Compliance
- Reputation

Risk level
Medium

Main risk management directions
- Application of ACMS (anti-corruption management system), LST / ISO 37001:2017
- Standardized Group corruption risk assessment and management processes
- Strengthening and automation of existing control mechanisms
- 'Trust line' for reporting corruption, unethical behaviour, cases of discrimination and etc.
- Group Code of Ethics
- Group Anti-Corruption Policy
- Periodic anti-corruption training
- The standard for withdrawal and dismissal of Group employees from the decision making, where possibility for conflict of public-private interests exists
- Gift register, registration standard
- Participation in anti-corruption initiatives (e.g., Anti-Corruption Hackathon)

The risk of not meeting the targets for reducing greenhouse gas emissions

Main source of risk:
- Lack of technologies for emission reduction and unaffordability
- Insufficient coordination of plans and goals at the Group level

Key risk indicators:
- Change in GHG emissions
- Stakeholder complaints regarding non-achievement of objectives

Risk category | Strategic

ESG type | Environmental – climate

Period | Long-term

Impact on strategic direction
Sustainability

Primary potential impact
Reputation

Risk level
Medium

Main risk management directions
- Group emissions are calculated twice a year, trends are analysed, and conclusions are drawn
- The Group sets targets for reducing emissions and their implementation measures
- Centralized coordination on emission reduction issues is carried out within the Group

Compliance Programme

The Group strives for maximum transparency, effective management of inside information and equality of all financial market participants regarding the availability of the issuer's material information. Effective prevention of market abuse is one of our main priorities. The Group is listed in both London and Nasdaq Vilnius stock exchanges – it constantly strives to comply with all relevant EU, Lithuanian and UK laws and regulations.

The Group's own internal market abuse prevention and transparency rules are regularly updated and the main regulations are made available to the public (link). The Group periodically trains its employees on market abuse and insider rules. The coordination of market abuse prevention is one of the responsibilities of the Group's Business Resilience unit. Key market abuse prevention projects of 2022 include:

- specialized compliance training course for persons discharging managerial responsibilities (PDMR) was significantly updated in the field of market abuse prevention and trading transparency. Transactions of the PDMR and the persons closely associated with them must adhere to a specialized internal Closed Period calendar, which is prepared and updated in accordance with the requirements of the Market abuse regulation (EU) No 596/2014. Notification threshold – EUR 5,000 within a calendar year;
- taking into consideration the high standards applied in financial markets, a specialized inside information management and trading transparency training course was updated. The course was created to ensure that the persons who are on the insider list are able to identify, manage and disclose inside information and are familiar with the established prohibitions. The Group Inside Information Management Guidelines are updated periodically. In parallel, an Insider Management Committee (comprising 5 experts from finance, law, compliance, investor relations and communication areas), is successfully continuing its operations by effectively dealing with complex insider management issues while ensuring maximum transparency;
- constantly improving the knowledge of the Group employees in the field of market abuse prevention and implementing the best practices approved by supervisory authorities within the Group: publishing educational articles on the Group's intranet; initiating a specialized training, for example, for IT colleagues; preparing targeted memos and clarifications; presentations; providing periodic summaries and reminders to the Group managers and target employee groups.

In 2022, same as in the previous year, the Group has successfully ensured the compliance with all MAR (Market Abuse Regulations) requirements.

Related party transactions

The parent company follows the provisions of the Law on Companies of the Republic of Lithuania (link in Lithuanian) when conducting related party transactions. During the reporting period, there was a change in the provisions of the Law on Companies of the Republic of Lithuania regulating transactions with related parties. It must be noted that the Supervisory Board of the parent company considers the conclusions of the Audit Committee and makes decisions regarding the related party transactions of the parent company and the Group companies if they meet all of the following materiality criteria: (i) the type of transaction is: property investment, acquisition, transfer, lease, pledge and mortgage of assets, suretyship or guarantee for the discharge of obligations; (ii) the amount of the transaction or the aggregate amount of such transactions during the financial year exceeds 1/10 of the asset value shown in the most recent balance sheet; (iii) transactions are conducted under unusual market conditions and/or are not attributable to the usual economic activities. We disclose information about the concluded related party transactions on our website and in accordance with the IFRS requirements in the section '6. Financial statements' of this report. Additionally, according to the Article 372 (11) of the Law on Companies of the Republic of Lithuania, the Group's annual report must include transactions concluded with related parties for property investment, acquisition, transfer, lease, pledge and mortgage of assets, suretyship or guarantee for the discharge of obligations, when the transaction or the total amount of such transactions during the financial year exceeds 1/10 the asset value shown in the most recent balance sheet, entered into in the ordinary course of business under normal market conditions as well as information on legal name, registration code, business form, official register and address of the related party which is also disclosed in the '6. Financial statements' of this report.

4.8 Information about the Group

Corporate structure

As of the end of the reporting period, the Group consisted of the parent company and 36 fully consolidated subsidiaries. This number hasn't changed after the reporting period. The parent company of the Group is AB „Ignitis grupė" is responsible for the co-ordination of activities and transparent management of the Group. Further information, including financials about the parent company and its subsidiaries is available in the section below, on our website and section 'Further information' of this report.

The entities presented on the next page are directly or indirectly controlled by the Group, which applies the governance system as per below (i.e. each number indicated below and on the next page corresponds to governance system type the company uses):

1	**The Supervisory Board** is formed out of 7 non-executive members (2 shareholder's representatives, 5 independent). **The Management Board** is formed out of 5 executive members. **Chief Executive Officer** is also the Chair of the Management Board.
2	**The Supervisory Board** is formed out of 5 non-executive members[1] or 3 non-executive members (2 shareholder's representatives and 1 independent member). **The Board** is formed out of 5 or 3 executive members. **Chief Executive Officer** is also the Chair of the Board.
3	**The Board** is formed out of 3 non-executive members (2 shareholder's representatives and 1 independent member). The structure might be different in some companies and it is not formed until the company starts its operations[2]. **General Manager** is not a member of the Board.
4	**The Board** is not formed. **General Manager** is a sole management body.

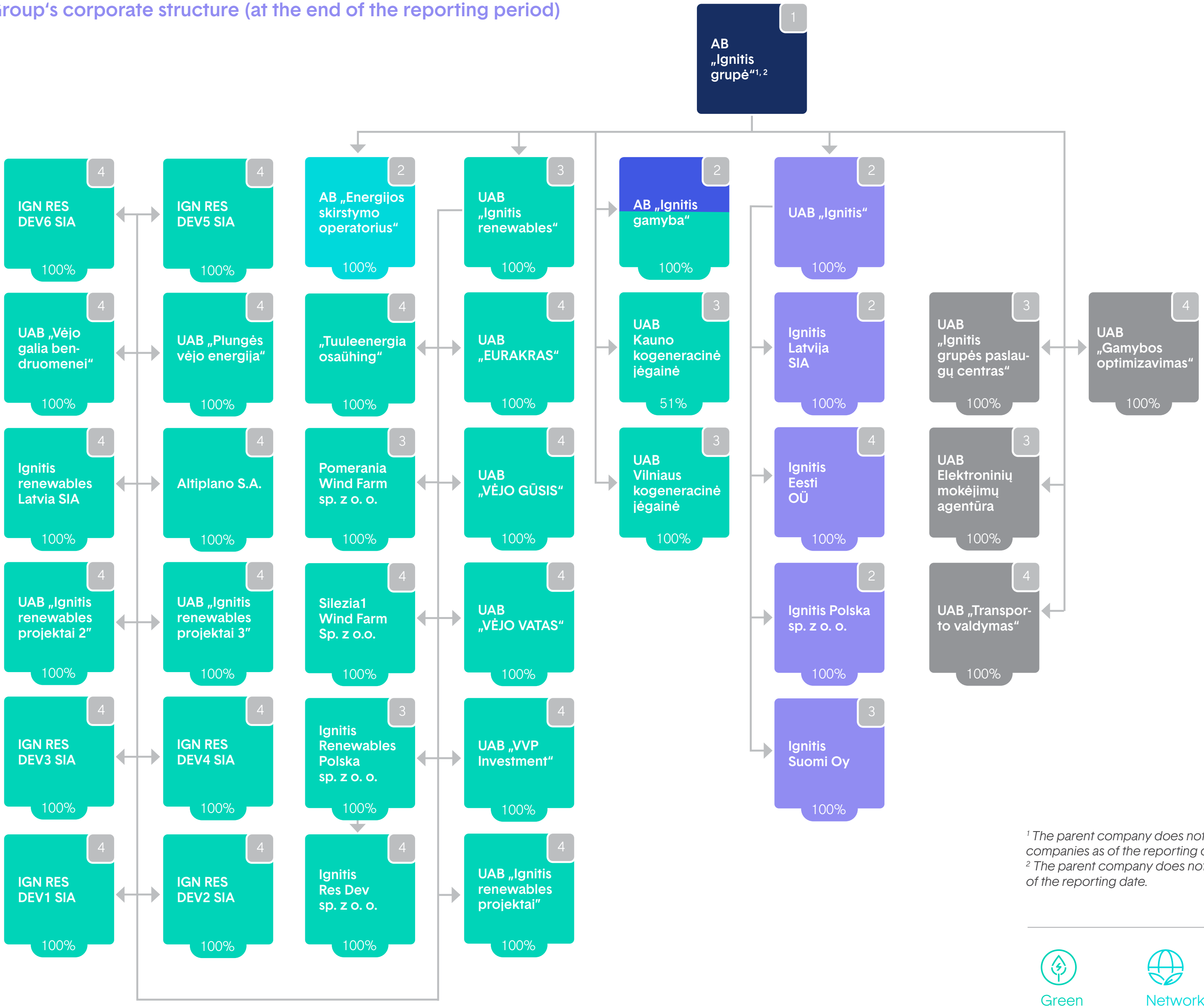
[1] At ESO: 2 shareholder's representatives, 2 independent members and 1 employees' representative.
[2] The Boards of Ignitis Latvija and Ignitis Polska are formed out of 1 member – CEO, the Supervisory Board of Ignitis Latvija is formed from Majority Shareholder's representatives, whilst the Supervisory Board of Ignitis Polska is formed from 2 Majority Shareholder's representatives and 1 independent member. The Board of Ignitis Suomi Oy is formed from 1 ordinary member and 1 deputy member. The Board of Ignitis Renewables Polska Sp. z o.o. is formed from 2 non-executive members (Majority Shareholder's representatives).

The Group has adopted decisions to replace a two-tier management model applied in the Group's main subsidiaries ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation) and Ignitis (Customers & Solutions) with a one-tier management model, i.e., to remove the Management Boards made up of employees and instead to form Boards with a supervisory function that will be made up of at least 1/3 of independent members, civil servants and shareholder representatives. The new model applied in the subsidiaries will ensure simpler but, at the same time, effective governance, which will continue to meet the highest standards of governance, speedy decision-making, fast communication, and active involvement of independent members. Given the different expiry dates of the terms of office of the subsidiaries' collegial bodies, the change in the governance model from a two-tier to a one-tier governance model will take place in two stages. In the first stage, the governance model of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) is planned to be changed by the end of this year, while the governance model of Ignitis (Customers & Solutions) will be changed in the second stage by Q2 2023.

Changes in the Group's structure during the reporting period:

- Altiplano Elektrownie Wiatrowe B1 sp. z o. o. name was changed to Silezia1 Wind Farm Sp. z o. o.;
- UAB „Ignitis renewables" established twelve new subsidiaries: Ignitis renewables Latvia SIA, UAB „Ignitis renewables projektai 3", UAB „Ignitis renewables projektai 2", IGN RES DEV6 SIA, IGN RES DEV5 SIA, IGN RES DEV4 SIA, IGN RES DEV3 SIA, IGN RES DEV2 SIA, IGN RES DEV1 SIA, UAB „Vėjo galia bendruomenei", UAB „Plungės vėjo energija" and Altiplano S.A.
- On 12 August 2022 UAB "NT valdos" was liquidated;
- On 7 November 2022 UAB "Energetikos paslaugų ir rangos organizacija" was liquidated.

The Group's corporate structure (at the end of the reporting period)



[1] The parent company does not have any branches and representative companies as of the reporting date.
[2] The parent company does not carry out research and development activities as of the reporting date.

Green Generation
Networks
Flexible Generation
Customers & Solutions

Sustainability report (Corporate social responsibility report)

5.1 About the Sustainability report (Corporate social responsibility report)

The following Ignitis Group's Sustainability report (Corporate social responsibility report) for 2022 (hereinafter referred to as the Sustainability report) is an integral part of Ignitis Group's consolidated Annual report for 2022.

The Group has reported the information cited in the GRI content index for the period from 1 January to 31 December 2022 with reference to the GRI Standards. The disclosures are made on a materiality basis and reflect the Group's progress in implementing the principles of the United Nations Global Compact (UNGC) and the Group's contribution to the United Nations Sustainable Development Goals (SDGs). The report follows Nasdaq's ESG reporting guidelines and other recommendations. The report contains a comprehensive set of ESG indicators, which are used to measure our impact and progress. It also includes an assessment of the compliance with the EU Taxonomy Regulation.

The Sustainability report complies with the requirements for social responsibility reports, as provided for in Lithuanian legislation.

The information disclosed in the Sustainability report includes information on both the parent company and all subsidiaries. Therefore, the key topics of the Sustainability report cover all Group companies and do not detail sustainability information for each Group company, unless stated otherwise. The Sustainability report should be read in conjunction with the consolidated Annual report of the Group and the annual reports of other Group companies. The Group's subsidiaries include a reference to the Sustainability report in their Annual reports.

Considering the expectations of our stakeholders, we expanded the scope of disclosure compared to last year's report, and in some cases, due to changes in calculation methodology or in the light of new information, previously disclosed data has been updated. Such changes and their reasons are provided in their respective sections. We use this information extensively when reporting to both investors and other stakeholders or when completing questionnaires of ratings agencies, etc.

The content of the report includes the latest information available at the time of publication, but it has not been formally audited.

The previous Sustainability report, published on 28 February 2022, together with the consolidated Annual report 2022, and other information on the Group's sustainability management and activities are available on the Group's website, section 'Sustainability'.

If you have any questions concerning the content of the Sustainability report or the Group's sustainability activities, please contact sustainability@ignitis.lt.

5.2 Overview of the Sustainability report

Climate and nature

Breakthrough in Green Generation

The Group's rapid development of Green Generation is a significant breakthrough both in achieving business goals and in the pursuit of a cleaner environment for all of us. Since the beginning of 2022, the Group's Green Generation Portfolio increased more than twofold to 5.3 GW (from 2.6 GW). Around 400 MW of solar and wind power plants are currently under construction. The projects of Green Generation under development in Lithuania, Poland and Latvia are creating prerequisites for fundamental changes in the energy sector of the entire region.

The accelerating growth of Green Generation is driving changes in the organisation itself. Over the years, the international management and specialist team of Ignitis Renewables (Green Generation) has created a strong core and given impetus to the transformation from being a passive investor in renewable energy projects to a vigorous market leader. Several colleagues are currently interning at Ocean Winds (OW) – a leader in renewable energy and one of the largest wind farm developers in the world. The Group is OW's junior partner in the development of the Moray West wind farm on Britain's east coast. We are increasing the experience of offshore wind projects, which will be useful in the process of development of offshore wind energy and for the purpose of eventually participating in auctions intended for the development of the project in the Baltic Sea.

Read more in Section '2.4 Investment program' of this report.

Consumer involvement is an integral part of the green energy transformation

Fundamental changes are taking place not only in regards to green energy, but also concerning consumption. The most important value for the society created by the transformation of the energy sector involves lower emissions, slowed climate change and a cleaner environment. The success of this process is impossible without the involvement and cooperation of all participants of the energy market. The Group takes responsibility by expanding its Green Generation portfolio and by offering services that enable not only the convenient use of green energy, but also its own generation.

- **5.3 GW** Green Generation Portfolio (2.6 GW in 2021).
- The number of employees in Ignitis Renewables (Green Generation) segment increased by **3.5 times**.
- **We were the first in the world** to offer residents the opportunity to rent a part of the wind power plant.
- **210.4 thousand** units of smart meters for residents have been installed.
- **99** public charging stations in the Ignitis ON network (20.7% more than in 2021).
- **37%** (2,431 units) of old-type transformers were replaced with new sealed ones – thus reducing the probability of soil pollution by oil.
- **0%** water abstracted from water stress zones.
- **We updated** the Group's Environmental Policy by including the mitigation hierarchy, non-disturbance of areas of high ecological value and other principles.
- **66%** of the Group's activities (by revenue) are certified according to ISO 14001.
- The Group received a rating of **'A-'** CDP for the Group's climate disclosures.
- **The Most Environmentally Friendly Company in 2022** is the award that the Group received for the protection of natural resources at the National Responsible Business Awards.

In addition, we invite the public to contribute to the process of reducing climate change by using energy more sparingly and smartly in everyday life and work. The energy efficiency education programme carried out by the Group in 2022 attracted particularly high interest from residents and businesses. The measures of sustainable development that form a sustainable culture of consumption have become even more relevant in the face of the energy crisis, since they help to solve both economic and energy security issues. By engaging in the process of public education on the topic of energy efficiency, we helped our customers save nearly 117 GWh of energy.

Customers become partners in green generation

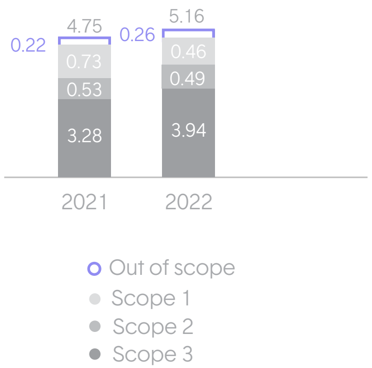
Turning passive consumers into energy-smart customers is the first step towards a partnership involving the creation of the energy smart world. The next phase involves cooperation in green generation and the collective development of a renewable energy system. The quantitative extent of the change is well illustrated by the more than doubling of the number of prosumers in a year.

In 2022, the number of prosumers connected to the distribution network increased from 14,000 to almost 33,000, while the number of remote prosumers increased from 4,500 to 9,000. The total installed capacity of prosumers and remote prosumers already reached 432 MW. Many factors created favourable conditions for this breakthrough: advancing technologies, dissemination of information, state support for the installation of power plants, as well as fluctuations in energy prices caused by the war, which encourage people to pay more attention to their energy needs.

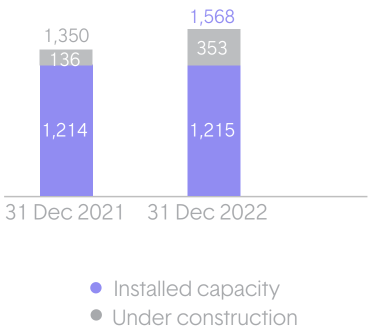
We focused on smart solutions that take the breakthrough to a whole new level. In October, we invited developers and consumers of renewable energy projects to the unifying platform eparkai.lt. We were the first in the world to offer residents the option to rent a part of the power plant in the wind farm, where all the power offered in the first phase (1 MW) has been reserved since the initiation of the programme.

Read more in Section '5.4 Climate action' and '5.5 Preserving natural resources' of this report.

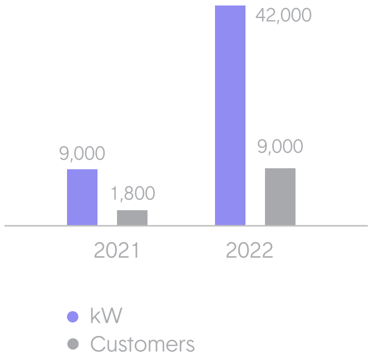
Climate action
GHG emissions[1], million t CO_2-eq



Green Generation secured capacity
MW

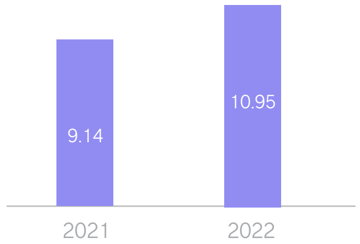


Sales of solar parks
Total power (kW) and number of customers



Waste generated in the Group's activities
Thousands of tonnes

Efficiency of water use in hydropower
m^3/kWh



[1] *The information for 2022 is preliminary. At the time of preparation of the report, Bureau Veritas was in the process of verifying the GHG data.*

People

The energy smart world is being created by more than 4,000 Group employees working in 5 countries. Together, these people create the Group, which is the leader of the energy transformation process in the region. In pursuit of the energy breakthrough, we are continuously improving, creating a sustainable environment, facing challenges with an open mind and fostering partnerships between colleagues, teams and communities.

Is it safe?

The Group suffered three fatal accidents in 2022, during which one Group employee and two contractor employees died. In response to the tragic loss, steps have been taken to prevent similar incidents from happening again and to ensure a safe environment. To strengthen the work safety culture in the Group, the 'Is it safe?' programme was initiated, which includes employee safety and health training, management improvement, procedures as well as communication. With the question 'Is it safe?', we aim to remind employees that a safe workplace is the result of a joint effort.

Diversity, inclusion and well-being – a supportive microclimate for employee initiatives

We launched the Energise Equality project, which is intended to initiate employee discussions and encourage dialogue on equal opportunities to better understand issues related to gender balance.

During the selection process, we aim to ensure the maximum extent of equal conditions for all candidates and consider this to be the direct responsibility of the manager involved in the process of hiring.

An emotionally safe environment creates favourable conditions for employees to take more responsibility for their own and colleagues' well-being at work as well as share initiatives that promote well-being. Well-being mentors, a group of 20 volunteer employees of the Group who have undergone special training, began their activities with personal conversations, emotional support for colleagues going through a crisis, and at the end of the year offered lectures and classes for teams to help them foster emotional well-being and strengthen relationships. Well-being

- **'Is it safe?'** is the title of the programme we launched in response to the on-the-job deaths of one of our colleagues and two contractor employees.
- TRIR for employees amounted to **1.69**, , started to calculate contractor TRIR.
- **85%** of the Group's employees work in company divisions certified according to ISO 45001.
- **29.7%** of employees in the Group are women.
- **42%** of Management Board and Supervisory Board members are women.
- **First place** in the study of the Lithuanian Diversity Charter on ensuring equal opportunities in companies.
- **For the first time**, representatives of the Group participated in the 'Baltic Pride 2022 March for Equality and Peace'.
- **21.5 hours** of training to each Group employee.
- **2,472** hours volunteered by Group employees.
- Support of **EUR 86,100** was allocated for projects of communities located in the immediate environment of the Group facilities.
- **Financial support of EUR 150,000** was allocated for higher education institutions (50 scholarships for first-year students).
- **Top Employer Lithuania** award for the Group for the second year in a row.

mentors pay particular attention to groups of employees working directly with customers. The initiative itself was recognised as the best HR practice in Lithuania in 2022.

Evolving organisation

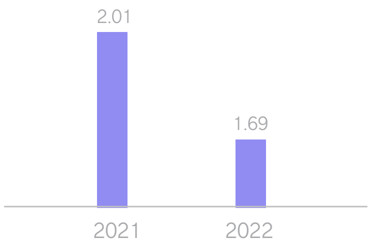
The process of energy transformation requires high competences, a lot of knowledge and drive from employees. Four competencies of strategic importance – energy expertise, adaptability, entrepreneurship and sustainable innovation – are developed by all employees at the internal university. In 2022, 83 % of the Group's employees completed the basic course of strategic competencies. In creating the culture of a learning organisation, employees are empowered to share their competences with colleagues in the internal training initiative Grow Academy. The training provided in Grow Academy was attended by more than 3,200 Group employees in 2022. Having identified employees who could replace colleagues in strategic positions if it becomes necessary, we take care of their comprehensive development, both through deepening professional knowledge and through a mentoring programme.

Catch the wind of change! #EnergySmartSTART creates change in the education system

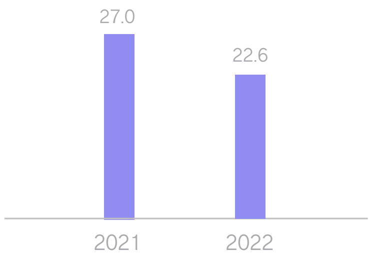
Majoring in the field of energy sciences has not been popular recently, therefore we are not waiting for the shortage of workers to become a factor holding us back – we initiated the long-term programme #EnergySmartSTART, through which we hope to promote the profession of energy specialists, spread the word about fundamental changes in this sector and create a change in the education system. Under the framework of #EnergySmartSTART, we cooperate with higher education institutions to encourage students to take an interest in the energy sector and carry out other activities to promote the sector (excursions, lessons, etc.). We provide financial support as well.

Read more in Section '5.6 Future-fit employee and communities' of this report.

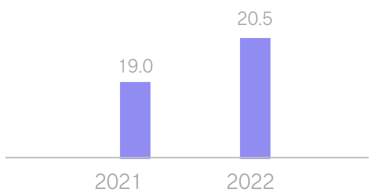
Employee TRIR
times



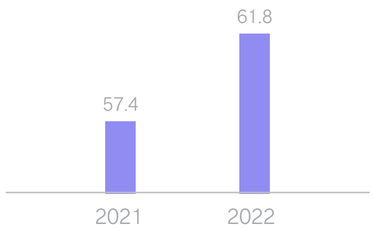
Share of women in management positions
%



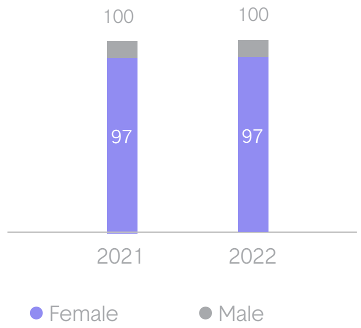
Share of women in IT and engineering positions
%



Employee Net Promoter Score (eNPS)
%



Gender pay gap in the Group
%



Organisation, customers and partners

We follow the best practices

In line with the best practices for creating a corruption-resistant environment, we updated the Group's Code of Ethics in 2022, which is a document that defines the principles that guide us in our work. It has been updated with the addition of behavioural situations, and the vast majority of Group employees have become acquainted with the updates to the Code.

Green light to partners who accept responsibility for their impact

By applying green criteria in procurements, we ensure that the goods, services and works procured by the Group will have the lowest possible impact on the environment. This helps to encourage the business environment and our partners to apply higher standards of sustainability in their activities. The Group intends to make all public procurement green from 2023, but in 2022 the value of green procurement already accounted for 94% of the value of all successfully completed procurements.

One of the ways to achieve greater social responsibility and to track the social impact of the procured goods, works and services is to consistently increase the value of socially responsible procurement by promoting employment opportunities, skills development and retraining, decent work, social inclusion, equality of opportunity, diversity, good governance, transparency, ethical trade, etc. In 2022, such procurements accounted for almost a fifth of the Group's successfully completed procurements.

The values set out in the Group's Supplier Code of Ethics provide a starting point not only for assessing supplier performance, but also for highlighting the aspects that we can help change by sharing the Group's best practices. In 2022, we assessed the environmental compliance of our largest partners with the provisions of the Supplier Code of Ethics and nearly 93% were compliant with the Supplier Code of Ethics requirements. In the case of the rest of our partners, we intend to help strengthen the elements of sustainability in the activities and will look into the aspects of the suppliers' social responsibility and the application of good governance practices in the activities.

- **EUR 779 million** – total value of public procurements carried out by the Group (VAT excluded).
- **~ 90%** of procurements were carried out in the local market.
- **13%** – the share of socially responsible procurements.
- We have created a system for monitoring compliance with the Group's Supplier Code of Ethics and approved the Group's **Supplier Code of Ethics compliance monitoring standard**.
- **92.7%** of the largest suppliers inspected comply with the requirements of Supplier Code of Ethics.
- **78%** of consumers have chosen Ignitis as an independent electricity supplier.
- **'A+'** rating of Good Corporate Governance Index for the Group from the Governance Coordination Centre for the fourth year in a row.
- **Ignitis CERT,** i.e., Cyber Incident Management Team, has been established and accredited.
- ESO (Networks) modernised natural gas geographic information systems and customised management tools were **recognised as one of the best projects in the world** at the international conference ESRI UC 2022 in the Electric & Gas category.

Openness through dialogue and knowledge sharing

In 2022, we actively educated both residents and businesses about the possibilities to reduce electricity consumption and, at the same time, emissions. We offered free consultations from our specialists to business representatives who wish to self-assess the emissions of their company's activities, identify the most polluting operational processes and measures that reduce emissions.

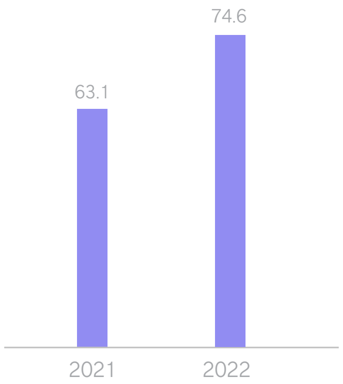
Green energy is the way of the future for energy security

The transformation of the energy sector is critically important not only for achieving a cleaner environment, but also for ensuring the energy security of Lithuania and the entire region by reducing dependence on fossil fuels. The development of green generation, assurance of the reliability and flexibility of the energy system, promotion of changes in the energy sector are the strategic focus areas of the Group for 2022, which have become critically important not only in the context of climate change, but also in solving the energy crisis and ensuring energy security. For a decade, the gradually reduced dependence on fossil fuels made it possible to decisively abandon Russian gas in the first quarter of 2022 without shocking the whole energy system.

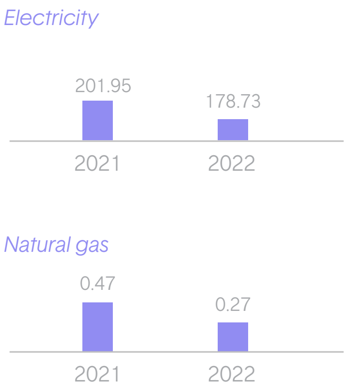
The development of renewable energy resources in the region as well as investments in the resilience of the energy infrastructure will contribute to the management of geopolitical risks to the energy sector. The planned installation of Unit 5 of the Kruonis PSHP (Green Generation) will increase the possibilities to balance the imbalances in the grid resulting from the growing wind and solar production capacities. The project is also important for the country's energy needs in the context of the synchronisation of the Baltic States with the continental European grids, i.e., a strategic energy security project.

Read more in section '5.7 Robust organisation' of this report.

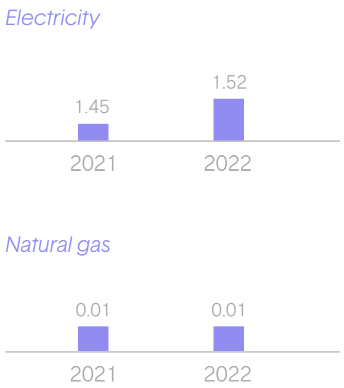
Adjusted EBITDA of Taxonomy-aligned activities
%



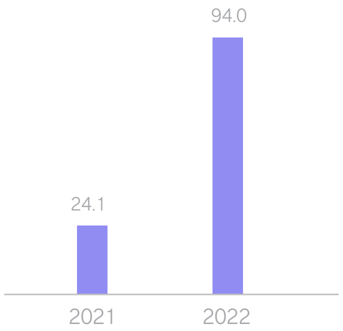
SAIDI
min.



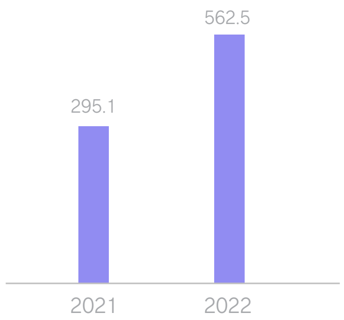
SAIFI
times



Share of green procurement
%



Taxes paid by the Group
EURm



5.3 Sustainability at the Group – focus on what's important

We define our sustainability principles and commitments in the Group's strategy and policies

Sustainability is a prerequisite for the Group's mission to create an energy smart world. The world needs energy to exist, and we aim to generate, distribute, supply and consume it sustainably. Our long-term strategy focuses on building a sustainable future. We aim to further increase the capacity of energy generation from renewable sources, ensure the reliability and flexibility of the energy system, promote changes and development of the energy system, and explore development opportunities.

The Group's strategy and Sustainability Policy reflect the key sustainability principles that we follow in our day-to-day operations:

- we take into account economic, environmental and social aspects of our operations and strive to create value in a sustainable way by strengthening the synergies between financial and non-financial goals;
- we seek to contribute directly to the United Nations Sustainable Development Goals, in particular, in the areas of sustainable energy development, climate action, promotion of innovation, sustainable growth and decent work;
- our commitment to net zero greenhouse gas emissions contributes to the implementation of the European Green Deal and the Paris Agreement;
- we promote rational and sustainable management and use of resources;
- we promote responsible and efficient energy consumption, initiate and participate in the initiatives of other organisations which aim to increase energy efficiency and help achieve Lithuania's national energy savings targets;
- we recognise the importance of full stakeholder engagement in shaping sustainable development actions and promote ethical, transparent and fair cooperation with customers, employees, shareholders, suppliers, communities, the media and other stakeholders based on principles of sustainability.

Information on the Group's policies which enshrine the sustainability principles in different activities are presented in section '5.9 Sustainability governance and other disclosures'. The following sections describe our sustainability measures.

Sustainability priorities are established by assessing risks, opportunities and engaging stakeholders

We integrated ESG risks into general risk assessment processes

Climate change, declining biodiversity and ecosystems, war in Ukraine, energy crisis, supply chain disruptions, impairment of safety and health of employees due to external factors and specifics of the work, growing need of necessary competences as well as need to retain employees are just some of the ESG-related risks that are relevant to the Group.

The expectations of stakeholders to be able to see the risks the organisation is facing while pursuing sustainable operations and how it handles them is growing, therefore, responsible risk assessment and transparent disclosure are essential to maintain the trust of stakeholders.

ESG factors are now considered when assessing any risk of the Group. For example, risks and opportunities related to climate change are an integral part of our business, therefore, they are fully integrated into our common risk management process. The same methods are used for identifying and assessing climate change-related risks as for assessing other (strategic, operational, financial, external) risks.

More information about the assessment of ESG risks that are relevant to the Group is available in section '4.7 Risks and risk management' of the Group's Annual report.

Stakeholders' opinion – to evaluate the Group's impact

We aim to make sure that our sustainability activities are directed and focused on ESG issues where we can have the greatest positive impact. Stakeholder engagement is critical in ensuring that the Group responds proactively to new trends, issues and opportunities.

The Group's geographic and operational reach is expanding, therefore, when applying ESG principles in relations with our stakeholders, which are described in our Sustainability Policy, we aim to effectively manage their expectations, take their interests into account as well as look for opportunities where our cooperation could increase the positive impact of sustainable development.

In 2021, the Group and its major subsidiaries performed a strategic materiality assessment, during which we analysed expectations expressed by the stakeholders in respect of 19 different Group sustainability aspects (ESG impacts) and identified how we could respond to the expectations while working towards our strategic goals. Materiality assessment involved in-depth surveys of key stakeholders identified by company executives and other experts, discussions with focus groups and conducted interviews.

Almost 3,000 stakeholders (business and private customers, suppliers and contractors, Government and municipal institutions, media, associations, NGOs, partners, communities, investors, shareholders and employees) were surveyed and shared their views on the Group's sustainability aspects they believe are the most important.

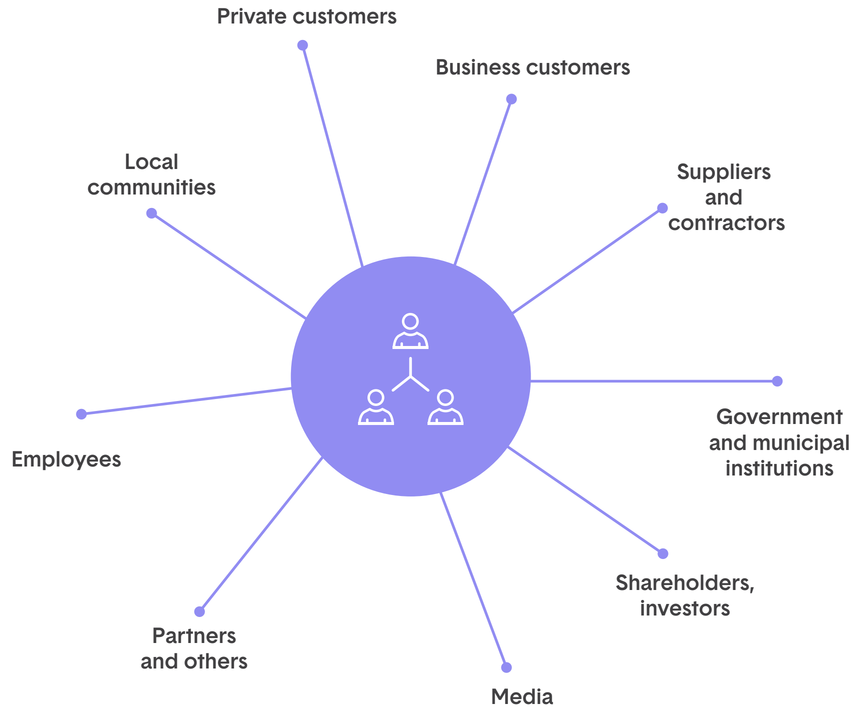
The impacts are summarised in the materiality matrix and described in this report

The Materiality matrix is the outcome of different forms of feedback gathered from the Group's stakeholders, which summarises significant impacts and sustainability aspects of the Group and their alignment to both external expectations and our strategic priorities. Its vertical axis reflects the views of stakeholders on the significance of different ESG aspects to the Group. The horizontal axis presents ESG aspects in terms of their relative impact and importance to the Group's key strategic objectives.

The matrix highlights the most relevant aspects of a roadmap towards the reduction of our impact on the environment and creating value for both the company and its stakeholders. We are continuing to develop sustainability goals and their implementation programmes in priority areas.

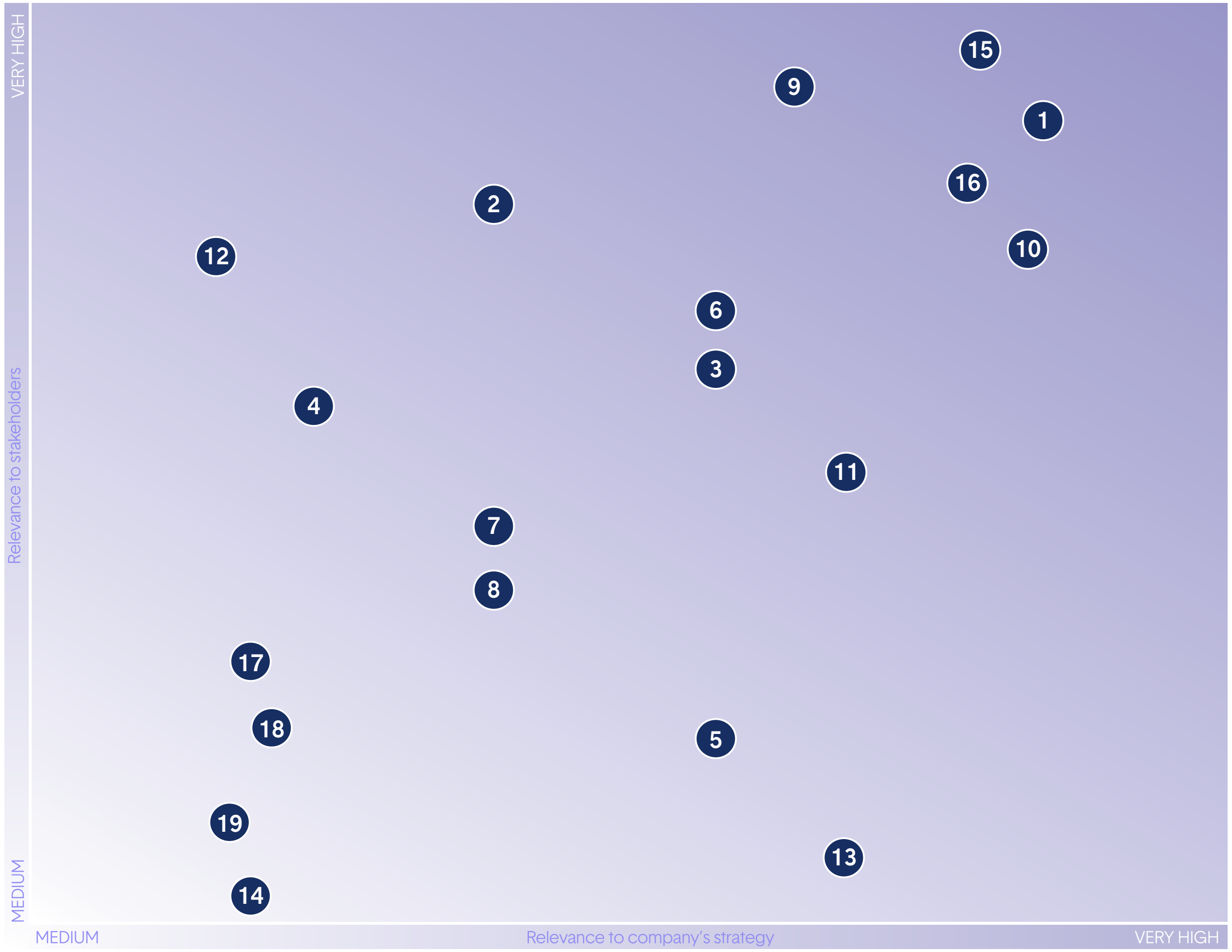
The implementation of sustainability principles of the Group and our progress in 2022 are disclosed in this report through the each of the priorities identified during the materiality assessment. The content of the report is determined after analysing the view, opinions and expectation of the key stakeholders while covering the current business goals included into the Group's strategy and strategic plan. The report contains essential information, which is relevant to stakeholders while assessing the Group's business or making decisions related to the Group.

Key stakeholders of the Group



Further information on stakeholder engagement is available on the Group's website.

Materiality matrix



Topic	Page(s) of Annual report
Environmental topics	
1. Climate impact and GHG emissions	160–171, 252–253
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3. Impact on biodiversity and ecosystems	181–188, 257–260
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19. Sustainable financial instruments	19, 296–306, 318

Detailed information about the materiality assessment and its results is available on the website of the Group. In 2023, we are planning to update the Group materiality assessment and disclose ESG aspects in more detail both through the Group's environmental impacts and the external impacts on the Group.

Measurable sustainability objectives

In Q1 2022, the Supervisory Board of the Group approved the Strategic Plan 2022–2025, which, inter alia, establishes the Group's commitment to pursue its goals under the sustainability pillars: climate action, preserving natural resources, ensuring future-fit employees, and robust organisation. Sustainability objectives were set in accordance with the results of the strategic materiality assessment, thus strengthening our commitment to sustainability and ensuring that our priorities are in line with business objectives and stakeholder expectations.

Sustainability pillar		Sustainability programme	2025 strategic milestones and goals	2022	2021	2020	Related SDGs
Environmental	Climate action	Expanding Green Generation	Reach **2.0–2.2 GW** installed green generation capacity	1.2 GW	1.2 GW	1.1 GW	7 Affordable and clean energy; 13 Climate action
		Decarbonising operations & living	**23%** GHG emissions reduction (vs. 2020)[1]	5.16m t CO_2-eq (3.4% less than in 2020)	4.75m t CO_2-eq (11.0% less than in 2020)	5.34m t CO_2-eq[8]	
	Preserving natural resources	Adopting circularity	**Each business segment** to implement at least one circularity transformation[2]	Carried out the analysis of the Group's circularity	n/a	n/a	12 Responsible consumption and production; 15 Life on land
		Preserving ecosystems & biodiversity	**Net gain** in biodiversity[3]	Carried out the analysis of the Group's biodiversity and ecosystems management	n/a	n/a	
Social	Future-fit employees	Increasing safety at work	**0** employee and contractor fatalities and employee TRIR **<1.90**[4]	3; 1.69	0; 2.01	0; 0.45	8 Decent work and economic growth; 5 Gender equality
		Cultivating a collaborative & nurturing workplace	**≥50%** net share of employees promoting the Group as an employer (eNPS)	61.8%	57.4%	56.0%	
		Growing a diverse and inclusive organisation	**≥34%** share of women in top management[5]	22.6%	27%	28%	
Governance	Robust organisation	Running transparent and ethical operations	**≥95%** corruption intolerance among employees[6]	94%	97%	96%	9 Industry, innovation and infrastructure; 16 Peace, justice and strong institutions
		Ensuring operational resilience and sustainable value creation	**≥70%** sustainable adjusted EBITDA share[7]	74.6% (350 EURm)	63.1% (210 EURm)	70% (171 EURm)[9]	

[1] Including scope 1,2,3 and biogenic emissions. 2020 value is the baseline for the validated science-based 2030 targets. [2] Four business segments, for each: at least one significant initiative involving significant resource use reduction, reuse or recycling. [3] Involving first, an assessment of total biodiversity impact, and second, coordination with environmental experts to create a positive impact on biodiversity (restore, compensate natural habitat and species loss). [4] Total recordable injury rate: Total recordable injuries times 1 million hours worked divided by all hours worked during the reporting period. After implementing contractor TRIR monitoring, we plan to set targets that also cover contractors. [5] Includes boards, general managers and 1st management level below them. Excludes double counting (when same person holds more than one top management position in the same company). [6] Based on an annual employee survey question about how likely employees are to report potential corruption if they encounter it. Lithuania's public sector average – 25% (2021). [7] 2021 and 2022 is updated Taxonomy-aligned Adjusted EBITDA share, whereas 2025 target is calculated based on the principles defined in the EU Taxonomy draft version 2021.12.31. [8] The historical data has been recalculated. [9] The share of Taxonomy-eligible activities calculated using at the time methodology of the Group. More about changes in methodology read in section 'Disclosures under the EU Taxonomy'.

CDP listed the Group among leaders

CDP rated the climate change mitigation and adaptation disclosures of the Group by granting a score of 'A-' (on a 'D-' to 'A' scale).

5.4 Climate action

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

Sustainability programme	Expanding green generation	Decarbonising operations & living
2025 strategic milestones and goals	Reach 2.0–2.2 GW installed green generation capacity	23% GHG emissions reduction (vs.2020)
2022	1.2 GW	3.4% less than in 2020

Climate impact and GHG emissions

Our approach

Ignitis Group Strategy focuses on building a sustainable future. In everything we do, we are united by the mission to make the world more Energy Smart. For us, Energy smart means resilient and flexible energy system enabling the energy transition and evolution, supported by growing renewables to meet regional energy commitments, and captured growth opportunities by developing innovative solutions to make life easier for the energy smart.

Climate change is one of the greatest challenges humanity is facing in this century, and the actions of everyone – people, businesses, non-governmental organisations, and states – are necessary. Although energy is the engine of the economy, its production and distribution accounts for a significant share of GHG emissions. Therefore, the transformation and decarbonisation of the energy sector are prerequisites for the implementation of the Paris Agreement and for limiting the average global temperature increase to 1.5 °C compared to the pre-industrial era. Scientists warn against crossing this threshold to avoid catastrophic natural disasters, negative impact on health and wealth of everyone.

Knowing that the world needs energy to exist, we aim to generate, distribute, supply, and consume energy in a sustainable way. We are accelerating our transition towards a decarbonized world, transforming our business model by developing and scaling smart solutions, expanding them in our region, and exploring new opportunities in the markets undergoing energy transition.

Energy is a key sector in the European Union's policy to achieve climate neutrality by 2050. While developing our strategy, we recognized challenges climate change poses as well as new opportunities that arise with the transition to a low-carbon economy. The Group's materiality assessment confirms that climate change impact, GHG emissions, energy system resilience and security are the most important for the stakeholders in respect to the Group. This strengthened our strategic directions and helped to set ambitious goals that would be important both for the Group and its stakeholders and align with the mission to make the world more energy smart.

We are one of the leaders in green energy: we do not operate coal-fired or nuclear power plants, we consistently increase the Green Generation capacity and the volume of generated green energy in both electricity and heat production. Our business strategy is based on the development of onshore and offshore wind, solar, waste-to-energy and biomass energy technologies at all stages of the project. We also maintain significant hydropower capacity in Lithuania.

The Group has been consistent in its vision to transform for a more sustainable world by shifting from conventional energy sources to renewable energy sources to accelerate the ongoing transition in the energy sector towards a decarbonised world.

Decarbonising energy production – our track record for the last decade

2012

- The Group company Ignitis Gamyba (Flexible Generation) has started a project to dismantle the old and inefficient gas-fired units of the Elektrėnai Complex. Units 1, 2, 3 and 4 were dismantled in 2012–2017.

2014

- The Group initiated its waste-to-energy/biomass CHP plant developments in Vilnius and Kaunas (part of the Green Generation segment).

2015

- Biomass boiler in Elektrėnai Complex (Flexible Generation) commenced operations.

2016

- Units 5 and 6 of the Elektrėnai Complex (Flexible Generation) were decommissioned, when the new electricity transmission grid connections with Sweden and Poland came into operation. The units were dismantled in 2017–2021.
- The Group acquired its first two operational wind farms in Lithuania and Estonia.

2017

- The Group established the Smart Energy Fund to invest in start-ups developing new energy technologies.

2018

- The Group adopted its transformational strategy for the period to 2030, with the aim to: increase green generation capacity; expand operations in international markets; and develop and introduce innovations in the energy sector.
- The Group also acquired two additional operational wind farms in Lithuania and the wind farm project in Mažeikiai, Lithuania.

2019

- The Group entered the Polish renewables market through the acquisition of a development project for the Group's first wind farm in Poland (Pomerania WF); construction on this project commenced.
- The Group launched tender for a strategic partner for the development of offshore wind energy projects. A strategic partnership with renewable energy leader Ocean Winds (OW) was announced in 2020.
- By joining the Business Ambition for 1.5 °C initiative, the Group has committed itself to achieve net zero by 2050 at the latest.

2020

- The Group started the installation of the largest 3 MW solar power plant in the Baltic states.
- The Group updated its Strategy and raised target to reach 4 GW of installed Green Generation capacity by 2030.
- The Kaunas CHP plant (Green Generation) commenced commercial operations.
- Ignitis (Customers & Solutions) created an online platform through which the energy users can purchase or rent a part of the solar power plant wherever it's location in Lithuania.

2021

- The Vilnius CHP Plant, waste-to-energy unit (Green Generation) commenced commercial operations.
- The Group entered renewable energy market in Latvia acquiring three wind farms under development.
- The Group's ambitious interim GHG emission reduction targets were validated by the Science-Based Targets initiative (SBTi). The Group has committed to reduce total GHG emissions by 47% by 2030 from a 2020 baseline.

2022

- Ignitis (Customers & Solutions) offered a world's first online service, where residents can rent a part of a wind turbine. A new green energy platform eparkai.lt (link in Lithuanian) was introduced.
- The Group continued expanding its Green Generation Portfolio, which since the beginning of 2022 increased more than twofold to 5.3 GW (from 2.6 GW).

Our path towards net zero and energy smart world

Being aware of the threats posed by climate change and taking a responsible approach to reducing GHG emissions, the Group joined the Business Ambition for 1.5 °C of the United Nations and other international organisations in December 2019, and thus committed itself to achieving net zero emissions by 2050 and to setting intermediate emission reduction targets. In November 2021, the Science-Based Targets initiative (SBTi) approved the ambitious Group's GHG reduction targets. We are the first Lithuanian capital organisation and one of almost two thousand organisations worldwide which have its GHG reduction targets approved by this initiative of the largest global organisations fighting climate change. After assessing targets of the Group, the SBTi confirmed that they are in line with the latest science-based recommendations on actions which should keep global warming below 1.5 °C compared to pre-industrial levels.

To achieve our targets, we evaluate individual impact of our four business segments towards net zero and energy smart world:

	Core businesses		Complementary businesses	
	Networks	Green Generation	Flexible Generation	Customers & Solutions
Current business environment towards net zero	The assurance of network resiliency is prerequisite in decarbonizing energy sector and improving energy efficiency through smooth transition to green generation.	The deployment of green energy technologies must be accelerated to help achieve the key objectives set for 2030 in Lithuania's National Energy and Climate Plan (aligned with European Green Deal) to increase the renewable source electricity share in final consumption. In addition, new green generation opportunities should be explored in the region.	Assuring flexible energy system is key in net zero journey. The need to help balance supply and demand of green energy variability increases. Lithuania is an energy-deficit country, currently producing only up to 40% of its demand. Thus, being highly dependent on energy imports, the national energy assets are critical for the energy security of the country and reliability of energy system. Even though we are committed in our decarbonization journey, Flexible Generation, which includes gas-fired plants, provides greater system stability and assures Lithuania's energy security.	A demand for green and innovative solutions are growing and we seek to ensure this for our customers. It is an essential part in net zero journey as it enables energy transition both for our customers and for the Group.
Our actions	Considering climate-related risks (especially physical) we are replacing overhead lines with underground cables. We also strive to develop a smart grid which would be one of the most advanced in the region. Smart meters will enable end customers to monitor their electricity consumption and use energy more efficiently. Expanding EV charging network and integration of prosumers into network are new business opportunities presented by climate-related issues. At the same time, these opportunities challenge distribution networks, so they both are integrated into our strategic planning.	Group's Green Generation Portfolio target is set to reach 4 GW of installed capacity by 2030. This goal will work towards Group's net zero ambition. The target is set based on various projects, mainly we are pursuing onshore and offshore wind, waste-to-energy, biomass, and solar technologies across the project lifecycle.	Flexible Generation assets are used to provide power reserve and ancillary services to the transmission system operator TSO (Litgrid). The main goal of these services is to ensure the stability and flexibility 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. Flexible Generation aims to enable the energy system to integrate more renewable energy capacities. Knowing that this business segment of the Group is largely regulated by the state, we aim to contribute to the synchronisation with the grid of continental Europe in 2025, before that no major changes are expected. Although, 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.	We are developing and scaling innovative energy solutions and platforms: we invest in EV charging network, offer to purchase remote solar and wind parks through our platform. We plan growing share of green electricity for our customers. Also, we work to motivate our customers shifting to electrification, which would work towards decreasing supply of gas. This shift would also help to reduce Group's GHG emissions.

	Core businesses		Complementary businesses	
	Networks	**Green Generation**	**Flexible Generation**	**Customers & Solutions**
Challenges we forecast due to climate change	Global demand for electricity generated from renewable and other fossil-free sources will grow with tighter CO_2 emissions regulations in each country and region. Networks will increasingly accommodate more and more renewable energy sources (RES), which means that adapting infrastructure to increasing number of RES and increasing resilience to the growing probability of dangerous meteorological phenomena, is necessary for the future of networks.	Global demand for clean energy and deployment of renewable energy sources will highly increase. In addition, due to the increase in climate extremes (e.g., decrease in the duration of sunshine during the cold period, increase in the number, duration and intensity of dangerous meteorological events) the risks for renewable energy may increase due to harder-to-predict energy production volumes and equipment damage.	Staggered introduction of CO_2 prices, policies promoting production and the use of alternative fuels and technologies will challenge this business sector to look for alternatives. Ensuring national self-sufficiency by expanding green generation assets will lead to energy import decrease and consequently to the lower demand of fossil fuel related assets activities. On the other hand, increasing fluctuations in energy production from renewable energy sources due to the growing probability of extreme values of meteorological indicators, will increase the demand for flexibility assurance.	Global demand for low-emissions products will grow with increased need of technological solutions and innovations. As a result of increase in annual temperatures, the difference between the use of energy in cold and warm seasons will decrease, meaning the changing demand of energy in different seasons. In addition to that, new low-carbon energy products and services will be in high demand by customers.
Adapting to climate change and making energy sector more resilient	Changing climate patterns and extreme weather events pose an increasing threat to resilience of distribution networks, thus adopting climate resilience is needed: – climate change resilience should be considered while renovating networks; – adapting electricity distribution networks to the increasing part of RES infrastructure.	The energy sector faces multiple threats from climate change, which impacts generation potential and efficiency, thus adopting climate resilience is needed: – to ensure the production of electricity in extreme weather conditions; – to ensure alternative sources of electricity at the regional and local level.	Flexible Generation is expecting to still play an important part in energy sector due to climate change challenges, thus adopting climate resilience is needed: – to assess changes in climate conditions for energy production from RES in long-term perspective for flexibility assurance; – to explore innovative alternatives for flexibility assurance.	Climate change directly affects all domains of the entire electricity system and impacts its demand patterns, thus adopting climate resilience is needed: – to meet the growing demand for different products (e.g. cooling or other electrification solutions) and changing patterns of energy demand.

Accounting of the Group's GHG emissions

We calculate GHG emissions from the Group's activities in accordance with the GHG Protocol standards. Annual emission accounting is verified by an external auditor accordingly to LST EN ISO 14064-1:2019 standard. We periodically publish information on the Group's GHG emissions in the Group's reports and strive to ensure that these calculations of emissions are increasingly accurate, and that the disclosure of emissions meets the expectations of all stakeholders.

Detailed information about the Group's GHG emissions categories, calculation principles can be found in section '5.8 Group ESG data' of this report and on the Group's website. We also publish our GHG inventory reports and auditor's verification statements on our website.

Reduction of the Group's GHG emissions

According to the SBTi approved targets, the Group's total absolute GHG emissions in 2030 will have to be 47% lower than in 2020. Emission reduction targets cover both direct and indirect GHG emissions from our operations – we are committed to reducing emissions in all three GHG emissions scopes:

- we commit to reduce scope 1 GHG emissions from electricity and heat generation by 94% per MWh by 2030 from a 2020 baseline[1];
- we commit to reduce scope 1 and 3 GHG emissions from all electricity and heat sold by 90% per MWh by 2030;
- we commit to reduce absolute scope 1 and 2 GHG emissions from all other sources by 42% and reduce absolute scope 3 GHG emissions from use of sold products by 25% within the same timeframe.

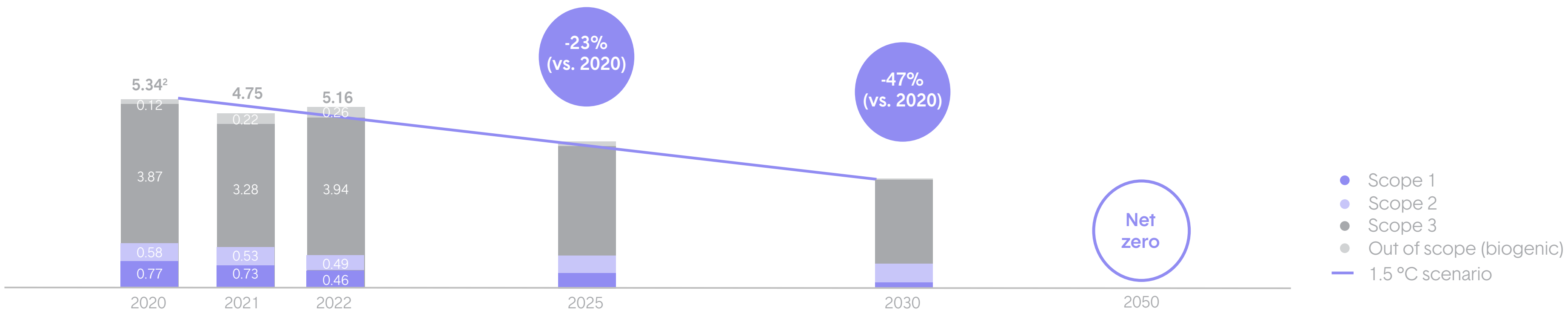
The target boundary is at least 95% of the Scope 1 and Scope 2 emissions, and Scope 3 targets include at least two thirds of all Scope 3 emissions as defined by the SBTi criteria. You can find more information about the Group's emissions and targets in the 'Sustainability' section of the Group's website.

How are we reducing our emissions?

With the Group's commitment to nearly halve its GHG emissions by 2030, we have analysed the performance of the Group's businesses and identified measures to reduce our GHG emissions to the target level. These measures are categorised according to their expected implementation period: short, medium, and long term. Decisions on the implementation of specific measures are taken during the strategic planning process, or by individual decisions of the persons empowered to take such decisions. Each company of the Group updates its measures annually, tracks progress and assesses the impact. This process is coordinated by the Group's sustainability function.

Looking ahead to the next few years, we can see that the biggest part of the Group's direct GHG emissions (Scope 1) will depend on energy generation volumes in the Elektrėnai Complex, mainly CCGT (Flexible Generation) as well as operations of Kaunas and VilniusCHPs (both Green Generation). Expected start of the operations of Vilnius CHP biomass unit will have a negative effect on the Group's emissions (emissions will increase). Indirect emissions (Scope 2) will mostly depend on electricity consumption (mainly by Kruonis PSHP), while other indirect emissions (Scope 3) – on gas and electricity sales volumes and prices.

We plan to halve emissions by 2030 based on science-based targets
The Group's GHG emissions, million t CO_2-eq



[1] The target boundary includes biogenic emissions and removals from bioenergy feedstocks.
[2] The historical data has been recalculated.

Status of achievement of the Group's emission reduction targets

Target scope	Emissions scope	Unit	2020	2021	2022	2030 target and expected change in 2030 vs. 2020	Change in 2022 vs. 2020 and status
GHG emissions intensity from power generation	Scope 1 (stationary combustion) + biogenic emissions	kg CO_2-eq/MWh	237	228	201	15 (94%)	(15%) Delay
GHG emissions intensity from power generation and sold electricity	Scope 1 (stationary combustion) + Scope 3 (sold electricity)	kg CO_2-eq/MWh	255	232	253	27 (90%)	(1%) Delay
GHG emissions not related to power generation	Scope 1 + Scope 2	Million t CO_2-eq	0.59	0.55	0.45	0.34 (42%)	(24%) On track
GHG emissions from use of sold products	Scope 3 (use of natural gas sold to end-users)	Million t CO_2-eq	2.08	1.62	1.78	1.56 (25%)	(14%) On track

On track   Delay

In pursuit of its targets, the Group will reduce the emissions from its operations and will endeavour to engage its partners, suppliers and customers in the process. The foreseen emission reduction measures include growing Green Generation capacity (see '2.4 Investment program' for more information on the Group's sustainable growth plans and the investments which will be directed towards the expansion of Green Generation), increasing the share of green electricity in internal operations and in customer sales, promoting the customer transition from natural gas to electricity, reducing natural gas distribution network losses, optimizing consumption of resources, upgrading its vehicle fleet with electric vehicles, etc. More information on the emission reduction measures under consideration is provided later in this report.

Our strategy resilience and related risks

We have based our strategy on the goal to reach net zero by 2050, meaning that this is the target we are heading and plan our business in accordance with this goal. Over the last year, we have assessed the impact that climate change can have on the resilience of our business strategy by implementing the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We started with the preliminary gap analysis to identify areas we are lacking and work on them more in greater depth.

A greater complexity climate change scenario analysis is one of the most important actions identified in this gap analysis. In 2023, we plan to conduct scenario analysis focusing on all aspects of our operations. While we prepare for this analysis, we once again run a pilot to check our strategies resilience.

When considering how well we are positioned, we see that climate change affects energy sector in various aspects – from supply of resources to final energy consumption and emerging trends in the development of this sector. To achieve our strategic objectives, the Group must manage the broad spectrum of risks and climate-related risks are part of them. We pursue to ensure that such risks are identified, understood, monitored, and managed to minimize any negative impact on our strategic ambitions. Climate-related risks and opportunities are addressed as an integral part of our business, as they are directly linked to our business model and strategy.

We have reviewed the study on the sensitivity of energy sector to climate change impacts[1] and comprehensively considered climate-related risks identified in the study for the energy sector in our region. We forecasted business environment and major risks and opportunities under the 1.5–2°C scenarios and what our four business segments can expect (see in the table above).

More on risk management and climate-related risks can be found in the section '4.7 Risk and risk management'.

[1] *Public institution Natural heritage fund. Preparation of a study determining the sensitivity of individual sectors to the effects of climate change, risk assessment and opportunities to adapt to climate change, the most effective measures of adaptation to climate change and evaluation criteria. Vilnius, 2015 (link in Lithuanian).*

Our efforts to reduce emissions in 2022

Networks

Technological losses of electricity distribution network. One of the main factors affecting ESO (Networks) GHG emission levels is energy losses during electricity distribution activities. They can be distinguished into direct losses (in transformer stations, power lines, substations and other network elements) and indirect losses (for example, when there's ice on power lines or consumers declare their electricity consumption data incorrectly).

The total volume of electricity distributed in 2022 through the ESO networks, whose total length is over 127,500 km, was 10.01 TWh. The technological losses of distributed electricity were around 532.13 GWh, i.e., 5%. GHG emissions resulting from the losses is 183.97 thousand t CO_2-eq, i.e., 37% of total Group Scope 2 emissions. ESO (Networks) is constantly monitoring indicators of electricity distribution technological losses and considers them when planning its strategy and finances. The company includes the losses reduction targets under its main objectives. ESO (Networks) aims to reduce the total electricity distribution technological losses as much as possible.

To reduce electricity distribution technological losses, the following measures are being applied:

- Smart metering systems are used to monitor losses more accurately. More modern meters with better technical parameters are using less energy themselves, thus enabling a more efficient monitoring and identification of network losses.
- 0.4–10 kV network analysis by identifying network components which cause the most losses, also curtailing and preventing unaccounted electricity consumption. Savings recorded in 2022 – 7.96 GWh.
- We are using more modern transformer stations with better technical parameters that consume less electricity. The losses can be also reduced by timely metrological inspection thereof. In 2022 we inspected and replaced 11,874 metering current transformers. Recorded savings reached around 0.47 GWh.
- We are upgrading 6–10 kV transformer stations by replacing the old with new more efficient ones. Transformer station replacement is scheduled, but they can also be replaced during reconstruction or in case of failure. In 2022 we inspected and replaced 2,830 transformer stations. Annual savings – around 3.50 GWh.
- We are modernising heating and lighting of transformer substations and distribution points (TS/DP). We are reducing network losses by replacing incandescent lamps in facilities and equipment cages with fluorescent lights or LEDs, replacing old electric heaters with modern ones, installing heating automation solutions (with thermal sensors). We upgraded 51 TS/DPs. Annual savings – around 0.01 MWh.
- We encourage to use the Trust Line, where residents can report confidentially about the suspected energy theft.

Technological losses of natural gas distribution network. ESO (Networks) distribute natural gas and maintain gas distribution network. Gas distribution network technological losses include technological and commercial losses (e.g., theft). This section covers only the volume of gas intended for technological purposes, which is related to the release of gas into the atmosphere.

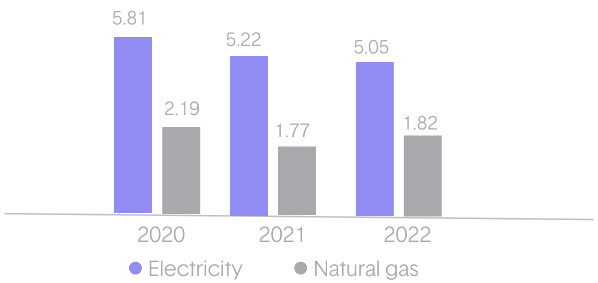
The total volume of gas distributed in 2022 through the ESO networks, whose total length is over 9,600 km, was 6.68 TWh. The total natural gas technological costs in 2022 amounted to 1.82% of total volume distributed (123.73 GWh), and technological losses related to release of gas into the atmosphere were 1.22% (or 83.24 GWh). GHG emissions resulting from the losses is 135,214 t CO_2-eq, i.e., 29% of the total Group Scope 1 emissions. ESO (Networks) aims to reduce total natural gas distribution technological losses as much as possible and undertakes to limit them to 2.2% under all circumstances.

Controlling the release of methane into the atmosphere. Natural gas contains about 90% methane, which is a GHG. Therefore, any natural gas spill from the distribution network into the atmosphere directly relates to methane emissions. ESO (Networks) is working to reduce the technological losses of distribution activities as much as possible, including methane emissions into the atmosphere. Over the last couple of years, its emissions were decreasing consistently: in 2020 methane emissions were 1.66%, in 2021 – 1.36%, in 2022 – 1.22%. ESO undertakes to reduce gas emissions.

We are applying the following measures to reduce natural gas spills into the atmosphere:

- We revised the technological losses methodology – assessed the dependency of equipment losses calculation coefficients used in the methodology on natural gas network operations, natural gas spills measurements, reconstruction works based on implemented pilot projects results.
- We regularly inspect leaks in operational gas pipelines using special natural gas leak detectors. Leak tightness of steel pipelines is inspected per year, polyethylene pipelines – every 5 years. Any natural gas leak detected in the distribution network is eliminated immediately.
- We inspect equipment regulating natural gas pressure in the pipeline. ESO (Networks) is using PLEXOR – a system for inspecting the equipment regulating natural gas pressure. The system is used to inspect the equipment in a safe and reliable manner while being very accurate.
- When connecting new distribution pipelines or carrying out maintenance (reconstruction) as well as repair works on the current distribution pipelines, we are using technological equipment which allows us to connect new distribution pipelines or switch reconstructed distribution pipelines without reducing the natural gas pressure (thus reducing methane emissions into the atmosphere).
- 99% of underground steel distribution pipelines are protected from active corrosion. Once every 6 years we inspect the protective layer of the underground steel distribution pipelines and mend any damage. We also restore the protective layer of steel distribution pipelines and inlets that are above surface. This helps reduce the corrosion process and natural gas leak likelihood to a minimum.

Energy distribution technological losses, %



Managing sulphur hexafluoride (SF_6) emissions. This gas is one of the six greenhouse gasses and is mostly used in distribution equipment, substations with gas isolation and gas circuit breakers. Equipment used in medium voltage networks that contains gas is hermetically sealed – the manufacturer maintains them and ensures that there are no leaks. After the end of their life cycle, the equipment elements are returned to the manufacturer. While performing energy distribution activities, ESO (Networks) follows the description of the gas monitoring and data reporting process. In 2022 no SF_6 leaks were detected in the Group's Networks segment.

Customers & Solutions

To encourage customers to choose green energy and other solutions mitigating GHG emissions, we consult them on energy efficiency and emissions reduction issues, offer energy efficiency, remote solar park and wind farm and other services. We are constantly improving our services to make them more attractive and convenient to customers.

At the end of 2022, 7.5% of Ignitis (Customers & Solutions) independent electricity supply (private) customers chose to consume green energy (35% in 2021). Green energy supply has also been chosen by 64.8% of business customers (69.3% in 2021, and 60.0% in 2020). The share of green energy out of total independent electricity supply activities in 2022 amounted to 2.3% (47.0% in 2021). We correlate decreasing green energy volume with large energy price fluctuations in 2022 that forced both private and business customers to first look for solutions how to reduce the price, and only then think about the origin of energy. We hope that when prices will stabilise and suppliers start offering various solutions, the share of customers choosing green energy will increase.

Ignitis (Customers & Solutions) will continue to help its customers to acquire carbon offset certificates to compensate GHG emissions from their natural gas consumption. One of the projects customers chose to support in 2022 were forest protection in Brasil, Pacajá region. The project was launched in 2005 with a goal to protect forests by creating a healthy ecosystem with a much higher potential to adapt to climate change, higher resilience to extreme meteorological phenomena and improve benefits to local residents.

Ignitis (Customers & Solutions) became a certified biomethane supplier and in 2022 supplied the alternative fuel to its first customer. The company transported the biomethane acquired from a manufacture from the Netherlands through Germany's and Poland's pipelines to the final destination and ensured that biomethane meets the International Sustainability and Carbon Certification (ISCC) standards. This climate-neutral fuel was used in the customer's fuel pumps in the largest cities in Lithuania, therefore, the public transport fleets were able to completely replace traditional fuel with an environment-friendly alternative.

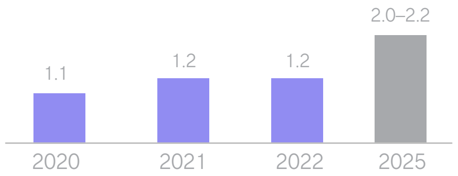
In 2022 we continued the practice of consulting business customers on their emissions. In response to rising electricity prices, we decided to encourage our customers to use energy more efficiently. In October 2022, Ignitis (Customers & Solutions) offered its customers who chose fixed price to help reduce their November and December electricity consumption (compared to their 3-year consumption average). Electricity bill was reduced by a certain amount based on each megawatt hour saved. In November, one of the customers reduced their consumption by 57%, resulting in the customer's electricity bill for that month being reduced to EUR 0.

Further details on customer services and energy efficiency measures are provided in this section below.

Green Generation

In 2022 the Green Generation installed capacity remained stable.

Installed Green Generation capacity, GW



A total of 0.83 TWh (29% percent more than in 2021) of electricity was generated (net) from renewable energy sources (in total 1.56 TWh of energy generated in Green Generation segment) in 2022. The electricity generated in 2022 allowed us to avoid around 320 thousand t CO_2-eq. of GHG emissions, which couldn't have been avoided if it was generated by polluting power plants.

Since the beginning of 2022, our Green Generation Portfolio increased more than twofold to 5.3 GW (from 2.6 GW). Our projects Pipeline more than tripled to 4.1 GW (from 1.3 GW) with the largest share of growth captured by the accelerated expansion of greenfield projects, which increased more than eleven times to around 2.0 GW (from 170 MW) as of report announcement date.

The Green Generation projects under construction and development and related investment data are discussed in further detail in section '2.4 Investment program' of this annual report.

Other initiatives at the Group

Internal carbon price. The Group is evaluating potential expenses related to internal carbon price: we analyse potential investments, plan the budget, discuss innovations in renewable technologies as well as carbon capture and storage. Carbon (or European Union Allowance (EUA)) price is calculated based on the EU Emissions Trading System (EU ETS) and the price per tonne of carbon emissions established therein. EUA price has fluctuated drastically. In 2021 it reached its peak and exceeded 90 EUR/t CO_2. One of the reasons behind price changes was political decisions at the EU level (reforms related to 'Fit for 55' package) and EU ETS reforms (stricter climate goals for the energy sector, less free EUAs, allowances are being removed from the market to reduce their supply). With the expected early redistribution of EUAs, we are estimating the carbon prices to reach 130 EUR/t CO_2 by 2030.

Transport. In order to reduce GHG emissions by 2030, the Group companies whose vehicle fleet comprise 92% of the entire fleet of the Group (Networks and Customers & Solutions segments as well as Ignitis Grupės Paslaugų Centras) undertake to reduce GHG emissions from polluting fuel consumption by 42%.

Employees are encouraged to prioritise non-polluting means of transport for their business travel. 34% of the common-purpose vehicles in the Group that can be used by Group employees for work (excluding the Networks segment's and other special-purpose vehicles) are EVs. Their availability indicator is around 40–50%. We have established an objective to use electric common-purpose vehicles in at least 50% of business travels.

After noticing that some employees are rarely using EVs for business travel, in 2022 we carried out a survey to identify means that would encourage employees to choose EVs more often. The findings suggest that colleagues are worried that an EV might run out of battery and they will not reach their destination, or that they don't know how to handle EVs or how to charge them. After assessing the results of the survey, separate teams and employees underwent live training where they were introduced to the process of using an EV and how to reserve it in the Group's system. We are looking for solutions with the developers of the application for reserving common-purpose vehicles on how the reservation system could by changed so that only EVs would be available for journeys under 200 km.

Both eco-driving and safe driving courses are being regularly carried out in the Group. In 2022 all Group employees were invited to participate in the courses, and 880 employees have attended the course. We are estimating that by applying eco-driving principles in practices, carbon emissions could be reduced by 5%.

While following the Group's Vehicle Fleet Management Policy, we started a mobility programme for managers who had company vehicles (as a part of incentives). The programme's purpose is to abandon all the company vehicles run by internal combustion engines that were issued to managers by 2030. The mobility programme's framework suggests choosing a personal EV or other non-polluting means of transport whose acquisition will be compensated by the Group; or using car sharing, pooling or taxi services and the Group will allocate a certain monthly budget to cover such services.

Education. In order to present the climate issues in the Group to as broad an audience as possible or and to encourage employees to engage in the planning of GHG emissions reduction measures, we have carried out various educational initiatives:

- To showcase the time left to reach ambitious GHG reduction targets, we initiated a climate clock project. Climate clock is running constantly and shows the time when we will run out of the "carbon budget", considering the current GHG emissions level and the global temperature increase caused by human activities (considering that the tendency observed in the last five years remains constant). In September 2022 we joined the initiative and installed the clock in the main office. It is also clearly indicated in the internal website and external websites of the Group.
- The Group joined the Climate Week initiated by the Ministry of Environment of the Republic of Lithuania and organised a discussion on climate change which was attended by scientists and public representatives. The discussion was broadcasted live to Group employees and readers of the Delfi news portal. It is publicly available here.
- We also included courses on climate change in our internal education initiative Grow Academy. More than 80 colleagues completed the course in 2022. Starting from the beginning of 2022, new employees of the Group are participating in training, where they are introduced to all sustainability topics, including climate change and the Group's efforts to reduce the emissions. Over 400 newcomers of the Group participated in the training.
- The walls of the main office of the Group were adorned by the artwork of artist Appias Albina. The artworks were created using a unique carbon monotype technique (printmaking). They depict protected and endangered plant and animal species due to climate change. One of the artworks were used in holiday greetings of the Group to business partners. The image of fir trees, while pleasing to the eye, also serves as a harbinger of the climate impact on fir forests. You can read more about the project here.

Our future measures to reduce GHG emissions

As mentioned earlier in the report, the Group is committed to halve its GHG emissions by 2030 and we have identified measures which we will apply in Group companies to reach our GHG emissions reduction targets. These measures are categorised based on their potential implementation period – short-term, medium-term and long-term.

The following part of the report describes the main measures which the Group companies have clarified in 2022 and have set for specific periods. We note that the decisions regarding the implementation of these measures have not necessarily been made yet, therefore these measures should be regarded as preliminary and their implementation is not certain yet.

Each Group company is updating its measures, follow their progress and efficiency every year. On the other hand, the decisions regarding the implementation of a specific measure are made during the strategic planning or by separate decisions of persons and/or collegial bodies authorised to make such decisions when necessary, when the complete information necessary to make a decision, including their implementation costs, estimated effect, etc., is available. It must be noted that some of these measures are set and may be implemented as changes necessary to make operations more effective, ensure reliability, which will have a positive impact on the emissions reduction goals. Their implementation plans and effect after they are implemented will be available in the Group and company reports for the following periods.

The largest volume of Scope 1 emissions in the Group's activities come from natural gas combustion in the process of electricity generation, waste-to-energy activities and natural gas distribution losses. The greatest contributor to Scope 1 emissions reduction is estimated to be the expansions of renewable energy generation, replacing the electricity production using natural gas. The emissions in this category in the future could also be reduced by replacing natural gas with green hydrogen. Reducing natural gas distribution losses can be ensured by continuing the measures described above in the report.

The largest volume of Scope 2 emissions consists of electricity consumption and distribution technological losses. To reduce electricity distribution emissions, we are planning in the medium-term to analyse 0.4–10 kV network components in order to locate the contributors to the largest losses. We are also planning to install and apply smart metering systems, replace metering and 6–10 kV transformers, potentially acquire green electricity certificates. Electricity consumption emissions will be reduced by applying various mitigation measures in Kruonis PSHP (Green Generation), the largest electricity consumer in Lithuania. Our plans include a major overhaul of the energy units, replacing transformers, installing a heat pump. The installation of the 5th unit will contribute to increasing the efficiency of electricity operations and reducing emissions. We are also planning to repair generators at the Kaunas HPP (Green Generation) and modernise electricity economy, restore transformers of units 7 and 8 as well as repair the turbine of unit 8 of Elektrėnai Complex (Flexible Generation).

The largest volume of Scope 3 emissions come from electricity and gas sales to final consumers. These emissions will be primarily reduced by working with consumers by promoting energy efficiency, maintaining green energy sales, promoting electrification and abandoning natural gas. These emissions can also be reduced by acquiring green electricity certificates as well as guarantees of origin of biomethane.

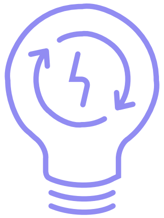
The largest share of out-of-scope biogenic emissions come from biomass- and waste-to-energy activities (biodegradable fraction). We are estimating that these emissions will increase both at the short-term and the long-term compared to 2020 because at the end of 2020 the launch of waste incineration power plants in Vilnius and Kaunas in their full capacity increased the emissions. After the launch of Vilnius CHP (Green Generation) biomass unit, such emissions will increase even further. We are discussing the adoption of carbon capture and storage technologies to reduce such emissions in the future. At the moment, this measure does not seem economically feasible, however, considering likely development and improvement of cost-effectiveness of such technologies, this can become a very important measure to reduce our emissions.

Preliminary list of the main measures to reduce the Group's emissions[1]

Emissions scope	Segment	Viable measure	Period		
			Short (2023–2026)	Medium (2026–2030)	Long (2030–2050)
Scope 1	Flexible Generation	Replacing some of natural gas with green hydrogen			
		Reducing electricity production using natural gas			
	Networks	Reviewing the natural gas distribution technological losses methodology			
		Automating and installing metering systems			
Scope 2	Networks	Reducing electricity distribution technological losses (analysing 0.4–10 kV network components to find the ones that are responsible for the most losses, using smart metering systems, replacing metering transformer stations, replacing 6–10 kV transformer stations)			
	Green Generation	Green electricity certificates for Kruonis PSHP in pump mode			
		Applying measures to reduce emissions consumption (major overhaul of the energy units, installing the 5th unit, replacing transformer stations, installing a heat pump)			
		Repairing Kaunas HPP generators			
	Flexible Generation	Modernising the electricity economy, restoring transformer stations in units 7 and 8, repairing the turbine of unit 8 in Elektrėnai Complex.			
Scope 3	Customers & Solutions	Promoting green energy and energy efficiency			
		Green electricity certificates			
		Guarantees of origin of biomethane			
Scope 1 and out-of-scope emissions	Green Generation	Installing carbon capture and storage technologies			

[1] The measures provided in the table describe the main measures which the Group companies have clarified in 2022 and have set for specific periods. The decisions regarding the implementation of these measures have not necessarily been made yet, therefore these measures should be regarded as preliminary and their implementation is not certain yet.

More sustainable internal energy consumption, energy efficiency for the public and customers



Our approach

We contribute to mitigating the climate impact by enabling our customers to use energy more efficiently and by promoting energy-efficient habits. We work on educating the society on energy efficiency. The Group companies are successfully implementing energy savings and consumer education and consulting agreements with the Ministry of Energy of the Republic of Lithuania and significantly contribute to Lithuania's targets. In the period of 2014–2020, Lithuania's target was to save 11.7 TWh of energy, while in the period of 2021–2030, the goal is to save 27.28 TWh. Through consumer education and consultation agreements, we present energy efficiency measures and their success stories through a variety of channels and formats, engage communities and share best practices, conduct research and develop benchmarking solutions, allowing the customers to analyse their consumption patterns in self-service platforms and billing.

More information on the agreements and their objectives is available on the Group's website: energy saving (link in Lithuanian), consumer education (link in Lithuanian).

Group companies (Ignitis Gamyba (Green Generation), Ignitis (Customers & Solutions) and ESO (Networks)) regularly (i.e., every four years) conduct internal audits on energy consumption. The last audit took place in 2021, and the implementation of the recommendations presented in its conclusions contributes to a more efficient internal energy consumption and the Group's goals to reduce GHG emissions.

How do we promote efficient energy use?

More sustainable internal energy consumption. At the end of 2021, we gave up most of the energy-inefficient office space in Vilnius and moved to the 'A+' energy efficiency class building complex, which houses 1,200 employees of various Group companies. In 2022, we continued projects related to increasing the energy efficiency of offices and renovated the offices of Group companies in the regions. As a result of these changes, we estimate that we consumed 70% less electricity in 2022 compared to previous years.

To encourage the Group employees to use energy responsibly, especially in the light of the current energy crisis, we carried out employee training on energy efficiency (with about 140 participants) in 2022 and educated them on the energy efficiency measures. We are also discussing about a more sustainable energy consumption with our colleagues in the climate change courses that are available in the internal education initiative Grow Academy (more than 80 colleagues participated in the training in 2022) and sustainability courses for the Group's newcomers (about 400 employees in 2022).

ESO (Networks) has developed a tool for tracking transport emissions and eco-driving performance, which provides a report on the performance of specific vehicles driven by different teams, indicating which teams have the highest fuel consumption as well as kilometres driven, resulting in the highest emissions. The reports are submitted discussed and coordinated actions on improvement are implemented on a monthly basis.

Energy efficiency for the public and customers. Implementing the agreements with the Ministry of Energy of the Republic of Lithuania, we submitted reports to the Ministry and the Lithuanian Energy Agency on the implementation of consumer education and consultation measures in 2022. The submitted energy savings are 116.63 GWh.

Implementing the agreements in accordance with Article 7 of the Republic of Lithuania Law on Increasing Energy Efficiency (energy savings), the Group companies submitted the necessary information to the Lithuanian Energy Agency to verify. The energy savings target for 2022 was 5.3 GWh and the submitted energy savings are 11.78 GWh in 2022. The estimated cumulative effect of implemented energy saving measures by 2030 is 16.09 GWh.

In 2022, we offered customers digital tools to monitor their energy consumption. ESO (Networks) implemented comparative analysis solutions in its self-service platform, allowing both private and business customers to compare their energy consumption with previous years as well as with similar consumer groups. The system also provides tips on energy efficiency.

In 2021–2022, ESO (Networks) and Vilnius University carried out a pilot project on the analysis of automated metering data. 1,145 consumers participated in the project. The aim of the project was to offer households easily accessible and understandable information about their hourly electricity consumption with the help of the ESO (Networks) mobile application as well as to help them understand what impact the provision of information via the ESO (Networks) mobile application has on the households' actual electricity consumption. The effect of the mobile application, which includes sending notifications and consumption comparison, was found to have an impact of about 0.3 kWh/h during peak hours. Also, in June 2022, application users were invited to participate in a survey and evaluate the application's usefulness. 309 respondents participated in the survey, where they estimated the usefulness of the application to be around EUR 6/year on average, and 43% believe that this application helped them save money. At the end of the research, the activities were suspended, while the obtained results were integrated into the channels for working with customers.

We are developing an Ignitis EnergySmart application to help customers track their electricity consumption data and provide tips on energy efficiency. The application allows customers to see the days when electricity consumption was the lowest and the highest, making it easy to spot unusual spikes in energy consumption and adjust it accordingly. It also provides an average energy consumption of the last 30 days, which helps to assess own habits, with the aim to keep electricity bills stable. As smart meters are installed, more and more customers will be able to use the application, and its functions will be expanded.

In 2022, Ignitis (Customers & Solutions) developed and provided 2021 annual comparative analysis on electricity and gas consumption to B2B customers in e-mail newsletters.

In Q3 2022, we offered consultations on GHG emission assessment to business companies. Companies are invited to enter their data into the calculator integrated on the Ignitis (Customers & Solutions) website (link in Lithuanian), while we prepare a report based on the entered data, which helps identify the most polluting activities of the company and gives advise on how to reduce the GHG emissions. During the year, 21 GHG reports were prepared (including 19 for Ignitis (Customer & Solution) customers), which present the company's emissions from electricity and gas, vehicles, as well as air travel. During the consultations, we identify energy efficiency measures and renewable energy resources that would help reduce emissions as well as the amount of GHG emissions the company would prevent if the proposed measures were implemented.

In 2022, we implemented three ESCO projects – at AB "Achema", Ukmergė district municipality and Visaginas Basketball School. We estimate that these customers will save about 600 MWh of electricity per year.

In 2022, Ignitis (Customers & Solutions) initiated a project on energy efficiency and sustainability consulting services. After choosing a project partner, we are planning to install the energy data metering equipment in the partner's facilities as well as to connect the consumption data, deviations and other relevant information to the data processing and analysis system. The system will provide an opportunity to see energy consumption data in selected objects in real time as well as receive weekly performance reports, warnings about consumption deviations and the need to take corrective actions. The objective of this pilot project is to save at least 2% of electricity over a 6-month period.

Ignitis (Customers & Solutions) has developed analytical models for B2C customers that allow them to compare their electricity and gas consumption trends with a similar group of consumers. In 2023, the solution is to be implemented in billing systems and made available for all customers.

Sustainable solutions and services for customers

Our approach

The Group's strategy enshrines a goal to promote transformation and development of the energy sector, exploit development opportunities and develop innovative solutions to make life easier and more energy efficient. This also contributes to energy sector's decarbonisation.

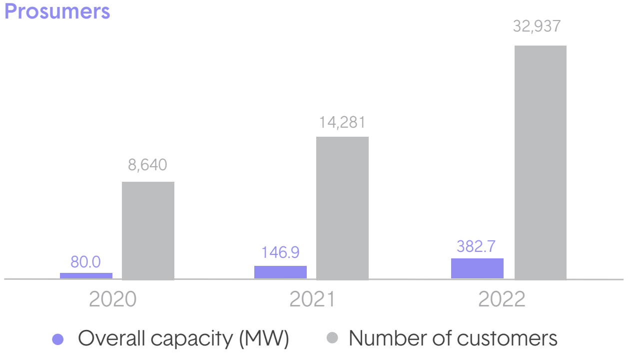
We aim for the energy distribution network to create conditions for energy transformation as well as for growing the prosumer base. In distribution activities, we aim to ensure competition and freedom of choice in the market, implement smart solutions that meet customer expectations, and ensure the reliability of the network. To enable market participants to test the new services and products under equal conditions, we open up the distribution network infrastructure and data to the market.

Our Customers & Solutions segment creates innovative solutions for easier life and energy sector development. We wish to ensure the best customer experience and offer different services from a single source.

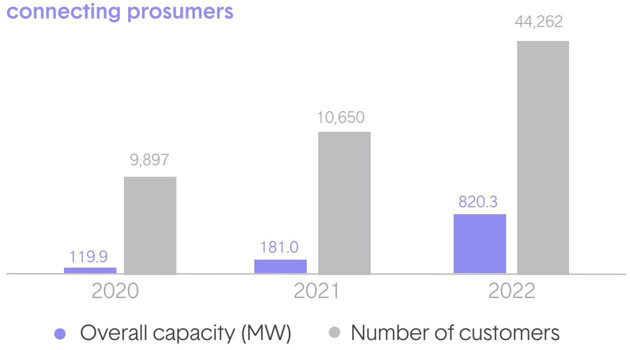
Highlights of 2022 and future plans:

Prosumers. In 2022, the number of prosumers connected to the distribution network increased from 14,000 to almost 33,000, while the number of remote prosumers increased from 4,500 to 9,500, which means that the numbers have more than doubled. The pace of connecting prosumers and remote prosumers has gained momentum due to continuously improving technologies, better awareness, annually growing state support for power plants, and the extreme spike in electricity prices in recent years. In 2022, ESO (Networks) received 44,262 requests for issuing technical conditions for prosumers (10,600 in 2021). In Q3 2022, to simplify and speed up the entire process and facilitate the customer experience, we have made changes that now allow customers to upgrade their capacity and apply for a prosumer status at the same time.

