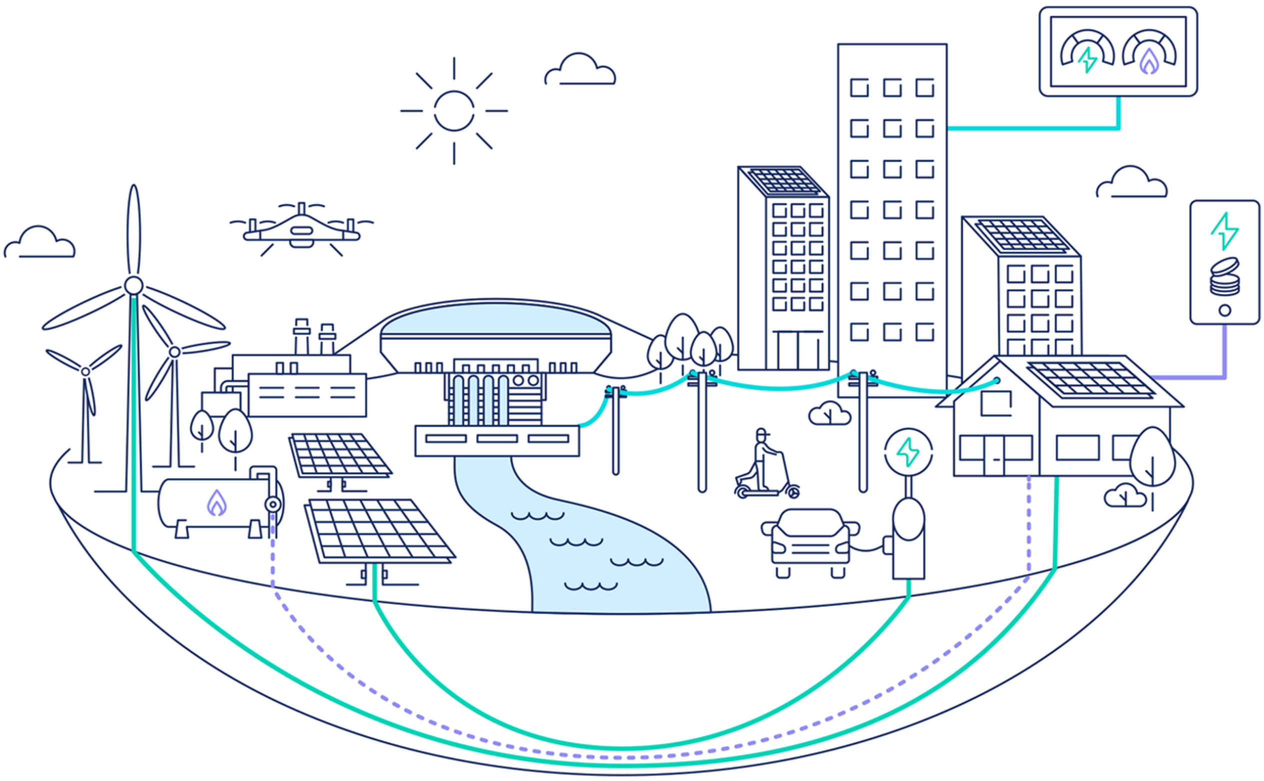
AB Ignitis gamyba

Annual report for 2023

Annual report for the year ended 31 December 2023 and the company's financial statements for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, accompanied by an independent auditor's report for the year ended 31 December 2023



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1. Overview

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1.1 CEO's statement

Dear customers, shareholders, partners, colleagues,

In 2023, the energy sector began to stabilise after a major shock. While Russia's war against Ukraine, which we strongly condemn, continues, fluctuations in energy prices have decreased, and the prices themselves have approached their pre-war levels. However, the fluctuations seen on the electricity exchange show that the importance of Ignitis gamyba as a guarantor of the reliability and security of the energy system in Lithuania and in the region remains significant.

We are closely following the war in Ukraine and Russia's attacks on energy infrastructure. This is why we are not only providing support to Ukraine's energy sector, but also learning lessons from Ukrainians. We have developed and implemented a number of additional physical security solutions at our facilities, thus ensuring greater protection of the strategic infrastructure of Ignitis gamyba.

In 2023, we had the opportunity to see that both the equipment operated by Ignitis gamyba and the team are prepared for isolated operation. Last April, the largest electricity generators operated by Ignitis gamyba – the Elektrėnai complex, the Kruonis Pumped Storage Hydroelectric Plant (Kruonis PSHP) and the Kaunas Hydroelectric Power Plant (Kaunas HPP) – contributed to the success of an exceptional test of the Lithuanian electricity system operating in full autonomy. For the first time, all energy units of the Elektrėnai Complex operated by Ignitis gamyba – B-7, B-8 and the combined cycle unit (CCU) – were in operation. During the test, these units, along with Kruonis PSHP and Kaunas HPP hydro-units, supplied electricity to consumers and generated more than 65% of the electricity needed for national consumption.

However, these were not the only "first times" in the history of Ignitis gamyba. Last year marked another historic event. In November, for the first time in its history, Unit B-7 was successfully activated for commercial electricity generation. Normally, the old units (B-7 and B-8) are reserved by Litgrid, the Lithuanian electricity transmission system operator, to provide the service for the availability of facilities during isolated operation of power system. At the time, the commercial activation of unit B-7 was necessitated by severely cold weather in the region and the shutdown of Europe's largest nuclear reactor (1,600 MW) Olkiluoto 3 in Finland, due to a malfunction of the temperature measurement in the generator cooling system. However, this event showed the importance of having constantly prepared generation facilities to ensure production at all times, thus contributing both to security and price stabilisation.

Tests of software ensuring synchronisation and system stability were also carried out at the Elektrėnai Complex. The Automatic Generation Control (AGC) tests were carried out at the Combined Cycle Unit of Ignitis gamyba Elektrėnai Complex. The tests tested the balance and frequency control of the power system under real conditions by activating the automatic frequency restoration reserve.

In addition, on 5 January 2024, all three units of the Elektrėnai Complex simultaneously operated in commercial mode due to reduced energy demand in the region. This was the first time all units in Elektrėnai were activated for commercial production.

One of the most important Ignitis gamyba projects at the moment, the construction of the Kruonis PSHP Unit 5, is also progressing according to plan. In April last year, Ignitis grupė, the shareholder of Ignitis gamyba, took a final investment decision on the expansion of the Kruonis PSHP and approved a contract with the winning contractors for construction. The 110 MW fifth Kruonis unit, strategically important for Lithuania, will be built by Voith Hydro GmbH and Co. KG (St. Pölten, Austria) and Voith Hydro GmbH and Co KG (Heidenheim, Germany) consortium. This project will increase the flexibility of the country's power system and significantly contribute to enabling the expansion of renewable energy sources.

It is also important to mention that last year we started, and this year we are continuing, the major overhaul of the first unit of the Kruonis PSHP. In addition, we completed the major overhaul of Unit B-8 and initiated the major overhaul of Unit B-7.

It should also be noted that Litgrid has been awarded two important contracts for the service of ensuring the availability of electricity generation facilities for 2024. They are significant not only for the Company's contribution to the country's energy security, but also in terms of value – EUR 14.5 million and EUR 73.8 million.

Dedicated and professional employees are the most important asset of Ignitis gamyba, and their well-being must be a priority. Therefore, we are raising the level of occupational safety in the Company and have developed and launched an innovative occupational safety programme "DSS 2.0". It includes a range of actions, such as granting each employee the authority to stop any unsafe operations or work at the company's facilities. We have developed and widely use an application that allows anyone to promptly report observed occupational safety deficiencies, and visit companies with extensive expertise in implementing occupational safety to share our experience.

Reviewing the Company's financial results, we see that Adjusted EBITDA decreased by 10.7% to EUR 176.1 million in 2023. The main contributors to the decline in EBITDA were the change in electricity prices and the market sales margin. The Company's investments in 2023 increased by 78.8% to EUR 29.5 million compared to 2022. The largest investments were for the reconstruction and expansion of the Kruonis PSHP (EUR 24.6 million, including an advance of EUR 19.5 million) and for the modernisation of Elektrėnai Power Plant Units B-7 and B-8 (EUR 4.8 million).

I have no doubt that in 2024 Ignitis gamyba will continue to successfully ensure the security of supply of the Lithuanian energy system and its flexibility adapting to the rapid expansion of RES and the changing needs of the electricity market. We will strive to ensure that our facilities are always ready and able to produce electricity, especially in times of electricity market emergencies, high electricity prices or emergency situations in neighbouring countries. We are committed not only to ensuring energy security but also to maximally contributing to the stabilisation of energy prices and, through the provision of additional services, to increasing the reliability and stability of the electricity system. Furthermore, we will continue to enable the development of Green Generation by efficiently utilising Kruonis PSHP capacities and implementing the fifth unit project.

Rimgaudas Kalvaitis
AB Ignitis gamyba, Head of the Company

1.2 Business highlights

During the reporting period

January

– According to the official performance of the Polish capacity mechanism auction that was announced by the Polish transmission system operator Polskie Sieci Elektroenergetyczne (PSE), in 2027 Ignitis gamyba will ensure the capacity of at least 250 MW available on the market for around EUR 16 million.

February

– New articles of association of the Company were registered.
– After replacement of a two-tier governance model with a one-tier governance model, the Board of a new composition was approved and started its activities. Two independent members appointed to the Board of the Company: the financial management specialist Edvardas Jatautas, the organisational development specialist Mindaugas Šeštokas, and the civil servant Vilmantas Vitkauskas, as well as representatives of the shareholder: the Head of Group's Commercial Activities Vidmantas Salietis and the Head of Group's Regulated Activities Mantas Mikalajūnas.
– After replacement of a two-tier governance model with a one-tier governance model, the Executive Committee has been formed and started its activities and it is composed of the following persons who have worked in the Management Board: CEO of the Company Rimgaudas Kalvaitis, the Head of Production Department Darius Kucinas and the Head of Finance and Administration Department Andrius Valivonis.

April

– Ignitis grupė, the shareholder of Ignitis gamyba, took a final investment decision on the expansion of the Kruonis PSHP and approved a contract with the winning contractors for construction. The 110 MW fifth Kruonis unit, strategically important for Lithuania, is being built by Voith Hydro GmbH and Co. KG (St. Pölten, Austria) and Voith Hydro GmbH and Co KG (Heidenheim, Germany) consortium.
– The largest electricity generators operated by Ignitis gamyba – the Elektrėnai complex, the Kruonis PSHP and the Kaunas HPP – contributed to the success of an exceptional test of the Lithuanian electricity system operating in full autonomy.

May

– The Elektrėnai Municipality Administration has decided to acquire the Šarkiniai and Abromiškės boiler houses for municipal ownership.

June

– Major overhaul of Unit B-8 of the Elektrėnai Complex began.

September

– New Articles of Association of the Company were registered, reducing the authorised capital from EUR 97.92 million to EUR 90 million.
– Tests of software ensuring synchronisation and system stability were also carried out at the Elektrėnai Complex. The tests tested the balance and frequency control of the power system under real conditions by activating the automatic frequency restoration reserve.

November

– For the first time in its history, Unit B-7 was successfully activated for commercial electricity generation.

December

– In view of the fact that the term of office of the CEO of Ignitis gamyba ends on 26 March 2024, the selection of the CEO of Ignitis gamyba has been announced.
– On 21 December, 21.45% of the shares of UAB Ignitis grupės paslaugų centras, which belonged to the Company, were transferred to AB Ignitis grupė.
– A standard contract on the provision of services for the availability of electricity generation facilities was concluded with Litgrid for the months of January and February 2024, worth EUR 14.5 million.

After the reporting period

January

– For the first time in history, all three units of the Elektrėnai Complex produced electricity in commercial mode.
– The Company's subsidiary UAB Ignitis gamyba projektai was registered to implement energy storage projects.

February

– A standard contract on the provision of the service of ensuring the availability of electricity generation facilities was concluded with Litgrid for the months of March to December 2024, worth EUR 73.8 million.

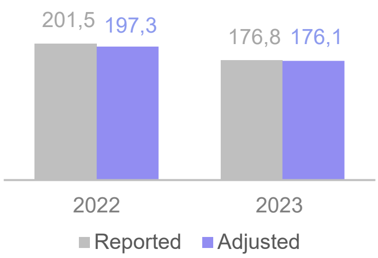
March

- Following the successful selection, Asta Sungailienė became the Company's Chief Executive Officer on 27 March.

1.3 Performance highlights

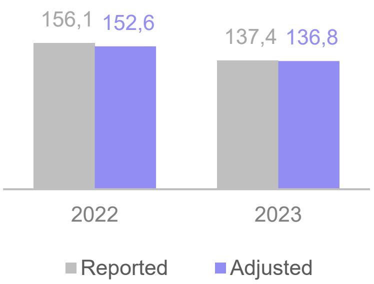
Financial

EBITDA, Adjusted EBITDA APM[1]
EUR million



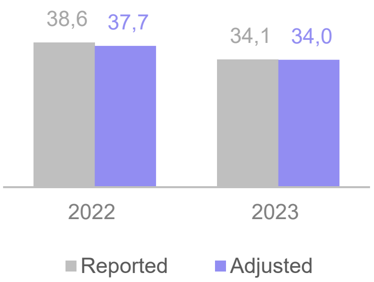
In 2023, the Adjusted EBITDA decreased by 10.7% and amounted to EUR 176.1 million. The main contributors to the lower Adjusted EBITDA in 2023 were lower electricity prices and a lower balancing result for KPSHP. The decrease was partly offset by a positive result on CCU derivatives.

Net profit, Adjusted net profit APM
EUR million



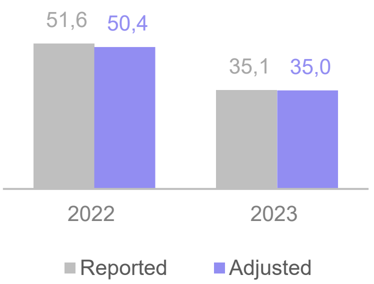
The Adjusted net profit in 2023 amounted to EUR 136.8 million and was lower than in 2022 due to the lower Adjusted EBITDA.

ROE (LTM), Adjusted ROE (LTM) APM
%



In 2023, the Adjusted return on equity (Adjusted ROE) decreased to 34.0% compared to 37.7% in 2022 due to lower Adjusted profit.

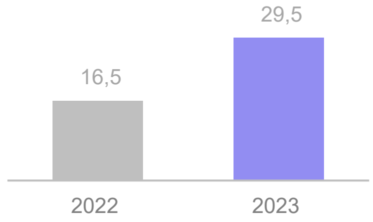
ROCE (LTM), Adjusted ROCE (LTM) APM
%



In 2023, the Adjusted return on capital employed (Adjusted ROCE) decreased to 35.0% compared to 50.4% due to the lower EBIT driven by the changes in electricity market prices and other factors listed under the Adjusted EBITDA.

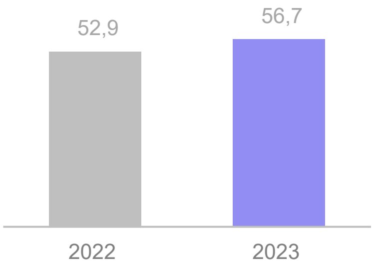
[1] *APM Alternative Performance Measures - adjusted figures used in this report refer to measures used for internal performance management. These measures are not defined by the International Financial Reporting Standards (IFRS) and do not comply with the requirements of IFRS. Definitions of alternative performance measures are provided on the Group's website (link).*

Investment APM
EUR million



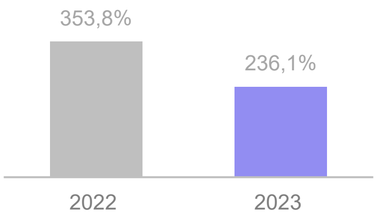
In 2023, investments amounted to EUR 29.5 million.
In 2023, the largest investments were for the reconstruction and expansion of the Kruonis PSHP (EUR 24.6 million, including an advance of EUR 19.5 million) and for the modernisation of Elektrėnai Power Plant Units B-7 and B-8 (EUR 4.8 million).

Net debt APM
EUR million



As at 31 December 2023, net debt amounted to EUR 56.7 million. Net debt increased due to a reduction in issued capital as a result of a disbursement to the Group.

FFO (LTM) / Net debt APM
%



The FFO (LTM) / Net debt ratio stood at 236.1%, lower due to lower EBITDA and higher corporate income tax paid.

2. Business overview

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2.1 Business profile

Energy system stability and security

Lithuania is largely dependent on energy imports, so local energy generation capacities are very important for the country's energy security. The Company controls facilities in the reserve capacities segment. Ancillary services provided by these facilities ensure the stability and reliability of the energy system, help to prevent and respond to emergency events in the system, and maintain the required power reserve in compliance with the established requirements for the quality and reliability of electricity supply.

Ignitis gamyba manages and develops the largest electricity generation capacities in Lithuania: Kruonis PSHP, Kaunas HPP, CCU and the reserve power plant Elektrėnai Complex.

The development of regional grid expansion projects and the full integration of electricity market segments in Europe are opening up new opportunities for the Company to use its generation capacity to enhance security of supply in other countries.

Due to its exceptional flexibility, hydro-unit 5 of the KPSHP (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 installation of hydro-unit 5 will make KPSHP one of the largest energy storage facilities in Europe. 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.

Provision of ancillary services and electricity generation

EC, KPSHP and KHPP, which are managed by the Company, provide ancillary services to the electricity transmission network operator (TSO) that are necessary to ensure the reliability of the Lithuanian electricity system and the quality of electricity.

The Company’s generation facilities and capacity are used to provide ancillary services unrelated to frequency control (i.e. voltage regulation of the voltage in a loss state, restart of the power system after a total accident, availability of electricity generation facilities) and balancing services (trade in balancing electricity and balancing capacities).

In 2023, the Company provided the following **ancillary services**:

- **Balancing capacity service** that includes manual frequency restoration reserve service to be used in case of imbalances in the system due to imbalances between generation and consumption and in case of the disconnection of a major network or generation element. The manual frequency restoration reserve, which is activated within 15 minutes, ensures the continuous supply of balancing electricity on demand for up to 12 hours to compensate for any shortfall due to a system emergency or imbalance. This additional balancing capacity service is provided by using two units of Kruonis PSHP (Green Generation) with an estimated capacity of 350 MW in 2024. The Kruonis PSHP capacities are also used in the Baltic balancing electricity market, through their activation, to balance the imbalance between generation and consumption across the Baltic control block.
- **Voltage control service**, not related to frequency regulation and balancing, is provided by the Kruonis PSHP (Green Generation) power plant units, operating in synchronous compensator mode and regulating reactive power and voltage. The service is activated when the TSO lacks the capacity of voltage management facilities on the transmission network to ensure power quality, i.e. when the voltage is not maintained within the specified limits at certain points on the transmission network.
- **Ancillary service for accident prevention and recovery** to restore the electricity system after a complete disconnection. In such cases, the diesel generators of Kruonis PSHP and Kaunas HPP (both Green Generation) are started and activate the capacity of these power plants. They

maintain the voltage on the transmission grid and supply the electricity needed to restore electricity supply to Lithuanian consumers after an accident.

- A non-frequency **service of availability of electricity generation facilities** to ensure system balance management during the isolated operation of power system. The service would be activated by the TSO in the event that, for unforeseen reasons, the Lithuanian electricity system has to operate in isolated emergency mode without communication with other neighbouring systems. The TSO assesses the need to ensure the stability and balance of the power system in the event of isolated operation of power system and, on the basis of its calculations, determines the volumes of the services of availability of electricity generation facilities necessary to ensure the stability and balance of the forecast system. This service is provided by the Elektrėnai Complex facilities.

In December 2023, the Company concluded an agreement with the Lithuanian electricity TSO on the provision of services of ensuring the availability of electricity generation facilities for the months of January and February 2024; in February 2024, a similar contract was concluded for the remaining months of 2024. 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. The Company will provide the facility availability service in 2024 in the following capacity: 260 MW capacity – Unit B-7 of the EC (260 MW in 2023), 260 MW capacity – Unit B-8 of the EC (260 MW in 2023) and 371 MW capacity – CCGT of the EC (371 MW in 2023).

Currently, the **balancing capacity trading model** is a national one, with TSO ordering balancing capacity on the local market from Lithuanian electricity producers. According to the Baltic control block concept, the Baltic TSOs intend to establish a common balancing capacity market by the beginning of 2025, with harmonised principles not only for balancing capacity supply but also for the exchange of balancing capacity between the countries, and for the allocation of inter-system capacity on market principles.

The current **balancing energy trading model** is regional and covers only the Baltic States, but the changes to the balancing market foreseen when the Baltic TSOs join the European frequency restoration reserve balancing energy exchange platform Manually Activated Reserve Initiative (MARI) (the period of accession is expected in the fourth quarter of 2024) and after the launch of automatic frequency restoration reserve services, which will have to comply with the requirements of Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation (PICASSO) by the end of 2024, will expand the region's ability to trade in balancing electricity and complete full integration into the single European Union market. In addition, a 15-minute trading, control and transaction model will be implemented, which will require additional trade management processes and an upgrade of the current trading and control systems in place at the power plants in order to comply with all the necessary criteria for the technical requirements for participation in the balancing market.

The electricity generated by the Company's power plants is **traded** on the Nord Pool electricity exchange and on the wholesale market through bilateral agreements. Electricity trading is carried out in the day-ahead, intra-day, balancing and imbalance buy/sell segments of the electricity market.

Active involvement of Ignitis gamyba in the electricity market and the provision of a full range of ancillary services **helps to ensure the security and reliability of the energy systems of the entire Baltic region**, and contributes to the historic energy transition – the synchronisation of the three Baltic States with the Continental European Power Grid (CET) system. The projects resulting from this change, related to upgrading generation management systems and adapting them to provide services related to frequency control, will not only give the Company a competitive advantage in the region, but will also ensure the continuity of its operations in the long term and will make a significant contribution to expanding RES development opportunities in the region. The technical preparedness of the generation capacity of the power plants, in line with the requirements of European legislation, is essential for the participation in the isolated operation tests organised by the Baltic operators. The use of the Company's generation capacity in the provision of ancillary services, test readiness and reliability is a key prerequisite for Lithuania's timely and high-quality synchronisation with the CET and for full integration into all segments of the EU market.

The development of regional grid expansion projects and the full integration of electricity market segments in Europe are opening up new opportunities for the Company to use its generation capacity to enhance security of supply in other countries. Following the capacity auction launched by the Polish operator to ensure security of supply, Ignitis gamyba has successfully participated in and won the capacity auction and will make available on the market in 2027 at least 250 MW of capacity, which will generate revenue for the availability of capacity in the event of emergencies in the Polish electricity system.

Quality implementation of the Company's functions is not possible without a modern work culture based on the principles of continuous improvement, therefore Ignitis gamyba gives great importance to increasing the efficiency of its operations, implementation of result-oriented and market-oriented management, development of specialists, and ensuring the improvement of the employees' experience.

The main customers of the Company are the following: TSO, National Energy Regulatory Council (when the Company represents the interests of electricity consumers in the provision of regulated services, NERC), Nord Pool exchange participants (service - trade in electricity generated), Elektrėnų komunalinis ūkis UAB and Kietaviškių gausa UAB (service - generation of heat energy).

The operation of the Company's power plants

In 2023, the Company's power plants generated electricity and heat, provided a non-frequency service of availability of electricity generation facilities to ensure system balance management during the isolated operation of power system. EC, manual frequency restoration, voltage control and voltage stability services for KPSHP, system restoration after a total accident for KHPP and KPSHP.

Elektrėnai Complex	Kruonis Pumped Storage Hydroelectric Plant	Kaunas HPP	3rd Combined Heat and Power Plant of Vilnius
			
Capacity – 1,055 MW The power plant provided the service of availability of electricity generation facilities to ensure system balance management during the isolated operation of power system. EC Units B-7 and B-8 ensured 520 MW availability of electricity generation facilities in isolated operation. The combined cycle unit provided commercial electricity generation and an availability service for 371 MW in isolated operation. Heat was produced in steam and biofuel boiler houses.	**Capacity – 900 MW** Kruonis PSHP's generation capacity was actively used in electricity trading activities and in the provision of manual frequency restoration reserve service for 369 MW. The market share of power plant balancing electricity trading is the largest not only in Lithuania, but also in the entire Baltic region. Kruonis PSHP's capacity has been actively used in reactive power and voltage regulation in synchronous compensator mode. The power plant is also an essential element in the disaster recovery plan and therefore provides the service of restarting the power system after a total disaster to the TSO.	**Capacity – 101 MW** Kaunas HPP is one of the largest power plants in Lithuania which uses renewable energy sources. Depending on natural conditions, the plant produces green energy and provides system services. Kaunas HPP capacity actively participates in the Baltic balancing electricity market. Kaunas HPP is one of the power plants in the Lithuanian energy system that can start an autonomous operation in case of the system failure and therefore provides the service of restarting the power system after a total disaster to the transmission system operator together with Kruonis PSHP.	**The Vilnius TE-3 units have been decommissioned as of 6 January 2022 and are currently idle.**

The Company sets availability goals for the power plants. Plants are considered available when they produce electricity or are fully prepared for production. The annual availability of CCGT in 2023, excluding the duration of planned repairs, was 96.4%, 97.9% for Unit B-7, 55.7% for Unit B-8, 84.7% for Kruonis PSHP and 95.8% for Kaunas HPP.

During the reporting period, there were no significant changes in the operation of the power plants managed by the Company.

Key performance indicators of power plants

In 2023, the Company's power plants generated 1% more electricity (net) compared to 2022 (see Figure 1). The total of 1.20 TWh of electricity (net) was produced in the Company's power plants in 2023, in 2022 – 1.19 TWh.

The **Kaunas HPP** generation figures decreased by 1% and in 2023 Kaunas HPP generated 0.372 TWh of electricity (net) compared to 0.378 TWh in 2022.

During 2023, Kaunas HPP transmitted and purchased 0.014 TWh and 0.004 TWh balancing electricity, respectively (the service is required for balancing the surplus/deficit of electricity in the energy system). During 2022, 0.019 TWh and 0.001 TWh respectively.

Kruonis PSHP produced 4% less electricity (net) in 2023 – 0.520 TWh (in 2022, 0.544 TWh).

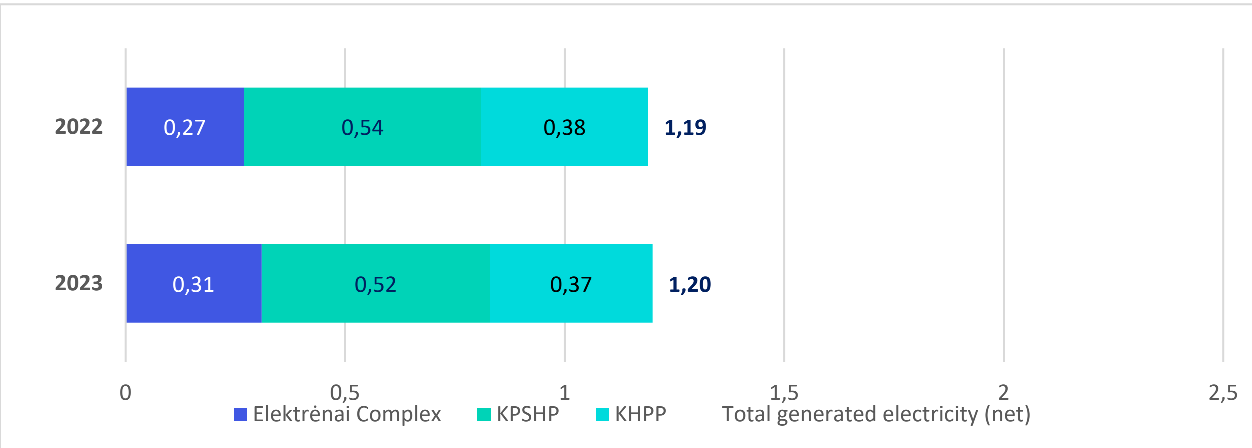
During 2023, Kruonis PSHP transmitted and purchased 0.124 TWh and 0.115 TWh balancing electricity, respectively. During 2022, 0.106 TWh and 0.059 TWh respectively.

In 2023, capacities of Kruonis PSHP is also used to provide a frequency restoration reserve service with an average volume of 369 MW/h, i.e. available capacity of the hydro-units, maintained by the manufacturer and activated within a 15-minute period at the instruction of the transmission system operator. The capacity was activated 535 times during 2023. The capacity was activated 204 times during 2022. During 2023, the Company transmitted about 0.046 TWh of balancing energy, frequency restoration reserve, in 2022 – 0.019 TWh.

The **EC** generated 15% more electricity (net) in 2023 (0.311 TWh) compared to 2022 (0.271 TWh).

During 2023, EC transmitted and purchased 0.001 TWh and 0.009 TWh balancing electricity, respectively. During 2022, 0.003 TWh and 0.003 TWh respectively.

Electricity generated (net) at power plants operated by the Company (TWh)



2.2 Business environment

Analysis of external environmental indicators

In assessing the impact of the external environment, the Company takes into account political, economic, social and technological factors.

The ongoing synchronisation of the Lithuanian energy system with the continental European grid in 2025 and the developing Baltic balancing services market opens up new market segments for the Company, but at the same time increases competition, as more market participants operate in the market. At the same time, expanding renewable energy production (RES) creates challenges and opportunities for conventional power generation by increasing the requirements for plant availability and reliability, especially during periods of critical or extreme market prices.

The Company's activities may be adversely affected by the increasing and intensifying competition in the power market, increased competition between ancillary service providers and in labour market and potential political and regulatory decisions that limit or distort development and market-based service provision opportunities.

The significant Company's contribution to the implementation of the National Energy Independence Strategy is among the positive external factors. The development of new production capacities and the implemented innovations increase the Company's competitiveness.

Macroeconomic environment

The Company's performance depends on macroeconomic and market trends. Therefore, we closely monitor economic indicators and developments to assess the business environment, opportunities and challenges.

GDP

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

Inflation

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

Industry environment

Falling electricity prices throughout the Baltic region were mainly the result of comfortable natural gas storage levels, falling demand, and a stabilised hydro balance in Scandinavia. The maintenance of electricity lines as a result of efforts to synchronise with the EU power systems was seen as the cause of price fluctuations throughout the Baltic region.

The main factors contributing to the decline in natural gas prices were sufficient levels of natural gas in storage, a warm winter, growing LNG import capacity and lower consumption compared to long-term average consumption rates.

Higher wind and solar generation levels contributed to the increase in Lithuania's electricity generation and higher hydro generation led to more electricity generated in Latvia. In addition, the increase in electricity generation in Finland was led by higher generation by nuclear power plants. In contrast, generation in Estonia decreased due to lower production from shale oil, while a decrease in generation in Poland was linked to lower consumption.

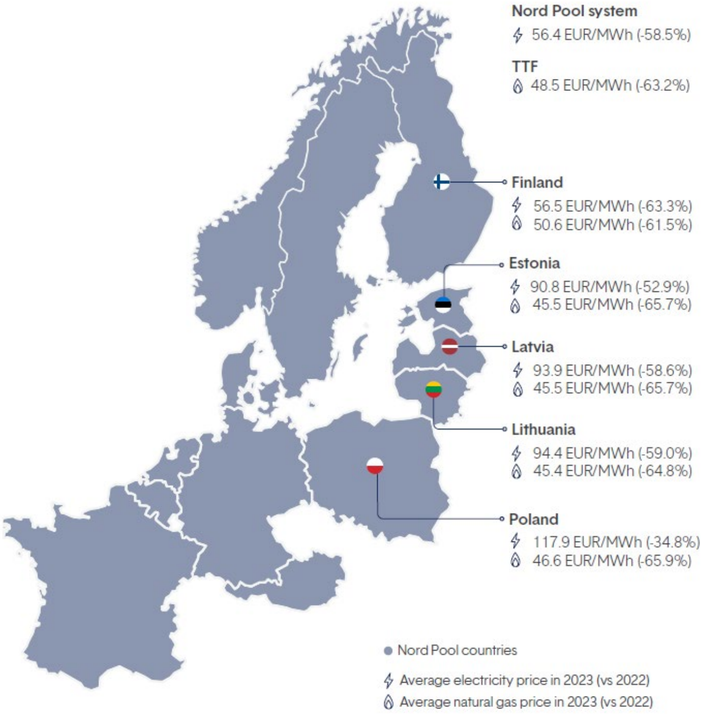
During 2023, as compared with 2022, the volume of electricity generated by wind power plants in the region of Scandinavia increased by 46%, Poland – 60%, in the Baltic States – by 103%. In Scandinavia, which is characterized by high generation of hydro power plants, the generation of hydro power plants increased by 3%. Production of electricity from nuclear power plants in the Scandinavian region decreased approx. by 7%.

In 2023, the volume of electricity produced by Lithuania was higher by 47% as compared to 2022. Production volumes have also changed in the other Baltic States: In Latvia, the production increased by approx. 28.3%, in Estonia decreased by approx. 32.9%. Lithuania remained the country with the deficit of electricity, producing 52.8% of electricity demanded by the country in 2023 (34.6% in 2022). In Latvia the domestic production covered approx. 87.9% of the country's demand in 2023 (approx. 65.2% in 2022), and in Estonia the domestic generation of electricity in 2023 satisfied 57.4% of the country's demand (approx. 84.6% in 2022). According to Nord Pool, in 2023 the electricity consumption in Lithuania decreased by approx. 3.7% if compared with 2022 (except for the demand of Kruonis PSHP). In Latvia the demand decreased by approx. 4.9%, in Estonia decreased by approx. 1.1%.

The main nuances of commercial electricity flows of Lithuania in 2023: 14.12% (1.36 TWh) of electricity was imported from third countries, 51.04% (4.91 TWh) from Scandinavia via Nord Balt connection, 24.48% (2.35 TWh) was imported across the border with Latvia and 10.36% (1.00 TWh) via the LitPol Link connection with Poland. While export to Poland accounted for 70.65% (1.53 TWh), zone four of Sweden – 1.33% (0.03 TWh) and Latvia – 19.77% (0.43 TWh) as well as third countries – 8.25% (0.18 TWh). The total import from Lithuania was lower by 13.68% (1.52 TWh) in 2023, as compared with 2022, and the export of electricity was lower by 7.21% (0.17 TWh).

Energy demand continues to decline in all countries for the second year in a row. For electricity, it is due to the energy-intensive industries not yet being recovered from last year's production slump and the demand destruction process. Furthermore, the reduction in consumption can be attributed to the successful implementation of energy-saving measures. On the natural gas side, even though it currently has a better relative competitive position to oil products compared to 2022, an overall limited impact on demand in home markets was observed during 2023, with a continued decline in demand in Lithuania, Latvia and Estonia.

Electricity and natural gas prices in home markets



Electricity

Consumption, TWh

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

Generation, TWh

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

Natural gas

Consumption, TWh

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

2.3 Strategy

Strategy of Ignitis Group. Main purpose and integrated strategy

AB Ignitis gamyba is an important part of Ignitis Group's integrated business model and strategy. Ignitis Group is a renewables-focused integrated utility and the largest energy group in the Baltic States.

Our main purpose is to create a 100% green and secure energy ecosystem for current and future generations. We are strengthening our contribution to Europe's decarbonisation and energy security in our region, accelerating the transition to green energy in the Baltic States, and building an exclusively green energy system.

1. **Green** (growing green and flexible generation capacities)
2. **Flexible** (creating a flexible system that can operate on 100% green energy in the short, medium, and long term)
3. **Integrated** (utilising the integrated business model to enable green and flexible generation build-out)
4. **Sustainable** (maximising sustainable value)

We plan to deliver 4–5 GW of installed green and flexible capacities by 2030 and to reach net zero emissions by 2040–2050 by developing a portfolio of green generation with the focus on offshore wind, onshore hybrid, P2X & storage technologies while leveraging our integrated business model.

Integrated business model of Ignitis Group

Green Generation

Strategic focus

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

Networks

Strategic focus

Expanding a resilient and efficient network that enables electrification

Customers & Solutions

Strategic focus

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

Reserve capacities

Strategic focus

Contributing to the security of the energy system

The Company's strategy

As an integral part of the Ignitis Group, Ignitis gamyba contributes to the implementation of the Ignitis Group's strategy to create a 100% green and secure energy ecosystem for current and future generations.

AB Ignitis gamyba operates in the Green Generation and Reserve Capacities segments.

The Company ensures the security and reliability of the country's energy system. The Company intends to contribute to the further development of the Group's green electricity generation through the use and development of its existing hydro capacity.

The Green Generation segment includes Kaunas HPP and Kruonis PSHP operated by Ignitis gamyba, which generate electricity and provide ancillary services. Hydro generation capacities are used to increase the flexibility and reliability of the electricity system, to enable the development and integration of Green Generation capacity, and to contribute to the synchronisation of the Baltic States with the CET. The Company is increasing installed Green Generation capacity by focusing on storage solutions.

By managing reserve capacities, the Company contributes to the security and reliability of the energy system and aims to ensure a reliable and flexible energy system. Reserve capacities provide the basis for balancing the growth of renewable generation and ensuring the necessary level of adequacy of the Lithuanian energy system. The power generation facilities in this business segment include Elektrėnai Complex, comprising Units B-7 and B-8, and the CCU.

Sustainability and ESG focus
As part of our strategy, we focus on reducing greenhouse gas emissions based on science-based targets, promote safety at work with a focus on TRIR and zero fatalities, care for the employee experience through the initiatives related to well-being, education and growth, fair pay, diversity and inclusion, encourage diversity at the top, and create sustainable value through sustainable investments and returns.

Our values

We are a team of diverse and energetic people united by a common purpose.

RESPONSIBILITY IMPROVEMEN PARTNERSHIP OPENNESS

Strategic focus, targets and key performance indicators

The 2024 targets and the 2023 results linked to the CEO's variable remuneration are disclosed in section “4.4 People and remuneration”.

The Company develops and updates its strategy and plans its activities to implement it in line with the Group’s strategy. The Company reviews and prepares its long-term financial plans and annual budget on an annual basis in accordance with the strategy, strategic and operational plans. The Company regularly reviews the strategy, assesses the status of the implementation of the strategic objectives, and reports regularly to the Group on the implementation of the strategic initiatives and the performance of the business. In the event of changes in circumstances that alter the Company's structure, areas of activity or have a material impact on the forecast performance, strategic direction and strategic objectives, the business plans are updated.

Strategic focus

Contribute to the security of the energy system

We will ensure a very high level (>98%[2]) of standby capacity to ensure the security and reliability of the electricity system.

We contribute to the expansion of installed green and flexible capacities

We will install Unit 5 of Kruonis PSHP by the end of 2026.

Sustainability and people

We prioritise decarbonisation, employee safety and positive experiences, diversity and sustainable value creation.

Main projects and investments

In 2023, the Company focused on the construction of PSHP Hydro-Unit 5, the repair of PSHP Hydro-Unit 1, the major overhaul of EC Unit B-8, the commencement of the preparatory works for the major overhaul of EC Unit B-7, the preparation of the procurement process for the implementation of the Automatic Generation Control system and the organisation of the procurement process. In 2023,

[2] *Availability was determined by eliminating planned repairs.*

projects were implemented to contribute to the synchronisation with the CET and to expand the range of available services.

The implementation of clean-up projects remains important for the Company, with old and inefficient equipment being phased out, and ways being sought to efficiently utilise TE-3 assets in the future. Strong emphasis is being placed on staff development, ensuring the rotation of key positions and increasing occupational safety.

The Company's technically and economically sound investment policy is based on long-term strategic planning, identifying the Company's development directions and the investments required to replace or modernise its technological facilities.

The Company's ongoing and planned major investments and projects in relation to its strategic directions:

Contribute to the security of the energy system

- Major overhaul of Unit B-8 of Elektrėnai Complex;
- Major overhaul of Unit B-7 of Elektrėnai Complex.

We contribute to the expansion of installed green and flexible capacities

- Installation KPSHP Unit 5;
- Major overhauls of KPSHP hydro-units;
- Preparation for the launch of an Automatic Generation Control system;
- Preparation for 15-minute electricity trading.

Sustainability and people

- Occupational safety system DSS 2.0;
- Implementation of the action plan to reduce greenhouse gas emissions;
- Staff shift, retention and attraction programme;
- Analysis of the future use of the TE-3 complex.

In 2023, the Company completed the Project for the Optimisation of the Asset Management System and the Reconstruction of the KPSHP 6kV and 10kV Captive Complex Distribution Facilities. Previously planned solar projects have been put on hold following an analysis of the circumstances.

Below is an overview of the progress of the Company's major projects in 2023:

Major overhaul of Unit B-8 of Elektrėnai Complex

Unit B-8 was commissioned in 1972 and has worked more than 162,000 hours from the start of operation to the end of 2020, and is therefore reaching the end of its operational life. In order to ensure that the unit is able to provide the service of availability of electricity generation facilities to ensure system balance management during the isolated operation of power system, a unit major overhaul project has been initiated. The project, which started in 2022, was successfully completed, extending the unit's generating capacity to 50,000 additional operating hours.

Major overhaul of Unit B-7 of Elektrėnai Complex

In order to ensure that the unit is able to provide the service of availability of electricity generation facilities to ensure system balance management during the isolated operation of power system, a major overhaul project of Unit B-7 was initiated in 2023. Procurement of contract works and spare parts started in 2023 and preparatory work is underway ahead of a major overhaul scheduled for 2025.

Installation KPSHP Hydro-Unit 5

The first work on the project started in 2020 and two studies were carried out between 2020 and 2021 to assess the most technologically and commercially attractive alternatives and to carry out a socio-economic assessment of these alternatives. In May 2020, the results were obtained, allowing the Company to select the best technological solution for the unit, in line with today's market conditions and the changing needs in the context of the synchronisation of the electricity system with the CET. In 2022, a positive screening conclusion for the Environmental Impact Assessment (EIA) was obtained. In April 2023, a contract for the construction of Hydro-Unit 5 was signed with Voith Hydro GmbH and Co. KG (St. Pölten, Austria) and the consortium of Voith Hydro GmbH and Co KG (Heidenheim, Germany), and design work has started. The contract work is expected to be completed and the unit will be ready for operation by the end of 2026.

Major overhauls of KPSHP hydro-units

Major overhaul of the Kruonis PSHP Hydro-Unit 1 has been in progress in 2023. This unit has been in operation for over 30 years since the start of operations, and the decision to overhaul the unit was taken in order to ensure the continued successful operation of the plant. Identical major overhauls were carried out on Hydro-Unit 2 in 2018-2019. The major overhauls of the units of Kruonis PSHP are a continuation of a consistent plan to prepare for synchronisation with the CET. The long-term objective of this plan is to carry out major overhauls of all 4 hydro-units of Kruonis PSHP, which will allow for at least a 15-year extension of their reliable service life. The contract with the general contractor was signed in 2021, the production of the parts needed for the repair of Hydro-Unit 1 was carried out between 2022 and 2023, and the repair work itself is scheduled for completion in the first half of 2024.

Implementation of an Automatic Generation Control system

The Automatic Generation Control project, which will integrate all the control systems of the Company's power plants into a common capacity management system, will not only automate the generation control processes, but will also enable the Company to meet the technical qualification requirements for service provision. Procurement of the Automatic Generation Control system was performed in 2023. The procurement procedures are expected to be finalised and the contract signed with the contractor in early 2024. The Automatic Generation Control project consists of several stages to be completed by the end of 2025.

Preparation for 15-minute trading

In 2023, a project was initiated to prepare and smooth the transition from a 1-hour trading period to a 15-minute trading period and to allow the trading of balancing electricity through European market platforms. Preparation for trading electricity and providing balancing services in the 15-minute period, in accordance with the established technical and organisational requirements, is an important task that will enable the Company to ensure a smooth transition to new market conditions, remain competitive, and timely establish a position in new market segments. Reorienting trading processes from a 1-hour period to a 15-minute period will ensure sustainable operations and most efficient use of the available reserve capacity potential. Preparation for 15-minute trading and the project are expected to be completed in Quarter III of 2024.

Occupational safety system 2.0

Ensuring the safety and health of employees and contractors is of paramount importance to the Company. The DSS 2.0 project was launched at the end of 2023 to increase the level of health and safety of employees and contractors through individual initiatives, process improvements and the integration of best practices from other companies.

Implementation of the action plan to reduce greenhouse gas (GHG) emissions

A dedicated project has been initiated to reduce CO2 and other GHG emissions to the Group's target levels. The GHG concept was presented to the organisation, the calculations explained and questions answered. A project plan was developed with consultants and presented to the Company. The GHG plan measures that are revised and updated yearly and responsible persons were approved and monitoring of the implementation of the measures started. In 2023, green electricity was partly used for the first time to bring water into the upper basin at Kruonis PSHP.

Staff shift, retention and attraction programme

The objective of the programme is to provide for additional measures to attract and retain staff and to have a ready shift of staff, and to develop the employer’s image to attract potential employees. The programme is implemented on the basis of an annual plan of measures, including dissemination of information to pupils and students, attraction of trainees, training of staff, additional staff motivation measures, the establishment of a list of core posts and the preparation of a shift for them, and other measures.

Preparing TE-3 for potential realisation

The loss-making operation of the TE-3 units, which are not operating on the market, has been decommissioned as of 6 January 2022. This decision was taken after having analysed and assessed various scenarios for the possible use of the TE-3 facilities and after having been satisfied that the decommissioning of the TE-3 units will not have a significant impact on the stability, safety, reliability and adequacy of the operation of the electricity system. Following the decommissioning of the TE-3 units, a project was initiated to assess the future prospects of TE-3, the optimal future use of the assets.

3. Results

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3.1 Annual results

Key financial indicators

		2023	2022
Revenue	EURm	306.7	535.6
EBITDA APM	EURm	176.8	201.5
Adjusted EBITDA APM	EURm	176.1	197.3
Margin of the adjusted EBITDA APM	%	57.4%	36.8%
EBIT APM	EURm	160.7	184.4
Adjusted EBIT APM	EURm	160.0	180.3
Net profit	EURm	137.4	156.1
Adjusted net profit APM	EURm	136.8	152.6
Investments APM	EURm	29.5	16.5
FFO APM	EURm	134.0	187.1
FCF[3] APM	EURm	206.7	(89.0)
ROE APM	%	34.1%	38.6%
Adjusted ROE APM	%	34.0%	37.7%
ROCE APM	%	35.1%	51.6%
Adjusted ROCE APM	%	35.0%	50.4%
ROA APM	%	20.3%	21.5%
Adjusted ROA APM	%	20.3%	21.0%
		31/12/2023	31/12/2022
Total assets	EURm	606.4	744.8
Equity	EURm	337.8	467.4
Net debt APM	EURm	56.7	52.9
Net working capital[4] APM	EURm	184.3	283.5
Working capital ratio[5] APM	%	(39.9%)	(47.1%)
Net debt / EBITDA (LTM) APM	times	0.32	0.26
Net debt / Adjusted EBITDA (LTM) APM	times	0.32	0.27
FFO (LTM) / Net debt APM	%	236.1%	353.8%
Current ratio APM	times	2.93	3.10
Turnover of assets APM	times	0.45	0.74

Key performance indicators[6]

		2023	2022
Electricity generation (net)			
Elektrėnai Complex	TWh	0.31	0.27
Kruonis Pumped Storage Hydroelectric Plant	TWh	0.52	0.54
Kaunas HPP	TWh	0.37	0.38

[3] *The formula for calculating the ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published value of the FCF ratio for the previous year.*
[4] *The formula for calculating the ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published value of the Net Working Capital for the previous year.*
[5] *The formula for calculating the Net Working Capital ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published value of the Working Capital ratio for the previous year.*
[6] *The electricity generation (net) figures were recalculated to include electricity generated for balancing services. To ensure the availability of the indicators, the 2022 indicators were recalculated.*

Revenue

The Company's revenue amounted to EUR 306.7 million in 2023. Compared to 2022, revenue decreased due to a lower electricity market price and lower ancillary services revenues.