Prosumers



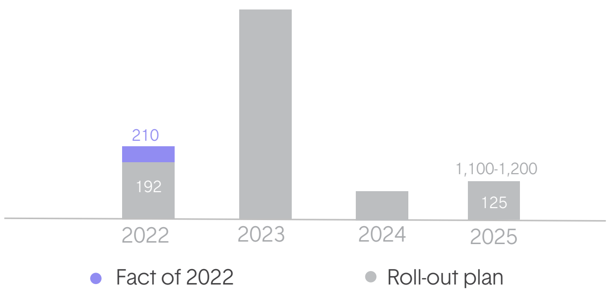
Requests for technical conditions for connecting prosumers



Starting from 2023, prosumers will be able to assign several different power plants to a single object. Up until now, it was possible to assign the power generated by a single power plant to a single object of the consumer. For example, one house could be assigned either solar panels on the roof or a part of a remote solar power plant. From 2023, ESO (Networks) will be able to assign multiple generation sources to a single object. This was made possible after the adoption of the 'Breakthrough Package' of laws in July 2022, which aims to promote the development of prosumers.

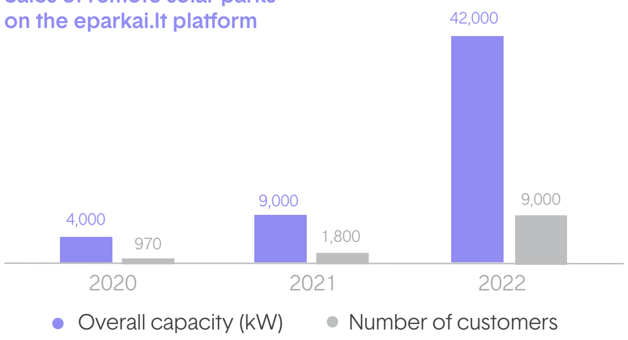
Smart meters. A mass roll-out of smart meters (Networks) was started in July 2022. During the last six months of 2022, more than 210.4 thousand smart meters were installed. Around 1,200,000 smart meters are to be installed for customers with the highest electricity consumption by the end of 2025. At a later phase, customers consuming less than 1,000 kWh of electricity per year will have their meters replaced upon the expiry of their metrological verification period. Residents with smart meters will no longer have to write down meter readings by hand and will be able to see their exact electricity consumption, receive new services from market participants and use energy more efficiently.

Smart meter roll-out plan,
thousands of smart meters installed



Solar parks. Interest in solar parks (remote power plants) in 2022 reached record highs. In previous years, the combined sales in the eparkai.lt platform to B2C and B2B customers amounted to less than 10 MW. In 2022, a total of 42 MW of solar parks were sold to customers (purchased by approximately 9,000 customers).

Sales of remote solar parks on the eparkai.lt platform



Rent a wind farm. On 27 October 2022, a new Ignitis (Customers & Solutions) service was introduced to the market – remote wind farm rental for private customers. Ignitis (Customers & Solutions) was the first company in the world to offer such an option to consumers. Renting a wind power plant provides customers with an opportunity to reduce their electricity costs without additional investments and thus contribute to the green generation development and increasing energy independence in Lithuania. Through this system, the consumer can rent a part of a wind farm, the electricity generated is then converted into a monetary value based on the price of electricity on the power market and is used to reduce that consumer's electricity bill. We are estimating that this could reduce electricity costs for consumers by up to 20%. The service received a lot of public and media attention, and, by the end of the year, the capacity offered in stage I (1 MW) was fully reserved. In the future, we will continue to look for new products and services on how residents and businesses could take advantage of the benefits provided by wind farms through our updated eparkai.lt platform.

Ignitis ON. We continue to expand the Ignitis ON EV charging network. Currently, 131 public charging stations are available in total (including both those owned by Ignitis ON (99) and those installed in cooperation with third parties). They can charge 312 EVs at the same time. The electricity supplied to the Ignitis ON network is produced from renewable energy sources. The development of Ignitis ON EV charging network is expected in the coming years.

Future plans. In 2023, Ignitis (Customers & Solutions) will focus on services of strategic importance: supplying electricity, updating eparkai.lt platform, developing the EV charging network Ignitis ON. At the same time, the company decided to abandon some other services that were previously provided to customers. Since 2019, the company has been actively providing solar power plant installation services for B2C customers, developing heat pump solutions for B2C customers, lighting modernisation and ESCO services for B2B customers. At the beginning of 2020, it started offering EV charging stations to B2C customers for the very first time. In response to market changes and a large supply of such solutions, the company decided to stop providing these services – it will fulfil the existing obligations and will no longer provide these services to new customers. All the services mentioned above were provided in cooperation with external suppliers – various contracting, development companies, which means that such operating model is challenging to maintain. We see the market as sufficiently saturated and there are enough suppliers on the market who could offer services and products for the installation of both solar power plants and heat pumps or private EV charging stations.

5.5 Preserving natural resources

Sustainability programme	Preserving ecosystems & biodiversity	Adopting circularity
2025 strategic milestones and goals	**Net gain** in biodiversity	**Each business segment** to implement at least one circularity transformation
2022	Carried out the analysis of the Group's biodiversity and ecosystems management	Carried out the analysis of the Group's circularity

General environmental principles of the Group

Energy generation and its distribution, development of renewable energy not only create services necessary for our daily lives, but also have an impact on our natural environment. Therefore, at the Group, we work to achieve harmony with the environment, monitor the impact of our activities on the environment, and contribute to the implementation of Sustainable Development Goals. We understand that we are directly dependent on ecosystem services and natural resources, therefore environmental issues are resolved in the Group companies in accordance with the highest international standards, by applying the best available technologies and practices, streamlining processes and assessing potential risks.

Environmental Policy

The most important general provisions and principles of environmental protection applied by the Group, which aim to reduce the impact on the environment, manage risks related to the environment and foster a culture based on the principles of sustainable development in the Group and its environment, are defined in the Group's Environmental Policy, which applies to all Group companies. In implementing our long-term strategy, we focus on the renewable energy development, decarbonisation of the energy sector, modernisation of the energy system, creating innovative solutions, where respect for the environment and its protection are integrated in all activities, processes, including internal decision-making. The Group's responsible business conduct is based on the principles of United Nations Global Compact, and its strategic objectives are aligned with United Nations Sustainable Development Goals.

Environmental Management System

The Group ensures supervision and monitoring of activities through a three-line environmental management system. The first line includes managers of various levels, environmental and other specialists working in the Group's companies, who ensure compliance with environmental requirements. Specialists are constantly improving their qualifications in training (e.g., managing hazardous waste, managing chemicals, etc.). The second level involves a compliance expert working in the Group Corporate Security function, who ensures compliance with the requirements of legal acts, formulates the Environmental Policy of the Group and coordinates the activities of the first level (monthly meetings of employees in this field are held, relevant issues and issues are examined, changes are initiated and implemented). The third level, i.e., internal audit, carries out a detailed internal audit of all companies of the Group that are certified according to the ISO 14001 standard.

Group's Environmental Protection System

1 line

Managers of various levels, other specialists.
The company's environmental protection specialist.

- Determination of responsibilities.
- Implementation of environmental requirements.
- Performing preventive actions.
- Organization of training.
- Goal setting/implementation.
- Ensuring compliance.
- Monitoring and internal control.
- Reporting to governmental institutions.
- Company representation during inspections.

2 line

Group compliance

- Policy making.
- Identification and management of Group-level risks, application of planned measures.
- Coordination of activities of environmental protection specialists.

3 line

Internal audit

- Assessment of environmental protection management system compliance with ISO 14001 requirements.
- Ensuring the efficiency of lines 1 and 2.

External audit (for certified companies)

In order to ensure continuous improvement of environmental protection effectiveness in the Group's activities, among the measures for implementing environmental protection principles, the Group's Environmental Policy includes encouraging the implementation of the environmental management system standard (ISO 14001) in companies and to continuous improvement of the implemented system.

At the end of 2022, 69% of the Group's activities (by revenue) were ISO 14001 certified. The two largest companies of the Group (ESO (Networks) and Ignitis Gamyba (Flexible Generation)), which have a significant impact on the environment, comply with the requirements of the standard, as well as Vilnius CHP (Green Generation). The B2B-related activities of Ignitis (Customers & Solutions) are also ISO 14001 certified. The environmental audit has already been carried out at Kaunas CHP (Green Generation), and the company is currently carrying out preparatory work and intends to implement the Environmental Management Standard in 2024. Thus, the activities of the Group companies comply with the most important aspects of environmental protection, environmental monitoring, management and performance improvement requirements. Environmental achievements, challenges, and innovations are periodically presented to the managers of each ISO 14001 certified company.

The Group has a Trust line and encourages all stakeholders to confidentially report violations of internal or external environmental legal acts that may have been committed or are being committed by the Group employees or business partners. In order to further simplify the ways to report violations and engage the Group employees, in 2022 we created an internal app called 'Nesaugu? Pranešk!' (Not Safe? Report!), which also has a function that allows to report any kind of environmental violation in our facilities or activities.

Environmental impact assessment

The negative impact on the environment that may occur during the implementation of the Group's development projects or the renovation of facilities is controlled in compliance with all legal requirements, which is also emphasized in the Group's Environmental Policy. In all cases where it is necessary, an environmental impact assessment (hereinafter referred to as EIA) or a screening in accordance with the requirements of the Republic of Lithuania Law on Environmental Impact Assessment of the Proposed Economic Activity, harmonized with EU legislation (Directive of the European Parliament and Council 2014/52/EU) and regulating the EIA process and the relations between its participants, is carried out before the commencement of the economic activity. During the EIA, the possible direct and indirect effects of the planned economic activity on the soil, the surface and its depths, air, water, climate, landscape and biodiversity are analysed in detail, paying particular attention to species and natural habitats of importance of European Community as well as other species protected by legislation, material heritage, immovable cultural heritage and the mutual interaction of these elements. The possible direct and indirect effects of biological, chemical and physical factors caused by the planned economic activity on public health, as well as the interaction between environmental elements and public health, are assessed, and it is determined whether the planned economic activity complies with environmental protection, public health, immovable cultural heritage protection, fire and civil requirements of safety legislation. After assessing the impact, measures are determined that must be taken in order to avoid the expected significant negative impact on the environment and public health, reduce it or, if possible, compensate it. Stakeholder groups and the public participate in the process and, in accordance with the procedures established by legislation, they may participate in the EIA screening and EIA processes, submit proposals concerning the assessment of the planned economic activity and its impact on the environment.

Each facility has its impact on the natural environment at all stages of its life. The identification of the most important impacts on the natural environment during the entire life cycle of the facilities helps avoid negative impact or, if this is not possible, reduce and/or compensate it.

When building new facilities (especially relevant to the Green Generation segment) or expanding existing ones, we focus on environmental protection from the early stages of planning – the potential impact on the environment and public health is assessed during the EIA of the planned economic activity. During the construction or development process of new facilities, in order to reduce the impact on the environment, we follow the impact reduction measures established during the EIA (usually the requirements are related to the limitation of work during sensitive seasons, e.g., bird migration, breeding, etc. as well as lighting, monitoring and other requirements).

After the completion of construction works, environmental protection becomes an integral part of operations – environmental monitoring which was coordinated with environmental authorities and communities at the planning stage is carried out. Monitoring results are analysed to identify areas where additional efforts are needed to reduce environmental impact.

During the decommissioning phase, the most important goal is to restore the landscape, clean up the environment, and leave the former area of operations as one where biodiversity and ecosystems can thrive.

Key environmental impacts and processes during the life cycle of facilities

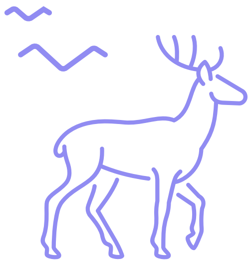
- Site selection.
- Environmental impact assessment of the planned economic activity.
- Selection of materials and technologies.

- Increased traffic.
- Necessary infrastructure installation works.
- Environmental disturbance due to increased human presence.
- Management of the generated waste.
- Landscape changes.

- Emissions.
- Changes in the natural flow of rivers and creating obstacles for fish migration (in the case of hydroelectric power plants).
- Using resources.
- Habitats fragmentation, disturbing fauna and flora, felling trees (network maintenance).
- Animal deaths due to electric shock or collision with wind turbines.
- Probability of pollution incidents.

- Increased traffic movement when dismantling structures.
- Environmental disturbance due to increased human presence.
- Managing generated waste.
- Restoring landscape.

Impact on biodiversity and ecosystems



Our approach

Thriving biodiversity and stable ecosystems are some of the components of mitigating the effects of climate change, while climate change mitigation is a means of halting the degradation of species and ecosystems. Interconnections existing in the natural environment as well as the maintained balance ensure an environment conducive to life. After making decisions on climate change mitigation, at the end of 2022, the countries of the world agreed on actions to preserve biodiversity and improve its condition. The meeting of the parties to the United Nations Convention on Biological Diversity in Montreal adopted the Kunming-Montreal Global Biodiversity Framework, the most important international strategic document, providing action plans for the coming years and decades, the main goals of which are to protect and restore nature for future generations, ensure its sustainable use and encourage investments in the green economy.

Developing a business responsible for nature and understanding the obligations coming from the international community, we work in the most important environmental directions established in the Group's strategic plan 2022–2025:

Ignitis Group's goal is to achieve net gain on biodiversity by 2025

The Group understands the risks associated with the loss of biodiversity and the degradation of ecosystems, therefore it operates based on the principles of **precaution** and **mitigation hierarchy**, follows the **principle of non-disturbance of protected areas and the integrity of species and habitats of high ecological value**, and when it is impossible to avoid this for objective reasons, **it implements all the necessary mitigation and compensation measures.**

The Group supports and, in its activities, contributes to the goal set by the Science Based Targets Network (hereinafter referred to as the SBTN) initiative of **avoiding deforestation**, and therefore seeks to minimize the amount of felled trees when it is necessary for the maintenance of the electricity distribution network.

Given the nature of our operations, in the area of biodiversity and ecosystem protection we focus on Sustainable Development Goals No. 12 (Responsible Consumption and Production) and No. 15 (Life on Land). The most important general environmental provisions and principles of the Group, which aim to reduce the impact on the environment, manage environmental risks and foster a culture based on the principles of sustainable development in the Group and its environment, are defined in the Group's Environmental Policy, which responds to the EU Biodiversity Strategy for 2030 and the EC action plan Towards zero pollution in air, water and soil.

In the analysis of the Group's impact on biodiversity and ecosystems, prepared on the basis of the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool developed by the Natural Capital Finance Alliance, preliminary environmental impacts and dependencies were identified.

Determination of the potential impacts on biodiversity and the environment is critical for identifying the most effective strategies to avoid, reduce, or offset impacts in accordance with the mitigation hierarchy principle. Identification of impacts and dependencies is also useful from a business perspective – biodiversity is the foundation of natural capital and the goods and ecosystem services it creates. Therefore, the understanding of biological diversity and the risks related to natural capital allows us to manage them better, to identify opportunities for mitigating and adapting to the impact of the Group's activities.

The preliminary assessment indicates that the highest dependencies in the Group's activities can be attributed to the maintenance of ecosystem services for climate regulation (hydropower, wind and solar energy), surface water (for cooling thermal power plants and electricity generation by hydropower facilities), energy production from biomass due to direct dependence on raw materials (biomass), hydrological cycle in the operation of hydropower facilities and protection against the effects of floods and storms in electricity distribution activities.

Dependencies of the Group's activities on the natural environment

	Direct physical input			Enables production process		Mitigates direct impacts		Protection from disruption		
Ecosystem service	Fibres and other materials	Groundwater	Surface water	Hydrological cycle	Water quality	Bio-remediation	Fitration	Climate regulation	Flood and storm protection	Mass stabilisation and erosion control
Ecosystem element	Habitats, Species	Water	Water	Atmosphere, Habitats, Water	Species, Water	Habitats, Species	Habitats, Species	Atmosphere, Habitats, Soils and sediments, Water, Species	Habitats	Habitats, Geomorphology, Soils and sediments
Biomass energy production	Very high	Medium	Medium	Medium	Low	Very low	Very low	Very low	Medium	Low
Waste to energy		Medium	Medium	Medium	Low	Very low	Very low	Very low	Medium	Low
Thermal power plants		Medium	Very high	Medium	Low	Very low	Low	Very low	Medium	Low
Hydropower production		Medium	Very high	Very high	Low	Very low	Very low	Very high	High	High
Solar energy		Very low	Very low					Very high	Medium	Medium
Wind energy								Very high	Medium	Medium
Gas distribution								Medium	Medium	High
Electricity distribution								Medium	Very high	High
Gas and electricity retail				Very low	Very low		Very low	Very low	Medium	

Very high High Medium Low Very low

Ecosystem element

Atmosphere Soils and sediments Species

Habitats Water Geomorphology

In our activities, we not only use ecosystem services, but also cause impacts on the natural environment. We identified the following key impacts:

- Water use (groundwater and surface water used for generation or other purposes).
- Impact on terrestrial ecosystems (land types – forests, grasslands, cultivated fields, etc.).
- Impact on freshwater ecosystems (swamps, lakes, springs, rivers, peatlands).
- GHG emissions.
- Non-GHG emissions (solid particles, SO_2, NOx, CO).
- Water pollution.
- Soil pollution.
- Waste generation.
- Environmental disturbance (e.g. light or sound pollution – duration, intensity, etc.).

The Group's activities have a significant impact on water-based ecosystems:

- Large amounts of water are needed for energy production in thermal (for cooling, which changes physical characteristics of water), cogeneration and biomass power plants (technological processes).
- Hydroelectric power plants change the water level of the reservoir, which can harm aquatic and terrestrial fauna, cause erosion, and imbalance in the flow of sediment.
- The construction of power plants in the vicinity of water bodies can change freshwater ecosystems, water is also needed for the maintenance of solar power plants and other facilities.

Due to the activity of hydroelectric power plants, the level of the water body fluctuates, which affects the slopes and the coastal ecosystems.

Installing a solar power park modifies the natural environment, and the impact of a specific park should be assessed separately as it depends on the natural, ecological value and other characteristics of the area where it is installed.

Solar parks are usually surrounded by a fence, thus fragmenting habitats and making it difficult for animals to migrate or access their usual habitats. The impact is also due to soil compaction, loss of vegetation cover, rainwater, intense current flowing away from solar modules and increasing soil erosion as well as other aspects.

The biggest impact of wind turbines on terrestrial ecosystems is associated with the modification of habitats during the installation of wind turbines and the impact on birds and bats populations due to the threat of collision. Gas and electricity distribution infrastructure (Networks) fragment habitats and, in some cases, habitats may even be lost.

GHG and non-GHG emissions of the Group's activities are mainly generated by activities related to energy production by burning fuel or waste. Distribution of gas and electricity also contributes to GHG emissions.

Water pollution is mainly related to substances released during combustion, which can contaminate wastewater or surface water. Hydropower also contributes to water pollution due to changes in sediment flow or retention (which may also lead to the risk of eutrophication). Water pollution at a local level can be caused during the installation or maintenance of solar power plants (e.g., when chemicals are used to wash the modules) or wind farms (e.g., due to the risk of spills of oil or other polluting substances).

The greatest risk of soil contamination comes from water level fluctuations during hydroelectric power plants (where coastal ecosystems can be covered with sediment from the water body) as well as water pollution during the maintenance of solar parks and wind farms. Combustion products and various spills can also contaminate environmental components, including soil.

A large part of the waste is generated during combustion (ash, bottom ash, etc.). The activity also generates various packaging, municipal solid construction and other waste.

Disturbance occurs mainly through impacts on species due to noise during operation and maintenance of power plants. Wind turbines can also have an impact by disturbing the migration routes or feeding areas of birds and bats. The noise generated can scare them away from their usual crossing points. Maintenance work on solar power plants, electricity and gas distribution networks (vehicle movement, vegetation removal, etc.) also has a disruptive effect on biodiversity.

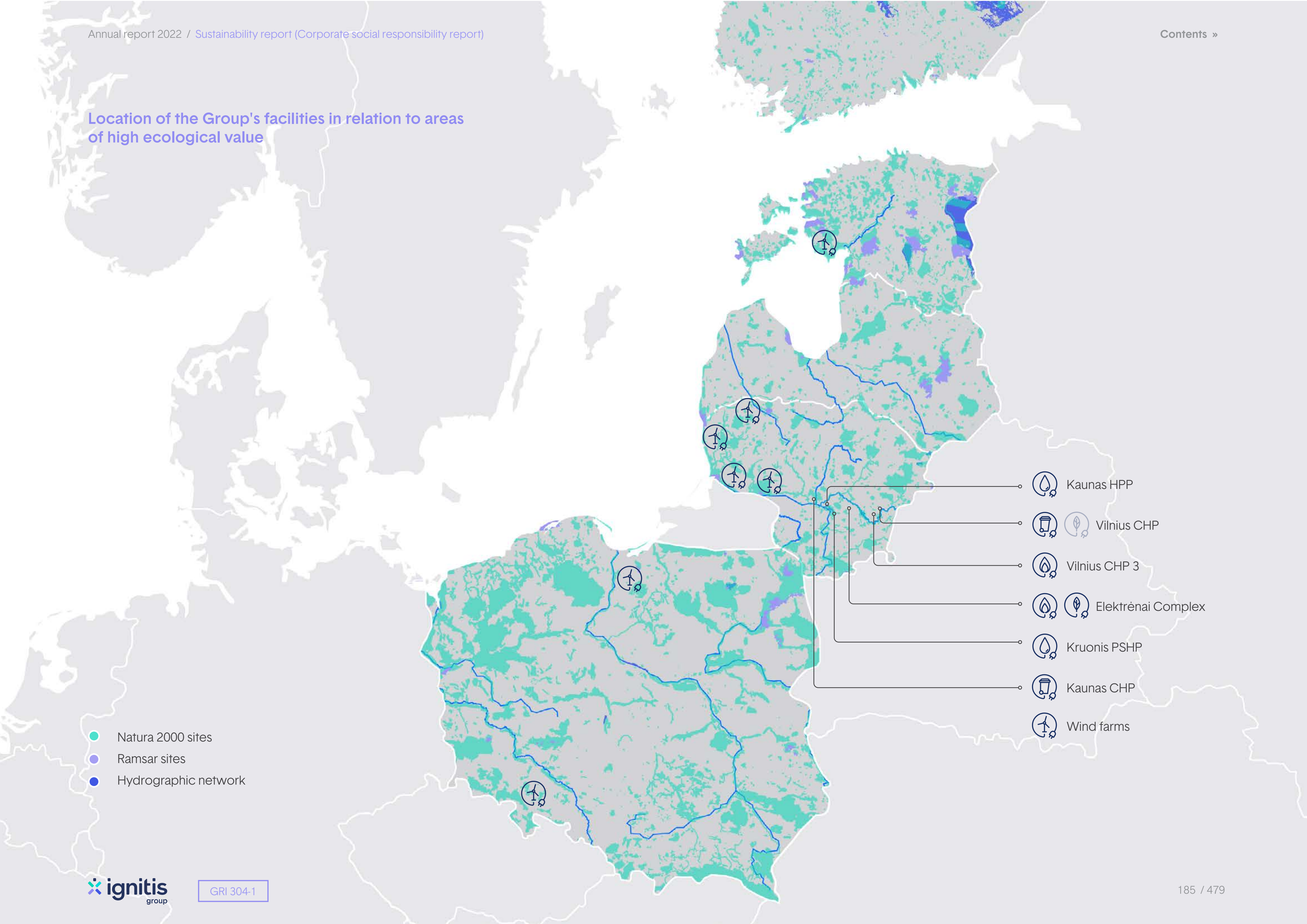
Environmental impact of the Group

	Water use	Terrestrial ecosystem use	Freshwater ecosystem use	GHG emissions	Non-GHG air pollutants	Water pollutants	Soil pollutants	Solid waste	Disturbances
Biomass energy production	High			High	High	High		High	High
Waste to energy	High			High	High	High		High	High
Thermal power plants	Very high		High	High	High	Medium	Medium	High	High
Hydropower production	Very high	Very high	Very high	Low		Medium	Medium		
Solar energy	Low	Very high				Low	Low		Medium
Wind energy		High	Medium			Low	Low		Medium
Gas distribution		High		High					Low
Electricity distribution		High		High					Low
Gas and electricity retail								Medium	

● Very high ● High ● Medium ● Low

During the analysis, we also identified sources of risk, their possible impact on activities, defined their management measures, calculated indicators related to biodiversity and ecosystems: the area occupied by the facilities of the Group, the share of the area occupied by the Networks segment in areas of high ecological value, the position of the facilities in relation to the protected areas, the number of protected species (more information is available in the section '5.8 Group's ESG data'). We have also identified the actions we need to take to achieve a net gain in biodiversity by 2025. We intend to publish a detailed report on the impact of the Group's activities on biodiversity on the Group's website.

Location of the Group's facilities in relation to areas of high ecological value



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In the Green Generation segment, we take various risk mitigation and management measures to protect birds and bats. For example, we monitor birds in Lithuanian wind farms: deaths of migratory birds during autumn (September–October) and spring (March–May) migration as well as breeding and migrating birds. Data from all studies are provided to the Environmental Protection Agency. At the Pomerania Wind Farm (Poland), we implemented automated solutions to reduce the impact on bats. This reduces the possibility of human error and ensures compliance with environmental requirements. By protecting bats, we also regulate the extent and frequency of removal of surrounding woody vegetation. To contribute to the welfare of birds and bats, the wind farm's lighting is being regulated, the light illuminating the turbine has a low flicker rate, thus reducing the chance of birds flying past hitting the turbine. We are monitoring fallen birds and bats. Bird monitoring is also carried out in Estonia at the Tamba and Mali wind farms (we are studying the species composition of breeding birds, the number and location of nesting sites, the abundance and mortality of breeding birds), and, in each case, the results are used to assess the impact on breeding and migratory bird populations. As birds nest in the surrounding seaside meadows, we are committed to providing them with suitable conditions by maintaining the meadows (mowing, etc.) at regular intervals.

In the Networks segment, in order to reduce the possible impact of maintenance of overhead power lines in forested areas (felling trees and cutting bushes, possible fragmentation of habitats, disrupting animal migration, impoverishing the landscape), we are replacing overhead lines with underground cables. This way, we reduce the impact on the landscape and wildlife, and by increasing the resilience of the network, we also adapt to the effects of climate change. ESO (Networks) investment plan for 2021–2030 sets out the plan to construct 11,900 km of new underground cables and have 72% of 10kV lines in forested areas underground.

Objectives for reducing the impact of the Networks segment on the ecosystems

	2021	2022	2030 target
Total length of underground power lines	42,028 km 33.0% of the network	43,918 km 34.6% of the network	52,345 km 41.2% of the network

Overhead power lines also pose a threat to birds, especially larger birds (birds collide with them and die as they cannot see the power lines). Stork nests piled on overhead power lines can pose a threat not only to the animal itself, but also to the power supply, therefore such stork nests must be moved. ESO (Networks) cooperates with the Environmental Protection Agency and, when carrying out unscheduled emergency power line repair works, relocates (at a distance of no more than 100 meters) stork nests that pose a threat to electrical networks and safety in accordance with the Law on the Protected Species of Fauna, Flora and Fungi. Since 2017, ESO (Networks) has installed more than 580 safe platforms, transferring onto them the white stork (lat. *Ciconia Ciconia*) nests that are dangerously stacked on overhead power lines. We make all efforts to carry out these works outside the breeding season (e.g., in winter). ESO (Networks) endeavours to relocate and restore all threatened stork nests.

During our activities at Kruonis PSHP and Kaunas HPP (both Green Generation), we comply with safety requirements and typical rules for the use and maintenance of ponds, therefore we do not cause a significant impact on the fish and bird populations. Automatic water level recording facilities are installed and, depending on the existing water levels, the operation of Kaunas HPP and Kruonis PSHP (both Green Generation) is regulated accordingly. Every year in March–July, the Nature Research Centre monitors the effects of water level fluctuations on fish and waterbird populations in the Kaunas HPP reservoir (Kaunas Lagoon). Long-term observations show that generally the condition of the fish is good and has started to improve very significantly since 2013, when commercial inland fishing was banned nationally. Since then, the biomass of fish in the Kaunas Lagoon has increased about 4 times. Kaunas Lagoon is characterized by a rather large variety of fish – over 30 species of fish, including bream (lat. *Abramis brama*), asp (lat. *Leuciscus aspius*) and even zarte (lat. *Vimba vimba*). Cooperation with the scientists of the Nature Research Centre is especially important in the spring, when fish spawning begins in the shallows of the Kaunas Lagoon – then the scientists inform the Kaunas HPP that the water level cannot fluctuate by more than 20 cm per day.

In 2022, while managing impacts on biodiversity and ecosystems:

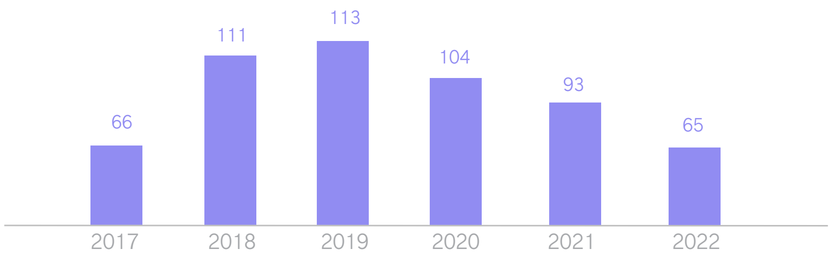
Policy. We updated the Group's Environmental Policy to include the principles of biodiversity, mitigation hierarchy, informing communities and other principles, specified obligations to avoid deforestation, restore territories after decommissioning, improve the state of biodiversity, carry out educational campaigns, etc.

Biodiversity and ecosystems assessment. We performed an analysis of the impact of the Group's activities on biodiversity and ecosystems, during which, based on the ENCORE tool, we made preliminary assessments of the Group's impacts and dependencies (further details on indicators available in the section '5.8 Group's ESG data').

Measures. ESO (Networks), together with the State Forestry Service (SFS), implemented a pilot project, during which the trees that pose the greatest threat to the electricity distribution network were identified. We used LiDAR (Light Detection and Ranging) technology to identify trees that are too close to medium voltage power lines. ESO (Networks) and SFS have signed an inter-institutional agreement, which will implement the principles of long-term cooperation and long-term plans for the management of trees threatening power lines in forests managed by SFS. Cooperation between institutions will help balance the protection of forests and ensuring the stability and reliability of electricity supply.

During unscheduled emergency overhead power line repair works carried out in 2022, ESO (Networks) relocated 65 white stork (lat. *Ciconia Ciconia*) nests and is planning to relocate another 14 in the near future (93 stork nests were relocated in 2021, 104 in 2020).

Stork nests relocated by ESO, units



While managing impacts on biodiversity and ecosystems, we intend to:

Preparing Decommissioning guidelines. We intend to complete the preparation and start applying the Decommissioning guidelines for Ignitis Renewables (Green Generation). The guidelines will obligate to assess, even at the planning stage of objects, how the object will have to be arranged after its operations are terminated, how waste will have to be managed, how the landscape will be restored and take into account other environmental and social aspects. In this way, we will contribute not only to the goals of biodiversity and ecosystem protection, but also to the implementation of circular economy principles in the Group's activities.

Biodiversity action plan. It is planned to prepare and start implementing an action plan for the protection and enhancement of biodiversity and ecosystems, which would allow us to achieve a net gain in biodiversity by 2025. Preliminary key areas are:

- Coordination of the development of Green Generation with the maintenance and improvement of the state of biodiversity and ecosystems.
- Assurance that the maintenance of network protection zones includes the needs of biodiversity and ecosystems, also assessment of the prerequisites for creating a compensation mechanism for removed trees that would contribute to the preservation of and increase in forest areas (while taking into account the EU biodiversity strategy) and decarbonization objectives.
- Support of fish populations during hydropower activities (Green Generation).

Future obligations. We are planning to assess the possibility of including the objectives set by SBTN to the Group's activities, strategic plan (SBTN has identified universal interim goals to avoid, reduce or restore the environment, which companies can include in their plans and ensure that they are on the right track to preserve biodiversity and ecosystems).

We intend to assess the possibility of including the objectives of the Kunming-Montreal Global Biodiversity Framework to the Group's activities, improving the management of biodiversity and ecosystems.

Impact on soil, water and air quality

Our approach

The Group's Environmental Policy defines the main environmental principles of the Group, including: regular monitoring of the environmental impact of activities, facilities, products and services, applying impact reduction measures, responsible maintenance of facilities and their modernization, avoiding the use of hazardous chemicals, monitoring, control and transparent communication, etc.

In order to ensure compliance with legal acts and minimize the likelihood of environmental pollution, Group companies (ESO (Networks), Ignitis Gamyba (Flexible Generation), Vilnius CHP (Green Generation), Ignitis (Customers & Solutions)) have implemented or are planning to implement (Kaunas CHP (Green Generation)) the ISO 14001 standard, so the activities comply with the requirements of the most important environmental aspects, monitoring, management and improvement.

Soil. The activities of Kaunas HPP and Kruonis PSHP, which belong to the Green Generation segment, affect the environment where these facilities are located. Fluctuations in water level and less stable reservoir slopes can pose a threat of landslides or surface erosion. The issue of slope stabilization is relevant for both objects located by the Kaunas Lagoon. At the end of the 20th century, we experienced major slope washouts during rains, with at least seven slopes washed out after one storm. Therefore, since 1998, we started cooperating with scientists who ensure the stability of our hydropower plants' slopes: a slope maintenance plan has been prepared (additional soil was brought in, a special grass mixture was selected to support the slopes), the condition of the slopes is constantly being monitored. Although there have been no issues with the stability of the slopes since the beginning of the cooperation with the scientists, this may become a challenge as the climate changes, therefore we are already planning and implementing measures for their maintenance, climate change impact management and mitigation.

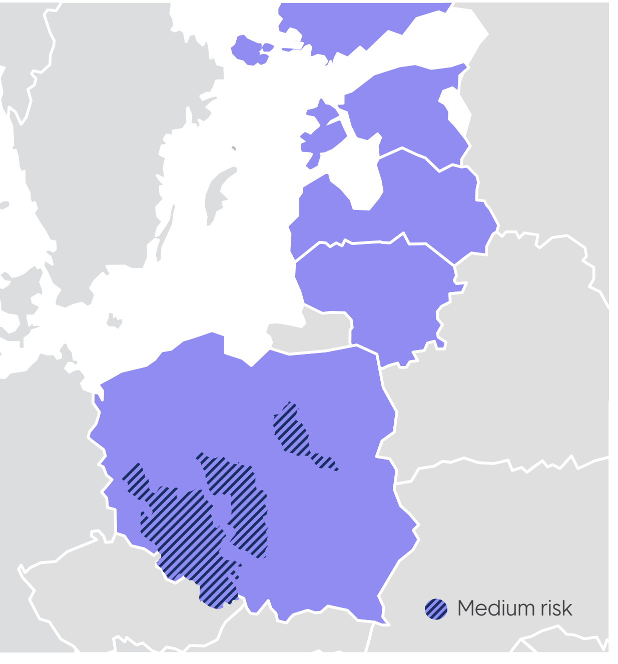
In 2021, after the completion of the 2nd stage of fuel storage structure improvement (obsolete fuel oil infrastructure and other related infrastructure was cleaned and dismantled) in order to remove the sources of soil and groundwater pollution, the last stage remained – to clean up the remains of untreated fuel oil in the large fuel oil tanks. In 2023, a clean-up plan will be prepared, and technological solutions will be sought.

Water. Water is a very important natural resource in the Group's activities, used to cool the facilities of Elektrėnai Complex (Flexible Generation), for the technological needs of combined heat and power plants, to produce electricity and provide the services necessary for the energy system at Kaunas HPP and Kruonis PSHP (both Green Generation). About 99% of the water used by the Group is used in the operation of these two power plants. The Group uses the following measure to manage its water resources responsibly:

- To ensure that the water quality has not been degraded in the Group's facilities, we are measuring the quality of the water used for cooling in Elektrėnai Complex (Flexible Generation), which is released back to the environment after the cooling process. During the cooling process, the water temperature is raised by about 8 °C and the water is released back to Elektrėnai Lagoon through an open channel. A slight increase in temperature does not change the chemical and biological characteristics of the cooling water.
- We are increasing the efficiency of water use (for example, during the renovation, Kaunas HPP (Green Generation) turbines were changed to more efficient ones that use 94% of the flowing water for generation (previously – 91%)), and reducing the impact on ecosystems (research shows that the risks to fish are minimal).
- We ensure that water level fluctuation in the Kaunas Lagoon meets the environmental requirements. The water level measures are updated every hour on the website (link in Lithuanian) of Ignitis Gamyba (Flexible Generation and Green Generation).
- The Integrated Pollution Prevention and Control (IPPC) permit for Elektrėnai Complex (Flexible Generation) obliges us to ensure sufficient water flow in the Streva river (which flows into the Kaunas Lagoon) by releasing a certain amount of water from the Elektrėnai Lagoon through the sluice.
- Kaunas HPP (Green Generation) facilities use special environmentally friendly oil.

The Group does not use water from water stress zones for its activities. The south-west of Poland is classified as a medium risk zone, but we only have a wind farm there and we do not use water in the energy generation process.

Map of water shortage (stress) zones



Source: WWF Water Risk Filter

Nevertheless, we see threats from annual hydrological droughts. The operation of the two hydropower plants managed by the Group, Kruonis PSHP and Kaunas HPP (both Green Generation), belonging to the Nemunas river basin, directly depends on the water level in the river. Here we see two types of risks: physical and regulatory. Physical risk can materialise if there is not enough water to generate electricity. The risk of regulation stems from political decisions in the face of hydrological drought. And while the energy produced by hydropower is one of the cleanest and contributes to the overall goals of mitigating climate change, it is the hydrological droughts caused by climate change that can challenge our operations. The Group monitors indicators of both water use (water withdrawal, water reuse, water release and consumption) and intensity (intensity of water use in the operation of hydropower facilities, intensity of water use in generation, overall water use efficiency). By constantly monitoring these indicators, we can analyze efficiency, notice deviations, and make operations more efficient.

We publish surface water level data on the Ignitis Gamyba's website (link in Lithuanian).

In order to avoid environmental pollution, wastewater from the territory of Elektrėnai Complex (Flexible Generation) is sent directly to wastewater treatment facilities. In 2021, a comparative assessment of the best available production methods was carried out, according to which the IPPC permit was revised. The former industrial wastewater disposal site on the Obeniai land plot has been cleaned up after the termination of operations – studies show that the water quality is improving there. Now a solar park has been installed in the area.

We are making water use more efficient in Vilnius CHP (Green Generation). We estimate that condensing economizers will generate about 460,000 m^3 of production wastewater per year, 80% of which – from the biomass boilers and 20% from the waste incinerator. All condensate from condensing economizers is directed to the power plant's treatment facilities, where part of it (at least 200,000 m^3 per year) will be cleaned to the parameters applicable to process water and reused in all technological processes of the power plant, from steam generation to air purification facilities. Condensate cleaning and return to the process water system is being carried out now, but once the biomass boiler starts operating, its amount will increase significantly and will make up over 37% of the total wastewater of Vilnius CHP (Green Generation).

In order to ensure the quality of water, we carry out monitoring programmes of groundwater (Vilnius CHP 3, Elektrėnai Complex, Kaunas CHP), discharged wastewater (Elektrėnai Complex), drinking water (underground) maintenance programme (Elektrėnai Complex), surface (rain) wastewater (Kaunas CHP), which are coordinated with the Environmental Protection Agency.

Air. The Group's facilities burning biomass fuels, biofuels and waste (Vilnius CHP and Kaunas CHP (Green Generation)), units 7 and 8 and the CCGT in Elektrėnai Complex, Vilnius CHP 3 (Flexible Generation) are operated in accordance with the conditions of the IPPC permits issued by the Environmental Protection Agency. The IPPC permit is a way to ensure that the activities of companies cause as little damage as possible to the environment, and not just to individual parts thereof – all possible types of environmental impact of economic activities are analysed, and the impacts are properly managed during operations. The purpose of IPPC is to prevent the release of pollutants into the air, water or soil wherever possible, and where it is impossible to prevent it, to minimize in order to achieve a high level of environmental protection. The Group's production facilities operating under IPPC permits closely monitor their emissions.

Vilnius CHP and Kaunas CHP (both Green Generation) facilities meet the requirements of the Industrial Emissions Directive 2010/75/EU and the best available technologies (BAT) of large fuel-burning facilities.

Monitoring of emissions of our large fuel-burning facilities (Elektrėnai Complex) and waste incineration emissions (Vilnius CHP, Kaunas CHP) is carried out in coordination with the Environmental Protection Agency. Vilnius CHP and Kaunas CHP (both Green Generation) carry out additional environmental air pollution monitoring coordinated with the communities (read more in the annual report, section '5.6 Future-fit employee and communities'.

While managing impact on soil, water and air quality in 2022:

Compliance. We assessed the environmental management system used by the Group's companies, i.e., Ignitis (Customers & Solutions), ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) and its compliance with the requirements of the ISO 14001 standard. During the internal audit, it has been established that the environmental management system of Ignitis (Customers & Solutions) and Ignitis Gamyba (Flexible Generation and Green Generation) meets the requirements of the ISO 14001 standard in the most important aspects, is properly implemented and maintained. ESO (Networks) has identified some deficiencies. In all cases, we prepare non-conformance correction plans and monitor their implementation.

Reduction of pollution risks. In order to avoid soil contamination with oil, we replaced ESO (Networks) old transformers with new, sealed ones. In 2022, we replaced 2,431 transformers, and we plan to replace another 4,092 in the future. This reduced the risk of oil leakage and penetration into the ground.

In 2022, emissions from the Group's facilities burning fossil fuels, biomass and waste (Vilnius CHP and Kaunas CHP (both Green Generation) and units 7–8 and the CCGT unit in the Elektrėnai Complex (Flexible Generation)), which are operated in accordance with the conditions of the IPPC permits issued by the Environmental Protection Agency were significantly lower than the limit values set by permits.

Using secondary raw materials, reducing waste and diverting waste from landfills

Our approach

The Group's Environmental Policy defines the Group's main environmental principles, including:

- Promotion of rational and sustainable management of resources such as energy, fuels, raw materials, waste, by-products, water (including water-scarce areas where relevant), land and others.
- Reduction of the amount of waste generated during the activities, ensuring its safe and responsible management by applying the principles of pollution prevention.
- Contribution to the global transition to circular economy, applying the principles thereof in all Group activities, considering the efficiency of resource used at the design stage, reduction of environmental impact based on Life-Cycle Assessment (LCA).

While striving to develop an environmentally responsible business model and understanding the obligations coming from the international community, we work towards the most important environmental directions, established in the Group's strategic plan 2022–2025. In order to promote the implementation of circular economy principles, the Group has set strategic objectives emphasizing the practical aspects of implementing circularity.

Ignitis Group's goal is for each business segment to implement at least one circularity transformation by 2025

The implementation of the EU Green Deal emphasizes the responsible attitude towards and participation of consumers, communities, representatives of the public, private and non-governmental sectors in the process of reducing waste. **Resource efficiency and circular economy are becoming increasingly important at local, national, European and global levels** as ways to achieve sustainable consumption and production objectives.

The Group contributes to solving the complex problem of waste reduction and the negative impact it creates on the environment in two ways: first, **it promotes the rational and sustainable use of resources and materials** and improves its waste management practices, and second, **it produces energy from waste unfit for recycling** in its two modern combined heat and power plants in Vilnius and Kaunas.

Waste management in the Group's companies is carried out based on the Group's Environmental Policy and other internal legal acts. We have created conditions for waste recycling in all the Group's offices and production facilities. The service contracts concluded by companies include requirements aimed at ensuring compliance with the requirements of occupational safety, environmental protection and other legal acts. Waste management requirements for contractors are additionally determined in bilateral contracts limiting liability for occupational safety and health.

In a Group's company Ignitis Gamyba (Flexible Generation and Green Generation), contractors are constantly introduced to efficient waste management procedures, informed about waste storage locations, waste removal routes, etc. Contractors are required to provide information on the final locations of treated waste. Fines or other sanctions may be imposed on them for violating the terms of the contract or other legal acts.

The activities of ESO (Networks) also generate a significant amount of waste. Here, impact is managed through internal standards and processes, training, other communications and site visits. The majority of ESO (Networks) waste is generated during the maintenance and repair of electricity distribution facilities. About 60% of it is scrap metal, about 25% is decommissioned distribution network equipment. When reconstructing the network, ESO (Networks) reuses part of the old network materials, and the rest, guided by environmental standards, is transferred to contractors with the necessary experience, competence and equipment in accordance with the concluded contracts.

About a quarter of the municipal waste generated in Lithuania and remaining after recycling is converted into energy in the Group's combined heat and power plants. According to the EU waste policy, waste management is based on the principles of the waste hierarchy: prevention of waste, followed by reuse, recycling, energy recovery, while landfilling is considered the least desirable option. In implementing the principles of waste hierarchy, an important role is played by the development of the Group's combined heat and power plants as an alternative to landfills. According to the latest Eurostat data, the average European generated 530 kg of municipal waste in 2021, the Lithuanian resident generated an average of 480 kg (19% more compared to 2006), while only about half of it is being recycled. The rest goes directly to landfills, where biodegradable waste releases methane (CH_4), other gases and volatile organic compounds that accelerate climate change. The World Bank predicts that the amount of waste will increase by 60% by 2050, so the issue of reducing emissions from landfills remains highly relevant. Considering this, the role of the Group's combined heat and power plants in reducing the amount of waste in landfills is extremely significant.

Kaunas CHP

By managing waste and promoting circularity in 2022:

Dismantling of chimneys. We have successfully completed the dismantling of 250- and 150-metre-high chimneys in the Elektrėnai Complex (Flexible Generation). The chimneys were no longer being used and posed a threat to people and surrounding buildings. Hazardous and non-hazardous waste generated during the demolition works was transferred to waste management companies, and waste suitable for recycling or secondary use was managed accordingly.

Expanding capacity. We have reached an agreement with the Environmental Protection Agency under the Ministry of the Environment on an environmental impact assessment report, according to which the Kaunas CHP (Green Generation) will be able to convert 255,000 tonnes of non-hazardous waste unsuitable for further processing into energy per year (55,000 tonnes more than previously allowed). Vilnius CHP (Green Generation) has currently submitted an application for renewal of the ICCP permit. It is planned that after approval Vilnius CHP (Green Generation) will be able to convert 200,000 tons of non-recyclable, non-hazardous waste (40,000 tons more than was allowed until now).

Circularity. While preparing for the identification of the priority areas of the Group and Group's companies where measures to promote circularity should be applied and upon starting to prepare a management and monitoring plan for the implementation of circularity measures in the Group, we performed an analysis of the current state of the circular economy in the Group. The analysis covers the topics of waste generation and management, water use, circular economy initiatives and application of good practices. The initial results show that more attention is needed for the development of this area. Priority areas include working with suppliers and contractors, waste transfer to waste managers and traceability of waste management practices (so far, only the Elektrėnai Complex (Flexible Generation) collects more detailed information about waste management methods (what part is recycled, used for energy production, composted)). The analysis has revealed the good examples of application of the circular economy model in the Group companies. For example, certain services that are in line with the principles of circular economy are being provided to customers (eparkai.lt platform (link in Lithuanian), EV charging station services, ESCO). We also promote equipment repair and renewal, and sell obsolete equipment at auctions, thus extending the useful life of the equipment as well as implement resource saving initiatives (transfer documents to digital space, reuse old network elements in other projects, reuse of elements created during construction and demolition in other objects, etc.). We intend to publish a detailed analysis report on the Group's website.

From July 2022, in the central office, where more than 1,000 employees of the Group work, we started to separately collect food waste, which we hand over to the waste manager, who uses it for energy production. In total during 2022 we transferred about 0.72 t of food waste, from which 316 kWh of electricity was produced and about 1.6 t of CO_2 was saved. The produced energy was sold in the market and the received funds were donated to the "Food Bank".

By promoting circularity and ensuring proper waste management, we intend to:

Preparing decommissioning guidelines. It is planned to prepare decommissioning guidelines, plans and future waste management measures when assessing the life cycle of facilities. While searching for solutions, we are actively pursuing the latest scientific information, participating in seminars and conferences, following emerging good practices in the world and evaluating their applicability in the Group's activities.

Management of fly ash. We are planning to investigate the possibilities of using dangerous fly ash in the production of other products by applying the principles of industrial symbiosis (recovering useful materials – salts, metals that may be reused in other industrial processes) and thus contribute to the development of circularity initiatives. The amount of dangerous fly ash generated during waste incineration is increasing as the amount of waste incinerated in Vilnius CHP and Kaunas CHP (both Green Generation) is also increasing. This waste cannot be disposed of in landfills as it is a hazardous waste containing high concentrations of dioxides, heavy metals, chlorine and other compounds. Currently, such waste is transported to the Norwegian island of Langøya, where, using complex technological processes, the fly ash is mixed with acid and water from industrial waste to form a plaster-like material that fills craters created by limestone mining, and the restored part of the island is returned to public use. Fly ash from most of Europe's waste incineration plants is transported and buried on this island, therefore the craters are rapidly filling up.

Reuse of electronics. We intend to implement an employee initiative, according to which a procedure for the reuse of small electronics is prepared. The Group generates a large volume of computer and telephone accessories that accumulate as employees hand in their old devices. Such telephone chargers, headphones, monitor DVI, VGA or other cables can still be reused. The employees proposed an initiative that will prevent the disposal of such devices and allow to reuse them, thus reducing the need for new ones and the amount of requests issued to IT colleagues.

Tracking. It is planned to start tracking in more detail the journey of the waste transferred to waste managers after it is transferred for final treatment. We will collect information about what part of it is recycled, used for energy recovery, and what part is disposed of in landfills or composted. As a result, we will be looking for ways for contractors to quickly and conveniently report information about the disposal of the waste generated during the performance of orders from Group companies.

5.6 Future-fit employees and communities

8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY	Sustainability programme	Increasing safety at work	Cultivating a collaborative & nurturing workplace	Growing a diverse and inclusive organisation
	2025 strategic milestones and goals	**0** employee and contractor fatalities and employee **TRIR <1.90**	**≥50%** net share of employee promoting the Group as an employer (eNPS)	**≥34%** share of women in top management
	2022	3 1.69	61.8%	22.6%

Safety and health of employees and contractors

Our approach

Most of the Group's employees work in the fields of electricity and heat energy production and gas and electricity distribution, where they are constantly exposed to potential health hazards. Therefore, the Group pays great attention to ensuring a safe work environment with no threats to health, and to implementation of a safety culture through employee awareness and responsibility in their daily activities. Safety culture is perceived as a part of the organisation's culture, and top-level managers are involved in creating a safe and healthy work environment.

Risks related to occupational health and safety (hereinafter referred to as OHS) are carefully assessed in all Group companies. The risk of accidents (of employees and contractors) is included in the Group's strategic risk register. Further details on possible materialisation thereof and management measures are available in this report as well as in section '4.7 Risks and risk management' .

OHS-related goals are included in the Group's strategic plan 2022–2025:

	2021 data	2022 data	2025 target
Fatal accidents of employees and contractors	0	3	0
Employee TRIR (number of employee injuries per million hours worked)	2.01	1.69	<1.90

OHS management in the Group. Group companies follow the Group's Occupational Health and Safety Policy, prepared while taking into account the requirements of the OHS Management System Standard and related legal acts. The implementation of this policy is based on the principles of a strong OHS culture, application of good practices, uniform, transparent data collection and analysis in all Group companies. The Group applies a 'three-lines' framework for ensuring OHS, which establishes clear segregation of liability for organisational management and control of OHS. The safety culture is formed based on the personal liability and cooperation of all employees.

Scheme of OHS management and control at the Group companies

The Group's reports for stakeholders

Risk Management and Business Ethics Supervision Committee

Line 1

Managers at various levels. OHS specialists of the company. OHS Committee of the company (where applicable).

- Establishing responsibilities.
- Assessing occupational risks.
- Performing preventive actions.
- Organising courses and trainings.
- Establishing/implementing goals.
- Ensuring compliance.
- Internal control.
- Supervising contractors/subcontractors.

Line 2

Group Compliance

- Formal policy.
- Identifying and managing risks at the Group level, applying planned measures.
- Monitoring established goals and indicators established at the Group level.

Line 3

Group Internal Audit

- Assessing the OHS management system's compliance with ISO 45001 requirements.
- Ensuring the effectiveness of lines 1 and 2.

External certification audit (for certified companies)

Top-level managers are responsible for a safe and healthy work environment. Short-term Incentives of the managers of the Group companies partly depend on the results of OHS. In order to ensure competences, all managers of the Group companies are certified by the State Labour Inspectorate.

Compliance with OHS legislation and control is ensured by OHS specialists appointed by the managers of the Group companies, whose most important responsibilities include organisation of training for company employees, control of training, organisation of periodic health examinations, assurance of internal control, selection of personal protective equipment, investigation of incidents, control of implementation of corrective actions and consulting on such issues. The Group's OHS specialists' community meets on a monthly basis in order to discuss common issues concerning legislative changes, improvement of internal processes, share best practices and, in order to increase the importance of OHS, invites representatives of other functions to join the meetings. The Group maintains an active dialogue with its employees concerning health care, monitoring, maintaining a safe working environment, and improving health and safety conditions at work. We regularly assess workplace safety and health risks. Taking into account the requirements of legal acts and in order to involve employees in forming a safe workplace culture, the Group's companies have operating OHS committees, which prepare recommendations and various preventive measures aimed at improving the implementation of OHS principles in companies.

The Group regularly organises mandatory and various additional trainings and certifications, professional training and upskilling as well as exercises. Employees participate in both internal and external training.

The supervision of the planning and implementation of OHS measures in the Group is carried out by the Risk Management and Operational Ethics Supervision Committee under the Supervisory Board.

Occupational health and safety committees

- ESO (Networks)
- Vilnius CHP (Green Generation)
- Ignitis Gamyba (Flexible Generation and Green Generation)
- Ignitis (Customers & Solutions)
- Ignitis Grupės Paslaugų Centras (Other Activities)

OHS certification in the Group. 85% of the Group's employees work in company divisions certified according to recognised occupational safety and health standards. The Group companies ESO (Networks), Ignitis gamyba (Flexible Generation and Green Generation), Ignitis Grupės Paslaugų Centras are ISO 45001 standard certified, including Ignitis (Customer & Solutions), which is certified in activities related to the provision of services to business (B2B) customers. We consistently continue the maintenance processes of the management system of certified companies.

OHS of contractors. The Group's contractors are also subject to high OHS requirements. The Group chooses only reliable partners for the performance of works, who also meet the requirements set out in this area. Regular inspections are carried out at the contractors' workplaces. Violations are recorded, identified and immediately corrected, otherwise work may be stopped. The Group companies also organise meetings, trainings and safety days for contractors, as well as implement other measures to increase safety.

A large part of the Group's contractors perform works initiated by ESO (Networks). This company has established a contractor rating system used to assess the quality of contractor performance. We assess the compliance with contract deadlines as well as whether the work was carried out in accordance with occupational safety requirements, including the recorded number of occupational safety violations. Special OHS provisions and sanctions for violations are included in the contracts. The Group also sets goals related to OHS for contractors.

Incident management and reporting. Accidents and health-related incidents are registered and investigated in accordance with the requirements of legal acts and the standard of investigation and reporting of accidents and incidents at work in force in the Group. When an incident occurs, it is investigated (explanations of the employee and colleagues who were present are obtained, statements on what caused the incident are analysed, conclusions are drawn and preventive measures are applied). The situation is then communicated to stakeholders (e.g., employees who may also experience this type of incident). If necessary, employees are provided with additional personal or collective protective equipment.

The Group ensures the possibility to anonymously report OHS violations or incidents through the Trust Line and protects the confidentiality of whistle-blowers. Reports are processed in accordance with the procedure established in the Group's internal legal acts.

In order to ensure the safety and health of employees, the Group and its companies:

- Appoint persons responsible for the implementation of OHS requirements in individual companies and the coordination of OHS in the entire Group.
- Assess the safety and health risks associated with the workplace.
- Install safe workplaces.
- Carry out workplace inspections and internal audits of our employees and subcontractors.
- Develop smart workplace inspection solutions.
- Plan and implement preventive actions based on risk assessment.
- Prepare safe work instructions and organise mandatory employee training.
- Organise periodic mandatory training of employees on OHS issues, implement programmes for in-service training and retraining.
- Manage a comprehensive employee training monitoring database.
- Organise periodic health examinations of employees at workplaces, thus saving employees' time and increasing their satisfaction at the workplace.
- Provide employees with personal and collective protective equipment.
- Enable all employees of the Group to be vaccinated against influenza and pneumococcal infection at the employer's expense, while those employees who are working in outdoor conditions may be vaccinated against tick-borne encephalitis and, at the company's decision, other diseases.
- Register near misses, injuries and other accidents and monitor the working conditions related thereto.
- Analyse violations, accidents and determine corrective actions.
- Have zero tolerance towards intoxication at work.
- Implement additional visual OHS tools to increase employees' awareness in the field of OHS.
- Managers discuss relevant OHS topics with employees of various departments, the signals received are taken into account in improving safety and employee satisfaction.

We increase the efficiency of OHS management by developing and supporting various electronic tools:

- ESHOPIS – an electronic tool designed to simplify the process of providing employees with personal protective equipment. ESO (Networks) employees and managers may order the necessary equipment, verify its expiration dates, and the order information is automatically transmitted to the equipment delivery coordinator. The system also determines the status of all health examination required for employees. From 2022, a new feature has been added – the tick-borne encephalitis vaccination schedule for employees.
- "Not safe? Report!" is an application intended for immediate reporting of unsafe work environments, violations, etc.
- Workplace inspection application is a basic workplace assessment tool that can capture workplace safety violations, take pictures and report them in real-time to department management or the contractor's company. The application can be used by all ESO (Network) employees.
- Vilnius CHP (Green Generation) uses the system to register company and contractor non-compliances with OHS requirements as well as to collect non-compliance data.
- A MS Teams channel has been created for communication about OHS.
- Employee training and coaching takes place in the Group's virtual training environment.
- ESO (Networks) shares OHS news with managers and employees through a newsletter sent twice a month. About 93% of recipients open the newsletter on the day it is sent.

Highlights of 2022 in the field of health and safety of employees and contractors

Accidents. Although we consider working with employees of the Group companies and contractors in the field of safety and health a priority, accidents could not have been avoided. Three tragedies occurred in 2022. Two contractor workers were fatally injured: one in January 2022 while clearing trees and bushes under a high voltage power line, and the other – in July 2022 while performing maintenance work. In addition, in June 2022, a Group employee was electrocuted to death during work. The investigations concluded that these tragedies occurred as a result of inadequate assessment of circumstances, poor preparation for work and non-compliance with safety rules.

After the reporting period, a fatal incident occurred – a teenager was electrocuted to death after climbing on top of an electrical transformer belonging to ESO (Networks). It is suspected that the teenager died after contact with high voltage cables (10 kV). High-voltage equipment is located inside the transformer station or at a safe height, in addition, transformer stations and all network elements where a risk of electric shock is, are marked with permanent warning signs warning of the danger of electric shock, but this did not help to avoid the tragedy. This incident induces further public education about possible dangers of being around such facilities and how to behave safely.

A total of 12 employee TRIR incidents occurred during the year, one of which was fatal, while the others included various slips, injuries, burns.

OHS standards and processes. In the fourth quarter of 2022, the Group's Occupational Health and Safety Policy was updated, which replaced the previously valid Zero Tolerance for Accidents Policy.

To ensure compliance with the requirements of the OHS management system ISO 45001, an external standard maintenance audit was carried out at the Group companies Ignitis (Customers & Solutions), Ignitis Gamyba (Flexible Generation and Green Generation) and ESO (Networks), while the internal audit of Ignitis Grupės Paslaugų Centras took place in the first quarter of 2023. No significant discrepancies were found.

The companies of the Group have continued or updated the occupational risk assessment of workplaces. In the central office of the Group in Vilnius, where the majority of the administration and employees of the Group providing various services work, an occupational risk assessment was carried out (ergonomic, physical and other factors were assessed), the occupational risk assessment of Kaunas CHP (Green Generation) was updated for new positions, while ergonomic factors were updated in the occupational risk assessment following the changes in national legislation. During the construction of the biomass unit, Vilnius CHP (Green Generation) is also conducting an occupational risk assessment in the designed and newly equipped workplaces. Occupational risk assessment was also carried out in Ignitis Gamyba (Flexible Generation and Green Generation) and ESO (Networks). Unacceptable noise and vibration risks were identified in Ignitis Gamyba, which were addressed by reducing working hours or purchasing new equipment, as well as risks due to insufficient lighting, which were addressed immediately. ESO (Networks) has identified acceptable factors, and is preparing a risk reduction plan.

Raising of competences related to OHS. To raise OHS competences, Group employees participated in various trainings related to this field, e.g.:

- After ESO (Networks) revived the activities of the Practical Training Centre (hereinafter referred to as the PTC) in Panevėžys after the quarantine, 796 employees were trained there during the year and skill mastery competitions were once again organised for both ESO and contractors' employees.
- Practical trainings for working at heights, indoors and training in using the available autonomous breathing apparatus were organised for the employees of Vilnius CHP (Green Generation).
- First aid trainings were held in Kaunas CHP (Green Generation) and ESO (Networks) which included CPR, use of a defibrillator, correct use of a tourniquet and other first aid topics.
- OHS specialists and project managers of Ignitis Renewables (Green Generation) participated in OHS training organised by GWO (Global Wind Organizations).
- We carried out civil safety training, evacuation drills for employees of the Group companies, etc.

Employee engagement. To strengthen the OHS culture in the Group and engage employees, starting from the end of 2022, all employees of the Group who have identified OHS violations, incidents or other OHS-related inconsistencies may immediately report this to the responsible persons using the application for reporting OHS violations "Not safe? Report!" (previously available only for ESO (Networks)).

The Hackathon for OHS and sustainability issues took place in 2022. The event, which brought together 67 colleagues, gave birth to 11 sustainability and occupational safety solutions for the Group. The problem of reporting near misses was also addressed. Currently, the Group is developing a pilot system for registering such incidents.

Contractor engagement. The Group started to measure the contractor TRIR on 1 June 2022, which shows the number of injuries in contractor companies for a given number of hours worked for the Group companies.

In 2022, Vilnius CHP (Green Generation) implemented a system for registering non-conformities and accumulating non-conformance data during workplace inspections of companies and contractors. The data is analysed in reports of a prescribed form. When a non-conformity is detected, a report is created and automatically sent to the responsible persons of the company and the contractor for review and action. Inspections and performance control are carried out by Group OHS employees. In order to increase the management's involvement in OHS activities, inspections will also be carried out by company managers.

ESO (Networks) prepared a plan for strengthening contractors' OHS measures, introduced it to the company's contractors, and organised meetings on the topic with them. OHS specialists visited contractors and, during their safety days and other meetings organised on OHS issues, presented occupational safety topics and discussed other relevant issues. Training materials have also been prepared for new heads of divisions – area coordinators introduce themselves to the new head during meetings and introduce them to relevant issues, references and tools that will help the head to ensure the safety of employees in the division. Necessary instruction matrices were created and the instruction process was digitised. We have developed digital tools to facilitate the control of employee training. We also implement interactive instructions to ensure that employees properly absorb the content of the instructions. Questions, various scenarios are used to assess employees' abilities.

Working under the conditions of COVID-19. Since the beginning of the pandemic, a working group was formed in the Group, the most important functions of which were the following:

- To follow the decisions of the head of the state-level emergency operations and make proposals to the Group's management regarding the measures for the implementation of decisions and requirements.
- To collect and analyse employee illness statistics.
- To present information on the level of illnesses and actions intended to reduce the level of illnesses on a weekly basis during the management meetings.
- To assess the business continuity risk level, considering the level of illness of employees in critical positions.

The working group included a representative from each Group company. The Head of Group Communications assisted the working group in ensuring smooth internal communication, and a representative of the Group Asset Management and Administration assisted in ensuring adequate protective measures and their quantity.

The Group applied the following measures to reduce the spread of the disease: remote work, wearing medical masks, provision of personal hygiene measures, regular disinfection of premises, other measures provided by the head of the state-level emergency operations centre. The Group gave all employees the opportunity to take one day off after vaccination (in case of feeling unwell). During the period of 2022, none of the Group's processes were disrupted due to staff shortages. The peak of sick employees was reached in February 2022, when 131 employees (about 3% of the Group's workforce) were sick.

Although the state of emergency that lasted almost two years was cancelled in Lithuania on 1 May 2022, the daily disinfection of workplace surfaces, the presence of medical masks, thermometers and hand sanitizers in workplaces remained as a permanent means of employee protection. To protect the health of themselves and their colleagues, employees who experience symptoms of a cold are encouraged to stay home and take care of their health.

Since the state institutions do not anticipate the need to apply additional measures related to the reduction of the COVID-19 disease, and the existing measures have been fully implemented, the working group has been disbanded since the beginning of 2023.

While taking care of the health and safety of employees and contractors, we intend to take the following actions:

Year of safety. Considering the number of accidents that occurred in the Group in 2022, it was decided to pay special attention to OHS in the coming years. Therefore, the Management Board of the Group declared 2023 as the "Year of Safety". This year, we will focus on strengthening the safety culture, increasing awareness and cooperation both among the Group's employees and with contractors in order to ensure that all work is performed safely and that employees are healthy.

Programme "Is it safe?". When planning the activities of 2023 and based on the accumulated good experience of the Group companies, an OHS programme covering all the Group's companies was prepared under the name "Is it safe?". The programme is intended to strengthen the safety culture in the Group. It prioritises OHS, strengthening the safety culture and communication at all levels, improving monitoring and reporting, and ensuring sufficient resources for OHS.

The programme covers four areas: OHS management improvement (involvement of specialists, managers and other employees, data analysis, etc.), procedures (development of processes and instructions, updating, internal control, contractor inspections, etc.), training (mandatory and relevant information for employees) and communication (dissemination of information through internal means, the application, etc.).

The measures provided for in each of these areas will apply individually in different companies of the Group based on the specifics of their work, or generally in the entire Group (e.g., communications).

The goal of 0 fatal accidents among both Group employees and contractors is included in the Group's strategic objectives.

To ensure the effective implementation of the "Is it safe?" programme, an initiative working group was assembled from OHS specialists of different Group companies and representatives of the Group Internal Communications.

The programme, the implementation of which has just started, has already attracted attention – after the reporting period, the Group's representatives participated in the national annual OHS conference, where they shared their experience, good practices and presented the programme.

OHS targets. After assessing the OHS situation at the Group and the contractors, the OHS targets for 2023 were approved: employee TRIR <2.1 and 0 fatal accidents, contractor TRIR <3.9 and 0 fatal accidents.

Image of OHS programme "It is safe?"

Employee welfare, adequate remuneration and cooperation

Our approach

The implementation of the Group's strategic goals is inseparable from the Group's success in attracting and retaining qualified employees, involving them in various activities, increasing their motivation, creating conditions for career development and at the same time encouraging them to improve. We aim for employees to support the organisation's values: openness, growth, responsibility and partnerships. The Group cares about employees and pays particular attention to employee safety and health, social dialogue, equal opportunities and diversity.

The Group's Code of Ethics is based on the Group's values and defines the ethical principles of the Group's companies and employees. For all stakeholders, the code indicates what ethical and responsible principles the Group companies follow and what behaviour they expect from their partners. Its guiding principle is that we are different and therefore strong. The Code of Ethics provides basic expectations for ethical activity and behaviour. The purpose of the People and Culture Policy is to manage the potential of people and the Group's culture in such a way as to sustainably achieve the Group's strategic goals. The Remuneration Policy presents the principles the remuneration system is based on.

The employees can express their experience of working in the Group, what their relationship is like in the team, with the manager, whether they feel that they are improving, whether they consider additional benefits valuable, whether they manage to maintain a work-life balance and their opinion on other important issues in a quarterly employee experience survey (eNPS). Such surveys are being carried out in the Group since Q4 2019.

Employee welfare. The following measures are applied to ensure employee welfare in the Group:

- Psychological help line – a special telephone number for employees and their relatives, which can be used for a completely confidential consultation with an experienced psychologist (on average, 2 employee calls per month).
- In the event of an accident, bereavement, or major emotional shock, we use the services of crisis psychologists and invite them to work with teams and managers.
- Employees who have opted for health insurance as an additional benefit are reimbursed for a certain number of psychologist, psychotherapist or psychiatrist consultations. Under the current health insurance, employees are reimbursed for 12 such appointments.
- Training an internal community of lecturers (Grow Academy) on personal development topics such as emotional intelligence, feedback, burnout, self-worth, etc.
- Emotional competence development training for managers to avoid the risk of burnout. The programme for managers covers 4 topics: “The manager is also human”, “Courage to be vulnerable”, “Compassion for yourself”, “Problem of loneliness and lack of boundaries in the work of a manager”. These trainings aim to draw attention to the role of the manager, the challenges he/she faces, and to encourage conscious choices in his/her work that preserve his/her health and well-being. About 200 managers have already participated in these trainings.
- Communication tools (video clips) designed to develop the same skills for employees. In a total of 8 prepared video clips, the psychotherapist doctor explained why it is important to plan your time, to be able to say "no", how dangerous the pursuit of perfection is, and what is the most effective rest after work.
- Initiatives during work that encourage employees to develop health-friendly skills (mindfulness meditation, yoga classes).
- Psychological resilience training for more emotionally vulnerable groups of employees (e.g., engineers working with customers, specialists working in customer service centres).
- Well-being Mentor services: personal counselling when facing emotional challenges, activities for teams, facilitating discussions. In a month, mentors organise about 15 activities for teams, have about 10 personal conversations with colleagues on a topic they care about.
- Trainings on the topics of violence and harassment prevention conducted individually for teams, discussions. In 2023, we plan to add these trainings to the Well-being Mentor service basket and ensure more active communication.

Ensuring work-life balance. The work procedure rules of the Group companies provide for the possibility of remote work, considering the nature of the work and after coordinating it with the supervisor. If an employee is studying, caring for a relative, has small children or other responsibilities or needs, he/she may, in agreement with his/her supervisor, choose a work schedule that is convenient for him/her – work according to an individual schedule or a smaller number of hours. We have a hybrid working model that helps us be efficient and maintain balance. For example, we have agreed to hold meetings between 9 am and 3 pm, we make our calendars available to other employees, follow time planning rules to get adequate rest, develop a hybrid leadership competence, and regularly organise 1:1 meetings between the manager and employee.

In addition, employees may work from any EU country for one month per year. In 2022, 97 employees (or 2.4% of all Group employees) took advantage of the opportunity to work from abroad. Spain, Greece, France, Portugal, Malta were among the most popular countries to work from. The Group has also introduced flexible working hours – employees can start working between 7 to 9 am and end between 4 and 6 pm, respectively.

In the companies of the Group, employees may have standard or other types of employment contracts: fixed-term, project work, work for several employers. Agreements on passive standby, flexible work schedule, part-time work, additional work or increase in scope of work may also be concluded with employees.

Process of informing employees and their representation. In our activities, we follow legal acts which enshrine the freedom to join associations, bans on children and forced labour. We are members of the United Nations Global Compact (UNGC) and support the principles and rights at work set out in the International Labour Organisation (ILO) Declaration on Fundamental Rights and Principles at Work.

We communicate key changes and initiatives that affect employees in a clear and transparent manner. Internal communication is coordinated by a special team. The entire Group communicates through the intranet as well as using other means of communication: letters, newsletters, messaging applications, virtual and live meetings, etc. The Group companies periodically hold meetings (providing the opportunity to connect remotely) where strategic projects and other relevant issues are discussed. Employees are invited from all companies to participate in them. If the topic in question is not a relevant issue for everyone, meetings are held with employees of individual divisions.

The Group companies hold regular meetings with representatives of trade unions and work councils. They discuss relevant issues of labour relations, consult on changing the organisational structure, salaries, working time regime, ensuring occupational safety and health, as well as other issues. Collective agreements are signed with trade unions.

Work councils

- Ignitis Grupė (the parent company)
- Ignitis (Customers & Solutions)
- Ignitis Grupės Paslaugų Centras (other activities)
- Vilnius CHP (Green Generation)
- Kaunas CHP (Green Generation)
- Transporto Valdymas (other activities)

Trade unions

- ESO (Networks) – seven operational trade unions
- Ignitis Gamyba (Flexible Generation and Green Generation) – four operational trade unions

Collective agreements

- ESO (Networks)
- Ignitis Gamyba (Flexible Generation and Green Generation)

Informing employees about changes in activities

Country		
Lithuania	According to national legislation, in Group companies with more than 20 employees: – Provide information and consult with work councils (trade unions), the work council of the company's structural organisational unit (when relevant) or the joint work council established at the employer level once a calendar year on the company's current and future activities, economic situation and labour relations, other relevant issues. – When approving or changing internal legislation related to labour relations and the social and economic status of employees, notices are submitted to work councils (trade unions) and consultations are initiated no later than 10 business days before the expected changes. – Before deciding to terminate an employee's contract, the employer must inform the work councils (trade unions) no later than 7 business days before the start of the planned consultations and consult with them for at least 10 business days unless agreed otherwise. – Before making a decision on the reorganisation of the company and other decisions that may significantly affect the organisation of work in the company and the legal status of employees, the work councils (trade unions) must be informed no later than 5 business days before the commencement of the planned consultations, the duration of which is 5 business days unless agreed otherwise.	The collective agreements of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) provide additional provisions for information and consultation with work councils (trade unions) related to changes in the remuneration system and conditions, planned structural changes, reorganisation of the employer, transfer of business or a part thereof, dismissal of employees, reduction of the number of employees and other issues that may have a significant impact on employees. When planning the transfer of a business or a part thereof, companies inform the affected employees about the continuity of the employment relationship in the company of the successor of the business no later than 10 business days before the transfer of the business or a part thereof. If the employees do not agree to the continuation of the employment relationship within 5 business days of receiving the notice, the employer shall terminate the employment contract with them in accordance with the procedure established in Article 57 of the Labour Code of the Republic of Lithuania (warning, severance pay shall apply).
Latvia	According to the Labour Law of the Republic of Latvia, the minimum notice period is 1 month. If the changes affect the employment contract, the employee has the right to refuse the proposed changes and terminate the employment contract.	
Poland	The Labour Code of the Republic of Poland provides for different notice periods for different organisational changes depending on their nature, for example: – A notice period of at least two weeks must be observed when approving general rules of procedure. – When working conditions change, employees must be notified of the changes immediately, but no later than within a month of the entry into force of such changes. – If the concluded employment contracts need to be changed due to the proposed organisational changes, the notice periods indicated in the employment contracts must be observed.	Apart from the specific provisions of the Labour Code, the usual notice period applicable in different situations is 2–4 weeks.
Finland	We comply with all legal requirements governing the communication of changes in activities.	

Remuneration. In order to meet the expectations of stakeholders on sustainable development, to build a modern, international, competitive energy Group, we need to ensure that our team consists of competent, fast-learning, technologically advanced, globally-minded and creative employees. We aim to keep employees motivated and apply the Group's Remuneration Policy in a way that guarantees internal fairness and avoids any discrimination.

The organisation has a position assessment committee, whose main function is to assess new or changed job functions and, based on international methodology, to assign a position level, which is one of the main components in determining position (non-personal) remuneration levels. The People Experience and Motivation team sets the remuneration rates corresponding to the median (market average) of the organisations operating in Lithuania based on information from the remuneration market surveys. During the annual review of fixed-base salary in spring, the People Experience and Motivation team makes recommendations on a percentage of remuneration which would ensure internal fairness and non-discrimination.

Information about remuneration paid in the Group is provided in the section '4.6 Remuneration report' of this annual report.

The Nomination and Remuneration Committee operates under the Supervisory Board of the Group. One of the functions of the Committee is to supervise the compliance of the Remuneration Policy of the Group companies with international practices and good governance recommendations, making proposals for improving the Remuneration Policy, etc.

When setting the Group's annual objectives, sustainability-related objectives are also set for the CEO of the parent company and the Management Board members (including other managers according to the Remuneration Policy) along with financial and strategic project implementation objectives. The size of the managers' short-term incentives partly depends on the achievement of such objectives.

Additional benefits. The Group has a flexible system of additional benefits for employees, where an employee may choose from a wide range of additional benefits: health insurance, additional pension contributions (stage III), etc. Additional benefits are aimed at increasing employee engagement, helping balance work and life, and improving the experience of working at the Group. The most popular benefits in the Group are health insurance and additional pension contributions. In our quarterly employee experience surveys we ask employees for feedback on the additional benefit choices they are offered and expand both partner and benefit choices in response to the comments. In addition, in the second quarter of 2022, all employees of the Group companies were insured against accidents. The insurance is valid 24/7. The employees working in foreign companies of the Group currently use only health insurance, but in 2023 they will be included in the Group's general system of additional benefits and will be able to choose from several different options, just like employees in Lithuania.

Additional benefits applicable to Group employees

- Pension contributions or health insurance
- Reward for recommending a candidate
- Learning and professional development
- Accident insurance
- Three 100% paid wellness days
- Company events and celebrations
- Remote work
- A day for volunteering
- Cultural and sporting activities
- Social benefits for employees
- Additional paid leave after working in the Group for 5 or more years
- Entertainment and wellness services
- Flexible working time

Highlights of 2022 in the field of employee welfare and cooperation with employees

Mental health. At the beginning of the year, we started the Well-being Mentors project. Specially trained employees of the Group – 20 well-being mentors working across the organisation – volunteered to provide emotional support to colleagues. About 10 individual conversations between employees and well-being mentors take place each month. For comparison, the psychological help line receives an average of 2 calls per month. Thus, it shows a high level of trust in colleagues and in the initiative of the well-being mentors themselves.

During the project, well-being mentors expanded their services. Initially providing personal counselling and emotional support to colleagues facing difficulties, well-being mentors went further into the organisation and began to lead activities for teams and facilitate discussions within them. They also organise yoga classes and mindfulness meditations. About 130 people participate in meditations during virtual meetings, and about 30 in yoga classes. The uniqueness of the Well-being Mentor project has also been recognised nationally – it has become the best HR practice of 2022.

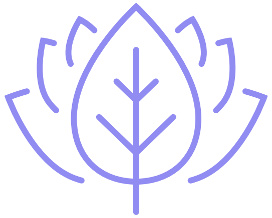
Well-being mentors create a culture of openness in the Group through their activities. This is shown by reports reaching them about emotional difficulties in certain teams or positions. We encountered this in the fall of 2022, when well-being mentors noticed the emotional fatigue of colleagues working with customers as well as increased stress levels. In response to this, psychological resilience training was organised and conducted specifically for colleagues working with customers. One audience included colleagues working at Ignitis customer service centres (Customers & Solutions) (about 150 people), the other included ESO (Networks) engineers visiting customers (about 220 people). A total of 32 training sessions were held, during which the aim was to find out the needs and challenges of those employees and respond to them, to share tools and techniques that help increase psychological resilience.

Interesting facts about the Well-being Mentors project:

59%	of well-being mentors are in management positions.
	Mentors operate in different cities of Lithuania.
10+	In a month, well-being mentors conduct about 15 activities for teams and about 10 personal conversations with colleagues.
	Teams rate the activities at 4.5 out of 5.
50%	of colleagues return to the well-being mentor for additional consultations.
14%	of those seeking a personal conversation with a well-being mentor are male.

Employee welfare. The employee experience index (eNPS) in 2022 improved by 4.4 p.p. from the results in 2021 and reached 61.8%. The survey results showed that, in 2022, maintaining a work-life balance was the most challenging. Survey results help us identify the most sensitive areas and continuously improve the experience of employees and increase their engagement.

The Group was awarded the international certificate "Top Employer 2023 Lietuva" for the second time, which is awarded to companies for applying the highest human resources management standards, ensuring good conditions for work and growth. The Group's strength is attracting new talents. In employee experience improvement plans, we focused on digitalising employee processes - we implemented a human resources management system and an additional benefits management application. By analysing trends and good practices, we initiated changes in employee engagement. Our objective in 2022 was to increase the engagement of employees on parental leave – we included them in the Group's communication - we have introduced a new practice of sending newsletters to colleagues, took active measures to invite them to participate in events, ensured the opportunity for them to participate in the Group's trainings. About 90% of recipients open the newsletters.



By taking care of the well-being of employees, we intend to do the following:

Within the framework of the Well-being Mentors project, we will prepare recommendations for managers on how to take care of the wellbeing of customer service employees (Ignitis customer service centres (Customers & Solutions) and ESO (Networks), how to improve their work environment and create a better work experience.

We aim for the eNPS surveys to provide as much information as possible about the moods and experiences of the Group employees, so that we could respond to them as best as possible, therefore, we will improve the survey concept by including more research areas to get more detailed results. One of the topics that will be included in the survey in the near future is burnout.

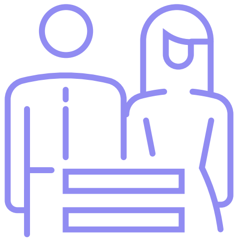
Diversity, equal opportunities and human rights

Our approach

A little more than two years ago, the Group prepared the Equal Opportunities and Diversity Policy, which applies to both companies and all employees. This policy is the Group's equal opportunities "code", establishing the principles of equal opportunities and diversity that are binding on all, specifying how they are to be implemented and how, in the event of a violation of equal opportunities, reports are made and dealt with. It is important to emphasise that this policy stipulates that a person may confidentially report potential discrimination by contacting the Trust Line in different ways. The principles of equal opportunities and diversity are enshrined not only in a separate dedicated policy, but also integrated into our other internal legislation: Code of Ethics, Sustainability Policy, People and Culture Policy, Remuneration Policy.

We have committed in the Group's Remuneration Policy to form a remuneration system guided by, among other things, the principles of internal fairness (equal salary is paid for the same or equivalent work in the Group) and of equal opportunities and non-discrimination (remuneration-related decisions must be made based on the provisions set out in the Remuneration Policy and the Equal Opportunities and Diversity Policy in force in the Group). We constantly monitor (and make publicly available) women's and men's remuneration data in the Group and, upon noticing inconsistencies, analyse the reasons and look for solutions.

Further details on the Group's actions and initiatives in ensuring diversity, equal opportunities and human rights are available on the Group's website (link in Lithuanian).



Highlights of 2022 in the field of diversity, equal opportunities and human rights

Gender balance. To promote a culture of dialogue on the topic of equal opportunities and a better understanding of the Group's strategic objectives related to gender balance, we launched the 'Energise Equality' project in May, which aims to create a platform for employees to discuss and share views and experiences about the importance of gender equality in the Group and in life. We base the project on the international Barbershop Toolbox methodology developed by UN Women Iceland, which engages women and men in dialogue. We are the first in Lithuania to implement this methodology in the company. At the beginning of the project, 120 employees tested the method and created a dialogue at the opening event. Later, the Group's employees (10 women and 9 men, from top-level managers to experts) themselves became moderators of the method and led their first discussions in pairs to almost 100 colleagues.

To achieve a better gender balance in IT and engineering positions, we continued our collaboration with the Women Go Tech programme. In the first half of 2022, 10 women from our organisation developed their technology skills in a 6-month training programme, while another 7 employees served as mentors to participants from other organisations.

To strengthen the anti-discrimination environment in the Group, we have introduced a requirement that hiring managers (as well as talent acquisition specialists and HR business partners) personally commit to ensure equal opportunities during recruitment. From 2022, all hiring managers, before starting each employee selection, must personally confirm in the Group's internal selection management system that they undertake to ensure equal opportunities during the selection. This means that they must not ask discriminatory questions, apply the same selection criteria and adhere to the equal opportunities principles set out in the Group's Equal Opportunities and Diversity Policy. If the commitment is not confirmed, the selection of employees may not be carried out. We also conducted additional training to explain and remind of the non-discrimination responsibilities and other responsibilities applicable in the process of recruitment. 321 managers (72% of all managers), talent acquisition specialists and HR business partners participated in the training, and we shared the training material with the rest of managers. A memo was also prepared and distributed to all these groups of employees with tips on how to avoid discrimination in the selection of employees and encourage their diversity.

We have developed and implemented an action plan to achieve a higher proportion of women in top management. In 2022:

- We prepared guidelines for managers on how to ensure equal opportunities when choosing a potential replacement in the strategic position rotation programme, thereby increasing the share of women among the potential replacements of employees working in strategic positions.
- To encourage the number of female candidates, we have started an experiment and from now on, in all job advertisements, job titles shall be given in the feminine form first, and the masculine form shall be given in parentheses.
- We raised awareness among the five main recruitment agencies we work with by sending letters of expectations, asking them to include an equal number of male and female candidates when shortlisting candidates for top-level positions.
- We invited our key stakeholders involved in selections to ensure that a level playing field was created for men and women before decisions were made.
- We increased the visibility of the Group's female experts in the public space.
- We have encouraged greater communicative inclusion of employees on parental leave (mostly women), which contributes to greater career opportunities upon return from parental leave.

The Group conducted an employee survey called the 'Equal Opportunity Ruler', that measures the status of equal opportunities at the workplace in different dimensions namely organisational culture, discriminatory attitudes, HR processes and the company's policy on diversity and inclusion. The Equal Opportunity Ruler is certified and managed by the Office of the Equal Opportunities Ombudsperson of Lithuania. After evaluating the results, the Office awarded the Group with a score of 8.9 out of 10 (10 being the maximum score), which signifies a very high level of equal opportunities at the Group.

Diversity and human rights. The Lithuanian Diversity Charter conducted a study in 2022, during which it assessed how the 20 largest Lithuanian companies are prepared to ensure equal opportunities. Companies were judged on whether they have clear diversity goals and are working towards achieving them, whether they disclose employee diversity data, whether they track their equal opportunity situation and report on progress, etc. In this study, the Group received the highest rating of all twenty companies and took the first place.

Employee Diversity and Inclusion Group organised 4 online educational events that attracted an audience of almost 200 employees. The topics of presentations and discussions included diversity and inclusion at international energy companies, spotting discrimination and understanding anti-discrimination laws, and best practices from other organisations. On the initiative of this group, in June 2022, part of the Group's employees participated the 'Baltic Pride 2022 March for Equality and Peace' for the first time. Before that, employees participated in the internal event 'LGBT Awareness Day', where more than 60 employees gathered to learn about the experiences of the LGBT community in everyday life and ways to support LGBT colleagues.

In commemoration of the International Human Rights Day, we implemented a communication visual campaign for employees about interpersonal communication and forms of microaggression at work, thus promoting a culture of respectful, empathetic communication.

Reports on discrimination. In 2022, we received a complaint from one Group employee to the State Labour Inspectorate concerning possible psychological violence at work. The Labour Inspectorate conducted an investigation and found no violations. We also conducted an internal preliminary assessment of the situation and found no violations. Nevertheless, we organised psychological violence and harassment recognition training in the team where the case took place.

Office of the Equal Opportunities Ombudsperson of Lithuania awarded the Group with a score of 8.9 out of 10, which signifies a very high level of equal opportunities at the Group.

As part of our commitment to employee diversity, equal opportunities and human rights, we intend to:

In the near future, we plan to approve the Violence and Harassment Prevention Policy prepared and coordinated with the employees' representatives, which provides for the prohibition of violence and harassment, identifies forms of inappropriate behaviour, preventive measures, the procedure for examining reports of violence and harassment, and measures for the protection and assistance of those who reported and suffered. Prevention plays an important role in this policy, where the Group undertook to take educational and communication actions so that employees may recognise inappropriate behaviour in their environment and actively react to it by stopping it or reporting it. Awareness, recognition and intolerance of forms of violence and harassment are very important in creating an emotionally supportive work environment.

Through the implementation of the Diversity, Inclusion and Wellbeing Strategic Plan 2022–2025, in 2023 we will focus on creating an organisational environment that contributes to a better work-life balance for our colleagues. In this area, we will introduce burnout prevention, intervention and postvention, create a family-friendly workplace, a hybrid working model, etc. We will continue to pursue strategic objectives to increase the gender balance in senior management and IT and engineering positions and will update and implement an action plan to achieve this.

Competent employees now and in the future

Our approach

We strive to learn everywhere and always. The Group's People and Culture Policy sets out the basic principles of employee education and training. More detailed recommendations are provided in the policy implementation measures. Specific initiatives to improve learning and development are planned for a three-year strategic cycle.

Strengthening employee competencies. We continuously organise mandatory trainings necessary for the activities in the electricity, gas and renewable resources energy sector and in other Group companies. The need for mandatory training is provided by Group companies. The Growth team, after receiving a request from the responsible persons of the Group companies, coordinates training details with training suppliers and customers, purchases training material and administers the entire process related to such trainings.

Directions and measures for strengthening the competencies of employees:

1. Mandatory training aimed at maintaining and improving the professional competences of the Group.
2. Programmes of four strategic competencies.
3. Strategic shift training programme and mentoring.
4. Grow Academy training.
5. English language courses.
6. Strengthening of digital skills (Agile, IT, data analytics).
7. External trainings/seminars and conferences to deepen and expand other competencies.

The focus on specific learning needs is determined by the objectives and skills required in the energy sector. We have created and are constantly improving the educational profile, which includes trainings and courses in various fields. The Group follows the principle of the 70/20/10 education model, according to which 70% of growth takes place in the workplace, 20% – through peer-to-peer and feedback, and 10% of time is spent on formal education. Each employee creates their own annual growth plan with their manager – it includes the growth goals, duration, measures and the desired result.

Since 2019, the Group has been running the Grow Academy – an internal educational initiative, where internal lecturers train colleagues on various topics and thus develop their competences. The aim of the initiative is to collectively create a culture of a learning organisation. Two Grow Academy seasons are organised every year, where employees are invited to register for training. On average, as many as 3,000 Group employees participated in the Grow Academy trainings per year.