The major part of the revenue is the income from electricity trading and power reserve services, other ancillary services, as well as from the sale of heat energy. In 2023, revenue was boosted by natural gas sales.

Revenue by type, EUR million

	2023	2022	Δ	Δ,%
Revenue from sale of produced electricity	206.1	392.7	(186.6)	(47.5%)
Revenue from capacity reserve services	16.2	33.0	(16.8)	(50.9%)
Revenue from services ensuring isolated operation of power system	47.1	99.7	(52.6)	(52.8%)
Revenue from supply of thermal energy	4.9	5.9	(1.0)	(16.9%)
Revenue from sale of natural gas	30.9		30.9	
Other income	1.5	4.3	(2.8)	(65.1%)
Revenue	306.7	535.6	(228.9)	(42.7%)

Expenses

In 2023, the Company incurred expenses of EUR 146.0 million, which were more than twice lower compared to 2022.

Expenses, EUR million

	2023	2022	Δ	Δ,%
Purchases of electricity, natural gas and other services	100.4	243.6	(143.2)	(58.8%)
Purchases of electricity and related services	46.8	133.0	(86.2)	(64.8%)
Costs of purchases of gas and biofuel for generation	104.5	108.6	(4.1)	(3.8%)
Effective hedging result	(53.3)		(53.3)	
Emission allowances utilised	2.4	2.0	0.4	20.0%
OPEX APM	29.5	24.4	5.1	20.9%
Wages and salaries and related expenses	13.5	12.2	1.3	10.7%
Repair and technical maintenance expenses	7.0	4.9	2.1	42.9%
Other	9.0	7.3	1.7	23.3%
Other expenses	16.1	83.1	(67.0)	(80.6%)
Depreciation and amortisation	16.4	17.0	(0.6)	(3.5%)
Derivative financial instruments		66.2	(66.2)	(100.0%)
Impairment charges and write-downs on property, plant and equipment, inventories and other amounts	(0.3)	(0.1)	(0.2)	200.0%
Total expenses	146.0	351.1	(205.1)	(58.4%)

Purchases of electricity, natural gas and other services

The major part of the Company's expenses in 2023 (EUR 151.3 million) were for the purchase of electricity and related services and for the purchase of gas and biofuel for generation. In 2022, such expenses amounted to EUR 241.6 million.

In 2023, the costs of purchases of electricity, natural gas and other services were 58.8% lower than in 2022. The decrease was mainly driven by the positive result of effective hedging, as well as to lower purchases of electricity (EUR 42.3 million in 2023, EUR 119.1 million in 2022), mainly as a result of lower market prices, and to the decrease in the natural gas price.

OPEX

In 2023, the Company's OPEX amounted to EUR 29.5 million and increased by 20.9% (EUR +5.1 million). The change was due to higher wages and repair and technical maintenance expenses, which increased by EUR 1.3 million and EUR 2.1 million, respectively. The increase in wage costs was due to higher salaries, more bonuses for overtime, night work and rest days (that were higher due to testing in the Unit B-8 of Elektrėnai Complex, CCU and Kruonis PSHP). In 2023, repair and technical maintenance expenses were driven by the increase of CCU maintenance expenses under LTSA (Long-term service agreement), which was conditioned by the higher hourly work of the CCU. Repair costs were driven up by repairs to EC Unit B-8 and biofuel boilers. Other expenses were EUR 1.7 million higher, mainly due to an increase in the cost of property insurance, higher taxes on environmental pollution and natural resources, and an increase in the cost of power plant management services.

Other

The Company's depreciation and amortisation expenses in 2023 were 3.5% lower at EUR 16.4 million (EUR 17.0 million in 2022).

EBITDA

In 2023, Adjusted EBITDA amounted to EUR 176.1 million. Adjusted EBITDA margin amounted to 57.4% (2022: 36.8%).

The main contributors to the decrease in Adjusted EBITDA in 2023 were the lower revenue from sale of balancing electricity of Kruonis PSHP and the lower margin on electricity sales of Kaunas HPP.

EBITDA adjustments

Adjustments were made in 2023 and 2022 for the difference in regulated services between the revenue accounted for in previous periods and the revenue actually received for the respective periods in subsequent periods. These adjustments amounted to EUR 0.7 million in 2023 and EUR 4.2 million in 2022.

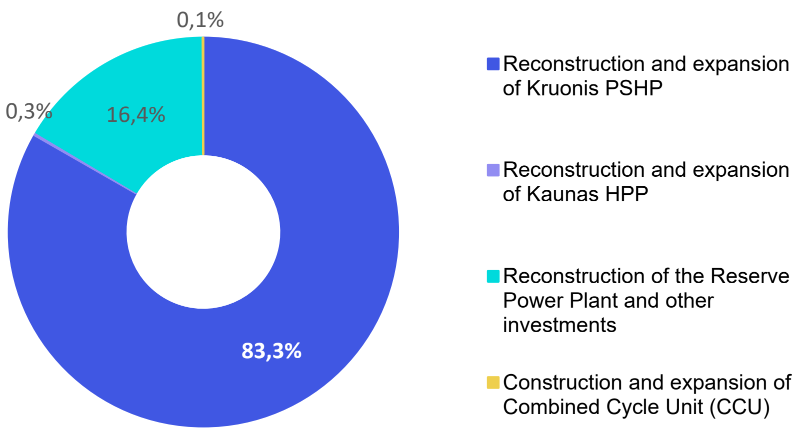
Net profit

In 2023, the Adjusted net profit amounted to EUR 136.8 million. The Adjusted net profit was lower due to lower Adjusted EBITDA.

Investments

In 2023, investments amounted to EUR 29.5 million and were EUR 13.0 million higher than in 2022. In 2023, the largest investments were for the reconstruction and expansion of the Kruonis PSHP and for the modernisation of Elektrėnai Power Plant Units B-7 and B-8 – these investments amounted to EUR 24.6 million (including an advance of EUR 19.5 million) and EUR 4.8 million respectively.

Investments in 2023, %



Statement of financial position

Assets

As at 31 December 2023, total assets reached EUR 606.4 million (18.6% less in 2022). In 2022, the increase in assets was due to advances for natural gas.

Equity

As at 31 December 2023, equity amounted to EUR 337.8 million and decreased by 27.7% per annum, due to reduction in issued capital and lower retained earnings.

Liabilities

As at 31 December 2023, total liabilities amounted to EUR 268.6 million and were 3.2% lower than at 31 December 2022. The decrease in current liabilities was due to fewer short-term loans and lower income tax payable. Non-current liabilities increased by 17.8% due to long-term provisions for power reserves and other system services.

Statement of financial position, EUR million

	31/12/2023	31/12/2022	Δ	Δ,%
Non-current assets	413.4	416.4	*(3.0)*	*(0.7%)*
Current assets	193.0	328.4	*(135.4)*	*(41.2%)*
TOTAL ASSETS	606.4	744.8	*(138.4)*	*(18.6%)*
Equity	337.8	467.4	*(129.6)*	*(27.7%)*
Total liabilities	268.6	277.4	*(8.8)*	*(3.2%)*
Non-current liabilities	202.7	172.1	*30.6*	*17.8%*
Current liabilities	65.9	105.3	*(39.4)*	*(37.4%)*
TOTAL EQUITY AND LIABILITIES	606.4	744.8	*(138.4)*	*(18.6%)*
Turnover of assets APM	0.45	0.74	*(0.3)*	*(39.2%)*
ROA APM	20.3%	21.5%	*n/a*	*(1.2 p. p.)*
Current ratio APM	2.90	3.10	*(0.2)*	*(6.5%)*
Working capital/Revenue[7] *(LTM) APM*	60.1%	52.9%	*n/a*	*7.1 pp*

Financing

Net debt

As at 31 December 2023, net debt amounted to EUR 56.7 million, i.e. an increase of EUR 3.8 million compared to 31 December 2022. Net debt was higher due to a decrease in available funds.

The FFO (LTM) / Net debt ratio decreased from 353.8% to 236.1% due to lower EBITDA and higher corporate income tax paid.

Net debt, EUR million

	31/12/2023	31/12/2022	Δ	Δ,%
Total non-current financial liabilities	9.6	13.8	*(4.2)*	*(30.4%)*
Non-current loans	3.6	8.1	*(4.5)*	*(55.6%)*
Lease liabilities (IFRS 16)	6.0	5.7	*0.3*	*5.3%*
Total current financial liabilities	52.5	65.9	*(13.4)*	*(20.3%)*
Current portion of non-current loans	4.4	4.4	*0.0*	*0.0%*
Current loans	47.6	61.4	*(13.7)*	*(22.3%)*
Interest payable (including accrued)	0.4	0.0	*0.3*	*300.0%*
Lease liabilities (IFRS 16)	0.1	0.1	*0.0*	*0.0%*
Financial debt APM	62.1	79.7	*(17.6)*	*(22.1%)*
Cash, cash equivalents and funds in escrow account	5.4	26.8	*(21.4)*	*(79.9%)*
Cash and cash equivalents	5.4	26.8	*(21.4)*	*(79.9%)*
Funds in escrow account	0.0	0.0	*0.0*	*n/a*
Net debt APM	56.7	52.9	*3.8*	*7.2%*
Net debt / Adjusted EBITDA (LTM) APM	0.32	0.27	*0.1*	*19.4%*
Net debt / EBITDA (LTM) APM	0.32	0.26	*0.1*	*23.5%*
FFO (LTM) / Net debt APM	236.1%	353.8%	*n/a*	*(117.7 pp)*
Gross debt / Equity APM	0.18	0.17	*0.0*	*5.9%*
Equity ratio APM	0.56	0.63	*(0.1)*	*(11.1%)*

Dividends

On 31 January 2024, the Management Board of Ignitis Group approved an updated dividend policy of the controlled subsidiaries (link), according to which:

- Governance bodies of the companies are proposing appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year to be at least 80% of the net profit for the financial period for which the dividends are proposed;
- The governing bodies of companies may propose to distribute a share of profits as a dividend for a financial year if the Company has incurred a loss in the reporting period but has

[7] *The formula for calculating the Working Capital ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published value of the ratio for the previous year.*

accumulated retained earnings from previous reporting periods and, accordingly, the amount of the Company's retained earnings (loss) for the reporting financial year is positive. This provision shall apply only when there is a necessary need for the Company to receive dividends in the implementation of the Company's dividend policy;

- Governance bodies of the companies may propose to set a lower share of profits than it is set out in sub-paragraph 4.1 for the payment of dividends for companies or they may propose not to pay dividends for the reporting period if at least one of the following conditions is met:
  - The Company is implementing Green Generation investment projects in accordance with the Group's strategy;
  - The Company's ability to pay dividends is limited by the covenants set out in the financing agreements;
  - The Company is implementing or participating in the implementation of an economic project of state importance, as recognised by a decision of the Government of the Republic of Lithuania;
  - The Company's equity, after the payment of the dividends, would become less than the amount of the Company's authorised capital, mandatory reserve, revaluation reserve and reserve for the acquisition of its own shares;
  - The Company is insolvent, or would become insolvent if dividends were paid, or the Company's debt level is too high;
  - The Company has received a written consent passed by the Head of Treasury Service and the Head of Finance of the Group to apply sub-paragraph 4.4 in cases which are not anticipated in sub-paragraphs 4.4.1–4.4.5.

Dividends paid out in the first half, EUR million

	2023	2022	Δ	Δ,%
The amount of dividends paid out	**156.2**	**144.5**	***11.7***	***8.1%***

Key performance indicators[8]

		2023	2022	Δ	Δ,%
Electricity generation (net)					
Elektrėnai Complex	TWh	0.314	0.272	0.042	15.4%
Kruonis Pumped Storage Hydroelectric Plant	TWh	0.520	0.544	(0.024)	(4.4%)
Kaunas HPP	TWh	0.372	0.378	(0.006)	(1.5%)

In 2023, production volumes of the Kruonis PSHP and Kaunas HPP decreased slightly compared to the same period in 2022. While in 2023, EC produced 15.4% more electricity compared to 2022.

[8] *The electricity generation (net) figures were recalculated to include electricity generated for balancing services. To ensure the availability of the indicators, the 2022 indicators were recalculated.*

3.2 Three-year annual summary

Key financial indicators

		2023	2022	2021
Revenue	EURm	306.7	535.6	295.8
EBITDA APM	EURm	176.8	201.5	105.3
Adjusted EBITDA APM	EURm	176.1	197.3	103.9
Margin of the adjusted EBITDA APM	%	57.5%	36.8%	35.1%
EBIT APM	EURm	160.7	184.4	88.2
Adjusted EBIT APM	EURm	160.0	180.3	86.8
Net profit	EURm	137.4	156.1	74.8
Adjusted net profit APM	EURm	136.8	152.6	73.6
Investments APM	EURm	29.5	16.5	0.9
FFO APM	EURm	134.0	187.1	105.0
FCF[9] APM	EURm	206.7	(89.0)	113.1
ROE APM	%	34.1%	38.6%	20.5%
Adjusted ROE APM	%	34.0%	37.7%	20.2%
ROCE APM	%	35.1%	51.6%	37.4%
Adjusted ROCE APM	%	35.0%	50.4%	36.8%
ROA APM	%	20.3%	21.5%	11.1%
Adjusted ROA APM	%	20.3%	21.0%	10.9%
		31/12/2023	31/12/2022	31/12/2021
Total assets	EURm	606.4	744.8	707.2
Equity	EURm	337.8	467.4	342.2
Net debt APM	EURm	56.8	52.9	(146.9)
Net working capital[10] APM	EURm	184.3	283.5	23.9
Working capital ratio[11] APM	%	(39.9%)	(47.1%)	(91.9%)
Net debt / EBITDA APM	times	0.32	0.26	(1.40)
Net debt / Adjusted EBITDA APM	times	0.32	0.27	(1.41)
FFO / Net debt APM	%	236.1%	353.8%	(71.5%)
Current ratio APM	%	2.93	3.10	1.70
Turnover of assets APM	times	0.45	0.74	0.44

Key performance indicators[12]

		2023	2022	2021
Electricity generation (net)				
Elektrėnai Complex	TWh	0.31	0.27	0.82
Kruonis Pumped Storage Hydroelectric Plant	TWh	0.52	0.54	0.70
Kaunas HPP	TWh	0.37	0.38	0.31

[9] *The formula for calculating the ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published values of the FCF ratio for the previous year.*

[10] *The formula for calculating the ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published values of the Net Working Capital for the previous year.*

[11] *The formula for calculating the Net Working Capital ratio has been retrospectively adjusted as of the beginning of 2023, and this adjustment has also affected the published values of the Working Capital ratio for the previous year.*

[12] *The electricity generation (net) figures were recalculated to include electricity generated for balancing services. To ensure the availability of the indicators, the 2022 and 2021 indicators were recalculated.*

4. Governance report

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4.1 Governance framework

The Company's governance framework

Key governance changes during the reporting period

The Supervisory Board and the Management Board of AB Ignitis grupė adopted a decision to change the two-tier governance model applied in the Company to a one-tier governance model, i.e. to discontinue the executive board formed by employees and to replace it with board with a supervisory function. On 7 February 2023, the Company's sole shareholder AB Ignitis grupė approved the following composition of the Company's Management Board according to specific areas of competence, for a four-year term of office. The new Management Board has the duty to exercise the supervisory functions set out in Article 34(11) of the Law on Joint Stock Companies.

The Management Board with the supervisory function has started its work from 14 February 2023 upon the entry of the updated Articles of Association of the Company.

The Company's Management Board with the supervisory function is composed of 5 members: 2 independent members, 2 shareholder representatives, and 1 civil servant.

Composition of the Management Board of the Company for the new term of office:

- for the area of financial management – Edvardas Jatautas, an independent member;
- for the area of organisation development – Mindaugas Šeštokas, an independent member;
- for the area of energy generation and regulation – Vidmantas Salietis, the shareholder's representative;
- for the area of strategic planning and management – Mantas Mikalajūnas, the shareholder's representative;
- for the area of business continuity and security – Vilmantas Vitkauskas, civil servant.

Vidmantas Salietis was elected as the Chairman of the Management Board.

Until 14 February 2023[13], the governing bodies of the Company were as follows:

- General Meeting of Shareholders;
- A collegiate governing body – the Supervisory Board;
- A collegiate governing body – the Management Board;
- A single-person governing body – the Company's CEO.

As of 14 February 2023, in accordance with the latest version of the Company's Articles of Association, the Company's governing bodies are:

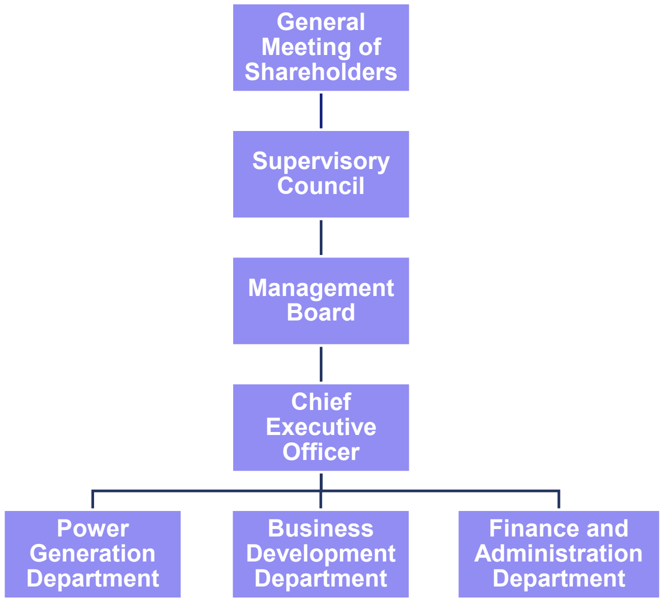
- General Meeting of Shareholders;
- A collegiate governing body – the Management Board;
- A single-person governing body – the Company's CEO.

The benefits of a change in governance model

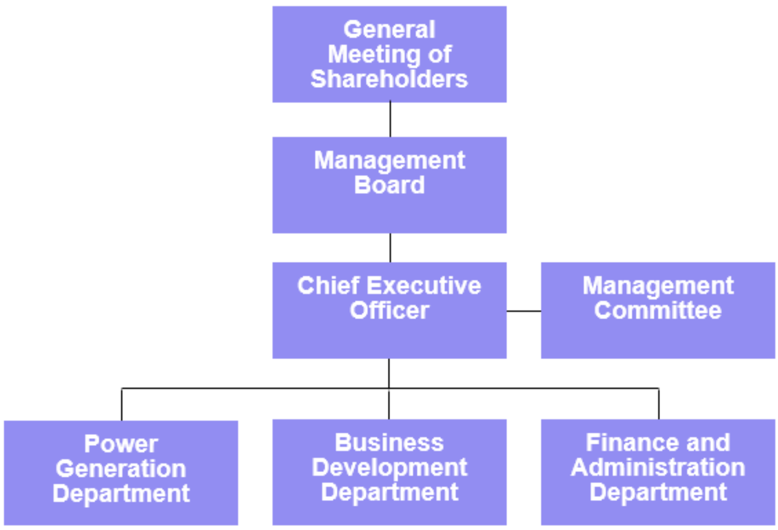
A single-tier governance model in the Company ensures simpler yet effective governance that continues to meet the highest standards of governance, rapid decision-making, responsive communication, and active involvement of independent members, transparency and openness of the Company, accountability of management and supervisory bodies.

[13] *On 14 February 2023, the Company's new Articles of Association came into force, providing for the change in the governance of the Company.*

Governance structure of the Company (until 14 February 2023)



Governance structure of the Company (as of 14 February 2023)



Shareholders, their rights and functions

The competence of the General Meeting of Shareholders, the procedure for convening and taking decision is determined by the laws, other legal acts and the Company's Articles of Association. Additional competence of the General Meeting of Shareholders of the Company:

- to decide on the conclusion and terms of contracts with the members of the company's Management Board and the Chairman of the Management Board, and the appointment of a person authorised to sign such contracts on behalf of the company;
- to approve or disapprove the company's annual report and the interim report drawn up for the purpose of deciding on the granting of dividends for a period of less than a financial year;
- to approve transactions in accordance with the parent company's transaction procedures;
- to approve or disapprove the decisions of the Management Board provided for in points 22.1, 23.1, 23.2 and 23.3 of the Articles of Association of the Company.

100% of the Company's shares are held by a single shareholder – AB Ignitis grupė; therefore, in accordance with Article 29(7) of the Law on Joint-Stock Companies of the Republic of Lithuania, where the owner of all the shares of the Company is a single shareholder, the written decisions of the shareholder shall be treated as the decisions of the general meeting of shareholders.

During the reporting period, the Company's sole shareholder passed the following resolutions:

- On 7 February 2023, adopted a decision to approve the Company's new Articles of Association and election of the new Management Board with the supervisory function;
- On 17 April 2023, adopted a decision to approve the decision of the Management Board of the Company to approve the planned investment budget and the updated business plan for the project for the expansion of the Company's Kruonis Pumped Storage Hydroelectric Plant by the installation of Hydro-Unit 5, as well as to approve the decision of the Management Board of the Company to approve the conclusion of contracts for contract works and FIDIC engineering services;
- On 28 April 2023, adopted a decision to approve the Company's Annual Report for 2022, to distribute the Company's profit (loss) for 2022, to select the audit firm to audit the Company's financial statements and to determine the terms of payment for the audit services, to reduce the Company's issued capital, and to approve the Company's new edition of Articles of Association;
- On 23 May 2023, adopted a decision to approve the decision of the Management Board of the Company on the setting of the Company's internal borrowing and lending limits;
- On 19 December 2023, adopted a decision to approve the decision of the Company's Management Board on the conclusion of a service agreement with LITGRID AB for the availability of power generation facilities.

4.2 Supervisory Board

Overview

Until 14 February 2023, the Supervisory Board operated in the Company— collegial supervisory body whose competence, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts, and the Company's Articles of Association.

The Supervisory Board and the Management Board of AB Ignitis grupė adopted decisions to replace a two-tier governance model with a one-tier governance model, i.e. to remove the Executive Boards made up of employees and instead to form Boards with a supervisory function made up of at least 1/3 of independent members, a civil servant and shareholder representatives. The main feature of the single-tier governance structure is that the legal entity does not have an independent collegiate supervisory body. The change came into effect as of 14 February 2023 after the registration of the new version of the Company's Articles of Association. With effect from 14 February 2023, the Company no longer has a Supervisory Board, but a Management Board with the supervisory function.

More details on the functions of the Company's Supervisory Board that operated until 14 February 2023, education and experience of its members and the selection criteria are presented in the Company's 2022 Annual Report.

Activities during the reporting period

From 1 January 2023 until 14 February 2023, 3 meetings of the Company's Supervisory Board took place attended by three out of five members of the Supervisory Board of the Company – independent members Edvardas Jatautas and Mindaugas Šeštokas, and civil servant Vilmantas Vitkauskas. The table below gives an overview of attendance at meetings.

Overview of attendance of meetings by the members of the Supervisory Board[14]

Name, surname[15]	Attendance
Edvardas Jatautas	3 / 3
Mindaugas Šeštokas	3 / 3
Vilmantas Vitkauskas	3 / 3

Activities of the Supervisory Board during the reporting period covered the following key areas:

- Approval of the Company's Strategic Business Plan (SBP) 2023–2026;
- Approval of the decisions of the Company's Management Board in relation to the business plans for the Company's planned projects;
- Periodic monitoring and evaluation of the Company's performance.

[14] The figures indicate how many meetings the members have attended out of total meetings during the reporting period.
[15] On 29 April 2022, by the decision of the sole shareholder, three out of five members of the new Supervisory Board of the Company – independent members Edvardas Jatautas and Mindaugas Šeštokas, and civil servant Vilmantas Vitkauskas – were elected for a 4-years term of office.

4.3 Management Board

Overview

The Management Board of the Company is a collegiate governing body. The competence of the Management Board, the procedures of decision-making, election and revocation of members are determined by the laws, other legal acts, the Company‘s Articles of Association and the work regulations of the Management Board.

The Company’s Management Board, consisting of five members, is elected and dismissed by the General Meeting of Shareholders for a term of four years, in accordance with the procedures set out in the Company’s Articles of Association and the law. The Management Board is accountable to the General Meeting of Shareholders. The Management Board elects the Chairman of the Management Board from among its members.

Until 14 February 2023, the Company had an executive board formed from the Company’s employees. The Management Board with the supervisory function has started its work from 14 February 2023 upon the entry of the new Articles of Association of the Company. More details on the functions of the Company’s Management Board that operated until 14 February 2023, education and experience of its members and the selection criteria are presented in the Company’s 2022 Annual Report.

Information on selection criteria for the members of the Management Board

The Management Board shall be elected and dismissed by the General Meeting of Shareholders in accordance with the Company’s Articles of Association and the legal acts. The Management Board is accountable to the General Meeting of Shareholders.

Each member of the Management Board is elected for a term of four years. The composition of the Company's Management Board shall be composed taking into consideration the fact that members of the Board shall have diverse competences. A member of the Supervisory Board of the Company or a parent company cannot be appointed as a member of the Management Board. In addition, neither a member of a legal entity, which is engaged in transmission or production of electricity and natural gas, or a member of a supervisory body, managerial body or administrative body of another legal entity, which is engaged in transmission or production of electricity and natural gas, nor an auditor or an employee of an audit firm, participating and (or) having participated in audit of the financial statements within a period of two years can be appointed as a member of the Management Board. The members of the Company’s Management Board shall comply with general and specific criteria set out by legislation.

If the Management Board is recalled, it resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Management Board will be elected for the new term of office. Where individual members of the Management Board are elected, they shall be elected only until the end of the term of office of the operating Management Board.

Candidates for the positions of the members of the Management Board of the Company are also assessed by the Supervisory Board of the parent company AB Ignitis grupė, the committee for the nomination and remuneration of the Supervisory Board and the Management Board.

Subsequent to the registration of the new version of the Company’s Articles of Association on 14 February 2023, the newly elected Management Board of the Company, consisting of Edvardas Jatautas, Mindaugas Šeštokas, Vidmantas Salietis, Mantas Mikalajūnas, Vilmantas Vitkauskas, commenced its term of office.

Competences of the Management Board

The main functions and responsibilities of the Management Board, based on which their annual activity is planned, include the following decision-making competences regarding:

- the Company as a founder or participant in legal entities;
- the establishment and termination of branches and representative offices of the Company and the approval and amendment of their regulations;
- the approval of the nomination of candidates for the governing bodies of the Company's branches and representative offices and approval of the election and revocation of their directors;
- any transfer or encumbrance of the Company's shares or the rights conferred by them to other persons;
- the participation and voting at the general meetings of shareholders of the entities, in which the Company is a shareholder, and appointment of a person for implementation of the management Board's decision at a particular general meeting of shareholders, in which the Company is a shareholder;
- entering into certain contracts, initiating legal disputes and/or entering into amicable agreements, in accordance with the transaction procedures established by the parent company;
- transfer, pledge, change of legal status, other encumbrance or disposal of the Company's energy facilities (as separate property complexes or as a substantial part thereof), located in the territory of the Elektrėnai Municipality, Kaunas Hydroelectric Power Plant, Kruonis Pumped Storage Plant, Vilnius Third Combined Heat and other energy objects;
- adoption of other decisions provided for in the Company's Articles of Association.

In the cases provided for in the Company's Articles of Association, the Management Board shall obtain approval of the General Meeting of Shareholders prior to adopting decisions.

The Management Board shall elect and recall the Company's Chief Executive Officer, determine his/her remuneration and other terms and conditions of his/her contract of employment, and give him/her incentives and impose penalties.

Activities during the reporting period

Overall 24 meetings of the Management Board were held during the reporting period. The table below gives an overview of attendance at meetings.

Overview of attendance of meeting by the Management Board members[16]

Name, surname *(until 14 February 2023)*	Attendance
Rimgaudas Kalvaitis (Chairman of the Management Board)	4 / 4
Darius Kucinas	4 / 4
Andrius Valivonis	4 / 4

Name, surname *(from 14 February 2023)*	Attendance
Vidmantas Salietis (Chairman of the Management Board)	20 / 20
Mantas Mikalajūnas	19 / 20
Edvardas Jatautas	20 / 20
Mindaugas Šeštokas	19 / 20
Vilmantas Vitkauskas	20 / 20

Activities of the Board of the Company during the reporting period covered the following key areas:

- evaluation of the most significant transactions planned by the Company, approval of their conclusion and approval of essential terms of transactions;
- adoption of decisions within the scope of the Company's strategic projects;
- evaluation of the arrangement of the Company's activities and taking decisions related thereto;
- evaluation and approval of the Company's operational planning documents;

[16] *The figures indicate how many meetings the members have attended out of total meetings during the reporting period. Until 14 February 2023, the Company had an Executive Board consisting of Rimgaudas Kalvaitis, Darius Kucinas and Andrius Valivonis. Following the registration of the revised Articles of Association of the Company, the newly elected Management Board of the Company commenced its term of office with effect from 14 February 2023: Edvardas Jatautas, Mindaugas Šeštokas, Vidmantas Salietis, Mantas Mikalajūnas, Vilmantas Vitkauskas.*

- convening of the ordinary General Meeting of Shareholders of the Company;
- approval of the Company’s annual report, annual financial statements and profit (loss) distribution project and provision to the General Meeting of Shareholders;
- adoption of decisions on participation and voting in general meetings of shareholders in companies whose shareholder the Company is;
- determination of the fixed part of the remuneration of the Company’s Chief Executive Officer, subject to the approval of the Management Board of AB Ignitis grupė;
- assessment and approval of the achievement of the Company’s performance targets (indicators) for 2022, the Company’s CEO's performance targets for 2022 and the payment of variable remuneration for performance results of 2022;
- consideration and approval of the management and organisational structure of the Company, the list of staff positions and the maximum number of positions;
- assessment and approval of the Company’s long-term financial plan for 2023–2032;
- approval of the support allocation procedure;
- other supervisory functions as provided for in the Law on Companies of the Republic of Lithuania.

Management Board members

	Description	Experience	Education	Other currently held positions
	**Edvardas Jatautas** Independent member Term of office: from 14/02/2023 to 14/02/2027	E. Jotautas, who has accumulated 20 years of management practice, is currently leading his own companies established in the USA and the Baltic States, which specialise in business process optimisation, system integration and business consulting. The clients of companies include the U.S. Federal Law Enforcement Training Centre, the U.S. Senate, telecommunications, finance, and logistics companies. Since 2013, he has been a member of the Baltic Institute of Corporate Governance (BICG).	Vilnius Gediminas Technical University, Master’s degree in Engineering Informatics; ISM University of Management and Economics, Master’s degree in Management Program; Harvard Business School	• Addendum Group Inc., President. • UAB Addendum Solutions, Director. • UAB Addendum pro, CEO. • SIA Addendum LV, Member of the Board. • OU Addendum EE, Member of the Board
	**Mindaugas Šeštokas** Independent member Term of office: from 14/02/2023 to 14/02/2027	M. Šeštokas, who has accumulated many years of experience in effective company management, has been working in the company UAB Kitron of the international group of companies Kitron for the last 14 years. He is also the vice president of this group of companies in Central and Eastern Europe	Vytautas Magnus University, Master’s degree in Business Administration	• UAB Kitron CEO

	**Vilmantas Vitkauskas** Member Term of office: from 14/02/2023 to 14/02/2027	V. Vitkauskas has more than 23 years of experience in the civil service, NATO and the National Defence System. For many years, he held various management positions in the structures of NATO and the National Defence System; was a national security adviser to the President of the Republic of Lithuania	Vytautas Magnus University, Bachelor's degree in Political Science; Lithuanian University of Law, Master's degree in Law	• Deputy Chancellor of the Government, • Head of the National Crisis Management Centre
	**Vidmantas Salietis** Member, Chairman of the Management Board Term of office: from 14/02/2023 to 14/02/2027	V. Salietis, who has 10 years of top management experience, joined the Group in 2011, having gained management experience in the energy sector. In 2018, Vidmantas became a member of the Group's Management Board, as well as Chairman of the Supervisory Board of Ignitis gamyba and member of the Management Board of Ignitis renewables. Prior to that, he worked as Head of Energy Supply and Head of electricity wholesale department of Ignitis gamyba. He has also held positions as a member and Chairman of the Electronic Payments Agency and as a member of the Board of Production Optimisation	Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business Administration	• AB Ignitis grupė member of the Management Board, • Head of Commercial Activities of the Group. • UAB Ignitis, Member and Chairman of the Management Board; • UAB Ignitis renewables, Member of the Management Board
	**Mantas Mikalajūnas** Member Term of office: from 14/02/2023 to 14/02/2027	M. Mikalajūnas, who has almost 20 years of management experience in various companies in the energy sector, started his career at Lietuvos dujos. Later, he spent one and a half years as a trainee in an energy group in Germany. After returning to Lithuania, he worked in strategic positions at Lietuvos dujos, where he was a member of the management team responsible for relations with investors, state authorities and the regulator, and for the integration of Lietuvos dujos into Lietuvos energija (now Ignitis Group). Prior to his current position as Head of the Group's Regulated Activities, Mantas was Head of Business Development at Ignitis Group and Managing Director of Lietuvos dujų tiekimas (later Lietuvos energijos tiekimas)	Master's degree in Business Administration and Management, Vilnius University	• AB Ignitis grupė member of the Management Board, • Head of Regulated Activities of the Group. • Member of the Management Board at UAB Vilniaus kogeracinė jėgainė, UAB Kauno kogeracinė jėgainė, UAB Ignitis, Member and Chairman of the Management Board at UAB Vilniaus kogeracinė jėgainė

CEO

Overview

The CEO of the Company acts as a single-person management body of the Company. The competence of the Chief Executive Officer, election and recalling procedures are establish by laws, other legal acts and the Articles of Association of the Company. The CEO organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his/her own discretion, except for the cases stipulated in the Articles of Association of the Company and legal acts.

The CEO is elected, recalled and dismissed by the Management Board of the Company. The competence of the CEO, the procedure of appointment and removal, the number of terms of office shall be established in accordance with the provisions of the Law on Companies, the relevant legislation, and the Articles of Association of the Company. It should be noted that the CEO of the Company as a subsidiary of a state-owned enterprise is also subject to the special characteristics of recruitment provided for in the Law on Companies, according to which the term of office of the CEO is limited to a period of five years. The Law stipulates that the same person can only be appointed for two consecutive five-year terms.

Remuneration to CEO is established in accordance with the Remuneration Policy and its implemented legislation of AB Ignitis grupė. More information is disclosed in the Remuneration Policy.

From March 27, 2019 until 2024 March 26 the manager of the company is Rimgaudas Kalvaitis.

With effect from 15 February 2023, the Company’s CEO has decided to set up an advisory body to the Company’s CEO, the Company’s Executive Committee, to assist the Company’s CEO on strategic issues and to provide an opinion on the organisation of the Company. The competence, convening and decision-making procedures of the Management Committee shall be determined by the Company's Articles of Association and other legal acts governing the Management Committee.

	Description	Experience	Education	Other currently held positions
	**Rimgaudas Kalvaitis** General Manager Term of office: from 27/03/2019 to 26/03/2024	More than 25 years of top-level management experience. R. Kalvaitis gained leadership experience in the telecommunications, information and communication technologies and innovation sectors. He has held various management positions at Ericsson Lietuva, a member of one of the leading companies offering innovative solutions in the fields of information and communication technologies - Ericsson. He subsequently led telecommunications company TeleTower, held managerial positions at Global BOD Group and was the head of the Technology Competence Centre. R. Kalvaitis was an independent member of the Supervisory Board of Lietuvos energijos gamyba; was accumulating experience on the boards of Ericsson Lietuva, TeleTower, Lietuvos radijo ir televizijos centras and Global BOD Group	Vilnius University, Master’s degree in Physics	None
	**Asta Sungailienė** Chief Executive Officer Term of office: from 27/03/2024 to 26/03/2029	A, Sungailienė has more than 20 years of top-level management experience in various business areas, mainly in finance and banking. Asta Sungailienė served as Director General of Lietuvos pastas from 2018 to 2023. Recently, she was a member of the Management Board of UAB EPSO-G.	Vytautas Magnus University, Master’s degree in Finance and Banking.	None

Remuneration of the CEO in 2023, EUR (before taxes)

Name, surname	FBS	STI	PBM	Total
Rimgaudas Kalvaitis	128,828	19,158	3,126	151,112

Remuneration of the CEO in 2022, EUR (before tax)

Name, surname	FRC	STI	CBM	Total
Rimgaudas Kalvaitis	101,504	17,644	21,645	140,793

4.4 People and remuneration

People and culture

Overview

Ignitis Group, that the Company belongs to, is one of the largest employers in Lithuania. Maintaining good employee relations and contributing to employee engagement and well-being is a huge responsibility, a challenge and an opportunity at the same time.

Ignitis Group forms and seeks to maintain organisational culture which would foster a long-term employer-employee partnership based on values and the Code of Ethics, as well as on mutual understanding and the opportunity to create energy-smart future together.

The 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. The Group is rapidly moving towards sustainability, including the management of human resources. Accordingly, the transformation of the energy sector requires new skills and competences and the continuous development of the Group's culture. In 2023, we further developed the Remuneration Policy in order to maintain the principles of transparency and clarity.

Employees, diversity, and representation

As at 31 December 2023, the Company had 373 employees (31 December 2022: 367 employees).

In the Company, as in the Ignitis Group as a whole, the job opportunities are independent of the gender of an employee. The Company ensures equality of opportunity and diversity among its employees and does not tolerate direct or indirect discrimination in all areas of their activities. As at 31 December 2023, men accounted for 86.6% of all employees, women – 13.4%. Male specialists accounted for 80%, and female – for 20%. Distribution of mid-level executives: men – 90%, women – 10%.

The Company grants job opportunities for people of all ages. As at 31 December 2023, most employees of the Company belonged to the age group of 37–56 years (55%), and the lowest number of employees belonged to the age group of 17–24 years (2%). 66% of the employees of the Company have a higher education, 2 employees have a PhD degree.

The Company promotes and maintains social dialogue with employee representatives. The employees are represented by the Trade Union of Electricity Production Workers, the Trade Union "Solidarumas", the Kruonis PSHP Production Technical Trade Union and the Kaunas HPP Trade Union of Workers.

Remuneration

Overview

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.

The **Remuneration Policy** is adopted in accordance with the provisions of the Labour Code of the Republic of Lithuania, the Code of Corporate Governance of Nasdaq Vilnius Listed Companies and the Law on Companies of the Republic of Lithuania. The parent company must submit any amendments to the Remuneration Policy to the General Meeting of Shareholders for approval. Prior to this, the Remuneration and Nomination Committee of the parent company shall provide comments and suggestions on changes to the Remuneration Policy. These matters are also subject to discussion with employee representatives of the parent company and Group companies and other stakeholders. The latest version of the Remuneration Policy is available on Ignitis Group website.

The **Remuneration Guidelines** are approved by the Management Board of the parent company.

The key objective of the Remuneration Policy is to support the Group's pathway towards achievement of targets through 5 key principles detailed below.

Key principles of the Group's Remuneration Policy

Internal fairness	The same salary is paid for the same or equivalent (equal value-creating) work throughout the organisation.
External competitiveness	Employees are paid a competitive salary in the labour market of the country where they work.
Clarity	It must be clear to every worker how his or her salary is determined and how his or her performance, competences and qualifications determine its level.
Transparency	In line with the principle of transparency, staff are informed of the objective criteria for determining remuneration.
Equal opportunities and non-discrimination	Decisions on remuneration must be made in accordance with the provisions of the Remuneration Policy and Equal Opportunity and Diversity Policy.

The Remuneration Policy defines the remuneration structure, the fixed base salary (FBS) review and determination process, the composition of the maximum variable remuneration, related guidelines, principles, etc. 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 pay 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.

Remuneration structure includes fixed and variable remuneration parts, which are described in detail in the following table. Additionally, further information on short-term incentives (STI) and long-term incentives (LTI) is provided separately in the following pages.

The complete Remuneration Policy and further information on human resources management are available on the Ignitis Group website.

Remuneration structure

Type	Component	Applicability
Fixed remuneration	Fixed base salary (FBS)	All Group employees
	Payment for being a board member (PBM)[17]	Members of the Management Boards of the parent company and Group companies
Variable remuneration	Short-term incentives (STI)	All Group employees
	Long-term incentives (LTI)	Key Executives[18]
		Managers with strategic responsibilities[19]
Other rewards	Additional financial incentives	All Group employees except CEOs, members of the Management Board of the parent company and the executive committees of the Group companies
	Expatriate's/attraction package	Employees who are hired from a foreign country
	Additional benefits	All Group employees

The full Remuneration Policy is available on the Ignitis Group website (link).

Remuneration of members of collegial bodies

Overview

As of 14 February 2023, the Company's two-tier governance model has been replaced by a one-tier governance model, meaning that the Supervisory Board is no longer formed and the Management Board with supervisory function has commenced its activities.

The remuneration of the members of the Company's collegiate bodies is determined in accordance with the Description of the Procedure for Payment of Remuneration to Members of Collegiate Bodies of State-Owned Companies and Municipal-Owned Enterprises approved by Resolution No. 794 of 3 August 2022 of the Government of the Republic of Lithuania (hereinafter referred to as the "Resolu-

[17] *Starting from **15 February 2023, PBM was merged with FBS**.*
[18] *Key Executives – employees holding the position of a member of the Parent company's Management Board as well as CEOs of AB Energijos skirstymo operatorius, UAB Ignitis, AB Ignitis gamyba and UAB Ignitis renewables.*
[19] *Managers with Strategic Responsibilities – managers who have long-term (>1 year) strategic objectives in renewable energy projects and/or activities.*

tion"), which establishes the procedure for the payment of remuneration to the members of the collegiate bodies of the state-owned companies and of their subsidiaries, which are of significance to the national security, as elected by the Meeting of General Shareholders Meeting.

More information on remuneration of collegiate bodies is provided in the Remuneration Policy (link).

Remuneration paid to members of the Supervisory Board

Until 14 February 2023, the Company's Articles of Association stated that members of the Supervisory Board may be subject to contracts for their activities on the Supervisory Board, which set out their rights, duties and responsibilities. The terms and conditions of the contracts with the Supervisory Board members, including the determination of the remuneration of the Supervisory Board members, shall be approved by the Company's General Meeting of Shareholders in accordance with the Remuneration Policy.

Remuneration of former members of the Company's Supervisory Board, EUR (before tax)[20]

Name, surname (position)	Remuneration (before tax) for service on the Supervisory Board	
	2023	2022
Edvardas Jatautas, Member of the Supervisory Board	3,450	18,665
Mindaugas Šeštokas, Member of the Supervisory Board	3,450	13,465
Vilmantas Vitkauskas, Member of the Supervisory Board	1,725	3,450

Remuneration of the Company's employees

The Company's payroll was EUR 13.5 million in 2023 and EUR 12.2 million in 2022. The table below shows the average monthly salary of the employees for the period 2022–2023. Information on remuneration is also available on the Company's website (link).

Average monthly salary of the Company's employees, EUR (before taxes)

Position category	2023			2022		
	Number of employees	Average salary (without STI)	Average STI	Number of employees	Average salary (without STI)	Average STI
CEO	1	10,862	1,615	1	8,459	1,470
Top-level managers	3	8,139	1,097	3	6,584	1,125
Mid-level executives	31	4,391	370	30	3,936	347
Experts, specialists	234	2,819	228	225	2,446	204
Qualified employees	104	1,853	181	108	1,721	172
Total	**373**	**2,744**	**237**	**367**	**2,411**	218

Remuneration of the members of the Management Board and the CEO of the Company

In order to attract high level professionals to management positions, we aim to maintain remuneration close to the market median in the country, in which the Group operates. The remuneration structure of the CEO and members of the Management Board is in line with the remuneration structure of the rest of the Group's employees (except for the assigned Company car). More detailed overview of the components of remuneration applicable to the Board and the CEO is presented in the *Remuneration structure* table above.

Below is an overview of the remuneration of past and present Management Board members.

[20] *Edvardas Jatautas, Mindaugas Šeštokas and Vilmantas Vitkauskas served as members of the Supervisory Board until 14 February 2023 and were elected members of the Management Board on 15 February 2023.*

Remuneration of the Management Board members of the Company in 2023, EUR (before taxes)

Name, surname (position)	FBS	STI	PBM	Total
Rimgaudas Kalvaitis, Chairman of the Management Board[21]	13,927	-	3,126	17,053
Darius Kucinas, a member of the Management Board	11,132	-	2,258	13,390
Andrius Valivonis, a member of the Management Board	9,865	-	2,258	12,123
Vidmantas Salietis, Chairman of the Management Board[22]	-	-	-	-
Mantas Mikalajūnas, Member of the Management Board	-	-	-	-
Edvardas Jatautas, Member of the Management Board	-	-	26,129	26,129
Mindaugas Šeštokas, Member of the Management Board	-	-	26,129	26,129
Vilmantas Vitkauskas, Member of the Management Board	-	-	13,064	13,064

Remuneration of the members of the Management Board in 2022, EUR (before taxes)

Name, surname (position)	FBS	STI	PBM	Total
Rimgaudas Kalvaitis, Chairman of the Management Board	101 504	17,644	21,645	140,793
Darius Kucinas, Member of the Management Board	85,294	15,192	15,600	116,086
Andrius Valivonis, Member of the Management Board	74,146	12,606	15,600	102,352

More information on remuneration establishment principles of Ignitis Group is available in the Annual Report 2023 of Ignitis Group.

Variable remuneration targets for Company's executives

The Company has succeeded in fully meeting four of the six 2023 targets for variable remuneration for the Company's executives: Financial targets in 2023 to ensure operational profitability and control costs were fully achieved. The targets for occupational safety and the EC Unit B-8 repair project were also fully achieved. The target for availability of generation facilities was partially achieved due to delays in the repair of the Kruonis PSHP Hydro-Unit 1, and the signing of the contract for the installation of the Kruonis PSHP Hydro-Unit 5 was also slightly delayed as compared to plan.

The weighting of the criteria has been recalculated after the elimination of the target *Major overhaul of Kruonis PSHP Hydro-Unit 1: on time and within approved scope*, due to the expansion of the scope of the repairs during the course of the repairs, which was not possible to assess in advance, as well as to the delay in the production of spare parts in the Ukraine, due to the military operations. The target *Ensuring inclusive selection* has also been eliminated as selections for senior management positions were not fully implemented during the year.

In 2024, the Company will strive to meet shareholders' expectations and focus on quality of service (ensuring reliable operation of power plants and boiler houses), achievement of sound financial targets. The implementation of strategic projects and their milestones is important to ensure the Company's development and adaptation to future market changes. In the area of sustainability, the increase in the safety of employees remains a key concern, which is measured by the TRIR (Total recordable incident rate), the implementation of *Occupational Health and Safety 2.0 Programme* will be assessed. To ensure gender balance, one of the objectives for 2024 is to ensure inclusive selection for top management positions.

[21] *Rimgaudas Kalvaitis held the position of Chairman of the Management Board, Darius Kucinas and Andrius Valivonis held the position of Member of the Management Board until 14 February 2023. The data is for the period 01/01/2023 to 14/02/2023, no STI was paid during this period.*

[22] From 15 February 2023 Vidmantas Salietis was elected as Chairman of the Management Board and Mantas Mikalajūnas, Edvardas Jatautas, Mindaugas Šeštokas and Vilmantas Vitkauskas were elected as members of the Management Board. The remuneration of Ignitis Group employees (Vidmantas Salietis and Mantas Mikalajūnas) for their activities in the Company's collegiate bodies is included in their remuneration and no additional remuneration is paid.