On 1 December 2021, an internal university #EnergySmart UNI was launched in the Group. This is an educational platform where anyone can develop strategic competencies and thus contribute to personal growth and the achievement of the Group's strategic goals. This university has four departments that correspond to four general strategic competences (Adaptiveness, Energy Expertise, Entrepreneurship, Sustainnovation). Strategic competencies are a set of standards of employee behaviour, skills and principled work standards that are relevant to the entire Group, which form the exclusive basis of our organisation's activities and help to make the organisation's mission, vision and strategic goals meaningful. Strategic competencies are our common strengths that contribute to building the organisation's competitive advantage in the marketplace. Because of their importance, they are necessary for all employees, regardless of position (at a different level). Strategic competencies include our knowledge, skills and experience that contribute to the implementation of the Group's strategy. The four #EnergySmart UNI courses define the level and purpose of developing the relevant competence: know, apply rarely, apply often or transform.

Leadership. The Group uses the Leadership Compass, a values-based leadership model and a set of expectations for managers. The four directions of the compass represent the main aspects that an organisation considers when applying behavioural expectations to managers. Each direction covers four behaviours. The directions of the Leadership Compass are the following:

1. Develop my team.
2. Inspire partnerships based on each other's strengths.
3. Build trust by encouraging openness.
4. Empower to take responsibility.

Leadership Map – training programmes for managers of different levels:

1. The Growing Leaders League is intended for high-potential professionals who would like to become leaders. The programme helps to ensure the managerial succession, reduce and distribute the managerial workload.
2. Strong Leaders League is a 3-module programme for new managers, which aims to unify the management knowledge in the Group.
3. The Leaders' Journey is core programme for all managers of the Group, the content of which is directly related to the Leadership Compass and performance management cycles in the organisation.
4. Expedition is an international training package for top managers and board members.
5. Challenges Lab is a discussion forum for managers, where managers may share work challenges, listen to the experiences, insights and advice of colleagues. The aim of this initiative is to create a space open for discussion and sharing of experiences and learning from each other.

Talent management. The Group's talent management system helps identify employees who demonstrate excellent performance and high growth potential. We aim to promote talents, take care of their retention in the Group and their further career, provide opportunities for self-realisation, and promote both horizontal and vertical internal careers. In order to retain talent, we conduct regular performance reviews with employees. In annual interviews with each employee, we expect feedback from employees about the achievement of goals. The Group holds individual meetings, official annual reviews and discussions about the achievement of each employee's and team's goals. Employees can provide feedback daily, it is not necessary to have a formal meeting. We collect formal assessments through quarterly employee experience surveys.

Succession programme. The identification of strategic positions and colleagues who can potentially replace the employees occupying them is an extremely important process for the organisation as it helps to reduce the risks of operational disruption and ensures the continuity of strategic positions. Every year, we review the relevance of the list of strategic positions: we add new positions and remove positions that no longer correspond to the Group's strategy. The relevance of the position is assessed based on three criteria: the significance of the impact on the business, replaceability in the market, uniqueness of competences.

Strategic positions include positions in business support, finance, manufacturing, regulatory, and commercial and service activities. This includes management positions at various levels (members of the Group Management Board, managers of strategic companies, top-level managers and some other management positions) from all business segments. The potential replacement of managers of strategic companies and members of Management Board was discussed with the members of the Supervisory Board. At that time, potential candidates for the position of CEO of Ignitis Group were identified by the current CEO himself and discussed only with the Chair of the Supervisory Board and the Chair of the Nomination and Remuneration Committee.

After identifying strategic positions, the aim is to determine which employees, in case of urgent need, could take over the activities of the strategic position and ensure its continuity. The organisation helps these employees to develop the necessary competences, and specific knowledge is transferred through mentoring by the employees who currently occupy a strategic position (see the chart provided below for more details).

A total of 101 strategic positions have been identified in the Group (about 10% of all positions in the Group). Currently, of the 132 employees being trained in the succession programme. There are already 46.4% of employees whose readiness is assessed as ready now and they could occupy or have already occupied strategic positions.

Preliminary education plan for persons participating in the succession programme[1]

	Executive positions	Top management positions	Other management positions
Experience	– Appointment to the subsidiary management board. – Representational activities. – Cross entity/function projects. – Substitution/Interim replacement.	– Cross function/department projects. – Substitution. – Job rotation. – Job shadowing.	– Job rotation. – Job shadowing. – Cross department projects.
Education	– Conferences. – Expedition programme.	– Conferences. – Strong Leaders League.	– Growing Leaders League.
Exposure	–	– Mentorship program. – Manager/Team feedback.	– Mentorship program. – Coaching. – Manager feedback.

Expert competencies measurement: realisation of personal development plan.

Leadership competencies measurement:
360- or 180-degree feedback survey, a constructive conversation between the manager and the employee.

[1] An individual plan is prepared for each employee who may potentially replace employees in strategic positions.

Newcomers. We responsibly take care of the integration of new employees in the organisation. It has 4 main parts:

1. Newcomer Start is a video available for new employees at any time intended to introduce the organisation, initiatives, relevant information and platforms.
2. Newcomer's Week is a virtual quarterly initiative. In several events arranged during the week, we introduce new employees to business, people and culture, values, energy innovations being developed in our organisation.
3. 'Naujoklis' and 'Žaliamiestis' are interactive virtual experiences tailored for new employees of the Group during the three-month adaptation period. 'Naujoklis' is a virtual vine that a new employee must grow by completing tasks during this period. 'Žaliamiestis' is a virtual manager adaptation module: a city with as many as four energy facilities: a cogeneration plant, a wind farm, a hydroelectric power plant and a solar power plant. For the light to turn on, the manager has to complete three months of interactive tasks, the purpose of which is to introduce the organisation from the manager's perspective.
4. Excursions to the Vilnius CHP and the Kruonis PSHP (both Green Generation) are organised every quarter for new employees.

Other forms of training and growth. To promote employee growth and as an additional incentive, formal and informal studies may be financed to ensure internal career opportunities. To share professional competences, unique knowledge and values-based behaviours within the organisation, the Group has an educational mentoring programme.

Highlights of 2022 and work intended to ensure sufficient and competent employees now and in the future

#EnergySmartSTART. The energy sector is going through a period of enormous transformation. Lithuania and the Group are implementing several innovative renewable energy development projects and many more are planned for the future. Their successful implementation requires and will require a lot of competences, knowledge and drive.

Therefore, on 21 April 2022, in commemoration of 130 Years of Lithuanian Energy, the #EnergySmartSTART programme was launched. It is a long-term programme that unites energy companies and their various initiatives, designed to prevent possible challenges in the sector, such as the replaceability of energy sector employees due to retirement age, the lack of qualified employees in the energy sector, the need for specialists to implement an ambitious renewable energy strategy. The programme aims to engage and involve people in the generation of energy, to encourage them to be energy smart, and to popularise the choice of study areas that are strategically important for the energy sector. Excursions to energy facilities, visits of volunteer lecturers to Lithuanian schools, and financial support to higher education schools educating future energy sector employees, which will allocate this support to scholarships, are the beginning of the long-term programme and the first steps towards the set goal.

The Group took the lead in creating the cooperation platform www.EnergySmartSTART.lt which aligns the initiatives of energy sector companies with the needs of educational institutions. The #EnergySmartSTART platform is becoming a national project that increases the awareness and attractiveness of the energy transition, sets itself the expectation of engaging more young people and creating an energy smart world together. We invite other energy companies in the country to join this platform, so that it is in the interest of all energy sector professionals in the country to raise the prestige of this field and encourage the younger generation to choose a career in the energy sector. The platform provides information to the pupils, students and the public. Students are informed about the possibility of receiving a scholarship after choosing energy-related professions. The website will also directs to job advertisements, vacancies for practice or internship in energy companies.

In 2022, the Group adjusted the Financial Support Policy and opened opportunities for targeted financial support not only to communities, but also to educational institutions. This was due to a long-term commitment to be an active partner in the implementation of energy transformation ideas in education – in schools, universities and vocational schools. The Group and other energy companies provide financial support, share practical knowledge and the experience of specialists, and educational institutions, having received the financial support, begin to implement a qualitative change in study programmes and, by awarding scholarships to students, create more favourable conditions for them to achieve the best results.

In the framework of the #EnergySmartSTART programme, the Group allocated EUR 150,000 in financial support in 2022 to eight higher education institutions, which awarded scholarships amounting to EUR 300 per month and paid for as long as 10 months to fifty first-year students. Other partners of the programme allocated almost EUR 100,000 for scholarships. The largest part of the Group's financial support for higher education was shared by the universities of Kaunas Technology and Vilnius Tech – 10 students each, 7 scholarships were awarded from the financial support received by Klaipėda State and Vilnius Colleges of Technology and Design, 5 each by Kaunas University of Technology and Kaunas College, 4 scholarships were awarded to the freshmen of Šiauliai State University of Applied Sciences, and another 2 – for the freshmen of Panevėžys University of Applied Sciences.

In the future, we are planning to provide support not only for student scholarships, but also for improving the quality of studies in fields that are strategically important for the energy sector.

We pay special attention to the development of high-quality and sustainable relations and cooperation between the academic community, companies in the energy sector and engineering students. Together we are looking for initiatives that make a difference. As the largest company in the sector, we have built an active community of first-year sponsored students. We invite them as guests, organise shadowing practices and other experiences in energy from the first year.

Strengthening employee competencies. In the scope of #EnergySmart UNI in 2022, we offered our employees a first-level online courses for developing four strategic competencies with video lectures and interactive practical tasks. The purpose of the courses is to convey the basic theoretical knowledge and essential application principles of adaptability, energy expertise, entrepreneurship and sustainnovation to all employees. In 2022, 83% of the Group employees completed the first course of strategic competencies (the goal was 80%). The first level training programme for strategic competencies was also integrated into the adaptation process of new employees, which ensures that new employees complete the programme within 6 months from the date of employment.

In 2022, Grow Academy was renewed and offered participation in three different formats of internal training: live (4 topics), remote (via MS Teams, 20 topics) and by watching training videos (7 topics). In this way, we aimed to adapt to the nature of hybrid work, offer different ways of learning in the organisation, ensure greater availability of training at a convenient time for employees, and make administrative resources more efficient. In total, about 30 different training topics are offered for employees at Grow Academy, which fall into the categories of personality development, digital skills development, and current issues in the workplace. The community of internal lecturers includes 42 employees – they are internal lecturers who are motivated by the opportunity to share their experience, educate colleagues and grow themselves together. In 2022, more than 3,200 employees of the Group participated in the trainings and courses of Grow Academy.

In 2022, we have added quarterly sustainability course to the Newcomer's Week training basket. The course provides basic knowledge about the origin and meaning of sustainability, changes in society and the environment, the objectives of sustainable development, the differences between sustainability and ESG, and present the Group's sustainability strategy and goals. We review the issue of sustainability manipulation and explore examples of it. In 2022, about 400 new employees participated in sustainability training.

Career. We presented a new project 'Career Path in Ignitis Group' both inside and outside the Group (on the Group's website), where we presented visualised possible career changes, the need for skills, stories of colleagues who have made career changes. To promote movement within the Group, Group employees were invited to participate in an internal career fair, where employees could hear more about the activities of different companies and their divisions. The internal career fair lasted for 7 days and had 31 presentations. In 2022, 387 Group colleagues (about 10% of the Group's employees) had internal career moves.

In order to ensure that we have enough competent employees, we intend to:

#EnergySmartSTART. Together with the lecturers of engineering studies, which are important to us, we are embarking on the path of improving the quality of studies. In 2023, our employees will be involved in the process of drawing up topics for coursework, diplomas, research papers, peer review, work in evaluation committees. We will actively give guest lectures on various energy topics in higher education institutions, thereby creating a close relationship between business and the academic community.

Talent bank. Currently, guidelines for the identification and development of employees with exceptional leadership competencies in the Group are being prepared, which would help identify the most talented employees with the highest growth potential in the Group, their areas of development and ensure their growth.

Strengthening employee competencies. In 2023, we will continue the journey of developing strategic competences and offer second-year adaptability, energy expertise, entrepreneurship and sustainnovation training to employees in a "mixed" format, which will include both online courses, remote lectures, and live seminars. The goal in 2023 remains the same – at least 80% of the Group's employees must have completed first- and/or second-level knowledge training, but the scope of training is still being expanded.

In 2023, the Grow Academy training and courses package will be supplemented with sustainability and many other relevant trainings for Group colleagues. We will also prepare online sustainability courses in English for colleagues who do not speak Lithuanian.

Newcomers. We will provide opportunities for all new employees to participate in the "buddy" programme during adaptation, where, in addition to the adaptation plan and smooth introduction to the organisation supervised by the manager, new employees will have the opportunity to learn together with a "buddy" – a colleague with good experience in the organisation.

Local community welfare and relations

Our approach

Maintaining close relations with the communities where we operate as well as with non-governmental organisations is one of the main principles of our sustainable and responsible activities, set out in the Code of Ethics and the Sustainability Policy. We operate in a consistent and transparent manner, taking responsibility for our activities and cooperating with various organisations. We aim to minimise potential negative impacts on communities and be a trusted member of communities. We take the views of community members into account when shaping and improving our sustainability activities, therefore we prioritise open and active communication. We strive to have a consistent and united relationship with communities, paying special attention to mutually beneficial partnerships, activities and projects.

The Group's facilities and infrastructure (power plants, wind farms and solar parks, electricity and gas distribution networks) are geographically dispersed throughout different regions in Lithuania and neighbouring countries, therefore the Group's activities may have an economic, social and environmental impact on the residents of the Group's facilities. We understand that local residents prefer to live in a safe and good quality environment.

The Group's Community Involvement and Relations Management Guidelines have been approved by the Group, which specify measures that strengthen the culture and practice of responsible and sustainably developed business – increasing the engagement of communities when creating new products or services, carrying out educational activities related to the specifics of the Group's activities, especially in the field of energy efficiency. In the context of the Group's activities, the guidelines define the communities that are affected or may be affected by the Group's activities. In the Group's practice, communities that may be affected by the Group's activities are those that are located up to 5 km away from the operational facilities, such as a wind farm.

Ignitis Renewables (Green Generation) grants financial support based on the Group's Financial Support Policy and Financial Support Management Guidelines of Ignitis Renewables. Support is allocated to community social, educational, artistic, cultural, scientific and sports (except for extreme and high-risk sports), improvement and development of the public environment (including public infrastructure), environmental protection projects and activities. All communities in the immediate vicinity to the operational facilities or facilities under active development have a contact person – a community coordinator – and are in regular contact. Due to the novelty of development activities, the engagement of new communities poses challenges. However, the development of the community engagement strategy and updates to the guidelines should help refine the process.

In order to dispel the concerns of the communities located in the neighbourhood of Vilnius CHP and Kaunas CHP (both Green Generation) concerning possible air pollution, we voluntarily carry out environmental air pollution measurement programmes coordinated with the communities and the Environmental Protection Agency. Observations have been carried out in the city and district of Kaunas and in the Lazdynai district in Vilnius since 2018. Air quality has been evaluated in studies not only during the operation of the power plants, but also before the operation of the power plants to obtain a reliable assessment. The studies use modern mobile equipment – mobile Environmental Protection Agency and Estonian environmental research laboratories, which measures solid particles, nitrogen dioxide, carbon monoxide, benzene, etc. several times a year in different seasons (furans and dioxins are measured twice a year – in cold and warm seasons). Such equipment allows obtaining reliable and independent data on the nature of air pollution and changes in their concentration. When performing ambient air quality measurements, instantaneous meteorological conditions that can determine the amount of pollution concentration in the air are also considered. Independent measurement results are published publicly on the websites of Kaunas CHP (link in Lithuanian) and Vilnius CHP (link in Lithuanian).

ESO (Networks) actively informs residents and other stakeholders, educates them about network activities: ensuring network reliability, facilitating the energy sector through electricity market liberalisation, roll-out of smart meters, customer experience, preventive activities. It also educates residents on how to behave safely in the event of power outages and gas failures. For these and other safety topics, a separate Safe Energy (link in Lithuanian) webpage has been created.

Good community relations in the context of the entire Group are important both in terms of new Ignitis Renewables (Green Generation) projects, the activities of Vilnius CHP and Kaunas CHP (both Green Generation) as well as in the long-term activities of Ignitis Gamyba (Green Generation and Flexible Generation) and ESO (Networks). As with any other Group activity, we expect employees and partners to adhere to our Code of Ethics when interacting with communities. One of the mechanisms that helps us stay true to our commitments is a confidential Trust Line that can be used by all internal and external stakeholders in order to report potential or actual violations of our sustainability principles. For each ongoing wind farm project, we appoint a responsible person who may be contacted directly by community representatives.

ESO (Networks) decorated transformer station in Vilnius Vingis Park

Activities in cooperation with communities in 2022

Ignitis Renewables and its subsidiaries have granted financial support to nine communities located near renewable energy projects operated by the companies. A total of EUR 86,100 was allocated for community support. All approved projects include renovation or installation of relevant infrastructure for local communities. Most of the beneficiaries plan to implement their projects by mid-2023. This year, for the first time, communities located in Poland, near the Pomeranian wind farm, were also invited to submit applications for financial support. Unfortunately, none of the applications met the administrative requirements.

Representatives of Ignitis Renewables (Green Generation) met at least once with community representatives of Jurbarkas, Tauragė, Kretinga and Mažeikiai regions (a total of 10 meetings took place) in person. In addition to regular meetings, the Group also participated in gatherings organised by 6 communities.

We developed the idea of adapting wind farms for education and tourism on the topic of renewable energy. We hope that this will increase the number of tourists in the areas around the wind farms and thus provide new opportunities for local communities and encourage their entrepreneurship. To test the relevance of the project in real conditions, we organised two pilot educations in 2022 (one internal and one external). The educational programme consisted of an excursion to the wind farm and a workshop for the construction of wind turbine models. After assessing the feedback, it has been decided to develop the project further, involving more communities.

In order to improve the lives of communities and build long-term relation-ships, we intend:

To prepare a community relations management strategy during the first quarter of 2023 and update the Group's Community Engagement and Relationship Management Guidelines to ensure timely and open communication and long-term mutually valuable relationships.

In 2023, to invite communities located near Ignitis Renewables (Green Generation) developing or operating capacities in Lithuania and Poland once again to submit applications for community project financing.

To prepare and test the model of tours in renewable energy facilities on a larger scale, involving local tourism information centres, schools, and local communities.

Kaunas CHP (Green Generation) and Kaunas district municipality signed a cooperation agreement in 2021. According to the agreement, the order for financial support for companies located around Kaunas CHP (Green Generation) is to be prepared and harmonised in the near future, which will provide for the amount of financial support and the specifics of its approval. This support will be distributed through an online public call for financial support.

Engagement in social activities

Our approach

The Group is creating an energy smart world for a sustainable future. Our promise – an easier life for energy smart people – obliges us to actively act in various segments of society in order to enable society to become part of the green energy transformation. The Group educates, creates cooperation platforms, develops services and innovations, engages in various types of partnerships. Through our active social activities, we aim to reach a wide national audience, as well as to include distant regions in a common information field, where the ideas of sustainability – environmental protection, transparent governance, social responsibility and balanced interaction – would become an inspiration for everyone to act individually and collectively.

Volunteering. All employees of the Group have the opportunity to devote one day a year to volunteering activities. This possibility is enshrined in the Group's Additional Benefits Standard. The aim is to enable every employee to contribute to harmonious activities. By dedicating a day to volunteering:

- We create value for society.
- We share our knowledge and experience.
- We try out a new activity.

In the Group, there are two directions which are recommended as voluntary activities:

- Environmental protection. In all its activities, the Group focuses on the commitment to create an energy smart world and a more sustainable future. By implementing modern solutions and innovations, we take care of the environment that surrounds us.
- Professional volunteering. The Group employs the best specialists in their field, who can share their knowledge and experience. By sharing knowledge, we aim to inspire other organisations to achieve high goals and contribute to the strengthening of the Lithuanian economy.

Highlights of 2022 and achievements in community engagement

Effective and responsible energy consumption education pilot project. On 25 November 2022, the pilot project of the Effective and Responsible Energy Consumption Education Programme was started, where the schools of the Tauragė district and the teachers who teach there participate. The main goal of the programme is to build knowledge on the topics of sustainability and responsible energy consumption: energy sources and geography, energy transformation, climate change and GHG emissions, energy independence, energy communities, energy efficiency and transport, responsible energy consumption at home, i.e., waste reduction and financial literacy opportunities, energy smart future, the biggest energy challenges, the energy profession, the city of the future.

The project focuses on geography, physics, economics, mathematics, English, history, civic education as well as other subjects. The programme has prepared material for pupils in grades 7–11, and its content is adapted to the updated educational programme. Teachers who have an accredited professional development training programme on the topics of climate change, clean energy and responsible energy consumption are also invited to broaden their professional knowledge. During the training, they learned how to teach children about climate change, got to know energy better and tested interactive teaching methods. More than 50 teachers from 11 different schools have signed up to participate in the programme's pilot project.

After the pilot programme in Tauragė district schools, we are planning to expand the scale of the programme in the 2023–2024 school year – schools from various regions of Lithuania will be invited to participate. The long-term goal of this project is the national programme of Energy Efficiency Education in Schools.

Invite the energy specialist. Educational institutions can invite people working in the energy sector as guest speakers. Colleagues of the Group travel to kindergartens, schools and universities, talk to pupils and students about their work in the energy sector. It helps bust myths, showing that the energy sector is very dynamic, broad and extremely interesting. In 2022, 40 colleagues visited about 3,500 kindergarteners and pupils.

Excursions in the Group's facilities. The Group provides an opportunity to visit power plants and see how electricity is generated, learn about the history, operations, technology and main facilities of exceptional power plants. We mostly invite students of engineering and energy studies as well as pupils, who are thinking about their future careers, to these excursions. We conduct excursions of Kaunas HPP, Kruonis PSHP, Kaunas CHP and Vilnius CHP (all facilities are included in the Green Generation segment). The most popular facility to visit is Kruonis PSHP. During the year 2022, 134 excursions took place, involving more than 2,100 participants.

Volunteering. During the year 2022, 309 Group employees took the opportunity to volunteer in various social (e.g., animal care, aid for the needy, aid for Ukraine, etc.) and environmental (protected areas, environmental clean-up, etc.) initiatives. In total, the Group's employees devoted almost 2,500 hours to volunteering in 2022.

In 2022, at the Group's central office in Vilnius, we invited employees twice to become voluntary blood donors, 115 colleagues responded to the invitation (about 10% of central office employees).

Cooperation with other organisations. In 2022, the Group actively participated in partnerships with other organisations and initiatives to increase the dissemination of sustainability topics in Lithuania. We actively developed the topics of climate change, green energy transformation and prosumers within the framework of the Sustainable Lithuania project. We collaborated with 'Kino karavanas' (Film Caravan) and Mo Museum to explore sustainability topics through the forms of art, i.e., cinema, art, photography, and increase their accessibility in the regions. By cooperating with the discussion festival 'Būtent!', Green Ideas Festival and participating in the preparation of tasks for the National Environmental Examination together with our partners, we continued and deepened the theme of sustainability in various contexts.

For the second year in a row, the Group participated in the Film Caravan project, with which we embark on the biggest summer expedition. The goal of the project is to make quality cinema easily accessible to the widest possible audience of various ages, different social strata, and to enrich the cultural life of Lithuania's regions and reduce their social isolation. Throughout the summer months, we visited 40 cities and towns, and the films reached almost 11,000 viewers. During the meetings with the people who came to the film screenings, Group employees shared news related to the Group's activities, answered a number of questions related to electricity supply, pricing or energy efficiency. In addition, we presented in detail the new trends in energy and its "green" transformation: we talked about the benefits of solar and wind power plants both for household consumers and for Lithuania and the environment, and we also explained how to become a prosumer and its benefits. We talked with the communities where Ignitis Renewables (Green Generation) plans to build solar or wind power plants about the plans and answered the questions that arose.

Help for Ukraine. The invasion of Ukraine began on 24 February 2022. The proximity of the war made many people anxious, afraid of the future, but the Group chose to fight together with the people of Ukraine – to provide them with help while also taking care of their everyday life and wellbeing. This invasion goes against our values, and we are taking and will continue to take action in support of Ukraine, its people, and we will defend human rights and energy independence.

The Group employees actively participated in voluntary activities, helping refugees from Ukraine. Since the beginning of the invasion, we have initiated actions to help both the people of Ukraine and our colleagues who are prepared to take care of families, friends and others fleeing the war. We collected and sent medical and other humanitarian aid to the conflict zone and collected support for people who fled the war. Ignitis Grupės Paslaugų Centras handed over 150 laptops to the Ministry of Education of Ukraine. As part of the humanitarian aid, ESO (Networks) provided Ukraine with power transformers, diesel generators and other various materials needed to restore the damaged or destroyed electricity network. In addition, we continued to financially support and continue to support the Group colleagues who take care of the safe accommodation of the people of Ukraine.

5.7 Robust organisation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Sustainability programme	Running transparent and ethical operations	Ensuring operational resilience and sustainable value creation
2025 strategic milestones and goals	**≥95%** corruption intolerance among employees	**≥70%** sustainable adjusted EBITDA share
2022	94%	74.6%

Ethical business, anti-corruption and transparency

Our approach

Transparency, prevention of corruption and fulfilment of obligations form the basis of a responsible and successful organisation. We constantly strengthen the development of responsible business principles, have zero tolerance for any form of corruption, adhere to high standards of ethics, accountability and transparency. In our daily activities, we integrate not only the EU legislation regulating market abuse, but also the documents and guidelines of the Bank of Lithuania, Nasdaq Vilnius, the London Stock Exchange, and European Securities and Market Authority.

The Group's business partners and other parties that have relations with the Group's companies must base their activities on the principles of ethical and responsible conduct and comply with the anti-corruption provisions established in legal acts. The Group's business decisions and actions are based on the principles of mutual trust, objectivity, impartiality, and the supremacy of the public interest.

Ethics and corruption prevention. The Group's Code of Ethics is based on the values of our organisation and defines the ethical principles of the Group companies and employees. The Code of Ethics establishes:

- How we achieve our goals.
- How we treat colleagues and partners.
- What our ethical standards are.

Every employee of the Group must be acquainted with the provisions of the Code of Ethics. All employees of the Group companies are responsible for proper compliance with the provisions of the code.

Anti-Corruption Policy is the main document for establishing the Group's anti-corruption environment, which lays down the applicable principles of and prerequisites for a transparent environment, implementation, supervision and control thereof. The purpose of the policy is to ensure that activities are carried out in accordance with the highest ethical requirements and principles, guided by the principles of transparency, fair and ethical behaviour. The Anti-Corruption Policy applies to all employees of the Group, and all employees as well as business partners (contractors, suppliers, consultants, other partners and stakeholders) must get acquainted with this policy and comply with its rrequirements. Employees working with the officials of foreign countries or operating in foreign countries must adhere to the principles of zero tolerance of corruption and to the provisions set out in the Anti-Corruption Policy. This policy is considered as one of the good examples of contributing to the development of a responsible business standard. In 2022, there were no cases of non-compliance with the requirements of the Anti-Corruption Policy in the Group.

In 2021, Ignitis Group became the first holding company in Lithuania to receive the international Anti-Corruption Management System (hereinafter referred to as the ACMS) certificate. The certificate confirms the compliance of the system with the LST/ISO 37001 standard in all companies of the Group. Independent external auditors perform annual assessments on how the Group complies with the requirements for this certificate. The Group foresees and implements measures for the prevention of corruption, assesses the implementation of the requirements of resilience to corruption. In order to continuously improve the ACMS, the Group regularly controls the implemented anti-corruption measures and assesses the effectiveness of the Anti-Corruption Policy.

The Group's employees are experts and mentors of the Integrity Academy established by the Special Investigation Service of the Republic of Lithuania (hereinafter referred to as the SIS), the purpose of which is to unite corruption prevention experts, responsible and interested institutions and encourage them to share best practices. The Group and SIS have signed a cooperation agreement on corruption prevention. Pursuant to the agreement, SIS employees provide methodological and practical assistance related to corruption prevention.

When creating an anti-corruption environment, the Group focuses on the development of anti-corruption awareness among employees, the promotion of ethical behaviour and ethical conduct. Anti-corruption education is carried out in various forms and means while adapting the content of the training and training methods based on the target audience and its needs. All employees of the Group, regardless of their position, regularly participate in anti-corruption training in order to have the latest information on the implemented Anti-Corruption Policy and procedures of the Group, all changes related to their obligations as well as amendments to the legislation. Particular attention is given to anti-corruption education of new employees. Every year, employees are invited to update their anti-corruption knowledge and take an anti-corruption knowledge test.

Assessment and management of corruption risks. Employees of the Group Business Resilience function perform and, if necessary, update the corruption risk assessment at least once a year, identify and analyse corruption risks, assess whether the existing anti-corruption and other control measures can adequately and effectively reduce the higher than low corruption risk, and in case they are insufficient – plan to manage new or additional anti-corruption and other control measures proportionate to the identified corruption risk, establish criteria for evaluating effectiveness and appoint responsible persons. Corruption risk assessment is an integral part of the corruption risk management process. Corruption risk assessment, preparation of a corruption risk mitigation plan and corruption risk assessment analysis are carried out in accordance with the

Group ACMS system

Centralised measures (applicable in all Group companies):

- Code of Ethics.
- Due diligence of candidates.
- Basic e-courses on anti-corruption for employees.
- Management of conflicts of interest.
- Gift and hospitality management.
- Due diligence of ongoing procurements (before entering into contracts).
- Whistleblowing.
- Internal investigations.

Additional measures (applied as needed, after assessing the potential risk of corruption):

- Corruption risk assessment of functional areas.
- Due diligence of transactions and business partners (before concluding contracts).
- Anti-corruption control measures and obligations implemented by business partners.
- Financial and non-financial control measures.
- Additional anti-corruption training for employees.
- Additional anti-corruption training for business partners.

Group's Corruption Risk Assessment Standard, which establishes a unified procedure for assessing the corruption risk of Group companies in order to properly implement the objectives set out in the Anti-Corruption Policy and support the ACMS implemented in the Group in accordance with the requirements of LST/ISO 37001 standard. The standard details the goals and objectives of corruption risk assessment, the implementation process, its stages, and the results to be achieved. The standard is applied to ensure that a systematic risk assessment of corruption is performed, proportionate anti-corruption control measures, their effectiveness evaluation criteria, deadlines for the implementation of these measures and the divisions and employees responsible for their implementation are established and planned.

Read more about risk management in section '4.7 Risk and risk management' of the annual report.

Conflicts of interest risk management

How do we manage conflicts of interest risks?	Responsibilities when managing conflicts of interest risks	
	Employee's responsibilities	Manager's responsibilities
– We openly and honestly disclose our private interests by filling in declarations of interest and updating them periodically. It is one of the most effective means of preventing conflicts of interest, allowing both company managers and the public to get to know a person's private interests and prevent conflict of interest situations from arising. It is also a self-control measure for the person herself/himself to fill the declaration of private interest and remember all details filled, which later helps to avoid conflict of interest. – We notify our colleagues about any situations that could create a conflict of interest beforehand and, if necessary, we abstain.	– To properly declare his/her own private interests in a timely manner. – To provide a notification of any known situations that could cause a conflict of interest beforehand. – To abstain from making a decision on any issues that could cause a conflict of interest and no longer participate in the process, in any form. – In the case of abstention, this should also be noted in the declarations of private interests. – To be attentive and make sure that the fact of an abstention is properly recorded.	– To accept only a written notice on an abstention from making a decision on the issues that could cause a conflict of interest, submitted by an employee subordinate to the manager. – To ensure that the abstaining employee will no longer participate in the preparation, consideration, or decision-making process, in any form. – If necessary, to initiate an employee's recusal from making any decisions on issues that could cause a conflict of interest. – In case of questions, contact the corporate security expert for clarification, as well as inform him/her in writing (by e-mail) about a possible conflict of interest and/or abstentions.

Prevention of money laundering. The control procedures applied in the Group relate to:
- Identification of the customer and of the beneficial owner and verification of their identity.
- Risk assessment and risk management.
- Organisation of monitoring of business relationships and operations.
- Implementation of international financial sanctions and restrictive measures.
- Submission of reports and information to the Financial Crime Investigation Service.
- Storage of the information and keeping of registers.
- Updating of the information concerning the identification of the customer and of the beneficial owner.
- Organisation of training for employees to properly familiarise them with requirements for the prevention of money laundering and/or terrorist financing.

During the implementation of the provisions of the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing, there were no violations and enforcement measures applied by supervisory authorities in 2022.

Data protection. The Group's Personal Data Protection Policy sets out and describes the principles governing the processing of personal data, which must be followed by all Group companies when processing personal data. In order to ensure uniform personal data processing practices in all Group companies, we also have the Group's Personal Data Protection Guidelines, which include requirements for personal data processing – legality, personal data security, data acquisition, providing personal data to third parties, engaging a data processor, processing personal data of employees, assuring the rights of data subjects, informing data subjects, making video/voice recordings, filling in activity records, assessing the impact on data protection, violations of personal data protection, personal data storage.

All employees are introduced to the Group's Employee Personal Data Processing Standard by ensuring the implementation of the provisions of the standard when processing employees' personal data and implementing the requirements of legal acts regulating the protection of personal data related to the processing of and informing on employee personal data. Personal data protection trainings are held for employees every year, and the goal is for them to be attended by as many Group's employees as possible.

The companies' compliance experts and the data protection officer supervise compliance with the Personal Data Protection Policy, the requirements of legal acts governing the processing of personal data and advise the Group employees on personal data protection compliance issues. The employees of the Group usually inquire about issues related to the processing of personal data of employees and customers, the need for assessment of data processing agreements, and the implementation of direct marketing. Considering that the nature of the questions is often the same, we prepared memos for employees based on their supervised activities, organise trainings and approve processes which guide the employees in their activities.

The Group has implemented a Process of Data Processing Agreements, which helps ensure the conclusion of data processing agreements and their administration while complying with the requirements set out in the General Data Protection Regulation. Data processing agreements, among other mandatory requirements, include security requirements: organisational and technical data processing measures applied to service providers of Group companies (hereinafter referred to as the Processors). The data processing agreements stipulate that the Processors, their related persons and their authorised persons must ensure the security requirements stipulated in the data processing agreements.

To make sure that the Processors comply with the security requirements stipulated in the data processing agreements when processing personal data transferred by the Group companies, in accordance with the approved Description of the Data Processors' Control Process, an annual assessment is carried out of the selected Processors, to identify whether they meet and fulfil the requirements for the protection of personal data established in the data processing agreements. The abovementioned processes help ensure the submission of data security requirements to the Processors and control of the Processors concerning the implementation of security requirements.

Examination of notices. We promote awareness and intolerance of any form of corruption among employees and stakeholders, including actions that may have a negative impact on or damage the Group's reputation and image. The Trust Line provides the opportunity to report violations committed by the Group companies' employees or business partners that threaten or violate the public interest as well as to ensure the prevention and disclosure of such violations. The Trust Line can be used by all employees, customers, partners or other stakeholders of the Group companies. The Group ensures the possibility of reporting anonymously and protects the confidentiality of whistleblowers. Reports are processed in accordance with the procedure established in the Group's internal legal acts, investigated in accordance with the rules of the internal investigation commission approved by the Group.

If an employee of the Group has received data that makes it reasonable to believe that a criminal offence of a corrupt nature has been committed, is being committed, or is being prepared to be committed, and if there are no restrictions on the disclosure of reportable information in legal acts, in such a case, the employee of the Group must report this to the Prosecutor's Office of the Republic of Lithuania, Special Investigations Service or other pre-trial investigation institution. This duty is stipulated in the Law on Prevention of Corruption (Article 9).

Highlights of 2022 to ensuring business ethics, anti-corruption and transparency

Ethics and anti-corruption. In line with the provisions of the Law on Prevention of Corruption and in line with the best practices for creating a corruption-proof environment, this year we have updated the Group's Code of Ethics, a document that defines the principles that should guide us in our work:

- Provisions of the Code of Ethics related to the Group's Gift Policy have been updated – it was established that we do not give or accept gifts in the Group.
- The Code was supplemented with practical (behavioural) situations.
- In Q4 2022, a test of knowledge of the Code of Ethics was conducted for educational purposes – employees were invited to answer 5 questions about how they should act in different situations according to the provisions of the Code of Ethics. 82.02% of employees completed the test, of which 79.1% answered more than 4 questions correctly.

In 2022, taking into account the new wording of the Republic of Lithuania Law on Prevention of Corruption, we also updated the Anti-Corruption Policy. It specifies the general principles and obligations of creating a transparent environment:

1. Legality – a transparent, corruption-resistant environment is being created at the Group in accordance with the requirements of ACMS, the provisions of the Code of Ethics, the Anti-Corruption Policy and other legal acts.
2. Zero tolerance for corruption – the Group does not tolerate any form of corruption or acts of corrupt nature. This principle applies in relations with both the public and private sectors.
3. Principle of avoiding conflicts of interest – all employees of the Group must perform their duties honestly, without using their current duties to benefit themselves or their families, and without performing activities harmful to the Group's or public interests in any other way.
4. Principle of operational transparency – the Group ensures disclosure of information and operational transparency, strives to make the Group's main documents publicly available.
5. Principle of zero gifts policy – we are abandoning any activities related to providing gifts to business partners of the Group, except in cases where it is required by the usual practice of international protocol. The Group does not tolerate gifts or hospitality that could directly or indirectly be understood as a reward, influence, patronage.

In 2022, for the third time, we conducted a survey on the level of tolerance for corruption in the Group, where employees were invited to anonymously answer several questions about corruption. The purpose of this survey is to determine employees' perception of corruption and their willingness to (not) tolerate manifestations of corruption. The survey allows us to measure what proportion of Group employees would report corruption-related violations when encountering them, and whether employees would tolerate corruption-related violations. The results of the survey show that every year over 90% (94% in 2022) of the employees in the Group state that they do not tolerate corruption, and if they encountered it, they would report it (according to the study "2021 Map of corruption in Lithuania" conducted by the SIS, only 25% of the Lithuanian population tend not to tolerate corruption). Based on the data of this study, we can state that such a high indicator of the Group's employees' resistance to corruption is determined by the employees having an extremely strong anti-corruption awareness, which is one of the main priorities of anti-corruption activities.

The operation of the ACMS is evaluated annually by external auditors, who conducted an audit in Q1 2022 and concluded that the Group's ACMS operates properly and efficiently, and no inconsistencies were found.

358 reports
received by the Trust Line

Most of the reports are about the quality of the provided services.

All of them have been transferred to customer service divisions.

47 confirmed reports involving:
- Potential electricity theft.
- Improperly performed work by employees or contractors.

2 reports of potential corruption have been confirmed.

Managing the risks of conflicts of interest. In 2022, 3 cases of employee abstention were registered. In all cases the direct managers of the employees approved the abstention of the employees. In accordance with the requirements of legal acts, the Chief Official Ethics Commission was informed about one case of abstention. In 2022, 178 consultations were provided to employees, 130 of them were on the issues of declaration of private interests, management of conflicts of interest and abstention.

Data protection. In 2022, more than 90% of the Group's employees participated in personal data protection training and took a knowledge test. The content of the training is focused on processing personal data in accordance with the requirements of legal acts regulating personal data protection, prevention of personal data protection violations, management of personal data security breaches when they occur.

In 2022, a new automated personal data security breach registration tool was introduced, which ensures effective management of personal data in the event of a personal data security breach.

Education. In 2022, almost 30 meetings were organised with both Group employees and business partners on various topics (corporate security at the Group, ACMS, anti-corruption awareness, Trust Line, conflicts of interest, Gift Policy, etc.). Video trainings on gifts and hospitality have also been prepared. More than 1,000 employees and partners participated in the training.

Assessment. The Governance Coordination Centre has awarded the Group the highest 'A+' rating in the Governance Index for the fourth year in a row, recognising it as the governance leader in the category of large state-owned enterprises. This is also a recognition of the Group's anti-corruption, ethical provisions and transparency.

The Trust Line received 358 reports in 2022. Most of the reports received are related to the quality of the services provided and have been forwarded to the customer service divisions. After due diligence of the received information, 47 reports about potential electricity theft, improperly performed work by employees or contractors were confirmed. Also, 2 reports were received on possible cases of corruption, which were confirmed. The information received in the reports has been verified, and in case the electricity theft is detected, damage reports were drawn up, which will have to be compensated by the identified individuals. After verifying the information about potentially corrupt actions of employees, the employment contracts with such employees were terminated.

Trust Line

Are you concerned about the actions of Group employees or business partners?
Report any violations related to ethics, corruption, environmental protection, equal opportunities and other possible violations of legal acts performed by the Group's employees or business partners anonymously and confidentially.

Online form			
Online form (link in Lithuanian)	pasitikejimolinija@ignitis.lt	+370 640 88889	Laisvės Ave. 10, 04215 Vilnius (specify the recipient on the envelope, UAB "Ignitis grupės paslaugų centras", Corporate Security, and indicate "the notification is confidential, do not open the envelope")

Responsibility and sustainability in the supply chain

Our approach

Group procurement requirements. By responsibly procuring services, goods and works necessary for the Group's activities, we promote the demand for transparent, responsible and sustainable solutions in the market. The main elements of the Group's procurement management are:

- Procurement processes are regulated by the laws of the Republic of Lithuania and internal legal acts (Public Procurement Policy, the Group's Commercial and Regulated Procurement Policy, guidelines, standards and other documents).
- The Group has a centralised public procurement framework, allowing it to carry out common public procurement process with a more flexible allocation of the necessary resources.
- Public procurement planning is carried out every year.
- The system of quantitative and qualitative indicators of public procurement is being constantly monitored, which helps to efficiently detect deviations from the set goals and to take urgent action.
- Market analysis is carried out at the planning stage of each procurement, if necessary, a public market consultation is carried out with potential procurement participants.
- The principles of sustainability are included in the legal regulation of the Group's public procurements. Considering the provisions of EU and national legislation and the Group's strategic goals in sustainability, the Group aims to significantly increase the volume of sustainable procurement. Every company initiating a procurement must seek to procure goods, services and/or works that meet its needs and which would cause the least possible negative impact on the environment and society from an economic, environmental and social point of view as well as promote innovation.

The Group applies the same standard for conclusion, performance and implementation of contracts and other internal legal acts to all Group companies. The contracts stipulate that suppliers undertake to comply with the Group's Anti-Corruption Policy and the Group's Supplier Code of Ethics (hereinafter referred to as the CES) when performing contracts. All contracts include mechanisms for ensuring the performance of the contract (fines, interest on arrears, bank guarantees, etc.) and include provisions for the enforcement of environmental, safety standards and occupational safety requirements. A system for monitoring the performance of procurement contracts is being implemented in the Group companies, which facilitates proper management and control of the concluded procurement contracts in the Group.

After the Group approved the CES in 2021, all the suppliers of the Group are invited to contribute to the creation of a more sustainable future. To each public procurement document a memo to supplier is attached concerning the application of green public procurement requirements in the procurement of Group companies. In addition, the Group's website provides information on the Group's green public procurement and socially responsible procurement practices as well as the most common sustainability requirements applied in the Group's procurement. In 2022, we started inspecting how suppliers comply with the CES and what sustainability practices they apply in their operations.

Topics for verifying the compliance with the Code of Ethics of Suppliers	Environmental topic	Social responsibility topic	Governance topic
	– Application of environmental protection management system. – Circular economy promotion objectives. – Use of green electricity. – Education of employees on the topics of resource conservation and environmental protection. – Identified environmental violations. – Type I eco-labels in goods, services and/or works.	– Application of employee health and management system. – Policies related to ensuring human rights. – Policies related to ensuring the rights and safe, healthy and dignified working conditions of employees.	– Application of anti-corruption management system. – Code of Ethics or policy, where the norms of behaviour of the supplier's employees are established.

All types of procurement (public, commercial and those governed by resolutions) are subject to the Group's Standard on Employee Withdrawal and Abstention from Procurement Procedures, which ensures the proper management of conflicts of interest, establishes measures to avoid them and helps make decisions while following the principles of impartiality, transparency and publicity, thus creating an environment with zero tolerance for corruption. In addition, every person participating in a public procurement must fill out the pledges of impartiality and confidentiality and a declaration of private interests, and submit it through the means established by the Chief Official Ethics Commission; such declarations are made public (link in Lithuanian).

In all public procurements (except for low-value and non-public simplified procurements), suppliers must confirm that there are no grounds for excluding them from public procurement procedures. The basis for exclusion may be criminal activities, corruption or fraud, terrorist crimes or crimes related to terrorist activities, money laundering or terrorist financing, child labour or other forms of human trafficking, violation of obligations related to tax payment or payment of social insurance contributions, commitment of serious professional or corruption violations, etc.

Every year, the anti-corruption training is organised for the Group's employees as well as suppliers, which provides information on the Group's Gift Policy, withdrawal and abstention process, principles of open and fair competition and practices applied in the Group, management of conflicts of interest, etc. In accordance with the provisions of the Group's Standard for Determining the Risk of Corruption, before entering into transactions with business partners, a corruption risk assessment of transactions and business partners is carried out, and, before entering into transactions with business partners who are classified as having higher than low corruption risk, their due diligence is carried out.

Decisions to enter into a procurement contract are made according to the "four eyes" principle, i.e., at least two employees of the Group companies participating in the procurement process must participate in the process of selecting (awarding a contract to) a supplier or selected individual stages thereof, with the exceptions specified in internal legal acts.

At the planning stage of each public procurement, we carry out a market analysis and, if necessary, a public market consultation with potential procurement participants in order to determine what green procurement conditions we could apply. We actively share information with the market and suppliers about the ambitious green public procurement and/or socially responsible procurement requirements for the procurement object. This ensures that the Group company acquires the procurement object that meets its needs the best, is sustainable and competitive in the market.

The Group consistently strives to incorporate sustainability criteria into its supply chain management. Our monitoring system of green public procurement and socially responsible public procurement indicators are also operating successfully, allowing us to monitor their progress and the efficiency of procurement.

Key works of 2022 in ensuring responsibility and sustainability in the supply chain

Procurement. Lithuanian legislation stipulates that green public procurements carried out in 2022 must make up at least 50% of the value of all public procurements. The Group made a strategic decision not to stop at the limit set by the legislation and to aim for all Group procurements to be green in 2022. The result is 94% of green procurements out of the total value of the Group's procurements.

Since 2022, the Group has started carrying out socially responsible procurements, the purpose of which is to have a positive impact on society by including new criteria for assessing social aspects, promoting employment opportunities, upskilling and reskilling, ensuring decent work, social inclusion, equal opportunities, increasing diversity, having good management practices, ensuring transparency, ethical trade, etc. In 2022, socially responsible public procurements in the Group accounted for 13 % of the total value of all public procurements.

In 2022, we included a provision into commercial procurement contracts obligating the suppliers to comply with the Anti-Corruption Policy and the Supplier Code of Ethics of the Group when performing contracts.

Suppliers. In 2022, we created the Group's CES compliance monitoring system and approved the Group's CES Compliance Monitoring Standard. This enabled the Group to encourage suppliers to incorporate sustainability principles into their operations and to gradually implement sustainability principles in the supply chain.

In order to determine how the Group's suppliers comply with CES regulations and to assess sustainability elements in their activities, an inspection of the Group's most significant suppliers was carried out in 2022 (focused on the assessment of environmental aspects in the Group's supply chain). 71 largest suppliers of the Group were assessed. We also assessed suppliers by independently collecting information about them in publicly available data sources, e.g., by inspecting whether the supplier joined international or Lithuanian organisations promoting sustainability (United Nations Global Compact, Lithuanian Responsible Business Association (LAVA), Diversity Charter, "White Wave" initiative). In 92.7% of cases, no cases of non-compliance with CES requirements were identified. 7.3% of the assessed suppliers could be influenced to enhance sustainability practices in their operations.

Considering the results of the assessment, we prepared an action plan on how to positively effect and strengthen elements of sustainability in the activities of suppliers. The action plan includes training suppliers, organising events for suppliers ("Supplier Days"), providing feedback to selected suppliers, public communication promoting the implementation of CES principles and their wider application, prevention of violations, etc. The progress of suppliers will be monitored during the implementation of improvement actions.

We intend to continue to strengthen responsibility and sustainability in the supply chain

Procurement. Starting in 2023, we aim to carry out all public procurements in accordance with green procurement requirements (legal acts also impose this obligation on companies carrying out public procurements).

In 2023, we will also increase the scope of socially responsible procurements and expand the list of socially responsible public procurement criteria applied in procurements, we will also include sustainability topics in commercial procurements.

Suppliers. In 2023, we plan to continue with periodic inspections of suppliers (focused on the assessment of social responsibility, business ethics and governance topics in the Group's supply chain), continue the improvement actions, carry out education of the Group's suppliers on various topics of sustainability and monitor the sustainability progress of the Group's suppliers.

Access to energy

Our approach

Access to energy. While ensuring access to energy, we prepare reliable technical conditions, create physical connectivity, communicate with customers, manage risks. All Group companies responsible for energy generation, distribution, supply and all ancillary functions are involved in ensuring adequate energy access.

Anyone who has expressed a desire to connect to the distribution operator's network and use electricity has a right to do so. The costs related to this right (connection fees) are reviewed and determined by the National Energy Regulatory Council (hereinafter referred to as the NERC) at the end of each year. ESO (Networks) is consistently increasing the flexibility of services so that consumers could have the opportunity to change their electricity consumption or generation profile in response to external factors (e.g., market price, signals from ESO (Networks) or the Lithuanian transmission system operator Litgrid related to changes in consumption or generation, etc.). This way customers can financially benefit while ESO (Networks) and Litgrid can use the infrastructure more efficiently.

ESO (Networks) is constantly monitoring the process of connecting new customers to the network and endeavour to shorten this period. This is achieved by improving the efficiency of internal processes and setting specific requirements for contractors who perform the required work. Indicators illustrating the connection duration are presented in section '5.8 Group ESG data' of this report.

Electricity supply interruptions may be caused by outdated equipment, damage caused by natural disasters, or other causes. Overhead power lines are more vulnerable to natural disasters: falling trees, snow and icing can take down power lines and falling branches can cause short-circuits. Underground cable lines, although being more resistant to weather conditions and the effects of climate change and reducing the negative impact on the landscape, require more time for troubleshooting, and are often damaged during earth excavation works, especially in highly urbanized areas.

One of the key measures of the ESO (Networks) investment plan is the replacement of overhead power lines with underground cables (with priority on the replacement of unreliable power lines with high rate of outages) and 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. During natural disasters, more than two-thirds of all electricity transmission failures occur due to fallen trees. The newly amended regulations on the maintenance and management of trees growing in electricity network protection zones allow ESO (Networks) to handle hazardous trees in electricity network protection zones that are higher than the distance from the tree to the overhead power line. This will ensure safer and more reliable transmission of electricity to Lithuanian residents.

Access to gas is ensured by finding alternative solutions for natural gas supply. One of them is looping the gas network. This is a measure to ensure the reliability of the network when several or more branch pipelines are interconnected into a single loop, which will allow for an alternative gas supply route to customers in the event of a breakdown or pipeline repair.

The quality indicators of the electricity and gas distribution network are presented in the section '5.8 Group ESG data' of this report.

Actual and planned investments for upgrading electricity and gas distribution networks and improving resilience to natural environment

2021	2022	2029
EUR 100,841 million	**EUR 105,367 million**	**EUR 1 billion**

About 45% of the Group's total investment portfolio in 2022–2025 is planned to be allocated to the Networks segment.

Working with sensitive and vulnerable groups of society (potentially at risk of energy poverty). According to the legal acts of the Republic of Lithuania, Ignitis (Customers & Solutions) continues to provide a public supply service to consumers included in the third stage of electricity market liberalisation, who consume the least amount of energy and are likely to be the most vulnerable to energy price spikes. Legislation amendments adopted in October 2022 extended the electricity market liberalisation until 2026 (previously, the market liberalisation had to be completed by 1 January 2023). It is expected that by that time, the energy generation from renewable energy sources in Lithuania will be more developed, and the electricity market will be more stable. This change is important to nearly 500,000 consumers who consume up to 1,000 kWh of electricity per year and have not yet chosen an independent supplier. This is done in order to protect socially sensitive groups of the society. Consumers included in the third stage of the liberalisation project will be able to receive the services of the public supplier for a longer time and will have more time to choose an independent electricity supplier. However, it should be emphasized that these consumers can choose an independent supplier even now – almost half of the consumers included in this stage have already made this choice.

In 2022, we introduced a new service to Ignitis (Customers & Solutions) customers, i.e., electricity bill insurance, which allows independent supplier's customers to insure their bills so they are covered by the insurance company if the customer losses his/her source of income.

ESO (Networks) provides the supply of last resort service to those consumers who did not choose an independent electricity supplier in time, whose chosen electricity supplier does not fulfil its obligations to supply electricity under the conditions agreed with the customers, whose chosen electricity supplier ceases operations or terminates the electricity purchase and sale agreement concluded with the customer. It is like an "insurance" that protects the consumer from being left without electricity, but at the same time does not release him/her from the obligation to choose an independent electricity supplier. At the end of 2022, the supply of last resort service was provided to more than 55,000 Lithuanian household consumers.

Customer service. The companies of the Group that have the most contact with customers Ignitis (Customers & Solutions) and ESO (Networks) have established customer service standards, regularly monitor performance results and carry out various customer service improvement projects.

At the end of 2022, Ignitis (Customers & Solutions) provided all basic energy-related services to more than 1.4 million private customers throughout Lithuania. We serve business customers in accordance with the Customer Experience Book. We monitor the performance of customer services at regular intervals in accordance with the service guidelines, processes, procedures, normative documents provided for therein, and assess the impact of the employed systems. We identify areas of strength and areas for improvement, initiate and implement specific actions to support identified areas of strength or improve areas for improvement.

Ignitis (Customers & Solutions) customer service centres located in major Lithuanian cities are adapted for people with mobility disabilities:

- Entrances have no curbs or have ramps so that customers with mobility disabilities may enter the centres.
- Customer service rooms are spacious and there are no obstacles obstructing movement.

Customer experience is measured using the Net Promoter Score (NPS). Transactional NPS is measured immediately after the contact with the customer and reflects customer satisfaction with the execution of the inquiry, and Relationship NPS is measured twice a year using a statistically significant sample that reflects the overall customer perception of the company.

ESO (Networks) distributes electricity and gas and maintains distribution networks to ensure they are reliable and efficient, eliminates network failures and connects new customers as well as provides the supply of last resort services. ESO (Networks) serve more than 1.8 million customers in Lithuania. Customer service is based on customer service standard, and customer experience is measured by customer voice survey and NPS (after the customer relationship) survey. We make additional contact with customers who have had a negative experience to correct the issues and help the customer resolve the problem.

Information on the net promoter score of Ignitis (Customers & Solutions) and ESO (Networks) is provided in section '5.8 Group ESG data' of this report.

	Ignitis (Customers & Solutions) units/months		ESO (Networks) units/ months
	B2B	B2C	
Calls	3,500	115,000	70,000
LiveChat		9,000	14,000
Enquiries via e-channels	2,300	24,000	49,000
Self-service users	10,000	455,000	81,000
Newsletter	1,000	560,000	
6 customer service centres in major Lithuanian cities		✓	
SMS[1]			✓
Electricity supply disruptions map[2]			✓
Managers for VIP customers			✓
Other proactive communication (for all customers, customers by products/services and other segmentation criteria)	✓		

[1] Information on the planned power outage is sent to the customers by an SMS message not later than 5 calendar days in advance, indicating the planned time and duration of the outage.
[2] Real-time information on the operation of the electricity distribution network and planned and unplanned network interruptions can be found on the interactive map (link in Lithuanian).

Key works in 2022 in ensuring access to energy

Access to energy. Early 2022 was met with strong storms, where wind reached disaster-level speeds and lasted for five days. About 400,000 of ESO (Networks) customers faced power outages. Nevertheless, only 2% of consumers experienced grid outages lasting more than 12 hours, and 59% of consumers experiencing power outages had their power restored in less than 3 minutes using automated solutions. Compared to the record snowfall in the winter of 2021, power outage was restored on average about twice as fast as in 2021.

ESO's (Networks) interactive power outage map (link in Lithuanian) has been updated and now it is even more user-friendly. It not only provides information about the operation of the electricity distribution network in real time, but also clearly displays failures, planned repair works and residents' reports about interrupted electricity supply by territory. From now on, the marking of disconnections by territories will allow to quickly and clearly see whether the fault affects a specific object.

In 2022, residents submitted a record number of requests for technical conditions for connection to the electricity distribution (more than 44,000 residents). Thus, in Q3 2022, in order to simplify and speed up the entire process as well as to facilitate the customer experience, customers are now able to upgrade their power capacity and apply for a prosumer status at the same time.

In Q3 2022, the modernization of the natural gas network's geoinformation systems and management tools adapted by ESO (Networks) have received international recognition. At the international conference 'ESRI UC 2022', the innovation implemented by ESO (Networks) was included among the best projects worldwide and was awarded for special achievements in the Electricity and Gas category.

Mitigating the impact of energy prices on consumers. In accordance with the laws of the Republic of Lithuania and Government resolutions, partial state compensation was included in the final natural gas and electricity prices of Ignitis (Customers & Solutions) in the second half of 2022, thus ensuring that the impact of energy prices on consumers would be mitigated, and the final prices would not increase by more than 40%.

We made technical changes when displaying the applicable compensations in customers' bills.

As an independent electricity supplier, Ignitis (Customers & Solutions) would systematically update its pricing over 2022 and thus ensure the best possible final price for private customers based on the forecast of future transactions. The recalculations were usually carried out once a week, responding to the wholesale price forecasts and its changes. During the year, we offered new long-term electricity supply plans with different durations (36 months and longer), thus reducing the final price compared to plans with a shorter fixed period.

Ignitis (Customers & Solutions) regularly participates in consultations with NERC, the Ministry of Energy of the Republic of Lithuania and other institutions in order to control the energy price crisis with regulatory measures. According to the data of NERC of 21 November 2022, 79.5% of consumers chose Ignitis (Customers & Solutions) as their independent energy supplier. During the year 2022, B2C customers of Ignitis (Customers & Solutions), who chose various fixed price plans, used a total of 1,217 GWh of electricity, for which they paid EUR 192 million less than they would have paid if they had remained in the public supply. The number of our natural gas users increased by 0.42% in the first 10 months of 2022. This shows that we are offering energy supply services at affordable prices even in crisis conditions.

Customers. We have implemented customer service management and proactive information functions in the self-service platform of Ignitis (Customers & Solutions). To shorten the customer response time, we are improving the "Contact us" form at www.ignitis.lt (link in Lithuanian). We are improving process automation and efficiency to reduce the time it takes to solve customer inquiries. We are creating a Customer Journey Map for the most important processes to respond to the customer experience at certain points of interaction and adjust processes and proactive communication accordingly to improve the customer experience. To manage a significant increase in the number of customer inquiries, additional partners have been recruited to handle them (for signing new contracts).

Future plans

Mitigating the impact of energy price changes on consumers. According to the laws of the Republic of Lithuania and Government resolutions, in the first half of 2023, the final natural gas and electricity prices of Ignitis (Customers & Solutions) will include partial state compensation to mitigate the impact of prices on consumers.

We are planning to further develop independent electricity supply variable price plans linked to the electricity exchange for consumers with smart metering.

Customers. In 2023, Ignitis (Customers & Solutions) is planning to review B2B customer experience management strategy, develop a proactive customer relations management process, update the self-service website, the customer experience book and the customer experience management path (through all channels, products and systems). It is also intended to review the request service processes.

ESO (Networks) plans to introduce standardised customer inquiry forms on its website, improve self-service services and automate processes. To ensure quality, it is planned to update the standard of customer service and train service personnel. To improve the customer relations, proactive messages to customer will be updated, processes will be reviewed, and communication will be improved during scheduled disconnections (information will be provided stating not only when the disconnection is expected to occur, but also why the disconnection is necessary).

Energy system resilience and security

Our approach

Lithuania is largely dependent on energy imports, therefore maintaining and developing local energy generation capacities is very important to ensure national energy security.

The development of new energy generation capacities is concentrated in the Group company Ignitis Renewables (Green Generation), which manages the Group's wind farms and implements wind and solar energy projects (in all project stages) in Lithuania. The company also manages power plants and develops renewable capacities in Poland, Estonia and Latvia.

The services provided by the units controlled by the Group company Ignitis Gamyba (Flexible Generation and Green Generation) ensure the stability and reliability of the Lithuanian energy system, help prevent the operation of emergency events, respond to them and maintain the necessary power reserve, in compliance with the established requirements for the quality and reliability of electricity supply. With the continuous growth of renewable energy sources (wind, solar energy) in the market, the need for ancillary services increases. Balancing and frequency/ voltage management services are being activated due to erratic wind and solar generation. In 2022, emergency balancing was activated 204 times, the amount of energy produced was more than 19.2 GWh (in 2021, it was activated 225 times, and more than 19.1 GWh of energy was produced).

The Group contributes to the goals of the National Energy Independence Strategy adopted by the Lithuanian Parliament in 2018. For example, Ignitis Gamyba (Flexible Generation and Green Generation) participates in the project of synchronising the Baltic states with the grid of Continental Europe, which aims to increase Lithuania's ability to independently manage its electricity system. Connection to Continental Europe networks and operation in synchronous mode with Poland, Germany and other Continental Europe's countries is planned. Ignitis Renewables (Green Generation) and other companies of the Group also contribute to the implementation of the strategy's goals by increasing energy generation capacities.

Ignitis (Customers & Solutions) is the main designated supplier of the Liquefied Natural Gas (LNG) terminal. This means that we are responsible for ensuring the minimum amount of liquefied natural gas supply to the LNG terminal in Klaipėda. After Lithuania has completely abandoned Russian gas in early April, all Lithuanian gas demand was met through Klaipėda LNG terminal. 32 million MWh (more than 3 billion m^3) of natural gas flowed through the LNG terminal in 2022 – 50% more than in 2021. 35% of this volume was used to cover the needs of Ignitis (Customers & Solutions).

Services necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity

Elektrėnai Complex (Flexible Generation), which is managed by Ignitis Gamyba, Kruonis PSHP and Kaunas HPP (both Green Generation) provide ancillary services to the transmission system operator (TSO) that are necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity. In 2022, our power plants provided the following services:

- Balancing power services that include:
  - Secondary power reserve for power regulation, which is used when the largest network or generation element in the system is disconnected. The power reserve is activated within 15 minutes and the balancing electricity is supplied continuously for 12 hours as needed, compensating the electricity deficit in the system due to the emergency. This ancillary power balancing service is provided by using two units at Kruonis PSHP (Green Generation). Today, these capacities are also used in the electricity balancing market of the Baltic States. By activating, when necessary, they balance the differences in electricity generation and consumption in the Baltic states.
  - Tertiary active power reserve, which is necessary to replace the secondary power regulation reserve because the water resources of Kruonis PSHP (Green Generation) is limited and needs to be replaced if the emergency lasts longer than 12 hours. This reserve is activated within 12 hours and can work indefinitely. The tertiary active power reserve in 2022 was ensured by units 7 and 8 of the Elektrėnai Complex (Flexible Generation), and from 2023 this service will be abandoned.
- Voltage control service not related to frequency regulation and balancing is provided by units of Kruonis PSHP (Green Generation) while in synchronous compensator mode and regulating reactive power. The service is activated when the TSO lacks the capacities for voltage control in the transmission network to ensure the quality of electricity, i.e., when the voltage is not maintained within the specified limits at certain points of the transmission network.
- The ancillary service for preventing accidents and ensuring black start is used for restoring the electricity system after complete black-out. In such cases, the diesel generators of Kruonis PSHP and Kaunas HPP (both Green Generation) are started and, with their help, the capacities of Kruonis PSHP and Kaunas HPP are activated. They maintain the voltage in the transmission network and supply the electricity required for the restoration of electricity supply to Lithuanian consumers after the accident.
- Isolated regime availability service not related to frequency regulation is used for ensuring that generators ensuring the balance of electricity generation and consumption are available in case the Lithuanian electricity system is in the isolated regime. TSO would activate the service if, due to unforeseen reasons, the Lithuanian electricity system would need to work in an isolated emergency regime without communication with other neighbouring systems.

The ancillary services provided by Ignitis Gamyba (Flexible Generation and Green Generation), which are ordered and controlled and used by the TSO, ensure a reliable, uninterrupted and high-quality supply of electricity to network users and guarantee that the N-1 criterion will be ensured in all cases, i.e., if the largest element of the network or generation is disconnected, the supply of electricity to consumers will not be limited and they will not experience an emergency, while the emergency situation will be managed by activating ancillary services.

Preparation for unforeseen outages. The Group companies, as the owners of flexible generation and distribution infrastructure of strategic importance, have developed detailed contingency plans and procedures for preparing for an unforeseen interruption of operations. Power generation and other facilities, including distribution infrastructure and information systems operating these facilities, may be affected by system failures, power outages, capacity constraints and physical damage caused by natural disasters as well as various other emergency situations that may interrupt the generation and distribution of energy and other business processes of the Group.

In 2022, the Group's Business Continuity Policy and standard were updated, regulating the main elements and responsibilities of business continuity. The business continuity system includes the assessment of key activities and/or processes, preparation for the smooth continuation of activities in the event of various threats and situations, regular training and exercises of employees.

Continuity of Operations, Crisis Management, Emergency and Disaster Recovery Plans are being developed in individual Group companies. Training exercises and testing of plans are also held regularly by the Group companies. Group companies continue the cooperation with various state institutions, police, Lithuania's Anti-Terrorism Police Unit, Public Security Service and other institutions, and hold joint training exercises to improve our preparedness for unforeseen failures.

The companies of the Group manage strategically important objects of national importance, therefore additional attention is paid to procedures, information and documentation, which is intended for the proper implementation of the Republic of Lithuania Law on Mobilisation and Host Country Support.

Cybersecurity. The Group's operations depend on properly functioning core information technologies (IT) and operational technologies (OT). In the event of IT and OT disruptions, a data security breach or a cyberattack, the Group's operations may be disrupted. Therefore, cybersecurity is an essential component of the overall security and protection of the Group's operations.

The Group's Information Security Policy indicates the direction and describes the principles that ensure information security and proper management of related risks in the Group. The Group ensures information security by acting in accordance with international information security standards (ISO 27001, IEC 62443) and best global information security practices.

In order to ensure compliance of the activities and processes of the Group's companies with the General Data Protection Regulation, Ignitis Grupės Paslaugų Centras, which provides information security services to the entire Group, has been certified according to the ISO 27001:2017 standard since 2014, the area of certification is "Provision and development of information technology, telecommunications and infrastructure services, software development, maintenance and service and other business service services of AB „Ignitis grupė" group of companies". This ensures high-quality and secure information management, enables the implementation of security measures in line with best global practices, and the management of information security risks.

We manage cybersecurity risks by periodically assessing the information security risks of vital processes, IT and OT systems. To ensure information security, we train employees and systematically respond to information security incidents and vulnerabilities. Owners of information assets, IT and OT systems, OT devices, and vital business processes and risks have been appointed in each company. Information security obligations are included in agreements with third parties, which must ensure the same level of information security as the Group.

Particular attention is paid to infrastructure and services, the disruption of which would harm not only the Group, but also the Republic of Lithuania. We regularly cooperate with the National Cybersecurity Centre and other authorised institutions to ensure their cybersecurity. For example, modern technologies that comply with security practices and use the most advanced encryption algorithms are selected for the implementation of smart electricity metering solutions.

Key works of 2022 in ensuring the security and stability of the energy system

Security. Taking into account the geopolitical situation, NATO members are gathering larger and larger military forces in Lithuania, as a result of which three new military bases were established. The Ministry of National Defence appealed to the Group for assistance in setting up the bases (urgent power capacity upgrades, installing new electric inlets, etc.). At the end of Q1 2022, we have completed upgrading the power capacity by installing a new transformer in one of the bases. The whole process was carried out 6–7 times faster than usual because ensuring the national energy security of Lithuania is our priority.

Ensuring the stability and reliability of the network. In Q1 2022, ESO (Networks) and the State Forest Office (hereinafter referred to as the SFE) entered into a cooperation agreement on the cleaning of trees that pose a risk to electricity networks. The cooperation agreement provides for the main agreements on the process of clearing the trees that pose a risk to energy supply stability in state forests: ESO (Networks) selects and marks the trees that pose a danger to electricity networks and applies to SFE for permission to cut down the trees. After receiving the consent, SFE announces tenders and selects contractors who remove dangerous trees (tenders were announced in Vilnius, Kaunas, Utena, Panevėžys and Šiauliai regions. Tenders did not take place in Vilnius and Utena regions, but the contractors were successfully selected in other regions), while ESO (Networks) pays the expenses incurred by SFE. ESO (Networks) and SFE concluded a contract in December 2022 for clearing dangerous trees in Panevėžys, Šiauliai, Kaunas and Klaipėda regions. The clearing of hazardous trees will begin in 2023 and is scheduled to be completed by mid-2023.

The trees that pose a risk to the electricity networks were also identified outside the SFE forests, in private or undeveloped land plots. These hazardous trees are marked and removed by the contractors selected by ESO (Networks). These dangerous trees are marked and removed by contractors selected by ESO (Networks).

Using LiDAR technology, 7.8 thousand km of electric overhead lines were flown and dangerous trees were identified.

Due to the lack of contractors for timely and effective technical maintenance and repair of 10–0.4 kV electrical networks, and the existing contractors significantly increasing the costs, in 2022, ESO (Networks) established repair brigades. Seven regional repair teams with 3 brigades each have been established, which will perform up to 70% of planned repair works of 10–0.4 kV networks.

ESO (Networks) has implemented a new technological asset management and maintenance system that meets today's expectations, allowing to perform processes related to the operation, maintenance and repair of technological assets more efficiently and qualitatively, and to ensure systematic maintenance and service of the company's assets. In the first stage, more than 90% of all available data on assets, defects and other important historical data were transferred to the new technological asset management and maintenance system. The main processes started: planning and carrying out inspections, planning and carrying out self-management of scheduled repairs, as well as the database of electricity and gas technological assets was transferred. In the next stage, the modules for planning and management of works performed by contract, warehouses, work safety, contract management, natural gas network dispatcher management will be implemented. In 2022, ESO (Networks) completed the implementation of the centralized electricity quality monitoring system – more than 120 voltage quality analysers were installed in 37 transformer substations (110/(35)/10 kV voltage). We monitor electricity quality parameters according to the LST EN 50160 standard. To ensure voltage quality parameters, we adjust relay protection settings, provide recommendations to customers regarding their parameter settings.

As part of the long-term network automation investment program, ESO (Networks) installed remote control of 12 distribution points (10 kV) and 14 10 kV voltage lines. These solutions allow more economical and technologically efficient management of the electricity network in the event of a failure, a smaller number of customers are disconnected during failures.

Group companies, which are required to develop emergency management plans and set up emergency operations centres according to the criteria set out, have updated them and organised table and functional exercises at Ignitis Gamyba (Flexible Generation and Green Generation) (3 exercises were organised), Ignitis (Customers & Solutions), Kaunas CHP and Vilnius CHP (both Green Generation).

Cybersecurity. In 2022, while strengthening cybersecurity and due to the risk of third-party remote access, we implemented additional security solutions that ensure that third-party partners connect to the Group's systems only at the permitted time, through secure controlled channels, and their actions are recorded. Over 80 security sensors have been installed throughout the Group's IT and OT infrastructure, which monitor the state of cyber security in all remote Group facilities.

We pay a lot of attention to the safe remote work of employees and, to raise awareness, we regularly organise mandatory information security training and conduct periodic phishing threat tests in the Group. In 2022, we carried out 4 phishing simulations for all employees of the Group and 24 simulations for target groups of employees. In October 2022, in commemoration of the European Cybersecurity Month, we organised various activities on the topic of cybersecurity: presentations were held by external speakers, we organised a cybersecurity quiz, "guess the password" game, vigilance tests. Such activities made it possible to increase employees' resistance to phishing threats by almost tenfold.

We educate employees as well as train cybersecurity specialists, IT and network administrators to be ready to respond and manage cyberattacks. In 2022, the Group's cyber security employees participated in four national and international cybersecurity exercises.

In response to the changed geopolitical situation and the increased risk of cyberattacks, the Group established the Ignitis CERT – cyber incident response team, the activities of which are accredited by the Trusted Introducer TF-CSIRT organisation. TF-CSIRT is an international unifying organisation that accredits CERT teams. Ignitis CERT responds to cyber-incidents and investigates them on the Group's computer network. The main purpose of Ignitis CERT is to reduce threats arising from security breaches in services provided in the Group's IT and OT networks. Becoming an accredited TF-CSIRT member gives the Group several benefits. First, it demonstrates that Ignitis CERT follows the generally accepted CERT model. Second, it provides access to members-only information. Third, we are part of the global CERT network, so we can exchange relevant information with the CERT teams in other countries and Lithuania through secure channels. Since 2022, Ignitis CERT has been increasing its capabilities in response to the increase in threats of cyberattacks, and the service for responding to critical cyber-incidents is being provided to the Group's companies 24/7.

Future plans

Ensuring the reliability of the electricity system. On 30 December 2022, Ignitis Gamyba (Flexible Generation) concluded an agreement with the Lithuanian electricity TSO on the provision of services for the availability of electricity generation facilities in 2023. The purpose of the provided services is to ensure the availability of electricity production facilities and the stable operation of the Lithuanian Electric Power System (EPS) during the isolated regime of the EPS and to avoid consumer load shedding in case of other emergency situations of the EPS of Lithuania. Ignitis Gamyba (Flexible Generation) will provide the facility availability service in 2023 in the following capacity: 260 MW capacity – unit 7 of the Elektrėnai Complex (Flexible Generation) (0 MW in 2022), 260 MW capacity – unit 8 of the Elektrėnai Complex (Flexible Generation) (1 MW in 2022) and 371 MW capacity – Combined Cycle Gas Turbine of Elektrėnai Complex (Flexible Generation) (371 MW in 2022).

Importance of installing unit 5 at Kruonis PSHP. The planned hydro-unit 5 of Kruonis PSHP (Green Generation) will expand the possibilities of using electric power when working in both generator and pump mode, will allow the power plant to participate in the common balancing market of the Baltic States more effectively and will ensure greater competitiveness by providing ancillary system services. In addition, the new hydro-unit will help balance the energy generated using renewable energy sources, which are rapidly developing in Lithuania. It will become especially relevant after the synchronisation with the networks of Continental Europe, when the necessary frequency control services will need to be ensured.

5.8 Group ESG data

Overview of ESG indicators

In 2022, we expanded our set of indicators in almost all categories. A whole new set of indicators is presented for sustainable solutions and services for clients, including renewable energy-related ones (production-based availability, the load factor, wind speed, green energy share and others), indicators related to electric vehicles charging services as well as solar parks.

We carried out an assessment of the Group's impact on biodiversity and ecosystems, therefore we added a new group of indicators:

- Land occupation by the Group.
- Presence of Group objects in or near areas of high ecological value.
- Share of the area occupied by the Networks in areas of high ecological value.
- Protected species.

In addition to the new ones in the category of biodiversity and ecosystems, we have also added the following environmental indicators:

- Intensity of air emissions by revenue.
- Fines for violations of environmental protection requirements.
- Total water use intensity in production by revenue.
- The ratio of the amount of incinerated waste and the amount of ash produced from it.

In the social responsibility section:

- Employee productivity indicators: profit per employee and revenue per employee.
- A part of the Group's employees working in company divisions certified according to ISO 45001 or another standard.
- Financial support granted to communities.
- Committee chairs occupied by women.

In the governance section:

- Share of socially responsible procurements by total procurement value.
- Number and share of suppliers verified for compliance with the Supplier Code of Ethics by total procurement value.

We have reviewed and updated the following GHG emissions-related indicators:

- We show methane emissions separately.
- We have expanded the Scope 3 emissions indicator to show what accounts for the largest share of emissions.
- We included GHG emissions by business segment and countries where we operate.

The rounded numbers presented in the tables below are used to calculate the change for 2021 and 2022.

Indicator content

Climate action

Climate impact and GHG emissions

GHG emissions[1]	Unit	2022	2021	2020	Change (2021/2022)
Direct (Scope 1) emissions	Thousand t CO_2-eq	463	732	767	(36.7%)
Indirect (Scope 2) emissions[2]	Thousand t CO_2-eq	494	529	579	(6.5%)
Other indirect (Scope 3) emissions	Thousand t CO_2-eq	3,942	3,275	3,870	20.3%
Total (Scope 1, 2, 3)	Thousand t CO_2-eq	4,899	4,536	5,245	8.0%
Emissions outside the specified scopes (biogenic origin)[3]	Thousand t CO_2-eq	259	217	122	19.4%
Total		**5,158**	**4,753**	**5,338**	**8.5%**
GHG emissions intensity					
Emissions (all scopes) per full-time equivalent (FTE)	t CO_2-eq/FTE	1,184	1,173	1,375	1.0%
Emissions (all scopes) per unit of revenue	t CO_2-eq/FTE	1,117	2,389	4,287	(53.2%)
Emissions from electricity and heat production per kWh produced	g CO_2-eq/kWh	109	157	185	(30.8%)
Other indicators					
Methane emissions	Thousand t CO_2-eq	135	191	194	(29.3%)
CO_2 emissions from business travel	Thousand t CO_2-eq	5.3	5.5	5.1	(3.6%)

[1] Emissions and intensity indicators for 2021 and 2020 are slightly different from 2021 Annual report due to revised calculations during the verification.
[2] Scope 2 calculated using market-based approach.
[3] In order to ensure complete disclosure of emissions, we present biogenic emissions from renewable energy sources separately (CO_2 emissions from combustion of biomass and the biodegradable fraction of waste).

GHG emissions are assessed according to the international Greenhouse Gas Protocol (GHG Protocol) and are calculated by dividing the sources of GHG emissions into three groups according to their scope:

1. **Direct GHG emissions (Scope 1)**. GHG emissions include natural gas and waste used for energy production, gasoline and diesel used in vehicles, methane emissions resulting from losses in the distribution network. The emissions of stationary incinerators accounts for more than 70% of the total Scope 1 emissions. In 2022, direct emissions decreased by 37% compared to 2021 due to lower electricity production at the Elektrėnai Complex (Flexible Generation) and revised and updated methodology for calculating natural gas losses.
2. **Indirect GHG emissions (Scope 2).** Indirect GHG emissions include electricity and central heating consumed in the Group's activities, losses of the electricity distribution network. The main source of Scope 2 emissions was electricity purchased by Kruonis PSHP (Green Generation). Emissions from energy consumption in 2022 decreased by 7% compared to 2021 due to lower electricity production at Kruonis PSHP.
3. **Other indirect emissions (Scope 3)**. All other indirect emissions of the Group's activities, emitted by the sources that the Group does not control or own. Other indirect emissions include emissions from:
   - purchased goods and services – third-party emissions from manufacturing of the goods and services used by the Group in its operations (cat. 1);
   - fuel- and energy-related activities – third-party emissions from extraction, production, and transportation of fuels and electricity purchased by the Group from third parties for sale to end users (cat. 3);
   - upstream transportation and distribution (delivery services) – third-party emissions related to the delivery of goods (e.g., biomass, waste) used by the Group in its activities (cat. 4);
   - waste and wastewater generated in operations – based on the actual and estimated generated amount of waste (cat. 5);
   - business travel – emissions associated with flights taken by employees for business travel purposes (cat. 6);
   - employee commuting emissions (cat. 7);
   - downstream transportation and distribution (waste removal services) – third-party emissions associated with transportation of products of the Group (e.g., ash generated from operations of the plants) (cat. 9);
   - use of sold products – emissions associated with use of sold products (e.g., emissions from natural gas combustion by the end user) (cat. 11);
   - downstream leased assets – emissions from the operation of assets leased by the Group (cat. 13).

Methodology

GHG emissions are calculated by multiplying activity data by standard emission factors. The total amount of emissions is indicated in tonnes of CO_2 equivalent (t CO_2 eq.). Data was obtained from commercial invoices or internal accounting system. We use emission factors from official sources – Lithuanian national accounting reports or the Department for Environment, Food and Rural Affairs (DEFRA). Specific emission factors are used for each source category. Calculations are performed according to the standard approved by the Group. Detailed information on the emission calculation methodology can be found on the website.

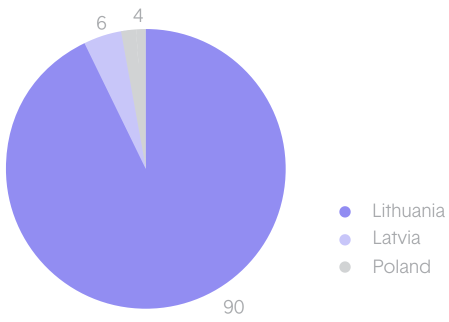
GHG are assessed according to their Global Warming Potential (GWP), which is calculated based on the warming potential of one kilogramme of gas compared to one kilogramme of CO_2 over a period of one hundred years. GWP of the main GHGs:

CO_2 – 1
CH_4 – 25
N_2O – 298
SF_6 – 22,800
NF_3 – 17,200

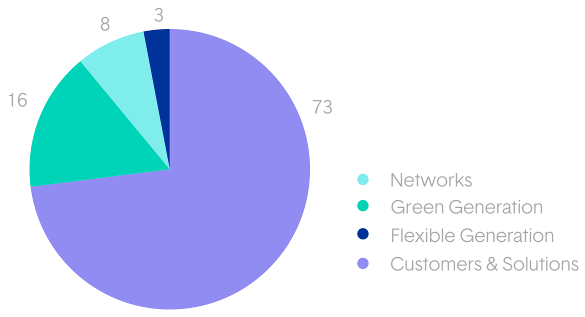
Emissions per full day equivalent are calculated by dividing all emissions by the number of Group employees.

When **calculating electricity and heat energy production emissions per kWh produced**, only production-related direct emissions are included, which are divided by the produced (gross) electricity and heat quantities.

Share of GHG emissions by country, %

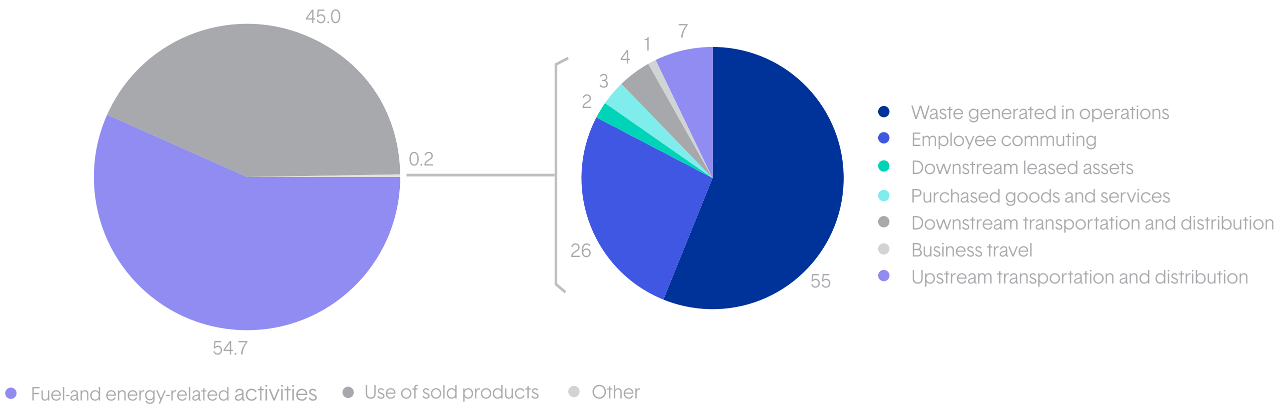


Share of GHG emissions by segment, %



The main sources of Scope 3 emissions were natural gas and electricity retail sales. Supply chain emissions in 2022 increased by 21% compared to 2021 due to higher retail sales of electricity and natural gas.

Scope 3 GHG emissions by category, %



Biogenic emissions

In order to ensure full disclosure of emissions, we present separately biogenic emissions from renewable energy sources (CO_2 emissions from the combustion of biomass and biodegradable fraction of waste). Emissions from energy production in 2022 increased by 11% compared to 2021. This increase is due to the waste-to-energy CHP plant in Vilnius starting to operate fully.

The GHG emissions report was audited by Bureau Veritas according to the LST EN ISO 14064-1:2019 standard. Detailed information on the Group's emissions can be found in the GHG emissions section on the company's website.

The information for 2022 is preliminary. During the preparation of the information, Bureau Veritas assessed the GHG emissions data and the report. Updated information can be found in the GHG emissions section on the company's website.

More sustainable internal energy consumption

Energy consumption in the organisation	Unit	2022	2021	2020	Change (2021/2022)
Direct fuel use, of which	GWh	1,197	2,317	2,813	(48.4%)
Natural gas	GWh	600	1,711	2,547	(64.9%)
Gasoline	GWh	3	2	2	13.4%
Diesel	GWh	19	20	19	(3.0%)
Waste (non-biogenic)	GWh	575	584	245	(1.7%)
Direct renewable fuel use, of which	GWh	661	577	326	14.6%
Biomass	GWh	194	147	138	32.2%
Water[1]	GWh	4	4	3	6.2%
Waste (biogenic)	GWh	463	426	185	8.6%
Renewable energy consumed directly	%	36	20	10	16 pp
Energy consumed indirectly, of which	GWh	805	1,041	1,114	(22.6%)
Electricity	GWh	803	1,032	1,108	(22.2%)
Heat	GWh	2	9	6	(73.6%)
Self-generated electricity which is not consumed[2]	GWh	862	614	481	40.4%
Amount of energy produced and sold	GWh	2,722	3,152	2,777	(13.6%)
Electricity	GWh	1,830	2,299	2,452	(20.4%)
Green electricity generated	GWh	1,557	1,475	1,251	5.6%
Heat	GWh	892	853	325	4.6%
Total energy consumption	GWh	**803**	**1,397**	**1,945**	**(42.5%)**
Energy consumed to produce 1 MWh of energy	GJ/MWh	3.2	4.1	4.3	(21.9%)

[1] *Energy produced and consumed in Kaunas HPP.*
[2] *Energy produced in Kaunas HPP and wind farms, which is sold and not consumed by organization.*

Direct fuel use includes waste, natural gas and biomass used in power plants to generate heat and electricity. No fuel oil or coal was used in the Group's activities. Diesel and gasoline are mainly used in the Group's vehicles. Kaunas HPP's (Green Generation) indicated energy is produced and consumed for its own needs. The share of renewable energy sources in direct fuel use increased by 16 percentage point due to lower electricity generation from natural gas and higher production from biomass. The heat and electricity purchased by the Group is used in power plants (during their repair), Kruonis PSHP (Green Generation) and administrative buildings. Electricity and heat generated in power plants are not included.

Total energy consumption decreased by 42.5% compared to 2021.

Methodology

Energy consumption is calculated by adding up the different types of fuel used in the Group. In order to unify the measurement units, all values are converted to gigawatt hours.

Data was obtained from commercial invoices or internal accounting system.

Total energy consumption is calculated by adding fossil fuel consumption, renewable fuel consumption, purchased energy for internal use, self-generated electricity and subtracting sold heat and electricity.

Due to the reliability of the data, the electricity produced by the wind farms and consumed internally is not included, which makes up an insignificant part.

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Energy efficiency for the public and customers

Energy savings	Unit	2022	2021	2020	Alignment to annual target
Accumulated energy savings of final consumers (Art. 7)	GWh	11.78[1]	0.109[2]	117,3[2]	122%
Savings in energy supplied to customers, share of total energy supplied	%	1.04	1	1	0.04 pp

[1] *Energy savings effect for 2030 – 16,09 GWh. The figures include not only the effect of the measures implemented that year, but also the continuing effect these implemented measures will create by 2030.*
[2] *Energy savings effect for 2030 – 1.02 GWh (savings validated). The figures include not only the effect of the measures implemented that year, but also the continuing effect these implemented measures will create by 2030.*
[3] *Energy savings effect for 2020 – 227.71 GWh (savings validate).*

Accumulated energy savings of final consumers reflect the tripartite energy savings agreement signed by Ignitis Group and ESO (Networks) with the Ministry of Energy of Lithuania in October 2020. By this agreement, ESO (Networks) undertakes to save at least 1.6 TWh of final energy consumption by 2030. The agreement stipulates that ESO (Networks) itself or through other entities will implement energy efficiency measures that will help save energy in final consumers' devices and objects. The most important energy-saving measure provided for in the agreement is the implementation of a smart electricity metering system, but it is not limited to it. Accumulated energy savings of final consumers are implemented according to the preliminary schedule provided for in the agreement and the objectives set out in it, i.e., the quantity of final energy savings in final consumers' devices and objects.

The indicator of savings in energy supplied to customers reflects the five-way energy consumer education and consulting agreement signed by Ignitis Group and its subsidiaries Ignitis (Customers & Solutions), ESO (Networks) and Ignitis Gamyba (Green Generation and Flexible Generation) with the Ministry of Energy of Lithuania in December 2020. Under the agreement, Ignitis (Customers & Solutions), ESO (Networks) and Ignitis Gamyba (Green Generation and Flexible Generation) undertakes to educate and advise customers on issues of increasing energy efficiency, thus helping consumers to reduce energy consumption costs and increase energy efficiency. The educational and consulting measures provided for in the agreements must help consume less energy at home, thereby encouraging savings of at least 1% of the amount of energy supplied by the supplier to its final energy consumers in the Republic of Lithuania during the reporting calendar year.

Methodology

Accumulated energy savings of final consumers are calculated based on the actual data: after installing energy saving measures, the arithmetic difference in consumption before and after the installation of the measure is calculated. The life cycle of the measure is also assessed, i.e., how long does the installed measure maintains its saving effect. Here we present the annual savings effect, while the estimate of the savings until 2030 is provided in the disclaimer below.

Savings in energy supplied to customers are calculated for each of the measures provided for in the agreements: the energy supplied by the supplier is multiplied by the savings coefficients of different educational and consulting measures determined in the Description of the Energy Savings Calculation and Maintenance Procedure for Measures to Increase Energy Efficiency (Order of the Minister of Energy of the Republic of Lithuania of 5 December 2016 No. 1-320). It is considered that the measure has been properly implemented if the supplier has created all the opportunities for the entire audience of its customers to see the created information promoting energy efficiency. Here we present the cumulative energy savings effect of companies, which is assessed only for 1 year.