Targets for 2023

Variable remuneration targets for executives	Weight[23]	Targets	Realisation
Services and quality	27.78%	Availability of generation facilities[24] (27.78%)	90%
Strategic projects and their milestones	27.78%	Installation of Kruonis PSHP Hydro-Unit 5: on time and within approved scope (22.22%)	90%
		Major overhaul of EC Unit B-8: on time and within approved scope (5.56%)	100%
Financial targets	33.33%	OPEX (controlled[25]) (16.67%)	100%
		Adjusted EBITDA (16.67%)	100%
Sustainability targets	11.11%	Increasing safety at work[26] (11.11%)	100%
Implementation by weighting			95%

Targets for 2024

Variable remuneration targets for executives	Weight	Targets
Service quality	25%	Availability of electricity generation facilities[27] (25%)
Strategic projects and their milestones	30%	Installation of Kruonis PSHP Hydro-Unit 5: within the scope of strategic guidelines (15%)
		Deployment of Automatic Generation Control within the scope and qualification specified in the strategic guidelines to provide new balancing services (15%)
Financial targets	25%	OPEX (controlled[28]) (15%)
		Adjusted EBITDA (10%)
Sustainability and ESG targets	20%	Increasing safety at work[29] (10%)
		Implementation of Occupational Health and Safety 2.0 Programme (5%)
		Implementation of Inclusive Selection Programme 2024[30] (5%)

23 *The weights have been adjusted by eliminating targets "Major overhaul of Kruonis PSHP Hydro-Unit 1: on time and within approved scope" and "Ensuring inclusive selection", and by redistributing their weights in proportion to the remaining targets.*
24 *Elektrėnai Complex (B-7, B-8, CCU), Kruonis PSHP, Kaunas HPP, biomass and steam boiler houses*
25 *Controlled OPEX is calculated net of LTSA (Long Term Service Agreement) costs.*
26 *Zero deaths at work (workers and contractors), with a TRIR of ≤ 3.5 for workers and ≤ 30 for contractors.*
27 *Elektrėnai Complex (B-7, B-8, CCU), Kruonis PSHP, Kaunas HPP, biomass and steam boiler houses*
28 *Controlled OPEX is calculated net of LTSA (Long Term Service Agreement) costs*
29 *Zero deaths at work (workers and contractors), with a TRIR of ≤ 3.1 for workers and ≤ 13.2 for contractors.*
30 *Aiming for gender balance in the top management positions: ensuring a minimum of 33% under-represented sex in the short-list of candidates for new/open positions*

4.5 Risks and risk management

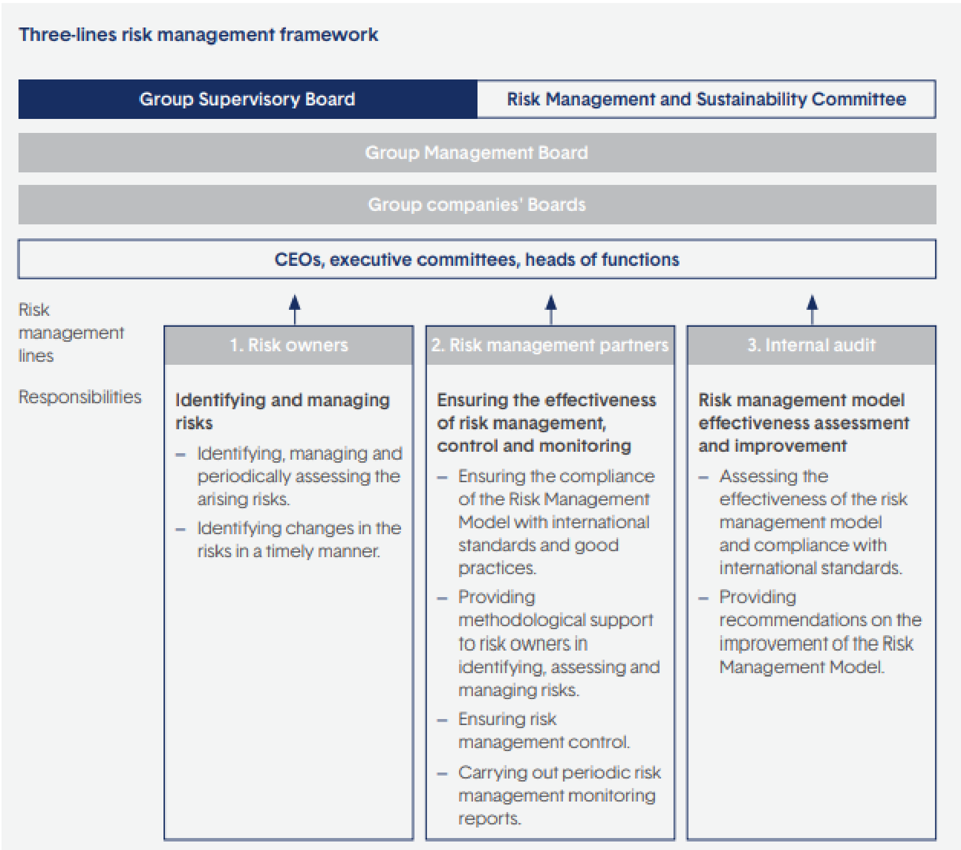
Risk management framework

Overview

In carrying out its activities, the Company faces strategic, operational (performance), financial and external risks that may affect its performance results. In order to protect from risks and to reduce them to an acceptable level, the Company and the entire Group apply uniform risk management principles based on the best market practices, including the main principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2009 (Risk management – Principles and guidelines).

A clear division of responsibilities for risk management and control between management and supervisory bodies, business units and functions within the Company and across the Group is ensured by the Three-Lines Enterprise Risk Management Framework (see Table below).

Three-Lines Enterprise Risk Management Framework



A single risk management process covering all areas of the Company's business is in place across the Group to ensure that decisions taken by the Company's management reflect all operational developments in the Company and across the Group. In order to ensure effective risk management control, risks, risk management measures, key risk indicators are monitored on a quarterly basis and reported to the Company's management and supervisory bodies.

Key risk management objectives:

- to ensure that decision-making process follows the Group's values.
- to eliminate or minimize the impact of risks on the Company's objectives for different periods.
- to ensure an uninterrupted operation of the Company's core activities in the short- and long-term perspectives
- to ensure a timely provision of information of the highest possible accuracy to decision-makers, shareholders, and other stakeholders
- to ensure the stability (including financial) and sustainability of the Company's activities
- to protect the Company's reputation and ensure reliability.
- to protect the interests of shareholders, employees, customers, stakeholders, and the public

Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic operating environment, the Company pays special attention to proactive risk management. Therefore, on a quarterly basis, the Company 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 timely decisions. In addition, the overall risk management process of the Company and the Group integrates ESG (Environment, Social, and Governance) risks and uncertainties.

The Company's and the Group's 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 response strategy is established and periodic risk management monitoring implemented.

Risk management process

1. **Identification stage.** We constantly assess 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 Company's and the Group's goals. All of the Company's employees are responsible for timely risk identification.

Based on the potential impact of risks on the Company's goals, all risks are assessed based on the periods of when they could potentially materialise and are categorised as follows:

- short-term (0–1 years), which can influence the annual goals of the Company;
- medium-term (2–4 years), which relate to the implementation of strategic goals defined in the Company's 4-year strategic plans;
- long-term (≥5), which can affect the implementation of the Company's strategy.

2. **Assessment stage.** Assessment stage is where risk levels are determined. Risk levels are defined from low to very high and are based on the ratio of probability of the risk occurrence to its potential impact. We also assign risks to a specific type, ESG type, Group's strategic direction and Company's strategic objective (on which they have the largest impact), identify key risk indicators and other relevant characteristics.

In addition, the Company assesses all the risks if they meet the ESG risks' criteria. An ESG type is assigned to the risk based on these criteria, for example E type is assigned to risks including climate-related physical, transitional, and other environmental risks, S to social and G to governance related risks. The Group (including the Company) pays special attention to the potential impact of climate-change related economic and transitional changes on the Group's (including the Company) 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.

We categorise the risks the Group faces while running its businesses into 4 different categories described below.

Strategic risks	Financial risks[31]	Operational risks	External risks
Risks that may impact the strategic objectives of the Company. These risks can materialise due to unfavourable or erroneous business decisions, inadequate implementation of decisions or as a result of the unfavourable external factors (e.g., political, legislative changes).	Risks from financial assets and/or obligations of the Company. This category includes the risks such as the credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks that materialise due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, employee errors and/or improper/insufficient management of IT operations, etc.	Risks that materialise due to changes in market conditions, regulatory and legislation changes, natural resources, natural disasters, etc.

3. **Establishing strategy.** This stage involves choosing one of the risk management strategies (*accept, reduce, avoid or transfer*). The Company only accepts risks that are consistent with the Company's core purpose, strategy and values. Risks above the Company's risk appetite, including high and very high level risks and risks with significant financial impact on the Company (>2% of the Company's Adjusted EBITDA) – must be managed. To manage these risks, a plan is drawn up to implement a risk mitigation strategy. Plan implementation control is carried out in the monitoring stage.

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

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

Key risks and their control

Risk management in 2023

Overview

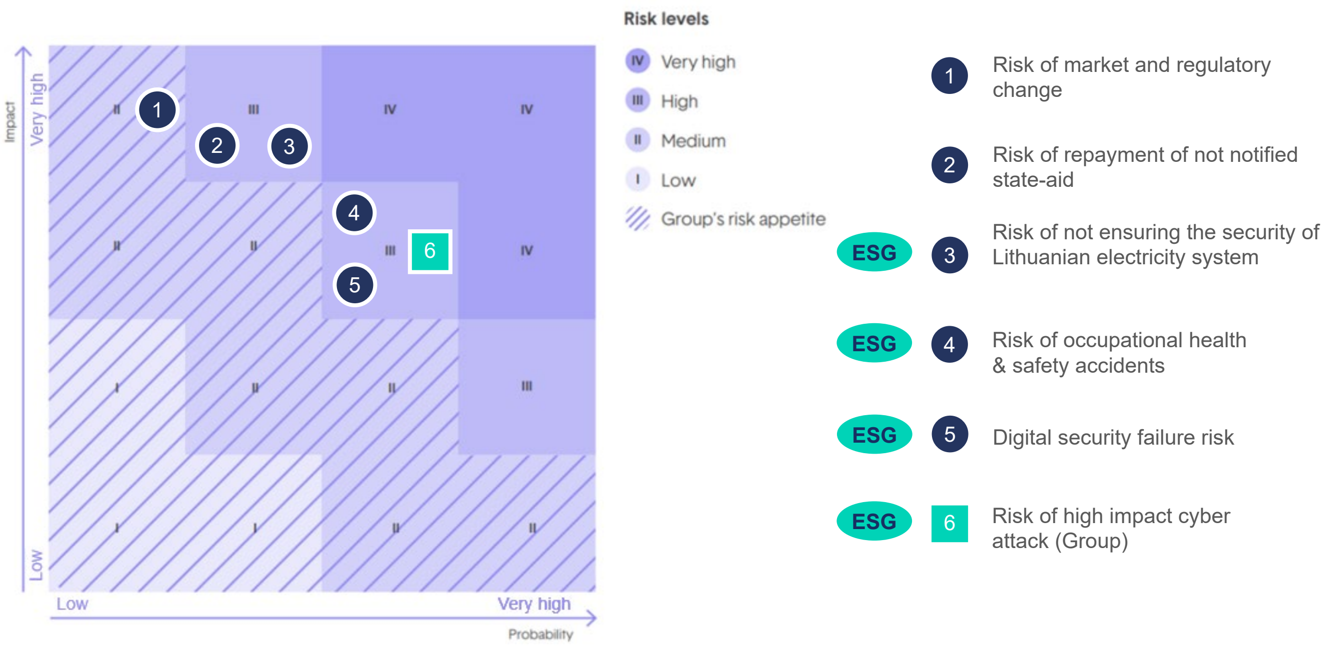
- In order to manage the risks of market and regulatory changes, as well as to better prepare for synchronisation with the CET, the Company initiates priority projects to meet changing regulatory requirements and to remain a competitive and reliable market participant. Given the status of the projects, the likelihood of this risk has been slightly reduced at the time of the risk reassessment and the risk level has changed from High to Medium.
- Occupational health and safety is one of the Company's priority areas and receives special attention. The Company promotes a safety and health culture, implements various initiatives to encourage employees not to remain indifferent and to report unsafe work, unsafe workplaces/situations, encourages employees to take care of their own and others' health and safety, develops and strengthens control measures, and analyses international best practices, which are then integrated into the Company's activities. During the reporting period (2023), the Company had 1 serious accident involving an employee, which resulted in a comprehensive internal investigation. The main root causes were identified, and corrective measures were planned. Their implementation is ensured through the Company-initiated project DSS 2.0.
- To ensure the security of the Lithuanian power system, the Company invests in the upgrade and major overhaul of the existing electricity generation facilities, has initiated the construction of the Kruonis PSHP Hydro-Unit 5. Special attention is given to ensuring the competence of operational personnel and investing in technological measures to ensure it. In Q2 2023, a test of isolated operation took place in Lithuania, when Lithuania disconnected from BRELL and operated fully independently. During this test, the facilities of the Company's Elektrėnai Complex (Units B-7 and B-8, CCU), Kruonis PSHP and Kaunas HPP were activated. The test was successful and demonstrated that the maintenance of the power plants and the specialists working there are prepared to operate in extreme situations and ensure the stable operation of the country's electricity system.
- Since the Company plays a crucial role in ensuring national security, it places particular emphasis and investment on enhancing the digital security of its managed facilities and their maintenance. As a result, and due to the current geopolitical situation, the probability of the Company's Digital Security Failure Risk has increased and has been placed on the heat map of the key risks of the Company this year (in previous years, it was assessed and monitored, but at a lower level).
- The risk of high-impact cyber-attacks on business is centrally managed by the digital security function throughout the Group.

Risk management in 2024

Overview

After the annual risk reassessment at the end of 2023, we determined the key short-term, medium-term and long-term risks of the Company, which are listed in the heat map below.

Heat map of the key risks of the Company



ESG risks

ESG risks meeting the criteria of social responsibility:

- 4 Risk of accidents.

ESG risks meeting the corporate governance criteria:

- 3 Risk of not ensuring the security of Lithuanian electricity system;
- 5 Digital security failure risk;
- 6 Risk of high impact cyber attack (Group).

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 Ignitis Group (including the Company), being aware of the importance of these risks for the achievement of the sustainability objectives, pays particular attention to the management of these risks. More information on some of these can be found in the "Sustainability" and "Financial Statements" sections of this report, as well as in the Annual Report 2023 of Ignitis Group.

Key risks of the Company and plan for managing key risks

1 Risk of market and regulatory change

Key sources of risk
Upcoming synchronisation with continental European power grids and related market developments:

- Changes in the need for and regulation of the ordering of reserve and other ancillary services for TSOs (frequency restoration reserve, isolated operation of the electricity system);
- Developments in power and balancing markets.

Key risk indicators
Periodic reporting of risk signals to

Period | From 2024

Impact on the strategic direction
- Reserve capacities

Main potential impact
- Financial

Risk level
Medium

Main risk management directions
- Preparing for synchronisation with continental European power grids and implementation of related projects;
- Phasing out idle production capacity;
- Targeted cost reductions for regulated activities;
- Process review and optimisation;
- Active engagement with the regulator;
- Centralised coordination of regulatory issues in Ignitis Group.

Management

Risk category | Strategic

ESG risk type | Not related

2 Risk of repayment of not notified state-aid

Key sources of risk
The State has not notified the European Commission (EC) of the State aid granted to the Company.

Key risk indicators
Risk signals are regularly communicated to managers

Risk type | External

ESG risk type | Not related

Period | Long term

Impact on the strategic direction
– Financial

Main potential impact
– Financial

Risk level
High

Main risk management directions
- Continuous cooperation and provision of information to the related institutions (EC and Ministry of Energy of the Republic of Lithuania)
- Centralised coordination of regulatory issues in Ignitis Group.

3 Risk of not ensuring the security of Lithuanian electricity system

Key sources of risk

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

Key risk indicators

- Accessibility;
- Reliability of launch.

Risk type | Operational

ESG risk type | Governance

Period | Long term

Impact on the strategic direction
– Reserve capacities

Main potential impact
– Reputation

Risk level
High

Main risk management directions
- Developing and regularly updating an attraction, retention and rotation programme;
- Upgrading qualifications;
- Improving the quality of operational staff training, ensuring and maintaining continuity of knowledge and skills, training, certification, rotation between different facilities;
- Periodic testing of blocks;
- Periodic and timely maintenance;
- Launch efficiency;
- Commercial production of CCBs;
- Upgrade of existing facilities, major overhaul, construction of new facilities;
- Establishing, updating and testing business continuity plans;
- Integrated asset management system for energy installations;
- Coordination of critical situations, both within the Company and centrally at Ignitis Group level.

4 Risk of occupational health & safety accidents

Key sources of risk
- Inadequate risk assessment of workplaces;
- Improper use of personal and collective protective equipment;
- Lack of practical skills and knowledge;
- Non-compliance with safety requirements;
- Overlapping work areas;
- Temporary worksites for specific works, difficult working conditions, unfamiliarity with the site.

KRI

- Employees health and safety checks;
- Employees health and safety violations;
- Contractors' health and safety violations;
- Suspension of work due to health and safety violations;
- Workplaces with irregularities;

Period | Long term

Impact on the strategic direction
– Sustainability

Main potential impact
– Safety and health

Risk level
High

Main risk management directions
- To enhance a sustainable and long-lasting occupational safety culture and maturity in this area, the Company's management has initiated the DSS 2.0 programme;
- Maintenance of ISO 45001:2018 Occupational Health and Safety Management System;
- Instructing staff in accordance with approved occupational health and safety instructions according to job functions;
- Mandatory staff training;
- Control of work in progress (unscheduled site inspections of employees and contractors in all areas;
- Contractor training, coaching;
- Monitoring TRIR data of contractors;
- Improving the quality of briefings;

- Accidents;
- TRIR (employees and contractors);
- Reports of unsafe situations.

Risk type | Operational

ESG risk type | Social responsibility

- Enhancing control;
- Integrating international best practices through various initiatives to promote the safety and health culture within the Company;
- Reporting of unsafe workplaces is promoted through a mobile app to conveniently record occupational safety and health violations for all employees;
- Reassessment of occupational risks in workplaces.

5 Digital security failure risk

Key sources of risk

- Successful cyber-attacks;
- Critical vulnerabilities not addressed or inadequately addressed;
- Geopolitical situation.

KRI
- Critical vulnerabilities;
- Time of addressing critical vulnerabilities.

Risk type | Operational

ESG risk type | Governance

Period | Long term

Impact on the strategic direction
- Reserve capacities

Main potential impact
- Reputation

Risk level

High

Main risk management directions
- Cooperation with the Group's centralised digital security function;
- Strengthening vulnerability detection and resolution;
- Increasing control over the resolution of vulnerabilities;
- Enhancing network security;
- Employee training;
- Investments in software.

6 Risk of high impact cyber attack (Group)

Main sources of risk
- Cyber-attacks against the Group (including the Company) organised by third parties;
- Social engineering attacks, data theft;
- Delayed or inadequate remediation of known system vulnerabilities.

KRI
- Critical vulnerabilities;
- Time of addressing critical vulnerabilities.

Risk type | Operational

ESG risk type | Governance

Period | Long term

Impact on the strategic direction
- Organisation

Main potential impact
- Compliance
- Reputation

Risk level

High

Main risk management directions
- Periodically preparing vulnerability reports and submitting them to responsible persons;
- Existing vulnerability management process. Vulnerabilities are classified and treated according to their criticality;
- Restricting/isolating critical systems in the local network;
- Cooperation with external partners;
- Developing digital security competences by becoming an accredited CERT member. Participating in cyber security exercises with external partners;
- Ensuring 24/7 Group-wide cyber security supervision;
- Existing incident management process is ensuring effective response;
- continuous education and training of the Company's employees;

For more information on Ignitis Group's Risk Management Framework, risk factors and their management, please refer to Ignitis Group's Annual Report for 2023 (https://ignitisgrupe.lt/en/annual-report-2023).

4.6 Information on subsidiaries

During the reporting period, the Company had no subsidiaries.

Subsequent to the reporting period, the Company established a subsidiary UAB Ignitis gamyba projektai, registered on 25 January 2024, which is engaged in the generation, storage, trading and other related activities of electricity and the development of such projects.

UAB "Ignitis gamyba projektai"
Generation and trading of electricity

Company code:	306668333
Registered address:	Elektrinės St. 21, Elektrėnai
Effective ownership interest:	AB "Ignitis gamyba" - 100%
Share capital:	EUR 1,000
Website:	https://www.ignitisgamyba.lt/en

5. Sustainability

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5.1 Overview of sustainability

The sustainability performance and results of the Ignitis Group companies, including its subsidiary Ignitis gamyba, are summarised in the consolidated Annual Report 2023 of AB Ignitis grupė, of which the Group's Sustainability (Social Responsibility) Report (hereinafter "the Group's Sustainability Report") is an integral part. This report is available on https://ignitisgrupe.lt/en under 'For Investors' and 'Sustainability'.

Article 23^2 of the Law of the Republic of Lithuania on Financial Reporting by Undertakings effective as at the date of issue of these financial statements stipulates that a company which is a subsidiary is exempt from the obligation to prepare a Corporate Social Responsibility Report if the information of the company and of its subsidiaries is included in the parent company's consolidated annual report prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, or the legislation of another Member State, or in a separate report containing the information required in the Consolidated Social Responsibility Report. Since the Group prepares and publicly discloses such a report, which is integrated into the Group's annual report, Ignitis gamyba does not prepare a separate corporate social responsibility report. The following provides a summarised overview of the relevant sustainability information for Ignitis gamyba and where it can be found in the Group's Sustainability Report.

To meet the requirements of various stakeholders, the Group's Sustainability Report, which covers the period from 1 January to 31 December 2023, has been prepared in accordance with the regulatory requirements and recommendations of several reporting frameworks and 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 Sustainability Report follows the Global Reporting Initiative standards.

The Group's Sustainability Report complies with the requirements for social responsibility reports, as provided for in Lithuanian legislation. In addition, the Group demonstrates in this report its compliance with the provisions and guidelines of the Corporate Sustainability Reporting Directive (CSRD). Part of the requirements and recommendations of the European Sustainability Reporting Standards (ESRS) developed by EFRAG have already been applied in preparing the Group's Sustainability Report. The Group understands that it will need to implement the remaining requirements into future reports. The Group will prepare the reports once the provisions of the CSRD have been transposed into national law.

The Sustainability Report also includes an assessment of the compliance with the EU Taxonomy Regulation.

5.2 Sustainability in the Group and the company Ignitis gamyba

As part of the Group's strategy and ambition to create a 100% green and safe energy ecosystem for today's and future generations, we are focusing on our Environmental, Social and Governance (ESG) activities and accountability.

The Group's 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. The Sustainability Policy discloses, among other things, the Group's commitment to the principles of the United Nations Global Compact and to aligning its strategic goals and activities with the Sustainable Development Goals, to contributing to the Paris Agreement in the fight against climate change, and to adhering to good governance practices.

Information on other policies and sustainability management is publicly disclosed and presented in this report. Alongside detailed information on our sustainability management, we periodically publish a sustainability overview and ESG data in our interim and annual reports. This ensures that all our stakeholders receive the necessary information about the Group's sustainability objectives.

Sustainability activities in the Group companies are coordinated centrally through a separate Sustainability function reporting directly to the CEO of the parent company. The Group's Management Board decides on the formulation, approval and updating of sustainability strategic directions, policies and activities of the organisation. Detailed description of the management of sustainable activities within the Group is available in the Group's Sustainability Report 2023 and in the 'Sustainability' section on the website of the Group.

Below is a general overview of the Group's sustainability management framework, showing how we are improving ESG performance.

The Group's sustainability management framework

Embedding sustainability / ESG in governance and processes

We follow good governance practices and take into account the recommendations of international institutions and the scientific community.

Setting measurable sustainability / ESG targets

We adhered to the principles of the UN Global Compact and directly contribute to Sustainable Development Goals, and the Paris Agreement.
Following the approved Group's short-term goals based on SBTi, we are committed to reduce net GHG emissions to zero by 2040–2050.

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

Progress evaluation and continuous refining

We aim to benchmark our continuous improvement using ESG ratings provided by independent leading ESG ratings agencies and certification companies, and seek to improve our ESG ratings.