Sustainable solutions and services for clients

Renewable energy	Unit	2022	2021	2020	Change (2021/2022)
Green Generation secured capacity[1]	GWh	1.57	1.35	1.35	16.3%
Installed capacity	GWh	1.22	1.21	1.10	0.8%
Under construction	GWh	0.35	0.14	0.25	150%
Green share of generation	%	85.1	64.2	51.0	20.9 pp
Production-based availability (wind farms)	%	99.5	99.5	98.7	0 pp
The load factor (wind farms)	%	31.6	29.0	36.0	2.6 pp
Wind speed	m/s	7.0	6.8	7.1	2.9%
Other sustainable services					
Electric vehicle charging stations	Unit	99	82	82	20.7%
B2C customers of Ignitis ON electric vehicle charging stations	Unit	13,700	8,500	4,700	161.2%
B2B customers of Ignitis ON electric vehicle charging stations	Unit	317	166	75	191.0%
B2C customers who choose green energy	%	7.5	35.0	n/d	(27.5 pp)
B2B customers who choose green energy	%	64.8	69.3	60.0	(4.5 pp)
Producing customers	Unit	32,937	14,281	8,640	230.6%
Producing customers	MW	382.7	146.9	80.0	260.5%
Solar parks sold	Unit	9,000	1,800	970	500.0%
Solar parks sold	MW	42	9	4	366.7%

[1] *The target established in the Group Strategic Plan 2022–2025 is 2.0–2.2 GW in 2025.*

Unstable geopolitical situation, energy price spike and more affordable technologies contributed to the sudden growth in the number of prosumers and sales of solar parks. The number of prosumers has increased by more than 2 times compared to 2021, and the sales of solar parks have increased by as much as 5 times comparing to last year.

Methodology

Production-based availability is calculated as the ratio of actual production to the possible production, which is the sum of lost production and actual production in a given period. The production-based availability is impacted by wind turbine outages, which are technical production losses. PBA is not impacted by market-requested shutdowns and wind farm curtailments as these are due to external factors.

The load factor is calculated as the ratio between actual generation over a period relative to potential generation, which is possible by continuously exploiting the maximum capacity over the same period.

Wind speeds for the areas where Ignitis renewables onshore wind farms are located and measured on site at the wind turbine hub height.

The indicator of solar parks sold shows the remote solar parks sold by Ignitis (Customers & Solutions) to private and business customers. Data is received from internal systems.

The indicator of prosumers includes all prosumers in Lithuania connected to ESO (Networks) distribution networks. Data is received from internal systems.

The number of Ignitis ON stations includes the EV charging stations owned by Ignitis (Customers & Solutions). Data is received from internal systems.

Preserving natural resources

Impact on biodiversity and ecosystems

Land occupation by the Group	Unit	2022	2021[2]	2020[2]	Change (2021/2022)
Land occupation (excluding Networks)[1] of which in:	Ha	**703.4**	**n/d**	**n/d**	**-**
Lithuania		694.8	n/d	n/d	-
Latvia		0.03	0.01	0.01	300%
Poland		7.39	4.39	4.39	168%
Estonia		1.2	1.2	1.2	0%
Finland		0.003	0.003	n/a[3]	0%
Networks land occupation of which:		103,342	n/d	n/d	-
Overhead lines of electricity distribution networks		94,980	n/d	n/d	-
Underground cables of electricity distribution networks		5,999	n/d	n/d	-
Gas distribution networks		2,363	n/d	n/d	-
Land occupation of power generation plants by technology:		696.59	693.59	691.49	0.4 %
Wind		14.95	11.95	9.85	125%
Hydro		587.05	587.05	587.05	0%
Waste		7.71	7.71	7.71	0%
Thermal[4]		86.88	86.88	86.88	0%
Administrative and other premises		7.04	n/d	n/d	-

[1] Of which 85.24 ha is occupied by Vilnius CHP 3, which has ceased operations.
[2] Figures for 2020 and 2021 may be approximate due to lack of data. The analysis of the occupied area was carried out in the framework of the 2022 impact analysis on biodiversity and ecosystems.
[3] Ignitis Finland established in 2021.
[4] Elektrėnai Complex, the Vilnius CHP 3.

Methodology

Occupied area

The area occupied by the distribution networks was calculated after performing an area analysis in the geo-informational systems of the Networks segment. The area includes the object and its buffer protection zone.

The area occupied by wind farms is calculated by summing up the protection zone of each wind farm where the land use is changed (15 acres).

Data on the area of other objects are taken from lease agreements or official documents where the actual area of buildings is registered.

Ignitis Group's generation objects operate in Lithuania, Estonia and Poland, we also have administrative and other ancillary objects in Lithuania, Latvia, Poland and Finland. In addition, we manage electricity and natural gas distribution networks in the territory of Lithuania, covering an area of more than 100,000 ha, not only in urbanised but also in natural areas. At the end of 2022, the total area of land used by Ignitis Group was more than 104,000 ha, of which more than half is located in or near natural habitats (hydroelectric power plants, electricity and natural gas distribution networks in forested areas, etc.).

Occupied land. The indicator shows the proportion of territories that have been converted but does not show the quality of the territory before the conversion. The area of the Group's generation objects covers almost 700 ha (of which 98% belongs to the Group by right of ownership), administrative and other purpose premises – slightly more than 7 ha (almost all are leased), electricity distribution networks with protection zones cover more than 100,000 ha (of which almost 6% – underground cables with protection zones). Judging only by the length of the power lines themselves, more than 33% are underground, and underground power lines require smaller protection zones, which means less affected areas of the natural environment. It is important to take into account that some conversions of natural habitats occurred long before the creation of the national system of protected areas or the assessment of the significance of the landscape and habitats. The hydroelectric power plants managed by the Group were planned and built when Lithuania was occupied by the USSR in the second half of the 20th century, before the system of protected areas in Lithuania was formed:

- Kaunas HPP (Green Generation) – construction started in 1955, the Nemunas river was dammed, and hydroelectric power plant started operations in 1959.
- Kruonis PSHP (Green Generation) – construction started in 1978, operation of the pumped-storage hydroelectric power plant started in 1992.

Therefore, the habitat conversions made during the construction of these objects over a long period of time became the new ecosystems, which now belong to the Kaunas Lagoon Regional Park – a national protected area that preserves the unique landscape of the largest artificial water body in Lithuania, its natural ecosystem and cultural heritage values.

Presence of Group objects in or near areas of high ecological value

Object type	Number of objects in the protected area / all Group objects of a kind	Type of protected area	Object	Distance to the nearest protected area (km)	Country	The area occupied by the technology (ha)
Wind	0/10	Natura 2000 (BAST)	Mažeikiai WF (Pikeliai)	4.5	Lithuania	14.95
		Natura 2000 (BAST & PAST)	Jurbarkas WF (Geišiai)	2.1		
		Natura 2000 (BAST & PAST)	Tauragė I WF (Kreivėnai II)	> 5		
		Natura 2000 (BAST & PAST)	Tauragė II WF (Kreivėnai III)	4		
		Regional park	Kretinga WF (Liepynė)	3		
		Natura 2000 (BAST & PAST)	Mali WF	0.9	Estonia	
		Natura 2000 (BAST & PAST)	Tamba WF	2.4		
		Natura 2000 (PAST)	Pomerania WF	< 1	Poland	
		Natura 2000 (BAST)	Silesia I WF	< 1		
		Natura 2000 (BAST)	Silesia II WF	< 1		
Hydro	1/2	Regional Park, Natura 2000	Kaunas HPP	In the protected area.	Lithuania	587.05
		Natura 2000 (BAST & PAST)	Kruonis PSHP	Borders national and European protected areas.		
Waste	0/2	Natura 2000 (BAST)	Vilnius CHP	0.95		7.71
			Kauno CHP	2		
Thermal	0/2	Landscape reserve Natura 2000 (BAST)	Elektrėnai Complex	5.8		86.88
			Vilnius CHP 3	0.3		

Methodology

Distances to protected areas are obtained in two ways: calculated using cartographic material (Natura 2000 Network Viewer) and measuring distances or taken from official documents of environmental impact assessment procedures.

Distance to areas of high ecological value. During the environmental impact assessment or screening of environmental impact assessment of the planned economic activity, the distances to the protected areas (national and international) and the potential impact on them are assessed. As already mentioned earlier, Kaunas HPP (Green Generation) and Kruonis PSHP (Green Generation) were built before the creation of a network of protected areas in Lithuania, and the artificial water body (Kaunas Lagoon) was formed more than 60 years ago.

The indicator showcases which objects have a higher expected impact on biodiversity because they are located a short distance from (or are located in) the areas of high ecological value.

Share of the area occupied by the Networks in areas of high ecological value

	Unit	2022	2021[1]	2020[1]	Change (2021/2022)
Share of the area occupied by the Networks in areas of high natural value:	%				
Natural habitats of European Community importance		1.7	n/d	n/d	-
Reservation		0.01	n/d	n/d	-
Natura 2000		4.4	n/d	n/d	-
UNESCO		0.1	n/d	n/d	-
Ramsar		0.3	n/d	n/d	-
The share of forests occupied by energy distribution networks:					
Overhead lines of electricity distribution networks		0.252	n/d	n/d	-
of which in key habitats		0.071	n/d	n/d	-
Underground cables of electricity distribution networks		0.012	n/d	n/d	-
of which in key habitats		0	n/d	n/d	-
Gas distribution networks		0.002	n/d	n/d	-
of which in key habitats		0.001	n/d	n/d	-

[1] The data for 2020 and 2021 are not presented, because the values of the indicator 'Share of the area occupied by the Networks in areas of high ecological value' were calculated in 2022 during the analysis of the Group's impact on biodiversity and ecosystems. Since the Group's activities have not changed, the values of the indicator in 2020 and 2021 would be similar to the values of 2022 with slight variations in the ratio of the area of overhead and underground lines due to the replacement of overhead lines with underground ones by the Group.

Occupied land in the areas of high ecological value. We present the land occupied by electricity and natural gas distribution networks with protection zones in areas of high ecological value separately due to the specifics of their geographical distribution. Even though the spread of electricity and natural gas distribution networks over the landscape is particularly large (length – more than 127,000 km), only 1.7% of the total area of networks with protection zones is located in natural habitats of European Community importance, 0.01% – in reservations (national protected areas of the strictest protection regime), 4.4% of the network is located in Natura 2000 areas, 0.1% – in UNESCO and 0.3% – in Ramsar areas. It is important to note that the land occupied in different areas of high ecological value cannot be aggregated, as these areas may overlap (e.g., Natura 2000 may include national protected areas, forests, etc.).

As for the area occupied by electricity and natural gas distribution networks in the IUCN habitat classification areas, the largest area of the habitat networks geographically relevant to the Group is in forests – almost 0.3% of the forest area, of which 0.07% is in key habitats.

Please note that the networks are located only in the territory of Lithuania.

Methodology

Share of the area occupied by the Networks in areas of high ecological value is calculated by adding the area of the network and its protection zones and identifying their share in areas of high ecological value. GIS layers of ESO (Networks) distribution networks and publicly available GIS layers of forests, Ramsar, UNESCO, Natura 2000 and other areas from official sources were used for calculations.

Protected species

Country	Species class	Ecosystem	Species according to IUCN Red List Categories (units)[1]					
			Critically Endangered (CR)	Endangered (EN)	Vulnerable (VU)	Near Threatened (NT)	Least Concern (LC)[2]	Data Deficient (DD)
Lithuania	Birds, Invertebrates, Mammals, Amphibians, Ichthyofauna, Plants	Aquatic Terrestrial	2	4	4	7	2	2
Poland							48	1
Estonia	Birds, Plants	Terrestrial	1	2	3	2	1	1
		Total	**3**	**6**	**7**	**9**	**51**	**4**

[1] The number of protected species is determined according to the species named in the documents of environmental impact assessment.
[2] The number of species in this category is preliminary due to possibility that not all LC species were listed in EIA documents.

Methodology

Protected species in the environment of the Group's objects are identified on the basis of Environmental Impact Assessment or screening for an environmental impact assessment documents, which lists the valuable characteristics of the territories, including protected species.

Protected species. The Group inevitably operates in wildlife areas, where there may also be habitats of protected species. When planning any new object or the expansion of an existing one, an environmental impact assessment or screening for an environmental impact assessment is carried out in accordance with the procedure established by legal acts, during which sensitive species in the vicinity of the planned activity are identified and, when relevant, measures to reduce or compensate the impact are applied. We performed a preliminary analysis of the protected species located in the vicinity of the Group's operational objects and classified the species according to the International Union for Conservation of Nature (IUCN) categories. Among the species of concern, we have identified:

- Critically Endangered: ferruginous duck (lat. *Aythya nyroca*), common nase (lat. *Chondrostoma nasus*), common curlew (lat. *Numenius arquata*).
- Endangered: black kite (lat. *Milvus migrans*), European fat dormouse (lat. *Glis glis*), "flat bark beetle" (lat. *Cucujus cinnaberinus*), wild garlic (lat. *Allium vineale*), black-tailed godwit (lat. *Limosa limosa*), velvet scoter (lat. *Melanitta fusca*).
- Vulnerable: hermit beetle (lat. *Osmoderma barnabita*), spotted crake (lat. *Porzana porzana*), white-backed woodpecker (lat. *Dendrocopos leucotos*), bird's-eye primrose (lat. *Primula farinosa*), common redshank (lat. *Tringa totanus*), northern crested newt (lat. *Triturus cristatus*), fragrant orchid (lat. *Gymnadenia conopsea*).
- Near Threatened: white-tailed eagle (lat. *Haliaeetus albicilla*), pond bat (lat. *Myotis dasycneme*), green snaketail (lat. *Ophiogomphus cecilia*), northern shoveler (lat. *Anas clypeata*), royal helleborine (lat. *Epipactis atrorubens*), European fire-bellied toad (lat. *Bombina bombina*), weatherfish (lat. *Misgurnus fossilis*), gadwall (lat. *Anas strepera*).

Please note that, as already mentioned, some of the Group's objects (hydroelectric power plants) were built before the identification of valuable properties and the formation of the system of protected areas.

Other cases are related to ensuring access to electricity supply for the society – the electricity distribution network is built both in forested and protected areas, but the most valuable natural areas are taken into account and disturbance therein is avoided.

Impact on soil, water and air quality

Air emissions	Unit	2022	2021	2020	Change (2021/2022)
SO_2	t	7	9	53	(22.2%)
NO_x	t	441	570	624	(22.6%)
Particulate matter	t	16	15	25	6.7%
CO	t	154	139	191	10.8%
Emission intensity[1]					
SO_2	g/kWh	0.005	0.004	0.03	25.0%
NO_x	g/kWh	0.286	0.275	0.348	4.0%
Particulate matter	g/kWh	0.010	0.007	0.014	42.9%
CO	g/kWh	0.099	0.067	0.106	47.8%
SO_2	g/EUR	0.02	0.04	0.47	(50.0%)
NO_x	g/EUR	1.31	2.91	5.45	(55.0%)
Particulate matter	g/EUR	0.05	0.08	0.22	(37.5%)
CO	g/EUR	0.45	0.71	1.68	(33.8%)
Violations of environmental protection requirements					
Violations of environmental protection requirements, of which:	Unit	1 minor violation	3 minor violations	1 minor violation	(66.7%)
Non-financial sanctions		-	n/d	n/d	-
Fines for violations of environmental protection requirements	EUR	105	n/d	n/d	-

[1] Only the amount of energy generated by those facilities that actually emit emissions was used to calculate the emission intensity indicator (i.e., electricity from hydropower plants and wind farms is not included).

Emissions threshold values are set by Environmental Protection Agency in IPPC permits. Compliance with IPPC permits is assured at several levels: emissions are continuously measured by continuous emission monitoring systems and the Environmental Protection Agency has access to the monitoring system (in case of any deviations, the monitoring system notifies), Environmental Protection Department carries out periodical onsite inspections, the implemented ISO 14001 standard ensures the compliance with environmental aspects is ensured.

There were 10 environmental inspections in 2022 during which no major inconsistencies were identified. The only minor violation recorded during the inspections is related to the violation of moving a stork nest (EUR 20 fine). An unscheduled Vilnius CHP (Green Generation) inspection was ongoing since Q4 2021 (closed in March 2022, a warning was issued due to a minor violation in the procedure of filling in documents). At the end of June 2022, a violation related to exceeding pollution level was recorded in Kaunas CHP (Green Generation). We notified Environmental Protection Department about the situation. A fine of EUR 85 was imposed by the Environmental Protection Department.

Methodology

Air emissions of SO_2, NO_x, CO and solid particles are calculated using automatic measurement systems or periodic measurements.

The total is obtained by adding the emissions of individual facilities.

The air pollution monitoring reports of each object are made public (available only in Lithuanian):
- Ignitis Gamyba
- Kaunas CHP
- Vilnius CHP

Environmental violations and related indicators are taken from official reports after environmental inspections.

Water usage

	Unit	2022	2021[2]	2020	Change (2021/2022)
Water withdrawal (total):	Thousand m³	**10,311,183**	**9,431,894**	**8,245,674**	**9.3%**
Groundwater		26.8	23.1	23.9	16.0%
Municipal water supply or other public/private water utilities		239.3	229.8	42.7	4.1%
Surface water (wetlands, rivers, lakes, etc.)		405.9	516.1	653.9	(21.4%)
Of which water withdrawal and reuse:					
Surface water for hydropower plants (Kruonis PSHP and Kaunas HPP)[1]		10,272,691	9,344,127	8,114,332	9.9%
Surface water for Elektrėnai Complex power plant cooling		37,820	86,998	130,622	(56.5%)
Water discharge (total):		**1,192.6**	**1,227.0**	**792.8**	(2.8%)
Municipal water treatment supply or other public/private water treatment utilities		467.7	415.9	143.7	12.5%
Surface rainwater and treated industrial wastewater discharge at the Elektrėnai Complex		724.8	811.2	673.6	(10.7%)
Water consumption (total)		**204.3**	**353.1**	**576.8**	(42.1%)

[1] *Water withdrawn for hydropower generation is not consumed and is released back to the environment.*
[2] *Updated and recalculated 2021 data due to the changes in ESO and Vilnius CHP municipal water supply quantities.*

Total water withdrawal has been continuously increasing over the past three years, mainly due to the more of the surface water used for hydropower plants. Total water consumption has been decreasing over the past three years mainly due to a less withdrawal of surface water (wetlands, rivers, lakes).

Groundwater from own wells is used in the units belonging to Ignitis Gamyba (Green Generation and Flexible Generation) – Kruonis PSHP and Elektrėnai Complex. Majority of the water taken from the municipal water supply is used in Vilnius CHP and Kaunas CHP (both Green Generation). About 100,411 m³ of condensate formed during the production process was reused in Vilnius CHP (Green Generation), thus saving water resources. The largest amount of water consumed and surface water taken for production is in the Elektrėnai Complex (from the Elektrėnai pond). 99% of withdrawn water is used for hydropower generation.

Methodology

Water usage. Water withdrawal, reuse, discharge data are obtained from the companies' performance data files. The data is tracked and recorded by the companies' environmentalists by monitoring the water meter readings, applying water quantity calculation methodologies or the data is obtained from the utility bills provided to the companies (in leased objects).

Water consumption is calculated by subtracting the water discharged (except surface rainwater) from the water withdrawn (except hydropower and cooling water as it is withdrawn but reused).

Water intensity

	Unit	2022	2021	2020	Change (2021/2022)
Intensity of water use in generation using hydropower	m³/kWh	10.95	9.14	7.95	19.8%
Kruonis PSHP		4.19	4.15	4.07	1.0%
Kaunas HPP		20.77	20.55	20.47	1.1%
Freshwater intensity for generators[1]		0.01	0.03	0.04	(66.7%)
Total water intensity in generation	m³/kWh	3.5	2.8	2.7	25.0%
Total water intensity in generation	m³/EUR	2.35	5.0	6.7	(53.0%)

[1] *Excludes hydropower water.*

The intensity of water use in generation using hydropower has been continuously increasing over the past three years. This mainly depends on the water level and how many units work at what power in the hydroelectric power plants.

Freshwater intensity for generation has been continuously decreasing over the past three years. The main reason for this is less water used in Elektrėnai Complex for production and cooling. Total water intensity in generation (m³/kWh) is increasing due to the increase in total water withdrawal quantities.

Methodology

Intensity of water use in generation using hydropower is defined as the freshwater withdrawal, used for generation of energy in the hydroelectric power plants, divided by the total production of electricity in the hydroelectric power plants. Calculated in total and for Kruonis PSHP and Kaunas HPP separately.

Freshwater intensity for generation is defined as the total amount of fresh water used (excluding water used for hydroelectric power plants) divided by the total amount of energy produced by the Group (produced electricity and heat).

Total water intensity in generation (m³/kWh) is defined as the total amount of water used in the Group divided by the total amount of energy produced by the Group (produced electricity and heat).

Total water intensity in generation (m³/EUR) is defined as the total amount of water used in the Group divided by the total annual revenue of the Group.

Using secondary raw materials, reducing waste and diverting waste from landfills, promoting circular economy

Waste generated by the Group which are transferred to waste management facilities[1]	Unit	2022	2021	2020	Change (2021/2022)
Total	**Thousand t**	**111.9**	**107.3**	**50.9**	4.3%
Hazardous waste, of which	Thousand t	13.4	13.3	5.6	0.8%
Fly ash	%	96.4	93.4	88.7	3.0 pp
Non-hazardous waste, of which	Thousand t	98.5	94.0	45.3	4.8%
Bottom ash and slag	%	91	91.9	85.9	(0.9 pp)
Iron and steel	%	2.8	2.7	7.1	0.1 pp
Mixed municipal waste	%	0.2	0.2[2]	0.5	0 pp
The ratio of the amount of incinerated waste and the amount of ash produced from it	Times	3.6	3.6	3.3	0

[1] Waste generated at the end of the year might be transferred to the waste management facilities and accounted for only in the following year due to the established frequency of waste removal and management.
[2] Mixed municipal waste amounts for 2021 corrected.

The largest amounts of hazardous waste (fly ash) and non-hazardous waste (bottom ash and slag) are generated in Vilnius CHP and Kaunas CHP (both Green Generation). The largest share of iron and steel waste is generated in Ignitis Gamyba (Green Generation and Flexible Generation) and ESO (Networks) companies.

The Group companies are implementing various waste reuse initiatives, but more detailed information is not being collected, therefore we cannot present this indicator. We plan to start looking for ways to monitor this indicator in more detail and reveal the information in future reports.

The waste generated in the Group's companies is recycled and transferred to waste managers. Currently, only Elektrėnai Complex part of Ignitis Gamyba (Green Generation and Flexible Generation) tracks detailed information of the end of the life cycle of the waste transferred to waste managers. It tracks how much is recycled, how much is used for energy generation, how much is disposed of in a landfill or composted and it represents 4.2% of all the waste generated in the Group. We plan to start following this process in more detail in other Group's companies and reveal information about the life cycle of managed waste in future reports.

Methodology

Hazardous and non hazardous waste categories together with largest subcategories are disclosed.

The waste generated in each company of the Group is recorded and accounted for by the company's environmentalists, who collect and store it in the United Product, Packaging and Waste Record Keeping Information System (PPWIS).

The incinerated waste to ash ratio is calculated by adding all the fixed annual amounts of these indicators of Vilnius CHP and Kaunas CHP (both Green Generation) and dividing them.

Future-fit employees and Communities

Main employee indicators

Headcount			Unit	2022 F	2022 M	2021 F	2021 M	2020 F	2020 M	Change (2021/2022) F	Change (2021/2022) M
All employees				**4,163**		**3,884**		**3,836**		7.2%	
By gender			%	1,237	2,926	1,121	2,763	1,101	2,735	10.3%	5.9%
				29.7	70.3	28.9	71.1	28.7	71.3	0.8 pp	(0.8 pp)
By age	<24 years	All employees	%	2.2		1.9		2.0		0.3 pp	
		By gender		2.0	2.3	2.1	1.9	2.4	1.8	(0.1 pp)	0.4 pp
	25–36 years	All employees		28.7		30.4		32.0		(1.7 pp)	
		By gender		36.5	25.4	38.8	27.0	40.9	28.4	(2.3 pp)	(1.6 pp)
	37–56 years	All employees		49.8		48.9		47.9		0.9 pp	
		By gender		48.3	50.4	45.5	50.3	43.4	49.7	2.8 pp	0.1 pp
	>57 years	All employees		19.3		18.7		18.1		0.6 pp	
		By gender		13.3	21.9	13.6	20.7	13.4	20.1	(0.3 pp)	1.2 pp
Average age		All employees	Year	44.1		44.2		44.0		(0.2%)	
		By gender		41.1	45.5	41.6	45.3	41.2	45.1	(1.2%)	0.4%
Headcount share by position											
Trainees			%	0.0		0.0		0.1		0 pp	
Workers				18.5		18.9		19.2		(0.4 pp)	
Experts, specialists				70.8		70.2		69.6		0.6 pp	
Mid-level executives				9.4		9.6		9.8		(0.2 pp)	
Top-level executives				0.8		0.8		0.9		0 pp	
Heads of companies				0.6		0.4		0.4		0.2 pp	
Headcount share by employment contract type											
Total share of employees under a temporary employment contract			%	2.6		3.2		2.5		(0.6 pp)	
Of whom – share by gender				51.4	48.6	62.1	37.9	60.4	39.6	(10.7 pp)	10.7 pp
Total share of part-time employees				1.0		0.6		0.9		0.4 pp	
Of whom – share by gender				32.6	67.4	32.0	68.0	35.3	64.7	0.6 pp	(0.6 pp)
Headcount share by country											
Lithuania			%	98.7		98.9		99.2		(0.2 pp)	
Latvia				0.6		0.3		0.3		0.3 pp	
Estonia				0.02		0.03		0.03		(0.01 pp)	
Poland				0.6		0.7		0.5		(0.1 pp)	
Finland				0.1		n/a		n/a		0.1 pp	

Headcount share by business segment									
Networks	%	61.6		62.5		63.2		(0.9 pp)	
Green Generation		9.0		7.2		6.9		1.8 pp	
Flexible Generation		5.3		6.2		6.3		(0.9 pp)	
Customers & Solutions		8.6		8.6		8.1		0.0 pp	
Business development and support services		15.6		15.6		15.6		0.0 pp	
Headcount by Group company		Unit	%	Unit	%	Unit	%	%	pp
Energijos Skirstymo Operatorius		2,563	61.6	2,427	62.5	2,424	63.2	5.6%	(0.9 pp)
Ignitis Grupės Paslaugų Centras[1]		570	13.7	498	12.8	472	12.3	14.5%	0.9 pp
Ignitis Gamyba		367	8.8	359	9.2	359	9.4	2.2%	(0.4 pp)
Ignitis		320	7.7	304	7.8	285	7.4	5.3%	(0.1 pp)
Vilnius CHP		102	2.5	88	2.3	86	2.2	15.9%	0.2 pp
Ignitis Renewables		60	1.4	17	0.4	13	0.3	252.9%	1.0 pp
Ignitis Group		49	1.2	73	1.9	84	2.2	(32.9%)	(0.7 pp)
Kaunas CHP		41	1.0	39	1.0	38	1.0	5.1%	0 pp
Ignitis Latvia		18	0.4	13	0.3	11	0.3	38.5%	0.1 pp
Transporto Valdymas		17	0.4	21	0.5	23	0.6	(19.0%)	(0.1 pp)
Ignitis Polska		16	0.4	16	0.4	14	0.4	0.0%	0 pp
Ignitis Renewables Polska		10	0.2	11	0.3	0	0.0	(9.1%)	(0.1 pp)
Gamybos Optimizavimas		7	0.2	7	0.2	7	0.2	0.0%	0 pp
Elektroninių Mokėjimų Agentūra		5	0.1	5	0.1	5	0.1	0.0%	0 pp
Ignitis Renewables Latvia		5	0.1	n/a	n/a	n/a	n/a	-	-
Ignitis Suomi		3	0.1	0	0.0	n/a	n/a	100%[5]	0.1 pp
Eurakras		1	0.02	1	0.03	1	0.03	0.0%	(0.01 pp)
Vėjo Gūsis		1	0.02	1	0.03	1	0.03	0.0%	(0.01 pp)
Tuuleenergia osaühing		1	0.02	1	0.03	1	0.03	0.0%	(0.01 pp)
Vėjo Vatas		1	0.02	1	0.03	1	0.03	0.0%	(0.01 pp)
Ignitis Renewables Projektai		1	0.02	1	0.03	n/a	n/a	0.0%	(0.01 pp)
VVP Investment		1	0.02	1	0.03	1	0.03	0.0%	(0.01 pp)
Ignitis renewables projektai 2		1	0.02	n/a	n/a	n/a	n/a	-	-
Ignitis renewable projektai 3		1	0.02	n/a	n/a	n/a	n/a	-	-
Vėjo Galia Bendruomenei		1	0.02	n/a	n/a	n/a	n/a	-	-
Plungės vėjo energija		1	0.02	n/a	n/a	n/a	n/a	-	-
Ignitis Eesti[2]		0	0.0	0	0.0	0	0.0	0.0%	0 pp

Pomerania Wind Farm[2]	%	0	0.0	0	0.0	4	0.1	0.0%	0 pp
Ignitis Res Dev[2]		0	0.0	0	0.0	n/a	n/a	0.0%	0 pp
NT Valdos[3]		0	0.0	0	0.0	1	0.03	0.0%	0 pp
Energetikos Paslaugų ir Rangos Organizacija[4]		0	0.0	0	0.0	5	0.1	0.0%	0 pp
Employee share by tenure at the Group									
<1 years	%	15.3		10.9		10.2		4.4 pp	
1–5 years		31.3		33.0		31.5		(1.7 pp)	
6–9 years		9.2		8.4		9.2		0.8 pp	
10–14 years		8.4		10.0		10.7		(1.6 pp)	
15–19 years		9.5		9.5		8.6		0 pp	
20–24 years		6.2		7.3		8.0		(1.1 pp)	
25–29 years		8.5		9.0		9.3		(0.5 pp)	
>30 years		11.6		11.8		12.5		(0.2 pp)	

[1] *In 2020 Verslo Aptarnavimo Centras was merged with Ignitis Grupės Paslaugų Centras.*
[2] *There was no employment contract. The company is represented by elected board member.*
[3] *Liquidated in August 2022.*
[4] *Liquidated in November 2022.*
[5] *As percent change is undefined when the starting quantity is 0, we chose to show 100 % change, if there is increase from 0 to any number.*

The headcount of the entire Group increased by 7% by the end of 2022. The largest increase compared to 2021 was in ESO (Networks), where the number of employees increased by almost 6%. The largest share of the Group employees is working in Lithuania – 98.7%. The most significant growth has been observed in Ignitis Renewables (Green Generation) as the headcount has increased by 3.5 times compared to 2021. Such growth is organic in pursuit of the Group's strategic Green Generation target of reaching 2.0–2.2 GW of installed capacity by 2025.

Methodology

Employee data is collected in the Group's personnel registration system. The actual headcount at the end of the year was used to calculate the indicators. This figure does not include employees on pregnancy and childbirth or childcare, paternity leave and military service.

Occupational health and safety of employees and contractors

Main indicators	Unit	2022	2021	2020	Change (2021/2022)
LTIR (lost time injury rate per million hours worked)[1]	Indicator	1.27	1.58	0	(0.31)
TRIR (total recordable injury rate per million hours worked)[2]	Indicator	1.69	2.01	0.45	(0.32)
Employee fatalities related to work	Unit	1	0	0	100%
Contractor fatalities related to work	Unit	2	0	1	200%
Number of contractor OHS inspections performed by ESO	Unit	3,135	3,048	4,079	2.9%
Times the contractor work was suspended by ESO due to OHS violations	Unit	40	47	47	(14.9%)
Fines paid by contractors to ESO for noncompliance with contractual OHS requirements	EUR thousand	72	81	57	(11.1%)
A part of the Group's employees working in company divisions certified according to ISO 45001 or another standard	%	85	86	85	(1.2%)

[1] LTIR – lost time injury rate per million hours worked.
[2] TRIR – total recordable injury rate per million hours worked. In 2020, due to the COVID-19 pandemic, ESO's scheduled work was halted and only troubleshooting was carried out. As the volume of ESO works is the largest (up to 65%), the number of suspended trips to the sites resulted in a lower number of LTIR and TRIR events.

The Lost Time Incident Rate (LTIR) in 2022 decreased by almost 20% compared to 2021 and was 1.27.

The Total Recordable Injury Rate (TRIR) in 2022 was 1.69, almost 16% lower than in 2021. Overall, the number of accidents was lower in 2022, but we experienced three tragedies – two contractor employees were fatally injured, and one Group employee was fatally electrocuted during work. Such tragic events make an indelible impact on the entire Group, therefore employee safety remains our top priority. In order to ensure this, we will increase the competence of employees in the field of health and safety (OHS) so that such and similar events do not occur again.

Methodology

Lost Time Incident Rate (LTIR) is the number of accidents (injuries), which lead to temporary incapacity for work, per million hours worked. Hours worked means the total hours worked by full-time employees during the year. Accidents (injuries) are events that lead to incapacity for work for one (including the day of the event) or more days.

The Total Recordable Injury Rate (TRIR) is calculated using the same methodology as LTIR. Unlike LTIR, when calculating TRIR, the number of injuries also includes those injuries where the injured person is able to work the day after the accident. The data comes from internal registers, which are continuously updated. TRIR is calculated for employees of the Group.

Employee welfare, adequate remuneration, cooperation

Employee turnover rate		Unit	2022		2021		2020		Change (2021/2022)	
			F	M	F	M	F	M	F	M
All employees		%	11.1		11.7		9.0		(0.6 pp)	
By gender		%	16.5	8.9	18.3	9.0	10.6	8.3	(1.8 pp)	(0.1 pp)
By age	<24 years	%	34.4		40.0		26.3		(5.6 pp	
	25–36 years	%	17.3		18.5		11.8		(1.2 pp)	
	37–56 years	%	7.7		7.2		5.4		0.5 pp	
	>57 years	%	8.1		9.4		11.4		(1.3 pp)	
Change over period for part-time employees[1]		%	29.6		60.0		34.8		(30.4 pp)	
Change over period for contractors		%	69.7		43.5		36.5		26.2 pp	
New employees										
All employees		Unit	812		534		463		52.1%	
By gender		%	43.8	56.2	46.0	54.0	41.0	59.0	(2.2 pp)	2.2 pp
By age	<24 years	%	14.1		20.4		15.3		(6.3 pp)	
	25–36 years	%	44.3		48.7		56.2		(4.4 pp)	
	37–56 years	%	37.4		30.1		27.0		7.3 pp	
	>57 years	%	4.4		0.7		1.5		3.7 pp	

[1] *Excluding temporary employment contracts.*

Compared to 2021, the Group's total turnover rate has decreased by 0.6 pp to 11.1% in 2022.

Methodology

The employee turnover rate is calculated as the number of permanent employees who have left the company relative to the average number of permanent employees in the financial year.

New employees' number is taken from the Group's personnel registration system.

Parental leave[1]	Unit	2022		2021		2020		Change (2021/2022)	
		F	M	F	M	F	M	F	M
Employees entitled to parental leave	Unit	1,237	2,926	31	49	51	80	-[2]	
Employees that took parental leave (of those entitled to do so)	%	3.2	0.1	100.0	6.1	100.0	6.3		
Employees that returned to work after parental leave	Unit	36	3	32	5	31	6		
Employee retention after parental leave									
Employees that returned to work after parental leave in the year before the beginning of the reporting period	Unit	28	5	31	6	22	1	(9.7%)	(16.7%)
Of whom – employees who were still working the year after returning from their leave	Unit	25	5	24	5	18	1	4.2%	0.0%
Retention rate	%	89.3	100.0	77.4	83.3	82.0	100.0	11.9 pp	16.7 pp

[1] Only employees registered in Lithuania were included in the indicator calculations.
[2] Data for year 2022 are not comparable, as a revised methodology was used.

In Lithuania parental leave duration can be chosen by employee. Duration determined by law is from 1 to 3 years. Besides every family can choose who can take parental leave (mother, father, or even a grandparent). Theoretically all employees that work in Lithuania can take parental leave. Employee also can choose when to return to work anytime in the 3-year period. Number above shows status quo – how many took parental leave in 2022 and how many returned from it (regardless of the year they took it).

To keep in touch with employees on long-term leave, we have introduced a new practice of sending newsletters to colleagues to inform them about any changes in the company, various initiatives, invitations to trainings and company events. About 90% of recipients open the newsletters.

The retention rate for women in 2022 increased by almost 12 pp comparing to year 2021 and for men 16.7 pp. This increase shows that more employees after parental leave that return to Group companies are satisfied to continue working within the Group.

Methodology

Employee data, including parental leave data, is collected in the Group's personnel registration system.

Retention rate is calculated applying Global Reporting Initiative (GRI) 401 standard requirements.

Employees' use of benefits (at employer's expense)

	Unit	2022	2021	2020	Change (2021/2022)
Share of employees engaged in supplementary voluntary pension accumulation (3rd pillar pension funds)	%	13.5	10.9	~13	2.6 pp
Share of employees who opted for additional health insurance	%	72.5	77.0	n/d	(4.5 pp)

Starting from 2022, the package of flexible additional benefits has expanded. Two educational modules (GoForward and Clifton Strength trainings), wellness packages, Netflix and Spotify subscriptions and many more have been added to the list of benefits next to the health insurance and Tier III pension contributions. Diversifying additional benefits gives employees the opportunity to choose what they really need at that moment. Even with the expansion of additional benefits packages, health insurance remained the main and most frequently chosen benefit, although the number of employees choosing additional pension contributions has also increased to 13.5% (up by 2.6 pp from 2021).

Methodology

The share of employees using benefits (%) is calculated from all employees who worked at the end of financial year, had the right to choose benefits and made their choices. Employees with the right to choose benefits are those employees whose probationary period (3 months) has already ended.

Other indicators

	Unit	2022	2021	2020	Change (2021/2022)
Employee net promoter score (eNPS)[1]	%	61.8	57.4	56.0	4.4 pp
Employees who had performance review[2]	%	100	100	100	0 pp
Share of employees working in companies that have collective agreements	%	71	72	73	(1 pp)
Share of employees who participated in volunteering initiatives at least once[3]	%	7.4	<1	n/a	~6.4 pp
Profit per employee	EURm/employee	0.070	0.041	0.044	71%
Revenue per employee	EURm/employee	1.1	0.5	0.3	115%

[1] *eNPS survey was started in Q4 2019.*
[2] *Performance reviews, which include setting, reviewing and evaluating achieved goals, are performed in our organisation once or twice in a year. Employee goals are directly related to their short-term incentives, which depend on achieved results and is paid to all Group employees.*
[3] *Employee volunteering initiative started on 8 October 2021.*

Methodology

Employee experience survey (eNPS – Employee Net Promoter Score) is conducted once a quarter in the Group. All Group's employees are invited to participate in the survey. Employees indicate on a scale of 1 to 10 how much they agree with the statement: "I would recommend my company as a potential workplace to my friend or a good acquaintance." The recommendation index is calculated from the percentage of persons who would recommend the employer minus the percentage of persons who wouldn't.

While monitoring employee engagement and satisfaction, the Group has been conducting a quarterly employee experience assessment survey since 2019, which forms a comprehensive picture of how employees feel at various stages of our company's operations. Employees are asked whether they would recommend the company to their acquaintances, and the result of the answers to this question indicates the eNPS (Employee Net Promoter Score). Compared to 2021, this indicator increased by 4.4 pp and reached 61.8 in 2022. A score above 50% is considered excellent.

In 2022, we also started monitoring burnout signals and the proportion of employees experiencing stress. In 2023, we will focus specifically on employee burnout to prevent stress before it occurs. We provide training that helps colleagues recognise and respond to stimuli, and a community of wellbeing mentors has been assembled and trained to provide emotional support on a voluntary basis. For 3 years now, external professional psychologists have been providing telephone support to all employees of the Group.

Diversity, equal opportunity, human rights

Composition of collegial bodies of the parent company by gender and age		Unit	2022		2021		2020		Change (2021/2022)	
			F	M	F	M	F	M	F	M
Supervisory Board	By gender	%	57.1	42.9	57.1	42.9	57.1	42.9	0 pp	0 pp
	By age (50 years old and above)[1]		57.1		71.4		57.1		(14.3 pp)	
Management Board	By gender		20.0	80.0	25.0	75.0	20.0	80.0	(5 pp)	5 pp
	By age (50 years old and above)[2]		20.0		25.0		20.0		(5 pp)	

[1] *At the end of 2022 four out of seven Supervisory Board members were older than 50 years old, and at the end of 2021 – five.*
[2] *Both at the end of 2022 and 2021 one of the Management Board members was older than 50 years old, however, throughout the end of 2021 there were four and not five members.*

Methodology

The indicator of share of women in strategic positions includes the level of management bodies, company managers and their direct subordinate managers in all companies of the Group. If the same person holds more than one position in the same company, only one position is counted. The percentage of women in those positions is then calculated.

Share of women in strategic positions

	Unit	2022	2021	2020	Change (2021/2022)
Share of women in top management[1]	%	22.6	27.0	28.0	(4.4 pp)
Share of women in engineering and IT roles		20.5	19.0	17.0	1.5 pp
Committee chairs occupied by women		67	67[1]	67	0 pp

[1] *2021 data corrected, recalculation.*

The objective of the Group's strategic plan is for 34% of management positions to be occupied by women. Meeting this ambitious objective requires additional steps to take in order to achieve a better gender balance in the Group. It also requires us to revise our culture and leadership values, to ensure they would support women to thrive in the organisation. About all the extra steps we've made and going to make in the near future, please read more in section '5.6 Future-fit employee and Communities' of this report.

The Group's Equal Opportunity and Diversity Policy states that the Group companies do not tolerate discrimination but promote a work environment that reflects the diversity of society and implement the principles of respect for diversity in their activities. In order to attract the widest and most diverse range of employees, in the selection process we only pay attention to the candidate's competencies, we do not take into account gender, age, relationship status, beliefs, race, faith, etc.

The diversity of the members of the Supervisory Board and the Management Board reflects the Group's objectives, so that the different experiences and competences of the members of the Supervisory Board and the Management Board, which are necessary for the company's operations, complement each other and benefit both the Group and society.

Remuneration ratio, women to men

		Unit	2022		2021		2020		Change (2021/2022)	
			F	M	F	M	F	M	F	M
All employees		Ratio	0.97:1		0.97:1		0.97:1		-	
Trainees		Ratio	0.36:1		1.21:1		0.92:1		-	
Workers		Ratio	0.66:1		0.76:1		0.75:1		-	
Experts, specialists		Ratio	0.90:1		0.90:1		0.88:1		-	
Mid-level executives		Ratio	1.09:1		1.10:1		1.08:1		-	
Top-level executives		Ratio	0.96:1		1.03:1		0.95:1		-	
Heads of companies		Ratio	2.0:1		1.20:1		1.08:1		-	
Remuneration of a standard entry level position compared to minimum salary in Lithuania	All employees	Ratio	2.0:1		2.0:1		2.0:1		-	
	By gender	Ratio	1.7:1	2.0:1	1.8:1	2.0:1	1.8:1	2.0:1	-	-
Ratio of the annual remuneration of the organisation's highest-paid individual to the median annual remuneration of all employees		Ratio	8.47		6.80:1		7.58:1		-	
Ratio of the percentage increase of the annual remuneration of the organisation's highest-paid individual to the median increased of the annual remuneration of all employees		Ratio	1.14:1		(0.48):1		2.29:1		-	
Total annual salary fund		EURm	115.8		97.3		92.8		19%	

Methodology

The Group's total salary fund in 2022 amounted to EUR 115.8 million. In 2021, the formula for calculating the salary fund has changed – the leave and pension reserve and the capitalisation of salary have been added, so the data for 2020 has been recalculated.

The table shows women to men remuneration ratio, average remuneration, which is converted to full-time equivalent.

The presented remuneration ratio between men and women does not account for other factors that influence the level of remuneration (e.g., general situation in the energy sector, qualifications, work experience) and is solely based on gender.

Average monthly contractual remuneration is converted to full-time equivalent (FTE).

Average monthly salary by position (before taxes)[1]

	Unit	2022	2021	2020	Change (2021/2022)
All employees	EUR	2,665	2,400	2,293	11.0%
Trainees	EUR	n/d	n/d	n/d	-
Workers	EUR	1,990	1,758	1,670	13.2%
Experts, specialists	EUR	2,507	2,247	2,102	11.6%
Mid-level executives	EUR	4,338	4,020	4,038	7.9%
Top-level executives	EUR	8,650	8,030	8,274	7.7%
Heads of companies	EUR	9,462	8,300	8,990	14.0%

[1] *Actual remuneration and other payments made to employees were included in calculations. Trainees were not included when calculating figures.*

The purpose of the Group's Remuneration Policy is to guarantee internal fairness and to avoid any discrimination. The Group's remuneration system consists of a fixed base salary, short-term incentives (applied to all employees and paid based on individual or team performance) as well as additional benefits. One of the core values of the Group is openness, so every employee may get acquainted with all the remuneration rules, the structure of the Group's positions, the remuneration rates applicable to them and other remuneration-related information.

The Group's remuneration structure is based on two essential documents: Remuneration Policy and Remuneration Guidelines. The Remuneration Policy sets out the basic principles and material provisions for the management and structure of remuneration, while the Remuneration Guidelines is a supporting document detailing the provisions of the Remuneration Policy (e.g., setting and evaluating objectives, determining and disbursing short-term incentives). Both documents are integrated and apply to all companies of the Group.

Employees with reduced working capacity

		Unit	2022	2021	2020	Change (2021/2022)
Employees with reduced working capacity	0–25% capacity	Unit	0	1	1	(100%)
	30–55% capacity		25	28	45	(3.6%)

Employee share by educational level

	Unit	2022	2021	2020	Change (2021/2022)
Higher (university and college)	%	76.5	76.6	76.0	(0.1 pp)
Secondary and vocational		19.8	19.7	20.5	0.1 pp
Primary and lower secondary		0.5	0.4	0.4	0.1 pp
No data		3.1	3.3	3.1	(0.2 pp)

Reports on discrimination

	Unit	2022	2021	2020	Change (2021/2022)
Reports on discrimination[1]	Unit	0	0	1	0 pp
Human rights violations		0	0	0	0 pp

[1] *Reports received via Trust Line and other known reports.*

In 2022, we received a complaint from one Group employee to the State Labour Inspectorate concerning possible psychological violence at work. The Labour Inspectorate conducted an investigation and found no violations. We also conducted an internal preliminary assessment of the situation and found no violations. Nevertheless, we organised psychological violence and harassment recognition training in the team where the case took place.

Methodology

Employees number in any split is taken from the Group's personnel registration system.

Reduced working capacity employee number is confirmed after respective employees provide employer with relevant documentation from a medical institution.

Share by educational level is calculated from the Group 's personnel registration system as all employees must provide documents confirming their education upon starting their employment.

Trust Line reports. Received reports are registered in the Group's JIRA register and processed in accordance with the procedure established in the Group's internal legal acts, investigated in accordance with the rules of the internal investigation commission approved by the Group.

Competent employees now and in the future

Employee participation in trainings	Unit	2022		2021		2020		Change (2021/2022)	
		F	M	F	M	F	M	F	M
Total participants	**Unit**	**3,361**		**2,891**		**2,448**		16.3%	
Share of employees who participated	%	81		74.4		63.8		6.3 pp	
Training participants by gender	%	36.3	63.7	41.8	58.2	38.2	61.8	(5.5 pp)	5.5 pp
Training participation by position									
Trainees	%	0		0.2		0.1		(0.2 pp)	
Workers	%	10.9		9.3		11.1		1.6 pp	
Experts, specialists	%	58.6		74.7		70.8		(16.1 pp)	
Mid-level executives	%	10.2		14.4		15.9		(4.2 pp)	
Top-level executives	%	0.9		1.0		1.6		(0.1 pp)	
Heads of companies	%	0.3		0.4		0.4		(0.1 pp)	
Training hours									
Training hours, total	Hours	89,500		91,165		69,768		(1.8%)	
Training hours by gender of participants	%	38.2	61.8	40.9	59.1	38.3	61.7	(2.7 pp)	2.7 pp
Share of training hours by participant position									
Trainees	%	0.0		0.1		0.0		(0.1 pp)	
Workers	%	10.6		4.7		5.6		5.9 pp	
Experts, specialists	%	63.7		65.1		53.1		(1.4 pp)	
Mid-level executives	%	22.8		27.1		37.5		(4.3 pp)	
Top-level executives	%	2.3		2.4		3.0		(0.1 pp)	
Heads of companies	%	0.6		0.6		0.9		0.0 pp	
Training hours per employee on average									
Training hours per employee on average	Hours	21.5		23.5		18.2		(8.5%)	
Training hours on average by gender of participants	Hours	27.6	18.9	33.3	19.5	24.2	15.7	(16.9%)	(3.1%)
Training hours per employee on average by position									
Trainees	Hours	0		12.0		6.8		(100%)[1]	
Workers	Hours	12.3		5.8		5.3		112%	
Experts, specialists	Hours	19.3		21.8		13.9		(11.2 %)	
Mid-level executives	Hours	52.3		66.3		69.7		(21.1%)	
Top-level executives	Hours	65.4		66.7		61.2		(1.9%)	
Heads of companies	Hours	24.3		33.4		36.6		(27.3%)	

[1] *As percent change is undefined when there is 0 in calculation, we chose to show 100 % change, if there is decrease from any number to 0.*

Methodology

The average number of training hours per employee is calculated by recording all training hours and dividing them by all employees. Training is registered in the internal registers of the HR division. The actual headcount at the end of the year is used for the calculation.

Trainings include all additional trainings ordered by employees and trainings initiated by the HR division. Mandatory trainings, such as fire safety, work procedures, etc., are considered as briefings and are not included in the number of trainings. Also, all online courses were not included in training indicators.

Based on the Group's People and Culture Policy, we encourage continuous employee growth. The employees follow the main principles of employee education and training defined in the policy. Also, employees with the help of their direct managers make their own annual growth plans, establishing growth objectives, duration, measures and a clear achievable result. Compared to 2021, the number of employees who participated in trainings in 2022 increased by more than 16%, which demonstrates employee engagement and willingness to improve.

Local community welfare and relations

Benefits to local communities	Unit	2022	2021	2020	Change (2021/2022)
Implementation of community engagement measures	%	100	n/a	n/a	-
Land use payments to land owners	EUR thousand	548.2	381.6	34.7	43.7%
Real estate tax paid to municipalities	EUR thousand	1,121.7	804.5	302.4	39.4%
Support provided to communities	EUR thousand	86,1	n/a	n/a	-

In 2022, we allocated support to community projects for the first time. In 2023, we will invite communities located in the vicinity of our facilities to apply for projects again. The rules for providing support are defined in the Group's financial support policy.

Methodology

The implementation of community engagement measures only reflects the Group's approved Community Engagement Measures implemented in Lithuania.

Support provided to communities. The general meeting of shareholders of Ignitis Renewables (Green Generation) determines the part of the company's funds allocated for support, in accordance with the procedure established by legal acts and the requirements for the maximum amount of support allowed.

Real estate tax is calculated after paid property taxes according to the purpose and the approved real estate tax rate.

Land use charges for landowners are calculated by assessing rent and income tax payable.

Robust organisation

Ethical business, anti-corruption and transparency

Data protection	Unit	2022	2021	2020	Change (2021/2022)
Share of employees who participated in data protection training[1]	%	>90	52	94	~ 36 pp
Substantiated complaints concerning breaches of customer privacy and losses of customer data	Unit	3	n/d	n/d	-

[1] *In 2022, it was aimed that all employees of the Group would participate in the training.*

In 2022, 3 personal data breaches were identified following costumers reports and Group companies had to report about them to the State Data Protection Inspectorate. The State Data Protection Inspectorate confirmed that in all cases, the Group companies took all the necessary measures to eliminate or control the data breaches, so no sanctions and/or fines were imposed.

Also, there were identified 121 personal data breaches, most cases related to human errors or customers fault (data not updated) which caused personal data to be disclosed.

Our goal is to have as many Group employees as possible participating in data protection training. In 2020, we tried to ensure that all Group employees are acquainted with the requirements for personal data processing, and in 2021, trainings were conducted only for newcomers and those who require it due to their work functions as these trainings were focused on more complex data protection topics, which are not relevant to all Group employees. In 2022, we tried to ensure that all employees of the Group companies would participate in personal data protection training and pass the knowledge test. More than 88% of the Group employees passed the test.

Trust Line reports

	Unit	2022	2021	2020	Change (2021/2022)
Attempts to bribe employees	Times	0	0	2	0
Trust Line reports:					
Total received	Units	358	812	510	(55.9%)
of which, confirmed	Units	47	80	88	(41.3%)

The Trust Line received total of 358 reports. Most of them were related to the quality of the services provided and were transferred to customer service divisions. We measure the maturity of our reliable services by the fact that we receive fewer and fewer reports. In 2022 there were half as many reports as in 2021. After detailed inspections of the received information, 47 reports about possible electricity theft, improperly performed works by employees or contractors were confirmed. Also, 2 reports were received on possible cases of corruption, which were confirmed.

Methodology

The share of employees who participated in the training is measured by calculating the ratio between the employees invited to participate in the training and the employees who actually participated. Trainings are registered in HR division's internal registers. The actual headcount at the end of the year was used for the calculation.

Trust Line reports. Received reports are registered in the Group's JIRA register and processed in accordance with the procedure established in the Group's internal legal acts, investigated in accordance with the rules of the internal investigation commission approved by the Group.

Tax

	Unit	2022	2021	2020	Change (2021/2022)
State tax paid					
Lithuania	EURm	562.5	277.5	239.4	102%
Latvia	EURm	53.3	15.1	8.6	252%
Estonia	EURm	1.3	0.9	0.8	44%
Poland	EURm	9.7	1.6	0.4	506%
Finland	EURm	37.2	0.01	n/a	1000%

The Group is a responsible taxpayer. We understand and recognize the importance of how paid taxes contribute to countries we operate in. The Group and its entities must respect the principle of legality, by applying the tax laws of the countries where the Group operates, to ensure that the purpose of the applicable tax rules or system is respected.

Full compliance with applicable tax laws and regulations and transparency are key principles of the Group's approach to tax. We act in accordance with relevant legislation on tax calculation and ensure that we pay taxes accurately. All the relevant information on tax expenses and taxes paid in accordance with the corresponding laws can be found in our interim and annual reports.

The Group does not invest in – or through – countries considered to be tax havens for the sole purpose of reducing its tax burden. We are open and have a strong and long relationship and good cooperation experience with the Tax Authorities. Our financial statements and financial statements of all significant subsidiaries are audited by external independent auditors.

Responsible employees of the Group accounting and finance departments continually monitor changes in tax laws and regulations it helps for the Group to be always up to date and mitigate risk of non-compliance.

Methodology

Tax. All the Group companies are in full compliance with applicable tax laws and regulations.

Corruption intolerance and training

	Unit	2022	2021	2020	Change (2021/2022)
Share of employees surveyed	%	42.0	38.1	38.0	3.9 pp
Share of employees who state that they do not tolerate corruption	%	94.0	97.3	96.0	(3.3 pp)
Communication and training on anti-corruption policies and procedures					
Share of members of management bodies who are acquainted with the organisation's anti-corruption policies and procedures	%	100	100	100	0 pp
Share of employees who are acquainted with the organisation's anti-corruption policies and procedures	%	100	100	100	0 pp
Share of members of management bodies who participated in anti-corruption training	%	100	100	100	0 pp
Share of employees who participated in anti-corruption and Code of Ethics training[1]	%	100	100	100	0 pp
Share of employees who passed the anti-corruption test	%	95.6	96.9	94.4	(1.3 pp)

[1] *The test on the Code of Ethics is an integrated part of the Anti-Corruption Knowledge Test.*

In 2022, the rate of share of employees who state that they do not tolerate corruption decreased. The result of the anti-corruption survey is directly and indirectly influenced by many different factors, both internal and external, for example:

- Constant turnover of employees, when new employees come to the Group, whose extremely high level of anti-corruption awareness may not have been formed yet.
- Various publicised cases related to corruption, pre-trial investigations, court decisions are communicated in the public space (especially those where persons suspected of corruption are acquitted/not convicted due to lack of evidence), all this can influence the willingness of employees to not report corruption, etc.
- Seemingly unrelated things like rising prices, inflation, wage rates, employee sentiment and even mood at the time of the survey also have an impact.
- It should also be noted that this survey has a certain margin of error.

Thus, in summary, the result of the survey reflects the momentary opinion/attitude of the employee to not tolerate corruption and this attitude can change depending on many things.

Methodology

Communication and training on anti-corruption policies and procedures. After any changes, the Anti-Corruption Policy and procedures are sent to employees to get acquainted with through the Operations Manual. There is no strict accounting, and it is assumed that everyone has gotten acquainted with it. The information is collected from the Group's internal systems.

Training indicators are calculated based on the ratio between the number of employees invited to participate in the training and the number of employees who participated.

The passing rate of the Anti-Corruption and Code of Ethics test is identified by calculating the percentage of those who passed.

Responsibility and sustainability in the supply chain and with clients

Procurement	Unit	2022	2021	2020	Change (2021/2022)
Share of green procurement by value[1]	%	94.2	24.1	n/a	70.1 pp
Share of socially responsible procurement by value	%	13.0	n/a	n/a	-
Share of procured value for which supplier screenings were conducted as part of procurement procedures	%	>99.0	94.2	>90	4.8 pp
Share of published procurements that received only one bid	%	27.7	15.3	13.1	12.4 pp
Information on the Group's public procurement:					
Share of purchases made via public procurements	%	93.8	88.3	96.9	5.5 pp
Share of purchases (including unpublished ones) with only one bid received	%	~ 35	~ 17	~ 2	~ 18
Share of costs for local suppliers	%	~ 90	~ 70	80	~ 20

[1] *The principles of green procurements have been applied in the Group's procurements since July 2021.*

The Group's share of green procurement increased almost fourfold compared to 2021. Since 2022, the Group has started carrying out socially responsible procurements and in 2022 we have almost reached one fifth of socially responsible procurements by value.

Methodology

Procurement indicators are calculated in a same way – dividing the value of each indicator by the value of all procurements. The data is taken from the Group's internal procurement systems.

Suppliers

	Unit	2022	2021	2020	Change (2021/2022)
Share of suppliers complying with the Supplier Code of Ethics[1]	%	92.7	>90	n/a	>2.7 pp
Suppliers audited for compliance with the Supplier Code of Ethics by value	Units	71	n/a	n/a	-
	%	≥ 80	n/a	n/a	-

[1] *The requirement to comply with the Supplier Code of Ethics is included in standard contract forms since the end of July 2021. Standard contract forms with Supplier Code of Ethics included are used in more than 90% of initiated public procurements.*

Total of 57.7 % of all invited suppliers finished the required questionnaire. Also, additional information was conducted from publicly available data about suppliers participating in assessment.

Customer NPS (Net Promoter Score)

	Unit	2022	2021	2020	Change (2021/2022)
ESO customers transactional NPS	%	53	60	60	(7 pp)
Ignitis B2C transactional NPS	%	57	55	56	2 pp
Ignitis B2B transactional NPS	%	53	48	67	5 pp

Based on an initial assessment, we believe that the decrease in relationship NPS (both B2C and B2B) is influenced mainly by the energy-related market situation.

Methodology

Suppliers audited for compliance with the Supplier Code of Ethics. Suppliers were selected for the assessment of compliance with Suppliers Code of Ethics provisions based on the following criteria:

a) Suppliers whose value of public procurement contracts in Group companies is the largest and at least one concluded contract is valid for at least 6 months from the start of the planned assessment of suppliers. Only those Suppliers whose one or more procurement contract was signed after 1 of August 2021 were included in the scope of inspected Suppliers.

b) The total value of the procurement contracts of the selected suppliers in the Group company(s) is not less than 80 percent of the total value of the procurement contracts of the suppliers.

Customer NPS

Transactional NPS: customer satisfaction and willingness to recommend us is assessed after a specific contact, taking into account the customer's experience.

Access to energy

Ensuring access to energy	Unit	2022	2021	2020	Change (2021/2022)
Average grid connection time[1]	Calendar days[1]	64	37	29	72.9%
	Calendar days[2]	63	40	42	57.5%
Share of new connections meeting the deadline	%	96	95	95	1 pp

[1] *Actual connection.*
[2] *Annual target.*

The average grid connection time duration has expanded due to technical conditions and the increased length of application verification stage (in 2021 – 7.1 days on average, in 2022 – 29.8 days on average), which was caused by a higher number of applications.

Methodology

The average grid connection time is calculated as the time to connect new electricity customers by adding up the duration of individual connection processes. The information is collected from the Group's internal system.

Share of new connections meeting the deadline is calculated as a share of new connection not exceeding set connection target.

Energy system resilience and security

Network reliability and efficiency	Unit	2022	2021	2020	Change (2021/2022)
Total length of underground power line	Km	43,918	42,028	40,380	4.5%
	%	34.6	33.1	32.3	1.5 pp
Reconstruction of steel pipelines using polyethylene pipes	Km per year	12	11	6	9.1%
	%	56.0	54.4	53.6	1.6 pp
Electricity SAIDI	Min	178.73	201.95	207.67	(11.5%)
Electricity SAIFI	Times	1.52	1.45	1.34	4.8%
Natural gas SAIDI	Min	0.27	0.47	1.61	(42.5%)
Natural gas SAIFI	Times	0.003	0.006	0.01	(50.0%)

Read more about network relialibility and efficiency in Section '3.2 Results by business segment' of this report.

Methodology

The total length of the underground power lines is calculated by summing the lengths of the underground lines.

Reconstruction of steel gas pipelines using polyethylene pipes is calculated: the share of polyethylene pipes used for the reconstruction of steel gas pipelines and the number of km laid per year.

SAIDI - average duration of unplanned interruptions in electricity or natural gas transmission.

SAIFI - average number of unplanned long interruptions per customer.

Business exposure per business revenue

Business description	Unit	2022	2021	2020	Change (2021/2022)
Electric services - power generation - natural gas	%	5.5	8.0	8.4	(2.6 pp)
Electric services - power generation - hydroelectric	%	6.5	7.3	5.3	(0.7 pp)
Electric services - power generation - other renewable	%	2.4	2.4	0.8	0 pp
Electric services - distribution	%	12.1	23.3	33.7	(11.1 pp)
Natural gas distribution	%	1.0	2.4	3.0	(1.4 pp)
Commodity contracts brokers and dealers	%	70.0	50.4	42.7	19.6 pp
Heating services	%	0.8	0.8	0.3	0 pp
Other	%	1.7	5.4	5.9	(3.6 pp)

5.9 Sustainability governance and other disclosures

Our sustainability framework

Sustainability is at the core of the Group's strategy and strategic plan. Ambition to lead the energy transition across the region towards an energy smart world requires strengthening of our ESG performance and accountability. Our sustainability management plan and a list of policies we follow are disclosed publicly. We publish ESG indicator data and sustainability highlight in the interim and half-year reports while comprehensive ESG information is published in our Annual reports. Below is a high-level overview of our approach to ESG performance improvement.

Embedding sustainability / ESG in 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.

Setting measurable sustainability / ESG targets

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.

In our vision, we transform for a more sustainable world

Progress evaluation and continuous refining

We aim to benchmark our continuous improvement using ESG ratings provided by leading ESG ratings agencies and seek to improve our ESG ratings.

Strengthening disclosures

We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs.

Sustainability governance

Within the Group there is a two-tier governance structure consisting of a Supervisory Board and the Management Board. The supervisory and management bodies steer sustainability topics (including climate change, biodiversity, and others) within their scope of influence.

Ignitis Group sustainability governance structure

External oversight	**Supervisory Board**	Sets strategic direction and approves strategic sustainability goals
	Risk Management and Business Ethics Supervision Committee	Oversees sustainability strategy, key ESG issues and reporting
	Nomination and Remuneration Committee	Oversees sustainability strategy, key ESG issues and reporting
	Audit Committee	Oversees data provision in the reporting
Management	**Management Board**	Approves sustainability policies, programmes and ensures implementation
Internal oversight	**Sustainable Development Committee**	Supports the Management Board, discuses sustainability policies and programmes and proposes solutions for the implementation within the Group
Coordination, implementation	**Sustainability Function**	Coordinates preparation and implementation of sustainability programmes and reporting
implementation	**Group Functions**	
	Business Units	
	Other internal committees and working groups	

The Supervisory Board oversees the activities of the Management Board and the CEO of the Group. It considers and approves the business strategy, annual budget and investment policy of the parent company and the Group, analyses and evaluates information on the implementation of the business strategy. The Supervisory Board sets strategic sustainability direction, approves strategic sustainability goals, and oversees the progress.

Two advisory committees support the work of the Supervisory Board: Risk Management and Business Ethics Supervision Committee and Nomination and Renumeration Committee.

The Risk Management and Business Ethics Supervision Committee is responsible for submitting conclusions or proposals to the Supervisory Board on the functioning of the management control system in the Group and on the status of key risk factors and risk management measures. It also supervises compliance with ethical business practices and the bribery and corruption risk system and makes recommendations to the Supervisory Board.

The Committee also oversees the strategic direction for sustainability / ESG, provides an opinion and recommendations on sustainability / ESG actions and targets, oversees key ESG topics (occupational health and safety and climate) and assesses the state of implementation of risk measures in these fields, monitors progress and reviews related disclosures and reports.

The Risk Management and Business Ethics Supervision Committee's 2 members of the Supervisory Board – Alfonso Faubel, Chair of Supervisory Board, and Tim Brooks, Member of Supervisory Board – have a strong competence in ESG.

In the beginning of 2023, the Group has announced a selection process of two additional members, who will join company's Risk Management and Business Ethics Committee. The selected candidates will accordingly supervise the fields of Risk Management and Sustainability.

The Nomination and Renumeration Committee provides conclusions or proposals concerning the appointment, removal, or promotion of members of management and supervisory bodies of the Group companies, evaluates the structure, size, composition and activities of company management and supervisory bodies and forms a general remuneration policy.

Information on the composition and work of the Supervisory Board and it's committees in 2022, including competence matrix of the members, is available in section '4.3 Supervisory Board and committees' of the Annual Report.

The Audit Committee is elected by the decision of the General Meeting of Shareholders. The Audit Committee verifies the effectiveness of the Group's ESG disclosure with particular focus on compliance and validity of data.

Information on the composition and work of the Audit Committee in 2022, is available in section '4.4 Audit Committee's report' of the Annual Report.

The Group Management Board makes decisions on the formulation, approval and updating of the organisation's strategic sustainability-related policies, guidelines and activities. Its role is to approve the annual Sustainability Report, as well as sustainability goals for the Group and the companies, GHG reduction targets and oversee the GHG management plan. The Group Management Board evaluates and monitors Group's key ESG risks (including climate-related) and appoints members of the **Sustainable Development Committee**, which supports the Management Board, discuses sustainability policies and programmes and proposes solutions for the implementation within the Group.

The Group Management Board is ultimately accountable for the long-term stewardship of the Group. Responding to climate change and other nature-related issues and risks associated with them are of importance to the Management Board.

Darius Maikštėnas, CEO of the Group, has a huge personal interest in climate change issue and initiates the Group's engagement in a variety of climate change and environmental initiatives. Darius is actively engaged and takes responsibility for the Group's strategic ambitions and progress on them. The Group Chief Financial Official, Jonas Rimavičius, as the one responsible for investments, is also supervising financial implications of risks and climate-related are part of it.

The effectiveness of Management Board in managing ESG topics is measured based on the achievement of long-term strategic and annual objectives. The remuneration of top-level executives is directly linked to the achievement of pre-set sustainability targets (as part of the variable remuneration component). For more details, see section '4.6 Remuneration Report').

Information on the composition and work of the Management Board in 2022, including competence matrix of the members, is available in section '4.5 Management Board ' of the Annual Report.

Sustainability / ESG related topics covered by Governance bodies of the Group in 2022

Topics covered	Governance body	Frequency	Comments
Sustainability strategic direction and targets	Management Board, Supervisory Board	1	Discussions and approval of the Strategic Plan for 2022–2025
Climate-related questions (GHG emissions, net zero, climate risks, etc.)	Management Board, Supervisory Board	4	GHG reduction measures, quarterly review of the internal report of ESG KPIs
Integrated annual and interim sustainability / ESG reports	Management Board, Supervisory Board	4	Including ESG and climate-related risks
Health & Safety questions	Supervisory Board, Management Board	2+	Presentation and approval of the programme "Is it safe?"
Other ESG related topics	Management Board, Supervisory Board	10+	Sustainability governance, renumeration, ESG related internal policies, etc.

Sustainability function centrally coordinates sustainability / ESG related questions at the Group level. Separate function reports directly to the CEO of the parent company. Sustainability function ensures the implementation of the Sustainability Policy, advises the Group companies and functions on sustainability matters, coordinates the sustainability activities and consolidates the ESG data of the Group companies.

There are also **internal committees** composed in the Group with the responsibilities or agenda topics, related to sustainability / ESG questions:

- Occupational Health & Safety Committee (mandatory according to the Law for companies having >50 employees; operates in 5 subsidiaries: ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation), Ignitis (Customers & Solutions), Ignitis Renewables (Green Generation), Ignitis Grupės Paslaugų Centras);
- Extraordinary Situations' Operations Centre (mandatory according to the Law; operates in 2 subsidiaries: ESO (Networks), Ignitis Gamyba (Flexible Generation and Green Generation));
- Risk Management Committee (operates in Ignitis (Customers & Solutions));
- Application Evaluation Committee (for financial support; operates at Group level);
- Group Heads Committee (Group level).

Group policies and standards establishing sustainability principles

The main policies related to the implementation of sustainability principles, which discuss environmental protection, social and governance issues relevant to the Group, are listed in the table below. This list does not include all policies approved by the Group - relevant issues may also be discussed in other policies. All Group policies apply equally to all Group companies. The sustainability policies and standards mentioned in this report are made public and can be found on the Group's website.

Throughout our all policies we are committed to respect human rights in all our operations. We continuously review and proactively assess our policies, to ensure, that they are up to date and reflect newest requirements on sustainability principles. Every function responsible for a certain policy embedment, periodically reviews and updates it accordingly. All involved parties are constantly introduced on all changes.

The companies of the Group implement and maintain modern, globally recognized standards, in compliance with which they implement high sustainability requirements. More about the standards implemented in the Group can be found on the Group's website.

Document	Purpose	Date of approval
Policies		
Sustainability Policy	Establishes shared sustainability principles of the Group and their implementation measures at the Group, which shape the culture and practice of responsible and sustainable business development.	August 31, 2020
Environmental Policy	Defines the general provisions and principles of the Group's environmental protection in order to reduce the impact on the environment, manage risks related to the environment and foster a culture based on the principles of sustainable development in the Group and its environment.	December 6, 2022 (updated)
Code of Ethics	Defines the principles and standards of business ethics the Group adheres to and the behaviour it expects from its employees and partners in their daily work.	November 22, 2022 (updated)
Supplier Code of Ethics	Reflects the Group's commitment to strengthening sustainable collaboration with suppliers by promoting legal, professional and fair business practices that incorporate environmental, social responsibility and business ethics objectives.	June 29, 2021
Anti-Corruption Policy	Establishes mechanisms to enable timely identification of corruption risks arising in business processes and, after assessing them, to select proportionate and effective control measures to reduce identified and unacceptable corruption risks.	August 16, 2022 (updated)
Occupational Health and Safety Policy	Establishes the main safety and health obligations of Group companies, principles of OHS assurance, management system (the policy replaced the Zero Tolerance for Accidents at Work Policy).	December 13, 2022
Equal Opportunities and Diversity Policy	Regulates the principles of promotion, implementation and enforcement of equal opportunity and diversity and the main measures for the implementation of these principles at the Group.	August 31, 2020

Document	Purpose	Date of approval
Standards		
Environmental management system ISO 14001:2015	Group companies ESO (Networks), Ignitis Gamyba (Flexible Generation), Vilnius CHP (Green Generation) maintain the environmental standard ISO 14001:2015. The B2B-related activities of Ignitis (Customers & Solutions) are also ISO 14001 certified. ISO 14001 certified activities account for 69% of Group revenue. Kaunas CHP (Green Generation) is currently carrying out preparatory work and intends to implement the Environmental Management Standard in 2024.	ESO (Networks) and Ignitis Gamyba (Flexible Generation) in 2013, Ignitis (Customers & Solutions) in 2021, Vilnius CHP (Green Generation) in 2022.
Occupational health and safety management system ISO 45001:2018	The ISO 45001:2018 standard has been implemented in the following Group companies: ESO (Networks), Ignitis Gamyba (Flexible Generation), Ignitis Grupės Paslaugų Centras, and Ignitis (Customers & Solutions) (for activities related to the provision of services to business (B2B) customers). It replaced the old OHSAS 18001:2007 standard in ESO (Networks) and Ignitis Gamyba (Flexible Generation). 85% of the Group's employees work in operations certified to recognised occupational safety and health standards.	Ignitis Gamyba (Flexible Generation) in 2014, ESO (Networks) in 2016, Ignitis Grupės Paslaugų Centras and Ignitis (Customers & Solutions) in 2021.
Information security management system ISO 27001:2017	To ensure compliance of the activities and processes of the Group companies with the General Data Protection Regulation, Ignitis Grupės Paslaugų Centras, which provides information security services to the entire Group, is ISO 27001:2017 standard certified.	2014
Anti-corruption management system ISO 37001:2016	The standard of the anti-corruption management system allows to systematically reduce the risk of corruption at the Group and helps implement various anti-corruption measures as well as detect possible manifestations of corruption.	2021
Quality management system ISO 9001:2015	The Group company Ignitis (Customers & Solutions) has a quality management certificate for activities related to the provision of services to business (B2B) customers.	2021

Ratings and rankings

	2022	2021	
MSCI	'AA' (Leader)	'AA' (Leader)	MSCI ESG Rating aims to measure a company's management of financially relevant ESG risks and opportunities. Ratings range on a scale from 'AAA' to 'CCC' (where 'AAA' is the top score). More information available here
SUSTAINALYTICS	n/a	20,4 (Medium)	Sustainalytics ESG Risk Rating helps to identify and understand the financially material ESG issues that can affect organization's long-term performance. The rating scores the ESG performance from negligible (0-10) to severe risk (40+). More information available here.
ISS ESG	'C' (Medium)	n/a	ISS ESG Corporate Rating provides highly relevant, material and forward looking environmental, social and governance data and performance assessments. Companies are rated, from 'D-' (poor) to 'A+' (excellent), on their sustainability performance on an absolute best-in-class basis. More information available here.
CDP DRIVING SUSTAINABLE ECONOMIES Climate	'A-' (Leadership)	'B' (Management)	The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive data-set on corporate action. A CDP score is a snapshot of a company's environmental disclosure and performance. The companies are assessed and scored across four consecutive levels from 'D-' (disclosure) to 'A' (leadership). More information available here.
ecovadis	78 (Platinum)	65 (Silver)	The EcoVadis Rating covers a broad range of non-financial management systems including Environmental, Labor & Human Rights, Ethics and Sustainable Procurement impacts. The EcoVadis overall score (0-100, where 100 is the top score) reflects the quality of the company's sustainability management system at the time of the assessment. More information available here.
top EMPLOYER LIETUVA LITHUANIA 2022	Top Employer Lithuania	Top Employer Lithuania	Top Employers Institute is the global authority on recognising excellence in people practices. It provides a certification programme that enables organisations to assess and improve the workplace environment. More information available here.
VKC	'A+'	'A+'	The Good Corporate Governance Index has been compiled since 2012 by the Lithuanian Governance Coordination Centre on annual basis with the aim to assess and measure how each SOE implements key good governance practices. The rating ranges on the scale from 'D' to 'A+' ('A+' meaning the best). More information available here.
LYGIŲ GALIMYBIŲ LINIUOTĖ	8,9	n/a	Equal Opportunity Ruler is a tool for assessing the equal opportunities situation in the workplace, based on employee and employer surveys. Lithuanian Office of the Equal Opportunities Ombudsperson provides the organisation a score on a ten-point scale (10 meaning the best). More information available here.
LYGIŲ GALIMYBIŲ SPARNAI	3 Equal Opportunity Wings	n/a	Equal Opportunity Wings is an acknowledgment of organization's achievements in mainstreaming equal opportunities in the workplace and creating a diverse and inclusive culture in organization. The maximum number of "wings" awarded is three, which signifies, that the organization not only successfully integrates equal opportunities in its culture, but also actively promotes equal opportunities in the public domain. More information available here.
LIETUVOS ĮVAIROVĖS CHARTIJA	1st place	n/a	The Diversity Charter is an NGO that unites businesses, public sector institutions, and other non-profits committed to create an open and inclusive work environment and strengthen their social responsibility. In 2022, a study was conducted to assess how the 20 largest Lithuanian companies are prepared to ensure equal opportunities. More information available here.
Nasdaq ESG Transparency Partner 2021	ESG Transparency Partner	ESG Transparency Partner	Nasdaq ESG Data Portal fosters transparency in financial markets and is committed to a data-driven transition. By being part of the Nasdaq ESG database, investors are enabled to integrate this data into their screening process and investment decisions. In order to become a Nasdaq ESG Transparency Partner company must fill and submit an ESG Disclosure Form in the database.

Memberships and external Initiatives

In 2016, the Group expressed its support for the United Nations Global Compact and committed itself to implementing its activities in accordance with its 10 principles in the areas of human rights, labour, environment and anti-corruption.

The Group aligns its business goals with the United Nations' Sustainable Development Goals and contributes to the achievement of almost all SDGs.

In 2019, the Group joined the Business Ambition for 1.5°C campaign by committing to net-zero.

In 2021, the Science Based Targets initiative (SBTi) issued a certification recognizing that the Group's GHG reduction targets are based on scientific evidence and will contribute to achieving the 1.5-degrees Celsius target, as determined by the Paris Agreement.

In 2021, the Group joined the Task Force on Climate-related Financial Disclosures (TCFD) supporters list and follows the recommendations to disclose information on the financial impacts of climate-related risks and opportunities.

The Group is a member of the Sustainable Business Association of Lithuania (LAVA) and takes part in promoting sustainable business development as the foundation for responsible society and sustainable economic growth.

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 is also a member of the Lithuanian Diversity Charter Association, therefore it is committed to creating an open and inclusive work environment and strengthening their social responsibility.

The Group also participates in the activities of the National Lithuanian Energy Association (NLEA)

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 2019, the Group joined WindEurope, which unites members of wind industry in Europe and the world. Group companies developing renewable resources projects participate in the activities of the Lithuanian, Estonian and Polish wind power associations and other organisations operating in this field. Vilnius and Kaunas CHPs are members of CEWEP and PREWIN. ESO is a member of E.DSO and other organisations.

More detailed and up-to-date list of organisations of which Group companies are members, is available on our website.

Ensuring the highest standards of transparency is a very important part of the Group's activities, therefore, we cooperate with the Special Investigation Service of the Republic of Lithuania in ensuring the prevention of corruption. We are also working with the Police Department to ensure the highest standards of cyber security and crime prevention.

The Group cooperates with the largest Lithuanian universities and other scientific institutions, contributes to the development of studies and practical programmes, promotes girl involvement in the energy field and participates in events and other activities.

More detailed information on our partnerships, is available on our website.

How do we implement principles of the Global Compact

Sustainability Policy also emphasises our commitment to the ten principles of the Global Compact (UNGC), which we joined in 2016. This agreement – the generally accepted guidelines for responsible business conduct – is a clear guide for the development of responsible business. The control over the implementation of these principles and the management of the related risks are an integral part of the overal risk management of the Group companies.

Our commitment		Page(s) of Annual Report
Human rights		
1	We support and respect internationally recognised human rights.	211–214, 274
2	We are committed not to be complicit in human rights abuses.	211–214, 274
Labour		
3	We guarantee freedom of association, including trade union membership, and recognise the right of workers to collective bargaining.	204–207
4	We do not use forced or compulsory labour and seek to contribute to its elimination in an environment where we have influence.	205
5	We do not use child labour and contribute to its elimination in an environment where we have influence.	205, 236
6	We do not tolerate any form of discrimination and contribute to its elimination in the work and professional environment where we	211–213, 274
Environment		
7	We apply preventive measures in order to ensure the protection of the environment.	160–171, 179–195, 252–253, 257–264
8	We undertake initiatives to increase environmental responsibility where we have influence.	225–227, 235–238, 255, 280–281
9	We encourage the development and wide application of environmentally friendly technologies.	172–177, 256
Anti-Corruption		
10	We create an environment which has zero tolerance for corruption and we fight all forms of corruption, including bribery, graft and trading in influence.	229–234, 277, 279

Contribution to the Sustainable Development Goals

The Group's goals are in line with the United Nations' Agenda for Sustainable Development, consisting of 17 universal interlinked Sustainable Development Goals that embrace the idea of social progress and improving the quality of life in the world. In pursuit of strategic goals, the Group contributes to the implementation of this agenda.

We contribute significantly to the implementation of these SDGs

7 AFFORDABLE AND CLEAN ENERGY

7.1 Access to energy

7.2 Renewable energy

7.3 Energy efficiency

To ensure that everyone has access to affordable, reliable, sustainable and modern energy services:

- We ensure the availability of energy services.
- We are expanding green generation capacity.
- We promote the development and consumption of clean energy.
- We proactively look for innovations in energy sector and incorporate them into our business.
- We promote energy efficiency.

8 DECENT WORK AND ECONOMIC GROWTH

8.2 Economic productivity

8.5 Decent work

8.8 Labour rights and safe working environment

Promoting sustainable economic growth and decent work:

- We ensure equal working and pay conditions for employees.
- We respect human rights and freedoms.
- We do not tolerate any form of discrimination and harassment.
- Safe work for employees and contractors is the Group's priority.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9.2 Sustainable industrialisation

9.4 Modern industry

By developing flexible infrastructure, promoting inclusive and sustainable industrialization and innovation:

- We invest in sustainable infrastructure and its improvement.
- We contribute to scientific research and invest in development projects.
- We support international cooperation.
- We help those who develop innovations useful to society.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.2 Sustainable management of natural resources

12.5 Reduce waste generation

12.6 Corporate social responsibility

Ensuring responsible consumption and production:

- We carefully select reliable partners and ensure a fair partnership.
- We promote responsible energy consumption.
- We aim to use resources efficiently when creating products and services.
- We promote waste recycling, rational management and use, and re-use of resources.
- We are expanding green generation capacity.

13 CLIMATE ACTION

13.1 Strengthen resilience and adaptivity

13.3 Education

Contributing to climate change mitigation:

- We implement decarbonization plans.
- We reduce the impact of our activities on the environment and aim to manage emissions to achieve net zero in GHG emissions in the long run.
- We adhere to the highest environmental protection and ecological standards.
- We increase the resilience of the energy infrastructure and adaptation to the effects of climate change.

Other SDGs to which we contribute

5.1 End all forms of discrimination

5.5 Equal opportunities for leadership

Our contribution to gender equality:

- We have commitment at the highest strategic level to achieve gender balance and are implementing measures to achieve this goal.
- We promote careers of female employees in IT and engineering areas.
- We aim to consistently increase the share of female employees in management positions.
- We promote awareness of gender equality among all employees – women and men.

15.1 Protection of terrestrial ecosystems

15.5 Reduce the degradation of biodiversity

To reduce and/or offset negative impacts on biodiversity and ecosystems:

- We have committed at the highest strategic level to achieve a net gain in biodiversity by 2025.
- We protect biodiversity, habitats and ecosystems in which we operate and monitor the impact of our activities on them. Environmental protection is integrated into our operation management policy.
- We have identified the impacts of our activities on the natural environment, dependencies, and segments where we must first take action to improve the state of biodiversity.
- We cooperate with governmental and non-governmental environmental institutions and scientists.
- We adhere to the highest environmental protection and ecological standards.

16.5 Anti-corruption

16.10 Access to information

Promoting transparency, anti-corruption and justice:

- We constantly improve anti-corruption management in the Group.
- We educate employees, partners and cooperate with state institutions.

Disclosures under the EU Taxonomy Regulation

The Taxonomy Regulation lays down a classification and investment screening system for environmentally sustainable economic activities, which aims to create transparency for shareholders, investors, and other stakeholders. The Taxonomy Regulation also sets mandatory requirements on disclosure, with the aim of providing transparency on environmental performance. For the 2021 fiscal year, Ignitis Group has started disclosing its Taxonomy-eligible economic activities in 2022, including the required KPIs: capital expenditures (hereinafter - Taxonomy CAPEX), operating expenses (hereinafter - Taxonomy OPEX) and revenue. In addition the Group also voluntarily disclose Adjusted EBIDTA. Starting from 1 January 2023, for the 2022 fiscal year, the Group is going to disclose the aforementioned KPIs of Taxonomy-aligned economic activities.

Taxonomy-eligible and -aligned activities of the Group include:

Taxonomy-eligible	Taxonomy-aligned
4.1 Electricity generation using solar photovoltaic technology	✓
4.3 Electricity generation from wind power	✓
4.5 Electricity generation from hydropower	✓
4.9 Transmission and distribution of electricity (including EV network and Smart metering)	✓
4.10 Storage of electricity	✓
4.20 Cogeneration of heat/cool and power from bioenergy	✓
4.24 Production of heat/cool from bioenergy	✓
4. 29 Electricity generation from fossil gaseous fuels	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	
6.6 Freight transport services by road	
7.3 Installation, maintenance and repair of energy efficiency equipment	✓
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	✓
7.6 Installation, maintenance and repair of renewable energy technologies	✓
7.7 Acquisition and ownership of buildings	

Taxonomy-non-eligible economic activities of the Group include electricity supply, natural gas supply and distribution, cogeneration of heat/cool and power from waste and other activities non-significant at the Group level.

Taxonomy-alignment: Substantial contribution

The eligible activities of the Group were analysed while determining substantial contribution to the first two objectives of Regulation (EU) 2020/852: climate change mitigation and climate change adaptation. Activities 4.1, 4.3, 4.10, 7.3 (d), 7.4, 7.6 (a, c) automatically fulfill the substantial contribution criteria to climate change mitigation as the Group operates them in the manner requested by the criteria. Activity 4.9 is the interconnected European system, activity 4.5 is run-of-river plant and does not have an artificial reservoir, activities 4.20 and 4.24 use biomass that is compliant with the criteria laid down in Article 29, (2-7) of Directive (EU) 2018/2001 and with the greenhouse gas (GHG) emission savings criteria. All these activities fulfill the criteria of substantial contribution to climate change adaptation as the physical climate-related risks are fully integrated into the overall risk management process of the Group. Also, the Group has mitigation methods in place, such as monitoring short- and long-term weather forecasts, business continuity plans and investment programmes to improve its infrastructure resilience. Depending on the activity, climate-related resilience is covered in its investment plans.

Activities 4.29, 7.7 and 6.5 do not meet substantial contribution criteria.

For more information on ESG risks see section '4.7 Risk and Risk Management' of this report and further details on climate change adaptation are available in the Taxonomy Report.

Do no significant harm (DNSH) to climate change mitigation and adaptation

We have assessed and documented the compliance of all activities that meet substantial contribution criteria with the DNSH requirements for climate change mitigation and adaptation.

Climate change adaptation

Global warming, more variable precipitation patterns, rising sea levels and extreme weather events already pose a significant challenge to the resilience of energy sector, and increase the likelihood of climate-related physical risks. Noting this increasing relevance of climate-related risks, both physical and transitional, Ignitis Group has fully integrated them into the overall risk management process. Our processes for identifying, assessing, and managing climate-related risks follow the same procedures as for assessing other risks (strategic, operational, financial, external). Our employees are trained and consulted on climate-related risks, their possible impact on business and processes, which increases the Group's ability to identify and manage climate-related risks in a timely manner.

For more information on ESG risks see section '4.7 Risk and Risk Management' of this report, and further details on climate change adaptation are available in the Taxonomy Report.

Sustainable use and protection of water and marine resources

In all activities where we are legally required to conduct Environmental Impact Assessments (EIAs) or the screening of Environmental Impact Assessment (EIA screening), we ensure that potential impacts on water resources are avoided, mitigated, and addressed appropriately, and the activities meet the criteria. Therefore, we are following additional legal requirements for hydropower and storage of electricity activities and their impact on water resources.

Read more about our compliance with the DNSH criteria in the Taxonomy Report.

Transition to a circular economy

Where it is feasible we try to choose highly durable materials, re-use and recycle them. We promote rational and sustainable use of resources and materials. We also have internal waste management processes in place, and we are constantly working to improve our waste management practices.

For more information on how we are using secondary raw materials, reducing waste and diverting waste from landfills see section '5.5 Preserving natural resources' of this report, and further details on our compliance with this DNSH criteria in the Taxonomy Report.

Pollution prevention and control

In all activities where we are legally required to conduct Environment Impact Assessments (EIAs) or the screening of Environmental Impact Assessment (EIA screening) we guarantee that potential pollution is avoided, mitigated, and addressed appropriately, pollution requirements are integrated into their pollution permit conditions. Based on thereof and all the additional air pollution monitoring we carry out, our activities meet the criteria.

For more information on the impact on soil, water and air quality see section '5.5 Preserving natural resources' of this report, and further details on our compliance are available in the Taxonomy Report.

Protection and restoration of biodiversity and ecosystems

In all activities where we are legally required to conduct Environment Impact Assessment (EIA) or the screening of Environmental Impact Assessment (EIA screening) we ensure that potential impact on biodiversity and ecosystems is avoided, mitigated, and addressed appropriately.

For more information about the impact on biodiversity and ecosystems see section '5.5 Preserving natural resources' of this report, and further details on our compliance to this DNSH criteria are available in the Taxonomy Report.

Minimum social safeguards

Ignitis Group conducts its activities by ensuring the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The Group respects human rights and has both the Code of Ethics and the Group's Supplier Code of Ethics. The Code of Ethics is based on values of our organization and defines the principles and standards of business ethics followed by Ignitis Group companies and expected from our employees in their daily work. The Supplier Code of Ethics sets out the minimum standards of business conduct that we expect all our Suppliers to adhere to and, where possible, exceed.

In addition to that, the Group's People and Culture Policy, Equal Opportunity and Diversity Policy, Occupational Health and Safety Policy, Anti-Corruption Policy, Market Abuse Prevention Policy cover other aspects of social safeguards that are of the highest importance to the Group.

Ignitis Group is determined to act justly and according to legislative requirements and international standards. Please find the list of the Group's public policies available here.

For more information on the ethical business, anti-corruption and transparency and responsibility and sustainability in the supply chain see section '5.7 Robust organisation' of this report.

Additional information regarding regulated activities

Elektrėnai Complex (Flexible Generation), which is managed by Ignitis Gamyba, Kruonis PSHP and Kaunas HPP (both Green Generation) provide ancillary services to the transmission system operator (TSO) that are necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity.

For more information on the services necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity see section '5.7 Robust organisation' of this report.

Accounting policies

Our accounting methodology for calculating of the key performance indicators required to be disclosed by the EU Taxonomy Regulation (hereinafter KPI) are based on the Group's best interpretation of the EU Commission Delegated Regulation 2178/2021 and the currently available guidelines from the European Commission. With regards to the limited industry-specific guidance, the Group made several assumptions to implement the Taxonomy in practice. With the new official guidance from the European Commission or in the light of emerging industry practices, these assumptions will be amended and disclosed accordingly, if needed.

While the EU Taxonomy requires to disclose the share of revenue, Taxonomy OPEX and Taxonomy CAPEX KPIs that are Taxonomy-aligned or / and Taxonomy-eligible, the Group additionally discloses the Adjusted EBITDA metric as it provides coherence with other KPIs and better reflects how much the Group's growth is linked to sustainable activities (as defined by the Taxonomy).

Taxonomy-eligible / aligned KPIs are calculated as the KPIs associated to each specific Taxonomy eligible / aligned activity and divided by the Group's total KPIs. While calculating the numerators, KPIs were allocated to Taxonomy eligible / aligned activities based on their eligibility and the alignment analysis described in the previous paragraphs. The assumption was made that any revenue, Adjusted EBITDA, Taxonomy OPEX, or

Taxonomy CAPEX that can be justifiably linked to an identified Taxonomy-eligible / aligned economic activity can be classified as Taxonomy-eligible / aligned, accordingly. Revenue, and Adjusted EBITDA KPIs are directly linked to the ratios used in the Group's annual report and financial statements, whereas Taxonomy OPEX and Taxonomy CAPEX refer to the type of costs or additions required by the EU Taxonomy Regulation. Due to rounding, totals of the numbers may not be exactly the same as those provided in other sections and percentages may not precisely reflect the absolute figures.

Double counting

All reported Taxonomy KPIs exclude double counting, as each KPI is assigned to different activities which are either independent or proxies, to split the financial numbers into the applicable Taxonomy-eligible / aligned activities, and non-eligible / aligned ones, are used. In addition to this, intra-group transactions were eliminated, where needed. An exception for intra-group transaction elimination was made for electricity sales to Customers & Solutions segment (see paragraph 'Calculation of Taxonomy eligible / aligned revenue' below). Furthermore, to avoid double counting, while calculating numerator, KPIs were counted only once when an economic activity contributes to several environmental objectives.

Proxies

Where the financial numbers cannot be split into distinct activities in the financial accounting structure, proportional accounting has been used to split the numbers. Proportional accounting is used when calculating Taxonomy OPEX, Adjusted EBITDA, Taxonomy CAPEX and is mostly related to the indirect costs or non-material activities / transactions at the Group level.

Changes in calculations

The 2021 figures have been restated based on the extensive analysis carried out while preparing for alignment in 2022, also with changes made in the calculation of both Taxonomy OPEX and Taxonomy CAPEX, and other insignificant revisions made. Furthermore, with regards to changes in financial accounting, 2021 financial statements were restated (see section '6.1 Consolidated financial statements', Note 6. Restatement of comparative figures due to change of accounting policy'), therefore the changes were reflected accordingly.

Activities restated as eligible (were not stated as eligible in 2021 Annual report of the Group) are: electricity generation using electricity generation from fossil gaseous fuels, production of heat/cool from bioenergy, installation, maintenance and repair of renewable energy technologies (solar PV), installation, maintenance and repair of energy efficiency equipment (lighting modernisation projects), transport by motorbikes, passenger cars and light commercial vehicles, acquisition, and ownership of buildings. On the contrary, solar PV installation where the Group acted as an agent, was excluded, and now is evaluated as ineligible. However, it has no material effect at the Group level (around 0.01% of total 2021 revenue).

In previous reports Taxonomy OPEX covered all operating expenses (as it is defined in section '3.1 Annual results', part 'Expenses'), whereas in this report it was specified according to the EU Commission Delegated Regulation 2178/2021 and includes operational expenses related with: repairs & maintenance, short term lease and IT maintenance (in denominator only). Temporary differences in calculations compared to the ones provided in the EU Commission Delegated Regulation 2178/2021 are described below, paragraph 'Calculation of the percentage of eligible / aligned Taxonomy OPEX'.

In previous reports Taxonomy CAPEX was calculated as additions to property plant and equipment, intangible assets, investment property and other financial assets (since Q3 2022 prepayments were additionally included), whereas in this report it was specified according to the EU Commission Delegated Regulation 2178/2021 and covers: IAS 16 (73: (e) (i) and (iii)), IAS 38 (118: (e) (i)), IAS 40 (76: (a)), and IFRS 16 (53: (h)).

Calculation of Taxonomy eligible / aligned revenue

As it is defined in the EU Commission Delegated Regulation 2178/2021, the share of the Group's Taxonomy-eligible / aligned revenue is calculated as the revenue derived from products or services associated with Taxonomy-eligible / aligned economic activities divided by the Group's total revenue (see '6.1 Consolidated financial statements', Consolidated Statement of Profit or Loss).

Revenue associated with the storage of electricity, electricity generation from hydropower, wind power and fossil gaseous fuels includes the total revenue of Kruonis PSHP, Kaunas HPP, wind farms, CCGT, units 7 and 8 at Elektrėnai Complex including the revenue from balancing activities, and / or hedging, and / or regulatory activities, where the regulated result includes figures not necessarily from generation of electricity (see section '5.7 Robust organisation' of this report). An exception was made for 2022 when eliminating (classifying as Taxonomy-non-eligible) one-off revenues (EUR 64.6 million) for isolated regime services, intended to cover the expenses incurred for acquisition of an additional gas reserve.

Revenue associated with electricity distribution and transmission includes revenue from transmission activities, where the Group only provides "pass-through" services.

Revenue associated with electricity generation from wind power and hydropower is mainly related to sale of electricity, whereas part of it was sold via Customers & Solutions segment (intra-group sales). An exception for intra-group transactions elimination for electricity sales to Customers & Solutions segment was made after considering, that it refers to electricity produced using technologies that meet the technical screening criteria of the EU Taxonomy Regulation and avoids double-counting as the residual electricity supply was represented as Taxonomy-non-eligible.

During our analysis, we determined, that each individual economic activity that contributes to climate change mitigation objective also contributes to achieving climate change adaptation objective, therefore the numerator of revenue KPI does not exclude the part of economic activities that have been adapted to climate change.

Throughout the reporting period, the Group has not issued new or disbursed previously issued green bonds with the purpose of financing Taxonomy-aligned activities, thus the Group assumes that no disclosures related with revenue must be made to avoid double counting. Nevertheless, it must be noted, that the Group has issued two green bonds, which were already disbursed before 2021.

Calculation of Taxonomy eligible / aligned Adjusted EBITDA

Adjusted EBITDA is disclosed voluntarily. The share of the Group's Taxonomy-eligible / aligned Adjusted EBITDA is calculated as Adjusted EBITDA derived from products or services associated with Taxonomy-eligible / aligned economic activities divided by the Group's total Adjusted EBITDA (see section '3.1 Annual results', part 'EBITDA'). The principles of calculation and allocation are based on the same assumptions as for revenue KPI calculation indicated in the section above.

Calculation of Taxonomy eligible / aligned Taxonomy CAPEX

As it is defined in the EU Commission Delegated Regulation 2178/2021, the share of the Group's Taxonomy-eligible / aligned CAPEX is Taxonomy CAPEX related to assets or processes associated with Taxonomy-eligible / aligned economic activities calculated as proportion of the total Group's Taxonomy CAPEX.

The Taxonomy CAPEX is calculated based on IAS 16 (73: (e) (i) and (iii)), IAS 38 (118: (e) (i)), IAS 40 (76: (a)), and IFRS 16 (53: (h)) (see section '6.1 Consolidated financial statements', Note 16 Intangible assets (under 'Additions' and 'Acquisition through business combination'), Note 17 Property, plant and equipment (under 'Additions' and 'Acquisition through business combination'), Note 18 Right-of-use assets (under 'Additions')). Goodwill acquired through business combinations is excluded from the Taxonomy CAPEX KPI.

Calculation of Taxonomy eligible / aligned Taxonomy OPEX

As it is defined in the EU Commission Delegated Regulation 2178/2021, the share of the Group's Taxonomy-eligible / aligned OPEX is Taxonomy OPEX related to assets or processes associated with Taxonomy-eligible / aligned economic activities calculated as a proportion of the total Group's Taxonomy OPEX.

The Taxonomy OPEX numerator includes operational expenses related to repairs & maintenance, and short-term lease, whereas the denominator additionally includes IT maintenance costs. Currently the scope of Taxonomy OPEX included in the Article 8 of the Disclosures Delegated Act is open to interpretation, and there is lack of industry specific guidelines providing appropriate inclusions, therefore the Group calculated Taxonomy OPEX as the most accurate ratio for currently available information. Due to a lack of precise allocation tools within the Group's accounting system, several limitations were determined while calculating Taxonomy OPEX (see paragraph "Limitations" below). However, in the next reporting periods the Group is planning to fine-tune current processes to provide more precise disclosures.

Limitations

There are Taxonomy-eligible / aligned activities in the Group, whose financial numbers are currently below certain materiality thresholds that we have defined, therefore several exemptions were made while calculating KPIs for these immaterial activities. For instance, the share of Taxonomy OPEX / CAPEX related with an acquisition and ownership of buildings is associated only with buildings rented out to third parties and does not include operating / capital expenses of administration buildings as majority of administration buildings used by the Group are rented, and the residual is immaterial and / or is an integral part of production facilities. Another limitation is related to the freight transport services by road, which is currently represented as Taxonomy-non-eligible (a more conservative approach), after considering that precise allocation among different types of vehicles (N3 and other categories not described under Taxonomy) is not possible at the moment and it has no material impact (less than 0.01% of total Group's revenues).

There are also temporary limitations with regards to Taxonomy OPEX calculations. Due to lack of industry-specific guidelines and precise allocation tools within the Group's accounting system, we cannot objectively evaluate the type of IT maintenance cost that could be justifiably included; thus, we use conservative approach and include all IT maintenance costs to the denominator but do not include any costs to the numerator. Following the same reasons, operational expenses related to costs of employees servicing the assets to ensure their continued and effective functionality are not included under the numerator or the denominator. We do not expect that this addition would have a material impact at the Group level. In the next reporting periods, the Group is planning to implement appropriate proxies to ensure a more precise reflection and consistent application of Taxonomy OPEX.

Contextual information about EU Taxonomy KPIs

All KPIs are the same for both environmental objectives (except for EV network activity which does not have technical screening criteria for climate change adaptation), therefore they are not disclosed separately.

Revenue KPI

Taxonomy-eligible share of revenue in 2022 was 24.4% and decreased by 15.7 pp compared to 2021, whereas Taxonomy-aligned share was 20.6% and decreased by 11.9 pp.

The key drivers were:

- substantial increase in revenue of Taxonomy-non-eligible activities (EUR +2,178.3 million), which was mainly driven by higher revenue from electricity and natural gas supply due to significantly higher market prices and higher volumes sold;
- partly offset by the increase (EUR +183.6 million) in revenue from storage of electricity, electricity generation from hydropower and wind power (Taxonomy-aligned activity). The increase was mainly driven by higher electricity market prices and the launch of a new electricity generation asset – Pomerania WF in Poland;
- partly offset by the increase (EUR +89.4 million) in revenue from transmission and distribution of electricity (Taxonomy-aligned activity), which was influenced by recovery of technological losses expenses at the end of 2022 (accumulated during 2022), resulted from higher electricity prices.

The difference between Taxonomy-eligible and Taxonomy-aligned revenues is mainly affected by the revenue from electricity generation from fossil gaseous fuels, which in 2022 increased by EUR +22.6 million mainly due to more favourable market conditions.

In 2022 EUR 2.5 million in revenue related to Taxonomy-aligned activities was inter-company transactions, therefore, it was excluded when calculating Taxonomy-aligned revenue. It is worth noting, that inter-company sales of generated electricity (from wind and hydropower) to Customers & Solutions segment, which are subsequently sold to third parties, were not eliminated (more information in paragraph 'Calculation of Taxonomy eligible / aligned revenue').

Throughout the reporting period the Group has not issued new or disbursed previously issued green bonds with the purpose of financing Taxonomy-aligned activities.

Adjusted EBITDA KPI

Taxonomy-eligible share of Adjusted EBITDA in 2022 was 81.9% and increased by 7.7 pp or EUR 137.6 million compared to 2021. Taxonomy-aligned share of Adjusted EBITDA in 2022 was 74.6% and increased by 11.5 pp or EUR 140.4 million compared to 2021.

The increase was mostly driven by:

- higher Adjusted EBITDA of electricity generation from wind power, hydropower, storage of electricity. Main contributors to the growth were higher electricity market prices and the launch of Pomerania WF in Poland;
- higher Adjusted EBITDA of distribution of electricity, which was driven by an introduction of an additional tariff component and higher RAB but partly offset by lower WACC.

The increase in Taxonomy-aligned Adjusted EBITDA was higher compared to Taxonomy-eligible Adjusted EBITDA, mainly due to the lower result of electricity generation from fossil gaseous fuels (EUR -2.6 million), which is not Taxonomy-aligned.

Taxonomy CAPEX KPI

Taxonomy-eligible share of Taxonomy CAPEX in 2022 was 90.0% and increased by 18.6 pp compared to 2021. Taxonomy-aligned share of Taxonomy CAPEX in 2022 was 89.5% and increased by 18.2 pp compared to 2021. Taxonomy CAPEX related to Taxonomy-aligned activities increased by EUR 164.5 million.

The main drivers related to the increase were the following:

- in 2022, additions related to property plant and equipment of Taxonomy-aligned activities amounted to EUR 302.0 million and were EUR +135.7 million higher compared to 2021. Taxonomy-aligned property, plant, and equipment additions in 2022 were mainly related to investments into electricity distribution grid (maintenance, expansion, smart meters), generation from wind power (investments in new wind farms), cogeneration of heat/cool and power from bioenergy (construction of Vilnius CHP biomass unit);
- additions of intangible assets related to Taxonomy-aligned activities during 2022 amounted to EUR 19.0 million, which is EUR +8.6 million higher than in 2021. Taxonomy-aligned additions of intangible assets in 2022 were mainly associated with generation using solar technology and investments into electricity distribution grid;
- during 2022, Taxonomy-aligned acquisitions through business combinations were EUR 34.5 million and were EUR +21.7 million higher compared to 2021. Taxonomy-aligned additions related to acquisitions were related to electricity generation from wind power as a result of WF development projects.

Throughout the reporting period, Group has not issued new or disbursed previously issued green bonds with the purpose of financing Taxonomy-aligned activities.

Taxonomy OPEX KPI

Taxonomy-eligible share of Taxonomy OPEX in 2022 was 73.8% and decreased by 0.1 pp compared to 2021. Taxonomy-aligned share of Taxonomy OPEX in 2022 was 64.9% and increased by 5.4 pp as Taxonomy-aligned Taxonomy OPEX was EUR +9.7 million higher compared to 2021, which was mainly driven by an increase in repair and maintenance expenses.

The main drivers of an increase were the following:

- in 2022 repairs and maintenance expenses related to Taxonomy-aligned activities amounted to EUR 31.2 million and were EUR 9.1 million higher compared to 2021. The increase was mostly related to electricity distribution activity mainly due to increased costs of both contractors' fees and materials;
- in 2022 short term lease expenditures associated with Taxonomy-aligned activities amounted to EUR 0.7 million and were EUR 0.6 million higher compared to 2021. It was mainly related with electricity generation from wind power;
- IT maintenance expenses increased by EUR +2.3 million and are reported as Taxonomy-non-eligible (included in denominator only) thus have a negative effect on the Taxonomy-aligned Taxonomy OPEX KPI.

The difference between Taxonomy-eligible and Taxonomy-aligned Taxonomy OPEX is mainly because of the Taxonomy OPEX, related to electricity generation from fossil gaseous fuels, which is not Taxonomy-aligned.

Maintenance materials were reported in combination with other repairs and maintenance operational expenses described above. IT maintenance costs were included in denominator only, whereas salaries expenses relating to the day-to-day servicing of assets of property, plant and equipment are not included neither in numerator nor in denominator but are planned to be included in further reports with a fine-tuned reporting process.

Revenue under the EU Taxonomy

Economic activities under EU Taxonomy	NACE codes	Absolute revenue 2022	Proportion of revenue 2022	Substantial contribution criteria: climate change mitigation	Substantial contribution criteria: climate change adaptation	DNSH criteria: climate change mitigation	DNSH criteria: climate change adaptation	DNSH criteria: water and marine resources	DNSH criteria: circular economy	DNSH criteria: pollution	DNSH criteria: biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of revenue, year 2022	Taxonomy-aligned proportion of revenue, year 2021	Category (enabling)	Category (transitional)
		millions of euro	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
4.1. Electricity generation using solar photovoltaic technology	D35.11, F42.22	-	-	100	100		Y		Y		Y	Y	-	-		
4.3. Electricity generation from wind power	D35.11, F42.22	61.4	1.4%	100	100		Y		Y		Y	Y	1.4%	1.3%		
4.5. Electricity generation from hydropower	D35.11, F42.22	83.4	1.9%	100	100	Y	Y	Y			Y	Y	1.9%	1.7%		
4.9 Transmission and distribution of electricity	D35.12, D35.13	532.3	12.1%	100	100	Y	Y		Y	Y	Y	Y	12.1%	23.3%	E	
b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport		0.5	0.0%	100			Y	Y	Y	Y	Y	Y	0.0%	0.0%		
f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council				100	100	Y	Y		Y	Y	Y	Y				
4.10 Storage of Electricity	No dedicated NACE code	202.0	4.6%	100	100		Y	Y	Y		Y	Y	4.6%	5.6%		
4.20 Cogeneration of heat/cool and power from bioenergy	D35.11, D35.30	-	-	100	100	Y	Y	Y		Y	Y	Y	-	-		
4.24 Production of heat/cool from bioenergy	D35.30	5.4	0.1%	100	100	Y	Y	Y		Y	Y	Y	0.1%	0.1%		
7.3 Installation, maintenance and repair of energy efficiency equipment (d)	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12	0.9	0.0%	100	100	Y	Y			Y		Y	0.0%	0.1%	E	
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	0.5	0.0%	100	100	Y	Y					Y	0.0%	0.0%	E	
7.6 Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	19.5	0.4%	100	100	Y	Y					Y	0.4%	0.4%	E	

Revenue of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**905.8**	**20.6%**														**20.6%**	**32.6%**		
A. 2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
4.29 Electricity generation from fossil gaseous fuels	D35.11, F42.22	165.4	3.8%																	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.6	0.0%														-	-		
7.7 Acquisition and ownership of buildings	L68	0.9	0.0%														-	-		
Revenue of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**166.8**	**3.8%**														-	-		
Total (A.1 + A.2)		**1,072.6**	**24.4%**														**20.6%**	**32.6%**		
B. Taxonomy-NON-ELIGIBLE ACTIVITIES																				
Revenue of Taxonomy-non-eligible activities (B)		**3,314.3**	**75.6%**														-	-		
Total (A + B)		**4,386.9**	**100.0%**														**20.6%**	**32.6%**		

Capital expenditure (Taxonomy CAPEX APM) under the EU Taxonomy

Economic activities under EU Taxonomy	NACE codes	Absolute Taxonomy CAPEX 2022	Proportion of Taxonomy CAPEX 2022	Substantial contribution criteria		DNSH criteria											
				climate change mitigation	climate change adaptation	climate change mitigation	climate change adaptation	water and marine resources	circular economy	pollution	biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of Taxonomy CAPEX year 2022	Taxonomy-aligned proportion of Taxonomy CAPEX, year 2021	Category (enabling)	Category (transitional)
		millions of euro	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
4.1. Electricity generation using solar photovoltaic technology	D35.11, F42.22	9.3	2.3%	100	100		Y		Y		Y	Y	2.3%	0.3%		
4.3. Electricity generation from wind power	D35.11, F42.22	44.8	11.3%	100	100		Y		Y		Y	Y	11.3%	8.8%		
4.5. Electricity generation from hydropower	D35.11, F42.22	0.0	0.0%	100	100	Y	Y	Y			Y	Y	0.0%	0.2%		
4.9 Transmission and distribution of electricity	D35.12, D35.13	228.3	57.4%	100	100	Y	Y		Y	Y	Y	Y	57.4%	59.2%	E	
b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport		0.1	0.0%	100			Y	Y	Y	Y	Y	Y	0.0%	0.0%		
f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council		20.6	5.2%	100	100	Y	Y		Y	Y	Y	Y	5.2%	1.3%		
4.10 Storage of Electricity	No dedicated NACE code	0.9	0.2%	100	100		Y	Y	Y		Y	Y	0.2%	0.1%		
4.20 Cogeneration of heat/cool and power from bioenergy	D35.11, D35.30	51.8	13.0%	100	100	Y	Y	Y		Y	Y	Y	13.0%	0.5%		
4.24 Production of heat/cool from bioenergy	D35.30	0.6	0.1%	100	100	Y	Y	Y		Y	Y	Y	0.1%	0.0%		
7.3 Installation, maintenance and repair of energy efficiency equipment (d)	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12	-	-	100	100	Y	Y			Y		Y	-	-	E	
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28	-	-	100	100	Y	Y					Y	-	-	E	
7.6 Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28	-	-	100	100	Y	Y					Y	-	0.9%	E	

Taxonomy CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**356.3**	**89.5%**	**89.5%**	**71.3%**
A. 2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)					
4.29 Electricity generation from fossil gaseous fuels	D35.11, F42.22	1.7	0.4%		
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.0	0.0%	-	-
7.7 Acquisition and ownership of buildings	L68	-	-	-	-
Taxonomy CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1.7**	**0.4%**	**-**	**-**
Total (A.1 + A.2)		**358.0**	**90.0%**	**89.5%**	**71.3%**
B. Taxonomy-NON-ELIGIBLE ACTIVITIES					
Taxonomy CAPEX of Taxonomy-non-eligible activities (B)		**39.9**	**10.0%**	**-**	**-**
Total (A + B) [1]		**398.0**	**100.0%**	**89.5%**	**71.3%**

[1] *It shall be noted that total Investments reported by the Group in 2022 was EUR 521.8 million, whereas total Taxonomy CAPEX - EUR 398.0 million. The difference emerges, as Taxonomy CAPEX includes additions to tangible and intangible assets (including results from business combinations) as well as right-of-use assets, whereas Investments reported by the Group includes prepayments for property, plant, and equipment and additions of other financial assets but excludes additions to right-of-use assets.*

Operating expenses (Taxonomy OPEX APM) under the EU Taxonomy

Economic activities under EU Taxonomy	NACE codes	Absolute Taxonomy OPEX 2022	Proportion of Taxonomy OPEX 2022	Substantial contribution criteria		DNSH criteria						Minimum safeguards	Taxonomy-aligned proportion of Taxonomy OPEX, year 2022	Taxonomy-aligned proportion of Taxonomy OPEX, year 2021	Category (enabling)	Category (transitional)
				climate change mitigation	climate change adaptation	climate change mitigation	climate change adaptation	water and marine resources	circular economy	pollution	biodiversity and ecosystems					
		millions of euro	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-ELIGIBLE ACTIVITIES																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
4.1. Electricity generation using solar photovoltaic technology	D35.11, F42.22	-	-	100	100		Y		Y		Y	Y	-	-		
4.3. Electricity generation from wind power	D35.11, F42.22	3.5	7.2%	100	100		Y		Y		Y	Y	7.2%	6.3%		
4.5. Electricity generation from hydropower	D35.11, F42.22	0.2	0.3%	100	100	Y	Y	Y			Y	Y	0.3%	0.7%		
4.9 Transmission and distribution of electricity	D35.12, D35.13	27.8%	56.6%	100	100	Y	Y		Y	Y	Y	Y	56.6%	51.6%	E	
b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport		-	-	100			Y	Y	Y	Y	Y	Y	-	-		
f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council		-	-	100	100	Y	Y		Y	Y	Y	Y	-	-		
4.10 Storage of Electricity	No dedicated NACE code	0.3	0.7%	100	100		Y	Y	Y		Y	Y	0.7%	0.8%		
4.20 Cogeneration of heat/cool and power from bioenergy	D35.11, D35.30	-	-	100	100	Y	Y	Y		Y	Y	Y	-	-		
4.24 Production of heat/cool from bioenergy	D35.30	0.1	0.1%	100	100	Y	Y	Y		Y	Y	Y	0.1%	0.1%		
7.3 Installation, maintenance and repair of energy efficiency equipment (d)	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12	-	-	100	100	Y	Y			Y		Y	-	-	E	
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	-	-	100	100	Y	Y					Y	-	-	E	
7.6 Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	-	-	100	100	Y	Y					Y	-	-	E	

Taxonomy OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**31.9**	**64.9%**		**64.9%**	**59.5%**
A. 2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)						
4.29 Electricity generation from fossil gaseous fuels	D35.11, F42.22	3.7	7.5%			
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.7	1.4%		-	-
7.7 Acquisition and ownership of buildings	L68	0.0	0.0%		-	-
Taxonomy OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4.4**	**8.9%**		**-**	**-**
Total (A.1 + A.2)		**36.3**	**73.8%**		**64.9%**	**59.5%**
B. Taxonomy-NON-ELIGIBLE ACTIVITIES						
Taxonomy OPEX of Taxonomy-non-eligible activities (B)		**12.8**	**26.2%**		**-**	**-**
Total (A + B)[1]		**49.1**	**100.0%**		**64.9%**	**59.5%**

[1] It shall be noted, that total OPEX reported by the Group in 2022 was EUR 220.0 million, whereas total Taxonomy OPEX - EUR 49.1 million. The difference emerges, as Taxonomy OPEX includes only repairs and maintenance expenses, short term lease expenditures and IT maintenance expenses but excludes salaries and other expenses.

Index to the Task Force on Climate-related Financial Disclosures (TCFD)

TCFD Disclosure recommendation		Page(s) of Annual report
GOVERNANCE		
Disclose the organisation's governance around climate related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities	286–288
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	286–288
STRATEGY		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	163–164
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	24, 26, 157, 163–164
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including Disclosure under a 2°C or lower scenario.	163–164, 166
RISK MANAGEMENT		
Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	134–135
	b) Describe the organization's processes for managing climate-related risks.	135
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	135
METRICS AND TARGETS		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	252–253
	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	165, 252–253
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	157, 163–164

GRI content index

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GRI Standard	Disclosure	Page(s) of Annual report
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Nasdaq ESG indicators

The information presented below covers the period between 1 January – 31 December 2022 and we suggest to read the indicators together with the Sustainability Report in the Annual Report. The ESG (Environmental, Social and Corporate Governance) indicator data provided below has not been externally verified and represents the best available estimates at the point of disclosure.

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Financial statements

6.1 Consolidated financial statements

Prepared for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union

The Group's consolidated financial statements were prepared and signed by AB „Ignitis grupė" management on 23 February 2023:

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras",
Head of Accounting acting under Decision
No 23_GSC_SP_0010 (signed 17 February 2023)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

EURm	Notes	2022	2021 (restated)[1]
Revenue from contracts with customers	8	4,381.3	1,877.2
Other income	9	5.6	21.5
Total revenue and other income		**4,386.9**	**1,898.7**
Purchases of electricity, natural gas and other services	10	(3,608.7)	(1,380.9)
Salaries and related expenses		(115.8)	(97.2)
Repair and maintenance expenses		(40.6)	(31.7)
Other expenses	11	(82.1)	(45.7)
Total		**(3,847.2)**	**(1,555.5)**
EBITDA	7	**539.7**	**343.2**
Depreciation and amortisation	16, 17, 18, 33	(137.7)	(122.6)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	16, 17, 18, 33	(14.2)	(28.5)
Operating profit (loss) (EBIT)	7	**387.8**	**192.1**
Finance income	12	3.6	17.6
Finance expenses	13	(54.1)	(33.7)
Finance activity, net		**(50.5)**	**(16.1)**
Profit (loss) before tax		**337.3**	**176.0**
Current income tax (expenses)/benefit	14	(58.4)	(19.4)
Deferred tax (expenses)/benefit	14	14.5	3.6
Net profit for the year		**293.4**	**160.2**
Attributable to:			
Equity holders of the parent		293.4	160.2
Non-controlling interest		-	-
Basic earnings per share (in EUR)	15	**4.04**	**2.16**
Diluted earnings per share (in EUR)	15	**4.04**	**2.16**
Weighted average number of shares	15	**72,599,599**	**74,232,665**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

EURm	Notes	2022	2021
Net profit for the year[1]		**293.4**	**160.2**
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	17, 33	(1.1)	(23.6)
Change in actuarial assumptions		0.4	(0.3)
Items that will not be reclassified to profit or loss in subsequent periods, total		**(0.7)**	**(23.9)**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Cash flow hedges – effective portion of change in fair value	30	247.3	57.1
Cash flow hedges – reclassified to profit or loss	30	(165.3)	(38.4)
Foreign operations – foreign currency translation differences		(2.1)	(0.5)
Items that may be reclassified to profit or loss in subsequent periods, total		**79.9**	**18.2**
Total other comprehensive income (loss) for the year		**79.2**	**(5.7)**
Total comprehensive income (loss) for the year[1]		**372.6**	**154.5**
Attributable to:			
Equity holders of the parent		372.6	154.5
Non-controlling interests		-	-

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

Consolidated Statement of Financial Position

As at 31 December 2022

EURm	Notes	31 December 2022	31 December 2021 (restated)[1]
Assets			
Non-current assets			
Intangible assets	16	148.3	114.0
Property, plant and equipment	17	2,810.9	2,617.9
Right-of-use assets	18	48.6	57.5
Prepayments for non-current assets		125.8	15.8
Investment property		5.5	4.5
Non-current receivables		28.9	96.1
Other financial assets	21	25.6	30.1
Other non-current assets	22	24.8	3.7
Deferred tax assets	14.4	31.1	14.1
Total non-current assets		**3,249.5**	**2,953.7**
Current assets			
Inventories	23	570.4	185.6
Prepayments and deferred expenses	24	95.8	68.5
Trade receivables	25	424.4	274.9
Other receivables	26	179.7	292.5
Other current assets	22	56.9	33.3
Prepaid income tax		0.4	0.1
Cash and cash equivalents	27	694.1	449.1
Assets held for sale		0.4	0.4
Total current assets		**2,022.1**	**1,304.4**
Total assets		**5,271.6**	**4,258.1**

EURm	Notes	31 December 2022	31 December 2021 (restated)[1]
Equity and liabilities			
Equity			
Issued capital	28	1,616.4	1,658.8
Treasury shares	28	-	(23.0)
Reserves	29	344.9	248.8
Retained earnings		164.3	(28.7)
Equity attributable to equity holders of the parent		**2,125.6**	**1,855.9**
Non-controlling interests		-	-
Total equity		**2,125.6**	**1,855.9**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	31	1,423.3	1,118.1
Non-current lease liabilities	32	45.1	46.3
Grants and subsidies	33	296.8	279.1
Deferred tax liabilities	14.4	55.2	47.2
Provisions	35	17.6	30.1
Deferred income	34	205.5	183.6
Other non-current amounts payable and liabilities		20.7	0.4
Total non-current liabilities		**2,064.2**	**1,704.8**
Current liabilities			
Loans	31	209.0	237.3
Lease liabilities	32	3.6	4.7
Trade payables	36	177.2	100.2
Advances received	34	61.6	57.5
Income tax payable		53.4	11.6
Provisions	35	38.0	41.6
Deferred income	34	114.8	18.0
Other current amounts payable and liabilities	37	424.2	226.5
Total current liabilities		**1,081.8**	**697.4**
Total liabilities		**3,146.0**	**2,402.2**
Total equity and liabilities		**5,271.6**	**4,258.1**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

EURm	Notes	Equity, attributed to equity holders of the parent									Non-controlling interest	Total
		Issued capital	Treasury shares	Legal reserve	Revaluation reserve	Hedging reserve	Treasury shares reserve	Other reserves	Retained earnings	Subtotal		
Balance as at 1 January 2021		**1,658.8**	**-**	**116.0**	**119.1**	**-**	**-**	**(2.2)**	**(79.9)**	**1,811.8**	**1.5**	**1,813.3**
Change of accounting policy	6	-	-	-	-	-	-	-	0.7	**0.7**	-	**0.7**
Recalculated balance as at 1 January 2021 after restatement[1]		**1,658.8**	**-**	**116.0**	**119.1**	**-**	**-**	**(2.2)**	**(79.2)**	**1,812.5**	**1.5**	**1,814.0**
Net profit for the year[1]		-	-	-	-	-	-	-	160.2	**160.2**	-	**160.2**
Other comprehensive income (loss) for the year	30	-	-	-	(23.6)	18.6	-	(0.5)	(0.2)	**(5.7)**	-	**(5.7)**
Total comprehensive income (loss) for the year (restated)[1]		**-**	**-**	**-**	**(23.6)**	**18.6**	**-**	**(0.5)**	**160.0**	**154.5**	**-**	**154.5**
Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax)		-	-	-	(11.4)	-	-	-	11.4	**-**	-	**-**
Transfers to legal reserve		-	-	9.8	-	-	-	-	(9.8)	**-**	-	**-**
Transfer to reserves to acquire treasury shares	29.4	-	-	-	-	-	23.0	-	(23.0)	**-**	-	**-**
Treasury shares acquired	28.2	-	(23.0)	-	-	-	-	-	(3.7)	**(26.7)**	-	**(26.7)**
Dividends	28.4	-	-	-	-	-	-	-	(86.8)	**(86.8)**	-	**(86.8)**
Dividends paid to non-controlling interest	28.4	-	-	-	-	-	-	-	(1.2)	**(1.2)**	-	**(1.2)**
Share-based payments		-	-	-	-	-	-	-	0.2	**0.2**	-	**0.2**
Other movement		-	-	-	-	-	-	-	3.4	**3.4**	(1.5)	**1.9**
Balance as at 31 December 2021 (restated)[1]		**1,658.8**	**(23.0)**	**125.8**	**84.1**	**18.6**	**23.0**	**(2.7)**	**(28.7)**	**1,855.9**	**-**	**1,855.9**
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**125.8**	**84.1**	**18.6**	**23.0**	**(2.7)**	**(28.7)**	**1,855.9**	**-**	**1,855.9**
Net profit for the year		-	-	-	-	-	-	-	293.4	**293.4**	-	**293.4**
Other comprehensive income (loss) for the year	30	-	-	-	(1.1)	82.0	-	(2.1)	0.4	**79.2**	-	**79.2**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**(1.1)**	**82.0**	**-**	**(2.1)**	**293.8**	**372.6**	**-**	**372.6**
Transfer of revaluation reserve to retained earnings (depreciation, disposals and other movements, net of tax)		-	-	-	(10.0)	-	-	-	10.0	**-**	-	**-**
Transfers to legal reserve		-	-	12.6	-	-	-	-	(12.6)	**-**	-	**-**
Transfer to reserves to acquire treasury shares	29.4	-	-	-	-	-	14.7	-	(14.7)	**-**	-	**-**
Treasury shares acquired	28.2	-	(10.0)	-	-	-	-	-	(4.3)	**(14.3)**	-	**(14.3)**
Dividends	28.4	-	-	-	-	-	-	-	(89.0)	**(89.0)**	-	**(89.0)**
Share capital reduction	28.3	(42.4)	33.0	-	-	-	-	-	9.4	-	-	-
Other movement		-	-	-	-	-	-	-	0.4	**0.4**	-	**0.4**
Balance as at 31 December 2022		**1,616.4**	**-**	**138.4**	**73.0**	**100.6**	**37.7**	**(4.8)**	**164.3**	**2,125.6**	**-**	**2,125.6**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

EURm	Notes	2022	2021 (restated)[1]
Cash flows from operating activities			
Net profit for the year		293.4	160.2
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses	16, 17,18	149.1	133.4
Impairment of property, plant and equipment, including held for sale	17	7.7	8.8
Revaluation of property, plant and equipment	17, 33	-	15.8
Revaluation of investment property		(0.4)	(1.2)
Fair value changes of derivatives	38.1	(19.6)	9.2
Fair value change of financial instruments		23.4	(9.5)
Impairment/(reversal of impairment) of financial assets	20, 25, 26	1.8	0.1
Income tax expenses/(benefit)	14	43.9	15.8
Depreciation and amortisation of grants	33	(11.4)	(10.8)
Increase/(decrease) in provisions	35	(8.0)	7.0
Inventory write-off to net realizable value/(reversal)	23	103.0	0.6
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		6.5	4.6
Share-based payments expenses		-	0.2
Other expenses of investing activities		-	0.6
Interest income	12	(1.7)	(0.8)
Interest expenses	13	29.6	23.6
Other expenses/(income) of financing activities		(0.6)	2.8
Changes in working capital[2]:			
(Increase)/decrease in trade receivables and other amounts receivable		56.4	(294.6)
(Increase)/decrease in inventories, prepayments and other current and non-current assets		(504.5)	(129.6)
Increase/(decrease) in trade payables, deferred income, advances received, other non-current and current amounts payable and liabilities		422.7	187.5
Income tax (paid)/received		(27.4)	(18.3)
Net cash flows from operating activities		**563.9**	**105.4**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(439.4)	(245.4)
Proceeds from sale of property, plant and equipment, assets held for sale and intangible assets		3.0	2.4
Acquisition of subsidiaries, net of cash acquired	42	(28.4)	(9.5)
Loans granted[2]		(20.7)	(3.9)
Loan repayments received[2]		-	5.6
Grants received	33	29.0	17.2
Interest received		0.6	0.6
Finance lease payments received		1.6	2.0
Investments in Innovation Fund	5.6	(1.7)	(3.5)
Other increases/(decreases) in cash flows from investing activities		0.3	-
Net cash flows from investing activities		**(455.7)**	**(234.5)**

EURm	Notes	2022	2021 (restated)[1]
Cash flows from financing activities			
Loans received	32	223.0	104.0
Repayments of loans	32	(119.7)	(10.9)
Overdrafts net change	32	172.9	-
Lease payments	32	(5.1)	(13.6)
Interest paid	32	(28.8)	(26.0)
Dividends paid	28.4	(89.0)	(87.8)
Dividends returned		0.4	2.0
Equity acquisition from non-controlling interest		-	(19.0)
Treasury shares acquisition	28.2	(14.3)	(26.7)
Other increases/(decreases) in cash flows from investing activities[2]		(2.6)	(2.6)
Net cash flows from financing activities		**136.8**	**(80.6)**
Increase/(decrease) in cash and cash equivalents		**245.0**	**(209.7)**
Cash and cash equivalents at the beginning of the period		449.1	658.8
Cash and cash equivalents at the end of the period	27	**694.1**	**449.1**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

[2] The Group has performed reclassifications in the Consolidated Statement of Cash Flows in order to provide more reliable information for the users of financial statements. Reclassification had no impact on the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income and Statement of Changes in Equity. Reclassifications performed in 31 December 2021 were as follows:

a) A net change in current loans provided amounting to EUR 1.7 million was reclassified from Changes in working capital by presenting amount for loans granted (EUR (3.9) million) and loans repayment received (EUR 5.6 million) in the Cash flows from investing activities;

b) Personal income tax declared and paid in relation to bonds interest was reclassified from Changes in working capital to Cash flows from financing activities (EUR (2.6) million).

Explanatory Notes

For the year ended 31 December 2022

1 General information

AB „Ignitis grupė" (hereinafter referred to as 'parent company') is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Parent company code 301844044. The parent company has been founded for an indefinite period.

The parent company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.

The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating electricity distribution Network and managing and developing Green Generation portfolio. The Group also manages strategically important Flexible Generation assets and provide Customers & Solutions services, including the supply of electricity and natural gas, solar, e-mobility, improved energy efficiency and innovative energy solutions for households and businesses. Information on the Group's structure is provided in Note 19.

The Group's majority shareholder is the State of the Republic of Lithuania (74.99%).

Shareholder of the Group	31 December 2022		31 December 2021	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.2	74.99	1,212.2	73.08
Other shareholders	404.3	25.01	418.8	25.25
Treasury shares	-	-	27.8	1.67
Total	**1,616.5**		**1,658.8**	

These consolidated financial statements were prepared and signed for issue by Group's management on 23 February 2023.

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 parent company also prepares separate financial statements in accordance with IFRS as adopted by the EU as required by local legislation.

2 Basis of preparation

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS') issued by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in European Union.

The Group's financial statements as at and for the year ended 31 December 2022 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 3.10), investment property, and certain financial instruments measured at fair value.

These Group's consolidated financial statements (hereinafter referred to as 'financial statements') are presented in euros, which is the Group's functional currency and all values are rounded to the nearest million (EUR '000,000), except when otherwise indicated. The financial statements provide comparative information in respect of the previous period.

2.2 Consolidation principles

2.2.1 Consolidation

The financial statements 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 statement of profit or loss. 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.

2.2.2 Business combinations

2.2.2.1 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 statement of profit or loss 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 International Accounting Standard (hereinafter refere to as '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.

2.2.2.2 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 statement of profit or loss as a bargain purchase gain.

2.2.2.3 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 statement of profit or loss.

2.2.2.4 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 statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

2.2.2.5 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.

2.2.3 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.

2.3 Foreign currency translation

2.3.1 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’).

2.3.2 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 statement of profit or loss.

2.3.3 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 statement of profit or loss 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 statement of profit or loss.

2.4 ESEF reporting

The Group is required to file annual report in the European Single Electronic Format (‘ESEF’) using the XHTML format and to tag the consolidated financial statements including notes using Inline eXtensible Business Reporting Language (iXBRL). Prepared annual financial statements complies with 2021 taxonomy. Where a financial statement line item or text block is not defined in the ESEF taxonomy, an extension to the taxonomy has been created.

2.5 Alternative performance measures

The Group presents financial measures in the financial statements which are not defined according to IFRS. The Group uses these alternative performance measures (hereinafter referred to as ‘APM’) as it believes that these financial measures provide valuable information to stakeholders and management.

The financial measures should not be considered a replacement for the performance measures as defined under IFRS, but rather as supplementary information.

The APM may not be comparable to similar titled measures presented by other companies, as the definitions and calculations may be different.

The APM most commonly used in the Group’s financial statements: EBITDA, EBIT, adjusted EBITDA, adjusted EBIT, Investments, Net Debt

For more information on the APM – see Note 7.

3 Significant accounting policies

3.1 New standards, amendments and interpretations

3.1.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021, with the exception of the new standards which entered into force during the year of 2022.

3.1.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2022.

Standards or amendments that came into force during the year of 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards 2018–2020
Reference to Conceptual Framework

The adoption of these standards, revisions and interpretations had no material impact on the financial statements except Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) as described below:

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

In previous years, income received from the use of property, plant and equipment while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management and the expenses related to its earning were recognized as assets, i.e. were included in the acquisition cost of property, plant and equipment. After the amendments came into force, such income and expenses related to its earning are recognized as profit or loss.

The Group has performed an analysis of such revenues and related expenses and determined that adjustments are necessary. The Group has applied these amendments retrospectively in accordance of amendments requirements: only items of property, plant and equipment that are delivered to the site and are in such a condition that they can be used in the manner intended by management at the beginning of or after the earliest period considered for restatement of the financial statements in which the Group first applies the amendments. More information about the impact of these amendments on the Group's financial statements is disclosed in Note 6.

3.1.2 Standards issued but not yet effective and not early adopted

Preparing these financial statements the Group did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are endorsed for application in European Union (hereinafter referred to as 'EU').

The management of the Group is currently assessing the impact of these amendments on the financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The amendments also clarify that:

- not all information about accounting relating to material transactions, other events or conditions is itself material;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
- disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and the amendments do not relieve an entity from meeting other disclosure requirements within IFRS.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Early application is permitted. Amendments are endorsed for application in EU.

The management of the Group is currently assessing the impact of these amendments on the financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

Other new standards or amendments	IASB Effective date	EU Endorsement status
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

3.2 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:

- customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually), and
- 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, distribution and transmission of electricity, new customers connection and upgrade, 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.

3.2.1 Electricity related revenue

The Group's electricity related revenue includes:
- sale of electricity (Note 3.2.1.1);
- revenue from public electricity supply (Note 3.2.1.2);
- sale of produced electricity (Note 3.2.1.3);
- revenue from services ensuring the isolated operation of power system and capacity reserve (Note 3.2.1.4);
- revenue from electricity distribution and transmission (Note 3.2.1.5);
- revenue from public service obligations funds (hereinafter "PSO funds") (Note 3.2.1.6).

Electricity related revenue is received from non-household and household customers. Electricity to household customers is supplied at electricity tariff applied for public supply (Note 3.2.1.2), electricity tariff applied for independence supply (Note 3.2.1.1) or electricity tariff applied for supply of last resort (Note 3.2.1.1). Electricity to non-household customers is supplied at electricity tariff applied for independence supply (Note 3.2.1.1) or electricity tariff applied for supply of last resort (Note 3.2.1.1).

Accounting policy for electricity related revenue may be presented in accordance with the components of the electricity tariff applied to the consumed electricity by household and non-household customers. The tariff comprises of the following components:
- price of electricity (Note 3.2.1.1, 3.2.1.2);
- fee for electricity supply services (Note 3.2.1.1, 3.2.1.2);
- price of electricity transfer services, which include two components: transmission over high voltage grid and distribution over medium and low voltage grid (Note 3.2.1.5);
- price of electricity system services (includes capacity reserve services) (Note 3.2.1.4);
- fee for PSO services (hereinafter "PSO fees") (Note 3.2.1.6.1).

Regulation of tariffs and the Group's profitability is presented in the Note 3.2.4.

3.2.1.1 Revenue from the sale of electricity

Revenue from sales of electricity (Note 8 line item "Revenue from the sale of electricity") mainly consists of electricity sales to:
- non-household customers, and
- household customers by providing:
- the independence supply services according to bilateral agreements or
- supply of last resort services.

Revenue includes the price of electricity and the fee for electricity supply services. Revenue is recognized over time 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.

Revenue from the sale of electricity providing the supply of last resort services is regulated (Note 3.2.4.1).

3.2.1.2 Revenue from public electricity supply

Revenue from public electricity supply (Note 8 line item "Revenue from public electricity supply") consists of the following components of public supply electricity tariff: (i) sale of consumed public electricity and (ii) public supply service fee. Revenue from public electricity supply to the customers is recognised over time referring to the supplied electricity quantity reading devices provided by them and verified by the distribution system operator. In case of difference between provided and verified quantities due to over declaration (Note 5.13) the Group estimates the amount of deferred income (Note 36) and accounts for as a contract liability.

Revenue from public electricity supply is regulated (Note 3.2.4).

3.2.1.3 Revenue from sale of produced electricity

The sales of electricity produced (Note 8 line item "Revenue from sale of produced electricity") using own resources 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.

3.2.1.4 Revenue 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 8 line item "Revenue 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" or "the Regulator") 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 3.2.4, 5.14.1).

3.2.1.5 Revenue from electricity transmission and distribution

Revenue from electricity transfer, which includes transmission and distribution (Note 8 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 5.9.1).

Because the Group has no control over electricity transmission and distribution service obligations provided in Latvia (Note 5.9.1), the Group treats itself as an agent in the provision of electricity transfer, which includes both transmission and distribution.

Revenue from transmission and distribution of electricity is regulated (Note 3.2.4).

3.2.1.6 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 state 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.

3.2.1.6.1 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 5.10).

3.2.1.6.2 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 8 line item "Revenue from PSO") is regulated (Note 3.2.4)

3.2.2 Gas related revenue

The Group's gas related revenue includes:
- revenue from gas sales (Note 3.2.2.1);
- revenue from gas distribution (Note 3.2.2.2);
- revenue of LNGT security component (3.2.2.3.2).

Gas related revenue is received from business customers and household customers by providing services of gas supply. Revenue of LNGT security component is received as a compensation for providing services of designated supplier. For the purpose of these financial statements terms "gas" and "natural gas" are used for referring to the same items.

Accounting policy for gas related revenue received from 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:
- price of gas (Note 3.2.2.1);
- price of natural gas transmission over high-pressure (Note 3.2.2.2);
- price of natural gas distribution over medium and low pressure grid services (Note 3.2.2.2);
- LNGT security component (Note 3.2.2.3.1).

The Group as a natural gas supplier collects payments for all components from customers. The component of transmission service price and LNGT security component are transferred to transmission grid operator. The Group is an agent in collection of transmission service component (Note 5.9.3) and LNGT security component fees (Note 5.10).

Regulation of tariffs and the Group's profitability is presented in the Note 3.2.4.
Accounting policy for revenue from business customers is presented in Notes 3.2.2.1, 3.2.2.2.

3.2.2.1 Revenue from gas sales

Revenue from sales of gas (Note 8 line item “Revenue from gas sales“) consists of gas price and supply margin. Gas sales are performed by the Group as a natural gas supplier to household customers and as a designated LNG supplier to gas market.

Revenue from gas sales 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). In case of difference between provided and verified quantities due to over declaration (Note 5.13) the Group estimates the amount of deferred income (Note 34) and accounts for as a contract liability.

3.2.2.2 Revenue from gas distribution

The Group provides natural gas distribution services to household and non-household customers.

Revenue from non-household customers for the distribution of natural gas (Note 8 line item “Revenue from gas 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 actual natural gas quantity supplied which is 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 distribution is regulated (Note 3.2.4).

In Latvia natural gas distribution services are provided and acquired from the operator of gas distribution grid which is not a part of the Group. The Group as a natural gas supplier collects payments for distribution service component and transfers to operator of distribution grid. The Group is an agent in the collection of distribution service component in Latvia (Note 5.9.2).

3.2.2.3 LNGT security component

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 state budget, from which the LNGT funds are distributed (i.e. disbursed) to LNGT service providers.

The Group (through the Group company UAB „Ignitis”) 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.

3.2.2.3.1 The Group’s 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 5.10). 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 statement of profit or loss.

3.2.2.3.2 The Group’s activity as designated LNG supplier to gas market

The Group is providing dedicated LNG supply function.

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, designation ends on 31 December 2024) 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 statement of profit or loss. Revenue of LNGT security component is presented in Note 8 line item “Revenue of LNGT security component”.

Revenue of LNGT security component is regulated (Note 3.2.4).

3.2.3 Other significant revenue from contracts with customers

3.2.3.1 New customers connection and upgrade fees

The Group obtains revenue from services of new customers connections and upgrades to the electricity and natural gas distribution networks (Note 8 line item “Revenue from new customers’ connection and upgrade fees”). Connection and upgrade fees obtained by the Group are non-refundable upfront fees paid by the customers for the connection and upgrade 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 and upgrade 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 and upgrade 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 and upgrade fees received from customers which are deferred are accounted for as deferred revenue as a contract liability (Note 34).

According to connection contracts client is obliged to pay an advance before connection works are started. Advances received from clients are accounted for as prepayments received as a contract liability (Note 34).

3.2.4 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 5.14.

3.2.4.1 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.

The NERC regulates the prices of services ensuring capacity reserve and isolated operation of the power system by setting price or revenue caps.

Customers who are guaranteed by supply of last resort are subject to the price of supply of last resort, which is regulated by NERC and is calculated by applying the coefficient 1.15 to household customers and 1.25 – to non-household customers to the average electricity exchange price of the previous reporting month formed in the Lithuanian price zone.

3.2.4.2 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. NERC also closely supervises the activity of natural gas supply to household customers in Lithuania. Although prices are not regulated by law, the Group has majority of market share (>99%) and is considered having a monopoly status.

3.3 Other income

3.3.1 Operating lease income

Operating lease income is recognised on a straight-line basis over the lease period.

3.4 Expense recognition

Expenses are recognised in statement of profit or loss as incurred applying accrual basis of accounting.

3.5 Current and deferred tax

3.5.1 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% was applicable to the companies in Lithuania, in Poland – 19%, in Finland – 20%.

Standard corporate income tax rate in Latvia and Estonia is 20%(14% in certain cases) 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 derivatives. 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 derivatives 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.

3.5.2 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 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 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.

3.5.3 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.

3.6 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.

3.7 Diluted earnings per share

Diluted earnings per share 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.

3.8 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.

3.9 Intangible assets

3.9.1 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.

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.

3.9.2 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).

3.9.3 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 electricity 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 electricity 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 of Republic of Lithuania. 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 these right-to-use land contracts concluded as perpetual arrangements thus contractual and statutory servitudes are out of scope of IFRS 16 Leases. This is because a lease conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. Perpetual is not a specified period of time when identifying a lease. Therefore a perpetual arrangement lacks an essential characteristic of a lease – i.e. it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time. A perpetual arrangement is effectively a form of ownership interest in an asset that lasts forever.

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 3.23, 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.

3.9.4 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'.

3.9.5 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.

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.

The Group's intangible asset amortization expenses are accounted for within the item "Depreciation and amortization" in the statement of profit or loss. For the licenses acquired in a business combination (licenses to produce electricity with incentive tariff), useful life is determined to be 12 years.

3.10 Property, plant and equipment

Accounting policy according to asset groups is as follows:

At cost	Revalued
Land	Buildings
Gas distribution pipelines, gas technological equipment and installations	Electricity networks and their structures
Assets of Hydro Power Plant, Pumped Storage Power Plant	Other property, plant and equipment
Wind power plants and their installations	Construction-in-progress
Combined Cycle Unit and Reserve Power Plant	
Cogeneration plants	
Construction-in-progress	

In Construction-in-progress is assigned to various asset groups, therefore part of the assets of these group is accounted for at cost method, the other part – at revalued amount.

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 statement of profit or loss during the financial period in which they are incurred.

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 3.15.2

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 statement of profit or loss. 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.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income of consolidated statement of comprehensive income and accumulated to the revaluation reserve in equity. However, the increase is recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. Decreases in the carrying amount of an asset arising on revaluation are generally recognised in profit or loss; decreases that offset previous increases of the same asset are recognised in other comprehensive income 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 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 less 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
Electricity networks and their structures	
- electrical and communication devices	20–25
- electricity distribution equipment	15-45
- electrical equipment	15-35
- other equipment	5-50
Gas distribution pipelines, gas technological equipment and installations	18-55
Assets of Hydro Power Plant, Pumped Storage Power Plant, and Combined Cycle Unit and Reserve Power Plant	
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
Wind power plants and their installations	20-30
Cogeneration plants and their installations	30-45
Other property, plant and equipment	2-35

3.11 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.

3.11.1 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.

3.11.2 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.

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. Right-of-use assets are depreciated on a straight-line basis.

The Group presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

3.12 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 statement of profit or loss. 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 statement of profit or loss.

3.13 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 statement of profit or loss 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.

3.14 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.

3.15 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.

3.15.1 Financial assets

The Group classifies its financial assets into the following three categories:

- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"), and
- 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 statement of profit or loss. Impairment losses are accounted for as other expenses (Note 11) in statement of profit or loss.

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, is as follows:

3.15.1.1 Financial assets subsequently measured at FVOCI

The Group only has derivatives subsequently measured at FVOCI. For detailed information see Note 3.15.3.

3.15.1.2 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.

3.15.1.3 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 statement of profit or loss in the period in which it arises. The Group classifies in this category investments to equity instruments that do not meet the SPPI conditions.

3.15.1.4 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 statement of profit or loss 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).

3.15.1.5 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 5.12).

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.

3.15.1.6 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.

3.15.1.7 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.

3.15.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

3.15.2.1 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.

3.15.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- financial liabilities at FVPL;
- financial liabilities at amortised cost.

3.15.2.3 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 derivatives 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 statement of profit or loss.

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.

3.15.2.4 Financial liabilities at amortised cost

After initial recognition, trade payables, interest-bearing loans and bonds are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss 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 statement of profit or loss.

3.15.2.5 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.

3.15.2.6 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 statement of profit or loss 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 (for more information see Note 3.15.1.4).

3.15.2.7 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.

3.15.2.8 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 statement of profit or loss.

3.15.3 Derivatives and hedge accounting

The Group enters into derivatives' transactions related to purchase and sale prices of electricity and gas and emission allowances forwards.

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 and the quantity of the hedging instrument.

3.15.3.1 Presentation

Fair value of derivatives is presented In the statement of financial position as 'Other non-current assets' (Note 22.1), 'Other current assets' (Note 22.2), 'Other non-current amounts payable and liabilities' and 'Other current amount payables and liabilities' (Note 37).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are recognised in statement of profit or loss either as 'Other income' (Note 9), if result for a period of such derivatives is profit, or 'Other expenses' if result of such derivatives for a period is loss (Note 11).

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:

3.15.3.2 Fair value hedges

The change in the fair value of a hedging instrument is recognised in statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss. The group did not have such hedges as at 31 December 2022 and 2021.

3.15.3.3 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in statement of financial position in the hedge reserve. Ineffective portion is recognised immediately in the statement of profit or loss in 'Other income' or 'Other expenses' (accounting method is similar to derivatives that do not meet the hedge criteria – Note 3.15.3.1) . 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.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in statement of profit or loss as "Purchases of electricity, gas and other services".

3.16 Put option arrangements

The Group has a written put option over the equity of subsidiary UAB Kauno kogeneracinė jėgainė which permit the holder to put their shares in the subsidiary back to the Group in a deadlock situation at the market price (one year after start-up) less 15%.

The Group uses anticipated-acquisition method for recognizing put option redemption liability (hereinafter – option).

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. This is because the recognition of the financial liability implies that the interests subject to the option are deemed to have been acquired already.

Subsequently the value of liability is measured at FVPL for purpose to present the redemption liability that is payable at the date at which the option first becomes exercisable. The change in fair value is presented in 'Financial expenses' of statement of profit or loss. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to non-controlling interest in equity.

3.17 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.

3.18 Emission allowances

Based on the European Union (hereinafter 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 (hereinafter referred to as 'NPP') to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). NPP 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 (part of the allowances is set aside for new entrants).

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.

3.18.1 Inventory

EU emission allowances are inventories that are dedicated by the state or are acquired by the Group. EU emission allowances acquired by the Group are recognized at cost. EU emission allowances dedicated by the state are recognized in the accounts at nominal (zero) value. The Group accounts for purchased and for free received emission allowances separately, write-down to net realisable value is calculated if the market price becomes lower than the acquisition price.

3.18.2 Provision for emission allowances used

When the Group emits pollutants into the environment, it is obliged to pay for the pollution using the state permits, the nominal value of which would correspond to the amount of emitted pollutants. This liability is a provision that is measured at the value which correspond to amount of expenses that Group will incur to cover this obligation as at the date of the statement of financial position. If the Group has acquired emission allowances, the value of the provision is equal to their carrying amount. If the actual amount of pollutants exceed the number of emission allowances available, an obligation to purchase additional emission allowances equal to the market value is accounted for. The obligation can only be covered with inventories if the amount of pollutants is approved by the responsible regulatory authority.

Changes in the value of a liability related to insufficient emission allowances are recognized in the statement of profit or loss.

3.19 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 the caption 'Loans' in the statement of financial position.

3.20 Issued capital, share premium, treasury shares

3.20.1 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.

3.20.2 Share-based payments

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).

During 2021 share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

3.20.3 Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

3.21 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.

3.21.1 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.

3.21.2 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 the item “Other income” in statement of profit or loss 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.

3.21.3 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 the statement of profit or loss.

3.22 Grants and subsidies

3.22.1 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 statement of profit or loss 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 statement of profit or loss 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.

3.22.2 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 statement of profit or loss.

3.23 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 statement of profit or loss, 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.

3.23.1 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 3.9.3).

3.23.2 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 3.9.4).

3.24 Employee benefits

3.24.1 State plans

The Group participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Group, the State Social Security Fund). State plans are defined benefit plan under which the Group pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. This contributions are recognised as an expense on an accrual basis and are included within remuneration expenses

3.24.2 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.

3.24.3 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. If an employee belongs to trade union, he/she is also entitled to additional retirement benefit according in accordance with the collective agreement. 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.

3.25 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.

3.26 Related parties

Related parties are defined as follow:
- parent company's controlling shareholders or those who have significant influence;
- associated companies;
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- key management personnel and close members of that personnel's family and their controlled enterprises and companies.

3.27 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.

3.28 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.

3.29 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 43.

4 Risk management

4.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Group aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Other risks management are presented in the Governance section of Annual report.

4.2 Financial risk factors

The Group is exposed to a variety of financial risks in their operations: market risk (including foreign currency 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.

4.2.1 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 three types of risk: foreign currency exchange risk, interest rate risk and commodity risk.

4.2.1.1 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 exposed to subsidiaries of the Group that operates in Poland, but the overall Group exposure remains low.

4.2.1.2 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.

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 would be used for the purpose of interest management. The aim is that non-current borrowings with fixed interest rates comprised not less than 50% of the Group's consolidated non-current borrowings 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.

Most of Group's loans and bonds had fixed interest rates as at 31 December 2022. Variable-rate financial instruments include loans in amount EUR 335.4 million as at 31 December 2022 (EUR 230.9 million as at 31 December 2021).

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, pp	(Decrease)/increase in profit
2022	1.0/(1.0)	(3.4)/3.4
2021	1.0/(1.0)	(1.5)/1.5

4.2.1.3 Energy and commodity risk

Commodity risk is the risk that changes in market prices (i.e. commodity prices) will affect the Group's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
The Group uses derivatives to manage the commodity risk. All such transactions are carried out according to Group's risk management policy. Generally, the Group seeks to apply hedge accounting to manage volatility in statement of profit or loss.

In the ordinary course of its operations, the Group is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with cash flows from sales of natural gas and electricity or cost cash flows incurred to procure fixed price electricity/natural gas power for sales contracts. Majority of this type of exposure is based on changes of respective commodity price in the market that the Group operates.
Commodity risk arises primarily from the following activities:

- fixed price commodity sales contracts (electricity and natural gas) for household and business customers;
- fixed price natural gas purchases contracts.

In order to manage commodity price risk the Group enters into financial derivatives contracts (cash flow hedges). This is performed in order to secure a fixed acquisition price of the above mentioned commodities, so that optimum profit margins could be obtained from contracted or expected fixed price sales.

For electricity related hedges, the Group uses component based hedges in the derivatives market (NASDAQ commodities) or equivalent over-the-counter contracts (OTC), and for natural gas related hedges – OTC contracts with price indexes matching hedged contracts. Assessment of economic relationship and hedge effectiveness is performed by:

- follar offset method for electricity hedges;
- descriptive method for natural gas hedges.

The two separate components that are being used as a hedged item for electricity related hedges are SYS price and price component equivalent or similar to difference between Lithuania price area and SYS price. Their economic relationship is determined separately for each component.

– SYS price (average price of Nordpool power market , of which Lithuania is a member of);
– price component equivalent or similar to difference between Lithuania price area and SYS price (commonly referred as EPAD in NASDAQ commodities market).

Source of hedge ineffectiveness are mainly related to limited supply of financial derivatives for Lithuanian electricity price area in the market. Therefore, commodity risk is partly hedged in similar price area's (Latvian, Estonian and other), which results in partial ineffectiveness. The designated risk component of SYS historically covered 100% of the changes in hedged item, while designated price component equivalent or similar to difference between Lithuania price and SYS price historically covered variety of percentages (depending on hedge timing and hedged price area). However, at least 67% coverage is expected in order for derivative to be classified as effective for hedge accounting purposes. During the reporting period of 2022, on average 84% of all electricity hedge contracts in terms of value has been effective.

Overview of Group's derivatives positions:

EURm	31 December 2022		31 December 2021	
	Contractual nominal value	Market Value[1]	Contractual nominal value	Market Value[1]
Market derivatives - Electricity („Nasdaq commodities")	28.9	101.2	187.5	94.3
Over the counter (OTC) derivatives – Electricity (Note 38)	73.1	5.0	10.3	6.1
Over the counter (OTC) derivatives – Natural gas (Note 38)	134.4	27.4	225.8	(65.1)
Total	**236.4**	**133.6**	**423.6**	**35.3**

[1] Non-commodity derivatives are not included in the table above, their fair value as at 31 December 2022 is EUR 7.1 million (as at 31 December 2021 EUR 1.1 million) (Note 38).

Nominal amounts (quantities in TWh) hedged:

	31 December 2022		
	2023	2024	2025
Electricity hedges	2.3	0.1	0.1
Natural gas hedges	0.8	0.6	0.7
Total	**3.1**	**0.7**	**0.8**

Nominal values hedged:

EURm	31 December 2022		
	2023	2024	2025
Electricity hedges	96.3	3.1	2.7
Natural gas hedges	66.9	36.0	31.4
Total	**163.2**	**39.1**	**34.1**

Market value sensitivity analysis, due to changes in market prices:

EURm	31 December 2022		
	Market value		
	Increase by 10%	Current prices	Decrease by 10%
Market derivatives - Electricity (Nasdaq commodities)	113.5	101.2	87.5
Over the counter (OTC) derivatives - Electricity	12.1	5.0	(2.1)
Over the counter (OTC) derivatives – Natural gas	44.1	27.4	10.6
Total	**169.7**	**133.6**	**96.0**

4.2.2 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 (granted loans, finance lease agreements). The Group's risk related to cash is limited, as the Group keeps cash balances only in reliable financial institutions.

The Group is not exposed to significant credit risk concentration related to trade receivables and other amounts receivable.

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 is equal to the carrying amount of financial assets.

EURm	Note	31 December 2022	31 December 2021 (restated)[1]
Financial assets measured at amortised cost:			
Non-current receivables	20	22.6	88.5
Trade receivables	25	424.4	274.9
Other receivables[2]	26	107.0	121.0
Granted loans		24.2	-
Cash and cash equivalents	27	694.1	449.1
Amounts receivable under finance lease agreements			
Non-current portion	20	6.3	7.6
Current portion	26	1.9	2.5
Financial assets measured at FVPL or FVOCI			
Amount receivable on sale of LITGRID AB	26.1	-	84.1
Derivatives	38	68.6	13.5
Total		**1,349.1**	**1,041.2**

[2] In year 2022 the contract assets and VAT receivable have been classified as non-financial assets in year 2022, therefore the figure of comparative period was changed respectively.

4.2.3 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 loans 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 2022, the Group's current ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.87 and 1.34 respectively (31 December 2021 (restated)[1]: 1.87 and 1.60 respectively). As at 31 December 2022, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 396.1 million (31 December 2021: EUR 115.3 million).

The table below summarises the Group's financial liabilities by category:

EURm	Note	31 December 2022	31 December 2021
Amounts payable measured at amortised cost			
Loans and bonds	31	1,632.3	1,355.4
Lease liabilities		48.7	51.0
Non-current trade payables		0.3	0.4
Trade payables	36	177.2	100.2
Other amounts payable and liabilities		148.5	36.5
Financial liabilities measured at FVPL or FVOCI			
Derivatives	38	29.1	71.4
Put option redemption liability	37.1	38.0	20.9
Total		**2,074.1**	**1,635.8**

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):

EURm	2022				In total
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and bonds	186.2	45.0	654.4	906.6	**1,792.2**
Lease liability	1.4	3.2	18.0	52.0	**74.6**
Trade payables and non-current amounts payable to suppliers	176.3	0.9	0.3	-	**177.5**
Other payables	128.3	52.6	5.6	-	**186.5**
Derivatives	3.5	10.7	14.9	-	**29.1**
As at 31 December 2022	**495.7**	**112.4**	**693.2**	**958.6**	**2,259.9**

EURm	2021				In total
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and bonds	8.9	249.7	154.2	1,096.7	**1,509.5**
Lease liability	1.6	4.4	17.2	52.5	**75.7**
Trade payables and non-current amounts payable to suppliers	25.1	75.1	0.3	-	**100.5**
Other payables	14.4	43.1	-	-	**57.5**
Derivatives	17.9	53.6	-	-	**71.5**
As at 31 December 2021	**67.9**	**425.9**	**171.7**	**1,149.2**	**1,814.7**

5 Critical accounting estimates and judgments 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 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 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.

5.1 Impact of climate change

The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Read more on the impact of climate change and parent company's approach on managing it in section '5.4 Climate Action' of the annual report.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Valuation of property, plant and equipment, and impairment assessment of goodwill

The Group assesses the useful economic life of its Property, Plant and Equipment assets annually. The useful economic life of assets has not been shortened. There are no indicators suggesting that assets have reduced in value, significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. The Group management does not reasonably expect climate change to have a significant impact of valuation of property, plant and equipment, and impairment assessment of goodwill.

Estimation of decommissioning provisions

The Group holds decommissioning provisions for part of Wind power plants. It is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's current wind farm portfolio.

Impact of climate change on provision for risk and on ECL

The Group management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required. No significant climate and environmental risks are had significant impact when calculating the ECL.

The impact of future climate change regulation is not material on the currently reported amounts of the Group's assets and liabilities.

5.2 Revaluation and impairment of property, plant and equipment, used in electricity distribution

Major part of such assets presented in "*Electricity networks and their structures*" are used in electricity distribution activities performed by subsidiary AB „Energijos skirstymo operatorius" and attributable to electricity distribution CGU in the Group. The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 1,324.9 million as at 31 December 2022 (EUR 1,315.0 million as at 31 December 2021).

Taking into account the fact that there were no significant changes in the legal regulatory environment related to electricity, after evaluating all related assumptions, the Group determined that the carrying amount of property, plant and equipment used in electricity distribution as at 31 December 2022 would change insignificantly (up to 5%), taking this into account, the Group's management decided not to carry out a full revaluation of such assets in order to represent them at their new fair value. For more detailed information – see Note 17.2.1.

However, the Group has identified impairment indications for 0.5 million units of electricity meters which are planned to be replaced during the year 2023-2024 according to SMART meters installation plan. Having identified impairment indications the Group prepared impairment test. Test showed that the recoverable amount of these assets is lower than the carrying amount and therefore impairment loss for amount of EUR 9.4 million was recognised in the statement of profit or loss. This impairment loss was treated as a revaluation decrease. For more detailed information - see Note 17.2.3.

5.3 Impairment of property, plant and equipment, used in natural gas distribution

The group of property, plant and equipment *"Gas distribution pipelines, gas technological equipment and installations"* is managed by the Group's company AB „Energijos skirstymo operatorius" and attributable to gas distribution CGU in the Group. This property, plant and equipment is accounted applying cost model and is stated at acquisition cost less accumulated depreciation and impairment. The carrying amount of PPE allocated to this CGU (incl. construction in progress and assets in other groups) is EUR 279.9 million as at 31 December 2022 (EUR 258.8 million as at 31 December 2021).

As at 31 December 2022 there has been assessed whether there are any indications that the carrying amount of this CGU could be impaired. In assessment the Group's management determined that during the year 2022 there were no significant changes in the legal regulatory environment related to natural gas distribution activity, as well the remeasured assumptions used in assessment of recoverable amount had an insignificant impact (up to 5%) on change of carrying amount of property, plant and equipment used in natural gas distribution activity. However, during 2022 the CGU incurred loss (before any management adjustments), thus the management decided to perform an impairment test.

The performed impairment test did not show any additional impairment loss – see Note 17.2.2

5.4 Impairment of goodwill

The Group performed an impairment test of goodwill recognised on acquisitions of the subsidiaries and determined no impairment is needed as at 31 December 2022 (Note 16.2). Carrying amounts of this goodwill are presented in Note 16.2.

5.5 Judgements and accounting estimates pertaining to control over UAB Kauno kogeneracinė jėgainė

As at 31 December 2022, the Group held 51% shareholding in UAB Kauno kogeneracinė jėgainė (hereinafter "Kaunas CHP"), and the remaining 49% of shares was held by UAB Gren Lietuva.

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the Group has an option to buy (call option) all the shares of Kaunas CHP held by UAB Gren Lietuva and thus, whereas UAB Gren Lietuva has an option to sell (put option) to the Group its shareholding in Kaunas CHP, for the price, the calculation of which is defined in the Shareholders' Agreement. As a result the Management believe the Group exercise control over Kaunas CHP, as this can be exercised when decisions need to be made.

In the Group's management view, the call option's exercise price that the Group will have to pay to UAB Gren Lietuva for buyout of Kaunas CHP shares owned by UAB Gren Lietuva, in case the Group accepts option executed by UAB Gren Lietuva, approximates the fair value of the shares less 15% within the limits of the materiality (materiality threshold is based on the best estimate practice, such as +/- 15% of the market value).

At 31 December 2022, the Group accounted for EUR 38.0 million (31 December 2021: EUR 20.9 million) put option exercise liability (Note 37.1) measured as net present value of the single future cash outflow, which would be paid to UAB Gren Lietuva for Kaunas CHP shares in a deadlock situation in case the put option is exercised.

5.6 KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"

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. KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (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 UAB Contrarian Ventures.

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 rights.

Change in carrying amount of investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" amounted to EUR (4.5) million during 2022 (2021: EUR 20.2 million).

The fair value decrease of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" recognised for an amount EUR 6.2 million and is presented as "Finance expenses" in statement of profit or loss during 2022 (2021: gain of EUR 15.8 million recognised in "Finance income" in statement of profit or loss). The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 41).

Remaining change is related to new investments made during 2022 for an amount of EUR 1.5 million and other fund expenses and distributions EUR 0.2 million (as at 31 December 2021: new investments made during 2021 amounted to EUR 3.5 million and reclassification from non-current receivables amounted to EUR 0.8 million).

Fair value corresponds to Level 3 in the fair value hierarchy.

5.7 Provision for statutory servitudes and special conditions on land use (protection zones)

5.7.1 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.

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%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%of the area.

The Group reviewed other assumptions used in the calculation of the provision, specifically the expected number of applicants, the period over which all benefits will be paid, and the discount rate:

- the discount rate for calculating the provision was selected based on a borrowing rate of 1.800% for similar liabilities (31 December 2021: 0.160%);
- the expected number of applicants was estimated on the basis of available actual historical three-year information. The calculation of the total amount of benefits was based on the percentage of customers who are unlikely to apply for benefits – 76.91% (65% used as at 31 December 2021), which is based on management's assessment and the number of customers actually applying during 2018-2019 and 2022, where, on average, only about 1.83% apply per year (Historical data of year 2021 and 2020 is not included in methodology calculations due to break of methodology, as described above, which would distort the total average);
- the period during which customers will apply for compensation has been set at 10 years starting in 2022. An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

After assessing the changed circumstances, the Group decided to adjust a provision decreasing the amount of the provision from EUR 14.4 million to EUR 8.2 (Note 35). In the part of intangible assets, this provision decreased from EUR 14.3 million down to EUR 8.1 million (Note 16.5).

It should be noted that the value of the provision may vary depending on the number of applicants. The sensitivity analysis is as follows:

31 December 2022	Number of applicants, %							
	25%	35%	45%	55%	65%	75%	85%	95%
Change in provision for compensations of servitudes, million EUR	+0.9	+5.9	+10.3	+15.8	+20.7	+25.7	+30.6	+35.6

5.7.2 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:
(1) 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.
(2) 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 as at 31 December 2022. Also, the Group does not have sufficient information to estimate financial effect or possibility of any reimbursement of this obligation.

5.7.3 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, although after the updating of the real estate register, which entered into force in 1 January 2022. No provisions were made for how protection zones should be registered from 1 January 2023.

With the start of tag registration in 2021, the process was reviewed and the cost of communication and contact centre was reduced to take into account the reduction in the need for communication and the actual requests from landowners. Also, after estimating the projected registration volumes of markings in 2021, the need for the provision of projected markings (in territories and plots) for the following years has been updated accordingly.

During the year 2022 the Group has capitalised on intangible assets the factual costs incurred for completion of protection zones related works for amount of EUR 4.7 million.

The Group has decided not to register protection zones according to approved protection zone plans individually for each plot of land using land surveyor service. The Group has decided that part of the funds required will be allocated for the adjustment of airline supports.

On 1 January 2023 January the Public Register Center has registered the land plots related to protection zones in real estate register according to the spatial data of the protection zones provided by the Group company. Therefore, the Group will not have to take additional steps regarding the registration of the areas of the protection zones and will not have to incur additional costs related to it.

After assessing the changes in circumstances, the Group decided to adjust provision for asset’s security registration expenses by decreasing the amount of the provision from EUR 6 million (after 2022 utilisation due to factual costs) to EUR 1.6 million (Note 35).

5.7.4 Provision for compensations for the Special Land Use Conditions (Protected Areas)

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.

5.8 Determining whether statutory and contractual servitudes are a lease

Management of the Group analysed whether perpetual 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. Perpetual arrangement lacks an essential characteristic of a lease – i.e. it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time.
For servitudes with a clear term or when term is renewable on a period-by-period basis IFRS 16 is applied when all other criteria are met listed in IFRS16.

5.9 Determining whether the Group acts as a Principal or an Agent in relation to electricity transfer, which includes both transmission and distribution, gas distribution services and gas transmission services

5.9.1 Electricity transmission and distribution 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.

5.9.2 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.

5.9.3 Gas transmission services

The Group provides gas supply services to customers and collects payments from them for gas transmission services that are provided by transmission grid operator (does not belong to the Group). Management has applied a significant judgment and concluded that the Group acts as an Agent in relation to collection of transmission service component from customers due to the following argumentation:

- for gas transmission services the Group is not ultimately responsible, since according to the laws and regulations the owner of the transmission grid takes full responsibility;
- the Group also does not bear inventory risk since price of transmission services is determined based on meter readings – i.e. transmission fee is charged to the Group only to the amount of natural gas consumed by the end-customer;
- the price of transmission component is determined by the transmission 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 transmission services for which the Group collects payments from end-customers.

5.10 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.

5.11 Leases – determining the lease term and estimating the incremental borrowing rate

5.11.1 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.

5.11.2 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 34). 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.

During the year of 2022 there were no significant new lease agreements except those acquired through business combinations of new subsidiaries in Poland (Note 42). Lease liability of these contracts was calculated using the average incremental borrowing yearly rate equal to 7.2%.

5.12 Expected credit losses of trade receivables and other receivables

The Group’s uses a provision matrix to calculate expected credit losses for trade receivables. The Group accounts for expected credit losses (hereinafter referred to as 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.

ECL for other receivables and contract assets are calculated using individual assessment.

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.

5.12.1 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 25.

5.12.2 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.

5.13 Estimation of over declaration of electricity and natural gas usage by private customers and accounting for deferred income

In the circumstances when the fixed price rate 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 and natural gas in the last months of the year. Since Group electricity and gas distribution revenue depends on declarations of electricity and natural gas 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 income. Estimation is based on historical consumption by the customers as well as Group assessment of technological losses in the electricity and gas grid. All assumptions are reviewed at each reporting date.

5.14 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.

5.14.1 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 (related company – LITGRID AB) if the costs actually incurred by the Group were less than the revenues received from the transmission system operator. If the actual costs incurred by the Group were higher than the income of the transmission system operator , the transmission system operator shall reimburse this amount to the Group. Formulas determined for period y in the resolution for isolated operation of the power system and capacity reserve services:

- In the case of capacity reserve assurance services: the amount of discrepancy between the assigned investment return that meets the reasonableness criteria, compared to the determined investment return, during the reporting period (y-2);
- In the case of isolated operation of the power system: the amount of discrepancy between the costs assigned in the reporting period (y-2) compared to the amount of income received from transmission system operator in the reporting period (y-2).

With regard to the resolution above, if the costs actually incurred by the Group were higher than the income received from the transmission system operator, the transmission system operator must return such amount to the Group, and vice versa. Due to this reason the Group recognizes assets or liabilities of regulated activities, the purpose of which is to equalize the current year's profit to a set level.

On 8 February 2022 an additional agreement with transmission system operator was signed. Under the agreement the Group undertook to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by transmission system operator, and transmission system operator undertook to reimburse the costs incurred by the Group under the schedule. After this additional agreement during 2022 the Group has entered into a derivatives’ transaction, which hedges the sale price of gas.

As at 31 December 2022 the Group has recognised for EUR 2.3 million (31 December 2021: EUR 7.1 million) to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the caption ‘Provisions’ in the statement of financial position (Note 35). The current portion of provision for tertiary capacity reserve, isolated power system operation, secondary active capacity reserve services and accident prevention services, amounting to EUR 3.1 million (31 December 2021: EUR 15.2 million), was accounted in the current liabilities under the caption ‘Provisions’ (Note 35).

5.14.2 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 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. The difference shall be reimbursed till the 31 December 2025.
With regard what is said above, the Group recognises contract assets and/or contract 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 2022 the current part of a payable EUR 20.3 million (as at 31 December 2021: receivable EUR 125.5 million) to be set-off with the future regulatory differences of public supply activity within one year. The payable amount was accounted in the current liabilities under the caption ‘Provisions’ (Note 35).

5.15 Collection of cash on a suspense account

The Group (the Group’s company UAB Elektroninių mokėjimų agentūra) made a significant decision regarding cash amounts collected from customers. These cash amounts are held in Group’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, Group 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 Group’s customers and Group is able to identify the owners of these cash amounts any time. For reasons abovementioned, Group assesses, that the risk related to cases of banks bankruptcy and to this fact related possible intentions when customers could sue Group for these cash amounts, is low. Therefore, it is considered that Group 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 9.3 million as at 31 December 2022 (EUR 5.3 million as at 31 December 2021).

5.16 Separation of the Group‘s household and non-household consumer funds

The Group (the Group’s company AB „Energijos skirstymo operatorius” AB) made a significant decision regarding the funds administered by the state budget for December 2022 of partial compensation of domestic and non-domestic consumers, which are held in the Group’s billing accounts. The funds intended for the partial compensation of consumers are transferred to separate settlement accounts specially designated for this purpose, the purpose of which is clearly defined in the agreements on the use of state budget funds concluded with the Ministry of Finance of the Republic of Lithuania. The Group cannot dispose of these funds, does not invest them and does not receive any interest or other income from them. It should be noted that the Group’s credit risk is related to the execution of these contracts, and the payment of state budget funds to the compensation recipients is minimal, since the Group is not responsible for the misuse of the funds paid out to the specified entities for partial compensation and does not assume potential credit losses. For this reason, the Group does not recognize this money in the statement of financial position. The balance of the administered state budget funds in the accounts in 2022 December 31 is amounted to EUR 130.2 million. These funds were paid out to the recipients and/or returned to the Ministry of Finance of the Republic of Lithuania in January 2023.

6 Restatement of comparative figures due to change of accounting policy

The Group discloses the impact of the amendments of IAS 16 "Property, Plant and Equipment" (Note 3.1.1) on these financial statements. The cumulative effect of the first-time adoption of these amendments is recognized as an adjustment to the opening balance of retained earnings in the statement of changes in equity at the beginning of that earliest period presented.

The Group presents below the restatement of statement of consolidated financial position as of 31 December 2021, statement of profit or loss and cash flow for the year of 2021. There was no impact on the statement of comprehensive income for the year 2021. An impact on the statement of financial position for 1 January 2021 was not material therefore the Group does not disclose it.

Retrospective corrections of consolidated statement of financial position for 31 December 2021:

EURm	31 December 2021 before restatement	Restatement	31 December 2021 after restatement
Assets			
Non-current assets			
Intangible assets	114.0	-	114.0
Property, plant and equipment	2,609.6	8.3	2,617.9
Right-of-use assets	57.5	-	57.5
Prepayments for non-current assets	15.8	-	15.8
Investment property	4.5	-	4.5
Non-current receivables	96.1	-	96.1
Other financial assets	30.1	-	30.1
Other non-current assets	3.7	-	3.7
Deferred tax assets	15.5	(1.4)	14.1
Total non-current assets	**2,946.8**	**6.9**	**2,953.7**
Total current assets	**1,304.4**	**-**	**1,304.4**
Total assets	**4,251.2**	**6.9**	**4,258.1**
Equity and liabilities			
Equity			
Issued capital	1,658.8	-	1,658.8
Treasury shares	(23.0)	-	(23.0)
Reserves	248.8	-	248.8
Retained earnings	(35.6)	6.9	(28.7)
Total equity	**1,849.0**	**6.9**	**1,855.9**
Total liabilities	**2,402.2**	**-**	**2,402.2**
Total equity and liabilities	**4,251.2**	**6.9**	**4,258.1**

Retrospective corrections of consolidated statement of profit or loss for the year ended 31 December 2021:

EURm	2021 before restatement	Restatement	2021 after restatement
Revenue from contracts with customers	1,868.9	8.3	1,877.2
Other income	21.5	-	21.5
Total revenue and other income	**1,890.4**	**8.3**	**1,898.7**
Purchases of electricity, natural gas and other services	(1,380.0)	(0.9)	(1,380.9)
Salaries and related expenses	(97.2)	-	(97.2)
Repair and maintenance expenses	(31.7)	-	(31.7)
Other expenses	(46.0)	0.3	(45.7)
Total	**(1,554.9)**	**(0.6)**	**(1,555.5)**
EBITDA	**335.5**	**7.7**	**343.2**
Depreciation and amortisation	(122.4)	(0.2)	(122.6)
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(28.5)	-	(28.5)
Operating profit (loss) (EBIT)	**184.6**	**7.5**	**192.1**
Finance income	17.6	-	17.6
Finance expenses	(33.7)	-	(33.7)
Finance activity, net	(16.1)	-	(16.1)
Profit (loss) before tax	**168.5**	**7.5**	**176.0**
Current income tax (expenses)/benefit	(19.4)	-	(19.4)
Deferred tax (expenses)/benefit	4.8	(1.2)	3.6
Net profit for the year	**153.9**	**6.3**	**160.2**
Attributable to:			
Equity holders of the parent	153.9	6.3	160.2
Non-controlling interest	-	-	-
Basic earnings per share (in EUR)	**2.07**	**(0.08)**	**2.16**
Diluted earnings per share (in EUR)	**2.07**	**(0.08)**	**2.16**
Weighted average number of shares	**74,232,665**	**-**	**74,232,665**

Retrospective corrections of consolidated statement of cash flows for the year ended 13 December 2021:

EURm	2021 before restatement	Restatement	2021 after restatement
Cash flows from operating activities			
Net profit for the year	153.9	6.3	160.2
Adjustments to reconcile profit before tax to net cash flows:	-	-	-
Depreciation and amortisation expenses	133.2	0.2	133.4
Impairment of property, plant and equipment, including held for sale	8.8	-	8.8
Revaluation of property, plant and equipment	15.8	-	15.8
Revaluation of investment property	(1.2)	-	(1.2)
Fair value changes of derivatives	9.2	-	9.2
Fair value changes of financial instruments	(9.5)	-	(9.5)
Impairment/(reversal of impairment) of financial assets	0.1	-	0.1
Income tax expenses	14.6	1.2	15.8
Amortisation of grants	(10.8)	-	(10.8)
Increase/(decrease) in provisions	7.0	-	7.0
Inventory write-off to net realizable value/(reversal)	0.6	-	0.6
Loss on disposal/write-off of property, plant and equipment	4.6	-	4.6
Share based payments	0.2	-	0.2
Other expenses of investing activities	0.6	-	0.6
Interest income	(0.8)	-	(0.8)
Interest expenses	23.6	-	23.6
Other expenses of financing activities	2.8	-	2.8
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable	(294.6)	-	(294.6)
(Increase)/decrease in inventories, prepayments and other current and non-current assets	(129.6)	-	(129.6)
Increase/(decrease) in amounts payable, deferred income and advance amounts received	187.5	-	187.5
Income tax paid	(18.3)	-	(18.3)
Net cash flows from operating activities	**97.7**	**7.7**	**105.4**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	(237.7)	(7.7)	(245.4)
Proceeds from sale of property, plant and equipment and intangible assets	2.4	-	2.4
Loans granted	(3.9)	-	(3.9)
Loan repayments received	5.6	-	5.6
Acquisition of subsidiaries, net of cash acquired	(9.5)	-	(9.5)
Grants received	17.2	-	17.2
Interest received	0.6	-	0.6
Finance lease payments received	2.0	-	2.0
Investments in Innovation Fund	(3.5)	-	(3.5)
Net cash flows from investing activities	**(226.8)**	**(7.7)**	**(234.5)**
Net cash flows from financing activities	**(80.6)**	**-**	**(80.6)**
Increase/(decrease) in cash and cash equivalents	**(209.7)**	**-**	**(209.7)**
Cash and cash equivalents (including overdraft) at the beginning of the year	658.8	-	658.8
Cash and cash equivalents at the end of the year	**449.1**	**-**	**449.1**

7 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board.

The Group is divided into five operating segments based on their key activities. For more information about the segments, see Annual report sections '2.1 Business profile' and '3.2 Results by business segment'. List of entities assigned to each segment is provided in Note 19.

The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements. The primary performance measures are Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (Adjusted EBITDA – a non-IFRS alternative performance measure) and Adjusted Earnings Before Interest and Taxes (Adjusted EBIT – a non-IFRS alternative performance measure). Additionally, management also analyses Investments and Net debt of each individual segment. All measures are calculated starting from the data presented in the financial statements adjusted by management for selected items which are not defined by IFRS.

The Group management calculates main performance measures as follows:

Performance measure	Calculation
EBITDA	Total revenue and other income - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses
Adjusted EBITDA	EBITDA + Management adjustments
EBIT	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets
Adjusted EBIT	EBIT + Management adjustments
Adjusted EBITDA margin	Adjusted EBITDA ÷ (Total revenue and other income + Management adjustments)
Investments	Additions of property, plant and equipment + Additions of intangible assets + Assets acquired through the acquisition of subsidiaries + Additions of other financial assets + Additions of investment property + Loans granted + Prepayments for non-current assets - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets
Net debt	Non-current borrowings payable after one year + Current borrowings payable within one financial year (including accrued interest) + Bank overdrafts + Lease liabilities - Cash and cash equivalents

7.1 Management's adjustments, Adjusted EBITDA and Adjusted EBIT

Management's adjustments include:
- temporary regulatory differences;
- asset rotation result;
- significant one-off gains or losses (impairment losses of property, plant and equipment in 2021).

Adjusted EBITDA is EBITDA further adjusted by adding management's adjustments. Management's adjustments all may have both positive and negative impact on the reporting period results. Adjusted EBIT is EBIT further adjusted by adding management's adjustments and eliminating the result of significant one-off revaluation and impairment losses of property, plant and equipment and intangible assets related to electricity and gas assets of Networks segment in 2021.

Adjusted EBIT is presented, for each period, as Adjusted EBITDA less depreciation and amortisation expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets except significant one-off items (if any).

In managements view, Adjusted EBITDA and Adjusted EBIT more accurately present results of operations and enable to better compare results between the periods as it indicate the amount that was actually earned by the Group in the reporting year by:
- eliminating differences between the permitted return set by the NERC and the actual return for the period (temporary regulatory differences);
- adjusting for effects not related to the main activities of the Group or related to other periods.