Strengthening disclosures

We disclose information on the Group's progress on material issues in accordance with globally recognised frameworks, standards and channels tailored to a wide range of stakeholders.

Sustainability goals and target indicators

Ignitis gamyba places great importance on ESG aspects, has set key status indicators for ESG and constantly monitors their values.

ESG key indicators monitored by Ignitis gamyba

Sustainable direction	Indicator	Unit of measure	2022	2023
Reducing climate impacts	GHG emissions	million t CO_2 equiv.	0.565	0.598
	Scope 1	million t CO_2 equiv.	0.109	0.130
	Scope 2	million t CO_2 equiv.	0.307	0.332
	Scope 3	million t CO_2 equiv.	0.074	0.070
	Emissions outside the specified scopes (biogenic origin)	million t CO_2 equiv.	0.075	0.066
	Energy savings delivered to customers; proportion of total energy delivered (education)	%	5.6	5.7
	Business travel CO_2 emissions	t CO_2 equiv.	373	388
Protection of natural resources	Sorting availability, proportion of all administrative premises	%	100	100
	Proportion of recycled / reused production waste	%	100	100
	Proportion of green procurements within the total public procurements	%	96.68	100
	Environmental breaches detected during external inspections, non-compliances with the requirements of IPPC	Number	0	0
Future-fit employees	Fatal accidents (total)	Number	0	0
	Employees	Number	0	0
	Contractors	Number	0	0
	TRIR (employees)	indicator	0	1.58
	eNPS (indicator of employee satisfaction)	%	55.9	58.0
	Proportion of women in engineering and IT positions	%	14.13	13.09
	Proportion of women in management positions	%	0	0
	Proportion of employees having participated in voluntary initiatives at least once	%	1.4	15.5
Reliable organisation	Intolerance of corruption among employees[32]	%	94.0	95.2
	Proportion of employees who have taken and passed a knowledge test on the Code of Ethics and anti-corruption	%	98.37	100

[32] *Indicator is measured at Group level.*

5.3 Stakeholder relations and assessment of ESG priorities

Stakeholder engagement is crucial to ensure that Group companies respond proactively to trends, emerging issues and opportunities. By applying the ESG principles in our relationships with stakeholders, as set out in the Sustainability Policy, we aim not only to effectively manage their expectations and interests, but also to look for opportunities where our collaboration can increase the positive impact of our activities.

Within the Group, we disclose sustainability-related information based on a comprehensive materiality assessment conducted in 2021. It identified and prioritised the key aspects of sustainability that are most relevant and material to the Group and its stakeholders.

With the new sustainability reporting requirements in place, the Group is currently undertaking a two-tier materiality assessment. The goal of this approach is to determine the extent to which sustainability aspects affect the company and the extent to which the company affects these aspects. The results of the Group's two-tier materiality assessment will be published on the Group's website and included in the 2024 Sustainability Report.

The expectations of stakeholders expressed during this process were aligned with existing goals and objectives of Ignitis gamyba, which led to the identification of priority topics that are in line both with stakeholders' expectations and the established operational objectives of Ignitis gamyba. The outcome of the materiality assessment provides for the basis for further embedding sustainable development in the activities of the Company in a way that makes it possible to take into account the overall impact of Ignitis gamyba on its stakeholders and align the expectations expressed by the stakeholders with the strategic objectives.

In 2021, in the course of stakeholder engagement, 4 main stakeholder groups were identified and interviewed:

- employees;
- B2B customers;
- suppliers, contractors-partners;
- state, municipal and their subordinate institutions.

Key facts on Ignitis gamyba materiality assessment:

- We interviewed 121 stakeholder representatives;
- We identified 17 thematic aspects of the ESG that are most relevant to Ignitis gamyba and its stakeholders;
- Stakeholders shared their views on which aspects of the ESG should be relevant for the company;
- During the internal strategy sessions, the management of Ignitis gamyba clarified the links between stakeholders' expectations and the operational strategy.

Materiality assessment matrix of Ignitis gamyba

5.4 ESG risks and their management

The key ESG risks and their management solutions are disclosed in more detail in the section 4.5. “Risks and risk management” of this report.

5.5 An overview of key effects of sustainability and implemented initiatives / measures of Ignitis gamyba for 2023

The sustainability impacts of Ignitis gamyba and the initiatives/measures to be implemented are analysed in more detail in the Ignitis Group Annual Report for 2023.

Environment

Key effects of Ignitis gamyba	Impact management is described in the following section of the Group's Sustainability Report
1. Climate change impact/GHG emissions – reduction of greenhouse gases (CO_2, etc.) generated by activities.	6.2 Environment – Climate change
2. Energy efficiency for society and customers – promoting consumer energy efficiency.	6.2 Environment – Climate change
3. Sustainable solutions and services for customers – environmentally friendly and smart solutions for customers.	6.2 Environment – Climate change 6.3 Social aspects – Consumers and end users
4. Impacts on biodiversity and ecosystems – protection of biodiversity, flora and fauna.	6.2 Environment – Biodiversity and ecosystems
5. Impact on soil, water and air quality – maintaining soil, water and air quality, preventing environmental pollution.	6.2 Environment – Pollution
6. More sustainable self-consumption of energy – using green energy for self-consumption; reducing self-consumption of energy.	6.2 Environment – Climate change
7. Promoting the implementation of circular economy principles, resource efficiency and waste management - using secondary raw materials in the activities, recycling raw materials and reducing operational waste.	6.2 Environment – Use of resources and circular economy

Social aspects

Key effects of Ignitis gamyba	Impact management is described in the following section of the Group's Sustainability Report
1. Occupational health and safety – ensuring workplace safety and promoting the health of employees and contractors	6.3 Social aspects – Our employees – Occupational health and safety 6.3 Social aspects – Value chain employees
2. Employee welfare and cooperation with employees – fair remuneration, employee job satisfaction, ensuring freedom of association.	6.3 Social aspects – Our employees – Employee welfare, fair remuneration and cooperation with employees
3. Competent employees now and in the future – professional and personal development of employees, building the competences needed for the energy sector.	6.3 Social aspects – Our employees – Competent employees
4. Influencing and engaging with local communities – protecting the health of community members and the natural environment, listening to community needs.	6.3 Social aspects – Affected communities
5. Diversity, equal opportunity and human rights – ensuring	6.3 Social aspects – Our employees – Diversity, inclusion and well-being

	gender equality and equal opportunities, promoting diversity at work.	
6.	Involvement in community activities – participating in civic initiatives and NGOs; volunteering.	6.3 Social aspects – Our employees – Diversity, inclusion and well-being

Governance

	Key effects of Ignitis gamyba	Impact management is described in the following section of the Group's Sustainability Report
1.	Ethical business, anti-corruption and transparency – transparent corporate governance, anti-corruption, fair and ethical market conduct.	6.4 Governance – Corruption prevention and detection
2.	Stability and security of the energy system – ensuring the security and continuity of the energy system.	6.4 Governance – Business continuity
3.	Access to energy – affordability of electricity and heating.	6.3 Social aspects – Consumers and end users
4.	Responsibility and sustainability in the company's supply chain – buying more environmentally friendly goods and services for your own use and reducing the negative impact of suppliers on the natural and social environment.	6.2 Environment – Group and environment 6.4 Governance – Sustainable supply chain

We encourage to report possible unethical behaviour of employees or representatives of the Group, cases of discrimination or corruption, as well as other breaches of the principles of sustainability or concerns to the Trust Line by email pasitikejimolinija@ignitis.lt, by phone +370 640 88889, or by filling out an online form. Both employees and all stakeholders can use these contacts.

If you have any questions about the content of the Group's Sustainability Report or Ignitis Gamyba sustainability activities, please contact sustainability@ignitis.lt.

6. Financial statements

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6.1 Company's financial statements

For the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union

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The Company's financial statements were prepared and signed by AB Ignitis gamyba management on 26 March 2024:

Rimgaudas Kalvaitis	**Andrius Valivonis**	**Kristina Uldukienė**
General Manager	Head of Finance and Administration Department	Accounting expert of UAB Ignitis grupės paslaugų centras, acting under Decision No 24_GSC_SP_0004 of 10 January 2024

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022
Revenue from contracts with customers	6	305,961	534,819
Other income		749	733
Total revenue and other income		**306,710**	**535,552**
Purchases of electricity, natural gas and other services	7	(100,428)	(243,585)
Salaries and related expenses		(13,523)	(12,167)
Depreciation and amortisation	11,12,22	(16,442)	(17,017)
Repair and maintenance expenses		(6,957)	(4,888)
Other expenses	8	(8,671)	(73,454)
Total expenses		**(146,021)**	**(351,111)**
Operating profit		**160,689**	**184,441**
Finance income		3,198	265
Finance costs	9	(2,525)	(1,208)
Finance activity, net		**673**	**(943)**
Result of associated entities	13	-	185
Profit (loss) before tax		**161,362**	**183,683**
Income tax (expenses) income	10	(23,937)	(27,577)
Net profit for the year		**137,425**	**156,106**
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		394	224
Items that will not be reclassified to profit or loss in subsequent periods, total		**394**	**224**
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		(12,917)	12,917
Items that may be reclassified to profit or loss in subsequent periods, total		**(12,917)**	**12,917**
Total other comprehensive income (expenses) for the year		**(12,523)**	**13,141**
Total comprehensive income (expenses) for the year		**124,902**	**169,247**

Statement of financial position

31 December 2023

EUR thousand	Notes	31 December 2023	31 December 2022
ASSETS			
Intangible assets		2	1
Property, plant and equipment	11	365,654	380,152
Right-of-use assets	12	5,945	5,638
Prepayments for non-current assets		33,118	14,081
Investment property		3,598	3,302
Investments in associated companies	13	-	3,019
Non-current receivables	14	5,082	10,180
Non-current assets		**413,399**	**416,373**
Inventories	15	164,412	166,989
Prepayments and deferred expenses		3,327	84,708
Trade receivables	16	18,083	30,960
Other receivables		1,750	3,792
Other current assets		-	15,196
Cash and cash equivalents	17	5,398	26,779
Current assets		**192,970**	**328,424**
TOTAL ASSETS		**606,369**	**744,797**
EQUITY AND LIABILITIES			
Issued capital	18	90,000	187,921
Share premium	18	89,975	89,975
Legal reserve	19.1	19,609	19,609
Revaluation reserve		-	590
Hedging reserve	19.2	-	12,917
Retained earnings		138,169	156,346
Equity		**337,753**	**467,358**
Non-current loans	20	3,649	8,066
Non-current lease liabilities		6,013	5,692
Grants and subsidies	22	126,504	134,435
Deferred tax liabilities	10.3	18,988	19,885
Provisions	23	47,355	3,752
Other non-current liabilities		231	302
Non-current liabilities		**202,740**	**172,132**
Loans	20	52,417	65,835
Lease liabilities		100	81
Trade payables		3,199	8,872
Prepayments received		29	118
Income tax payable		1,172	19,860
Provisions	23	2,732	5,290
Other current liabilities	24	6,227	5,251
Current liabilities		**65,876**	**105,307**
Total liabilities		**268,616**	**277,439**
TOTAL EQUITY AND LIABILITIES		**606,369**	**744,797**

Statement of changes in equity

For the year ended 31 December 2023

EUR thousand	Notes	Issued capital	Share premium	Legal reserve	Revaluation reserve	Hedging reserve	Retained earnings (deficit)	Total
Balance as at 1 January 2022		**187,921**	**89,975**	**19,609**	**603**	**-**	**44,067**	**342,175**
Net profit for the year		-	-	-	-	-	156,106	**156,106**
Other comprehensive income (expenses)								
Result of change in actuarial assumptions		-	-	-	-	-	224	**224**
Cash flow hedges – effective portion of change in fair value						12,917	-	**12,917**
Total comprehensive income (expenses) for the year		-	-	-	-	**12,917**	**156,330**	**169,247**
Transfer of revaluation reserve to retained earnings (net of tax)		**-**	**-**	**-**	(13)	-	13	**-**
Dividends	18.3	-	-	-	-	-	(44,064)	**(44,064)**
Balance as at 31 December 2022		**187,921**	**89,975**	**19,609**	**590**	**12,917**	**156,346**	**467,358**
Balance as at 1 January 2023		**187,921**	**89,975**	**19,609**	**590**	**12,917**	**156,346**	**467,358**
Net profit for the year		-	-	-	-	-	137,425	**137,425**
Other comprehensive income (expenses)								
Result of change in actuarial assumptions		-	-	-	-	-	394	**394**
Cash flow hedges – effective portion of change in fair value		-	-	-	-	(12,917)	-	**(12,917)**
Total other comprehensive income (expenses) for the year		**-**	**-**	**-**	**-**	**(12,917)**	**394**	**(12,523)**
Total comprehensive income (expenses) for the year		**-**	**-**	**-**	**-**	**(12,917)**	**137,819**	**124,902**
Transfer of revaluation reserve to retained earnings (net of tax)		-	-	-	(590)	-	173	**(417)**
Dividends	18.3	-	-	-	-	**-**	(156,169)	**(156,169)**
Reduction of issued capital	18.2	(97,921)	-	-	-	**-**	-	**(97,921)**
Balance as at 31 December 2023		**90,000**	**89,975**	**19,609**	**-**	**-**	**138,169**	**337,753**

Statement of cash flows

For the year ended 31 December 2023

EUR thousand	Notes	2023	2022
Net profit for the year		137,425	156,106
Adjustments:			
Depreciation and amortisation		24,374	25,052
Depreciation and amortisation of grants	22	(7,931)	(8,035)
Change in fair values of derivative financial instruments	25	-	(7,444)
Impairment/(reversal of impairment) of financial assets		19	(171)
(Gain)/loss on disposal of investments in associated companies		(187)	-
Income tax expenses/(income)	10	23,937	27,577
Increase/(decrease) in provisions	23	41,508	(20,442)
Interest income		(455)	(84)
Interest expenses	9	2,329	938
Other finance costs (income)		(2,547)	89
Other non-monetary adjustments		(225)	(44)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		22,666	(15,706)
(Increase) decrease in inventories, advances and deferred expenses, other and non-current assets		83,908	(222,158)
Increase/(decrease) in trade payables, deferred revenue, prepayments received, other non-current and current liabilities		(5,129)	(22,447)
Income tax (paid) recovered		(41,341)	(16,236)
Net cash from/(used in) operating activities		**278,351**	**(103,005)**
Acquisition of property, plant and equipment and intangible assets		(28,730)	(16,203)
Proceeds from sale of property, plant and equipment and intangible assets		74	16
Proceeds from disposal of investments in associated companies		3,008	-
Interest received		455	77
Dividends received		198	156
Group's cash-pool platform (net)		9	64,918
Net cash flows from/(used in) investing activities		**(24,986)**	**48,964**
Group's cash-pool platform (net)	21	(13,698)	61,341
Repayments of loans	21	(4,417)	(4,417)
Lease payments	21	(143)	(126)
Interest paid	21	(2,381)	(873)
Dividends		(156,186)	(144,526)
Reduction of issued capital	18.2	(97,921)	-
Net cash flows from/(used in) financing activities		**(274,746)**	**(88,601)**
Increase (decrease) in cash and cash equivalents		**(21,381)**	**(142,642)**
Cash and cash equivalents at the beginning of the year	17	26,779	169,421
Cash and cash equivalents at the end of the year	17	**5,398**	**26,779**

Explanatory notes

1 General information

AB Ignitis gamyba is a public limited liability company registered in the Republic of Lithuania. The Company was registered on 20 July 2011 with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company's registered office address is Elektrinės g. 21, LT-26108, Elektrėnai, Lithuania. Company code 302648707, VAT code LT100006256115. The Company has been founded for an indefinite period.

Main activities of the Company include electricity generation and trading of electricity and additional services in electricity sector. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.
The Company has permits of indefinite term to engage in electricity generation activities at the Reserve Power Plant and the Combined Cycle Unit (hereinafter collectively referred to as the Elektrėnai Complex), at Kaunas Hydro Power Plant and at Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Reserve Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Energy Regulatory Council (hereinafter "the NERC"), AB Ignitis gamyba obtained the licence of an independent electricity supplier.

Shareholder of the Company:

	31 December 2023		31 December 2022	
	Number of shares held	Ownership interest (%)	Number of shares held	Ownership interest (%)
AB Ignitis grupė	310,344,828	100.00	648,002,629	100.00
Total	**310,344,828**	**100.00**	**648,002,629**	**100.00**

The Company's parent company is AB Ignitis grupė (company code 301844044, registered address Laisvės pr. 10, LT-4215 Vilnius, Lithuania), which owns 100% of shares of the Company as at 31 December 2023 and 2022. As at 31 December 2023, the shareholder structure of AB Ignitis Grupė was as follows: the Ministry of Finance of the Republic of Lithuania (74.99%), and retail and institutional investors (25.01%).
As at 31 December 2022: the Ministry of Finance of the Republic of Lithuania (74.99%), retail and institutional investors (25.01%).

AB Ignitis grupė is an ultimate controlling company. The Group comprises AB Ignitis grupė and all of its subsidiaries ("the Group").
The Company has no investments in associated companies as at 31 December 2023. During 2023, the Company disposed of investments in associated companies – see Note 13.

These financial statements were signed by the management of AB Ignitis gamyba on 26 March 2024. The Company's shareholders have a right to approve the present financial statements, refuse to approve them and require that new financial statements are drawn up.

2 Basis of preparation of the financial statements

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards as approved by International Accounting Standards Board (hereinafter referred to as 'IASB') and adopted by the European Union (hereinafter referred to as 'IFRS').

The Company's financial statements as at and for the year ended 31 December 2023 (hereinafter referred to as 'financial statements') have been prepared on a going concern basis applying measurement based on historical cost, except for investment property measured at fair value.

These financial statements are presented in euros, which is the Company's functional currency and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated. The Company's financial statements provide comparative information in respect of the previous period.

The Company's financial year coincides with a calendar year.

2.2 Foreign currency

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.

3 Summary of material accounting policies

3.1 Changes in accounting policy and disclosures

Accounting policy applied in preparing these financial statements is in compliance with the accounting policy applied in preparing the Company's annual financial statements for the year ended 31 December 2023, except for new standards that became effective in 2023, and changes presented below.

Property, plant and equipment

In 2023, the Company changed its accounting policy for property, plant and equipment and assets that were previously carried at revalued amount are now carried at acquisition cost. The amendment was implemented to make the presentation of the financial statements more consistent with the best interests of users of the financial statements. Following the amendment, the Company's property, plant and equipment decreased by EUR 492 thousand (Note 11), the revaluation reserve decreased by EUR 590 thousand (statement of changes in equity); the amendment was implemented on a prospective basis due to the non-materiality of amounts. Accounting policy after the amendment is presented in Note 3.3.

3.1.1 New standards, amendments to standards and interpretations

3.1.1.1 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases 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 after the beginning of the earliest period presented.

The Company previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Company has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances were qualified for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2023 as a result of the change. The key impact for the Company relates to the disclosure of the deferred tax assets and the liabilities recognised (Note 9).

3.1.1.2 Material accounting policy information

The Company has adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

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.

3.1.1.3 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 2023.

Standards or amendments that came into force during 2023
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Definition of Accounting Estimates (Amendments to IAS 8)
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

The adoption of these standards, revisions and interpretations had no material impact on the financial statements.

3.1.1.4 Standards issued but not yet effective and not early adopted

In preparation of these financial statements, the Company did not apply new IFRS issued by IASB, International Accounting Standards (hereinafter referred to as 'IAS'), amendments and interpretations, the effective date of which is later than 31 December 2023 and early adoption whereof is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Other standards

The following amended standards are not expected to have a significant impact on the Company's financial statements:

Other new standards or amendments	IASB Effective date	EU Endorsement status
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024	Endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Endorsed
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024	Not yet endorsed
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025	Not yet endorsed

3.2 Revenue from contracts with customers

The Company in the contracts with customers identifies performance obligations (stated either explicitly or implied) to transfer either distinct goods or services or series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Promised goods or services represent separate performance obligation if the goods or services are distinct. A promised good or service is considered distinct if both of the following criteria are met:

(i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually) and

(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

The Company's performance obligations set out in contracts with customers are as follows: sale of electricity produced (Note 3.2.1), capacity reserve and services ensuring isolated operation of the power system (Notes 3.2.2 and 3.2.3) and supply of thermal energy (Note 3.2.4).

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 Company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

For certain service contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. When recognising revenue, the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

3.2.1 Revenue from sale of produced electricity

The sales of electricity produced using own resources (Note 6, item "Revenue from sale of produced electricity") are conducted at the Power Exchange (hereinafter "the Exchange") by submitting electricity sale offers to the 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 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 Company at the Exchange.

Electricity selling prices are not regulated.

3.2.2 Revenue from capacity reserve services

The Company provides to electricity transmission network operator capacity reserve services (Note 6, item "Revenue from capacity reserve services"). Transmission service operator purchases the services from the Company under the bilateral agreement.

Capacity reserve services are one of system services in energy sector and are defined as those transmission operations that ensure a secure and reliable operation of energy system, the required capacity reserve and electricity transmission capability through transmission grids. Capacity reserve services include:

- secondary active power reserve service;
- reactive power and voltage management services.

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 throughout the period for which it is sold for. Revenue from capacity reserve services is recognised over time. The ceiling price, for which services can be sold for is set by NERC (except for reactive power and voltage management service) in euros for one Mw/h. Secondary power reserve service is ordered by the transmission service operator through daily auction. Transmission service operator pays for factually provided service quantity calculated in euros for one MW/h.

3.2.3 Revenue from services ensuring isolated operation of power system

The Company provides to electricity transmission network operator services ensuring isolated operation of the power system (Note 6, item "Revenue from services ensuring isolated operation of power system"). Transmission service operator purchases the services from the Company under the bilateral agreement.

Services ensuring isolated operation of power system are ancillary services in the energy sector and are defined as a service designed to ensure the rapid regulation of active power during the isolated operation of power system and to prevent the automatic consumer load shedding in the event of the disconnection of a single grid element. An isolated power operation is a power supply that is electrically isolated from the rest of the circuit that it is powering, when operating asynchronously with the main power system.

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 electricity transmission operator to the Company is set by NERC for one MW/h and the quantity is agreed in the contract as MW for the whole year. Transmission service operator pays for factually provided service quantity.

Services ensuring the isolated operation of power system are regulated by NERC (Note 3.2.5).

3.2.4 Revenue from supply of thermal energy

Under contracts with customers, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Under contract with the customer, the single performance obligation that the seller commits to is the supply of thermal energy (Note 6, item "Revenue from supply of thermal energy"). The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller satisfies its performance obligation. The seller satisfies its performance obligation over the contract period. The progress of satisfying of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

In the contract with customer, the consideration paid to the Company comprises the fixed part and the variable part. The fixed part comprises the customer's payments for the actually supplied thermal energy. The variable part arises due to default interest (interest on late payment) to be paid by the customer to the seller in cases where the customer fails to timely reimburse for the services rendered.

The Company recognises revenue considering the volumes of thermal energy actually produced and supplied to the customer at the price calculated with reference to the methodology on the establishment of the heating price as approved by NERC.

3.2.5 Tariff regulation

The regulatory oversight for electricity sector services is exercised by NERC through the ceiling prices 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 Company 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.

In case the Company no longer provides capacity reserve services, differences between the forecast and actual costs incurred by the Company in providing these services during the reporting period are assessed, obliging the Company to repay the difference to the transmission system operator, if actual costs incurred by the Company were lower than the revenues received from the transmission system operator, or by paying the difference to the Company, if the actual costs incurred by the Company were higher than the revenues received from the transmission system operator.

The Company recognises assets or liabilities of the regulated activities (Note 27) that are intended to eliminate the mismatches between the current year earnings and the regulated level, provided the difference will be recovered/refunded regardless of the provision of services in the future (Note 5.5). The difference between accrued revenue and actually paid amounts during a year is recognised as non-current amounts receivable (accrued revenue) or amounts payable (income to be repaid) under the item "Other receivables" or "Provisions". At the end of the next year, this amount is reclassified as a current amount receivable or payable under the item "Other receivables" or "Provisions".

3.2.6 Contract balances

3.2.6.1 Contract assets and contract liabilities

The timing of satisfaction of the Company's performance obligation and typical timing of payment is determined according to service report which is reviewed and approved by the customer. After approval the services are recognised as satisfactory rendered to the customer. During the reporting period the Company had no contract liability or contract assets.

3.2.6.2 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 3.13.1

3.3 Property, plant and equipment

Non-current assets are accounted for using the acquisition cost model (acquisition cost less accumulated depreciation and impairment).

Cost includes expenditure incurred in relation to replacement of parts of property, plant and equipment if such expenditure meets the recognition criteria of the asset. 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 Company and the costs can be measured reliably. All other repairs and maintenance costs charged to profit or loss in the 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.

When asset is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gains or losses are included in profit or loss of the 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.

Depreciation periods (number of years):

Category of property, plant and equipment	Useful lives (number of years)
Buildings	20-75
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
Combined Cycle Unit and Reserve Power Plant	
- structures and infrastructure	10-75
- thermal and electricity equipment	10-50
- measuring devices and equipment	5-10
- electricity lines	20-40
- electricity generation equipment	20-50
- other equipment	4-40
Other property, plant and equipment	3-40

3.4 Right-of-use assets

Right-of-use asset is the asset that reflects the right of the Company to use the leased asset over the life of a lease. The Company recognises a right-of-use asset for all types of leases, including leases of right-of-use assets in sublease, with the exception of leases of intangible assets, short-term leases and leases for which the underlying asset is of low value.

3.4.1 Initial measurement of right-of-use assets

On the lease commencement date, the Company measures right-of-use assets at cost. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the inventories. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognises these costs as part of the cost of the right-of-use assets when a liability is incurred for these costs.

3.4.2 Subsequent measurement of right-of-use assets

Subsequent to initial recognition, the Company measures the right-of-use asset at cost. Under the cost model, the Company measures a right-of-use asset at cost less any depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use assets depreciated by the Company under the depreciation requirements of IAS 16, *Property, Plant and Equipment*.

Depreciation of right-of-use assets on a straight line basis, the depreciation period is determined based on the contract period.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company calculates the depreciation of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company presents right-of-use assets separately from property, plant and equipment in the statement of financial position.

3.5 Investment property

Investment property, which consists of the Company's buildings and structures, and equipment, is held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and is subsequently measured at fair value, which is determined by independent property valuers. Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in profit or loss of the statement of profit or loss for the reporting period.

3.6 Investments in associates

Investments in associates, over which the Company has significant influence, are accounted for using the equity method. Under the equity method, investments are initially recognised at cost, and the carrying amount is increased or decreased based on the investor's share of the post-acquisition changes in the net assets of the acquiree.

The Company's share of the profit or loss of the investee after the acquisition date is recognised in profit or loss, and changes in other comprehensive income after the acquisition date are recognised in other comprehensive income, with corresponding adjustments to the carrying amount of the investment. When the Company's share of losses in an associate equals to or exceeds its interest in the associate, including all unsecured receivables, the Company does not further recognise losses, unless it has assumed obligations or made payments on behalf of the associate.

At each reporting date the Company reviews investments in associates to assess whether there is objective evidence that investments in associates may be impaired. If any such indication exists, the Company calculates an impairment charge equal to the difference between the recoverable amount and the carrying amount of the associate and recognises that amount in the statements of profit or loss of associates.

3.7 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.

3.7.1 Financial assets

The Company classifies its financial assets into the following three categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value recognising the change in fair value through other comprehensive income (hereinafter – "FVOCI"); and
(iii) financial assets subsequently measured at fair value recognising the change in fair value through profit or loss (hereinafter – "FVPL").

Transaction costs comprise all charges and commission that the Company would not have paid if it had not entered into an agreement on the financial instrument.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (hereinafter "SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in the statement of profit or loss. Impairment losses are accounted for as other expenses (Note 8) in the statement of profit or loss.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company's management regarding separate instruments has no effect on the applied business model. The Company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

3.7.1.1 Financial assets subsequently measured at FVOCI

The Company only has derivative financial instruments subsequently measured at FVOCI. Additional information is presented in Note 3.7.3.

3.7.1.2 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.

3.7.1.3 Financial assets at FVPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVPL. The Company includes derivatives in this category, see Note 3.7.3.

3.7.1.4 Effective interest rate 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 the statement of profit or loss over the relevant period.

EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, advance payment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

3.7.1.5 Impairment of financial assets – expected credit losses

The Company 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 indications.

Credit losses incurred by the Company are calculated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls) discounted at the original EIR. The Company estimates cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 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. Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade and other receivables. Credit risk is assessed based on all reasonable information, including forward-looking information.

The Company assesses impairment of amounts receivable individually or collectively, as appropriate.

Valuation of ECLs for receivables (other than trade receivables):

- For other receivables from related parties, ECLs are assessed on an individual basis.
- For other receivables, prepayments and accrued income, ECLs are assessed on an individual basis.

For current trade receivables without a significant financing component, the Company applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.

The Company's management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular debtor, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime 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 Company assesses the debt on a collective basis.
Recognition stages of expected credit losses:

1. upon granting of a loan, the Company recognises expected credit losses for the twelve-month period. Loan interest income 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 has significantly increased, the Company accounts for the lifetime expected credit losses of the loan agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Loan interest income is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
3. where the Company establishes that the recovery of the loan is doubtful, the Company classifies this loan as credit-impaired financial assets (doubtful loans and receivables). Loan interest income is calculated on the carrying amount of financial assets adjusted 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 Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

The expected credit losses (ECL) on cash and cash equivalents are calculated by taking into account the credit ratings of the financial institutions holding the cash deposits and other relevant criteria (such as liquidity, capital adequacy supervision). In management's assessment, the ECL of cash and cash equivalents is generally not material.

3.7.1.6 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.
The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

3.7.1.7 Derecognition of financial assets

Financial assets (or, where appropriate, part of financial assets or part of the group of similar financial assets) are 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.

3.7.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement. The Company has not issued any equity instruments, except for issued capital.

3.7.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL (change in fair value of which is accounted through profit or loss), loans, payables, or as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are recognised initially at fair value and, in the case of loans, liabilities and payables, net of directly attributable transaction costs.

3.7.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at FVPL;
- Financial liabilities at amortised cost.

3.7.2.3 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 principally for the purpose of repurchasing them in the near term. This category also includes derivatives entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or loss arising from financial liabilities held for trading is recognised in the 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 Company includes derivatives in this category, see Note 3.7.3.

3.7.2.4 Financial liabilities at amortised cost

This category is the most relevant to the Company. After initial recognition, interest-bearing loans and bonds are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss of the 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 the statement of profit or loss.

3.7.2.5 Presentation and borrowing costs

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

If a financing agreement concluded before the statement of financial position date proves that the liability was non-current by its nature as of the date of the statement of financial position, that financial liability is classified as non-current.

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.

3.7.2.6 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 balance values is recognised in the statement of profit or loss.

3.7.3 Derivative financial instruments and hedge accounting

The Company enters into derivative financial instruments transactions related to the prices of gas purchase and sale of electricity.

At the inception of a hedge relationship, the Company 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 Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is ‘an economic relationship’ between the hedged item and the hedging instrument;
- the effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

3.7.3.1 Presentation

Fair value of derivative financial instruments is presented in the statement of financial position as “Other non-current assets”, “Other current assets”, “Other liabilities” and “Other current liabilities” (Note 25).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in the statement of profit or loss either as “Other income”, if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 8).

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:

3.7.3.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income in other income or expenses (accounting method is similar to derivatives that do not meet the hedge criteria – Note 3.7.3). 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 the statement of profit or loss as “Purchases of electricity, natural gas and other services”.

3.8 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 Company from the tax authorities), transportation, handling and other costs directly attributable to the acquisition of inventories. Cost does not include borrowing 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.

3.9 Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covered 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 "NPP") to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

Member States are required to allocate allowances to installations by 28 February each year according to the NAP (a certain number of allowances are kept in reserve for new installations).

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 September of the next year.

3.9.1 Inventories

EU emission allowances are inventories that are dedicated by the state or are acquired by the Company. EU emission allowances acquired by the Company are recognised at cost. EU emission allowances dedicated by the state are recognised in the accounts at nominal (zero) value.

The Company accounts for purchased and received free-of-charge emission allowances separately, write-down to net realisable value is calculated if the market price becomes lower than the acquisition price.

3.9.2 Provision for emission allowances used

As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred by the Company for the settlement of liability at the reporting date. If the Company has acquired emission allowances, the value of the provision is equal to their carrying amount. If actual emissions exceeds the quantity of emission allowances held, the Company accounts for an obligation to buy additional emission allowances, the value of which is equal to their market value.

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 liability related to missing emission allowances are recognised in profit or loss in the statement of profit or loss.

3.10 Lease liabilities

At the commencement date of the lease the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.10.1 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Also, low-value asset lease recognition exemption to office equipment that are considered to be low value is applied. Lease related discounts are charged to the lease income proportionally over the term of the lease.

3.10.2 Company as a lessor in operating leases

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the 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.

3.11 Employee benefits

3.11.1 State plans

The 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 Company, the State Social Security Fund). State plans are defined benefit plans under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

3.11.2 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3.11.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. The Company's employee with 10-year service is entitled to payment equal to 4 monthly salaries. 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.

3.12 Fair value

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. Determination of the fair value is based on the assumption that the asset sale or liability transfer transaction is performed either:

- in the principal market for the asset or liability;

or

- if primary market is not available – on the market, which is the most favourable for an asset or a 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 Company 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 the 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, the Company 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.

4 Risk management

4.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Company 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.

4.2 Financial risk factors

The Company is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. To manage these risks, the Company seeks to minimise potential adverse effects which could negatively impact the financial performance of the Company.

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 Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The sale/purchase contracts of the Company are denominated in the euro. Accordingly, currency risk is insignificant.

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.

Revenues and cash flows of the Company are affected by fluctuations in the market interest rates. As at 31 December 2023, a portion of the Company's loans is subject to a variable interest rate, which is linked to EURIBOR.

As at 31 December 2023, part of the Company's loans with variable interest rate amounted to EUR 8,066 thousand (31 December 2022: EUR 12,483 thousand).

Interest rate risk is assessed in relation to sensitivity of the Company's profit to potential shift in interest rates. This assessment is given in the table below.

EUR thousand	Increase/decrease, percentage points	(Decrease)/increase in profit
2023	1/(1)	(102)/102
2022	1/(1)	(37)/37

As at 31 December 2023, the Company had no significant valid interest rate swaps.

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 Company's exposure to credit risk arises from operating activities of the company (trade and other amounts receivable).

As at 31 December 2023 and 2022, trade receivables are neither past due nor impaired and were of high credit quality. The Company is exposed to significant credit risk concentration, because debts of the main customer of the Company (related party non-Group company) account for approximately 77% of total trade receivables. More details about credit risk arising from amounts receivable are provided in Note 16.

The priority objective of the Company's treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) lower than 'A-' according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk is equal to the carrying amount of financial assets and the nominal value of guarantees issued.

EUR thousand	Note	31 December 2023	31 December 2022
Financial assets measured at amortised cost:			
Non-current receivables	14	5,082	10,180
Trade receivables	16	18,083	30,960
Other receivables		1,750	1,387
Cash and cash equivalents	17	5,398	26,779
Financial assets at FVPL or FVOCI			
Derivative financial instruments	25.1	-	15,196
Total		**30,313**	**84,502**

4.2.3 Liquidity risk

The liquidity risk is managed by planning future cash flows of the Company and ensuring sufficient cash and availability of funding through committed credit facilities and overdrafts to support the Company's ordinary activities. The refinancing risk is managed by ensuring that loans over a certain period were repaid from available cash, from cash flows expected from operating activities of the Company over that period, and from unwithdrawn committed credit facilities which have to be repaid in later periods.

As at 31 December 2023, the Company's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 2.93 and 0.43 respectively (31 December 2022: 3.12 and 1.53 respectively).

The table below summarises the Company's financial liabilities by category:

EUR thousand	Note	31 December 2023	31 December 2022
Amounts payable measured at amortised cost			
Loans	20	56,066	73,901
Lease liabilities	21	6,113	5,773
Non-current trade payables		181	271
Trade payables		3,199	8,872
Other current liabilities		2,169	2,521
Total		**67,728**	**91,338**

The table below summarises the maturity profile of the 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):

EUR thousand	2023				Total
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	49,180	3,571	3,845	-	**56,596**
Lease liabilities	87	258	1,146	16,416	**17,907**
Trade payables and non-current amounts payable to suppliers	3,199	-	181	-	**3,380**
Other current liabilities	2,169	-	-	-	**2,169**
31 December 2023	**54,635**	**3,829**	**5,172**	**16,416**	**80,052**

EUR thousand	2022				Total
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	
Loans	62,641	3,609	8,499	-	**74,749**
Lease liabilities	90	221	1,013	15,920	**17,244**
Trade payables and non-current amounts payable to suppliers	8,872	-	271	-	**9,143**
Other payables	2,521	-	-	-	**2,521**
31 December 2022	**74,124**	**3,830**	**9,783**	**15,920**	**103,657**

4.3 Impact of climate change

The Company pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the 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 the 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

The Company assesses the useful economic life of its property, plant and equipment 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 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. The Company's management does not reasonably expect climate change to have a significant impact on the valuation of property, plant and equipment, and impairment assessment of goodwill.

Impact of climate change on provision for risk and on ECL

The Company's 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 had significant impact when calculating the ECL.

The impact of future climate change regulation is not material on the currently reported amounts of the Company's assets and liabilities.

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.

To prepare the financial statements, the management needs to make certain assumptions and estimates which have impact on the disclosure of amounts of assets, liabilities, income and expenses, and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the Company's financial statements in the future.

Only significant accounting estimates and judgements used in the preparation of the financial statements are described in this note. For other estimates and judgements used refer to other notes of these financial statements.

5.1 Expected credit losses of receivables

The Company uses a provision matrix to calculate expected credit losses for trade receivables. The Company accounts for expected credit losses (hereinafter "ECL") assessing amounts receivable on an individual basis or on a collective basis applying provision matrices adopted by the Group companies in respect of their clients.

5.1.1 Individual assessment of ECL

Decision to assess 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 Company assesses the debt on a collective basis.

5.2 Provision for emission allowances

As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. This liability falls within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. If the Company has acquired emission allowances, the value of the provision is equal to their carrying amount. If actual emissions exceeds the quantity of emission allowances held, the Company accounts for an obligation to buy additional emission allowances, the value of which is equal to their market value. The quantity of actual emissions is approved by a respective state authority during four months after the end of the year. The provision accounted for as at 31 December 2022 was consistent with actual quantities of emissions. The Company's management, based on its own experience, does not expect any significant differences to arise between the estimated provision at 31 December 2023 and the quantity of emissions which will be approved for 2024.

5.3 Regulated activities: accrued revenue and provisions

Profitability of the Company 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 Company 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 Company may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

5.3.1 Services ensuring isolated operation of the power system and capacity reserve

On 14 November 2019, NERC adopted a resolution No O3E–715 ‘On approval of the methodology for establishing the prices for electricity, capacity reserve and services ensuring isolated operation of the power system’. This resolution stipulates that Companies that discontinue capacity reserve ensuring services or services ensuring isolated operation of the power system shall reimburse any discrepancies between the projected and actual costs of providing these services to the transmission system operator if the costs actually incurred by the Group were less than the revenues received from the transmission system operator. If the actual costs incurred by the Company were higher than the income of the transmission system operator, the transmission system operator shall reimburse this amount to the Company. 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, the Company recognises assets and liabilities of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level regardless the difference under the provision of services in the future.

On 8 February 2022, an additional agreement with transmission system operator was signed. Under the agreement, the Company 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 Company under the schedule.

As at 31 December 2023, in the statement of financial position, liabilities part of item “Provisions”, the management of the Company accounted for EUR 46,279 thousand (31 December 2022: EUR 5,392 thousand) to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services (Note 23). The current portion of the provision for tertiary active capacity reserve services, services ensuring isolated operation of the power system, services ensuring secondary active capacity reserve and incident prevention services amounting to EUR 585 thousand was accounted as accrued revenue under “Other receivables” . (31 December 2022: EUR 3,098 thousand was accounted for as accrued revenue under liabilities). Non-current provision is based on the Company’s calculations when comparing set and actual prices, though these are not yet approved by NERC. According to the results of previous periods, the management of the Company does not expect significant differences between provision as at 31 December 2023 and confirmed correction by NERC, which is expected to be approved at the end of 2024 for 2023.

6 Revenue from contracts with customers

6.1 Revenue from contracts with customers by type

EUR thousand	2023	2022
Revenue from sale of produced electricity	206,109	392,732
Revenue from services ensuring isolated operation of power system	47,130	99,659
Revenue from capacity reserve services	16,152	33,037
Revenue from sale of natural gas	30,937	-
Revenue from supply of thermal energy	4,918	5,913
Other income	715	3,478
Total	**305,961**	**534,819**

The Company's operating income is earned by selling services to Lithuanian companies or by selling electricity on the Nord Pool AS exchange, but the trading is carried out in the Lithuanian price zone, and the Company's management treats such sales as trading on the local Lithuanian market.

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

EUR thousand	2023	2022
Performance obligations satisfied over time	274,687	531,680
Performance obligations satisfied at a point of time	31,274	3,139
Total	**305,961**	**534,819**

6.2 Contract balances

EUR thousand		31 December 2023	31 December 2022
Trade receivables	16	**18,083**	**30,960**
Contract assets		**603**	**7**
Accumulated revenue from other contracts with customers		603	7
Contract liabilities		**1**	**61**
Prepayments received		1	61

6.2.1 Contract liabilities

EUR thousand	31 December 2023	31 December 2022
Current	1	61
Non-current	-	-
Total	**1**	**61**

6.3 Rights to returned goods assets and refund liabilities

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

7 Purchases of electricity, natural gas and other services

EUR thousand	2023	2022
Purchase of natural gas for trading	56,851	-
Costs of purchases of gas and biofuel for generation	47,698	108,580
Purchases of electricity for generation	(6,523)	133,049
Emission allowances	2,402	1,956
Total	**100,428**	**243,585**

Purchases of electricity for generation include profit from the realisation of derivatives related to electricity generation.

8 Other expenses

EUR thousand	2023	2022
Asset management and administration	2,574	2,134
Tax (other than income tax)	2,146	1,562
Telecommunications and IT services	735	647
Finance and accounting	529	461
People and culture	496	428
Derivative financial instruments	-	66,188
Other	2,191	2,034
Total	**8,671**	**73,454**

[1]In 2023, the Company has classified the support service costs under other headings "Asset management and administration", "Legal services", "Finance and accounting", "People and culture", "Other", and the comparative figures for 2022 have therefore been restated accordingly by reclassifying the amount of EUR 1,121 thousand from "Consulting services" to "Other", "Finance and accounting" and "People and culture". "Asset management and administration" was formed by grouping together the former line items "Utilities", "Transport", and the amount of EUR 1,334 thousand has been transferred from the line item "Other".

9 Financing activities

EUR thousand	2023	2022
Discounting effect from isolated power system operation and capacity reserve (Note 5.3.1)	2,187	-
Interest income recognised applying the effective interest rate	455	83
Other finance income	556	182
Total finance income	**3,198**	**265**
Interest expenses	2,091	705
Interest and discount expense on lease liabilities	238	233
Currency exchange loss	195	119
Other finance costs	1	151
Finance costs, total	**2,525**	**1,208**
Financing activities, total	**673**	**(943)**

9.1 The Company's interest income

In 2023, the Company received EUR 455 thousand of interest inflow in cash (2022: EUR 77 thousand), which is presented in the cash flow statement under "Interest received".

10 Income taxes

1.01 Recognised in profit or loss

EUR thousand	2023	2022
Income tax expenses (benefit)	24,932	27,541
Deferred income tax expenses (benefit)	(966)	107
Result of tax losses taken over	(102)	(71)
Adjustment of acquisition cost of property, plant and equipment after reversal of revaluation (Note 3.1)	73	-
Total	**23,937**	**27,577**

10.2 Reconciliation of effective tax rate

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the Company as follows:

EUR thousand	2023	2023	2022	2022
Profit (loss) before tax		161,362		183,683
Income tax expenses (benefit) at tax rate of 15%	15.00%	24,204	15.00%	27,552
Non-taxable income and non-deductible expenses	(0.08)%	(136)	0.05%	91
Other	(0.09)%	(131)	(0.04)%	(66)
Income tax expenses (benefit)	**14.83%**	**23,937**	**15.01%**	**27,577**

Current income tax is calculated on profit before tax. The standard income tax rate in Lithuania was 15% in 2023 and 2022.

10.3 Deferred tax

EUR thousand	31 December 2021[1]	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2022[1]	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2023
Deferred tax assets							
Accrued expenses	493	(123)	-	370	14	-	384
Impairment of property, plant and equipment	648	(330)	-	318	(155)	-	163
Derivative financial instruments	1,117	(1,117)	-	-	-	-	-
Lease liabilities (IFRS 16)	838	28	-	866	51	-	917
Other	237	48	(40)	245	77	(69)	253
Deferred tax asset, net	**3,333**	**(1,494)**	**(40)**	**1,799**	**(13)**	**(69)**	**1,717**
Deferred income tax liability							
Revaluation of property, plant and equipment	3,896	(422)	-	3,474	(419)	-	3,055
Differences of financial and tax value (PPE)	16,360	(936)	-	15,424	(897)	-	14,527
Tax relief on acquisition of property, plant and equipment	1,890	(81)	-	1,809	(81)	-	1,728
Right-of-use assets (IFRS 16)	813	32	-	846	46	-	892
Accrued revenue	-	-	-	-	328	-	328
Other	111	20	-	131	44	-	175
Deferred income tax liability, net	**23,070**	**(1,387)**	**0**	**21,684**	**(979)**	**0**	**20,705**
Net deferred tax	**(19,738)**	**(107)**	**(40)**	**(19,885)**	**966**	**(69)**	**(18,988)**

[1] *Some of the amounts do not coincide with the 2021 and 2022 financial statements due to the requirements of the amendment to IAS 12 (Note 3.1.1.1). The Company has recognised a separate deferred tax asset in relation to its lease liabilities and deferred tax liability in relation to its right-of-use assets ((deferred tax assets of EUR 813 thousand and deferred tax liabilities of EUR 838 thousand as at 31 December 2021, deferred tax assets of EUR 846 thousand and deferred tax liabilities of EUR 866 thousand as at 31 December 2022).*

During 2023, the Company acquired tax losses of EUR 3,819 thousand (deferred tax assets were used for the calculation of current income tax which comprises EUR 572 thousand) and paid a consideration of EUR 470 thousand. During 2022, the Company acquired tax losses of EUR 15,493 thousand (deferred tax assets comprise EUR 2,323 thousand) and paid a consideration of EUR 2,252 thousand.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. The tax loss carried forward cannot cover more than 70% of the taxable profit of the current year.