Management's adjustments used in calculating Adjusted EBITDA and Adjusted EBIT:

Segment / Management's adjustments, EURm	2022	2021 (restated)[1]
Green generation		
Temporary regulatory differences of AB „Ignitis gamyba"	(0.8)	0.3
Networks		
Temporary regulatory differences of AB „Energijos skirstymo operatorius"	16.5	(23.2)
Flexible Generation		
Temporary regulatory differences of AB „Ignitis gamyba"	(3.4)	(1.7)
Customers & Solutions		
Temporary regulatory differences of UAB „Ignitis"	(82.7)	14.2
Total Management's adjustments for Adjusted EBITDA	**(70.4)**	**(10.4)**
Networks		
Revaluation and impairment losses of property, plant and equipment	-	24.8
Total Management's adjustments for Adjusted EBIT	**(70.4)**	**14.4**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

7.2 Green Generation segment

Adjusted EBITDA and Adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, Adjusted EBITDA and Adjusted EBIT) from Kruonis pumped storage power plant regulated services provided by AB „Ignitis gamyba", if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR (0.8) million for 2022 (EUR 0.3 million for 2021).

7.3 Networks segment

Adjusted EBITDA and Adjusted EBIT results are reported after the adjustments made by the management that comprise the impact of temporary regulatory differences resulting from the NERC resolutions and by deducting the current year difference arising between the return on investments permitted by the NERC and estimated by management. For 2022 the adjustment amounted to EUR 16.5 million (EUR (23.2) million for 2021). This adjustment includes:
- temporary regulatory differences for prior periods realised through the tariff during the reporting period – EUR 31.7 million for 2022 (EUR 27.6 million during 2021). These amounts are based on resolutions published by the NERC;
- new amounts of temporary regulatory differences formed during the reporting period – EUR (15.2) million (EUR (50.8) million during 2021). The amounts for current year are based on management's estimate arising from comparison between the return on investments permitted by the NERC and estimated by management using actual financial and operating data for the current period.

Adjusted EBIT result for 2021 is reported after the adjustment that comprise significant one-off effect of revaluation and impairment losses of property, plant and equipment recognized in statement of profit or loss:
- revaluation effect of electricity related property, plant and equipment of EUR 15.9 million;
- impairment effect of gas related property, plant and equipment of EUR 8.9 million.

7.4 Flexible Generation segment

Adjusted EBITDA and Adjusted EBIT results are reported after the adjustments made by the management by measuring the change in revenue (and, consequently, EBITDA and EBIT) from Elektrėnai Complex regulated services provided by AB „Ignitis gamyba", if current revenue was recognised at the amount consistent with the allowable income amount, calculated using NERC methodologies, taking into account allowable return on investments and actual service costs incurred during the period. The adjustment is based on management's estimation using actual costs for the current period and amounted to EUR (3.4) million for 2022 (EUR (1.7) million for 2021.

7.5 Customers & Solutions segment

Adjusted EBITDA and Adjusted EBIT are reported after the adjustments made by the management eliminating deviations arising in the regulated activities of gas and electricity supply due to the variance between actual and projected prices for the acquisition prices and other components established in the calculation methodology used by the NERC. During 2022 the effect in gas supply activities according to management estimate amounted to EUR (85.1) million (EUR 17.6 million for 2021). During 2022 the effect in electricity public supply activities according to management estimate amounted to EUR 2.4 million (EUR (3.4) million for 2021).

The table below shows the Group information on segments for the year 2022:

EURm	Green generation	Networks	Flexible Generation	Customers & Solutions	Other activities and eliminations[3]	Total Group
IFRS[1]						
Sales revenue from external customers	448.6	680.3	231.9	3,023.8	2.3	**4,386.9**
Inter-segment revenue (less dividend)	9.8	0.8	8.8	60.0	(79.4)	**-**
Total revenue and other income	**458.4**	**681.1**	**240.7**	**3,083.8**	**(77.1)**	**4,386.9**
Purchases of electricity, gas and other services	(153.4)	(398.7)	(126.9)	(2,947.8)	18.1	**(3 608.7)**
Salaries and related expenses	(11.9)	(64.5)	(8.7)	(13.0)	(17.7)	**(115.8)**
Repair and maintenance expenses	(5.5)	(30.7)	(4.4)	-	-	**(40.6)**
Other expenses	(34.3)	(39.2)	(62.8)	(24.7)	78.9	**(82.1)**
EBITDA	**253.3**	**148.0**	**37.9**	**98.3**	**2.2**	**539.7**
Depreciation and amortization	(28.0)	(90.1)	(11.7)	(2.2)	(5.7)	**(137.7)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.8)	(11.8)	0.2	-	0.2	**(14.2)**
Operating profit (loss) (EBIT)	**222.5**	**46.1**	**26.4**	**96.1**	**(3.3)**	**387.8**
Adjusted[2]						
EBITDA	**253.3**	**148.0**	**37.9**	**98.3**	**2.2**	**539.7**
Management adjustments	(0.8)	16.5	(3.4)	(82.7)	-	**(70.4)**
Adjusted EBITDA	**252.4**	**164.5**	**34.6**	**15.6**	**2.2**	**469.3**
Adjusted EBITDA margin	*55.2%*	*23.6%*	*14.5%*	*0.5%*	*(2.9%)*	***10.9%***
Depreciation and amortisation	(28.0)	(90.1)	(11.7)	(2.2)	(5.7)	**(137.7)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(2.8)	(11.8)	0.2	-	0.2	**(14.2)**
Adjusted operating profit (loss) (Adjusted EBIT)	**221.7**	**62.6**	**23.1**	**13.4**	**(3.4)**	**317.4**
Property, plant and equipment, intangible and right-of-use assets	856.0	1,805.2	288.9	10.7	47.0	**3,007.8**
Investments	226.2	268.1	15.0	6.8	5.7	**521.8**
Net debt	758.8	776.1	71.9	418.3	(1,038.2)	**986.9**

[1] Amounts are presented according to statement of profit or loss and statement of comprehensive income of these financial statements.
[2] The indicators of Adjusted EBITDA and Adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods.
[3] Other activities and eliminations include parent company (AB "Ignitis grupė"), support service company (UAB "Ignitis grupės paslaugų centras"), additional services companies (UAB Elektroninių mokėjimų agentūra, UAB "Gamybos optimizavimas", UAB "Transporto valdymas") and consolidation corrections and eliminations of intercompany transactions. Additionally, it includes non-core activities companies (NT valdos UAB and UAB Energetikos paslaugų ir rangos organizacija) which were liquidated in 2022.

The table below shows the Group information on segments for the year 2021[1]:

EURm	Green generation	Networks	Flexible Generation	Customers & Solutions	Other activities and eliminations[4]	Total Group
IFRS[2]						
Sales revenue from external customers	217.0	535.9	153.2	990.0	2.6	**1,898.7**
Inter-segment revenue (less dividend)	0.3	(3.2)	0.3	19.4	(16.8)	**-**
Total revenue and other income	**217.3**	**532.7**	**153.5**	**1,009.4**	**(14.2)**	**1,898.7**
Purchases of electricity, gas and other services	(83.2)	(255.7)	(86.0)	(955.0)	(1.0)	**(1,380.9)**
Salaries and related expenses	(8.3)	(53.1)	(7.7)	(10.7)	(17.4)	**(97.2)**
Repair and maintenance expenses	(3.6)	(22.1)	(6.0)	-	-	**(31.7)**
Other expenses	(15.0)	(33.2)	(14.9)	(17.3)	34.7	**(45.7)**
EBITDA	**107.2**	**168.6**	**38.9**	**26.4**	**2.0**	**343.2**
Depreciation and amortization	(21.2)	(83.2)	(11.4)	(1.7)	(5.1)	**(122.6)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(0.1)	(28.6)	(0.1)	-	0.3	**(28.5)**
Operating profit (loss) (EBIT)	**85.9**	**56.8**	**27.4**	**24.7**	**(2.7)**	**192.1**
Adjusted[3]						
EBITDA	**107.2**	**168.6**	**38.9**	**26.4**	**2.0**	**343.2**
Management adjustments	0.3	(23.2)	(1.7)	14.2	-	**(10.4)**
Adjusted EBITDA	**107.5**	**145.4**	**37.2**	**40.6**	**2.0**	**332.7**
Adjusted EBITDA margin	*49.4%*	*28.5%*	*24.5%*	*4.0%*	*(14.8%)*	***17.6%***
Depreciation and amortisation	(21.2)	(83.2)	(11.4)	(1.7)	(5.1)	**(122.6)**
Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	(0.1)	(28.6)	(0.1)	-	0.3	**(28.5)**
Management adjustments	-	24.8	-	-	-	**24.8**
Adjusted operating profit (loss) (Adjusted EBIT)	**86.2**	**58.4**	**25.7**	**38.9**	**(2.7)**	**206.5**
Property, plant and equipment, intangible and right-of-use assets	781.4	1,654.6	307.4	6.5	39.5	**2,789.4**
Investments	32.3	191.2	0.2	2.9	8.3	**234.9**
Net debt	390.1	710.0	(37.5)	474.3	(579.6)	**957.3**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.
[2] Amounts are presented according to statement of profit or loss and statement of comprehensive income of these financial statements.
[3] The indicators of Adjusted EBITDA and Adjusted EBIT both of which are a non-IFRS alternative performance measures are presented in the manner calculated by the management. Management believes that adjusted indicators more accurately present results of operations and enable to better compare results between the periods.
[4] Other activities and eliminations include parent company (AB "Ignitis grupė"), support service company (UAB "Ignitis grupės paslaugų centras"), additional services companies (UAB Elektroninių mokėjimų agentūra, UAB "Gamybos optimizavimas", UAB "Transporto valdymas") and consolidation corrections and eliminations of intercompany transactions. Additionally, it includes non-core activities companies (NT valdos UAB and UAB Energetikos paslaugų ir rangos organizacija).

8 Revenue from contracts with customers

8.1 Disaggregated revenue information

EURm	2022	2021 (restated)[1]
Electricity related revenue		
Revenue from the sale of electricity	1,315.9	403.3
Revenue from electricity transmission and distribution	532.3	442.8
Revenue from sale of produced electricity[1]	497.0	287.3
Revenue from public electricity supply	239.4	214.1
Revenue from services ensuring the isolated operation of power system and capacity reserve	132.7	50.1
Gas related revenue		
Revenue from gas sales	1,513.2	341.3
Revenue from gas distribution	41.9	45.5
Revenue of LNGT security component	19.0	36.0
Other revenue		
Revenue from sale of heat energy[1]	33.0	15.8
Revenue from new customers' connection and upgrade fees	9.2	8.2
Other revenue from contracts with customers[1]	47.7	32.8
In total	**4,381.3**	**1,877.2**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

The Group's revenue based on the timing of transfer of goods or services:

EURm	2022	2021 (restated)[2]
Performance obligation settled over time	4,370.4	1,862.7
Performance obligation settled at a specific point in time	10.9	14.5
In total	**4,381.3**	**1,877.2**

[2] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance of IAS 16 amendment requirements. See more information disclosed in Note 6.

Recovery of temporary regulatory differences related to regulated activity

During 2022 the following regulatory differences (which are not recognized in Statement of Financial Position – see Note 5.14) were recovered through partial compensations of energy prices for customers. Amounts were received and recognized as 'Revenue from contracts with customers':

- Advance recovery of regulatory differences in amount EUR 214.3 million for regulated gas supply activities;
- Advance recovery of regulatory differences in amount EUR 120.2 million of were received for increased technological losses expenses related to electricity distribution activities;
- EUR 111.3 million were received as electricity and gas price compensations for both household and business customers which resulted in lower prices of gas and electricity for customers;
- EUR 12.6 million were received as supply of last resort compensations for both household and business customers which resulted in lower supply of last resort prices for customers.

In total amount EUR 458.4 million were received during 2022. No such advance recovery were received during 2021.

8.2 Contract balances

EURm	Notes	31 December 2022	31 December 2021
Trade receivables	25	**424.5**	**274.9**
Contract assets		**32.5**	**153.2**
Accrued revenue from electricity related sales[3]	20, 26	18.2	151.8
Accrued revenue from gas sales	26	7.7	1.4
Other accrued revenue	26	6.6	-
Contract liabilities		**381.0**	**256.6**
Advances received	34.2	60.7	55.0
Deferred income	34.1	320.3	201.6

[3] Presentation of contract asset's comparative figure related to accrued revenue from electricity related sales was corrected by adding a non-current part which as at 31 December 2021 amounted to EUR 86.5 million (Note 20).

8.3 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 25-26.

8.3.1 Contract liabilities

EURm	Notes	31 December 2022	31 December 2021
Non-current	34	205.5	183.6
Current	34	175.5	73.0
In total		**381.0**	**256.6**

8.4 Rights to returned goods assets and refund liabilities

The Group does not have any significant contracts with the customers' right to return goods.

8.5 Performance obligations

The remaining performance obligations expected to be recognised after the end of the financial year are related to deferred income related to new customers' connection and upgrade fees, deferred income related to overdeclaration of electricity and gas supply and deferred income related to gas sales:

EURm	31 December 2022	31 December 2021
More than one year	205.5	183.6
Within one year	114.8	18.0
Total liability under connection contracts	**320.3**	**201.6**

8.6 Group revenue from contracts with customers by geographic segment:

EURm	2022	2021
Lithuania	2,796.5	1,559.7
Latvia	529.5	92.4
Finland	377.0	114.7
Poland	110.8	22.3
Estonia	45.3	7.3
Other countries	19.2	1.1
Sales via Nordpool	503.0	79.7
In total	**4,381.3**	**1,877.2**

9 Other income

EURm	2022	2021
Rent income	1.7	1.7
Interest on late payments equivalent to interest	1.4	1.5
Gain on disposal of non-current assets	0.5	0.4
OTC and Nasdaq contracts (Note 38.2)	-	15.4
Other	2.0	2.5
In total	**5.6**	**21.5**

10 Purchases of electricity, gas and other services

EURm	2022	2021 (restated)[1]
Purchases of electricity and related services for trade	1,963.1	888.8
Purchases of gas and related services for trade	1,392.6	333.3
Purchases of gas and related services for generation	108.7	82.3
Purchases of electricity and related services for generation	119.0	64.1
Purchases of sub-contractual services	25.3	12.4
In total	**3,608.7**	**1,380.9**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

11 Other expenses

EURm	2022	2021 (restated)[2]
OTC and Nasdaq contracts (Note 38.2)	18.5	-
Customer service	13.3	9.4
Telecommunications and IT services	10.5	8.4
Taxes	8.7	6.5
Transport	3.8	2.9
Utilities	3.4	3.4
Personnel development	3.4	1.1
Consultation services	3.0	3.1
Expenses of low-value inventory items	2.1	1.8
Impairment / (reversal) of impairment of amounts receivable and loans	1.8	0.1
Write-offs of long term and short term receivables	1.0	1.0
Other	12.6	8.0
In total	**82.1**	**45.7**

[2] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

12 Finance income

EURm	2022	2021
Fair value change of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Note 5.6)	-	15.9
Interest income at the effective interest rate	1.7	0.8
Other income from financing activities	1.9	0.9
In total	**3.6**	**17.6**

12.1 The Group's interest income

In 2022, the Group received in cash the amount of EUR 0.6 million (in 2021: EUR 0.6 million) interest income, which is presented in the cash flow statement under 'Interest received'.

13 Finance expenses

EURm	2022	2021
Interest expenses	28.4	23.1
Fair value change of put option redemption liability (Note 37.1)	17.1	4.3
Fair value change of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Note 5.6)	6.2	-
Interest and discount expense on lease liabilities	1.2	0.5
Fair value change of consideration from EPSO-G (Note 26.1)	-	2.1
Other expenses of financing activities	1.2	3.7
In total	**54.1**	**33.7**

13.1 The Group's interest expense

The Group incurs interest expense on long-term and short-term loans payable and bonds issued (Note 31). In 2022, the Group paid interest in cash in the amount of EUR 28.8 million (in 2021: EUR 26.0 million), which are presented in the cash flow statement under 'Interest paid'.

14 Income taxes

14.1 Amounts recognised in profit or loss

EURm	2022	2021 (restated)[1]
Income tax expenses (benefit) for the year	58.4	19.4
Deferred tax expenses (benefit)	(14.5)	(3.6)
In total	**43.9**	**15.8**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

14.2 Amounts recognised in other comprehensive income

EURm	2022 Before tax	2022 Tax (expense) benefit	2022 Net of tax	2021 Before tax	2021 Tax (expense) benefit	2021 Net of tax
Items that will not be reclassified to profit or loss in subsequent periods						
Revaluation of property, plant and equipment	(1.3)	0.2	(1.1)	(27.8)	4.2	(23.6)
Change in actuarial assumptions	0.4	-	0.4	(0.4)	0.1	(0.3)
Items that may be reclassified to profit or loss in subsequent periods						
Cash flow hedges – effective portion of change in fair value	289.8	(42.5)	247.3	67.1	(10.1)	57.1
Cash flow hedges – reclassified to profit or loss	(194.5)	29.2	(165.3)	(45.2)	6.8	(38.4)
Exchange differences on translation of foreign operations into the Group's presentation currency	(2.1)	-	(2.1)	(0.5)	-	(0.5)
In total	**92.3**	**(13.1)**	**79.2**	**(6.8)**	**1.0**	**(5.7)**

Income taxes during 2022 recognised in other comprehensive income comprises from EUR 13.3 million income tax expenses (as at 31 December 2021 EUR 3.9 million income tax expenses and EUR 0.7 million deferred tax income) (Note 14.3).

14.3 Reconciliation of effective tax rate

Income tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Group:

EURm	2022	2022	2021 (restated)[1]	2021 (restated)[2]
Profit (loss) before tax		337.3		176.0
Income tax expenses (benefit) at tax rate of 15%	15.00%	50.6	15.00%	26.4
Effect of tax rates in foreign jurisdictions	0.18%	0.6	0.06%	0.1
Expenses not deductible for tax purposes	4.89%	16.5	5.40%	9.5
Income not subject to tax	0.42%	1.4	(2.22%)	(3.9)
Income tax relief for the investment project	(3.47%)	(11.7)	(6.14%)	(10.8)
Income tax recognised in other comprehensive income	(3.94%)	(13.3)	(2.22%)	(3.9)
Other	(0,06%)	(0.2)	(0.91%)	(1.6)
Income tax expenses (benefit)	13,02%	**43.9**	8.98%	**15.8**

[2] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

Income tax recognised in other comprehensive income related to derivatives held by the Group. They are treated as deductible expenses (or taxable income) for tax purposes in the period in which the change in fair value is recorded.

Income tax relief for the investment project included the income tax relief for the investment projects in 2022 and also income tax relief from previous periods for which deferred tax assets was not recognised.

14.4 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:

EURm	As at 31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	Impact from utilised tax losses	Deferred taxes recognised in business combinations	As at 31 December 2021 (restated)[1]	Recognised in profit or loss	Recognised in other comprehensive income	Deferred taxes recognised in business combinations (Note 42.1)	As at 31 December 2022
Deferred tax assets										
Revaluation of property, plant and equipment (PPE)	**9.5**	5.6	4.1	-	-	**19.2**	0.6	0.2	-	**20.0**
Inventories write down to NRV	**0.4**	0.1	-	-	-	**0.5**	15.4		-	**15.9**
Difference on recognition of income from new customers' connection and upgrade fees	**13.5**	(0.7)	-	-	-	**12.8**	(0.7)		-	**12.1**
Income tax relief for the investment project	**6.7**	2.0	-	-	-	**8.7**	0.7		-	**9.4**
Accrued expenses	**2.5**	0.9	-	-	-	**3.4**	2.0		-	**5.4**
Impairment of trade receivables	**1.3**	0.1	-	-	-	**1.4**	0.3		-	**1.7**
Tax losses carry forward	**2.6**	0.1	-	(1.0)	-	**1.7**	(0.3)		-	**1.4**
Impairment of PPE	**4.3**	(3.4)	-	-	-	**0.9**	(0.1)		-	**0.8**
Other	**1.8**	2.5	0.1	-	-	**4.4**	4.7		-	**9.1**
Deferred tax asset	**42.6**	**7.2**	**4.2**	**(1.0)**	**-**	**53.0**	**22.6**	**0.2**	**-**	**75.8**
Deferred tax liabilities			-	-	-				-	
Differences of financial and tax value (PPE)	**74.1**	0.8	-	-	-	**74.9**	3.0		-	**77.9**
Difference of financial and tax value of assets identified on business combination	**1.0**	0.1	-	-	1.9	**3.0**	0.7		5.7	**9.4**
Derivatives	**2.9**	(1.2)	(0.7)	-	-	**1.0**	3.9		-	**4.9**
Write-off grants	**2.5**	0.6	-	-	-	**3.1**	-		-	**3.1**
Other	**1.4**	3.3	-	(0.6)	-	**4.1**	0.5		-	**4.6**
Deferred tax liability	**81.9**	**3.6**	**(0.7)**	**(0.6)**	**1.9**	**86.1**	**8.1**	**-**	**5.7**	**99.9**
Deferred tax, net	**(39.3)**	**3.6**	**4.9**	**(0.4)**	**(1.9)**	**(33.1)**	**14.5**	**0.2**	**(5.7)**	**(24.1)**

[1] *Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.*

The Group's statement of financial position as at 31 December 2022 presents separately deferred tax assets EUR 31.1 million and deferred tax liabilities EUR 55.2 million related to different subsidiaries. The net balance of deferred tax is liability of EUR 24.1 million. 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 2021 deferred tax assets EUR 14.1 million and deferred tax liabilities EUR 47.2 million).

As at 31 December 2022, the Group does not have any temporary differences from which deferred tax assets is not recognized. As at 31 December 2021 the Group did not recognise deferred tax assets on investment tax relief of EUR 14.0 million, as it is not clear whether future taxable profits will be available against which they can be used.

15 Earnings per share

The Group's earnings per share and diluted earnings per share were as follows:

EURm	2022	2021 (restated)[1]
Net profit	**293.4**	**160.2**
Attributable to:		
Equity holders of the parent	**293.4**	**160.2**
Non-controlling interests	-	-
Weighted average number of nominal shares	72,599,599	74,232,665
Basic earnings/(loss) per share attributable to shareholders of the parent company	4.04	2.16
Diluted earnings/(loss) per share attributable to shareholders of the parent company	4.04	2.16

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to accounting policy change in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

Basic and diluted earnings per share indicators have been calculated based on 72,599,599 weighted average number of ordinary shares as at 31 December 2022 (as at December 31 2021: 74,232,665) as AB „Ignitis grupė" reacquired its own ordinary shares (treasury shares) as at 16 December 2021 and as at 29 April 2022. Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by AB „Ignitis grupė". On 9 August 2022 the Group has reduced its share capital by annulling treasury shares acquired (Note 28.4).

16 Intangible assets

EURm	Patents and licences	Computer software	Goodwill	Servitudes and protection zones	Other intangible assets	In total
As at 1 January 2021						
Acquisition cost	0.3	30.2	4.9	34.6	56.7	**126.7**
Accumulated amortisation	(0.2)	(19.6)	-	-	(12.1)	**(31.9)**
Carrying amount	**0.1**	**10.6**	**4.9**	**34.6**	**44.6**	**94.8**
Carrying amount at 1 January 2021	**0.1**	**10.6**	**4.9**	**34.6**	**44.6**	**94.8**
Additions	-	0.2	-	3.6	14.7	**18.5**
Reclassified (to) from property plant and equipment	-	3.5	-	-	0.2	**3.7**
Reclassifications (to)/from inventories	-	-	-	-	(0.9)	**(0.9)**
Write-offs	-	-	-	-	-	**-**
Reclassifications between categories	-	8.0	-	-	(8.0)	**-**
Re-measurement of provision related to Rights to servitudes and protection zones	-	-	-	(4.6)	-	**(4.6)**
Disposals	-	-	-	-	-	**-**
Acquisition through business combination (Note 42)	-	-	-	-	10.0	**10.0**
Amortisation	(0.1)	(4.8)	-	-	(2.6)	**(7.5)**
Carrying amount at 31 December 2021	**-**	**17.5**	**4.9**	**33.6**	**58.0**	**114.0**
As at 31 December 2021						
Acquisition cost	0.3	40.7	4.9	33.6	72.7	**152.2**
Accumulated amortisation	(0.3)	(23.2)	-	-	(14.7)	**(38.2)**
Carrying amount	**-**	**17.5**	**4.9**	**33.6**	**58.0**	**114.0**
Carrying amount at 1 January 2022	**-**	**17.5**	**4.9**	**33.6**	**58.0**	**114.0**
Additions		0.9	-	-	28.7	**29.6**
Reclassified (to) from property plant and equipment	-	0.1	-	-	0.2	**0.3**
Write-offs	-	-	-	-	(2.9)	**(2.9)**
Reclassifications between categories	-	7.1	-	-	(7.1)	**-**
Re-measurement of provision related to Rights to servitudes and protection zones (Note 16.5)	-	-	-	(10.6)	-	**(10.6)**
Disposals	-	(0.8)	-	-	-	**(0.8)**
Acquisition through business combination (Note 42)	-	-	0.4	-	29.5	**29.9**
Foreign currency exchange difference	-	-	-	-	(1.1)	**(1.1)**
Amortisation	-	(6.4)	-	-	(3.7)	**(10.1)**
Carrying amount at 31 December 2022	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**
As at 31 December 2022						
Acquisition cost	0.3	46.1	5.3	23.0	115.0	**189.7**
Accumulated amortisation	(0.3)	(27.7)	-	-	(13.4)	**(41.4)**
Carrying amount	**-**	**18.4**	**5.3**	**23.0**	**101.6**	**148.3**

16.1 Other intangible assets

EURm		31 December 2022	31 December 2021
Assets identified during business combination with the following subsidiaries and are related with their following rights or licences:			
Altiplano S.A.	Licence to generate electricity	30.0	-
Pomerania Wind Farm Sp. z o. o.	Right to produce electricity with an incentive rate	22.7	24.3
Silezia1 Wind Farm Sp. z o. o.	Right to produce electricity with an incentive rate	9.6	10.0
UAB „EURAKRAS"	Licence to generate electricity	3.6	7.6
UAB „VĖJO GŪSIS"	Right to produce electricity with an incentive rate	-	0.2
UAB „VĖJO VATAS"	Right to produce electricity with an incentive rate	-	0.7
Other intangible assets:			
Software development in progress		22.0	10.2
Investments in businesses located in Poland and Latvia		9.9	0.9
Other assets		3.8	4.1
Carrying amount		**101.6**	**58.0**

During the year of 2022 the Group companies UAB „EURAKRAS" and UAB „VĖJO VATAS" discontinued its contracts based on FiT (Feed-in Tariff) subsidy scheme and signed bilateral contracts. The value of assets identified by the Group during business combination of subsidiaries UAB „EURAKRAS" and UAB „VĖJO VATAS" is calculated based on licence to generate electricity and FiT. During the year of 2022 due to discontinuation of FiT the Group written off the part of value which relates to FiT advantage. Acquisition cost written-off comprised of EUR 7.8 million and accumulated amortisation – EUR 4.9 million.

Change in other intangible assets identified during business combination is related to acquisition of subsidiary Altiplano S.A. (Note 42.1) and the reassessment of fair values of assets identified during business combination established in 2021 year (Note 42.3).

16.2 Goodwill

EURm	31 December 2022	31 December 2021
UAB „VVP Investments"	2.1	2.1
UAB „EURAKRAS"	1.5	1.5
UAB „Plungės vėjo energija"	0.3	-
Pomerania Wind Farm Sp. z o. o.	1.3	1.3
Silezia1 Wind Farm Sp. z o. o.	0.1	-
Carrying amount	**5.3**	**4.9**

Change in goodwill identified during business combination is related to acquisition of subsidiary UAB „Plungės vėjo energija" during the year of 2022 (Note 42.1 and 42.2) and the reassessment of fair values of assets identified during business combination established in 2021 year (Note 42.3).

Impairment test of goodwill

As at 31 December 2022 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2022. The impairment test was performed using the discounted cash flow method and using the following key assumptions:
1. the cash flow forecast covered the period until 2040-2053, with reference to the typical operational period of 30 years.
2. the production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. the price of electricity is set at the agreed tariff if project is awarded in government auctions and tenders or offtake is secured through PPA (Power Purchase Agreement) or similar instruments. Otherwise, a third-party electricity price forecast is applied;
4. discount rate of 5.9-7.7% after tax (7.0-9.5% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

16.3 Fully amortised intangible assets

The cost of acquisition of fully amortized intangible assets used by the Group were as follows:

EURm	31 December 2022	31 December 2021
Computer software	1.1	4.6
Other intangible assets	0.1	0.1
Cost of fully amortised assets, total	**1.2**	**4.7**

16.4 Acquisition commitments

The Group's acquisition commitments amounted to EUR 1.3 million as at 31 December 2022 (as at 31 December 2021: EUR 2.3 million).

16.5 Servitudes and protection zones

The movement of intangible assets "Servitudes and protection zones" during 2022 year is presented below:

Servitudes and protection zones, EURm	31 December 2021	Change	31 December 2022
Statutory servitudes – provision (Note 5.7.1)	14.3	(6.2)	8.1
Protection zones – provision (Note 5.7.3)	10.7	(9.1)	1.6
Statutory and contractual servitudes - acquisition cost	5.6	0.6	6.2
Protection zones – acquisition cost	3.0	4.1	7.1
Servitudes and protection zones, total	**33.6**	**(10.6)**	**23.0**

17 Property, plant, and equipment

17.1 The Group's property, plant and equipment

EURm	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogenera-tion plants	Other property, plant and equipment	Constructio n-in-progress	In total
As at 1 January 2021											
Cost or revalued amount	3.4	32.7	1,473.7	314.7	211.3	776.2	65.8	138.0	70.1	414.2	**3,500.1**
Accumulated depreciation	-	(9.2)	(267.3)	(52.5)	(113.2)	(410.3)	(18.7)	(2.3)	(25.7)	-	**(899.2)**
Accumulated impairment	-	-	-	-	-	(41.4)	-	-	-	-	**(41.4)**
Carrying amount	**3.4**	**23.5**	**1,206.4**	**262.2**	**98.1**	**324.5**	**47.1**	**135.7**	**44.4**	**414.2**	**2,559.5**
Change in accounting policy[1]										0.9	**0.9**
Recalculated carrying amount at 1 January 2021	**3.4**	**23.5**	**1,206.4**	**262.2**	**98.1**	**324.5**	**47.1**	**135.7**	**44.4**	**415.1**	**2,560.4**
Additions	-	-	0.5	-	-	0.1	-	0.1	5.8	210.3	**216.8**
Sales	-	-	-	-	-	-	-	-	(0.4)	-	**(0.4)**
Write-offs	-	-	(3.6)	(0.1)	-	(1.1)	-	-	-	-	**(4.8)**
Revaluation	-	22.2	(69.4)	-	-	-	-	-	(0.8)	-	**(48.0)**
Impairment losses	-	-	-	(9.4)	-	-	-	-	-	-	**(9.4)**
Reverse of impairment	-	-	-	-	-	-	-	-	-	0.5	**0.5**
Reclassifications between categories	-	1.7	92.5	17.6	0.8	(0.3)	105.4	124.5	32.0	(374.2)	**-**
Reclassified from (to) intangible assets	-	-	-	-	-	-	-	-	(0.1)	(3.5)	**(3.6)**
Reclassified from (to) finance lease	-	-	-	-	-	-	-	-	0.7	-	**0.7**
Reclassified from (to) assets held for sale	-	-	-	-	-	-	-	-	(1.4)	-	**(1.4)**
Reclassified from (to) investment property	-	-	-	-	-	1.8	-	-	-	-	**1.8**
Reclassified from (to) inventories	-	-	-	-	0.1	-	-	-	(0.1)	0.6	**0.6**
Reclassified from (to) right-of-use asset's	-	-	-	-	-	-	23.0	-	-	-	**23.0**
Depreciation	-	(5.2)	(59.9)	(7.2)	(5.4)	(19.6)	(3.6)	(8.7)	(11.0)	-	**(120.6)**
Acquisition though business combination (Note 42)	-	-	-	-	-	-	-	-	-	2.7	**2.7**
Foreign currency exchange difference	-	-	-	-	-	-	-	-	-	(0.4)	**(0.4)**
Carrying amount at 31 December 2021 (restated)[1]	**3.4**	**42.2**	**1,166.5**	**263.1**	**93.6**	**305.4**	**171.9**	**251.6**	**69.1**	**251.1**	**2,617.9**
As at 31 December 2021											
Cost or revalued amount	3.4	42.6	1,166.5	285.8	212.2	772.5	199.0	262.5	97.3	251.3	**3,293.1**
Accumulated depreciation	-	(0.4)	-	(13.3)	(118.6)	(441.5)	(27.1)	(10.9)	(28.2)	-	**(640.0)**
Accumulated impairment	-	-	-	(9.4)	-	(25.6)	-	-	-	(0.2)	**(35.2)**
Carrying amount (restated)[1]	**3.4**	**42.2**	**1,166.5**	**263.1**	**93.6**	**305.4**	**171.9**	**251.6**	**69.1**	**251.1**	**2,617.9**

[1] *Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.*

(Cont'd on the next page)

(continued)

EURm	Land	Buildings	Electricity networks and their structures	Gas distribution pipelines, gas technological equipment and installations	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Wind power plants and their installations	Cogeneration plants	Other property, plant and equipment	Construction-in-progress	In total
As at 31 December 2021											
Cost or revalued amount	3.4	42.6	1,166.5	285.8	212.2	772.5	199.0	262.5	97.3	251.3	**3,293.1**
Accumulated depreciation	-	(0.4)	-	(13.3)	(118.6)	(441.5)	(27.1)	(10.9)	(28.2)	-	**(640.0)**
Accumulated impairment	-	-	-	(9.4)	-	(25.6)	-	-	-	(0.2)	**(35.2)**
Carrying amount (restated)[1]	**3.4**	**42.2**	**1,166.5**	**263.1**	**93.6**	**305.4**	**171.9**	**251.6**	**69.1**	**251.1**	**2,617.9**
Carrying amount at 1 January 2022	**3.4**	**42.2**	**1,166.5**	**263.1**	**93.6**	**305.4**	**171.9**	**251.6**	**69.1**	**251.1**	**2,617.9**
Additions	-	0.1	0.4	-	-	0.1	3.4	-	4.7	323.3	**332.0**
Sales	-	-	-	-	-	-	(0.2)	-	(0.2)	-	**(0.4)**
Write-offs	-	-	(3.7)	(0.2)	-	(0.2)	-	-	-	-	**(4.1)**
Revaluation (Note 17.2.3)	-	-	(9.4)	-	-	-	-	-	0.4	-	**(9.0)**
Reclassifications between categories	-	3.7	223.7	15.4	0.1	1.8	2.1	5.9	7.9	(260.6)	**-**
Reclassified from (to) intangible assets	-	-	-	-	-	-	-	-	-	(0.3)	**(0.3)**
Reclassified from (to) finance lease	-	-	-	-	-	-	-	-	0.9	-	**0.9**
Reclassified from (to) assets held for sale	-	-	-	-	-	-	-	-	(1.0)	-	**(1.0)**
Reclassified from (to) investment property	-	(0.1)	-	-	-	(0.5)	-	-	-	-	**(0.6)**
Reclassified from (to) inventories	-	-	-	-	-	-	-	(0.1)	-	-	**(0.1)**
Reclassified from (to) right-of-use asset's	-	-	-	-	-	-	6.1	-	-	-	**6.1**
Depreciation	-	(2.2)	(69.9)	(6.6)	(5.0)	(19.8)	(7.6)	(10.8)	(11.8)	-	**(133.7)**
Acquisition though business combination (Note 44)	-	-	-	-	-	-	-	-	-	5.0	**5.0**
Foreign currency exchange difference	-	-	-	-	-	-	(1.9)	-	-	0.1	**(1.8)**
Carrying amount at 31 December 2022	**3.4**	**43.7**	**1,307.6**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**70.0**	**318.6**	**2,810.9**
As at 31 December 2022											
Cost or revalued amount	3.4	46.3	1,377.3	300.5	212.2	772.4	210.0	268.3	109.2	318.8	**3,618.4**
Accumulated depreciation	-	(2.6)	(69.7)	(21.4)	(123.5)	(471.5)	(36.2)	(21.7)	(39.2)	-	**(785.8)**
Accumulated impairment	-	-	-	(7.4)	-	(14.1)	-	-	-	(0.2)	**(21.7)**
Carrying amount	**3.4**	**43.7**	**1,307.6**	**271.7**	**88.7**	**286.8**	**173.8**	**246.6**	**70.0**	**318.6**	**2,810.9**

[1] *Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.*

17.2 Impairment and revaluation of property, plant and equipment

17.2.1 Revaluation of property, plant and equipment used in electricity distribution

The carrying amount of PPE allocated to this CGU is EUR 1,324.9 million as at 31 December 2022 (EUR 1,315.0 million as at 31 December 2021).

As mentioned in Note 5.2, the Group performed assessment of fair value of this CGU and decided not to perform full revaluation. For this the Group analysed whether the assumptions made in full revaluation in 2021 had not changed significantly – it was noted that only discount rate and WACC had changed.

- discount rate (after-tax) was 4.25% (5.00%, pre-tax)
- rate of return set by NERC in 2022 – 4.16%, 2023 - 4.17%, from 2024 – 5.00

However, these changes did not significantly impact the recoverable amount. Other assumptions did not change significantly, accordingly were used in the valuation in 2022.

The following key assumptions were used in 31 December 2021 valuation:

– Discount rate (after-tax) was 3.78% (4.45%, pre-tax).
– WACC (rate of return set by NERC) in 2021 – 5.34%, 2022–2026 – 4.16% from 2027 – 4.45% (approximates the pre-tax discount rate).
– An additional tariff component is established for funding of investments, on the basis whereof the amount of EUR 28 million will be included yearly in the Group's regulated income of the period of 2022-2026 and subsequent periods; according to the management's assessment, even though there is a possibility that after the forecast period (2022-2036) an additional component (EUR 28 million yearly throughout the forecast period) will remain, however, assumed at a conservative level it is not included in the measurement of a continuous value.
– Long-term forecast for investments of the electricity segment is applied and their funding according to the updated 10-year investment plan of the Group.
– According to the measurement model, the calculated return adjustment for 2018-2020 (EUR 116 million) and the forecast for 2021 amounting to EUR 44 million, formed due to the main network elements depreciation and investment return level optimized and not optimized by the long run average increase costs ("LRAIC") model and the actual depreciation and investment return level, will reduce the Group's revenue – by EUR 6.5 million in 2022-2026 and EUR 153.5 million in 2032-2036, and, in addition, the interest will be charged on the outstanding portion on a yearly basis.
– The fair value of assets was determined using the revenue model when forecasting cash flows until 2036, taking into consideration the projected adjustments of investment return due to LRAIC asset depreciation and expected repayment term of return differences in 2018-2021 (in the end of 2020, the period of 40 years was calculated, according to the depreciation term of non-current assets of the principal assets – electrical power lines.

Sensitivity analysis

The Group exercised the fair value assessment analysis of unobservable inputs variation relying on following scenarios:

– sensitivity of variation of investment return rate (WACC) (starting from the regulation period 2027) and discount rate. The possible fair value changes due to variation of these inputs disclosed in table below (EUR million):

			WACC (pre-tax)						
			4.17%	4.50%	4.75%	5.00%	5.25%	5.50%	5.85%
		Δ	(17)%	(10)%	(5)%	0%	5%	10%	17%
Discount rate (pre-tax)	4.17%	(17)%	7	71	119	168	216	265	332
	4.50%	(10)%	(58)	4	52	99	146	194	260
	5.00%	0%	(152)	(92)	(46)	-	46	92	156
	5.50%	10%	(240)	(181)	(137)	(93)	(48)	(4)	58
	5.85%	17%	(298)	(241)	(197)	(155)	(111)	(68)	(7)

17.2.2 Impairment of property, plant and equipment used in gas distribution activities

The carrying amount of PPE allocated to this CGU is EUR 279.9 million as at 31 December 2022 (EUR 258.8 million as at 31 December 2021).

As mentioned in Note 5.3, the Group performed impairment test for this CGU. For the test, the Group analysed whether the assumptions in 2021 had not changed significantly – it was noted that only discount rate and WACC had changed.

- discount rate 3.39% after-tax (3.99% pre-tax);
- WACC (rate of return set by the regulator): 2022– 3.98%, 2023 – 3.99% (established by NERC), from 2024 – 3.99% (equal to pre-tax discount rate).

However, these changes did not significantly impact the recoverable amount. Other assumptions did not change significantly, accordingly were used in the impairment test in 2022.

The following key assumptions were used in 31 December 2021 impairment testing:

- discount rate – 3.81% after-tax (4.48% pre-tax);
- WACC (rate of return set by the regulator): 2022–-2023 – 3.98% (established by NERC for 2022), from 2024 – 4.48% (equal to pre-tax discount rate;
- the long-term investment forecast of the Gas Business Segment and its financing in accordance with the Group's updated 10-year investment plan is applied;
- cash flows for future periods were included using terminal value, which was calculated by discounting the regulated asset base (RAB) value at the end of the last forecasted period.

Impairment test did not show addition impairment loss in 2022.

Sensitivity analysis

The possible changes of recognized impairment losses during 2022 due to variation of investment return rate (WACC) (starting from the regulation period 2024) and discount rate disclosed in table below (EUR million):

			WACC (pre-tax)						
			3.31%	3.59%	3.80%	3.99%	4.19%	4.39%	4.67%
		Δ	(17)%	(10)%	(5)%	0%	5%	10%	17%
Discount rate (pre-tax)	3.31%	(17)%	-	7	13	17	23	28	35
	3.59%	(10)%	(7)	-	5	10	15	20	27
	3.99%	0%	(17)	(10)	(5)	-	5	10	17
	4.39%	10%	(26)	(19)	(14)	(10)	(5)	-	7
	4.67%	17%	(32)	(26)	(21)	(16)	(11)	(7)	-

17.2.3 Impairment test for meters allocated to electricity distribution CGU

The Group has electricity meters which are allocated to electricity CGU with carrying amount of EUR 10,4 million (before impairment). As mentioned in note 5.2 during 2022 the Group recognised impairment loss for amount of EUR 9.4 million for these assets. Impairment was calculated due to the plan to change these meters to SMART meters during 2023-2024. Impairment loss was recognised in the statement of profit or loss. This impairment loss was treated as revaluation decrease.

17.3 Revalued property, plant and equipment

If property, plant and equipment had not been revalued, the carrying amount of the Group's property, plant and equipment would have been following:

EURm	Buildings	Electricity networks and their structures	Other property, plant and equipment	In total
As at 31 December 2021	23.0	1,320.1	69.2	**1,412.3**
As at 31 December 2022	25.3	1,464.6	64.1	**1,554.0**

The table below includes information on the results of revaluation of property, plant and equipment conducted in 2022:

EURm	Recognised in statement of comprehensive income and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	(1.3)	(7.7)	**(9.0)**
In total	**(1.3)**	**(7.7)**	**(9.0)**

Results of revaluation of property, plant and equipment conducted in 2021:

EURm	Recognised in statement of comprehensive income and revaluation reserve in equity	Recognised in profit or loss	Total revaluation effect
Increase (decrease) in carrying amount	(27.8)	(20.2)	(48.0)
In total	**(27.8)**	**(20.2)**	**(48.0)**

17.4 Acquisitions and disposals of property, plant and equipment

Acquisitions of property, plant and equipment during 2022 include the following major acquisitions to the construction in progress:

- acquisitions for the construction of new high-efficiency waste-fired cogeneration power plants, the final exploitation and start of commercial activities of which started in 2022 (except biofuel unit);
- acquisitions related to the development of the electricity distribution network;
- acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. Group's acquisition and construction commitments amounted to EUR 364.3 million as at 31 December 2022 (31 December 2021: EUR 175.5 million).

During 2022, the Group disposed the property, plant and equipment with a carrying amount of EUR 0.5 million for consideration of EUR 0.7 million (2021: EUR 0.5 million and EUR 0.6 million respectively). The net result was recognised in item 'Other income' of statement of profit or loss.

During 2022, the Group capitalised EUR 1.7 million of interest expenses on borrowings intended to finance development of non-current assets (2021: EUR 3.6 million). The average capitalised interest rate was 2.18% in year 2022 and 1.44% in 2021.

17.5 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:

EURm	31 December 2022	31 December 2021
Buildings	0.1	-
Electricity networks and their structures	2.2	-
Gas distribution pipelines, gas technological equipment and installations	22.0	20.3
Assets of Hydro Power Plant, Pumped Storage Power Plant	30.0	30.2
Combined Cycle Unit and Reserve Power Plant	120.4	116.2
Other property, plant and equipment	12.1	9.1
In total	**186.8**	**175.8**

17.6 Fair value hierarchy of property, plant and equipment

In the opinion of the Group's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2022 and 2021 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 2022 (refer to Note 3.28 for the description of the fair value hierarchy levels). The last full revaluation was performed: in 2022 for other property, plant and equipment, in 2021 – for land, buildings and electricity networks and their structures.

EURm	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Buildings	-	-	43.7	**43.7**
Electricity networks and their structures	-	-	1,307.6	**1,307.6**
Other property, plant and equipment	-	-	70.0	**70.0**
In total	**-**	**-**	**1,421.3**	**1,421.3**

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 2021:

EURm	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Buildings	-	-	42.2	**42.2**
Electricity networks and their structures	-	-	1,166.4	**1,166.4**
Other property, plant and equipment	-	0.1	68.4	**68.5**
In total	**-**	**0.1**	**1,277.0**	**1,277.1**

Assets are attributed to level 2 in fair value hierarchy if the value is determined using either the comparative value or cost method approach and using inputs that are observable either directly or indirectly.

Assets are attributed to level 3 in fair value hierarchy if the value is determined using either the income method, comparative value, cost method, depreciated replacement method or mixed of these approach.

17.7 Pledged property, plant and equipment

As at 31 December 2022, the Group had pledged to the banks its property, plant and equipment in carrying amount of EUR 145.9 million (31 December 2021: EUR 19.2 million).

18 Right-of-use assets

18.1 The Group's right-of-use assets

EURm	Land	Buildings	Wind power plants and their installations	Other property, plant and equipment	In total
As at 1 January 2021					
Acquisition cost	22.9	16.4	27.3	8.7	**75.4**
Accumulated depreciation	(0.7)	(4.6)	(4.5)	(1.7)	**(11.6)**
Carrying amount	**22.2**	**11.8**	**22.8**	**7.0**	**63.8**
Carrying amount as at 1 January 2021	**22.2**	**11.8**	**22.8**	**7.0**	**63.8**
Additions	2.0	18.5	-	0.4	**20.9**
Write-offs	-	(2.1)	-	-	**(2.1)**
Reclassifications between categories	-	0.1	5.9	(6.0)	**-**
Reclassified from / (to) property, plant & equipment	-	-	(22.2)	(0.8)	**(23.0)**
Acquisition through business combination	3.2	-	-	-	**3.2**
Foreign currency exchange difference	0.2	-	-	-	**0.2**
Depreciation	(0.7)	(4.1)	(0.5)	(0.2)	**(5.5)**
Carrying amount	**26.9**	**24.2**	**6.0**	**0.4**	**57.5**
31 December 2021					
Acquisition cost	28.3	31.3	7.7	0.6	**67.9**
Accumulated depreciation	(1.4)	(7.1)	(1.7)	(0.2)	**(10.4)**
Carrying amount	**26.9**	**24.2**	**6.0**	**0.4**	**57.5**
Carrying amount at 1 January 2022	**26.9**	**24.2**	**6.0**	**0.4**	**57.5**
Additions	0.5	1.1	-	0.1	**1.7**
Reclassifications (to)/from property, plant & equipment	-	-	(6.0)	-	**(6.0)**
Taken (given) during business combination (Note 44)	5.2	-	-	-	**5.2**
Foreign currency exchange difference	(0.2)	-	-	-	**(0.2)**
Remeasurement of right-of-use assets (Note 18.2)	(4.3)	-	-	-	**(4.3)**
Depreciation	(0.7)	(4.3)	-	(0.3)	**(5.3)**
Carrying amount	**27.4**	**21.0**	**-**	**0.2**	**48.6**
31 December 2022					
Acquisition cost	29.4	32.1	-	0.7	**62.2**
Accumulated depreciation	(2.0)	(11.1)	-	(0.5)	**(13.6)**
Carrying amount	**27.4**	**21.0**	**-**	**0.2**	**48.6**

The Group's major lease contracts are for land and buildings. As at 31 December 2022 the carrying amount of land lease liability amounted to EUR 26.9 million, building lease liability – EUR 17.7 (31 December 2021: EUR 24.5 million and EUR 23.0 million respectively). The remaining lease term of major contracts for land lease as at 31 December 2022 is between 14 – 33 years and 34 – 73 years. Major lease contract for buildings is a lease of the main office located in Vilnius and as at 31 December 2022 the carrying amount of this lease liability amounted to EUR 15.5 million (31 December 2021:EUR 17.7 million), the remaining lease term of this contract as at 31 December 2022 is 9 years.

Some of land lease contracts provide additional rent payments that are based on level of sales by lessee. The difference between fixed payment and variable payment is recognised in the statement of profit or loss (Note 18.3). As well, some of the land lease contracts provide payments to land owners as indexed by inflation rate each year, therefore the Group performs remeasurement of the lease liability and right-of-use assets at the same time when new inflation index is applied for factual payments. The first indexation of factual payments starts in 2023 year.

During the year of 2022 all contracts for lease of wind power plants and their installations were finalized by paying in full remaining liability. Therefore, right of use assets attributable to this group were transferred to the property, plant and equipment with its carrying amount of EUR 6.0 million.

During the year of 2022 the Group capitalised insignificant amount of lease interest expenses on property, plant and equipment construction in progress (2021: EUR 0.3 million).

18.2 Remeasurement of right-of-use assets

The Group reassessed right-of-use assets and lease liability related to land contracts due to remeasurement of lease liability to reflect a lease modification and remeasurement of lease liability due to change in lease term.

18.2.1 Remeasurement of lease liability to reflect a lease modification

The Group remeasured the land lease liability and right-of-use assets to reflect changes in future fixed payments resulting from the reassessment of inflation rate which was applied while calculating lease liability on initial recognition date. Future fixed payments having decreased the Group remeasured the carrying amount of lease liability and consequently – the right-of-use asset as at 31 December 2022.

The Group reduced carrying amounts of right-of-use assets and lease liability for amount of EUR 2.8 million. No remaining amount of this remeasurement arose.

18.2.2 Remeasurement of lease liability due to change in lease term

The Group remeasured the land lease liability and right-of-use assets to reflect changes in the assessment of the lease term. In year 2021 at initial recognition date a lease term was determined as a non-cancellable period which includes the period during which the Group has a control over the contingency of the contract termination option. Termination option was assessed considering the likelihood of the triggering event occurring when determining the non-cancellable period at the commencement date. In year 2022 the management of the Group has assessed that the likelihood of the triggering event occurring is more than remote and determined that as at 31 December 2022 the non-cancellable period is not commenced. The triggering event is the obtaining of necessary permissions and capacity of conductivity in the electricity grid for the construction of renewable energy generating plants. The management has no intentions to cancel these land lease contracts.

The Group reduced carrying amounts of right-of-use assets and lease liability for amounts EUR 1.5 million and EUR 1.8 million respectively. The remaining amount of the remeasurement amounted to EUR 0.3 million was recognised in the statement of profit or loss in line item 'Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets'.

18.3 Expenses related to lease agreements recognised in statement of profit or loss

The Group's lease expenses recognised in statement of profit or loss were as follows:

EURm	2022	2021
Depreciation	5.3	5.5
Interest expenses	1.2	0.5
Expenses related to short-term leases (other expenses)	0.2	0.1
Expenses related to leases of low value assets (other expenses)	0.1	-
Variable lease payment expenses	0.5	-
Other rent expenses	0.1	-
Lease expenses, total	**7.4**	**6.1**

18.4 Future expenses related to lease agreements

The Group's future lease expenses:

EURm	31 December 2022	31 December 2021
Future expenses related to short-term and low value leases	0.8	0.4
Future variable lease payments	15.0	0.9
Leases not yet commenced to which the lessee is committed	-	3.1
Future lease expenses, total	**15.8**	**4.4**

19 Structure of the group

The Group's structure as at 31 December 2022:

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB „Ignitis grupė"	Lithuania	Other[3]	Parent company - management and coordination of activities of the Group companies	-	-
Subsidiaries of the Group:					
UAB „Ignitis renewables"	Lithuania	Green Generation	Coordination of operation, supervision and development of renewable energy projects	100.00	-
UAB „Ignitis renewables projektai"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
Ignitis Renewables Polska Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Ignitis RES DEV Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Pomerania Wind Farm Sp. z o. o.	Poland	Green Generation	Generation of renewable electricity	100.00	-
Tuuleenergia OÜ	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „EURAKRAS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „VĖJO VATAS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „VĖJO GŪSIS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „VVP Investment"	Lithuania	Green Generation	Development and operation of a renewable energy (wind) project	100.00	-
Silezia1 Wind Farm Sp. z o.o.[4]	Poland	Green Generation	Development and operation of a renewable energy (wind) project	100.00	-
Altiplano S.A.	Poland	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV1 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV2 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
Ignitis renewables Latvia SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB „Plungės vėjo energija"	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB „Ignitis renewables projektai 2"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
UAB „Ignitis renewables projektai 3"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV5 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
UAB „Vėjo galia bendruomenei"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV3 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV4 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
IGN RES DEV6 SIA	Latvia	Green Generation	Development of renewable energy projects	100.00	-
AB „Energijos skirstymo operatorius"	Lithuania	Networks	Distribution of electricity and natural gas, supply of last resort service	100.00	-
UAB Kauno Kogeneracinė Jėgainė	Lithuania	Green Generation	Electricity and heat production from waste	51.00	49.00
UAB Vilniaus Kogeneracinė Jėgainė	Lithuania	Green Generation	Development and operation of cogeneration power plant project	100.00	-
AB „Ignitis gamyba"	Lithuania	Green Generation[1] Flexible Generation[2]	Generation and trading of electricity	100.00	-
UAB „Ignitis"	Lithuania	Customers & Solutions	Electricity and gas supply, trading, energy efficiency projects	100.00	-
Ignitis Polska Sp. z o. o.	Poland	Customers & Solutions	Supply and trading of electricity	100.00	-
Ignitis Latvija SIA	Latvia	Customers & Solutions	Supply of electricity and natural gas	100.00	-
Ignitis Eesti, OÜ	Estonia	Customers & Solutions	Supply of electricity	100.00	-
Ignitis Suomi OY	Finland	Customers & Solutions	Supply of natural gas	100.00	-
UAB „Ignitis grupės paslaugų centras"	Lithuania	Other[3]	Shared business support services	100.00	-
UAB „Gamybos optimizavimas"	Lithuania	Other[3]	Planning, optimization, forecasting, trading, brokering and other electricity related services	100.00	-
UAB Elektroninių mokėjimų agentūra	Lithuania	Other[3]	Payment aggregation	100.00	-
UAB „Transporto valdymas"	Lithuania	Other[3]	Vehicle rental, leasing, repair, maintenance, renewal and service	100.00	-

[1] *Segment consists of Kaunas Algirdas' Brazauskas Hydro Power Plant, Kruonis pumped storage power plant, Biofuel and Steam Boiler.*

[2] *The assets mentioned in point 1 do not belong to the segment.*

[3] *Other activities and eliminations include: support service company (UAB „Ignitis grupės paslaugų centras"); non-core activities companies (UAB „Transporto valdymas"); additional service entities (UAB Elektroninių mokėjimų agentūra, UAB „Gamybos optimizavimas"); parent company AB „Ignitis grupė"; consolidation corrections and eliminations of intercompany transactions.*

[4] *Previously named as Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.*

On 12 August 2022 Group entity NT valdos UAB was liquidated, on 7 November 2022 UAB „Energetikos paslaugų ir rangos organizacija" was liquidated.

Performance overview of the Group companies is provided in the section 'Performance of the Group companies'

19.1 Acquisition of shares in business combinations

On 30 September 2022 the Group acquired a 100% shareholding in Altiplano S.A. from the legal person. Total consideration transferred amounts to EUR 34.4 million. On 25 November 2022 the Group acquired a 100% shareholding in UAB „Plungės vėjo energija" from the legal person. Total consideration transferred amounts to EUR 0.3 million (Note 42).

19.2 Acquisitions/establishment of new subsidiaries

During the year 2022 the Group acquired/established Ignitis renewables Latvia SIA, IGN RES DEV1 SIA, IGN RES DEV2 SIA, IGN RES DEV3 SIA, IGN RES DEV4 SIA, IGN RES DEV5 SIA Ignitis, IGN RES DEV6 SIA, UAB „Ignitis renewables projektai 2", UAB „Ignitis renewables projektai 3", UAB „Vėjo galia bendruomenei".

The Group's structure as at 31 December 2021:

Company name	Country of registered office	Business segment	Activities profile	Effective ownership interest, %	Non-controlling interest's effective ownership interest, %
AB „Ignitis grupė"	Lithuania	Other[3]	Parent company - management and coordination of activities of the Group companies	-	-
Subsidiaries of the Group:					
UAB „Ignitis renewables"	Lithuania	Green Generation	Coordination of operation, supervision and development of renewable energy projects	100.00	-
UAB „Ignitis renewables projektai"	Lithuania	Green Generation	Development of renewable energy projects	100.00	-
Ignitis Renewables Polska Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Ignitis RES DEV Sp. z o. o.	Poland	Green Generation	Development of renewable energy projects	100.00	-
Pomerania Wind Farm Sp. z o. o.	Poland	Green Generation	Generation of renewable electricity	100.00	-
Tuuleenergia OÜ	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „EURAKRAS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „VĖJO VATAS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „VĖJO GŪSIS"	Lithuania	Green Generation	Generation of renewable electricity	100.00	-
UAB „VVP Investment"	Lithuania	Green Generation	Development and operation of a renewable energy (wind) project	100.00	-
Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.	Poland	Green Generation	Development and operation of a renewable energy (wind) project	100.00	-
AB „Energijos skirstymo operatorius"	Lithuania	Networks	Distribution of electricity and natural gas, supply of last resort service	100.00	-
UAB Kauno Kogeneracinė Jėgainė	Lithuania	Green Generation	Electricity and heat production from waste	51.00	49.00
UAB Vilniaus Kogeneracinė Jėgainė	Lithuania	Green Generation	Development and operation of cogeneration power plant project	100.00	-
AB „Ignitis gamyba"	Lithuania	Green Generation[1] Flexible Generation[2]	Generation and trading of electricity	100.00	-
UAB „Ignitis"	Lithuania	Customers & Solutions	Electricity and gas supply, trading, energy efficiency projects	100.00	-
Ignitis Polska Sp. z o. o.	Poland	Customers & Solutions	Supply and trading of electricity	100.00	-
Ignitis Latvija SIA	Latvia	Customers & Solutions	Supply of electricity and natural gas	100.00	-
Ignitis Eesti, OÜ	Estonia	Customers & Solutions	Supply of electricity	100.00	-
Ignitis Suomi OY	Finland	Customers & Solutions	Supply of natural gas	100.00	-
UAB „Ignitis grupės paslaugų centras"	Lithuania	Other[3]	Shared business support services	100.00	-
UAB „Gamybos optimizavimas"	Lithuania	Other[3]	Planning, optimization, forecasting, trading, brokering and other electricity related services	100.00	-
UAB Elektroninių mokėjimų agentūra	Lithuania	Other[3]	Payment aggregation	100.00	-
UAB „Transporto valdymas"	Lithuania	Other[3]	Vehicle rental, leasing, repair, maintenance, renewal and service	100.00	-
UAB Energetikos paslaugų ir rangos organizacija	Lithuania	Other[3]	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	100.00	-
NT Valdos UAB	Lithuania	Other[3]	Management and other related services of real estate	100.00	-

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Summarised statement of financial position of the Group companies with non-controlling interest:

Company name / Year, EURm	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Net assets	Non-controlling interest
UAB Kauno kogeneracinė jėgainė						
As at 31 December 2022	141.5	56.5	(100.9)	(19.2)	77.9	-
As at 31 December 2021	139.3	27.0	-	(122.1)	44.2	-

Summarised statement of profit or loss of the Group companies with non-controlling interests:

Company name / Year, EURm	Revenue	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
UAB Kauno kogeneracinė jėgainė						
2022	59.4	26.8	6.9	33.7	-[1]	-
2021	29.1	7.2	-	7.2	-[1]	-

[1] The Group uses anticipated-acquisition method for recognizing put option redemption liability (Note 5.5). Accordingly profits (loss) attributable to the holder of the non-controlling interest subject to the put are presented as attributable to the owners of the parent and not as attributable to those non-controlling shareholders.

Summarised Statement of Cash Flows of the Group companies with non-controlling interest:

Company name / Year, EURm	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
UAB Kauno kogeneracinė jėgainė								
2022	23.8	(0.9)	22.9	(0.4)	(4.9)	17.7	14.1	31.8
2021	14.2	(2.1)	12.1	(4.6)	(6.6)	0.8	13.3	14.1

The tables above have been prepared on the basis of the financial statements of subsidiaries adjusted for consolidation purposes and presents data before intercompany eliminations.

20 Non-current receivables

EURm	31 December 2022	31 December 2021
Cash reserved for guarantees	19.0	0.7
Finance lease	6.3	7.6
Accrued revenue related to regulatory activity of the public electricity supply (Note 5.14.2)	-	86.5
Loans granted	-	0.1
Other non-current amounts receivable	3.6	1.2
Total:	**28.9**	**96.1**
Less: loss allowance	-	-
Carrying amount	**28.9**	**96.1**

20.1 Cash reserved for guarantees

During 2022 limit of guarantee on behalf of Nord Pool AS was increased by EUR 13.5 million. Moreover the Group issued EUR 3.8 million guarantee on behalf of LITGRID AB, maturity of the guarantee 1 January 2026.

21 Other financial assets

EURm	31 December 2022	31 December 2021
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group” (Note 5.6)	20.6	25.1
Investment into Moray West Holdings Limited	5.0	5.0
Carrying amount	**25.6**	**30.1**

21.1 Moray West Holdings Limited deferred consideration

On 14 September 2020 the Group's subsidiary UAB „Ignitis renewables” acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Having purchased shares the Group took an obligation to pay additional EUR 5.0 million if specific conditions are met. The deferred consideration is measured at fair value (Note 41).

22 Other assets

22.1 Other non-current assets

EURm	31 December 2022	31 December 2021
Derivatives (Note 38.1)	24.4	3.6
Other non-current assets	0.4	0.1
Carrying amount	**24.8**	**3.7**

22.2 Other current assets

EURm	31 December 2022	31 December 2021
Derivatives (Note 38.1)	44.2	9.9
Deposits related to guarantee independent electricity suppliers activity	8.9	3.4
Deposit related to buyout of shares in subsidiaries	3.7	3.8
Deposit into an escrow account	-	16.2
Cash reserved for guarantees	0.1	-
Carrying amount	**56.9**	**33.3**

23 Inventories

EURm	31 December 2022	31 December 2021
Natural gas	514.9	149.1
Emission allowances	33.6	30.2
Consumables, raw materials and spare parts	16.4	2.2
Other	5.5	4.1
Carrying amount	**570.4**	**185.6**

Carrying amount of natural gas 31 December 2022 increased due to increased gas prices during 2022 and due to increased quantity of gas as the Group commit to purchase the required amount of gas and sell the set amount of electricity in advance on the electricity market in accordance with the electricity generation schedule submitted by LITGRID AB (Note 5.14.1).

The Group's inventories expensed were as follows:

EURm	2022	2021
Natural gas	1,373.4	379.8
Biofuel	3.4	1.1
Other inventories	1.9	2.1
In total	**1,378.7**	**383.0**

During 2022 the Group wrote down its inventory by EUR 103.0 million. The write-down is included in "Purchases of electricity, natural gas and other services" in statement of profit or loss (during 2021 the Group wrote down its inventory by EUR 0.7 million).

Movements on the account of inventory write-down to net realisable value were as follows:

EURm	2022	2021
Carrying amount at 1 January	**3.2**	**3.0**
Additional write-down to net realisable value	103.0	0.7
Reversal of write-down to net realisable value	(0.2)	(0.5)
Carrying amount at 31 December	**106.0**	**3.2**

24 Prepayments and deferred expenses

EURm	31 December 2022	31 December 2021
Prepayments for natural gas	84.3	61.9
Deferred expenses	9.2	3.8
Prepayments for other goods and services	1.8	1.1
Prepayments for emission allowance related derivatives	-	0.9
Deposits related to Power exchange	-	0.1
Other prepayments	0.5	0.7
Carrying amount	**95.8**	**68.5**

25 Trade receivables

EURm	31 December 2022	31 December 2021
Amounts receivable under contracts with customers		
Receivables from electricity related sales	272.8	170.2
Receivables from gas related - non-household	135.9	102.2
Receivables from gas related - household	7.2	4.3
Other trade receivables	20.6	8,1
In total	**436.5**	**284.8**
Less: loss allowance	(12.1)	(9.9)
Carrying amount	**424.4**	**274.9**

As at 31 December 2022 and 2021, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlement between related parties see Note 40.

25.1 Loss allowance of amounts receivable (lifetime expected credit losses)

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

EURm	Loss ratio, %	Trade receivables	Loss allowance
Not past due	0.65	338.1	2.2
Up to 30 days	1.40	21.4	0.3
30–60 days	8.82	3.4	0.3
60-90 days	12.00	2.5	0.3
90-120 days	15.38	2.6	0.4
More than 120 days	69.17	12.0	8.3
As at 31 December 2022	**3.11**	**380.0**	**11.8**

The table below presents information on the Group's trade receivables under contracts with customers as at 31 December 2021 that are assessed on a collective basis using the loss ratio matrix:

EURm	Loss ratio, %	Trade receivables	Loss allowance
Not past due	0.68	235.3	1.6
Up to 30 days	2.32	8.0	0.2
30–60 days	6.85	1.5	0.1
60-90 days	9.98	0.5	0.0
90-120 days	16.23	0.3	0.1
More than 120 days	72.75	9.2	6.7
As at 31 December 2021	**3.42**	**254.8**	**8.7**

The table below presents information on the Group's trade receivables under contracts with customers that are assessed on an individual basis:

EURm	31 December 2022		31 December 2021	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not past due	53.3	-	28.3	-
Up to 30 days	2.6	-	0.4	-
30–60 days	0.1	-	0.1	-
60-90 days	0.1	-	-	-
90-120 days	0.1	-	-	-
More than 120 days	0.3	0.3	1.2	1.2
Carrying amount	**56.5**	**0.3**	**30.0**	**1.2**

Movements in the account of loss allowance of trade receivables:

EURm	2022	2021
Carrying amount as at 1 January	**9.9**	**9.9**
Impairment loss of the year	2.6	0.9
Write-down of doubtful receivables	-	(0.1)
Reversal of loss allowance	(0.4)	(0.8)
Carrying amount at 31 December	**12.1**	**9.9**

Impairment loss of receivables was recognised in line item 'Other expenses' of statement of profit or loss.

The fair values of trade receivables as at 31 December 2022 and 2021 approximated their carrying amounts.

26 Other receivables

EURm	31 December 2022	31 December 2021
Deposits for electricity related derivatives in electricity market	57.6	60.2
Deposits for gas related derivatives to commodity traders	25.0	39.2
Granted loans	24.2	3.6
Accrued revenue from electricity sales	18,2	26,3
Receivables for derivatives	16.9	-
Value added tax	14,1	14,6
Accrued revenue from natural gas sales	7.7	1.4
Other accrued revenue	6.6	-
Current portion of finance lease	1.9	2.5
Cash reserved for guarantees	0.4	3.6
Receivable on sale of LITGRID AB	-	84.1
Accrued revenue related to regulatory activity of the public electricity supply (Note 5.14.2, 36)	-	39.0
Receivable payments made to SIG	-	3.8
Other receivables	7.5	15.1
In total	**180.1**	**293.4**
Less: loss allowance	(0.4)	(0.9)
Carrying amount	**179.7**	**292.5**

Line items “Accrued revenue from electricity sales”, “Accrued revenue from natural gas sales”, “Accrued revenue related to regulatory activity of the public electricity supply” and “Other accrued revenue” represent contract assets (Note 8.2).

The fair values of other receivables as at 31 December 2022 and 2021 approximated their carrying amounts.

26.1 Receivable on sale of LITGRID AB

In 2012, the shares of LITGRID AB held by the parent company were transferred to a newly established private limited liability company EPSO-G UAB in return for a certain consideration based on the market value of the shares established by independent valuers. According to the shares sale-purchase agreement EPSO-G UAB must repay the debt to the Group for the shares of AB LITGRID acquired in 30 September 2012 until 30 September 2022. During the year of 2022 EPSO-G UAB has repaid total debt of EUR 84.1 million to the Group.

26.2 Deposits for electricity and gas related derivatives

The Group has made deposits for derivative instruments as assurance of contractual obligations with the Commodities exchange and Commodity traders for trading of derivatives linked to electricity and gas market prices. Deposits are in a form of cash collateral and the value moves on a daily basis, i.e. depends on market prices. The Group estimates that the whole amount of cash collateral will be recovered as the amounts payable are related to the realization of the future hedge and the sales contracts will be realized together with the hedge, thus invoices for derivative instruments will be covered with sales income and after this payment cash collateral will be returned.

26.3 Granted loans

During the year 2022 the Group granted additional amount to loan to Moray West Holdings Limited, sea wind farm project development company in Scotland, for an amount EUR 19.8 million and as at 31 December 2022 the carrying amount of this loan was EUR 23.4 million (31 December 2021: EUR 3.6 million), interests rate – variable. The loan repayment term depends on the progress of the project development. The repayment of this loan is 31 March 2023, therefore the loan was reclassified from line item “Non-current receivables” to “Other receivables” of the statement of financial position.

27 Cash and cash equivalents

EURm	31 December 2022	31 December 2021
Cash balances in bank accounts	694.1	448.5
Restricted cash	-	0.6
Carrying amount	**694.1**	**449.1**

The fair values of cash and cash equivalents as at 31 December 2022 and 2021 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 part of current and future cash inflows. As at 31 December 2022, the balance of cash pledged amounted to EUR 32.8 million (31 December 2021: EUR 13.4 million).

28 Equity

28.1 Capital management

For the purpose of capital management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand, 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 2022 the parent company and 35 out of 36 subsidiaries met requirements of capital regulation (31 December 2021: the parent company and all the subsidiaries met requirements of capital regulation).

28.2 Issued capital

EURm	31 December 2022	31 December 2021
Authorised shares		
Ordinary shares	1,616.4	1,658.8
Ordinary shares issued and fully paid	**1,616.4**	**1,658.8**

As at 31 December 2022 the Group's issued capital comprised EUR 1,616.4 million (31 December 2021: 1,658.8 million) and was divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share (31 December 2021: 74,283,757 ordinary registered shares with EUR 22.33 nominal value for a share).

Reconciliation of the number of shares at the beginning and at the end of the year:

	2022	2021
Number of authorised shares as at 1 January	**74,283,757**	**74,283,757**
Reduction of ordinary shares (Note 28.4)	(1,894,797)	-
Number of authorised shares as at 31 December	**72,388,960**	**74,283,757**

28.3 Treasury shares

EURm	31 December 2022	31 December 2021
Acquired treasury shares	-	23.0
Carrying amount	**-**	**23.0**

The Group on 19–27 April 2022 has conducted an acquisition of the parent company's ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired by the Group on 29 April 2022, when the right of ownership transferred to the Group. Shares purchase price EUR 15.30 per share, number of shares acquired 651,554 and total value of treasury shares acquired EUR 10.0 million. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 4.3 million which was recognised in retained earnings. As the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the parent company has paid the difference to the Stabilization Manager.

On 2 December 2021 the Management Board of the Group, according to the resolution of the General Meeting of Shareholders of 29 July 2021, adopted a decision to execute the acquisition of ordinary registered shares of the Group. The Group on 6–14 December 2021 has conducted an acquisition of the Group's ordinary registered shares – treasury shares through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with AB SEB bankas acting as an intermediary. Treasury shares acquired by the Group on 16 December 2021, when the right of ownership transferred to the Group. Shares purchase price EUR 18.50 per share, number of shares acquired 1,243,243 and total value of treasury shares acquired EUR 23.0 million. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 3.7 million which was recognised in retained earnings.

In 2022 the Group has annulled treasury shares acquired in 2021 and 2022 (Note 28.4).

28.4 Share capital reduction

On 9 August 2022 Group share capital was reduced by annulling the ORS acquired by the Group in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020. During the reduction of the Group's share capital, 1,894,797 units of the Group's ORS with a nominal value of EUR 22.33 each, which were acquired by the Group itself, were annulled. The total nominal value of the annulled ORS is EUR 42.4 million. Accordingly, the Group's share capital decreased from EUR 1,658.8 million to EUR 1,616.4 million and the total number of ORS decreased from 74,283,757 units to 72,388,960 units.

Due to the reduction of the Group's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the Group's IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania implementing the shareholder's will, i.e. the Ministry of Finance of the Republic of Lithuania) whose securities portfolio amounts to 74.99% (increased from 73.08%).

28.5 Dividends

Dividends declared by the parent company during the year:

EURm	2022	2021
AB "Ignitis grupė"	89.0	86.8

EUR 43.8 million dividends for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022 and EUR 45.2 million dividends for the first half of 2022 was approved at the Extraordinary General Meeting of shareholders on 29 September 2022.

In the Q3 of 2021 the Group have acquired all 100% of AB „Ignitis gamyba" shares and in the Q2 of 2021 the Group have acquired all 100% AB „Energijos skirstymo operatorius" shares, thus dividends were declared for non-controlling interest. During the year 2021 dividends declared for the former non-controlling interest were EUR 1.1 million, until the acquisition of shares from non-controlling interest.

In total the Group paid EUR 89.0 million dividends in cash during 2022 (2021: EUR 87.8 million).

Dividends declared per share:

Declared on, EURm	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
September 2022	2022 I half-year	0.624	45.2
March 2022	2021 II half-year	0.600	43.8
Total declared during 2022 year			**89.0**
September 2021	2021 I half-year	0.589	43.8
March 2021	2020 II half-year	0.579	43.0
Total declared during 2021 year			**86.8**

29 Reserves

29.1 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 2022 and 2021 was not fully formed.

29.2 Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to increase in value. The revaluation cannot be used to cover losses (Note 30).

29.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

29.4 Treasury shares reserve

At the ordinary general meeting of shareholders held on 29 March 2022 it was decided to form additional reserve of EUR 14,70 million for the acquisition of treasury shares in 2022. Treasury shares reserve as at 31 December 2022 amounted to EUR 37,7 million (31 December 2021: EUR 23.0 million). Treasury shares reserve can be dissolved only by the decision of the ordinary general meeting of shareholders.

29.5 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 2022, the Group accounted for the result of the translation of the Group's net investments in Poland-based companies indirectly controlled by the Group (Ignitis Polska Sp. z o. o., Ignitis Renewables Polska Sp. z o. o. and Pomerania Wind Farm Sp. z o. o., Silezia1 Wind Farm Sp. z o.o., Altiplano S.A.) in the amount of EUR 4.8 million into the Group's presentation currency within the item of other reserves (31 December 2021: EUR 2.7 million). No other reserves were formed by the Group as at 31 December 2022 and 2021.

30 Other comprehensive income

EURm	Equity, attributed to equity holders of the parent				Total
	Revaluation reserve	Hedging reserve	Other reserves	Retained earnings	
Revaluation of property, plant and equipment, net of tax	(23.6)	-	-	-	**(23.6)**
Cash flow hedges – effective portion of change in fair value	-	57.1	-	-	**57.1**
Cash flow hedges – reclassified to profit or loss	-	(38.4)	-	-	**(38.4)**
Result of change in actuarial assumptions	-	-	-	(0.3)	**(0.3)**
Foreign operations – foreign currency translation differences	-	-	(0.5)	-	**(0.5)**
In total as at 31 December 2021	**(23.6)**	**18.7**	**(0.5)**	**(0.3)**	**(5.7)**
Revaluation of property, plant and equipment, net of tax	(1.1)	-	-	-	**(1.1)**
Cash flow hedges – effective portion of change in fair value	-	247.3	-	-	**247.3**
Cash flow hedges – reclassified to profit or loss	-	(165.3)	-	-	**(165.3)**
Result of change in actuarial assumptions	-	-	-	0.4	**0.4**
Foreign operations – foreign currency translation differences	-	-	(2.1)	-	**(2.1)**
In total as at 31 December 2022	**(1.1)**	**82.0**	**(2.1)**	**0.4**	**79.2**

Hedging reserve movement comprises recognition of effective portion of 247.3 (gross before tax EUR 289.8 million) (as at 31 December 2021: EUR 57.1 million (gross before tax EUR 67.1 million)) and reclassification to statement of profit or loss of EUR 165.3 million (gross before tax EUR 194.5 million) (as at 31 December 2021: EUR 38.4 million (gross before tax 45.2 million)) recognised in item 'Purchases of electricity, gas and other services' (see Note 38.2).

31 Loans and bonds

EURm	31 December 2022	31 December 2021
Non-current		
Bonds issued	890.1	888.5
Bank loans	533.2	229.6
Current		
Current portion of non-current loans	26.1	13.9
Bank loans	-	214.1
Bank overdrafts	172.9	-
Accrued interest	10.0	9.3
In total	**1,632.3**	**1,355.4**

Non-current loans and bonds by maturity:

EURm	31 December 2022	31 December 2021
From 1 to 2 years	177.0	18.9
From 2 to 5 years	376.6	73.8
After 5 years	869.7	1,025.4
In total	**1,423.3**	**1,118.1**

Loans and bonds of the Group are denominated in euros or polish zlotys.

31.1 Movement of loans and bonds

Movement of loans and bonds during the year 2022 mainly consisted of the following:

During 2022 the Group borrowed EUR 73.0 million according to the long-term loan contract with European Investment bank signed on 21 September 2020. The loan is intended for the implementation of IT solutions for smart meters and their data collection and management. Maturity of the loan is 14 February 2038, interests rate is fixed. The balance of loan as at 31 December 2022 is EUR 73.0 million.

During 2022 the Group signed overdraft contract with bank Swedbank AB with the limit of EUR 300.0 million. The balance of this overdraft as at 31 December 2022 is EUR 172.9 million.

On 31 May 2022 the Group signed a refinance contract with Swedbank AB for loan issued to the Group company UAB Kauno kogeneracinė jėgainė. Maturity of loan is 31 May 2032 therefore the loan was reclassified from current loans to non-current loans. The balance of loan as at 31 December 2022 consists of current portion for an amount EUR 7.3 million and non-current part for an amount of EUR 100.8 million (as at 31 December 2021 the loan for an amount of EUR 110.0 million was classified as current loans).

On 23 August 2022 the Group borrowed EUR 150.0 million according to the long-term loan contract with banks SEB AB and SEB AS. The loan was used to refinance subsidiary's loan and for working capital. Maturity of the loan is 23 August 2024, interest rate is variable. The balance of loan as at 31 December 2022 is EUR 150.0 million.

31.2 Covenants and unwithdrawn balances

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. All Group companies complied with the covenants as at 31 December 2022 and 2021.

As at 31 December 2022, the Group unwithdrawn balance of loans and bank overdrafts amounted to EUR 396.1 million (31 December 2021: EUR 115.3 million).

32 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. Management is monitoring net debt metric as a part of risk-management strategy. Only debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the net debt calculation. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

EURm	31 December 2022	31 December 2021
Cash and cash equivalents	(694.1)	(449.1)
Non-current loans and bonds payable after one year	1,423.3	1,118.1
Current loans payable within one financial year (including accrued interest)	36.1	237.3
Bank overdrafts	172.9	-
Lease liabilities	48.7	51.0
Net debt	**986.9**	**957.3**

Reconciliation of the Group's net debt balances and cash flows from financing activities:

	Assets		Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Deposit in escrow account	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2021	**(658.8)**	**(45.0)**	**29.2**	**13.4**	**1,246.1**	**15.4**	**600.3**
Cash changes							
(Increase) decrease in cash and cash equivalents	209.7	-	-	-	-	-	**209.7**
Proceeds from borrowings	-	-	-	-	-	104.0	**104.0**
Repayments of borrowings	-	-	-	-	-	(10.9)	**(10.9)**
Lease payments	-	-	-	(13.6)	-	-	**(13.6)**
Interest paid	-	-	-	(0.8)	-	(25.2)	**(26.0)**
Deposit in escrow account utilised	-	28.8	-	-	-	-	**28.8**
Non-cash changes							
Lease contracts concluded	-	-	19.1	1.8	-	-	**20.9**
Accrual of interest payable	-	-	-	0.8	1,6	25.2	**27.6**
Reclassification of interest payable from (to) trade and other payables	-	-	-	-	-	-	**-**
Lease liabilities written-off	-	-	(0.6)	(1.5)	-	-	**(2.1)**
Reclassifications between items	-	-	(4.3)	4.3	(128.9)	128.9	**-**
Assumed through business combination (Note 42)	-	-	2.7	0.1	-	-	**2.8**
Change in foreign currency	-	-	0.2	0.2	(0.7)	(0.1)	**(0.4)**
Other non-cash changes[1]	-	16.2		-		-	**16.2**
Net debt at 31 December 2021	**(449.1)**	**-**	**46.3**	**4.7**	**1,118.1**	**237.3**	**957.3**
Net debt at 1 January 2022	**(449.1)**	**-**	**46.3**	**4.7**	**1,118.1**	**237.3**	**957.3**
Cash changes							
(Increase) decrease in cash and cash equivalents	(245.0)	-	-	-	-	-	**(245.0)**
Proceeds from borrowings	-	-	-	-	223.0	-	**223.0**
Repayments of borrowings	-	-	-	-	-	(119.7)	**(119.7)**
Lease payments	-	-	-	(5.1)	-	-	**(5.1)**
Interest paid	-	-	-	(0.9)	-	(27.9)	**(28.8)**
Bank overdraft received (repaid)	-	-	-	-	-	172.9	**172.9**
Non-cash changes							
Lease contracts concluded	-	-	1.4	0.4	-	-	**1.8**
Accrual of interest payable	-	-	-	1.2	1.6	28.4	**31.2**
Lease liabilities written-off	-	-	-	(0.1)	-	-	**(0.1)**
Remeasurement of lease liabilities	-	-	(4.3)	(0.3)	-	-	**(4.6)**
Reclassifications between items	-	-	(3.5)	3.5	82.0	(82.0)	**-**
Assumed through business combination (Note 42)	-	-	5.2	-	-	-	**5.2**
Change in foreign currency	-	-	-	0.2	(1.4)	-	**(1.2)**
Net debt at 31 December 2022	**(694.1)**	**-**	**45.1**	**3.6**	**1,423.3**	**209.0**	**986.9**

[1] As at 31 December 2020 deposit in escrow account was treated as part of net debt as it was unclear whether it will be used to acquire treasury shares or will be recovered as cash. As during 2021 decisions were made to acquire treasury shares, the deposit is no longer treated as part of net debt.

33 Grants and subsidies

EURm	Asset-related grants - projects for renovation, improvement of environmental and safety standards	Asset-related grants - other projects of the Group	In total
Carrying amount as at 1 January 2021	**152.0**	**125.1**	**277.1**
Depreciation and amortisation	(2.9)	(7.9)	**(10.8)**
Grants received	17.2	-	**17.2**
Grants reversed and written off due to revaluation of property, plant and equipment	(4.4)	-	**(4.4)**
Carrying amount as at 31 December 2021	**161.9**	**117.2**	**279.1**
Carrying amount as at 1 January 2022	**161.9**	**117.2**	**279.1**
Depreciation and amortisation	(3.7)	(7.6)	**(11.3)**
Grants received	29.0	-	**29.0**
Carrying amount as at 31 December 2022	**187.2**	**109.6**	**296.8**

Amortisation of grants is accounted for under depreciation and amortisation in statement of profit or loss and reduces depreciation expenses of related property, plant and equipment. Grants reversed and written off are reported within revaluation/impairment of assets and reduce these expenses.

34 Deferred income and advances received

34.1 Deferred income

EURm	2022		2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Deferred income under contracts with customers				
Deferred income related to new customers connection and upgrade fees	10.5	205.5	9.3	183.6
Deferred income related to gas	61.1	-	-	-
Deferred income related to gas over declaration	33.7	-	7.2	-
Deferred income related to electricity over declaration	9.5	-	1.5	-
In total	**114.8**	**205.5**	**18.0**	**183.6**

Movement in the Group's deferred income:

EURm	2022		2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Balance as at 1 January	**18.0**	**183.6**	**12.1**	**164.4**
Increase during the year	105.5	31.1	8.5	27.4
Recognised as revenue	(17.9)	-	(10.8)	-
Reclassified from (to) other current amounts payable	-	-	-	-
Reclassifications between items	9.2	(9.2)	8.2	(8.2)
Balance as at 31 December	**114.8**	**205.5**	**18.0**	**183.6**

Revenue from new customer connection and upgrade fees is recognised over the average useful life of related items of property, plant and equipment (Note 3.2.1.3).

34.2 Advances received

EURm	31 December 2022	31 December 2021
Current prepayments under contracts with customers (contract liabilities)	60.7	55.0
Current prepayments under other contracts	0.9	2.5
In total	**61.6**	**57.5**

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35 Provisions

EURm	31 December 2022	31 December 2021
Non-current	17.6	30.1
Current	38.0	41.6
Total	**55.6**	**71.7**

Movement of the Group's provisions was as follows:

EURm	Emission allowance provision	Provisions for employee benefits	Provisions for servitudes (Note 5.7.1)	Provisions for registration of protection zones (Note 5.7.3)	Provision for isolated power system operations' and system services (Note 5.14.1)	Regulatory differences of public electricity supply activity (Note 5.14.2)	Other provisions	Total
Balance as at 1 January 2021	**10.3**	**3.6**	**14.7**	**15.1**	**17.3**	-	**3.2**	**64.2**
Increase during the year	12.3	1.8	-	-	5.9	-	6.7	**26.7**
Utilised during the year	(10.4)	(0.1)	-	-	(0.9)	-	(3.5)	**(14.9)**
Result of change in assumptions	-	0.4	(0.3)	(4.4)	-	-	-	**(4.3)**
Discount effect	-	-	-	-	-	-	-	-
Reclassifications between categories	-	(0.1)	-	-	-	-	0.1	-
Balance as at 31 December 2021	**12.2**	**5.6**	**14.4**	**10.7**	**22.3**	-	**6.5**	**71.7**
Balance as at 1 January 2022	**12.2**	**5.6**	**14.4**	**10.7**	**22.3**	-	**6.5**	**71.7**
Increase during the year	11.0	1.2	-	-	2.4	20.3	3.2	**38.1**
Utilised during the year	(12.2)	(0.3)	-	(4.7)	(19.4)	-	(1.4)	**(38.0)**
Result of change in assumptions	-	(0.4)	(6.2)	(4.4)	-	-	-	**(11.0)**
Discount effect	-	-	-	-	0.1	-	(0.3)	**(0.2)**
Reclassification to "Other current amounts payable and liabilities"	-	-	-	-	-	-	(5.0)	**(5.0)**
Balance as at 31 December 2022	**11.0**	**6.1**	**8.2**	**1.6**	**5.4**	**20.3**	**3.0**	**55.6**
Non-current	-	5.2	7.2	-	2.3	-	2.9	**17.6**
Current	11.0	0.9	1.0	1.6	3.1	20.3	0.1	**38.0**
Balance as at 31 December 2022	**11.0**	**6.1**	**8.2**	**1.6**	**5.4**	**20.3**	**3.0**	**55.6**

Description of Group's provisions and the expected timing of resulting outflows of economic benefits

Provisions for employee benefits include a statutory retirement benefit payable to the Group's employees (Note 3.24.3). The period of non-current provision is calculated according to each employee using actuarial assumptions that include the age of employee, mortality probability, index of staff turnover, discount rate (0.55% as at 31 December 2022, 0.043% as at 31 December 2021), long term salary increase rate (4% as at 31 December 2022, 4.6% as at 31 December 2021).

The provision for servitudes relates to the compensation of easements to third parties when the distribution operator (the Group company) installs electricity networks on land belonging to them. A one-time compensation for the use of statutory easements is paid to compensate for losses when a third party applies the request for compensation. The Group's management estimated (Note 5.7.1) that the period during which third parties will apply for compensation is 10 years starting from 2022. An additional 1-year deadline for the payment of compensation from the date of submission of the application was applied (the methodology of servitude related compensations provides two years for the payment from the date of submission of the application, but in fact the Group pays within one year).

The provision for registration of protection zones relates to the Group's obligation to register special protection conditions (protection zones) for land near the Group's infrastructure objects. According to the Group's management plans the registration of protection zones should last till the end of 2024 (Note 5.7.3).

The provision for isolated power system operation and system services relates to regulatory activities that give rise to regulatory differences which are reimbursed during the next years (Note 5.14.1). Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter the period of reimbursement is 2023-2024 year.

The provision for regulatory differences of public electricity supply activity consists of EUR 20.3 million provision related to regulatory differences of public electricity supply activity, set-off with the future regulatory differences of public electricity supply activity will be made within one year (Note 5.14.2).

36 Trade payables

EURm	31 December 2022	31 December 2021
Amounts payable for gas	101.4	7.0
Amounts payable for electricity	45.0	79.4
Amounts payable for contractual works, services	3.7	8.3
Other trade payables	27.1	5.5
Carrying amount	**177.2**	**100.2**

37 Other current amounts payable and liabilities

EURm	31 December 2022	31 December 2021
Taxes (other than income tax)	122.6	30.6
Accrued expenses	84.7	48.0
Deposits received for derivatives	56.0	-
Amounts payable for property, plant and equipment	55.9	23.3
Put option redemption liability	38.0	20.9
Payroll related liabilities	21.7	19.1
Derivatives (Note 38)	14.2	71.4
Payable to non-controlling party for acquisition of SIL shares	6.3	-
Irrevocable commitment to acquire a minority interest	3.6	3.7
Non-controlling interest dividends	3.3	3.4
Other amounts payable and liabilities	17.9	6.1
Carrying amount	**424.2**	**226.5**

Financial liabilities comprise EUR 195.2 million from total Other current amounts payable and liabilities (31 December 2021: EUR 128.9 million). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

37.1 Put option redemption liability

At 31 December 2022, the Group accounted for EUR 38.0 million (31 December 2021: EUR 20.9 million) put option redemption liability measured as net present value of the single future cash outflow, which would be paid to UAB Gren Lietuva for Kaunas CHP shares in a deadlock situation in case the put option is exercised. The fair value of put option redemption liability has increased by EUR 17.1 million during 2022 (2021: EUR 4.3 million) and presented as “Finance expenses” in statement of profit or loss. According to the shareholders agreement, the exercise price of the put option changed from amounts invested to market value since the lock-up period expired. Therefore, at 31 December 2022 this financial liability determined by the market value of UAB Gren Lietuva owned Kaunas CHP shares with 15% discount based on the shareholders agreement conditions. The valuation was performed using discounted cash flow method.

38 Derivatives

The Group’s derivatives mainly comprises of:
- contracts related to electricity and natural gas commodities (hedge accounting);
- contracts made directly with other parties – over-the-counter (OTC);
- contracts made through “Nasdaq Commodities” market – Nasdaq;
- other contracts (non-hedge accounting);
- other contracts – derivatives.

Fair value of Nasdaq contracts are being set-off with cash on day-to-day basis. Accordingly no financial assets or liabilities are being recognized in statement of financial position. Gain or loss of such transactions is recognized same as all derivatives.

38.1 Derivatives included in the statement of financial position

EURm	Note	Movement during 2022
Derivatives		
Other non-current assets	22.1	3.6
Other current assets	22.2	9.9
Other current amounts payable and liabilities	37	(71.4)
Carrying amount as at 31 December 2021		**(57.9)**
Change in the value		
Fair value change of derivatives recognised in ‘Finance income’		0.2
Fair value change of OTC recognised in ‘Other expenses’		19.4
Fair value change of OTC recognised in ‘Other comprehensive income’		77.8
Total change during 2022		**97.4**
Derivatives		
Carrying amount as at 31 December 2022		**39.5**
Other non-current assets	22.1	24.4
Other current assets	22.2	44.2
Other non-current amounts payable and liabilities		(14.9)
Other current amounts payable and liabilities	37	(14.2)

38.2 Derivatives included in statement of profit or loss and statement of comprehensive income

EURm	Note	2022	2021
Fair value change of derivatives recognised in ‘Finance income’	38.1	0.2	1.1
Fair value change of OTC	38.1	19.4	(16.7)
Fair value change of Nasdaq		(10.6)	10.7
Hedge ineffectiveness recognised - OTC		26.3	2.0
Hedge ineffectiveness recognised - Nasdaq		(53.6)	18.3
Total recognised in ‘Other expenses’, ‘Other income’ and ‘Financial income’		**(18.3)**	**15.4**
Effective hedges reclassified from Hedging reserve to statement profit or loss	30	194.5	45.2
Total recognised in statement of profit or loss		**176.2**	**60.6**

39 Contingent liabilities and commitments

39.1 Litigations

Below there are described most significant litigations as at 31 December 2022:

39.1.1 Litigation with AB „Šiaulių energija"

AB „Šiaulių energija" filed a claim against the Group's subsidiary AB „Energijos skirstymo operatorius" (hereinafter referred to '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 AB „Šiaulių energija" power plant connected to them. This claim seeks joint and several damages from ESO and LITGRID AB in the amount of EUR 1.2 million.

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 AB „Šiaulių energija" is responsible for the losses incurred during the accident.

On 6 April 2021 the Vilnius Regional Court has ruled to dismiss the claim of AB „Šiaulių energija" against ESO. On 11 May 2021 AB „Šiaulių energija" and LITGRID AB filed appeals against the decision. On 30 May 2021, ESO filed its replies to the appeals. By a ruling of 24 March 2022, the Lithuanian Court of Appeal upheld the 6 April 2021 decision of the Vilniaus Regional Court against ESO. On 3 June 2022 the Supreme Court of Lithuania has accepted a cassation appeal of LITGRID AB. On 4 July 2022 ESO submitted a reply to the cassations appeal. The hearing at the Supreme Court of Lithuania is scheduled on 30 March 2023.

The Group believes that it will defend its interests in these proceedings successfully and has not made provisions for these proceedings.

39.1.2 Litigation with UAB „VILNIAUS ENERGIJA"

The plaintiff UAB „VILNIAUS ENERGIJA" has filed a claim with Vilnius Regional Court regarding the award of EUR 9.3 million from ESO. The plaintiff claims to have incurred EUR 9.3 million losses due to the fact that ESO 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 10.7 million.

By judgment of 28 January 2020, the Vilnius Regional Court partially upheld the claim of UAB „VILNIAUS ENERGIJA" and
1) acknowledged that UAB „VILNIAUS ENERGIJA" was discriminated against in relation to other cogeneration plants;
2) awarded UAB „VILNIAUS ENERGIJA" from ESO EUR 1.7 million in damages incurred in year 2014 and EUR 0.5 million in damages incurred in year 2015 (in total EUR 2.3 million);
3) order the payment of procedural interest at the rate of 6% per annum on the amount of damages ordered from the date on which the case was brought before the court on 24 May 2014 until the date on which the judgment is fully complied with.
The part of the claim, in which UAB „VILNIAUS ENERGIJA" sought a declaration that the balancing energy supplier the Group's subsidiary AB „Ignitis gamyba" had discriminated against it and an order ESO to pay EUR 4.6 million for the damage suffered in year 2014 and EUR 3.8 million for the damage suffered in year 2015 was dismissed.

27 February 2020 ESO filed an appeal against the part of the decision of Vilnius Regional Court of 28 January 2020, which satisfied the claim of UAB „VILNIAUS ENERGIJA": ESO did not agree with the conclusion of the Vilnius Regional Court that it discriminated against UAB „VILNIAUS ENERGIJA" in purchasing eligible electricity. In the absence of a violation of competition law in ESO's actions, ESO is not obliged to compensate UAB „VILNIAUS ENERGIJA" 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 UAB „VILNIAUS ENERGIJA".

By its ruling of 22 September 2020, the Supreme Court of Lithuania accepted the cassation appeal of UAB „VILNIAUS ENERGIJA". ESO's response to the cassation appeal of UAB „VILNIAUS ENERGIJA" was filed on 21 October 2020.

By its ruling of 25 May 2021, the Supreme Court of Lithuania annulled the part of the ruling of the Lithuanian Court of Appeal of 11 June 2020, which rejected the claim of UAB „VILNIAUS ENERGIJA" to declare that UAB „VILNIAUS ENERGIJA" had been discriminated against in relation to other cogeneration plants, and remitted the part of the case concerning the damages of EUR 1.7 million incurred in 2014 and EUR 0.5 million incurred in 2015, back to the Lithuanian Court of Appeal for a new hearing. The other part of the claim brought by UAB „VILNIAUS ENERGIJA" against ESO was finally rejected.

Decision in the case is expected in the first quarter of 2023.

The Group's management expects the claims of UAB „VILNIAUS ENERGIJA" will be rejected as unfounded.

39.1.3 Litigation concerning the designated supplier state aid scheme and LNG price component

Following the General Court on the European Union (the General Court) on 8 September 2021 judgement in case T-193/19, AB „Achema" initiated the reopening of the previously suspended proceedings in the administrative courts of the Republic of Lithuania in respect of the complaints it has lodged against the National Energy Regulatory Council (hereinafter referred to 'the Council') regarding the Council's decisions of the setting of the LNG price supplement. The Group's subsidiary UAB „Ignitis" in these cases is intervened as a third party.

The General Court on 8 September 2021 in case T-193/19 decided to partially annul on procedural grounds the European Commission decision in case SA.44678 (2018/N) (hereinafter referred to 'Decision'). The General Court considered that the European Commission should have had doubts on the amendments regarding the designated supplier state aid scheme which have been valid for a period from 2016 to 2018 and annulled Decision on that part, however maintained the validity of the remainder of the Decision i.e. the designated supplier state aid scheme valid from 2019.

Following the General Court's judgment, the Commission has re-examined the compatibility of the 2016 amendments and has decided to open an in-depth investigation under EU State aid rules. The Commission will now investigate further to determine whether the amount of compensation received by Litgas for the period 2016-2018, in particular regarding the boil-off and balancing costs, is in line with the SGEI Framework.

The European Commission's formal investigation procedure, limited to the points of doubt raised by the General Court, should lead to the adoption of a final and complete decision of the European Commission.

After the formal investigation procedure (which stared in December 2022) there will be more certainty in assessing the actual financial impact for the Group.

39.1.4 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 referred to '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.

In accordance with the schedule approved by the Arbitral Court in 2021 and 2022 the parties have submitted to the Arbitral Court their procedural documents, also the hearings of the Arbitration Court have been held. On 5 August 2022 the Arbitration Court made a favorable ruling under which, among other things, declared that a subsidiary of the Group UAB Vilniaus kogeneracinė jėgainė was entitled to terminate the contract with Rafako S. A. and has the legal right to claim delay damages and reimbursement of damages from Rafako. The issues of reimbursement of damages and the size thereof are scheduled to be examined on the second stage of the arbitration proceedings. Further hearings of the Arbitration Court shall be held, and other proceedings of the parties shall be conducted in accordance with the schedule approved by the Arbitral Court.

The Group expects to succeed defending its interests. According to the Group management, this dispute will not have significant financial consequences for the implementation of the project.

39.1.5 Litigations with subcontractors regarding the UAB Vilniaus kogeneracinė jėgainė construction works

On 31 December 2021 the Group's company UAB Vilniaus kogeneracinė jėgainė, as a defendant or a third party, has been involved in litigations with subcontractors regarding potential liabilities, although it has paid the main contractor in full for the contract and its work.

The outcome of litigation should not create additional obligations for the Group in relation to subcontractors.

39.1.6 Litigation with UAB Kauno termofikacijos elektrinė

On 17 December 2018, the Group's company UAB „Ignitis" appealed to the Vilnius Court of Commercial Arbitration for compensation of EUR 1,7 million for losses incurred due to UAB Kauno termofikacijos elektrinė failure to acquire the entire required amount of liquefied natural gas assigned for 2015, and for the award of EUR 0.1 million of interest on late payment.
UAB Kauno termofikacijos elektrinė filed a counterclaim in the case, requesting the annulment of one of the terms of the LNG Sales and Purchase Agreement and the Additional Agreement. The proceedings are suspended until the courts of general jurisdiction have ruled on the non-arbitrable part of the parties' dispute.

According to the Group management, the outcome of litigation should not create additional obligations for the Group.

39.1.7 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.

39.2 Issued guarantees

The Group has provided the following guarantees:

Name of the entity	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2022[1]	31 December 2021
Moray Offshore Windfarm (West) Limited	NEXANS NORWAY AS	27/10/2022	termless	8.6		
Moray Offshore Windfarm (West) Limited	Barclays Bank PLC	22/07/2022	31/03/2023	7.3	-	-
Moray Offshore Windfarm (West) Limited	Siemens Gamesa Renewables Energy Limited	08/09/2021	31/03/2025	2.1		
Moray Offshore Windfarm (West) Limited	Engie UK Markets Limited	21/04/2021	termless	1.2	-	-
Moray Offshore Windfarm (West) Limited	Engie UK Markets Limited	28/07/2022	01/05/2025	0.5	-	-
Moray Offshore Windfarm (West) Limited	GARDLINE Limited	19/07/2022	01/03/2023	0.4	-	-
				20.1	**-**	**-**

[1] Amount which should be covered by the Group in case entity could not perform its obligations as at 31 December 2022.

On 27 October 2022 the Group has issued a guarantee in favour of NEXANS NORWAY AS for EUR 8.6 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited related to engineering, manufacturing, transport and installation of offshore export cables and onshore export cables.

On 22 July 2022 the Group has issued a guarantee in favour of Barclays Bank PLC for EUR 7.3 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited.

On 28 July 2022 the Group has issued a guarantee in favour of Engie UK Markets Limited for EUR 0.5 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited under power purchase agreement.

On 19 July 2022 the Group has issued a guarantee in favour of GARDLINE Limited for EUR 0.4 million. The guarantee is provided to guarantee performance obligations of Moray Offshore Windfarm (West) Limited.

39.3 Regulatory assets and liabilities

39.3.1 Natural gas distribution to household customers

Natural gas supply to household customers activity is regulated by NERC. The NERC regulates natural gas tariff paid by customers. Regulatory differences defined as the difference between the fixed natural gas sale price and the actual natural gas purchase price were not recognized in the financial statements till 31 December 2022 as Group had no guarantee for this difference to be considered when setting tariffs in the future according to the legislation base.

The overcollected unrecognised amount as of 31 December 2022 is EUR (16.1) million, amount is related to year 2022 (undercollected amount of EUR 64.0 million as of 31 December 2021). The management expects that overcollected unrecognised amount EUR (16.1) million to household customers will be included in future tariffs for upcoming next 12 months period.

39.3.2 Designated supply of natural gas

Designated supply activity is also regulated by NERC. Regulatory differences arise when the actual costs differ from those estimated, but the Group does not recognize regulated assets or liabilities in the financial statements as the difference will be refunded by providing the services in the future. The overcollected amount of EUR (53.0) million as of 31 December 2022 will be included in the LNGT security component in the future (overcollected amount of EUR (53.0) million as of 31 December 2021).

39.3.3 Electricity distribution

By the resolution No. O3E-1424 taken on 17 October 2022 NERC established the price caps for the electricity distribution service for the year 2023 on the basis of certificate No.O5E-1206 issued on 15 October 2022.

The remaining of the return on investment for 2018-2021 year was:

• The overcollected amount of EUR (157.5) million the difference between the level of depreciation and return on investment of the optimized and non-optimized key network elements of the limited adjustments to the long-run average incremental cost (hereinafter LRAIC) model and the actual level of depreciation and return on investment;
• The entire calculated return on investment (the difference between the forecasts for operating expenses, technological losses and other costs compared to the costs actually incurred), exceeding the established one, for the period 2018-2021 is returned to consumers.

The evaluation of the return on investment for 2022 will be performed in 2024, when setting the price limits for electricity distribution in 2025.

39.3.4 Natural gas distribution

The difference is calculated by the resolution No.O3E-1473 taken on 31 October 2022 NERC set the upper limit of the natural gas distribution price for the 2023 on the basis of certificate No.O5E-1268 issued on 28 October 2022.

On 31 December 2022, the remaining of the return on investment for 2014-2020 year was the amount of 0 million (2021: overcollected amount of EUR (6.6) million)

The entire calculated return on investment, exceeding the established one, for the period 2014-2018 and 2019-2020, is returned to consumers.

The evaluation of the return on investment for 2021 and 2022 will be performed in 2023, when setting the gas distribution price limits in 2024.

39.4 Evaluation of Russia’s invasion of Ukraine on Group’s financial statements

The Group has evaluated current and, to the extent possible, expected impact of Russia’s invasion of Ukraine on the financial position, performance, cash-flows and the principal risks and uncertainties to which the Group is exposed. As the Group does not have any significant operations in the affected markets and does not have subsidiaries in the affected markets, the management of the Group has concluded that:

- no expected credit losses adjustments should be made as Group does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- the situation does not have impact on Group’s ability to continue as a going concern.
- general potential effects that are tightly related to the Group’s activities are an increase in electricity and natural gas prices, possible disruptions in supply chains as well as increased inflation and growing prices of other materials. Furthermore, the level of vigilance in cybersecurity is being raised nationwide while the Group is classified as the owner of critical infrastructure.

As to the above no significant impact of Russia’s invasion of Ukraine on Group’s financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, impact of the Russia’s invasion of Ukraine on the business of the Group companies is being constantly reviewed.

39.5 Significant acquisition commitments

At the end of reporting year the Group had significant acquisition commitments of property, plant and equipment and intangible assets which will have to be fulfilled during the later years (Notes 16.4 and 17.4).

40 Related-party transactions

Related parties	Accounts Receivable 31 December 2022	Accounts Payable 31 December 2022	Sales 2022	Purchases 2022	Finance income (expenses) 2022
UAB "EPSO-G"	-	-	-	-	0.1
LITGRID AB	26.5	36.8	198.6	269.0	-
AB "Amber Grid"	6.4	3.1	34.0	42.5	-
BALTPOOL UAB	0.2	1.6	(64.9)	10.4	-
UAB GET Baltic	84.3	3.8	109.1	119.0	-
Associates and other related parties of the Group	0.1	1.5	0.3	3.4	-
Total	**117.5**	**46.8**	**277.1**	**444.3**	**0.1**

Related parties	Accounts Receivable 31 December 2021	Accounts Payable 31 December 2021	Sales 2021	Purchases 2021	Finance income (expenses) 2021
UAB "EPSO-G"	84.1	0.1	-	-	0.3
LITGRID AB	19.5	38.7	87.3	194.4	-
AB "Amber Grid"	8.1	5.0	43.2	47.4	-
BALTPOOL UAB	0.8	33.6	15.5	104.6	-
UAB GET Baltic	7.3	-	30.7	69.4	-
Associates and other related parties of the Group	0.7	2.8	0.7	4.2	-
Total	**120.5**	**80.2**	**177.4**	**420.0**	**0.3**

The major sale and purchase transactions with related parties in 2022 and 2021 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

Transactions with other state-owned entities included regular business transactions and therefore they were not disclosed.

Negative sales amount in 2022 to BALTPOOL UAB is related with credit invoices issued for PSO services. Revenue from PSO funds is calculated for 1 MW electricity as the difference between the fixed tariff set by the NERC and the weighted average price of electricity sold in Power exchange of electricity. If the weighted average price on the Electricity Exchange exceeds the fixed rate set by NERC, the Group issues credit invoices to BALTPOOL UAB.

40.1 Terms of transactions with related parties

The payment terms set range from 15 to 90 days. 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.

40.2 Compensation to key management personnel

EURm	2022	2021
Wages and salaries and other short-term benefits to key management personnel	1.1	1.0
Whereof:	-	-
Short-term benefits: wages, salaries and other	*1.0*	*0.8*
Termination benefits	*0.1*	-
Share-based payment expenses	-	*0.2*
Number of key management personnel	12	12

In 2022 and 2021 members of Board, Supervisory board and Chief Executive Officer are considered to be the Group's key management personnel. For more information on the key management personnel, see the 'Governance report' of Annual report.

40.3 Additional related parties information

Related party	Registration Code	Official Register	Address
UAB "EPSO-G"	302826889	Registrų centras, VĮ	Gedimino Ave. 20, LT-01103 Vilnius
LITGRID AB	302564383	Registrų centras, VĮ	Karlo Gustavo Emilio Manerheimo St. 8, LT-05131 Vilnius
AB "Amber Grid"	303090867	Registrų centras, VĮ	Laisvės Ave. 10, LT-04215 Vilnius
BALTPOOL UAB	302464881	Registrų centras, VĮ	Žalgirio St. 90, D, LT-09303 Vilnius
UAB GET Baltic	302861178	Registrų centras, VĮ	Geležinio Vilko St. 18A, LT-08104 Vilnius

41 Fair values of financial instruments

41.1 Financial instruments, measured at fair value

The Group's derivatives (Level 2 of the fair value hierarchy), investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Level 3 of the fair value hierarchy), the Group's option right to acquire shares in subsidiary (Level 2 of the fair value hierarchy) are measured at fair value.

As at 31 December 2022 and 2021, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 3.15.3. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivatives linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange.

As at 31 December 2022 and 2021, the Group has accounted for investment into KŪB „ Innovation Fund Smart Energy Fund powered by Ignitis Group". The Group accounts for financial asset at fair value and their accounting policies are set out in Note 3.15.1. Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on investment rounds (Note 5.6). Fair value of this financial asset will change depending on future investment rounds or other significant events.

As 31 December 2022 and 2021 the Group has accounted for investment into Moray West Holdings Limited. Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on the valuation performed by external valuator. The valuation was performed based on discounted cash flows.

As at 31 December 2022 and 2021, the Group accounted for the option to acquire all the shares of Kaunas CHP held by UAB Gren Lietuva (49%), the calculation of which is defined in the shareholders' agreement. In the opinion of the Group's management, the exercise price of the put option that the Group will have to pay to UAB Gren Lietuva for the redeemable UAB Gren Lietuva owned Kaunas CHP shares, if they choose to sell them, equals the fair value of these shares within materiality limits (materiality limits are set, as to best markets practice, +/-15% of market value). Fair value corresponds to level 2 in the fair value hierarchy.

41.2 Financial instruments for which fair value is disclosed

The Group's fair value of loans granted is approximately equal to carrying amount. The measurement of financial assets related to the loans issued is attributed to Level 3 of the fair value hierarchy.

The Group's bond issue debt (Note 32) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 5.01% as at 31 December 2022 (31 December 2021 – 2.90%). Discount rates for certain bond issues are determined as bond yields for certain issued bond. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The Group's fair value of financial liabilities related to the debt liabilities to commercial banks and state-owned investment banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 4.80% for loans above EUR 1 million and 4.84% for loans less EUR 1 million (as at 31 December 2021: accordingly 2.76% and 2.82%). The measurement of financial liabilities related to these debts is attributed to Level 2 of the fair value hierarchy.

41.3 Financial instruments' fair value hierarchy levels

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2022:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at FVPL or FVOCI						
Assets						
Derivatives	38	**68.7**	-	68.7	-	**68.7**
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"	21	**20.6**	-	-	20.6	**20.6**
Investment into Moray West Holdings Limited	21	**5.0**	-	-	5.0	**5.0**
Liabilities						
Put option redemption liability	37	**38.0**	-	38.0	-	**38.0**
Derivatives	38	**29.1**	-	29.1	-	**29.1**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	20, 26	**24.1**			24.1	**24.1**
Liabilities						
Bonds issued	31	**899.3**	-	774.3	-	**774.3**
Debt liabilities to commercial banks	31	**443.6**	-	428.0	-	**428.0**
Debt liabilities to state-owned investment banks	31	**289.4**	-	192.8	-	**192.8**

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2021:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at FVPL or FVOCI						
Assets						
Receivable for the sale of LITGRID AB	26	**84.1**	-	-	84.1	**84.1**
Derivatives	38	**13.5**	-	13.5	-	**13.5**
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"	21	**25.1**	-	-	25.1	**25.1**
Liabilities						
Put option redemption liability	37	**20.9**	-	20.9	-	**20.9**
Derivatives	38	**71.5**	-	71.5	-	**71.5**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	20, 26	**3.7**	-	-	3.7	**3.7**
Liabilities						
Bonds issued	31	**897.7**	-	856.2	-	**856.2**
Debt liabilities to commercial banks	31	**231.0**	-	230.0	-	**230.0**
Debt liabilities to state-owned investment banks	31	**226.7**	-	191.4	-	**191.4**

42 Business combinations

42.1 Acquisition of Altiplano A.S.

On 30 September 2022 the Group acquired a 100% shareholding in Altiplano S.A. from the legal person. As at 31 December 2022, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 34.4 million, EUR 22.1 million of which are paid through bank account, EUR 12.3 million were identified as contingent consideration which relates to the fulfillment of specific seller's obligations set out in the share purchase agreement: (i) transfer of carve-out receivable amounts, (ii) obtaining all the necessary land rights and buildings permits. The amount of contingent consideration was assessed by the Group's management according to probability of fulfillment of obligations. During the year of 2022 a part of seller's obligations was fulfilled and as at 31 December 2022 the contingent consideration amounted to EUR 6.3 million. As at 31 December 2022 the investment was not fully paid. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2022.

The Group applied the acquisition accounting method to account for this business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents other intangible assets identified during business combination. The Group's management carried out the preliminary assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Note	Altiplano S.A.
Assets acquired		
Property, plant and equipment	17	5.0
Right-of-use assets	18	5.2
Prepayments for non-current assets		0.2
Current receivables		6.5
Other intangible assets identified during business combination		30.0
Liabilities assumed		
Non-current lease liabilities		(5.2)
Income tax payable		(0.7)
Deferred tax liabilities	14.4	(5.7)
Trade payables		(0.9)
Total identifiable net assets acquired		**34.4**
Consideration paid		(22.1)
Contingent consideration		(12.3)
Total consideration transferred:		**(34.4)**
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(22.1)
Cash and cash equivalents acquired		-
Net cash flows		**(22.1)**

Other intangible assets identified during business combination comprise the licence to generate electricity. Multi-period excess earnings method was used measuring fair value of other intangible assets: it considers the present value of net cash flows expected to be generated by the production of electricity, by excluding any cash flows related to contributory assets.

If the acquisition of Altiplano S.A. had occurred on 1 January 2022, management estimates that the Group's net profit for the reporting period would not have changed significantly, and the Group's revenue for the reporting period would have been higher on EUR 1.5 million. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of profit or loss and comprehensive income for the reporting period are not significant.

The Group incurred acquisition-related costs for an amount of EUR 0.7 million on transfer tax, legal fees and due diligence costs. These costs have been included in statement of profit or loss item "Other expenses".

42.2 Acquisition of UAB „Plungės vėjo energija"

On 25 November 2022 the Group acquired a 100% shareholding in UAB „Plungės vėjo energija" from the legal persons. As at 31 December 2022, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 0.3 million, which was paid through bank account. The share purchase agreement includes contingent consideration which relates to fulfillment of specific seller's obligations set out: (i) security of all the land rights, (ii) reservation of grid capacities, (iii) development license from regulator received. The amount of contingent consideration was assessed by the Group's management according to probability of obtaining necessary grid capacities within foreseeable future and it was determined being zero as at 31 December 2022, according to this the investment is considered as fully paid. The range of outcomes cannot be estimated due to remote triggering events that influence the fulfillment of obligations by the seller.

The Group applied the acquisition accounting method to account for this business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents goodwill identified during business combination. The Group's management carried out the preliminary assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Note	UAB „Plungės vėjo energija"
Assets acquired		-
Liabilities assumed		-
Total identifiable net assets acquired		**-**
Consideration paid		(0.3)
Total consideration transferred:		**(0.3)**
Goodwill arising from the acquisition of subsidiary	16	0.3
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(0.3)
Cash and cash equivalents acquired		-
Net cash flows		**(0.3)**

If the acquisition of UAB „Plungės vėjo energija” had occurred on 1 January 2022, management estimates that the Group‘s total revenue and net profit would not have changed significantly. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of profit or loss and comprehensive income for the reporting period are not significant.

The Group incurred acquisition-related costs for an amount of EUR 0.1 million on transfer tax, legal fees and due diligence costs. These costs have been included in statement of profit or loss item “Other expenses”.

42.3 Reassessment of fair values of assets identified during business combination

The Group made the reassessment of fair values of assets identified during business combination of subsidiary Silezia1 Wind Farm sp. z o.o. (previously Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.) which was acquired on December 2021. Reassessment showed that fair value should be adjusted: the goodwill for an amount EUR 0.1 million was recognised and other intangible assets was reduced by EUR 0.5 million, as at 31 December 2022 other intangible assets comprised of EUR 9.6 million (31 December 2021 – EUR 10.0 million). As well, the reassessment affected deferred tax liability related to recognized other intangible assets therefore was reduced by EUR 0.1 million.

43 Events after the reporting period

43.1 Other events

On the award of a Polish capacity mechanism auction for 2027 to the Group company

The Group (Group’s company AB „Ignitis gamyba”) will ensure the availability of 250 MW capacity in the market in 2027 for approx. EUR 16 million, according to the results of the Polish capacity mechanism auction for ensuring capacity availability in 2027 conducted by the Polish transmission system operator Polskie Sieci Elektroenergetyczne. This will have a positive effect on the results of the Flexible Generation segment of the Group.

On the enforcement of Lithuanian Government's resolution to continue energy price compensation for business customers

The Group (Group’s company AB „Energijos skirstymo operatorius”) Management Board approved the signing of the agreement with the Ministry of Finance of the Republic of Lithuania on the use of the State budget funds in 2023.

The resolution was passed by the Government of the Republic of Lithuania (hereinafter – the Government) on 26 October 2022, wherein a partial compensation was established for business customers for the periods of Q4 2022 and Q1 2023. By this resolution, the Government established that business customers would be compensated 50 percent of their electricity price if it exceeds 24 ct/kWh (excluding VAT and excise duties) for the period from 1 October 2022 to 31 December 2022 and compensate for the same amount during the period from 1 January 2023 to 31 March 2023 if the price is higher than 28 ct/kWh (excluding VAT and excise duties).

The funds allocated for partial compensation of business customers will be paid by the administrator – the Group. The resolution of the Government of 26 October 2022 stipulates that partial compensation will be provided to the business customers that receive energy supply services through their electricity supplier or directly to the consumer itself if it acquires electricity for its needs (not for selling or reselling purposes) directly from the power market.

The agreement, same as the resolution of the Government of 4 January 2023 “On the allocation of funds”, stipulates that up to EUR 174 million will be allocated to cover the expenses related to the partial electricity price compensation to business customers for the period from 1 January 2023 to 31 March 2023. This will not have an impact to the Group’s results because the Group is not the final recipient of the funds (it only administrates the payments).

43.2 Litigations

The Lithuanian Court of Appeal by its ruling of 23 February 2023 decided to satisfy the claim of the plaintiff UAB „VILNIAUS ENERGIJA“ (see note 39.1.2) in the case against the defendant AB „Energijos skirstymo operatorius” (hereinafter referred to as ‘ESO’). ESO was ordered to pay EUR 1.7 million in damages for 2014 and EUR 0.5 million - for 2015, procedural interest at the rate of 6% on the amount ordered (EUR 2.2 million) from the date on which the case was brought into the court (24 March 2014) until the full execution, and EUR 0.1 million in legal costs. The Court's order enters into force and is immediately enforceable. In management‘s opinion, there is sufficient legal basis for the cassation instance, therefore management is assessing the possibility of a cassation appeal.

There were no other significant events after the reporting period till the issue of these financial statements.

6.2 Parent company's financial statements

Prepared for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union

The parent company's financial statements were prepared and signed by AB „Ignitis grupė" management on 23 February 2023:

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras",
Head of Accounting acting under Decision
No 23_GSC_SP_0010 (signed 17 February 2023)

Statement of Profit or Loss

For the year ended 31 December 2022

EURm	Notes	2022	2021
Revenue from contracts with customers	6	3.0	3.2
Other income		0.6	2.8
Dividend income	7	97.5	222.8
Total revenue and other income		**101.1**	**228.8**
Salaries and related expenses		(3.6)	(4.9)
Depreciation and amortisation		(1.9)	(0.7)
Other expenses	8	(5.0)	(4.3)
Total expenses		**(10.5)**	**(9.9)**
Operating profit (loss)		**90.6**	**218.9**
Finance income	9	41.0	38.6
Finance expenses	10	(25.9)	(26.2)
Finance activity, net		**15.1**	**12.4**
Profit (loss) before tax		**105.7**	**231.3**
Current year income tax (expenses)/benefit	11	(1.8)	(0.1)
Deferred tax (expenses)/benefit	11	(1.4)	0.4
Net profit for the year		**102.5**	**231.6**
Basic earnings per share (in EUR)	12	**1.41**	**3.12**
Diluted earnings per share (in EUR)	12	**1.41**	**3.12**
Weighted average number of shares	12	**72,599,599**	**74,232,665**

Statement of Comprehensive Income

For the year ended 31 December 2022

EURm	Notes	2022	2021
Net profit for the year		**102.5**	**231.6**
Total other comprehensive income (loss) for the year		-	-
Total comprehensive income (loss) for the year		**102.5**	**231.6**

Statement of Financial Position

As at 31 December 2022

EURm	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Intangible assets		1.9	1.8
Property, plant and equipment		0.1	0.1
Right-of-use assets	13	15.7	17.6
Investment property		0.1	0.1
Investments in subsidiaries	14	1,255.2	1,255.9
Non-current receivables	15	1,530.1	1,088.4
Other financial assets	18	20.6	25.1
Deferred tax assets		-	0.5
Total non-current assets		**2,823.7**	**2,389.5**
Current assets			
Prepayments and deferred expenses		0.1	0.1
Trade receivables		0.8	0.5
Other receivables	16	0.9	184.6
Other current assets	19	3.8	20.0
Current loans	17	227.8	136.5
Cash and cash equivalents	20	24.8	125.3
Total current assets		**258.2**	**467.0**
Total assets		**3,081.9**	**2,856.5**
Equity and liabilities			
Equity			
Issued capital	21	1,616.4	1,658.8
Treasury shares	21	-	(23.0)
Reserves	22	99.6	88.1
Reserve for treasury shares	22	37.7	23.0
Retained earnings (deficit)		179.1	186.4
Total equity		**1,932.8**	**1,933.3**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	23	1,113.1	888.5
Non-current lease liabilities	24	14.2	16.0
Deferred tax liabilities		1.4	-
Total non-current liabilities		**1,128.7**	**904.5**
Current liabilities			
Loans	23	9.8	9.1
Lease liabilities	24	1.8	1.8
Trade payables		1.1	1.0
Advances received		-	0.1
Income tax payable		1.8	-
Other current amounts payable and liabilities	25	5.9	6.7
Total current liabilities		**20.4**	**18.7**
Total liabilities		**1,149.1**	**923.2**
Total equity and liabilities		**3,081.9**	**2,856.5**

Statement of Changes in Equity

For the year ended 31 December 2022

EURm	Notes	Issued capital	Treasury shares	Legal reserve	Treasury shares reserve	Retained earnings	Total
Balance as at 1 January 2021		**1,658.8**	**-**	**82.3**	**-**	**71.9**	**1,813.0**
Net profit for the year		-	-	-	-	231.6	**231.6**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**231.6**	**231.6**
Transfer to reserves to acquire treasury shares	22.2	-	-	-	23.0	(23.0)	**-**
Treasury shares acquired	21.2	-	(23.0)	-	-	(3.7)	**(26.7)**
Transfers to legal reserve	22.1	-	-	5.8	-	(5.8)	**-**
Dividends	7.1	-	-	-	-	(86.8)	**(86.8)**
Share based payments		-	-	-		0.2	**0.2**
Other movement		-	-	-	-	2.0	**2.0**
Balance as at 31 December 2021		**1,658.8**	**(23.0)**	**88.1**	**23.0**	**186.4**	**1,933.3**
Balance as at 1 January 2022		**1,658.8**	**(23.0)**	**88.1**	**23.0**	**186.4**	**1,933.3**
Net profit for the year		-	-	-	-	102.5	**102.5**
Other comprehensive income		-	-	-	-	-	**-**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**-**	**102.5**	**102.5**
Transfer to reserves to acquire treasury shares	22.2	-	-	-	14.7	(14.7)	**-**
Treasury shares acquired	21.2	-	(10.0)	-	-	(4.3)	**(14.3)**
Transfers to legal reserve	22.1	-	-	11.5	-	(11.5)	**-**
Dividends	7.1	-	-	-	-	(89.0)	**(89.0)**
Share capital reduction	21.3	(42.4)	33.0	-	-	9.4	**-**
Other movement		-	-	-	-	0.3	**0.3**
Balance as at 31 December 2022		**1.616.4**	**-**	**99.6**	**37.7**	**179.1**	**1,932.8**

Statement of Cash Flows

For the year ended 31 December 2022

EURm	Notes	2022	2021
Cash flows from operating activities			
Net profit for the year		102.5	231.6
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		1.9	0.7
Fair value changes of financial instruments		6.2	(13.8)
Income tax expenses/(income)	11	3.3	(0.3)
Loss/(gain) on disposal/write-off of assets held for sale and property, plant and equipment		-	(2.8)
Share-based payments expenses		-	0.2
Other expenses/(income) of investing activities		(0.6)	-
Interest income	9	(41.0)	(22.7)
Interest expenses	10	21.8	20.9
Dividends	7	(97.5)	(222.8)
Other expenses/(income) of financing activities		(2.2)	3.2
Changes in working capital[1]:			
(Increase)/decrease in trade receivables and other receivables		83.2	66.0
(Increase)/decrease in prepayments and deferred expenses, other current and other non-current assets		16.2	44.0
Increase/(decrease) in trade payables, advances received, other current amounts payable and liabilities		0.9	2.9
Income tax (paid)/received		0.5	0.5
Net cash flows from (to) operating activities		**95.2**	**107.6**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(0.1)	-
Loans granted		(543.0)	(487.4)
Loan repayments received		20.8	92.1
Acquisition of a subsidiary		-	(19.0)
Interest received	9	31.8	20.8
Dividends received	7	197.9	122.3
Return of capital from subsidiaries	14.2	1.2	5.0
Investments in Innovation Fund	5.3	(1.7)	(3.5)
Net cash flows from investing activities		**(293.1)**	**(269.7)**
Cash flows from financing activities			
Loans received	24	223.0	-
Lease payments	24	(1.7)	(0.5)
Interest paid	24	(19.5)	(19.3)
Dividends paid	7	(87.8)	(86.8)
Dividends returned		0.3	2.0
Treasury shares acquisition	21.2	(14.3)	(26.7)
Other increases/(decreases) in cash flows from financing activities[1]		(2.6)	(2.6)
Net cash flows from financing activities		**97.4**	**(133.9)**
Increase/(decrease) in cash and cash equivalents		**(100.5)**	**(296.0)**
Cash and cash equivalents at the beginning of the year	20	125.3	421.3
Cash and cash equivalents at the end of the year	20	**24.8**	**125.3**

[1] The parent company has performed reclassifications in the statement of cash flows in order to provide more reliable information for the users of financial statements. Reclassification had no impact on the statement of financial position, statement of profit or loss and statement of changes in equity. As at 31 December 2021 parent company has reclassified Personal income tax declared and paid in relation to bonds interest from Changes in working capital to Cash flows from financing activities (EUR 2.6 million).

Explanatory Notes

For the year ended 31 December 2022

1 General information

AB „Ignitis grupė" (hereinafter referred to as 'parent company') is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 28 August 2008 with the Register of Legal Entities managed by the public institution the Centre of Registers. Parent company code 301844044. The parent company has been founded for an indefinite period.

The parent company's shares are listed on the Main List of NASDAQ OMX Vilnius Stock Exchange, as well the global depositary receipts are admitted to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.

AB „Ignitis grupė" is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 14). The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on operating electricity distribution Network and managing and developing Green Generation portfolio. The Group also manages strategically important Flexible Generation assets and provide Customers & Solutions services, including the supply of electricity and natural gas, solar, e-mobility, improved energy efficiency and innovative energy solutions for households and businesses.

The parent company analyses the activities of group companies, represents the whole group, implements its shareholders' rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

The parent company seeks to ensure effective operation of group companies, implementation of goals related to the Group's activities set forth in the National Energy Independence Strategy and other legal acts, ensuring that it builds a sustainable value in a socially responsible manner.

The parent company's majority shareholder is the State of the Republic of Lithuania (74.99%):

Shareholder of the parent company	31 December 2022		31 December 2021	
	Share capital, in EURm	%	Share capital, in EURm	%
Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania	1,212.2	74.99	1,212.2	73.08
Other shareholders	404.3	25.01	418.8	25.25
Treasury shares	-	-	27.8	1.67
	1,616.5		**1,658.8**	

These financial statements were prepared and signed for issue by Group's management on 23 February 2023.

The parent 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 Basis of preparation

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS') issued by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in European Union. Reporting period of these financial statements is one year ended 31 December 2022.

The parent company's financial statements as at and for the year ended 31 December 2022 (hereinafter referred to as 'financial statements') have been prepared on a going concern basis applying measurement based on historical cost (hereinafter referred to as 'acquisition costs'), except for certain financial instruments measured at fair value.

These financial statements are presented in euros, which is the parent company's functional currency and all values are rounded to the nearest million (EUR '000,000), except when otherwise indicated. These financial statements provide comparative information in respect of the previous period.

2.2 Foreign currency translation

2.2.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss of statement of profit or loss and other comprehensive income.

3 Significant accounting policies

3.1 New standards, amendments and interpretations

3.1.1 Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these financial statements are consistent with the accounting policies applied in the preparation of the parent company's annual financial statements for the year ended 31 December 2021, with the exception of the new standards which entered into force during the year of 2022.

3.1.1.1 Standards and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2022. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

Standards or amendments that came into force during 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
Annual Improvements to IFRS Standards 2018–2020
Reference to Conceptual Framework

3.1.2 Standards issued but not yet effective and not early adopted

Preparing these financial statements he parent company did not adopt new IFRS, International Accounting Standards (hereinafter referred to as 'IAS'), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The amendments also clarify that:

(a) not all information about accounting relating to material transactions, other events or conditions is itself material;
(b) accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
(c) disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and
(d) the amendments do not relieve an entity from meeting other disclosure requirements within IFRS.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Early application is permitted. Amendments are endorsed for application in EU.

The management of the parent company is currently assessing the impact of these amendments on the financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the financial statements.

Other new standards or amendments	IASB Effective date	EU Endorsement status
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Endorsed
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

3.2 Revenue from contracts with customers

The parent 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 parent company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the parent 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 parent 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.

3.2.1 Management services

The parent company provides management services to its subsidiaries. The control of management services is transferred over time and, therefore, the parent company satisfies a performance obligation and revenue is recognised over time. The parent 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 parent company applies a practical expedient allowed by IFRS 15. As the parent 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 parent company recognises revenue in the amount to which it has a right to invoice. The parent 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 parent 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.

3.2.2 Contract balances

3.2.2.1 Contract assets and contract liabilities

The timing of satisfaction of the parent 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 parent company had no contract liability or contract assets.

3.2.2.2 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 3.11.1.

3.3 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.

3.4 Expense recognition

Expenses are recognised in statement of profit or loss and other comprehensive income as incurred applying accrual basis.

3.5 Dividend distribution

Dividend distribution to the parent company's shareholders is recognised as a liability in the parent company's financial statements in the period in which the dividends are approved by the parent company's shareholders.

3.6 Current and deferred tax

3.6.1 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 percent.

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 parent company changes its activities due to which these losses incurred except when the parent company does not continue its activities due to reasons which do not depend on parent 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 parent company when they relate to the same taxation authority.

3.6.2 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.

3.6.3 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.

3.7 Intangible assets

The parent 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 parent company recognised the assets from future synergies that were identified on the acquisition of assets of TE-3 from AB Vilniaus šilumos tinklai on 12 October 2017. The benefit of synergies is realised by ensuring the connection of Vilnius co-generation power plant, which is constructed by the parent company's subsidiary and other objects of the parent company's subsidiaries to the heat distribution infrastructure of Vilnius city.

3.8 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the parent company to use the leased asset over the life of a lease. The parent 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.

3.8.1 Initial measurement of right-of-use assets

At the commencement date, the parent 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 parent company, and an estimate of costs to be incurred by the parent 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 parent 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 parent company recognises these costs as part of the cost of right-of-use asset when the parent company incurs an obligation for these costs.

3.8.2 Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the parent company measures the right-of-use asset using the cost model. Under the cost model, the parent 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.

If the lease transfers ownership of the underlying asset to the parent company by the end of the lease term or if the cost of the right-of-use asset reflects that the parent company will exercise a purchase option, the parent company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the parent 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. Right-of-use assets are depreciated on a straight-line basis.

The parent company presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

3.9 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 statement of profit or loss and other comprehensive income. If the basis for the write-down can no longer be justified at the statement of financial position date, it is reversed. If there is a present obligation to cover a deficit in subsidiaries, a provision is recognised for this.

3.10 Impairment of non-financial assets

At each reporting date, the parent 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.

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 profit (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.

3.11 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.

3.11.1 Financial assets

The parent 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 parent 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 statement of profit or loss and other comprehensive income. Impairment losses are accounted for as other expenses in statement of profit or loss and other comprehensive income.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the parent 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 parent company. The intentions of the parent company's management regarding separate instruments have no effect on the applied business model. The parent 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 parent company does not have this kind of assets, is as follows:

3.11.1.1 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.

3.11.1.2 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 parent 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 statement of profit or loss and other comprehensive income in the period in which it arises. The parent company classifies in this category investments to equity instruments that do not meet the SPPI conditions.

3.11.1.3 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 statement of profit or loss and other comprehensive income 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 parent 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 parent company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

3.11.1.4 Impairment of financial assets – expected credit losses (hereinafter "ECL")

The parent 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 parent company are calculated as the difference between all contractual cash flows that are due to the parent company in accordance with the contract and all the cash flows that the parent company expects to receive (i.e. all cash shortfalls), discounted at the original EIR. The parent 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 parent 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 parent company assesses impairment of amounts receivable individually or collectively, as appropriate.

ECL for receivables (other than trade receivables) are calculated:

- ECL for receivables from Group companies are calculated using individual assessment;
- ECL for other receivables, prepayments and accrual of income are calculated using individual assessment.

The parent 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 parent company assesses the debt on a collective basis.

Recognition stages of ECL:

1. upon granting of a loan, the parent 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 parent 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 parent company establishes that the recovery of the loan is doubtful, the parent 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 parent 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 parent company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

3.11.1.5 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.

3.11.1.6 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.

3.11.2 Financial liabilities and equity instruments issued

3.11.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans, bonds and payables. All financial liabilities are recognised initially at fair value and, in the case of loans, bonds and payables, net of directly attributable transaction costs.

3.11.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVPL;
- financial liabilities at amortised cost (loans, bonds and other payables not measured at FVPL).

3.11.2.3 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 derivatives 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 statement of profit or loss.

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 parent company has not designated any financial liability as at FVPL.

3.11.2.4 Financial liabilities at amortised cost

All financial liabilities of the parent company are attributed to this category. After initial recognition, interest-bearing loans and bonds are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss of statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income.

This category generally applies to trade payables, interest-bearing loans and bonds. The parent company's financial liabilities include the following:

3.11.2.5 Classification

Financial liabilities are classified as current liabilities unless the parent 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.

3.11.2.6 Financial guarantee contracts

The parent company provides financial guarantees to subsidiaries in relation to loans taken from banks or other liabilities and receives a consideration, which is recognised in statement of profit or loss and other comprehensive income 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 parent company. If the consideration corresponds to a reduction of payments, the parent 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 parent 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 3.11.1.4 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 2022.

3.11.2.7 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.

3.11.2.8 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the parent 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.

3.11.2.9 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 statement of profit or loss and other comprehensive income.

3.12 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 current liabilities in the statement of financial position.

3.13 Issued capital, share premium, treasury shares

3.13.1 Issued capital, share premium

Ordinary shares are classified as equity. The parent 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.

3.13.2 Share-based payments

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).

During 2022 share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

3.13.3 Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

3.14 Lease liabilities

At the commencement date of the lease the parent 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 parent company and payments of penalties for terminating the lease, if the lease term reflects the parent 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 parent 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.

3.14.1 Short-term leases and leases of low-value assets

The parent 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 parent 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.

3.15 Employee benefits

3.15.1 State plans

The parent company participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Group, the State Social Security Fund). State plans are defined benefit plan under which the Group pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. This contributions are recognised as an expense on an accrual basis and are included within remuneration expenses

3.16 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.

3.17 Related parties

Related parties are defined as follow:

- Group companies;
- parent company's controlling shareholders or those who have significant influence;
- associated companies;
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- key management personnel and close members of that personnel's family and their controlled enterprises and companies.

3.18 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.

3.19 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 parent 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.

3.20 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.

4 Risk management

4.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Group aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Other risks management are presented in the Governance section of Annual report.

4.2 Financial risk factors

The parent 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 parent company seeks to mitigate the impact of factors which could adversely affect the parent company's financial performance results.

4.2.1 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.

4.2.1.1 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 parent company's sale/purchase transactions are denominated in euros, therefore does not bear the risk of foreign exchange rate fluctuations.

4.2.1.2 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 parent company's income and cash flows are affected by fluctuations in market interest rates because the loans granted had fixed and variable interest rates as at 31 December 2022, 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, interest rate derivatives would be used for the purpose of interest management (the parent company did not use such derivatives during 2022 and 2021). 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.

Variable-rate financial instruments include loan received from commercial bank in amount EUR 150.0 million and loans granted in amount EUR 67.3 million as at 31 December 2022 (loans granted in amount EUR 79.4 million as at 31 December 2021) (Note 15.2, 23).

Interest rate risk is assessed in relation to sensitivity of the parent company's profit to potential shift in interest rates. This assessment is given in the table below.

	Increase/decrease, pp	(Decrease)/increase in profit
2022	1.0/ (1.0)	0.8 / (0.8)
2021	1.0/ (1.0)	1.6 / (1.6)

4.2.2 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 parent company's exposure to credit risk arises from operating activities (other amounts receivable) and from financing activities (granted loans).

As at 31 December 2022 the parent company is not exposed to significant credit risk concentration related to other amounts receivable. As at 31 December 2021 other receivables of the parent company principally consisted of the EPSO-G outstanding receivables for the sale of LITGRID AB shares in year 2012 (Note 16.1).

The parent company is exposed to credit risk concentration related to loans granted (Note 15, 17), although principally all loans granted are due from related parties (Note 27). The parent company is evaluating cash flows and financial results of these related parties, no impairment is recognised for the investments into subsidiaries to related parties to which loans are granted. Due to that parent company does not consider that risk related to concentration of loans granted is significant.

The priority objective of the parent 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 financial assets and the nominal value of guarantees issued.

EURm	Notes	31 December 2022	31 December 2021
Financial assets measured at amortised cost:			
Non-current loans granted	15.2	1,530.1	1,088.4
Trade receivables		0.8	0.5
Other receivables	16	-	100.5
Current loans granted	17	227.8	136.5
Cash and cash equivalents	20	24.8	125.3
Financial assets at FVPL in statement of profit or loss			
Amount receivable on sale of LITGRID AB	16.1	-	84.1
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group“	18	20.6	25.1
		1,804.1	**1,560.4**
Off-balance sheet commitments:			
Open guarantees issued	26	379.4	356,8
Total		**2,183.5**	**1,917.2**

4.2.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the parent company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support the parent company's ordinary activities. The refinancing risk is managed by ensuring that loans 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 2022, the parent company's current liquidity ratio (total current assets/total current liabilities) was 12.66 (31 December 2021 – 25.01). As at 31 December 2022, the parent company's balance of credit and overdraft facilities not withdrawn amounted to EUR 269 million (31 December 2021 – EUR 110 million).

To support the fulfilment of obligation of the Group companies to credit institutions and other creditors, the parent company issued guarantees in the amount of EUR 379.4 million as at 31 December 2022 (31 December 2021 – EUR 352.4 million) (Note 26.1).

The table below summarises the parent company's financial liabilities by category:

EURm	Notes	31 December 2022	31 December 2021
Amounts payable measured at amortised cost			
Loans and bonds	23	1,122.9	897.6
Lease liabilities		16.0	17.8
Trade payables		1.1	1.0
Other current amounts payable and liabilities	25	5.1	5.3
Total		**1,145.1**	**921.7**

The table below summarises the maturity profile of the parent company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	2022				In total
EURm	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and bonds	1.8	23.6	523.8	689.9	**1,239.1**
Lease liabilities	0.5	1.5	7.8	7.2	**17.0**
Trade payables	-	1.1	-	-	**1.1**
Other amounts payable	-	5.1	-	-	**5.1**
Total	**2.3**	**31.3**	**531.6**	**697.1**	**1,262.3**

	2021				In total
EURm	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and bonds	4.3	22.2	69.6	911.9	**1,008.0**
Lease liabilities	2.3	6.9	19.0	-	**28.2**
Trade payables and non-current amounts payable to suppliers	1.0	-	-	-	**1.0**
Total	**7.6**	**29.1**	**88.6**	**911.9**	**1,037.2**

5 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 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 parent 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.

5.1 Impact of climate change

The parent company pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc.
Read more on the impact of climate change and parent company's approach on managing it in section '5.4 Climate Action' of the annual report.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Impact of climate change on investment into subsidiaries and loans granted

Each year the parent company assesses whether there are any impairment indications for investments into subsidiaries (Note 5.2). There are no indicators suggesting that investment into subsidiaries have reduced in value, significant impacts of climate change on the parent company's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. Additionally, the parent company assessed whether credit risk of subsidiaries has increased due to climate change impact and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Thus, the parent company management does not reasonably expect climate change to have a significant impact on the value of investment into subsidiaries and loans receivable amounts.

Impact of climate change on provision for risk

The parent company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

The impact of future climate change regulation is not material on the currently reported amounts of the parent company's assets and liabilities.

5.2 Impairment of investments

On 31 December 2022, the parent company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. The parent company considered information from external and internal sources of information.

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 Depreciation and Amortization) 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.

Additionally, the management assessed whether during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate.

The management did not find any impairment indications in all investments and concluded that no additional impairment nor impairment reversal is needed for investments into subsidiaries as at 31 December 2022 (Note 14).

5.3 KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"

On 26 July 2017 the parent company signed the establishment agreement of the limited partnership "Smart Energy Fund powered by Ignitis Group" (hereinafter – the Partnership) with UAB Contrarian Ventures. KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (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) 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 UAB Contrarian Ventures.

By the management's judgment the parent company does not have control over the Partnership. Because, under the terms of the Partnership, the parent company does not have the power to manage the activities of the SEF, as the parent company is not a partner of SEF. Investment decisions are made in accordance with SEF investment strategy or approved by the Investment Committee, where parent company has only observer.

Change in carrying amount of investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" amounted to EUR (4.5) million during 2022 (2021: EUR 20.2 million).

The fair value decrease of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" recognised for an amount EUR 6.2 million and is presented as "Finance expenses" in statement of profit or loss and other comprehensive income during 2022 (2021: gain of EUR 15.9 million is presented in "Finance expenses" in statement of profit or loss and other comprehensive income). The fair value of this financial asset is determined by reference to new investment rounds or other recent events and data (Note 28).

Remaining change is related to new investments made during 2022 for an amount of EUR 1.5 million and other fund expenses and distributions EUR 0.2 million (as at 31 December 2021: new investments made during 2021 for an amount EUR 3.5 million and reclassification from non-current receivables EUR 0.8 million).

Fair value corresponds to Level 3 in the fair value hierarchy.

5.4 Option agreement over UAB Kauno kogeneracinė jėgainė shares

As at 31 December 2022, the parent company held 51% shareholding in UAB Kauno kogeneracinė jėgainė (hereinafter "Kaunas CHP"), and the remaining 49% of shares was held by UAB Gren Lietuva.

Both shareholders have signed the Shareholders' Agreement under which key decisions over the business should be taken unanimously by the shareholders and / or by the Board which consists of equal number of representatives from both shareholders and one independent member. If the shareholders fail to reach the consensus on the deadlock situation, the parent company has an option to buy (call option) all the shares of Kaunas CHP held by UAB Gren Lietuva and thus, whereas UAB Gren Lietuva has an option to sell (put option) to the parent company its shareholding in Kaunas CHP, for the price, the calculation of which is defined in the Shareholders' Agreement.

In the parent company's management view, the call option is a derivative instrument. The option is exercisable at the amount which approximates fair value of the underlying shares at the date of exercise (both put and call option). In management view, the fair value of the derivative is not significant.

5.5 Estimating the incremental borrowing rate

The parent company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter "IBR") to measure lease liabilities. The IBR is the rate of interest that the parent company 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. Average incremental borrowing rate set for new significant agreements made in 2022 was 1.4%.

6 Revenue from contracts with customers

EURm	2022	2021
Management fee income	3.0	2.8
Other revenue from contracts with customers	-	0.4
Total	**3.0**	**3.2**

The parent company's revenue from contracts with customers during 2022 and 2021 mainly comprised the revenue from advisory and management services provided to subsidiaries.

The parent company did not present any segment information as there is only one segment.

All performance obligations of the parent company are settled over time.

The parent company's balances under the contracts with customers:

EURm	31 December 2022	31 December 2021
Trade receivables	0.8	0.4

7 Dividends

7.1 Dividends declared by the parent company

EURm	2022	2021
AB „Ignitis grupė"	89.0	86.8

EUR 43.8 million dividends for the second half of 2021 was approved at the Ordinary General Meeting of shareholders on 29 March 2022 and EUR 45.2 million dividends for the first half of 2022 was approved at the Extraordinary General Meeting of shareholders on 29 September 2022.

In total the parent company paid EUR 87.8 million dividends in cash during 2022 (2021: EUR 86.8 million).

Dividends declared per share:

Declared on	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared EURm
September 2022	2022 I half-year	0.624	45.2
March 2022	2021 II half-year	0.600	43.8
Total declared during 2022 year			**89.0**
September 2021	2021 I half-year	0.589	43.8
March 2021	2020 II half-year	0.579	43.0
Total declared during 2021 year			**86.8**

7.2 Dividends received by the parent company

Dividends received by the parent company from Group companies during the year 2022 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the parent company	Non-controlling interest dividends
31/03/2022	UAB Elektroninių mokėjimų agentūra	2021	0.1931	0.2	0.2	-
29/04/2022	AB „Ignitis gamyba"	Q4 2021	0.0680	44.0	44.0	-
29/04/2022	AB „Energijos skirstymo operatorius"	2021	0.0559	50.0	50.0	-
29/04/2022	UAB „Ignitis grupės paslaugų centras"	2021	0.0173	0.7	0.4	-
10/05/2022	UAB „Gamybos optimizavimas"	2021	0.1457	0.1	0.1	-
23/05/2022	UAB „Transporto valdymas"	2021	12.8514	1.0	1.0	-
23/05/2022	UAB „Ignitis renewables"	2021	80.7850	1.8	1.8	-
Total				**97.8**	**97.5**	**-**

Dividends received by the parent company from Group companies during the year 2021 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 parent company	Non-controlling interest dividends
30/03/2021	AB „Energijos skirstymo operatorius"	2020	0.06	55.5	54.7	0.8
25/03/2021	UAB „Ignitis"	2020	0.29	39.7	39.7	-
30/03/2021	UAB „Ignitis grupės paslaugų centras"	2020	0.02	0.7	0.4	-
31/03/2021	AB „Ignitis gamyba"	II half-year 2020	0.03	18.8	18.5	0.3
21/12/2021	AB „Ignitis gamyba"	I-III qtr. 2021	0.15	100.4	100.4	-
30/03/2021	Tuuleenergia OÜ	2020	928.0	0.9	0.9	-
30/03/2021	UAB „Transporto valdymas"	2020	16.15	1.3	1.3	-
04/05/2021	UAB „Ignitis renewables"	2019-2020	2.2	6.7	6.7	-
27/04/2021	UAB „Energetikos paslaugų ir rangos organizacija	2020	0.18	0.2	0.2	-
Total				**224.2**	**222.8**	**1.1**

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7.3 Additional bonus equal to the amount of dividends

The Tender Offer Circular approved by the Bank of Lithuania on 30 March 2021 indicates that if the Ordinary Meetings of Shareholders of AB „Ignitis gamyba" and AB „Energijos skirstymo operatorius" held on 30 April 2021 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 parent company on the rights accounting day as a result of selling their shares to the parent company, the parent 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 parent company on the rights accounting day.

In line with the resolution of the General Meeting of Shareholders of AB „Ignitis gamyba" on 30 April 2021 to pay dividends (EUR 0.056 per share), the parent company paid additional bonuses equal to the amount of dividends to the former shareholders of AB „Ignitis gamyba" in May 2021 in the amount of EUR 229 million.

In line with the resolution of the General Meeting of Shareholders of AB „Energijos skirstymo operatorius" on 30 April 2021 to pay dividends (EUR 0.076 per share), the parent company paid additional bonuses equal to the amount of dividends to the former shareholders of AB „Energijos skirstymo operatorius" in May 2021 in the amount of EUR 1.8 million.

8 Other expenses

EURm	2022	2021
Consultation services	1.8	1.7
Public relationship and marketing services	1.0	0.9
Personnel development	0.8	0.7
Telecommunications and IT services	0.4	0.5
Other expenses	1.0	0.5
In total	**5.0**	**4.3**

9 Finance income

EURm	2022	2021
Interest income at the effective interest rate	41.0	22.7
Fair value change of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Note 5.3)	-	15.9
In total	**41.0**	**38.6**

The parent company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 15.2, 17). During the year 2022, the parent company received EUR 31.8 million (2021: EUR 20.8 million) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

10 Finance expenses

EURm	2022	2021
Interest expenses	21.6	20.8
Fair value change of KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Note 5.3)	6.2	-
Interest and discount expense on lease liabilities	0.2	0.1
Fair value change of consideration from UAB "EPSO-G"	-	2.1
Other expenses of financing activities	(2.1)	3.2
In total	**25.9**	**26.2**

The parent company incurs interest expense on long-term and short-term loans payable and bonds issued (Note 23). During the year 2022, the parent company paid interest in cash in the amount of EUR 19.5 million (2021: EUR 19.3 million), which are presented in the cash flow statement under 'Interest paid'.

11 Income taxes

11.1 Amounts recognised in profit or loss

EURm	2022	2021
Income tax expenses (benefit) for the reporting period	1.8	0.1
Deferred tax expenses (benefit)	1.4	(0.4)
Income tax expenses (benefit) recognised in profit or loss	**3.2**	**(0.3)**

11.2 Reconciliation of effective tax rate

Income tax on the parent company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the parent company:

EURm	2022	2022	2021	2021
Profit (loss) before tax		105.7		231.3
Income tax expenses (benefit) at tax rate of 15%	15.00%	15.9	15.00%	34.7
Expenses not deductible for tax purposes	1.32%	1.4	0.53%	1.2
Income not subject to tax	(13.30%)	(14.1)	(15.71%)	(36.3)
Income tax expenses (benefit)	**3.02%**	**3.2**	**(0.13%)**	**(0.3)**

12 Earnings per share

The parent company's earnings per share and diluted earnings per share were as follows:

EURm	2022	2021
Net profit	**102.5**	**231.6**
Weighted average number of nominal shares	72,599,599	74,232,665
Basic earnings per share	1.41	3.12
Diluted earnings per share	1.41	3.12

Basic and diluted earnings per share indicators have been calculated based on 72,599,599 weighted average number of ordinary shares as at 31 December 2022 (as at December 31 2021: 74,232,665) as parent company reacquired its own ordinary shares (treasury shares) as at 16 December 2021 and as at 29 April 2022. Treasury shares are not regarded as outstanding, thus were excluded from the outstanding shares count at the period for which they are held by the parent company. On 9 August 2022 parent company has reduced its share capital by annulling treasury shares acquired (Note 21.4).

13 Right-of-use assets

EURm	Buildings	Vehicles	In total
31 December 2020			
Acquisition cost	0.4	0.2	**0.6**
Accumulated depreciation	-	(0.1)	**(0.1)**
Carrying amount	**0.4**	**0.1**	**0.5**
Carrying amount as at 1 January 2021	**0.4**	**0.1**	**0.5**
Additions	18.0	0.1	**18.1**
Write-offs	(0.3)	-	**(0.3)**
Depreciation	(0.6)	(0.1)	**(0.7)**
Carrying amount as at 31 December 2021	**17.5**	**0.1**	**17.6**
31 December 2021			
Acquisition cost	18.0	0.2	18.2
Accumulated depreciation	(0.5)	(0.1)	(0.6)
Carrying amount	**17.5**	**0.1**	**17.6**
Carrying amount at 1 January 2022	**17.5**	**0.1**	**17.6**
Depreciation	(1.8)	(0.1)	**(1.9)**
Carrying amount	**15.7**	**-**	**15.7**
31 December 2022			
Acquisition cost	18.0	0.2	18.2
Accumulated depreciation	(2.3)	(0.2)	(2.5)
Carrying amount	**15.7**	**-**	**15.7**

The parent company's right-of-use assets mainly consist of contract for lease of office premises. The validity term is until the year 2031.

13.1 Expenses related to lease agreements recognised in statement of profit or loss and other comprehensive income

The parent company's lease expenses recognised in statement of profit or loss and other comprehensive income were as follows:

EURm	2022	2021
Depreciation	1.8	0.7
Interest charges	0.2	0.1
Expenses related to short-term leases (other expenses)	0.1	0.1
Lease expenses, total	**2.1**	**0.9**

13.2 Future expenses related to lease agreements

EURm	31 December 2022	31 December 2021
Future expenses related to short-term leases	0.1	0.1
Leases not yet commenced to which the lessee is committed	-	-
Future lease expenses, total	**0.1**	**0.1**

14 Investments in subsidiaries

Information on the parent company's investments in subsidiaries as at 31 December 2022 provided below:

EURm	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
AB „Energijos skirstymo operatorius	750.4	-	750.4	100.00	100.00
AB „Ignitis gamyba"	321.2	-	321.2	100.00	100.00
UAB „Ignitis renewables"	54.2	-	54.2	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	52.3	-	52.3	100.00	100.00
UAB „Ignitis"	47.1	-	47.1	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20.4	-	20.4	51.00	51.00
UAB „Ignitis grupės paslaugų centras"	6.0	-	6.0	50.47	100.00
UAB „Transporto valdymas"	2.4	-	2.4	100.00	100.00
UAB Elektroninių mokėjimų agentūra	0.8	-	0.8	100.00	100.00
UAB „Gamybos optimizavimas"	0.4	-	0.4	100.00	100.00
	1,255.2	**-**	**1,255.2**		

Information on the parent company's investments in subsidiaries as at 31 December 2021 provided below:

EURm	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
AB „Energijos skirstymo operatorius"	750.4	-	750.4	100.00	100.00
AB „Ignitis gamyba"	321.2	-	321.2	100.00	100,00
UAB „Ignitis renewables"	54.2	-	54.2	100.00	100.00
UAB Vilniaus kogeneracinė jėgainė	52.3	-	52.3	100.00	100.00
UAB „Ignitis"	47.1	-	47.1	100.00	100.00
UAB Kauno kogeneracinė jėgainė	20.4	-	20.4	51.00	51.00
UAB „Ignitis grupės paslaugų centras"	6.0	-	6.0	50.47	100.00
UAB „Transporto valdymas"	2.4	-	2.4	100.00	100.00
UAB Elektroninių mokėjimų agentūra	1.4	-	1.4	100.00	100.00
UAB „Gamybos optimizavimas"	0.4	-	0.4	100.00	100.00
NT Valdos, UAB	4.0	(3.9)	0.1	100.00	100.00
UAB „Energetikos paslaugų ir rangos organizacija"	23.0	(23)	-	100.00	100.00
	1,282.8	**(26.9)**	**1,255.9**		

Movement of the parent company's investments during the year were as follows:

EURm	2022	2021
Carrying amount at 1 January	**1,255.9**	**1,239.0**
Acquisition of shares from non-controlling interest	-	19.0
Write-off of investments	(0.1)	
Share capital and share premium increase/(decrease) in subsidiaries	-	9.5
Share capital decrease in subsidiaries	(0.6)	(5.0)
Reclassification (to)/from assets held for sale	-	(6.6)
Carrying amount at 31 December	**1,255.2**	**1,255.9**

During the year 2022 there were no cash payments for acquisition of investment to subsidiaries and coverage of losses.

There were no significant changes in the parent company's investments in subsidiaries during the year 2022.

14.1 Impairment test for investments into subsidiaries

The parent company did not find any impairment indications for investments in subsidiaries as at 31 December 2022. As at 31 December 2021 the parent company performed impairment tests for the following subsidiaries: AB „Energijos skirstymo operatorius" and UAB „Ignitis". As at 31 December 2022 the parent company reviewed and assessed key assumptions applied in the impairment tests performed as at 31 December 2021 and did not identified any material changes to these assumptions.

AB „Energijos skirstymo operatorius"

The following key assumptions were used in impairment test in 2021:
1. the cash flow forecast covered the period until 2036 for electricity and gas distribution activities;
2. applied long-term investment forecast and financing of electricity and gas distribution activities according to updated Group's 10-year investment plan;
3. discount rates used to calculate discounted cash flows:
   3.1 3.78% (post-tax) (4.45% pre-tax) for electricity distribution activities (31 December 2021 - 4.33% (5.09% - pre-tax));
   3.2 3.81% (post-tax) (4.48% pre-tax) for gas distribution activities (31 December 2021 - 4.33% (5.09% - pre-tax));
4. WACC (rate of return set by the regulator) used:
   4.1 for gas distribution activities for 2022-2023 - 3.98%, 4.48% from 2024 (equal to pre-tax discount rate). (31 December 2020 respectively: 2021-2023 – 3.90% (Regulator set for 2021), 5.09% from 2024 (equal to pre-tax discount rate));
   4.2 for electricity distribution activities for 2022-2026 - 4.16%, 4.45% from 2027 (equal to pre-tax discount rate. (31 December 2020 respectively: 2021 – 5.34 (Regulator set), 2022-2029 – 4.34% (average between the setting of the latest regulation period of the NERC gas sector in 2019 (3.59%) and the pre-tax return on investment in the electricity sector of long-term electricity planning - 5.09% from 2027);
5. for electricity distribution activities additional tariff component which would increase electricity distribution income by EUR 28 million yearly. The management forecasts that additional tariff component will endure through the whole forecast period of 2022-2036, however, it was not included due to conserve estimations;
6. for electricity distribution activities the calculated return adjustment for 2018-2020 for an amount of EUR 116 million and forecasted adjustment for an amount of EUR 44 million will reduce income of the subsidiary by an amount of EUR 6.5 million for the period of 2022-2026 and 154 million for the period of 2032-2036 with additional interest for the pending portion.

As to the parent company's management significant assumptions and their sensitivity are as named below:

- if Regulator took the decision not to allocate EUR 28 million of additional component annually for the investment financing:
- after the end of the regulation period 2022-2026. Group revenue would reduce by EUR 280 million for the period 2027-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 195 million;
- after the end of the regulation periods 2022-2026 and 2027-2031. Group revenue would reduce by EUR 140 million for the period 2032-2036, therefore, the fair value of electricity activity CGU would reduce by EUR 90 million.

UAB „Ignitis"

The following key assumptions were used in impairment test in 2021::
1. the cash flow forecast covered the period until 2031;
2. discount rate of 5.7% (post-tax) (6.7% pre-tax) was used to calculate discounted cash flows.

14.2 Cash flows from investments in subsidiaries

Reconciliation of the factors that had impact on cash flows from the parent company's investments into subsidiaries to data reported in the statement of cash flows:

EURm	31 December 2022	31 December 2021
Return of capital from subsidiaries	1.2	5.0
Buyout of shares in subsidiaries	-	(19.0)
Total	**1.2**	**(14.0)**

15 Non-current receivables

EURm	31 December 2022	31 December 2021
Loans granted	1,530.2	1,088.3
Other non-current amounts receivable	-	0.1
Total	**1,530.2**	**1,088.4**
Less: loss allowance	-	-
Carrying amount	**1,530.2**	**1,088.4**

15.1 Expected credit losses of loans granted and other non-current receivables

As at 31 December 2022, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss was recognised neither for non-current nor for current loans granted (Note 15.2, 17).

15.2 Loans granted

The parent company's loans granted as at 31 December 2022 comprised loans granted to the following subsidiaries:

EURm	31 December 2022	31 December 2021
Within one year (Note 17)	205.4	125.1
From 1 to 2 years	7.9	6.8
From 2 to 5 years	247.4	47.1
After 5 years	1,274.8	1,034.4
Carrying amount	**1,735.5**	**1,213.4**

As at 2022 December 31 granted loans with a variable interest rate was 85.9 million. EUR (31 December 2021 – 79.4 million EUR) and with a fixed interest rate – 1,649.6 million. EUR (31 December 2021 – 1,134.0 million EUR).

Extension of the loan issued to UAB „Transporto valdymas"

Loan granted to subsidiary UAB „Transporto valdymas" was reclassified to non-current loans as on 2 February 2022 loan amendment was signed and the final repayment date changed to 30 September 2025.

New loan issued to AB „Energijos skirstymo operatorius"

On 20 April 2022 the parent company signed loan agreement for issuing EUR 73.0 million loan to AB „Energijos skirstymo operatorius".
The loan will be financed using the funds received from the European Investment Bank. Loan maturity date – 14 February 2038. The agreement does not include additional measures ensuring the fulfilment of obligations. The balance of loan as at 31 December 2022 is EUR 73.0 million.

On 26 August 2022 the parent company issued a long term loan to its subsidiary AB „Energijos skirstymo operatorius" with maximum withdrawal amount EUR 120.0 million and fixed interest rate. Loan maturity date – 19 April 2032. The purpose of the loan is investments in fixed assets and working capital needs. The balance of loan as at 31 December 2022 is EUR 120.0 million

Cash-pool loan issued to AB „Ignitis gamyba"

On 12 May 2022 the parent company issued cash-pool loan to AB „Ignitis gamyba" with the limit of EUR 200.0 million for period till 12 May 2023. As at 31 December 2022 the loan's carrying amount was EUR 59.5 million.

Fair values of loans granted are presented in Note 28.

During the year 2022 the parent company increased loans issued to its subsidiaries through the Group's cash-pool platform from EUR 106.2 million to EUR 197.5 million.

As at 31 December 2022, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (from here on further - ECL) was recognized

Other

On 1 February 2021 the parent company issued a long term loan to subsidiary UAB „Ignitis renewables" with maximum withdrawal amount EUR 293.0 million and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 205.0 million (EUR 95.0 million as at 31 December 2021).

On 23 November 2021 the Company issued a long term loan to its subsidiary UAB „Ignitis" with maximum withdrawal amount EUR 300.0 million and fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 300.0 million (EUR 250.0 million as at 31 December 2021).

16 Other receivables

EURm	31 December 2022	31 December 2021
Personal income tax receivable from bonds interest	0.9	-
Dividends receivable	-	100.5
Amount receivable on sale of LITGRID AB	-	84.1
Total	**0.9**	**184.6**
Less: loss allowance	-	-
Carrying amount	**0.9**	**184.6**

16.1 Amount receivable on sale of shares of LITGRID AB

In 2012, the shares of LITGRID AB held by the parent company were transferred to a newly established private limited liability company UAB „EPSO-G" in return for a certain consideration based on the market value of the shares established by independent valuers. According to the shares sale-purchase agreement EPSO-G UAB must repay the debt to the Group for the shares of AB LITGRID acquired in 30 September 2012 until 30 September 2022. During the year of 2022 UAB „EPSO-G" has repaid total debt of EUR 84.1 million to the parent company.

17 Current loans

EURm	31 December 2022	31 December 2021
Cash-pool loans	197.5	106.2
Interest receivable on loans and issued guarantees	22.4	11.4
Current loans	-	11.0
Current portion of non-current loans	7.9	7.9
Total	**227.8**	**136.5**
Less loss allowance	-	-
Carrying amount	**227.8**	**136.5**

18 Other financial assets

EURm	31 December 2022	31 December 2021
Innovation KŪB „Fund Smart Energy Fund powered by Ignitis Group" (Note 5.3)	20.6	25.1
Carrying amount	**20.6**	**25.1**

19 Other assets

EURm	31 December 2022	31 December 2021
Deposit related to buyout of shares in subsidiaries	3.7	3.8
Cash reserved for guarantees	0.1	-
Deposit into an escrow account	-	16.2
Carrying amount	**3.8**	**20.0**

20 Cash and cash equivalents

EURm	31 December 2022	31 December 2021
Cash balances in bank accounts	24.8	125.3
In total	**24.8**	**125.3**

As at 31 December 2022 and 2021, cash and cash equivalents comprised cash in bank.

The fair values of cash and cash equivalents as at 31 December 2022 and 2021 approximated their carrying amounts. Parent company has no pledged current and future cash inflows.

21 Equity

21.1 Capital management

For the purpose of capital management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a public limited liability company must be not less than EUR 25 thousand and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2022 and 2021, the parent company met requirements of capital regulation.

21.2 Issued capital

EURm	31 December 2022	31 December 2021
Authorised shares		
Ordinary shares	1,616.4	1,658.8
Ordinary shares issued and fully paid	**1,616.4**	**1,658.8**

As at 31 December 2022 parent company's issued capital comprised EUR 1,616.4 million (31 December 2021: 1,658.8 million) and was divided into 72,388,960 ordinary shares with EUR 22.33 nominal value for a share (31 December 2021: 74,283,757 ordinary registered shares with EUR 22.33 value for a share).

Reconciliation of the number of shares at the beginning and at the end of the year:

	2022	2021
Number of authorised shares as at 1 January	**74,283,757**	**74,283,757**
Reduction of ordinary shares (Note 21.4)	(1,894,797)	-
Number of authorised shares as at 31 December	**72,388,960**	**74,283,757**

21.3 Treasury shares

EURm	31 December 2022	31 December 2021
Acquired treasury shares	-	23.0
Carrying amount	**-**	**23.0**

On 19–27 April 2022 the parent company has conducted an acquisition of ordinary registered shares (hereinafter – ORS or treasury shares) through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with SEB bankas, AB acting as an intermediary. Treasury shares were acquired on 29 April 2022, when the right of ownership transferred to the parent company. Shares purchase price EUR 15.30 per share, number of shares acquired 651,554 and total value of treasury shares acquired EUR 10.0 million. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 4.3 million which was recognised in retained earnings. As the price at which the Stabilized Securities were sold through the above mentioned public tender offer was less than the price at which the Stabilized Securities were purchased, the parent company has paid the difference to the Stabilization Manager.

On 2 December 2021 the Management Board of the parent company according to the resolution of the General Meeting of Shareholders of 29 July 2021, adopted a decision to execute the acquisition of ordinary registered shares of the parent company. The Group on 6–14 December 2021 has conducted an acquisition of the parent company ordinary registered shares – treasury shares through the auction for tender offers of AB "Nasdaq Vilnius" stock exchange, with AB SEB bankas acting as an intermediary. Treasury shares acquired by the parent company on 16 December 2021, when the right of ownership transferred to the parent company. Shares purchase price EUR 18.50 per share, number of shares acquired 1,243,243 and total value of treasury shares acquired EUR 23.0 million. Afterwards, a fee for stabilization related services to Stabilisation Manager – Swedbank AB paid for an amount EUR 3.7 million which was recognised in retained earnings.

In 2022 the parent company has annulled treasury shares acquired in 2021 and 2022 (Note 21.3).

21.4 Share capital reduction

On 9 August 2022 parent company's share capital was reduced by annulling the ORS acquired by the parent company in relation to the stabilisation that occurred after the initial public offering (hereinafter – IPO) of 5 October 2020. During the reduction of the parent company's share capital, 1,894,797 units of the parent company's ORS with a nominal value of EUR 22.33 each, which were acquired by the parent company itself, were annulled. The total nominal value of the annulled ORS is EUR 42,4 million. Accordingly, the parent company's share capital decreased from EUR 1,658.8 million to EUR 1,616.4 million and the total number of ORS decreased from 74,283,757 units to 72,388,960 units.

Due to the reduction of the parent company's share capital, the free float of ORS decreased to 25.01% (from 26.92% at the time of the parent company's IPO). A share of securities held by each shareholder has also increased proportionally, including that of the majority shareholder (the Republic of Lithuania implementing the shareholder's will, i.e. the Ministry of Finance of the Republic of Lithuania) whose securities portfolio amounts to 74.99% (increased from 73.08%).

22 Reserves

22.1 Legal reserve

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.

As at 29 March 2022 the parent company transferred EUR 11.5 million to the legal reserve. The parent company's legal reserve as at 31 December 2022 and 2021 was not fully formed

22.2 Treasury shares reserve

At the ordinary general meeting of shareholders held on 29 March 2022 it was decided to form additional reserve of EUR 14.7 million for the acquisition of treasury shares in 2022 (Note 21.2). At the ordinary general meeting of shareholders held on 25 March 2021 a reserve of EUR 23.0 million for the acquisition of treasury shares was formed. As at 31 December 2022 treasury shares reserve amounted to EUR 37.7 million.

Treasury shares reserve can be dissolved only by the decision of the ordinary general meeting of shareholders.

23 Loans and bonds

EURm	31 December 2022	31 December 2021
Non-current		
Bonds issued	890.1	888.5
Bank loans	223.0	-
Current		
Accrued interest	9.8	9.1
Total loans and bonds	**1,122.9**	**897.6**

For the year 2022 expenses related to interest on the issued bonds totalled EUR 19.2 million (2021: EUR 19.2 million). The accrued amount of coupon payable as at 31 December 2022 amounted to EUR 9.8 million (31 December 2021: EUR 9.1 million).

Loans and bonds by maturity:

EURm	31 December 2022	31 December 2021
From 1 to 2 years	150.0	-
From 2 to 5 years	297.0	-
After 5 years	666.1	888.5
In total	**1,113.1**	**888.5**

Loans and bonds are denominated in euros.

During the year of 2022 the parent company borrowed EUR 73.0 million according to the long-term loan contract with European Investment bank signed on 21 September 2020. The loan is intended for the implementation of IT solutions for smart meters and their data collection and management. Maturity of the loan is 14 February 2038, interests rate is fixed. The balance of loan as at 31 December 2022 is EUR 73.0 million.

On 23 August 2022 the parent company borrowed EUR 150.0 million according to the long-term loan contract with banks SEB AB and SEB AS. The loan was used to refinance subsidiary's loan and for working capital. Maturity of the loan is 23 August 2024, interests rate is variable. The balance of loan as at 31 December 2022 is EUR 150.0 million.

During the year 2022 the parent company didn't have any breaches of financial and non-financial covenants due to which the classification of current and non-current could be changed.

As at 31 December 2022, the parent company's unwithdrawn balance of loans and bank overdrafts amounted to EUR 269.0 million (31 December 2021: EUR 110.0 million).

24 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the parent company. Only debts to financial institutions, issued bonds and related interest payables and lease liabilities are included in the net debt calculation. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

EURm	31 December 2022	31 December 2021
Cash and cash equivalents	(24.8)	(125.3)
Non-current loans and bonds payable after one year	1,113.1	888.5
Current loans payable within one year (including overdraft and accrued interest)	9.8	9.1
Lease liabilities	16.0	17.8
Net debt	**1,114.1**	**790.1**

Reconciliation of the parent company's net debt balances cash flows from financing activities:

	Assets		Lease liabilities		Loans and bonds		
EURm	Cash and cash equivalents	Deposit in escrow account	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2021	**(421.3)**	**(45.0)**	**0.3**	**0.2**	**886.9**	**9.1**	**430.2**
Cash changes							
Increase (decrease) in cash and cash equivalents	296.0	-	-	-	-	-	**296.0**
Lease payments	-	-	-	(0.5)	-	-	**(0.5)**
Interest paid	-	-	-	(0.1)	-	(19.3)	**(19.4)**
Deposit in escrow account utilised		28.8					**28.8**
Non-cash changes							
Lease contracts concluded	-	-	16.5	1.5	-	-	**18.0**
Lease liabilities write-off	-	-	(0.1)	(0.1)	-	-	**(0.2)**
Accrual of interest payable	-	-	-	0.1	1.6	19.3	**21.0**
Reclassifications between items	-	-	(0.7)	0.7	-	-	**-**
Other non-cash changes[1]	-	16.2	-	-	-	-	**16.2**
Net debt at 31 December 2021	**(125.3)**	**-**	**16.0**	**1.8**	**888.5**	**9.1**	**790.1**
Net debt at 1 January 2022	**(125.3)**	**-**	**16.0**	**1.8**	**888.5**	**9.1**	**790.1**
Cash changes							
(Increase) decrease in cash and cash equivalents	100.5	-	-	-	-	-	**100.5**
Proceeds from loans and bonds	-	-	-	-	223.0	-	**223.0**
Lease payments	-	-	-	(1.7)	-	-	**(1.7)**
Interest paid	-	-	-	(0.3)	-	(19.2)	**(19.5)**
Non-cash changes							
Accrual of interest payable	-	-	-	0.2	1.6	19.9	**21.7**
Reclassifications between items	-	-	(1.8)	1.8	-	-	**-**
Net debt at 31 December 2022	**(24.8)**	**-**	**14.2**	**1.8**	**1,113.1**	**9.8**	**1,114.1**

[1] *As at 1 January 2021 deposit in escrow account was treated as part of net debt as it was unclear whether it will be used to acquire treasury shares or will be recovered as cash. As during 2021 decisions were made to acquire treasury shares, the deposit is no longer treated as part of net debt.*

25 Other current amount payable and liabilities

EURm	31 December 2022	31 December 2021
Irrevocable commitment to acquire a minority interest	3.6	3.8
Personal income tax payable from bonds interest	1.4	1.4
Payroll related liabilities	0.7	0.9
Taxes (other than income tax)	-	0.4
Accrued expenses	0.1	0.1
Other amounts payable and liabilities	0.1	0.1
Carrying amount	**5.9**	**6.7**

Financial liabilities comprise EUR 5.1 million from total Other current amounts payable and liabilities (EUR 5.3 million as at 31 December 2021). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

26 Contingent liabilities and commitments

26.1 Guarantees issued and received by the parent company

26.1.1 Issued guarantees related to loans

The parent company's guarantees issued in respect of loans received by subsidiaries were as follows:

Name of the subsidiary	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2022	31 December 2021
UAB Vilniaus kogeneracinė jėgainė	European Investment Bank	05/12/2016	07/04/2037	190.0	135.4	139.6
Pomerania Wind Farm Sp. z o. o.	European Investment Bank	09/03/2020	31/12/2035	66.1	51.0	55.3
Pomerania Wind Farm Sp. z o. o.	Nordic Investment Bank	14/10/2020	31/12/2035	29.7	29.7	32.2
Group companies	Group companies	25/05/2021	24/05/2022	-	6.0	68.0
UAB Kauno kogeneracinė jėgainė	"Swedbank", AB	31/05/2017	18/10/2022	59.0	-	56.1
UAB „VĖJO GŪSIS“	"Swedbank lizingas", UAB	29/01/2019	28/02/2022	9.3	-	0.3
				354.1	**222.1**	**351.5**

On 5 December 2016, the parent company and the European Investment Bank (hereinafter referred to as 'EIB') (Luxembourg) signed a guarantee and indemnity agreement under which the parent company secured fulfilment of all current and future obligations of subsidiary UAB Vilniaus kogeneracinė jėgainė in the amount of EUR 190.0 million 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 2022, amounts withdrawn by Vilniaus kogeneracinė jėgainė UAB from the loan provided by the EIB totalled EUR 135.4 million (31 December 2021: EUR 139.6 million).

Pomerania Wind Farm Sp. z o. o., part of the group of companies owned by the parent company, has entered into an agreement with the EIB by which the loan of EUR 56.0 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 parent company and EIB. The guarantee amounts to EUR 66.1 million. The parent company's subsidiary UAB „Ignitis renewables", 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. In December 2022 Pomerania Wind Farm Sp. z. o. o. began to repay the long-term loan, and the remaining amount of the loan to EIB was EUR 51.0 million.

Pomerania Wind Farm Sp. z o. o., part of the group of companies owned by the parent company, has entered into an agreement with the Nordic Investment Bank (hereinafter "NIB") by which the loan of EUR 32 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 parent company and NIB. The guarantee amounts to 100% of loan amount. The parent company's subsidiary UAB „Ignitis renewables", which owns all the shares of Pomerania Wind Farm Sp. z o. o. signed an agreement with NIB for secondary pledging 100% of the shares of Pomerania Wind Farm Sp. z o. o. in favour of the lender. In December 2022 Pomerania Wind Farm Sp. z o. o. began to repay the long-term loan, and the remaining amount of the loan to EIB was EUR 29.7 million.

26.1.2 Cash pool movement

The Group companies can lend each other their funds by virtually transferring them to the Group's corporate account (cash-pool) opened at the bank Swedbank AB. The parent company guarantees that funds borrowed by the subsidiaries at the cash-pool account are timely repaid to the subsidiaries that have lent funds. As at 31 December 2022, the amount lent and borrowed by the subsidiaries at the Group's cash-pool account totalled EUR 203.4 million (31 December 2021: EUR 174.1 million), including the amount of EUR 197.4 million (31 December 2021: EUR 106.1 million) lent by the parent company.

26.1.3 Other issued guarantees

The parent company has provided the following other guarantees for its subsidiaries:

Name of the company	Beneficiary of the guarantee	Issue at	Maturity	Maximum amount of the guarantee	31 December 2022	31 December 2021
Altiplano S.A.	Nordex Polska Sp.z.o.o.	28/12/2022	termless	153.7	-	-
UAB „Ignitis"	NASDAQ Clearing AB	25/08/2022	termless	140.0	-	-
UAB „Ignitis"	NASDAQ Clearing AB	24/05/2021	termless	110.0	-	3.5
UAB „Ignitis"	EQUINOR ASA	14/12/2022	20/01/2023	98.0	94.0	-
Pomerania Wind Farm Sp. z o. o.	Nordex Polska Sp.z.o.o.	31/05/2019	termless	83.4	-	0.9
UAB "VVP Investment"	Nordex Lithuania GmbH	17/02/2021	termless	55.1	1.9	-
Silezia1 Wind Farm Sp. z o. o.	Nordex Polska Sp.z.o.o.	31/01/2022	termless	50.2	-	-
UAB „Ignitis"	AB „Energijos skirstymo operatorius"	29/09/2022	30/09/2023	36.0	31.0	-
UAB „Ignitis"	Mitsui Bussan Commodities (France) SA	22/11/2022	31/01/2025	30.0	-	-
UAB „Ignitis renewables"	AB SEB bankas	10/08/2022	09/08/2025	28.0	28.0	-
UAB „Ignitis"	MACQUARIE BANK EUROPE DAC	17/06/2022	31/03/2023	25.0	-	-
Moray West Offshore Wind Farm	NEXANS NORWAY AS	27/10/2022	termless	8.6	-	-
UAB "Ignitis"	AB „Klaipėdos nafta"	18/10/2022	31/01/2024	8.5	1.1	-
Moray West Offshore Wind Farm	Barclays Bank PLC	22/07/2022	31/03/2023	7.3	-	-
UAB „Gamybos optimizavimas"	AB „Ignitis gamyba"	01/01/2020	30/06/2023	5.0	-	-
Moray West Offshore Wind Farm	Siemens Gamesa Renewables Energy Limited	08/09/2021	31/12/2025	2.1	-	-
Ignitis Polska Sp. z o.o.	Polskie Górnictwo Naftowe i Gazownictwo SA	10/11/2022	31/12/2023	1.9	-	-
Moray West Offshore Wind Farm	Engie UK Markets Limited	21/04/2021	termless	1.2	-	-
UAB „VVP Investment"	"Swedbank", AB	11/10/2019	01/08/2023	0.9	0.9	0.9
Moray West Offshore Wind Farm	Engie UK Markets Limited	20/07/2022	01/05/2025	0.5	-	-
UAB „Transporto valdymas"	AB SEB bankas	20/12/2022	18/02/2024	0.4	-	-
Moray West Offshore Wind Farm	GARDLINE Limited	19/07/2022	01/03/2023	0.4	-	-
				846.2	**156.9**	**5.3**

On 28 December 2022 the parent company has issued guarantee for its subsidiary Altiplano S.A. as Altiplano S.A. entered into supply and installation agreement with Nordex Polska Sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 25 August 2022 the guarantee was provided to guarantee performance obligations of subsidiary UAB „Ignitis" related with clearing services provided by NASDAQ Clearing AB.

The parent company has issued guarantee for its subsidiary UAB „Ignitis" for the market risk exposure related to trading activities performed on NASDAQ platform. Subsidiary performs electricity-related trading of financial derivatives for hedge accounting purposes. Guarantee was issued due to increased trading activity on NASDAQ platform.

On 14 December 2022 the parent company has issued a guarantee in favour of Equinor ASA for EUR 98 million. The guarantee is provided to guarantee performance obligations of subsidiary.

The parent company has issued guarantee for its subsidiary Pomerania Wind Farm Sp. z o. o. as Pomerania Wind Farm Sp. z o. o. entered into supply and installation agreement with Nordex Polska Sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

The parent company has issued guarantee for its subsidiary UAB „VVP Investments" as UAB „VVP Investments" entered into supply and installation agreement with Nordex Polska Sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 31 January 2022 the parent company has issued guarantee for its subsidiary Silezia1 Wind Farm Sp. z o. o. as Silezia1 Wind Farm Sp. z o. o. entered into supply and installation agreement with Nordex Polska Sp. z o. o. for the supply and installation of wind turbine equipment for a wind farm. The parent company undertakes and guarantees the performance of all payment obligations under the agreement concluded.

On 29 September 2022 the parent company has issued a guarantee in favour of AB „Energijos skirstymo operatorius" for EUR 36 million. The guarantee is provided to guarantee performance obligations of subsidiary.

On 22 November 2022 the parent company has issued a guarantee in favour of Mitsui Bussan Commodities (France) SA for EUR 30 million. The guarantee is provided to guarantee performance obligations of subsidiary. Guarantee maturity date is 31 January 2025. This new guarantee replaces the 13 September 2022 issued guarantee to the same recipient (Mitsui Bussan Commodities (France) SA).

On 10 August 2022 the parent company has issued a guarantee in favour of SEB bank AB for EUR 28.0 million. The guarantee is provided to guarantee performance obligations of subsidiary UAB „Ignitis renewables" related with financing provided by SEB bank AB.

On 17 June 2022 the parent company has issued a guarantee in favour of MACQUARIE BANK EUROPE DAC for EUR 25 million. The guarantee is provided to guarantee performance obligations of subsidiary UAB „Ignitis" related with derivatives trading activities provided by MACQUARIE BANK EUROPE DAC.

On 27 October the parent company has issued a guarantee in favour of Nexans Norway AS for GBP 7.7 million (EUR 8.6 million). The guarantee is provided to guarantee performance obligations of Moray West Offshore Wind Farm. Guarantee maturity date is not defined.

On 18 October 2022 the parent company has issued a guarantee in favour of AB „Klaipėdos nafta" for EUR 8.5 million. The guarantee is provided to guarantee performance obligations of subsidiary. Guarantee maturity date is 31 January 2024.

On 22 July 2022 the parent company has issued a guarantee in favour of Barclays Bank PLC for EUR 7.3 million. The guarantee is provided to guarantee performance obligations of Moray West Offshore Wind Farm.

26.2 Litigations

There are no significant litigations as at 31 December 2022.

26.3 Comfort letters provided

The parent company issued a confirmation letters for AB „Energijos skirstymo operatorius", UAB „Ignitis grupės paslaugų centras", UAB „VVP investment", UAB Vilniaus kogeneracinė jėgainė (Note 29).

26.4 Evaluation of Russia's invasion of Ukraine on parent company's financial statements

The parent company has evaluated current and, to the extent possible, expected impact of Russia's invasion of Ukraine on the financial position, performance, cash-flows and the principal risks and uncertainties to which the parent company is exposed. As the parent company does not have any operations in the affected markets and does not have subsidiaries in the affected markets, the management of the parent company has concluded that:

- no expected credit losses adjustments should be made as parent company does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- no significant impact to the budgets and cashflows of subsidiaries. Accordingly, no significant impact to the carrying amounts of investments into subsidiaries;
- the situation does not have impact on parent company's ability to continue as a going concern.

As to the above no significant impact of Russia's invasion of Ukraine on parent company's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, impact of the Russia's invasion of Ukraine on the business of the Group companies is being constantly reviewed.

27 Related-party transactions

The parent company's transactions with related parties during the year 2022 and year-end balances arising on these transactions as at 31 December 2022 are presented below:

Related parties, EURm	Accounts Receivable	Loans receivable	Accounts Payable	Sales	Purchases	Finance income / (cost)
Subsidiaries	0.8	1,757.9	0.4	3.0	2.4	40.9
UAB "EPSO-G"	-	-	-	-	-	0.1
Total	**0.8**	**1,757.9**	**0.4**	**3.0**	**2.4**	**41.0**

The parent company transactions with related parties during the year 2021 and year-end balances arising on these transactions as at 31 December 2021 are presented below:

Related parties, EURm	Accounts Receivable	Loans receivable	Accounts Payable	Sales	Purchases	Finance income / (cost)
Subsidiaries	100.9	1,224.7	0.7	3.2	1.9	22.3
UAB "EPSO-G"	84.1	-	0.1	-	-	0.3
Total	**185.0**	**1,224.7**	**0.8**	**3.2**	**1.9**	**22.6**

The parent company's dividend income received from subsidiaries during the year 2022 and 2021 is disclosed in Note 7.

As at 31 December 2022 the parent company has issued guarantees for financial loans to its subsidiaries (Note 26.1) and provided comfort letter (Note 29).

Loans provided to subsidiaries are disclosed in Notes 15.2 and 17.

27.1 Compensation to key management personnel

EURm	2022	2021
Wages and salaries and other short-term benefits to key management personnel	1.1	1.0
Whereof:		
Short -term benefits - wages, salaries and other	1.0	0.8
Termination benefits	0.1	-
Share-based payment expenses	-	0.2
Number of key management personnel	12	12

In 2022 and 2021 members of Board, Supervisory board and Chief Executive Officer are considered to be the parent company's key management personnel. For more information on the key management personnel, see the 'Governance report' of Annual report.

28 Fair values of financial instruments

Financial instruments, measured at fair value

The parent company's investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group" (Level 3) are measured at fair value.

As at 31 December 2022 and 2021, the parent company has accounted for investment into KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group". The parent company accounts for financial asset at fair value and their accounting policies are set out in Note 5.3. Fair value corresponds to Level 3 in the fair value hierarchy. The fair value measurement of this financial asset is based on investment rounds. Fair value of this financial asset will change depending on future investment rounds or other significant events.

As at 31 December 2021, the parent company accounted for an amount receivable for the sale of LITGRID AB at fair value through profit or loss. Their fair value was 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%.

Financial instruments for which fair value is disclosed

The carrying amount of the parent company's short-term financial assets and financial liabilities measured at amortised cost approximated their fair value, except for bond issue debts, debt liabilities to commercial, state-owned banks and loans granted. The measurement of financial instruments related to the loans and bonds issued is attributed to Level 2, of the fair value hierarchy.

As at 31 December 2022 and 31 December 2021, the fair value of the parent company's amounts receivable related to loans receivable from the subsidiary AB „Energijos skirstymo operatorius" is estimated by discounting cash flows with market interest applied for similar period bond. Market interest rate for certain bond issues is determined as bond yields for certain issued bonds. Cash flows were discounted using an average discount rate of 5.01% (31 December 2021: 2.90%). The fair value of amounts receivables is attributed to Level 2 of the fair value hierarchy.

Fair value of loans granted is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 4.80% as at 31 December 2022 (31 December 2021: 2.76%). The measurement of financial liabilities related to the loans granted is attributed to Level 2 of the fair value hierarchy.

The parent company's bond issue debt (Note 23) fair value was calculated by discounting future cash flows related to the coupon payments with reference to the interest rate observable in the market and the regular future payments related to issued bonds. The cash flows were discounted using a weighted average discount rate of 5.01% as at 31 December 2022 (31 December 2021: 2.90%). Discount rates for certain bond issues are determined as bond yields for certain issued bond. The bond issue debt is attributed to Level 2 of the fair value hierarchy.

The parent company's fair value of debt liabilities to commercial and state-owned banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 4.80%. The measurement of financial liabilities related to debt liabilities to commercial and state-owned banks is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the parent company's financial instruments as at 31 December 2022:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observabl e inputs	Level 3 Unobser-vable inputs	In total
Financial instruments measured at FVPL						
Assets						
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"	18	**20.6**	-	-	20.6	**20.6**
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary AB „Energijos skirstymo operatorius"	15.2	**624.6**	-	535.9	-	**535.9**
Loans granted to other Group companies	15.2, 17	**1,131.0**	-	1,001.2	-	**1,001.2**
Liabilities						
Bonds issued	23	**899.3**	-	774.3	-	**774.3**
Debt liabilities to commercial banks	23	**150.1**	-	145.9	-	**145.9**
Debt liabilities to state-owned banks	23	**73.6**	-	44.0	-	**44.0**

The table below presents allocation between the fair value hierarchy levels of the company's financial instruments as at 31 December 2021:

EURm	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observabl e inputs	Level 3 Unobser-vable inputs	In total
Financial instruments measured at FVPL						
Assets						
Receivable for the sale OF LITGRID AB	16	**84.1**	-	-	84.1	**84.1**
KŪB „Innovation Fund Smart Energy Fund powered by Ignitis Group"	18	**25.1**	-	-	25.1	**25.1**
Financial instruments for which fair value is disclosed						
Assets						
Bond receivables from subsidiary AB „Energijos skirstymo operatorius"	15.2	**624.6**	-	596.1	-	**596.1**
Loans granted	15.2, 17	**599.4**	-	587.9	-	**587.9**
Liabilities						
Bonds issued	23	**897.7**	-	856.2	-	**856.2**

29 Events after the reporting period

29.1 Comfort letters provided

On 20 February 2023, the parent company has provided comfort letter to AB „Energijos skirstymo operatorius", (hereinafter referred to as 'ESO'), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to ESO at least for the next twelve months from the date of this letter, to enable ESO to continue to trade and to meet its obligations (31 December 2022 ESO's short term liabilities exceeded short term assets by EUR 95.7 million). The parent company does not expect that there will be need of material support to ESO or that loss will be incurred by the parent company due to activities of ESO.

On 20 February 2023, the parent company has provided comfort letter to UAB „Ignitis grupės paslaugų centras" (hereinafter – GSC), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to GSC at least for the next twelve months from the date of this letter, to enable GSC to continue to trade and to meet its obligations (31 December 2022 GSC's short term liabilities exceeded short term assets by EUR 6.0 million). The parent company does not expect that there will be need of material support to GSC or that loss will be incurred by the parent company due to activities of GSC.

On 20 February 2023, the parent company has provided comfort letter for a Group company indirectly controlled by the parent company UAB „VVP investment" (hereinafter – VVP), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to VVP at least for the next twelve months from the date of this letter, to enable VVP to continue to trade and to meet its obligations (31 December 2022 VVP's short term liabilities exceeded short term assets by EUR 1.3 million). The parent company does not expect that there will be need of material support to VVP or that loss will be incurred by the parent company due to activities of VVP.

On 20 February 2023, the parent company has provided comfort letter for UAB Vilniaus kogeneracinė jėgainė (hereinafter – VKJ), where it is stated that the parent company will undertake to continue to provide such financial and other support as necessary to VKJ at least for the next twelve months from the date of this letter, to enable VKJ to continue to trade and to meet its obligations (31 December 2022 VKJ's short term liabilities exceeded short term assets by EUR 24.4 million). The parent company does not expect that there will be need of material support to VKJ or that loss will be incurred by the parent company due to activities of VKJ.

There were no other significant events after the reporting period till the issue of these financial statements.

6.4 Independent auditor's report

Disclaimer

In compliance with article 4 of the Transparency Directive introduced by the European Commission, the Group files Annual report in the European Single Electronic Format (ESEF) using the XHTML format tagging consolidated financial statements, including notes, using Inline eXtensible Business Reporting Language (iXBRL), which is available here. For all intents and purposes, other than the XHTML Annual report document is considered as nonofficial version and ESEF version prevails in case of any questions or conflicts.

Accordingly, the independent auditor's report on Annual report 2022 filed in ESEF, is presented below.

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Independent Auditor's Report

To the Shareholders of AB "Ignitis grupė"

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB "Ignitis grupė" ("the Company") and the consolidated financial statements of AB "Ignitis grupė" and its subsidiaries ("the Group") contained in the file abignitisgrupe-2022-12-31-en.zip (ParsePort generated hashcode: I3gQKqy65PWcmys=). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statement of financial position as at 31 December 2022,
- the separate and the consolidated statement of profit or loss for the year then ended,
- the separate and the consolidated statement of other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated statement of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2022, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Company code: 111616158
VAT code: LT114949716

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Revenue recognition related to the estimation of overdeclaration /underdeclaration of electricity and natural gas usage (consolidated financial statements)

We refer to the financial statements:

The carrying value of deferred income related to in the consolidated statement of financial position as at 31 December 2022 amounts to EUR 43.2 million.

Revenue recognized in the consolidated statement of profit or loss in 2022 amounts to EUR 4,381.3 million.

Significant accounting policies – Note 3.2 “Revenue from contracts with customers”; financial disclosures - Note 5 “Critical accounting estimates and judgements used in the preparation of the financial statements”, Note 8 “Revenue from contracts with customers”, Note 34 “Deferred income and advances received”.

The key audit matter	How the matter was addressed in our audit
The Group’s electricity revenue and natural gas revenue depend on declarations of electricity consumed by private customers, which do not have automated meter readings. The Group has identified that private customers tend to overdeclare the consumption of electricity and natural gas in the last months of the year. At each reporting date, the Group estimates the amount of the overdeclared / underdeclared consumption in order to calculate the actually earned revenue to be recognized in the statement of profit or loss and other comprehensive income for the year. The estimate takes into account, among other things, historical consumption by private customers and the Group’s assessment of technological losses in the electricity grid and gas network at the reporting date. Due to the materiality of the recognized revenue and judgements of the management involved in revenue recognition above, the area required our increased	Our audit procedures in the area included, among others: • Obtaining understanding of and evaluating the Group’s revenue recognition process; • Assessing whether the revenue recognition accounting policy applied to all revenue streams complies with the requirements of the relevant financial reporting framework; • For the estimation of revenue overdeclaration/underdeclaration of electricity and natural gas usage: - Evaluating the design and implementation of key controls over the revenues recognition processes; - Assessing the consistency of the model applied in the estimate by comparing with the main assumptions used in prior year model; - Testing the internal consistency, underlying formulas and mathematical accuracy of the model; - Challenging the reasonableness of the Group’s key assumptions and judgment used

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attention in the audit and as such was determined to be a key audit matter.	in estimating the overdeclared/underdeclared usage of electricity and natural gas, by tracing main inputs to supporting evidence; - Assessing completeness and accuracy of estimated amount by performing independent analytical analysis of overdeclared consumption based on the key performance indicators, including historical revenue and technological grid losses information, changes in approved tariffs, and comparing result to actual amounts recognised; • Evaluating whether the disclosures in the consolidated financial statements in respect of the overdeclared/underdeclared usage of electricity and natural gas satisfy the requirements of the relevant financial reporting standards.

Fair value assessment of Property, plant and equipment used in electricity distribution (consolidated financial statements)

We refer to the financial statements:

The carrying amount of property, plant and equipment used in electricity distribution as at 31 December 2022: EUR 1,324.9 million.

Significant accounting policies – Note 3.1 “Property, plant and equipment”, Note 5 “Critical accounting estimates and judgments used in the preparation of the financial statements”; financial disclosures - Note 17 “Property, plant and equipment”.

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment (thereafter “PPE”) allocated to electricity distribution cash generating unit („CGU”) is accounted for at revalued amounts less subsequent accumulated depreciation and impairment losses. In 2021 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. As disclosed in Note 5 and Note 17 to the financial statements, the management of the Group assessed possible change in fair value by using discounted cashflow model. We identified determination of fair value of PPE as a focus area in our audit because of the significance	Our audit procedures performed included: • Assessing compliance with applicable accounting standards; • Involving our internal valuation specialists who assisted us at: - Assessing the appropriateness of the methodology applied by the management of the Group, - Challenging the key assumptions used in the discounted cash flow model by comparing sales volumes and profit margins to historical results and regulation data as well as comparing the forecasted growth rates and the discount rate to the ones used in the industry and set by the regulator,

of the amounts involved, the judgments required in selection of appropriate valuation methods and estimation uncertainty related to assumptions made by the management of the Group. Accordingly, we have identified this area as a key audit matter.	- Considering sensitivity of the discounted cash flow model to changes in key assumptions to understand the impact of such changes on levels of headroom; the key assumptions included sales volumes, profit margins, forecasted growth rate and discount rate; • Evaluating the budgeting process (upon which forecasts are based) by comparing the actual results for the year with original forecasts and taking these observations into consideration into the sensitivity analysis performed; • Checking mathematical accuracy of the discounted cash flow model; • Considering adequacy of disclosure in the Group's consolidated financial statements in respect to the assessment of fair value of PPE allocated to electricity distribution cash generating unit.

Impairment of Property, plant and equipment used in gas distribution (consolidated financial statements)

We refer to the financial statements:

The carrying amount of property, plant and equipment used in gas distribution as at 31 December 2022: EUR 279.9 million.

Significant accounting policies – Note 3.1 "Property, plant and equipment"; financial disclosures - Note 5 "Critical accounting estimates and judgments used in the preparation of the financial statements", Note 17 "Property, plant and equipment"

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment (thereafter "PPE") used in gas distribution is accounted for at cost less subsequent accumulated depreciation and impairment losses. At each reporting date, management of the Group asses if the there are any impairment indications. As at 31 December 2022, the Group tested property, plant and equipment for impairment, as part of the impairment test performed for the gas distribution CGU. The Group determined the CGU's recoverable amounts based on its value in use estimated under the discounted cash flow method. Determining the CGU's recoverable amount is a process which requires significant judgment and estimation, especially in respect of the amounts of future cash flows, and associated discount rates and	Our procedures in the area included, among other things, the following: • Evaluating, against the requirements of the relevant financial reporting standards, the Group's accounting policy for identification of impairment indicators; • Assessing the appropriateness of the impairment methodology applied by the Group against methodologies commonly used for similar assets and the requirements of relevant financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed, whether such methods, assumptions, data and application are appropriate in the context of the said requirements;

growth rates, based on management's projections of future performance. The projected operating cash flows from the Group's activities are influenced primarily by assumptions concerning quantity of gas distributed, changes in the calculation of regulated tariffs as well as level of main related costs. Accordingly, this matter was considered by us to be associated with significant judgement and estimation and required our increased attention in the audit. As such, we determined it to be a key audit matter.	• Evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes. • Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Group's operations and business units. • Challenging the reasonableness of the Group's key assumptions and judgment used in the estimation of the recoverable amount, including: - Assisted by our own valuation specialists, challenging reasonableness of the key macroeconomic assumptions used, such as those in respect of discount rates, by reference to publicly available external sources; - Tracing the key assumptions used in the discounted cash flows calculation, such as those in respect of the future demand, revenue growth and operating costs, by reference to the budgets approved by the Management Board, our understanding of the Group's operations and trends, and publicly available industry data; • Testing the internal consistency, underlying formulas and mathematical accuracy of the discounted cash flow model. • Assessing susceptibility of the impairment models and the resulting impairment conclusions to management bias, by challenging the Group's analysis of the model's sensitivity to changes in key underlying assumptions. • Considering the adequacy of the disclosures related to impairment in the Group's financial statements.

Allowances for impairment losses in trade receivables (consolidated financial statements)

We refer to the financial statements:

The carrying value of trade receivable in the consolidated statement of financial position as at 31 December 2022 amounts to EUR 424.4 million. The total impairment loss recognized in the consolidated statement of profit or loss for the year ended 31 December 2022 amounts to EUR 1.8 million.

Significant accounting policies – Note 3.15.1 "Financial assets"; financial disclosures – Note 5 "Critical accounting estimates and judgements used in the preparation of the financial statements"; Note 4 "Financial risk management", Note 25 "Trade receivables".

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent Management's best estimate of the expected credit losses within the trade receivables at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment over the amounts of any such impairment. Trade receivables are assessed by the Group for impairment at each reporting date on a collective and individual basis. For those trade receivables, measured on collective basis, the Management measures the loss allowance at an amount equal to expected credit losses (ECLs) being a probability weighted estimate of credit losses. Credit losses are measured as the present value of expected cash shortfalls (i.e. the difference between the cash flows due to the Group and the cash flows expected to be received). The estimate takes into account, among other things, repayment history and past credit loss experience and an assessment of both the current and forecast general economic conditions at the reporting date. Accordingly, the key areas of estimation uncertainty and judgement associated with recognition of impairment allowances for trade receivables are: • Assumptions used to assess credit risk for a given exposure and the expected future cash flows from the customer; • Timely identification of exposures with significant increase in credit risk or those credit impaired (defaulted). Due to the magnitude of the amounts involved, together with the complexity of judgements and assumptions required in estimating expected credit losses, the area required our increased attention in the audit and was determined to be a key audit matter.	Our audit procedures in the area included, among others: • Assessing the appropriateness of the Group's impairment methodology against the relevant financial reporting requirements; • Independently assessing the relevant forward-looking information and macroeconomic forecasts used in the ECL assessment by inspecting publicly available information, our knowledge of business and through discussions with Management; • Assessing the accuracy and completeness of the Company's ECL estimates at 31 December 2022 including: - Assessing the key impairment model parameters, by reference to the Group's own historical credit loss experience, our understanding of the business and current economic trends and expectations; - Performing a retrospective assessment of the historical accuracy of the Management Board's impairment assumptions and estimates, including estimated loss rates, against actual outcomes; • Evaluating whether the disclosures in the financial statements in respect of the expected credit losses for trade receivables satisfy the requirements of the relevant financial reporting standards.

Other Information

The other information comprises the information included in the 2022 Annual report, including Sustainability (Corporate social responsibility report), Governance report, Remuneration report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Annual report, including Sustainability (Corporate social responsibility report), Governance report, Remuneration report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether Annual report, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the Annual report, including Sustainability (Corporate Governance) report and Remuneration report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The Annual report, Sustainability (Corporate social responsibility report), Governance report, Remuneration report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that 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 Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated 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 the Group or to cease operations, or has no realistic alternative but to do so.

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 Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated 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 the 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 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 separate and consolidated 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 the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 27 September 2021 for the first time to audit the Company's and the Group's separate and consolidated financial statements. Our appointment to audit the Company's and the Group's separate and consolidated financial statements in accordance with the shareholder's decision has been made for a two-year period, and the total uninterrupted period of engagement is 2 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and the Group and their Audit Committee.

We confirm that in light 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 Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company and the Group in the course of audit and disclosed in the annual separate and consolidated management report or separate and consolidated financial statements, we have provided translation of the financial statements.

Report on the compliance of format of the separate and consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including 2022 Annual report, for the year ended 31 December 2022 (the "Single Electronic Reporting Format of the separate and consolidated financial statements") contained in the file abignitisgrupe-2022-12-31-en.zip (ParsePort generated hashcode:I3gQKqy65PWcmys=).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the separate and consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ,,ISAE 3000 (R)"). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2022 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report is Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania

28 February 2023

6.4 Information on the auditor

Overview

There were no changes in the Group's independent auditor during 2022. Since the appointment by the parent company's Annual General Meeting of Shareholders on 27 September 2021, the Group's independent auditor was "KPMG Baltics", UAB (KPMG). Based on the concluded agreement, KPMG audited the parent company's financial statements, the Group's consolidated financial statements and the Group companies financial statements for the years of 2021 and 2022. Before KPMG, the independent auditor of the Group was UAB "Ernst & Young Baltic" which audited the parent company's, the Group's consolidated financial statements and the Group companies financial statements for the period over 2019–H1 2021.

Taking into the consideration the term end of the agreement with KPMG, a new public tender for the audit of the parent company's financial statements, the Group's consolidated financial statements and the Group companies financial statements was announced in July 2022, during which the audit companies were invited to submit their offers. Finally, we expect to finalise the tender procedures in Q1 2023 and the new independent auditor for the 5 year term (for the years 2023-2027) is expected to be appointed by the parent company's General Meeting of Shareholders in H1 2023.

Worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. Additionally, as public procurement law requirements are applicable to the parent company, all audit tenders are carried out in accordance to them. The key criteria of implementing public tenders is to ensure competitiveness and accordingly the only specific audit selection criteria eligible to be included is an experience in auditing energy sector companies. Finally, the whole audit selection process is supervised by the Audit Committee and the independent auditor is appointed by the decision of the General Meeting of Shareholders of the parent company and subsequently by the General Meeting of Shareholders of each Group company.

Independent auditors and financial period during which audit services have been provided

2021–2022	2019–H1 2021
"KPMG Baltics", UAB Lvovo St. 101 LT–08104, Vilnius, Lithuania	UAB "Ernst & Young Baltic" Aukštaičių St. 7 LT–11341, Vilnius, Lithuania

Services and fees

During the period of 2021–2022, the following services have been provided to the Group by the independent auditors and its international partners.

Based on the Group's policy the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit Committee of the parent company.

Independent auditor's services and expenses incurred for the indicated period, thousand EUR

	2022 (KPMG)	2021 (KPMG)	2021 (EY)
Statutory audit	567	515	40
Interim financial statement audits	26	33	21
Other[1]	45	93	-
Total	**638**	**641**	**61**

[1] *Other services mainly consists of mergers and acquisitions related services.*

Further information

7.1 Further investor related information

In addition to the information provided in section '1.6 Investor information', we provide further details about our ordinary registered shares, GDRs and bonds below.

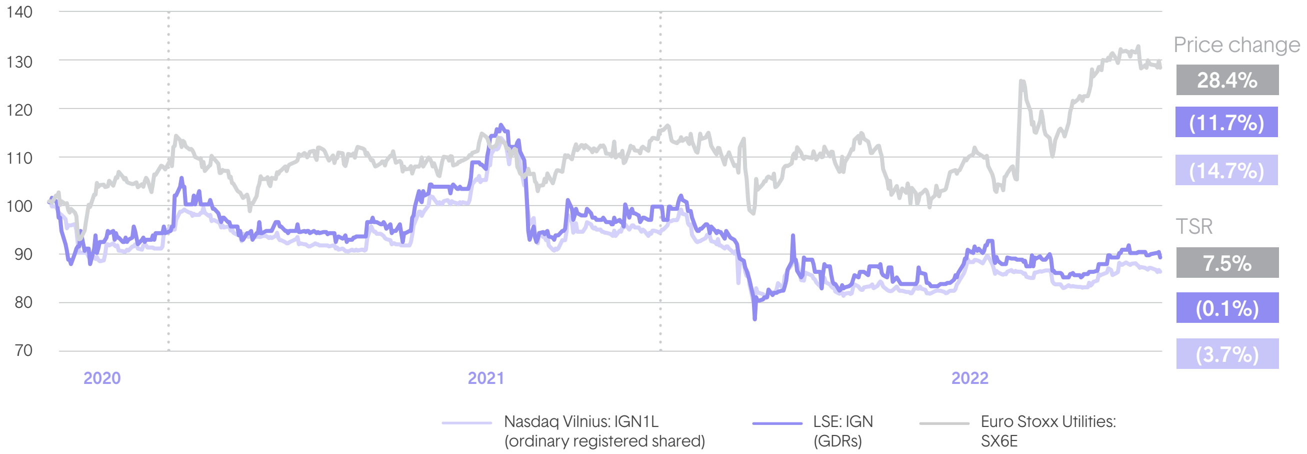
On this page the overview of ordinary registered shares and GDRs trading data is provided during the period since the Group's IPO on 7 October 2020 till the end of the reporting period on 31 December 2022.

Price performance information since the admission on 7 October 2020

	Nasdaq	London Stock Exchange	Combined
Period opening, EUR	22.70	20.00	-
Period high[1] (date), EUR	25.35 (3 Sep 2021)	24.80 (3 Sep 2021)	25.35
Period low[1] (date), EUR	17.56 (7 Mar 2022)	16.00 (8 Mar 2022)	16.00
Period VWAP[2], EUR	19.21	18.44	18.94
Period end[1], EUR	19.02	18.80	-
Period Annual turnover (average daily), EURm	260.41 (0.5)	227.53 (0.5)	487.94 (1.0)

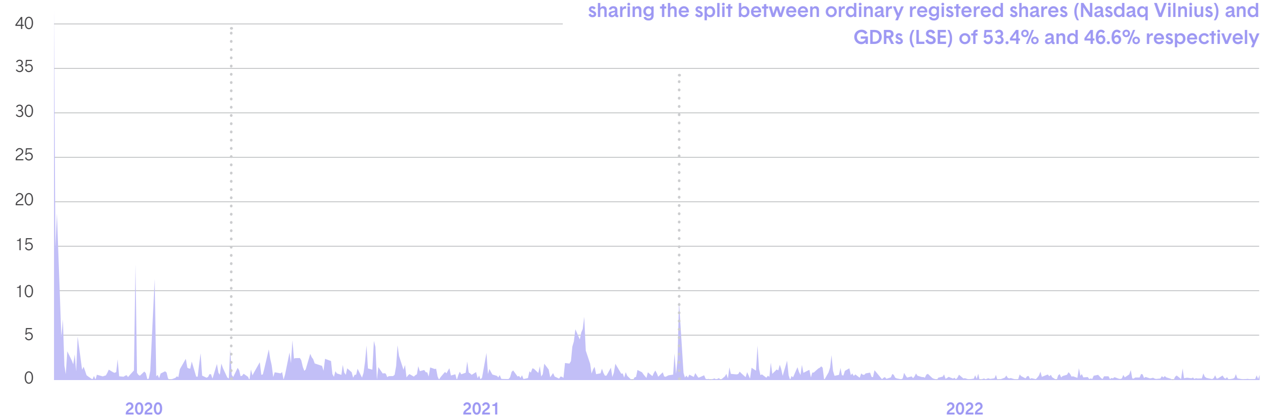
[1] As of closing trading market price.
[2] Weighted average volume price.
[3] Indexed at 100.
[4] Combined date of ordinary registered shares and GDRs.

Price development in since the admission on 7 October 2020[3], EUR



Average daily turnover since the admission on 7 October 2020[4], mln. EUR

Since the IPO, the Group's total turnover amounted to EUR 487.94 mln., sharing the split between ordinary registered shares (Nasdaq Vilnius) and GDRs (LSE) of 53.4% and 46.6% respectively



Bonds

As of 31 December 2022, the Group had three bond issues outstanding (two of them being green bonds) listed on the Nasdaq Vilnius and Luxembourg stock exchanges. Total nominal value of these bonds is EUR 900 million.

The bond specific information and the composition of their holders are provided in the figures below. As of issue date, there has been 121 bondholders of 2017 bond issue, 115 bondholders of 2018 issue and 91 bondholders of 2020 bond issue.

Further information on the debt instruments and its related information can be found on the Group's website.

Outstanding bond issues

2017 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	14 July 2027
ISIN-code	XS1646530565
Credit rating	BBB+

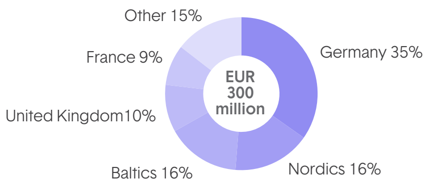
2018 issue

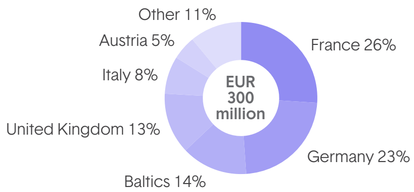
Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	1.875%
Maturity date	10 July 2028
ISIN-code	XS1853999313
Credit rating	BBB+

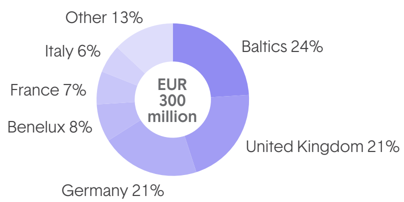
2020 issue

Issuer	Ignitis Group
Issued amount	EUR 300,000,000
Coupon	2.000%
Maturity date	21 May 2030
ISIN-code	XS2177349912
Credit rating	BBB+

Bondholder structure as of issue date







Information on the delisted subsidiaries

On 4 December 2019, the Extraordinary General Meetings of Ignitis Gamyba (ISIN-code LT0000128571) and ESO (ISIN-code: LT0000130023) took the decisions to delist the shares of these companies from trading on the Nasdaq Vilnius Stock Exchange and to approve the parent company as the entity who will make a formal offer to buy out the shares of both companies listed on the Nasdaq Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius decided to delist the shares of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation) from trading on the Baltic Main List (the last trading day was on 30 June 2020).

Following the mandatory buy-out procedures of ESO and Ignitis Gamyba shares, on 15 April 2021 the parent company became a 100% shareholder of ESO and on 9 September 2021 – of Ignitis Gamyba. The decisions have been enforced on 7 September 2021 (regarding ESO) and 27 September 2021 (regarding Ignitis Gamyba).

Information related to the delisted companies, including the details of payment for shares, is available on our website.

7.2 Performance of the Group companies

The parent company, its subsidiaries and their performance during the reporting period (2022)[1]

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: Laisvės Ave. 10, Vilnius

Effective ownership interest: NA

Share capital: EUR 1,658,756,293.81[3]

Website: https://www.ignitisgrupe.lt/en

Email: grupe@ignitis.lt

Establishment date and register: 28 August 2008, Lithuanian Register of Legal Entities

Performance: (EUR million):

	Conoslidated[2]	Standalone
Revenue	4,386.9	101.1
Expenses	(3,999.1)	(10.5)
Adjusted EBITDA	469.3	(5.0)
Net profit	293.4	90.6
Investments	521.8	1.8
Assets	5,271.6	3,081.9
Equity	2125.6	1,932.8
Liabilities	3,146.0	1,149.1
Number of employees:	**4,163**	**49**

[1] *Unaudited results, except of of AB „Ignitis grupė", AB „Energijos skirstymo operatorius", and UAB Elektroninių mokėjimų agentūra.*

[2] *AB „Ignitis grupė" consolidated numbers include results of all Group companies detailed in section '4. Governance' under '4.8 Information about the Group'.*

[3] *On 9 August 2022, in relation to the post-IPO stabilisation, share capital was reduced to EUR 1,616,445,476.80 (from EUR 1,658,756,293.81) by annulling 1,894,797 units of the parent company's acquired own ordinary registered shares. More information about the reduction of the parent company's share capital is available in section '4. Governance' under '4.2 Governance framework'.*

UAB „Ignitis renewables"

Coordination of operation, supervision, and development of renewable energy projects

Company code: 304988904

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 21,910

Website: https://ignitisrenewables.com/

Performance (EUR million):	Consolidated[1]	Stand alone
Revenue	57.9	9.7
Expenses	(17.5)	(6.3)
Adjusted EBITDA	40.4	3.4
Net profit	13.4	2.2
Investments	162.0	66.7
Assets	531.3	388.9
Equity	68.3	56.5
Liabilities	462.9	332.4
Number of employees:	85	60

UAB „Ignitis renewables projektai"

Development of renewable energy projects

Company code: 305916135

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 3,000

Website: link

Performance (EUR million):	
Revenue	-
Expenses	(0.1)
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	-
Assets	4.7
0Equity	0.9
Liabilities	3.8

Number of employees: 1

Ignitis Renewables Polska sp. z o. o.

Development of renewable energy projects

Company code: 0000871214

Registered address: Puławska St. 2B, 02-566 Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 5,000

Website: link

Performance (EUR million):	
Revenue	0.2
Expenses	(1.2)
Adjusted EBITDA	(0.9)
Net profit	(0.3)
Investments	-
Assets	34.1
Equity	33.8
Liabilities	0.3

Number of employees: 10

Ignitis Res Dev sp. z o. o.

Development of renewable energy projects

Company code: 0000873356

Registered address: Puławska St. 2B, 02-566 Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 5,000

Website: link

Performance (EUR million):	
Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	0.1
Assets	0.1
Equity	(0.0)
Liabilities	0.2

Number of employees: 0[2]

Pomerania Wind Farm sp. z o. o.

Generation of renewable electricity

Company code: 0000450928

Registered address: Puławska St. 2B, 02-566 Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 44,500

Website: link

Performance (EUR million):	
Revenue	32.8
Expenses	(3.6)
Adjusted EBITDA	29.1
Net profit	17.3
Investments	-
Assets	154.8
Equity	53.8
Liabilities	101.0

Number of employees: 0[2]

„Tuuleenergia osaühing"

Generation of renewable electricity

Company code: 10470014

Registered address: Harju county, Kesklinna district, Liivalaia tn 45, 10145, Tallinn, Estonia

Effective ownership interest: 100%

Share capital: EUR 499,488

Website: https://windenergy.ee/

Performance (EUR million):	
Revenue	9.2
Expenses	(1.5)
Adjusted EBITDA	7.7
Net profit	5.3
Investments	-
Assets	32.0
Equity	11.8
Liabilities	20.2

Number of employees: 1

[1] UAB "Ignitis Renewables" consolidated numbers include results of UAB „Ignitis Renewables", UAB „Ignitis renewables projektai", Ignitis Renewables Polska sp. z o. o., Ignitis Res Dev sp. z o. o., Pomerania Wind Farm sp. z o. o., „Tuuleenergia osaühing", UAB „EURAKRAS", UAB „VĖJO GŪSIS", UAB „VĖJO VATAS", UAB „VVP Investment", Silezia1 Wind Farm Sp. z o.o., IGN RES DEV1 SIA, IGN RES DEV2 SIA, and Ignitis renewables Latvia SIA, Altiplano S.A., UAB „Plungės vėjo energija", UAB „Ignitis renewables projektai 2", UAB „Ignitis renewables projektai 3", IGN RES DEV3 SIA, IGN RES DEV4 SIA, IGN RES DEV5 SIA, IGN RES DEV6 SIA, and UAB „Vėjo galia bendruomenei".

[2] There was no employment contract. A company is represented by elected board member.

UAB „EURAKRAS“

Generation of renewable electricity

Company code: 300576942

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 4,620,539.04

Website: link

Performance (EUR million):

Revenue	7.4
Expenses	(2.1)
Adjusted EBITDA	5.3
Net profit	3.2
Investments	-
Assets	24.9
Equity	8.8
Liabilities	16.1

Number of employees: 1

UAB „VĖJO GŪSIS“

Generation of renewable electricity

Company code: 300149876

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 7,442,720

Website: link

Performance (EUR million):

Revenue	4.8
Expenses	(1.3)
Adjusted EBITDA	3.5
Net profit	2.2
Investments	0.1
Assets	7.9
Equity	10.2
Liabilities	7.7

Number of employees: 1

UAB „VĖJO VATAS“

Generation of renewable electricity

Company code: 110860444

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,896,000

Website: link

Performance (EUR million):

Revenue	3.7
Expenses	(1.3)
Adjusted EBITDA	2.4
Net profit	1.2
Investments	-
Assets	14.3
Equity	4.4
Liabilities	9.8

Number of employees: 1

UAB „VVP Investment“

Development and operation of a renewable energy (wind) project

Company code: 302661590

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 250,214.40

Website: link

Performance (EUR million):

Revenue	-
Expenses	(0.1)
Adjusted EBITDA	(0.1)
Net profit	(0.1)
Investments	52.5
Assets	71.2
Equity	(0.0)
Liabilities	71.2

Number of employees: 1

Silezia1 Wind Farm Sp. z o.o.

Development and operation of a renewable energy (wind) project

Company code: 0000531275

Registered address: Puławska St. 2B, 02-566 Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 47,977,500

Website: link

Performance (EUR million):

Revenue	-
Expenses	(0.2)
Adjusted EBITDA	(0.2)
Net profit	(0.6)
Investments	10.4
Assets	24.8
Equity	0.4
Liabilities	24.4

Number of employees: 0[1]

IGN RES DEV1 SIA

Development of renewable energy projects

Company code: 40203389977

Registered address: Cēsu St. 31 k-3, LV-1012 Rīga, Latvia

Effective ownership interest: 100%

Share capital: EUR 500,000.00

Website: link

Performance (EUR million):

Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.5
Equity	0.5
Liabilities	0.0

Number of employees: 0[1]

[1] There was no employment contract. A company is represented by elected board member.

IGN RES DEV2 SIA

Development of renewable energy projects

Company code: 40203390251

Registered address: Cēsu St. 31 k-3, LV-1012 Rīga, Latvia

Effective ownership interest: 100%

Share capital: EUR 500,000.00

Website: link

Performance (EUR million):

Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.5
Equity	0.5
Liabilities	-

Number of employees: 0[1]

Ignitis renewables Latvia SIA

Development of renewable energy projects

Company code: 40203380662

Registered address: Cēsu St. 31 k-3, LV-1012 Rīga, Latvia

Effective ownership share: 100%

Share capital: EUR 2,000,000.00

Website: link

Performance (EUR million):

Revenue	-
Expenses	(0.2)
Adjusted EBITDA	(0.2)
Net profit	(0.3)
Investments	0.0
Assets	1.8
Equity	1.8
Liabilities	0.0

Number of employees: 5

Altiplano S.A.

Development of renewable energy projects

Company code: 0000508979

Registered address: Gdańsk (80-307) at St. Antoniego Abrahama 1A, Poland

Effective ownership interest: 100%

Share capital: PLN 47,548,500

Website: link

Performance (EUR million):

Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	0.5
Investments	32.1
Assets	67.9
Equity	10.0
Liabilities	57.9

Number of employees: 0[1]

UAB „Plungės vėjo energija"

Development of renewable energy projects

Company code: 304939316

Registered address: Vytauto St. 7-14, Plungė, Lithuania

Effective ownership interest: 100%

Share capital: EUR 2,500

Website: link

Performance (EUR million):

Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	-
Equity	-
Liabilities	-

Number of employees: 1

UAB „Ignitis renewables projektai 2"

Development of renewable energy projects

Company code: 306147729

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,500

Website: link

Performance (EUR million):

Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	0.0
Equity	0.0
Liabilities	-

Number of employees: 1

UAB „Ignitis renewables projektai 3"

Development of renewable energy projects

Company code: 306147711

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,500

Website: link

Performance (EUR million):

Revenue	-
Expenses	-
Adjusted EBITDA	-
Net profit	-
Investments	-
Assets	0.0
Equity	0.0
Liabilities	-

Number of employees: 1

[1] *There was no employment contract. A company is represented by elected board member.*

IGN RES DEV5 SIA	UAB „Vėjo galia bendruomenei"	IGN RES DEV3 SIA	IGN RES DEV4 SIA	IGN RES DEV6 SIA	AB „Energijos skirstymo operatorius"
Development of renewable energy projects	Development of renewable energy projects	Development of renewable energy projects	Development of renewable energy projects	Development of renewable energy projects	Distribution of electricity and natural gas, supply of last resort service
Company code: 40203447438	**Company code:** 306163651	**Company code:** 40203421195	**Company code:** 40203420931	**Company code:** 40203447423	**Company code:** 304151376
Registered address: Cēsu St. 31 k-3, LV-1012 Rīga, Latvia	**Registered address:** Laisvės Ave. 10, Vilnius	**Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia	**Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia	**Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia	**Registered address:** Laisvės Ave. 10, Vilnius
Effective ownership interest: 100%	**Effective ownership interest:** 100%	**Effective ownership interest:** 100%	**Effective ownership interest:** 100%	**Effective ownership interest:** 100%	**Effective ownership interest:** 100%
Share capital: EUR 2,800	**Share capital:** EUR 2,500	**Share capital:** EUR 2,800	**Share capital:** EUR 2,800	**Share capital:** EUR 2,800	**Share capital:** EUR 259,442,796.57
Website: link	**Website:** link	**Website:** link	**Website:** link	**Website:** link	**Website:** www.eso.lt

Performance (EUR million):	IGN RES DEV5 SIA	UAB „Vėjo galia bendruomenei"	IGN RES DEV3 SIA	IGN RES DEV4 SIA	IGN RES DEV6 SIA	AB „Energijos skirstymo operatorius"
Revenue	-	-	-	-	-	683.7
Expenses	-	-	(0.0)	(0.0)	-	(533.0)
Adjusted EBITDA	-	-	(0.0)	(0.0)	-	167.1
Net profit	-	-	(0.0)	(0.0)	-	29.6
Investments	-	-	-	-	-	269.7
Assets	0.0	0.0	0.0	0.0	0.0	1,863.5
Equity	0.0	0.0	0.0	0.0	0.0	607.5
Liabilities	-	-	-	-	-	1,439.4
Number of employees:	**0**[1]	**1**	**0**[1]	**0**[1]	**0**[1]	**2,563**

[1] *There was no employment contract. A company is represented by elected board member.*

UAB Kauno Kogeneracinė Jėgainė

Electricity and heat production from waste

Company code: 303792888

Registered address: Jėgainės St. 6, Biruliškės, Karmėlava mun., Kaunas district

Effective ownership interest: 51%

Share capital: EUR 40,000,000

Website: www.kkj.lt/en

Performance (EUR million):	
Revenue	59.4
Expenses	(25.0)
Adjusted EBITDA	34.4
Net profit	26.8
Investments	0.2
Assets	198.0
Equity	77.9
Liabilities	120.1

Number of employees: 41

UAB Vilniaus Kogeneracinė Jėgainė

Development and operation of cogeneration power plant project

Company code: 303782367

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 52,300,000.12

Website: https://vkj.lt/en

Performance (EUR million):	
Revenue	42.3
Expenses	(18.7)
Adjusted EBITDA	23.6
Net profit	16.7
Investments	63.7
Assets	368.1
Equity	76.8
Liabilities	291.3

Number of employees: 102

AB „Ignitis gamyba“

Generation and trading of electricity

Company code: 302648707

Registered address: Elektrinės St. 21, Elektrėnai

Effective ownership share: 100%

Share capital: EUR 187,920,762.41

Website: www.ignitisgamyba.lt/en

Performance (EUR million):	
Revenue	535.6
Expenses	(334.1)
Adjusted EBITDA	197.3
Net profit	156.1
Investments	16.5
Assets	744.8
Equity	467.4
Liabilities	277.4

Number of employees: 367

UAB „Ignitis“

Electricity and natural gas supply, trading, energy efficiency projects

Company code: 303383884

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 40,140,000

Website: https://ignitis.lt/en/electricity-home

Performance (EUR million):	Consolidated[1]	Stand alone
Revenue	3,231.4	2,968.6
Expenses	(3,131.3)	(2,877.0)
Adjusted EBITDA	15.6	7.0
Net profit	64.4	51.6
Investments	6.8	4.5
Assets	1,441.6	1,338.7
Equity	189.4	160.5
Liabilities	1,252.2	1,178.2
Number of employees:	**357**	**320**

Ignitis Polska Sp. z o. o.

Supply and trading of electricity

Company code: 0000681577

Registered address: Puławska St. 2B, 02-566 Warsaw, Poland

Effective ownership interest: 100%

Share capital: PLN 10,000,000

Website: https://ignitis.pl/en/

Performance (EUR million):	
Revenue	103.8
Expenses	(102.0)
Adjusted EBITDA	1.5
Net profit	0.5
Investments	-
Assets	47.5
Equity	2.8
Liabilities	44.7

Number of employees: 16

Ignitis Latvija SIA

Supply of electricity and natural gas

Company code: 40103642991

Registered address: Cēsu St. 31 k-2, , LV-1012, Riga, Latvia

Effective ownership interest: 100%

Share capital: EUR 5,500.000

Website: www.ignitis.lv

Performance (EUR million):	
Revenue	282.6
Expenses	(275.8)
Adjusted EBITDA	7.1
Net profit	6.3
Investments	0.2
Assets	73.1
quity	33.6
Liabilities	40.5

Number of employees: 18

[1] *UAB „Ignitis” consolidated numbers include results of Ignitis Polska Sp. z o. o., Ignitis Latvija SIA, Ignitis Eesti OÜ, Ignitis Suomi Oy.*

Ignitis Eesti OÜ

Supply of electricity

Company code: 12433862

Registered address: Narva St. 5, 10117 Tallinn, Estonia

Effective ownership interest: 100%

Share capital: EUR 35,000

Website: www.ignitis.lt/ee/ari

Performance (EUR million):

Revenue	0.0
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	(0.0)
Investments	-
Assets	0.0
Equity	(0.0)
Liabilities	0.1

Number of employees: 0[1]

Ignitis Suomi Oy

Supply of natural gas

Company code: 3202810-4

Registered address: Firdonkatu 2, Workery West, 6th floor 00520 Helsinki, Finland

Effective ownership interest: 100%

Share capital: EUR 200,000

Website: www.ignitis.fi

Performance (EUR million):

Revenue	121.2
Expenses	(120.9)
Adjusted EBITDA	(0.2)
Net profit	(0.0)
Investments	-
Assets	108.3
Equity	0.0
Liabilities	108.3

Number of employees: 3

UAB „Ignitis grupės paslaugų Centras"

Shared business support services

Company code: 303200016

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 12,269,006.25

Website: link

Performance (EUR million):

Revenue	34.7
Expenses	(28.8)
Adjusted EBITDA	5.9
Net profit	1.0
Investments	9.7
Assets	30.5
Equity	14.0
Liabilities	16.5

Number of employees: 570

UAB „Gamybos optimizavimas"

Planning, optimization, forecasting, trading, brokering and other electricity related services

Company code: 304972024

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 350,000

Website: link

Performance (EUR million):

Revenue	0.7
Expenses	(0.6)
Adjusted EBITDA	0.1
Net profit	0.0
Investments	-
Assets	0.6
Equity	0.4
Liabilities	0.2

Number of employees: 7

UAB Elektroninių mokėjimų agentūra

Payment aggregation

Company code: 136031358

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 400,000

Website: link

Performance (EUR million):

Revenue	0.9
Expenses	(0.5)
Adjusted EBITDA	0.4
Net profit	0.2
Investments	0.0
Assets	0.9
Equity	0.8
Liabilities	0.1

Number of employees: 5

UAB "Transporto valdymas"

Vehicle rental, leasing, repair, maintenance, renewal and service

Company code: 304766704

Registered address: Kirtimų St. 47, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2,359,371.20

Website: www.tpvaldymas.eu

Performance (EUR million):

Revenue	4.2
Expenses	(2.0)
Adjusted EBITDA	2.2
Net profit	1.6
Investments	0.0
Assets	16.6
Equity	8.2
Liabilities	8.4

Number of employees: 17

[1] *There was no employment contract. A company is represented by elected board member.*

NT Valdos, UAB[1]

Management and other related services of real estate

Company code: 300634954

Registered address: Laisvės Ave. 10, Vilnius

Effective ownership interest: 100%

Share capital: EUR 2519.52

Website: NA

Performance (EUR million):

Revenue	-
Expenses	(0.0)
Adjusted EBITDA	(0.0)
Net profit	0.0
Investments	-
Assets	0.4
Equity	0.4
Liabilities	-

Number of employees: 0[1]

UAB „Energetikos Paslaugų ir Rangos Organizacija“[2]

Construction, repair and maintenance of electricity networks and related equipment, connection of customers to electricity networks, repair of energy equipment and production of metal structures

Company code: 304132956

Registered address: Motorų St. 2, Vilnius

Effective ownership interest: 100%

Share capital: EUR 350,895.07

Website: http://www.enepro.lt/

Performance (EUR million):

Revenue	-
Expenses	0.0
Adjusted EBITDA	(0.0)
Net profit	0.1
Investments	-
Assets	0.3
Equity	0.3
Liabilities	-

Number of employees: 0[2]

[1] On 12 August 2022 NT Valdos UAB was liquidated.
[2] On 7 November 2022 UAB Energetikos Paslaugų ir Rangos Organizacija was liquidated.

7.3 Alternative performance measures

Indicator	Formula	Definition	Meaning and interpretation of indicator
Adjusted EBIT	Adjusted EBITDA - depreciation and amortization expenses - write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets (excluding significant one-off items)	Adjusted EBITDA less depreciation and amortization expenses, write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets except significant one-off items (if any).	Adjusted EBIT is a profit measure, which allows for a more reliable comparison of the Group's results over time and with peers, than EBIT.
Adjusted EBIT margin	$\frac{\text{Adjusted EBIT}}{\text{Total revenues and other income + management adjustments (for revenues)}}$	Profitability ratio, which shows Adjusted EBIT as a percentage of revenue	The higher the indicator value, the higher the profitability of the Group.
Adjusted EBITDA	EBITDA + temporary regulatory differences + result of asset rotation + significant one-off gains or losses	EBITDA after eliminating items, which are nonrecurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period.	Adjusted EBITDA is a key measure of the Group's performance, used as a measure for Group's targets. This indicator allows for a more reliable comparison of the Group's results over time and with peers, than EBITDA.
Adjusted EBITDA margin	$\frac{\text{Adjusted EBITDA}}{\text{Total revenues and other income + management adjustments (for revenues)}}$	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 - 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.
Adjusted return on equity (Adjusted ROE)	$\frac{\text{Adjusted net profit}}{\text{Average equity at the beginning and end of the reporting period}}$	Profitability ratio of Adjusted net profit in relation to equity.	Adjusted ROE is a key measure of Group's performance, used for setting up and monitoring of Group's targets. The principal shareholder of the Group express expectation in terms of Adjusted ROE. Adjusted return on equity shows how effectively the company is using shareholders' capital to generate profits.
Asset turnover	$\frac{\text{Total revenues and other income}}{\text{Average assets at the beginning and end of the reporting period}}$	Efficiency ratio, which measures revenues relative to total assets.	The indicator shows the effectiveness of use of the Group's assets. A higher value indicates a higher degree of effectiveness in managing the assets.

Indicator	Formula	Definition	Meaning and interpretation of indicator
Capital employed	Net debt + Equity	Value of all the assets used by the Group to generate earnings.	The indicator is used to determine the return on the Group's assets as well as how effective management is at employing capital
Current ratio	$\frac{\text{Current assets at the end of the period}}{\text{Current liabilities at the end of the period}}$	Liquidity ratio, which shows how many times current assets cover current liabilities.	Current ratio shows the ability of the Group to meet its current liabilities by using its current assets and reflects the liquidity position of the Group. The higher the ratio, the better the liquidity position.
Dividend pay-out	$\frac{\text{Total proposed dividend for the reporting period}}{\text{Number of ordinary nominal shares at the end of dividend pay-out period}}$	The ratio of the total amount of dividends to be paid out to shareholders relative to the net income of the parent company.	The indicator shows the percentage of earnings to be paid to shareholders via dividends.
Dividends per share (DPS)	$\frac{\text{Total proposed dividend for the reporting period}}{\text{Weighted average numbers of nominal shares for the reporting period}}$	Profitability ratio, which shows proposed dividends for the period attributable to one ordinary nominal share.	The higher the indicator value, the higher the profitability attributable to one security for the period.
Dividend yield	$\frac{\text{DPS}}{\text{Ordinary registered shares or GDR price at the end of reporting period}}$	Profitability ratio, which shows how much a company pays out in dividends each year relative to its security price.	The dividend yield is an estimate of the dividend-only return of a security investment.
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	$\frac{\text{Gross debt}}{\text{Equity}}$	Leverage ratio, which measures of the degree to which the Group is financing its operations through debt versus equity.	The lower the indicator value, the greater the Group's ability to meet its financial liabilities and attract new debt capital. It is one of the indicators specified in the Group's dividend policy.
Earnings per share (EPS)	$\frac{\text{Net profit of the period attributable to equity holders of the parent company}}{\text{Weighted average numbers of nominal shares for reporting period}}$	Profitability ratio, which shows net profit for the period attributable to equity holders of the parent to one security at the end of reporting period.	The higher the indicator value, the higher the profitability attributable to one security for the period.
EBIT	EBITDA - Depreciation and amortisation - Write-offs, revaluation and impairment losses of property, plant and equipment and intangible assets	EBIT – earnings before interest and tax expenses are deducted.	Profit measure used as a proxy for operating cash flow, after accounting for estimate of capital expenditures through depreciation and amortization expenses.
EBIT margin	$\frac{\text{EBIT}}{\text{Total revenues and other income}}$	Profitability ratio, which shows EBIT as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.

Indicator	Formula	Definition	Meaning and interpretation of indicator
EBITDA	Total revenue and other income - Purchases of electricity, gas and other services - Salaries and related expenses - Repair and maintenance expenses - Other expenses	EBITDA – earnings before interest, taxes, depreciation, and amortisation.	Profit measure used as a proxy for operating cash flow.
EBITDA margin	$\frac{\text{EBITDA}}{\text{Total revenues and other income}}$	Profitability ratio, which shows EBITDA as a percentage of revenue.	The higher the indicator value, the higher the profitability of the Group.
Equity ratio	$\frac{\text{Equity at the end of the period}}{\text{Total assets at the end of the period}}$	Leverage ratio, which shows the proportion of the total assets financed by equity.	This indicator shows the share of equity in the capital structure. The lower the ratio, the more the Group depends on debt financing to fund its activities.
Free Cash Flow (FCF)	FFO - Investments + grants received + investments covered by guarantee + cash effect of new connection points and upgrades + cash inflow of proceeds from sale of property, plant, and equipment less gain or loss + change in net working capital.	Free cash flow is the cashflow remaining to the Group after covering operating and capital expenditures.	The higher the FCF, the more cash flow is available for shareholders and lenders of the Group. If FCF is negative, the Group needs to raise additional financing to fund its operations.
Funds from operations (FFO)	EBITDA + interest received - interest paid - income tax paid	FFO is the proxy for Group's cashflow after taking into account EBITDA, net interest, and income tax paid.	FFO shows the Group's ability to generate cash from operations. This indicator is used during the credit rating review process of the Group.
Investments	Additions of property, plant and equipment and intangible assets + assets acquired through the acquisition of subsidiaries + additions of other financial assets + additions of investment property + Loans granted + Prepayments for property, plant, and equipment - Prepayments for non-current assets reclassified to additions of property, plant and equipment or intangible assets	Capital spent on acquiring non-current tangible and intangible assets, other financial assets, and investment property, as well as assets acquired through the acquisition of subsidiaries.	Indicator shows the amount of capital the Group spends on acquiring, upgrading, and repairing non-current tangible and intangible assets, other financial assets and investment property, as well as assets acquired through the acquisition of subsidiaries. This is one of the main indicators that significantly impacts the Group's cash flows and leverage levels.
Net debt	Non-current borrowings payable after one year + Current borrowings payable within one financial year (including accrued interest) + Bank overdrafts + Lease liabilities - Cash and cash equivalents	Net debt of the Group is the total debts to financial institutions, issued bonds and related interest payables and lease liabilities, net of cash and cash equivalents.	Net debt shows the level of indebtedness of the Group if its cash and cash equivalents were used to pay out the outstanding debt. Indicator is used during the credit rating review process of the Group.
Net debt/Adjusted EBITDA	$\frac{\text{Net debt}}{\text{Adjusted EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt and Adjusted EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This is one of the key indicators of the Group's leverage level.
Net debt/EBITDA	$\frac{\text{Net debt}}{\text{EBITDA}}$	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned.	The value of the indicator shows how many years it would take for the Group to pay back its debt if Net debt EBITDA were held constant. The lower the indicator value, the greater the Group's ability to cover its financial liabilities from the profit earned. This indicator is used during the credit rating review process of the Group.

Indicator	Formula	Definition	Meaning and interpretation of indicator
OPEX	Salaries and related expenses + repair and maintenance expenses + other expenses - energy hedging	Selling, general and administrative expense.	This indicator helps management to evaluate the effectiveness of the Group's operations by monitoring the overhead expenses.
Return on assets (ROA)	Net profit (loss) / Average assets at the beginning and end of the reporting period	Profitability ratio, which shows how well the Group employs its total assets.	This indicator shows how well the Group utilizes its assets to generate profit. A higher indicator value shows higher profitability of the Group's total assets.
Return on Capital Employed (ROCE)	EBIT / Average net debt at the beginning and end of the reporting period + average equity at the beginning and end of the reporting period	Profitability ratio, which shows how well the Group employs its capital.	This indicator shows how well the Group utilizes its capital employed to generate profit. A higher indicator value shows higher profitability of the Group's capital employed.
Return on equity (ROE)	Net profit (loss) / Average equity at the beginning and end of the reporting period	Profitability ratio of net profit in relation to equity.	ROE is a measure of Group's performance. Return on equity shows how effectively the Group is using shareholders' capital to generate profits.
Taxonomy CAPEX	Additions and acquisitions through business combinations of property, plant and equipment, intangible assets and investment property + additions of right-of-use assets	Capital expenditures calculated as defined by the EU Commission Delegated Regulation 2178/2021.	This indicator shows capital expenditures related with additions and acquisitions through business combinations of property, plant and equipment, intangible assets and investment property as well as additions of right-of-use assets and is used to calculate capital expenditure KPI under the EU Taxonomy.
Taxonomy OPEX	Repair and maintenance expenses + short-term lease expenses + IT maintenance expenses	Operational expenses calculated as defined by the EU Commission Delegated Regulation 2178/2021 (including differences described in section '5.9 Sustainability governance and other disclosures').	This indicator shows costs related to maintenance and repair, short-term lease, IT maintenance expenses and is used to calculate operating expenditure KPIs under the EU Taxonomy.
Net working capital	Current assets (excluding non-current assets held for sale) - cash and cash equivalents - other current financial assets - short term interest receivables – prepaid income tax - derivative financial instruments assets - amounts receivable on disposal of property plant and equipment + non-current receivables (excluding Epso-G) - current liabilities (excluding non-current liabilities of assets held for sale) + current portion of non-current loans + current loans + lease liabilities + payable income tax + current portion of deferred revenue related to new customers connection and upgrade fees + derivative financial instruments liabilities + current provision + dividends payable	Net working capital shows the amount of capital, other than that used for investing in noncurrent assets, tied in business operations.	Net working capital is a measure of operating efficiency. The lower the net working capital, the more efficient the Group's operations and use of funds.
Net working capital/ Revenue	Net working capital / Total revenue and other income	Efficiency ratio, which shows Net working capital as proportion of revenue.	Net working capital/Revenue is a measure of operating efficiency. The lower the indicator, the more efficient the Group's operations and use of funds.

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 April 2021 (link in Lithuanian))		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:			Information is published on www.ignitisgrupe.lt
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	
5.9.	details of the Chair and of the members of the Management Board, if, according to the Articles of Association, the Management Board is formed	Ongoing	
5.10.	details of the Chair 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 indicat-ed, 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 April 2021 (link in Lithuanian)	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
9[1]. If a company is a subsidiary or a second tier subsidiary of a state-owned company, the data referred to in Sub-clauses 5.1–5.3 of the Description of the parent company and the link to the parent company's website must be published on its website.	Yes	The specified information must be published on the websites of subsidiaries and second tier subsidiaries of the parent company
10. Data, information and documents referred to in Points 5 and 6, Sub-clauses 7.1 to 7.4, and in Points 8, 9 and 9[1] 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 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 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

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises according to the wording of 30 April 2021 (link in Lithuanian))	Disclosure	Explanation
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, additionally 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, additionally prepares a 6-month interim report.	Ongoing	The parent company prepares a 6-month interim report
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 parent 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 mandatory 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 parent 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 parent 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 and second tier 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 parent company provides information in the annual report
22. The interim report of a state-owned 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 parent company provides information in the interim report

7.5 Compliance with the Corporate Governance Code

AB „Ignitis grupė" (the parent company), acting in compliance with Article 12(3) of the Law on Securities of the Republic of Lithuania (link in Lithuanian) and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius AB as well as its specific provisions or recommendations. In case of non-compliance with some of the provisions or recommendations of this Code or in case the requirements not being applicable the reasons are specified in the table below.

Overview of corporate governance

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 30 August 2022.

Corporate governance activities are concentrated at the level of the parent company of the Group – the responsibilities of which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas of the Group entities. Activities of the Group entities in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Group entities. Use this link for the description of the corporate governance principles and of the governance and control system. More information on the management bodies ant its members, committees etc. is provided in the section '4. Governance report' of this 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 Group's disclosure 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 Management 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).

Full-scope Governance report is available in section 4 of this report.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights 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, London and Luxembourg 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 registered 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 is 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 provides that the General Meeting of Shareholders shall approve these particularly important decisions regarding:
		– of the parent company becoming a founder, participant of other legal entities (except the decisions regarding becoming a founder, participant of associations);
		– 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:
		  – the transfer, pledge, other restriction or disposal of the shares or the rights attached thereto;
		  – increase, decrease of the authorized capital or other actions that may alter the structure of the authorized capital (e.g. issue of convertible bonds);
		  – reorganization, separation, restructuring, liquidation, reformation or other acts changing the status of these companies;
		  – 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 familiarized with the draft resolutions and materials necessary for adopting the decisions. The notice of General Meetings of Shareholders specifies that the proposed 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 using electronic means of communication. 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. The name of proposed audit company and proposed remuneration for the audit services are presented in advance as a proposed 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	Usually General Meetings of Shareholders of the parent company are attended by members of management bodies and other competent persons in order to provide information related to the agenda of the General Meeting of Shareholders to the shareholders. The General Meeting of Shareholders of the parent company held on 27 September 2021 was also attended by the candidates to the Audit Committee of the parent company, where they introduced themselves. The candidates to the Supervisory Board of the parent company had to participate in and introduce themselves at the General Meeting of Shareholders of the parent company held on 26 October 2021. The introduction of the candidates did not occur because not a single shareholder participated in the meeting in person (i.e., all shareholders who participated in the meeting had voted in advance).
Principle 2: Supervisory board		
2.1. Functions and liability of the supervisory board 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. 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. 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[1] 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. 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 Board 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). 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. 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 and 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 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. Four out of seven members are women. 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 in which the parent company and its subsidiaries operate.

[1] *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 (link in Lithuanian).*

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. 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. There are no restrictions provided in the Articles of Association of the parent company limiting the re-election of members of the Supervisory Board, however, there are restrictions established in the effective legal acts apply for the candidates to collegial bodies themselves.
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 Chair of the parent company's Supervisory Board and the CEO of the parent company is not the same person. The Chair of the parent company's Supervisory Board is independent. The members of the Supervisory Board and the Chair have not been members of the Management 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. There were 15 Supervisory Board meetings held in 2022 and 14 meetings were attended by all Supervisory Board members, 1 meeting was missed by a single Supervisory Board member.
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 on activity as an independent member of the Supervisory Board. 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 Chair of the Supervisory Board).

Principles / recommendations	Yes / No / Not applicable	Commentary
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 reports and website. In 2021 external consultants Nestor Advisors were engaged to assess the activities of the Supervisory Board of the parent company and its committees. The consultants assessed the activities of the Supervisory Board and its committees and submitted recommendations for improvement in accordance with international good practices.
Principle 3: Management Board		
3.1. Functions and liability of the management board 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 the Supervisory Board formed in the parent company, the Management Board performs the functions of the parent company's collegial management body. The obligation to take into account the interests of the parent company, the shareholders, the employees and other stakeholders 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[1] 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.

[1] *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. 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. 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.
3.2.2. 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. 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 Chair of the Management Board of the parent company do not create preconditions for possible impartiality. The Chair of 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.

Principles / recommendations	Yes / No / Not applicable	Commentary
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 2022, three members of the Management Board participated in all meetings of the Management Board and two members attended 65. It must be noted that three members of the Management Board were re-elected and two members were newly elected on 18 February 2022, so there are differences in attendance.
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[1], 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	The parent company has a Supervisory Board that has the competence to elect and revoke the members of the Management Board, set the remuneration of the Management Board members. The remuneration of the Management Board members is determined in accordance with the Group Remuneration Policy, which is approved by the resolution of the General Meeting of Shareholders of the parent company.
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.

[1] *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
Principle 4: Rules of procedure of the supervisory board and the management board of the company 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.
4.2. 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 meetings and their agendas are formed for the Supervisory Board which, with consideration to activities of the Group 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 become familiar with them, also to 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 usually attended by the Management Board of the parent company. 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.

Principles / recommendations	Yes / No / Not applicable	Commentary
Principle 5: Nomination, remuneration and audit committees		
5.1. Purpose and formation of committees 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.		
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[1].	Yes	The parent company forms the following Supervisory Board committees: Risk Management and Business Ethics Supervision Committee and Nomination and Remuneration Committee, also the Audit Committee, which is formed by the decision of the General Meeting of Shareholders. All aforementioned committees operate at 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 involving also independent members (The current Risk Management and Business Ethics Supervision Committee comprises two members, but on 16 December 2022 it was approved by the Supervisory Board to increase the number of the members of the Committee to 4, i.e. the committee would comprise 4 members: 2 members of the Supervisory Board and 2 external independent members. Thus, on January 2 2023 was announced the public selection of 2 independent members of the Risk Management and Business Ethics Supervision Committee). Chairs of all committees are independent members.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	Nomination and Remuneration Committee and Risk Management and Business Ethics Supervision Committee are advisory bodies to the Supervisory Board. Their Regulations are approved and their members are elected by the Supervisory Board. Members of the Audit Committee are elected and its Regulations are approved by the General Meeting of Shareholders. The committees of the Supervisory Board submit the report on their activities at least once in 6 (six) months, which they present at the Supervisory Board meeting. The Audit Committee provides performance report to the General Meeting and the Supervisory Board when a set of financial statements is submitted for the approval of the General Meeting of the parent company. Information on composition of the committees, the number of meetings, attendance and main activities are disclosed in the parent company's annual report and website.

[1] 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
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 Chairs 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.
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 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 expected; 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; 3) devote the attention necessary to ensure succession planning.	Yes	The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, 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 companies (if necessary, it may submit an opinion also regarding other candidatures). An opinion on the suitability of the mentioned candidatures (including the CEO) is also submitted by the parent company's Supervisory Board. Decisions on the approval of such candidatures are adopted by the Management Board.
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 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; 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; 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.

Principles / recommendations	Yes / No / Not applicable	Commentary
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[1].	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.
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 Audit 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, upon invitation of the committee, CFO of the Group, 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 the annual plan of internal audit. The Internal Audit 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. The Audit Committee submits reports on its activities to the Supervisory and Management Boards when annual and six-month reports must be approved.
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 and Management Boards at the time of approval of annual and six-month reports.

[1] *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
Principle 6: Prevention and disclosure of conflicts of interest 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 to a member of the collegial body is obliged to provide a declaration of interest to the body electing him/her stating all of circumstances which could lead to a conflict of interests between the candidate and the parent company. In the event a new circumstance emerge that may give rise to a conflict of interest between a member of the collegial body and the parent company, a member of the collegial body must immediately inform in writing the parent company and the collegial body of such new circumstances.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 their activity on the Management Board, including the holding of management positions in other legal entities (except for the position and work in the Group companies), work in civil service, statutory service. Members may hold any other position or have other job, except for the position held in the parent company and other legal entities the participant whereof the parent company is, also engage in educational, creative, or authorship activity only on receipt of prior consent from the Supervisory Board.
Principle 7: Remuneration policy of the company 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. 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 Group's Remuneration Policy sets out that remuneration for activities in collegial bodies of the parent company or the Group companies does not depend on the performance results of the parent company or the Group companies.
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. The Group's Remuneration Policy sets out the severance payment procedure.

Principles / recommendations	Yes / No / Not applicable	Commentary
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.	Not applicable	
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.
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	The latest wording of the Group Remuneration Policy was approved by the resolution of the General Meeting of Shareholders on 29 September 2022.
Principle 8: Role of stakeholders in corporate governance 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 laws. 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. 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.		The parent company observes these recommendations when establishing the general rules applied to the Group of companies. 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 laws.

Principles / recommendations	Yes / No / Not applicable	Commentary
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 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 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 strategic plans.
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. 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.

Principles / recommendations	Yes / No / Not applicable	Commentary
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 in the parent company's interim and annual reports.
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. The parent company makes public the salary to the parent company's CEO and other benefits associated with the functions as members of the management bodies.
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 stock-exchange Nasdaq Vilnius, London and Luxembourg in the Lithuanian and English languages 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 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 on a yearly basis. An independent audit firm audits the parent company's financial and consolidated financial statements, and verifies that information in the annual report is consistent with the parent company's and consolidated 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 states 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 Material events of the parent company

During the reporting period

Date	Event
30 December	On the ancillary services for ensuring isolated regime of the electricity system in 2023
29 December	On the signed agreement to acquire solar projects in development in Latvia
22 December	Ignitis Group wind farm secured incentive tariff in Poland
22 December	On the tentative award of a Polish capacity mechanism auction for 2027 to Ignitis Gamyba
21 December	Lithuanian Government passed additional resolutions regarding energy price compensations
15 December	Regarding the impact of electricity price cap on Ignitis Group
15 December	Ignitis Group received international recognition for its environmental efforts and related disclosures
14 December	Lithuanian Government passed a resolution to extend the energy price compensations for consumers
25 November	Ignitis Group acquires wind farm project in Lithuania
23 November	A new CEO of AB "Energijos skirstymo operatorius" has been appointed
22 November	Interim report for the first nine months of 2022: strong Green Generation performance but ongoing challenges on net working capital
15 November	Ignitis Group to present 9M 2022 results on 22 November
8 November	Ignitis Group's financial calendar 2023
25 October	Regarding the intention of AB „Ignitis grupė" to take credit line of EUR 120 million
18 October	Regarding Networks segment income level of electricity distribution for 2023
30 September	Ignitis Group acquires onshore wind farm project in Poland
29 September	Resolutions of Extraordinary General Meeting of AB „Ignitis grupė" shareholders
13 September	UPDATE: Regarding the supplementation of the agenda of the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė" and draft resolutions on the items set out on the agenda
8 September	Regarding an opinion of AB „Ignitis grupė" Supervisory Board for the Extraordinary General Meeting of Shareholders
6 September	Regarding the intention of AB „Ignitis grupė" to take credit line of EUR 75 million
6 September	On the signed agreement to acquire wind and solar project in development in Latvia
23 August	Correction: Notice on convening the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė"
23 August	Notice on convening the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė"
23 August	Interim report for the first half year of 2022: strong Green Generation performance but challenges on net working capital
18 August	Ignitis Group refutes the public statements of a Parliament member about losses
17 August	On the appointment of interim CEO of AB "Energijos skirstymo operatorius"
16 August	Regarding the intention of AB „Ignitis grupė" to take credit lines of EUR 224 million
16 August	Governance of AB „Ignitis grupė" subsidiaries is optimised
16 August	Ignitis Group to present H1 2022 results on 23 August

9 August	Information on the completed reduction of AB „Ignitis grupė" share capital
9 August	Information on the annulment of AB „Ignitis grupė" own ordinary registered shares
9 August	Vilnius CHP received a favourable arbitration ruling in the case on biomass unit construction
15 July	The Supreme Court of Lithuania accepted for consideration the cassation appeal regarding the price for ESO's shares
14 July	Ignitis Group secured grid connection capacity for 252 MW solar park in Lithuania
27 June	On the resignation of CEO of AB "Energijos skirstymo operatorius" Mindaugas Keizeris
9 June	On compensation for increased energy prices for customers and on the approved prices of public supply of electricity and natural gas for private customers
2 June	The remaining stabilised securities of AB „Ignitis grupė" have been sold in the market
24 May	Resolutions of Extraordinary General Meeting of AB „Ignitis grupė" shareholders
19 May	Interim report for the first quarter of 2022: growth driven by Green Generation
13 May	On the compensation for consumers due to increasing energy prices
12 May	Ignitis Group to present Q1 2022 results on 19 May
3 May	Notice on convening the Extraordinary General Meeting of Shareholders of AB „Ignitis grupė"
27 April	AB „Ignitis grupė" completed an acquisition of its own ordinary registered shares
22 April	Vilnius District Court dismissed the case on the incentive share options programme for employees of AB „Ignitis grupė"
13 April	On the decision of AB „Ignitis grupė" Management Board regarding the acquisition of own ordinary registered own shares
5 April	Regarding the intention of AB „Ignitis grupė" to conclude internal loan agreement of EUR 73 million with AB "Energijos skirstymo operatorius"
4 April	Regarding the plan of the government of the Republic of Lithuania to compensate consumers for the increase in energy commodity prices
30 March	The Court ruled that the price paid for ESO's shares during the mandatory buyout is correct
29 March	Resolutions of Ordinary General Meeting of AB "Ignitis grupė" shareholders
23 March	Regarding the intention of AB „Ignitis grupė" subsidiary UAB Kauno kogeneracinė jėgainė to take a loan of EUR 110 million
18 March	Regarding the resolutions of AB „Ignitis grupė" Supervisory Board for General Meeting
14 March	Update: Regarding the supplementation of the agenda of the Ordinary General Meeting of Shareholders of AB Ignitis grupė and draft resolutions on the issues provided for in the agenda
14 March	Regarding the intention of AB „Ignitis grupė" subsidiary UAB "Ignitis" to take a loan up to EUR 150 million
8 March	Notice on convening the Ordinary General Meeting of Shareholders of AB „Ignitis grupė"
3 March	Notice on the contract concluded by the person discharging managerial responsibilities regarding AB „Ignitis grupė" financial instruments
28 February	Correction: Regarding the intention of AB „Ignitis grupė" subsidiary UAB "Ignitis" to take a loan up to EUR 150 million
28 February	Regarding the intention of AB „Ignitis grupė" subsidiary UAB "Ignitis" to loan up to EUR 150 million
28 February	Strategic Plan 2022–2025 of AB „Ignitis grupė" has been approved
28 February	2021 m. metinis pranešimas: dvigubas Žaliosios gamybos augimas ir ASV iniciatyvų įvertinimas
28 February	Annual report 2021: twofold Green Generation increase, recognition of ESG excellence
28 February	Interim report for the twelve months of 2021
22 February	Chief Executive Officer of Ignitis Renewables has been appointed
21 February	Ignitis renewables terminated agreement to acquire portfolio of solar PV projects under development in Poland

21 February	Ignitis Group to present full-year 2021 results and 2022–2025 Strategic Plan on 28 February
18 February	The Management Board, its Chair and CEO of the Group have been elected
9 February	Correction: On the supplementary agreement to the isolated regime services contract of Flexible Generation segment
8 February	On the supplementary agreement to the isolated regime services contract of Flexible Generation segment
1 February	The Supervisory Board of AB „Ignitis grupė" approved the candidates for the new term of the Management Board and the CEO
25 January	On the intent to establish a subsidiary of UAB "Ignitis renewables" in Latvia
21 January	On the intention of AB „Ignitis grupė" to amend key conditions of the internal loan agreement with UAB "Ignitis renewables"

After the reporting period

Date	Event
9 February	An expert's report should be ordered in ESO share price case
13 January	On the enforcement of Lithuanian Government's resolution to continue energy price compensation for business customers
10 January	On the award of a Polish capacity mechanism auction for 2027 to Ignitis Gamyba

7.7 Other statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of AB „Ignitis grupė" (the parent company) about the parent company's and its controlled companies', which together are called group of companies (the Group or Ignitis Group), operations for the period of January–December 2022.

The Annual report has been prepared by the parent company's administration in accordance with the Law on Companies of the Republic of Lithuania (link in Lithuanian), the Law on Consolidated Financial Reporting of the Republic of Lithuania (link in Lithuanian) and Listing Rules of Nasdaq Vilnius.

The parent company's management is responsible for the information contained in the 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 (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

All public announcements, which are required to be published by the parent company according to the effective legal acts of the Republic of Lithuania, are published on our website and the websites of Nasdaq Vilnius, London and Luxembourg stock exchanges.

Compliance with the Transparency Directive

In compliance with article 4 of the Transparency Directive introduced by the European Commission, the Group files Annual report in the European Single Electronic Format (ESEF) using the XHTML format tagging consolidated financial statements, including notes, using Inline eXtensible Business Reporting Language (iXBRL), which is available here. For all intents and purposes, other than the XHTML Annual report document is considered as non-official version and ESEF version prevails in case of any questions or conflicts.

Compliance with the code of corporate governance

This Annual report has been prepared in accordance with Article 12 of the Law on Securities of the Republic of Lithuania, which provides that the annual report of an issuer (i.e. parent company) whose securities are admitted to trading on a regulated market in the Republic of Lithuania must state how it complies with the code of corporate governance for companies whose securities are traded on a regulated market, as adopted by the operator of this regulated market.

Significant arrangements

The parent company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the parent company's control situation.

During the reporting period, the parent company did not conclude any harmful agreements (which do not correspond to the parent company's objectives, current market conditions, violate the interests of shareholders or other groups of persons, etc.) which had or potentially may have a negative impact on the parent company's performance and/or results of operation nor there were any agreements concluded in the event of a conflict of interests between the obligations of the parent company's managers, the controlling shareholders or other related parties to the parent company and their private interests and/or other duties.

There are no agreements concluded between the parent company and the members of the management bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the parent company.

Internal control and risk management systems involved in the preparation of the consolidated financial statements

The Group's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company providing accounting services to the parent company ensure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Information about the auditor

Information about the auditor, including remuneration for the services provided, is available in the section '6.3 Information on the auditor'.

Information on delisted companies

Since September 2021, the parent company owns 100% of shares of ESO (Networks) and Ignitis Gamyba (Flexible Generation and Green Generation). More information about delisted companies, including the details of payment for shares, is available in the section '7.1 Further investor related information' and on our website.

Notice on the language

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

Glossary

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Glossary

#	Number
%	Per cent
'000 / k	Thousand
AB	Joint stock company
Adjusted EBITDA	EBITDA after eliminating items, which are non-recurring, and/or non-cash, and/or related to other periods, and/or non-related to the main activities of the Group, and after adding back items, which better reflect the result of the current period
Advanced development Pipeline	Projects which have access to the electricity grid secured through preliminary grid connection agreement (agreement signed and grid connection fee has been paid). For offshore wind it also includes projects where public seabed auction has been won, but the grid connection has not yet been secured.
AML	Anti Money Laundering
APM	Alternative performance measure (link)
Awarded / contracted	Projects with one of the following: (i) awarded in government auctions and tenders (incl. CfD, FiP, FiT, seabed with grid connection), or (ii) for which offtake is secured through PPA or similar instruments (total secured offtake through PPA and other instruments should cover at least 50% of the annual expected generation volume of the asset).
B2B	Business to business
B2C	Business to consumer
BICG	Baltic Institute of Corporate Governance
bn	Billion
CCGT	Combined Cycle Gas Turbine Plant
CDP	Carbon Disclosure Project
CfD	Contract for difference
CHP	Combined heat and power
Clean spark	Indicative prices giving the difference between the combined cost of gas and emissions, and the equivalent price of electricity
CO2	Carbon dioxide
COD (commercial operation date)	The date at which the asset passed a final performance test (commissioned) and the legal liability from the supplier has been transferred to the Group. The asset has been given with permission from competent authority to operate at full power and sell electricity in the market.
CPI	Consumer Price Index
E	Electricity
Early development Pipeline	Projects of planned capacity higher than 50 MW with substantial share of land rights secured.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Electricity generated (net)	Electricity sold in wind farms, solar power plants, biofuel plants, CHP plants, hydropower plants (including Kruonis pumped storage power plant) and electricity sold in Elektrėnai Complex
Electricity sales	Amount of electricity sold in Lithuania (B2C, B2B and guaranteed customers), Poland, Latvia and Estonia
EMIT	European Market Infrastructure Regulation
Energijos Tiekimas	Energijos Tiekimas UAB
Enepro	UAB Energetikos paslaugų ir rangos organizacija
eNPS	Employee Net Promoter Score
EPS	Earnings per share
EPSO-G	EPSO-G is a state-owned group of energy transmission and exchange companies. It consists of the parent management company EPSO-G, five directly owned companies Litgrid, Amber Grid, Baltpool, Tetas, Energy Cells and the indirectly controlled GET Baltic.
ESG	Environmental, social and corporate governance
ESO	AB „ Energijos skirstymo operatorius “
etc.	et cetera
EURbn	billion EUR
EURm	million EUR
EU	European Union
Eurakras	UAB „EURAKRAS“
FBS	Fixed base salary
FCF	Free Cash Flow
FFO	Funds from operations
Final investment decision (FID)	Relevant governance body decision to make significant financial commitments related to the project
FiT	Feed-in Tariff
FIP	Feed-in premium – fixed premium to the electricity market price
FTE	Full-time equivalent
Full completion	Taking over certificate obtained implying the transfer of operational responsibility of the power plant to the Group

GDP	Gross domestic product
GDPR	General Data Protection Regulation
GDR	Global depositary receipt
GHG	Greenhouse Gas
Green electricity generated (net)	Electricity sold in wind farms, solar power plants, biofuel plants and CHP plants and hydropower plants (including Kruonis pumped storage power plant)
Green Generation Portfolio	All Green Generation projects of the Group, which include: (i) secured capacity, (ii) advanced development pipeline and (iii) early development pipeline
Green share of generation,%	Green share of generation shall be calculated as follows: Green electricity generated (including Kruonis pumped storage power plant) divided by total electricity generated in the Group
GRI	Global Reporting Initiative
Group or Ignitis Group	AB „Ignitis grupė" and its controlled companies
Gross capacity	Total generation capacity, independently from actual/planned share of ownership, if the actual/ planned ownership share is 51% or above
GW	Gigawatt
Heat generated (net)	Heat sold in CHP plants, biomass plants
Hydro power	Kaunas Algirdo Brazauskas hydroelectric power plant and Kruonis pumped storage power plant
IFRS	International Financial Reporting Standards
Ignitis	„Ignitis" UAB (former Lietuvos energijos tiekimas and Energijos tiekimas)
Ignitis Eesti	Ignitis Eesti OÜ
Ignitis Gamyba	AB „Ignitis gamyba"
Ignitis Latvija	Ignitis Latvija SIA
Ignitis Polska	Ignitis Polska sp. z o.o.
Ignitis Renewables	UAB „Ignitis renewables"
Installed capacity	Projects with commercial operation date (COD) achieved.
Investments	Acquisition of property, plant and equipment and intangible assets, acquisition of shareholdings
ISIN	International Securities Identification Number
YoY	Year over year
IPO	Initial Public Offering
ISO	International Organization for Standardization
Kaunas CHP	UAB Kauno kogeneracinė jėgainė
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant
Kruonis PSHP	Kruonis Pumped Storage Hydroelectric Plant
Lietuvos energija	„Lietuvos energija", UAB (current AB „Ignitis grupė")
Lietuvos Energijos Tiekimas	Lietuvos Energijos Tiekimas UAB
Litgrid	Litgrid AB
LNG	Liquefied natural gas
LNGT	Liquefied natural gas terminal
LRAIC	Long-run average incremental cost
LTIP	Long-Term Incentive Programme
LTM	Last twelve months
LTM	Last twelve months
m	Million
MAR	Market Abuse Regulation
Mažeikiai	UAB „VVP Investment"
MCM	Million Cubic Meters
min	Minimum
MW	Megawatt
MWh	Megawatt hour
n/a	Not applicable
NERC	The National Energy Regulatory Council
Net capacity	Net effective generation capacity owned by the Group, if actual/ planned share of ownership varies from 51% to 100%.
Net debt/ Adjusted EBITDA	Leverage ratio, which shows the Group's ability to repay its debt from the profit earned
New connection points and upgrades	Number of new customers connected to the network and capacity upgrades of the existing connection points
NPS	Net promoter score
NT Valdos	NT Valdos, UAB
NTP	Written authorization to the contractor to proceed with works or the acquisition of materials as agreed in the agreement
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating expenses
Parent company	AB „Ignitis grupė" (former „Lietuvos energija", UAB)
Pipeline	Portfolio, excluding installed capacity projects
PBM	Payment of the activities of Board member
Pomerania	Pomerania Wind Farm sp. z o. o.
PPA	Power purchase agreement
pp	Percentage point
PPE	Property, plant and equipment
PSO	Public service obligation

Public supply	Electricity supply activity performed in accordance with the procedure and terms established by legal acts by an entity holding a public supply licence
Q	Quarter
RAB	Regulated asset base
Regulated monopolistic activities	Electricity and gas distribution, electricity supply of last resort, public supply of electricity, gas supply to residents of Lithuania and designated LNG supplier service, secondary reserve (till the end of 2020).
RES	Renewable energy sources
REMIT	Regulation of the European parliament on wholesale energy market integrity and transparency
ROCE	Return on Capital Employed
ROE	Return of Equity
ROI	Return on Investment
SAIDI	Average duration of unplanned interruptions in electricity or gas transmission
SAIFI	Average number of unplanned long interruptions per customer
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
Secured capacity	Green Generation projects under the following stages: (i) installed capacity, or (ii) under construction or (iii) awarded / contracted.
SOE	State-owned company
STI	Short-Term Incentives
Supply of last resort	Supply of electricity in order to meet electricity demand of customers who have not selected an independent supplier under the established procedure, or an independent supplier selected by them does not fulfil its obligations, terminates activities or the agreement on the purchase and sale of electricity
Taxonomy-aligned	An economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852.
Taxonomy-eligible	An economic activity that is described in the delegated acts supplementing Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.
Taxonomy-non-eligible	Any economic activity that is not described in the delegated acts supplementing Regulation (EU) 2020/852.
Taxonomy CAPEX	Capital expenditures used for calculations under EU Taxonomy
Taxonomy OPEX	Operating expenditures used for calculations under EU Taxonomy
TCFD	Task Force on Climate-Related Financial Disclosures
TE-3	Vilnius Third Combined Heat and Power Plant
TRIR	Total Recordable Incident Rate
Tuuleenergia	„Tuuleenergia osaühing"
TWh	Terawatt-hour
UAB	Private Limited Liability Company
UN	United Nations
Under construction	Project with building permits secured or permitting in process including one of following: (i) notice to proceed has been given the first contractor or (ii) final investment decision has been made.
UNGC	United Nations Global Compact
Units	Units
Vėjo Gūsis	UAB „VĖJO GŪSIS"
Vėjo Vatas	UAB „VĖJO VATAS"
Vilnius CHP	UAB Vilniaus kogeneracinė jėgainė
Visagino atominė elektrinė	Visagino atominė elektrinė UAB
vs.	Versus
WACC	Weighted average cost of capital
WF	Wind farm
WtE	Waste-to-energy

Certification statement

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Certification statement

23 February 2023

Referring to the provisions of the Article 12 of the Law on Securities of the Republic of Lithuania and the Rules of disclosure of information of the Bank of Lithuania, we, Darius Maikštėnas, Chief Executive Officer at AB „Ignitis grupė", Jonas Rimavičius, Chief Financial Officer at AB „Ignitis grupė", and Giedruolė Guobienė, Head of Accounting at UAB "Ignitis grupės paslaugų centras", acting under Decision No 23_GSC_SP_0010 of 17 February 2023, hereby confirm that, to the best of our knowledge, AB „Ignitis grupė" consolidated and the parent company's financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of AB „Ignitis grupė" consolidated and the parent company's assets, liabilities, financial position, profit or loss, and cash flows for the period, the Annual report includes a fair review of the development and performance of the business as well as the condition of AB „Ignitis grupė" and it's group companies together with the description of the principle risks and uncertainties it faces.

Darius Maikštėnas
Chief Executive Officer

Jonas Rimavičius
Chief Financial Officer

Giedruolė Guobienė
UAB „Ignitis grupės paslaugų centras",
Head of Accounting,
acting under Decision No 23_GSC_SP_0010
(signed 17 February 2023)

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