11 Property, plant and equipment

11.1 Company's property, plant and equipment

EUR thousand	Land	Build-ings	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Other property, plant and equipment	Construc-tion in pro-gress	Total
Cost or revalued amount as at 1 January 2023	**1,845**	**601**	**212,241**	**770,510**	**2,315**	**2,518**	**990,030**
Additions	-	-	21	154	3	9,936	**10,114**
Disposals	-	-		(451)	-	-	**(451)**
Write-offs	-	-	(16)	(73)	-	-	**(89)**
Reclassified from (to) construction in progress	-	-	1,412	5,602	-	(7,014)	-
Reclassified from (to) investment property	-	-	-	(92)	-	-	**(92)**
Reclassified from (to) inventories	-	-	41	**(13)**	-	-	**28**
Reversal of revaluation	(146)	(535)	-	-	(479)	-	**(1,160)**
Adjustment of acquisition cost[1]	-	117	-	-	1,841	-	**1,958**
Cost or revalued amount as at 31 December 2023	**1,699**	**183**	**213,699**	**775,637**	**3,680**	**5,440**	**1,000,338**
Accumulated depreciation and impairment as at 1 January 2023	-	**(56)**	**(123,490)**	**(485,393)**	**(716)**	**(223)**	**(609,878)**
Depreciation	-	(4)	(4,980)	(19,111)	(100)	-	**(24,195)**
Sales		-	-	451	-	-	**451**
Write-offs	-	-	16	72	-	-	**88**
Accumulated impairment	-	-	-	14	-	-	**14**
Reclassified (from) to investment property	-	-	-	88	-	-	**88**
Reclassified (from) to inventories	-	-	5	33	-	-	**38**
Reversal of revaluation	-	127	-	-	541	-	**668**
Adjustment of accumulated depreciation[1]	-	(117)	-	-	(1,841)	-	**(1,958)**
Accumulated depreciation and impairment as at 31 December 2023	-	**(50)**	**(128,449)**	**(503,846)**	**(2,116)**	**(223)**	**(634,684)**
Carrying amount as at 31 December 2023	**1,699**	**133**	**85,250**	**271,791**	**1,564**	**5,217**	**365,654**
Cost or revalued amount as at 1 January 2022	**1,845**	**599**	**212,108**	**770,565**	**2,314**	**1,534**	**988,965**
Additions	-	2	24	113	1	2,646	**2,786**
Write-offs	-	-	(165)	(1,284)	-	-	**(1,449)**
Reclassified from (to) construction in progress	-	-	264	1,398	-	(1,662)	-
Reclassified from (to) investment property	-	-	-	(280)	-	-	**(280)**
Reclassified from (to) inventories	-	-	10	(2)	-	-	**8**
Cost or revalued amount as at 31 December 2022	**1,845**	**601**	**212,241**	**770,510**	**2,315**	**2,518**	**990,030**
Accumulated depreciation and impairment as at 1 January 2022	-	**(42)**	**(118,614)**	**(466,920)**	**(624)**	**(223)**	**(586,423)**
Depreciation	-	(14)	(5,046)	(19,695)	(92)	-	**(24,847)**
Write-offs	-	-	164	1,053	-	-	**1,217**
Reclassified (from) to investment property	-	-	-	154	-	-	**154**
Reclassified (from) to inventories	-	-	6	15	-	-	**21**
Accumulated depreciation and impairment as at 31 December 2022	-	**(56)**	**(123,490)**	**(485,393)**	**(716)**	**(223)**	**(609,878)**
Carrying amount	**1,845**	**545**	**88,751**	**285,117**	**1,599**	**2,295**	**380,152**

[1]Adjustment of acquisition cost and accumulated depreciation in 2023 following a change in the presentation of non-current assets.

11.2 Additions of property, plant and equipment

The Company has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. The Company's acquisition and construction commitments amounted to EUR 118,671 thousand as at 31 December 2023 (31 December 2022: EUR 7,271 thousand).

11.3 Fully depreciated property, plant and equipment

The cost or revalued amount of fully depreciated property, plant and equipment, but still in use by the Company were as follows:

EUR thousand	31 December 2023	31 December 2022
Assets of Hydro Power Plant, Pumped Storage Power Plant	28,406	30,032
Combined Cycle Unit and Reserve Power Plant	81,343	120,371
Other property, plant and equipment	452	513
Total	**110,201**	**150,916**

11.4 Pledged property, plant and equipment

As at 31 December 2023, the Company had pledged to the banks its property, plant and equipment with the carrying amount of EUR 17,772 thousand (31 December 2022: EUR 18,670 thousand).

11.5 Impairment of property, plant and equipment

As at 31 December 2023, the Company's management has assessed external (changes in the economic and legal environment, market structure, interest rate, etc.) and internal (changes in the use of the asset, changes in the useful life of the asset, changes in the asset's ability to generate cash flows, etc.) factors that may affect the value of property, plant and equipment. Taking into account the above considerations, no indications of impairment of property, plant and equipment were identified as at 31 December 2023 and no impairment tests were performed.

12 Right-of-use assets

12.1 The Company's right-of-use assets

EUR thousand	Land	Vehicles	Total
1 January 2022			
Acquisition cost	5,439	475	**5,914**
Accumulated depreciation	(197)	(295)	**(492)**
Carrying amount	**5,242**	**180**	**5,422**
Carrying amount as at 1 January 2022	**5,242**	**180**	**5,422**
Additions	394	13	**407**
Depreciation	(82)	(109)	**(191)**
Carrying amount as at 31 December 2022	**5,554**	**84**	**5,638**
31 December 2022			
Acquisition cost	5,834	488	**6,322**
Accumulated depreciation	(280)	(404)	**(684)**
Carrying amount	**5,554**	**84**	**5,638**
Carrying amount as at 1 January 2023	**5,554**	**84**	**5,638**
Additions	290	197	**487**
Write-offs	-	(2)	**(2)**
Depreciation	(86)	(92)	**(178)**
Carrying amount as at 31 December 2023	**5,758**	**187**	**5,945**
31 December 2023			
Acquisition cost	6,124	340	**6,464**
Accumulated depreciation	(366)	(153)	**(519)**
Carrying amount	**5,758**	**187**	**5,945**

The Company has land lease agreements most of which are effective until 2095. The agreements are subject to interest rate from 1.84% to 4.18%, their carrying amount was EUR 5,758 thousand as at 31 December 2023 (31 December 2022: EUR 5,554 thousand).

12.2 Expenses related to lease agreements recognised in the statement of profit or loss

The Company's lease expenses recognised in the statement of profit or loss were as follows:

EUR thousand	2023	2022
Depreciation	178	191
Interest expenses	238	233
Expenses related to leases of low-value assets (other expenses)	21	-
Other lease expenses	13	(79)
Lease expenses, total	**450**	**345**

12.3 Future expenses related to lease agreements

The Company's future lease expenses:

EUR thousand	31 December 2023	31 December 2022
Future expenses related to short-term and low value leases	2	2
Leases not yet commenced for which the lessee is committed	22	293
Future lease expenses, total	**24**	**295**

13 Investments in associated companies

On 21 December 2023, the Company sold all the shares of its investment in its associate UAB Ignitis grupės paslaugų centras for EUR 3,008 thousand. The result of the transaction, a gain of EUR 187 thousand, was recognised under finance income in the statement of profit or loss.

14 Non-current receivables

EUR thousand	31 December 2023	31 December 2022
Cash reserved for guarantees	5,067	10,141
Loans granted	15	24
Other non-current amounts receivable	-	15
Total	**5,082**	**10,180**
Less: loss allowance	-	-
Carrying amount	**5,082**	**10,180**

14.1 Cash reserved for guarantees

The guarantees are valid until 28 February 2028.

15 Inventories

EUR thousand	31 December 2023	31 December 2022
Natural gas	147,652	147,652
Emission allowances and emission reduction units	14,998	16,984
Consumables, raw materials and spare parts	1,101	1,046
Biofuel	457	1,060
Other	204	247
Carrying amount	**164,412**	**166,989**

The Company's inventories expensed were as follows:

EUR thousand	2023	2022
Natural gas	101,602	105,198
Biofuel	2,947	3,382
Other inventories	902	629
Total	**105,451**	**109,209**

Movements on the account of inventory write-down to net realisable value were as follows:

EUR thousand	2023	2022
Carrying amount as at 1 January	**2,230**	**2,335**
Additional write-down to net realisable value	215	58
Reversal of write-down to net realisable value	(165)	(163)
Carrying amount as at 31 December	**2,280**	**2,230**

The write-down of inventories to net realisable value is included in Purchases of electricity, natural gas and other services in the statement of profit or loss.

16 Trade receivables

EUR thousand	31 December 2023	31 December 2022
Amounts receivable from contracts with customers		
Receivables for sale of electricity	8,066	13,599
Receivables for sale of reserve services	8	951
Receivables for sale of isolated power system operation services	8,689	15,031
Receivables for sale of heat	1,322	1,376
Amounts receivable from other contracts		
Other trade receivables	-	5
Total	**18,085**	**30,962**
Less: loss allowance	(2)	(2)
Carrying amount	**18,083**	**30,960**

As at 31 December 2023 and 2022, the Company had not pledged claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is between 15 and 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Company doesn't provide the settlement period longer than 1 year. The management didn't identify any significant financing component. For terms and conditions on settlement between related parties see Note 27.

16.1 Loss allowance of amounts receivable (lifetime expected credit losses)

The table below presents information on the Company's trade receivables from contracts with customers as at 31 December 2023 that are assessed on a collective basis using the loss ratio matrix:

EUR thousand	Loss ratio	Trade receivables	Loss allowance
Not past due	0.00%	-	-
Up to 30 days	0.00%	-	-
30-60 days	0.00%	-	-
60-90 days	0.00%	-	-
90-120 days	0.00%	-	-
More than 120 days	100.00%	2	2
31 December 2023		**2**	**2**

The Company's trade receivables from contracts with customers as at 31 December 2022 that are assessed on a collective basis using the loss ratio matrix:

EUR thousand	Loss ratio	Trade receivables	Loss allowance
Not past due	0.00%	27	-
Up to 30 days	0.00%	-	-
30-60 days	0.00%	-	-
60-90 days	0.00%	-	-
90-120 days	0.00%	-	-
More than 120 days	50.00%	4	2
31 December 2022		**31**	**2**

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

EUR thousand	31 December 2023 Trade receivables	Loss allowance	31 December 2022 Trade receivables	Loss allowance
Not past due	18,083	-	30,931	-
Up to 30 days	-	-	-	-
30-60 days	-	-	-	-
60-90 days	-	-	-	-
90-120 days	-	-	-	-
More than 120 days	-	-	-	-
Carrying amount	**18,083**	**-**	**30,931**	**-**

The fair values of trade receivables as at 31 December 2023 and 2022 approximated their carrying amounts.

17 Cash and cash equivalents

EUR thousand	31 December 2023	31 December 2022
Cash balances in bank accounts	5,398	26,779
Carrying amount	**5,398**	**26,779**

Under the loan agreements signed with the banks, the Company has not pledged cash balances in bank accounts.

18 Equity

18.1 Capital management

For the purpose of capital management, the Company's 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 shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2023 and 2022, the Company met regulatory capital requirements.

18.2 Issued capital

As at 31 December 2022, the Company's issued capital comprised EUR 187,920,762 and was divided in to 648,002,629 registered ordinary shares with par value of EUR 0.29 each. All the shares are fully paid.

On 24 April 2023, the shareholders' meeting adopted a decision to reduce the issued capital to EUR 90,000,000, which was divided into 310,344,828 ordinary registered shares with a nominal value of EUR 0.29. On 25 September 2023, the new version of Articles of Association were registered and funds were paid to the shareholder AB Ignitis grupė.

As at 31 December 2023 and 2022, share premium of the Company amounted to EUR 89,975 thousand.

18.3 Dividends

EUR thousand	2023	2022
AB Ignitis grupė	156,169	44,064

On 28 April 2023, the sole shareholder of the Company made a decision to pay out dividends of EUR 0.241 per share for 2022, amounting to EUR 156,169 thousand in total.

On 29 April 2022, the sole shareholder of the Company made a decision to pay out dividends of EUR 0.068 per share for October– December 2021, amounting to EUR 44,064 thousand in total.

19 Reserves

19.1 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.

In 2023 and 2022, the Company's legal reserve was fully formed.

19.2 Hedging reserve

The hedging instrument revaluation reserve is the change in the fair value of qualifying derivatives that are used for hedging purposes and for which hedging is considered effective.

EUR thousand	2023 Before tax	2023 Tax income (expenses)	2023 After tax	2022 Before tax	2022 Tax income (expenses)	2022 After tax
Cash flow hedges – effective portion of change in fair value	-	-	-	15,196	(2,279)	12,917
Total	**-**	**-**	**-**	**15,196**	**(2,279)**	**12,917**

20 Loans

EUR thousand	31 December 2023	31 December 2022
Non-current		
Bank loan 1	2,758	3,984
Bank loan 2	891	4,082
Current		
Current portion of non-current loan 1	1,226	1,226
Current portion of non-current loan 2	3,208	3,199
Group's cash-pool platform	47,983	61,410
Total	**56,066**	**73,901**

Loans by maturity:

EUR thousand	31 December 2023	31 December 2022
Up to 1 year	52,417	65,835
From 1 to 2 years	2,117	4,417
From 2 to 5 years	1,532	3,649
After 5 years	-	-
Carrying amount	**56,066**	**73,901**

All loans of the Company are denominated in euros.

20.1 Covenants

The loan agreements with the bank do not provide for financial and non-financial covenants that the Company is obliged to comply with. The Group's cash-pool platform agreement with AB Ignitis grupė provides for a borrowing limit. Non-current assets were pledged to secure the financing of part of the loan (EUR 3,984 thousand).

21 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Company. While implementing risk management strategy, the management monitors net debt ratio.

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.

Amounts owed to financial institutions, loans under cash-pool agreement to Group companies and related interest payable and lease liabilities are included in the net debt calculation.

Net debt balances:

EUR thousand	31 December 2023	31 December 2022
Cash and cash equivalents	(5,398)	(26,779)
Non-current loans	3,649	8,066
The current year portion of non-current loan	4,439	4,425
Current loans – Group's cash-pool platform	47,978	61,410
Lease liabilities	6,113	5,773
Net debt	**56,781**	**52,895**

Reconciliation of the Company's net debt balances to cash flows from financing activities:

	Assets	Lease liabilities		Loans		Total
EUR thousand	Cash	Non-current	Current	Non-current	Current	
Net debt as at 1 January 2022	**(169,421)**	**5,461**	**124**	**12,483**	**4,417**	**(146,936)**
Cash changes						
(Increase) decrease in cash and cash equivalents	142,642	-	-	-	-	**142,642**
Group's cash-pool platform	-	-	-	-	61,341	**61,341**
Repayment of loans	-	-	-	-	(4,417)	**(4,417)**
Lease payments	-	-	(126)	-	-	**(126)**
Interest paid	-	-	(233)	-	(640)	**(873)**
Non-cash changes						
Accrual of interest payable	-	-	233	-	705	**938**
Lease contracts concluded	-	407	-	-	-	**407**
Lease liabilities write-off	-	-	(93)	-	-	**(93)**
Reclassifications between items	-	(176)	176	(4,417)	4,417	**-**
VAT on interest payable	-	-	-	-	12	**12**
Net debt as at 31 December 2022	**(26,779)**	**5,692**	**81**	**8,066**	**65,835**	**52,895**
Net debt as at 1 January 2023	**(26,779)**	**5,692**	**81**	**8,066**	**65,835**	**52,895**
Cash changes						
(Increase) decrease in cash and cash equivalents	21,381	-	-	-	-	**21,381**
Group's cash-pool platform	-	-	-	-	(13,698)	**(13,698)**
Repayment of loans	-	-	-	-	(4,417)	**(4,417)**
Lease payments	-	-	(143)	-	-	**(143)**
Interest paid	-	-	(238)	-	(2,143)	**(2,381)**
Non-cash changes						
Accrual of interest payable	-	-	238	-	2,091	**2,329**
Lease contracts concluded	-	389	98	-	-	**487**
Lease liabilities write-off	-	-	(4)	-	-	**(4)**
Reclassifications between items	-	(68)	68	(4,417)	4,417	**-**
VAT on interest payable	-	-	-	-	332	**332**
Net debt as at 31 December 2023	**(5,398)**	**6,013**	**100**	**3,649**	**52,417**	**56,781**

22 Grants and subsidies

EUR thousand	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Total
Carrying amount as at 1 January 2022	**24,954**	**117,516**	**142,470**
Depreciation and amortisation	(423)	(7,612)	**(8,035)**
Carrying amount as at 31 December 2022	**24,531**	**109,904**	**134,435**
Carrying amount as at 1 January 2023	**24,531**	**109,904**	**134,435**
Depreciation and amortisation	(336)	(7,595)	**(7,931)**
Carrying amount as at 31 December 2023	**24,195**	**102,309**	**126,504**

Amortisation of grants is accounted for under depreciation and amortisation in the 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.

23 Provisions

EUR thousand	31 December 2023	31 December 2022
Non-current	47,355	3,752
Current	2,732	5,290
Total	**50,087**	**9,042**

Movement of the Company's provisions was as follows:

EUR thousand	Emission allowance liabilities (Note 5.3)	Provisions Isolated power system operations' and system services (Note 5.3.1)	Dismantling works	Provisions for employee benefits	Other provisions	Total
Balance as at 1 January 2022	**5,713**	**22,268**	**140**	**1,580**	**47**	**29,748**
Increase during the year	1,956	2,356	-	426	-	**4,738**
Utilised during the year	(5,683)	(19,321)	(140)	(114)	(11)	**(25,269)**
Discounting effect	-	89	-	-	-	**89**
Result of change in assumptions	-	-	-	(264)	-	**(264)**
Balance as at 31 December 2022	**1,986**	**5,392**	**-**	**1,628**	**36**	**9,042**
Balance as at 1 January 2023	**1,986**	**5,392**	**-**	**1,628**	**36**	**9,042**
Increase during the year	2,402	48,466	-	302	-	**51,170**
Utilised during the year	(1,986)	(9,766)	-	(86)	(11)	**(11,849)**
Discounting effect	-	2,187	-	-	-	**2,187**
Result of change in assumptions	-	-	-	(463)	-	**(463)**
Balance as at 31 December 2023	**2,402**	**46,279**	**-**	**1,381**	**25**	**50,087**
Non-current portion	-	46,279	-	1,056	20	**47,355**
Current portion	2,402	-	-	325	5	**2,732**

The total change in provisions in 2023 is EUR 41,045 thousand. Change recognised in the statement of profit or loss – EUR 41,508 thousand, recognised in the statement of comprehensive income – EUR -463 thousand (total change in provisions in 2022 – EUR -20,706 thousand, change recognised in the statement of profit or loss – EUR -20,442 thousand, recognised in the statement of comprehensive income – EUR -264 thousand).

Provisions for employee benefits include a statutory retirement benefit and retirement benefit under collective agreement payable to the Company's employees (Note 3.12.2). The period of non-current provision is calculated according to each employee using actuarial assumptions that include the age of employee, mortality risk, index of staff turnover, discount rate (3.373% as at 31 December 2023, 0.055% as at 31 December 2022), long-term salary increase rate (5% as at 31 December 2023, 5% as at 31 December 2022).

The provision for isolated power system operation and additional services relates to regulatory activities that give rise to regulatory differences which are reimbursed during the next years (Note 5.3.1). Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's methodology, the period of reimbursement is 2024–2025 year.

24 Other current liabilities

EUR thousand	31 December 2023	31 December 2022
Payroll related liabilities	2,499	2,118
Taxes (other than income tax)	1,307	327
Payable dividends	1,095	1,112
Amounts payable for non-current assets	1,069	557
Accrued expenses	252	285
Other current liabilities	5	852
Carrying amount	**6,227**	**5,251**

Financial liabilities amount to EUR 2,169 thousand (31 December 2022: EUR 2,521 thousand). Financial liabilities do not include accrued expenses, taxes (other than income tax) and payroll related liabilities.

25 Derivative financial instruments

Derivative financial instruments mainly comprise contracts made directly with other parties – over-the-counter (OTC). As at 31 December 2023, the Company had no effective contracts.

25.1 Derivative financial instruments included in the statement of financial position

EUR thousand	31 December 2023	31 December 2022
Other current assets	-	15,196
Carrying amount	**-**	**15,196**

Movement of derivative financial instruments:

EUR thousand	31 December 2023	31 December 2022
Carrying amount as at 1 January	**15,196**	**(7,444)**
Fair value change of derivative financial instruments recognised in Other expenses	-	7,444
Fair value change of derivative financial instruments recognised in OCI	(15,196)	15,196
Carrying amount	**-**	**15,196**

25.2 Derivative financial instruments included in the statement of profit or loss and other comprehensive income

EUR thousand	2023	2022
Fair value change of OTC	-	7,444
Hedge ineffectiveness recognised - OTC	53,299	(73,632)
Total recognised in statement of profit or loss	**53,299**	**(66,188)**

26 Contingent liabilities

26.1 Litigations

On 7 August 2019, the Company appealed to the Vilnius Regional Administrative Court regarding the annulment of the decision taken by NERC on 8 July 2019 No. R2-(E) -1340 “On compensation for the amount of funds of public interest services for public services provided in 2016” (hereinafter “Administrative Act”) and to oblige the NERC when determining the need for funds for public interest services (hereinafter “PSO”) for the first year for which the need of PSO funds will be determined after the effective date of this court decision to estimate the resulting difference of EUR 2.51 million between the Company’s 2016 forecast revenue and actual costs incurred. On 2 December 2020, the Supreme Administrative Court of Lithuania partially upheld the Company’s appeal - annulled the decision of the Vilnius Regional Administrative Court of 21 November 2019 to dismiss the Company’s appeal and remitted the case to the Court of First Instance for reconsideration.

By its decision dated 10 March 2021, the Vilnius Regional Administrative Court partially upheld the Company’s appeal: annulled the Administrative Act and obliged the NERC when determining the need for funds for public interest services for the first year for which the need of PSO funds will be determined after the effective date of this court decision to estimate the resulting difference of EUR 2.51 million between the Company’s 2016 forecast revenue and actual costs incurred.

By its ruling dated 9 June 2021, the Supreme Administrative Court of Lithuania dismissed the appeal of NERC. The decision of 10 March 2021 of the Vilnius Regional Administrative Court came into effect and became mandatory for NERC.

On 29 October 2021, NERC by adopting Resolution No. O3E-1420 “On Determining the Funds and Price of Services of Public Interest for 2022”, executing the decision of the Vilnius Regional Administrative Court, after assessing the Company's request, decided not to repay the resulting difference of EUR 2.51 million between the Company's forecast revenue in 2016 and actual costs. The Company is evaluating the possibility of appealing the decision of NERC to a court.

On 8 December 2021, the Company lodged a revised appeal to the Vilnius Regional Administrative Courts requesting annulment of Item 1 of NERC Resolution and obligation to reconsider Claim No. SD-381 of 15 May 2019 of the claimant.

On 21 December 2021, NERC filed its reply to the appeal. The case is scheduled for hearing at Vilnius Regional Administrative Court on 2 February 2023.

On 2 February 2023, the Vilnius Regional Administrative Court adopted a decision rejecting the appeal of UAB Ignitis gamyba and upholding NERC’s decision No O3E-1420 of 29 October 2021, which refused to grant the request of AB Ignitis gamyba for EUR 2.51 million compensation (payment of PSO funds).

On 3 March 2023, the Company lodged an appeal.

On 6 March 2024, the Supreme Administrative Court of Lithuania dismissed the appeal (Note 29.1).

26.2 Other contingent liabilities and commitments

On 3 June 2019, the European Commission opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service monies to the Company in the context of a strategic reserve measure.

The Company’s management is not aware of any circumstances that could result in potential significant liabilities for the Company in this respect; therefore, no provisions are recognised.

27 Related-party transactions

Related parties, in EUR thousand	Amounts receivable 31 December 2023	Amounts payable 31 December 2023	Loans received 31 December 2023	Sales 2023	Purchases 2023	Finance income (costs) 2023
Parent company AB Ignitis grupė	-	340	41,937	-	106	(1,574)
Other Group companies	3,782	367	5,707	51,807	41,335	51
State-controlled UAB EPSO-G group companies	15,937	1,710	-	164,082	106,874	-
Other related parties	-	-	-	-	51	-
Total	**19,719**	**2,417**	**47,644**	**215,889**	**148,366**	**(1,523)**

Related parties, in EUR thousand	Amounts receivable 31 December 2022	Amounts payable 31 December 2022	Loans received 31 December 2022	Sales 2022	Purchases 2022	Finance income (costs) 2022
Parent company AB Ignitis grupė	-	174	59,547	-	159	(274)
Associates of the Company	2	233	-	21	1,937	1
Other Group companies	19,019	170	1,794	23,963	221,293	(37)
State-controlled UAB EPSO-G group companies	110,070	6,295	-	124,053	133,162	-
Total	**129,091**	**6,872**	**61,341**	**148,037**	**356,551**	**(310)**

The Company purchases from other group companies services related to asset lease, IT and telecommunications, organisation and execution of public procurement, accounting and personnel administration services. EPSO-G group companies provide electricity transmission services and services of public interest (PSO).

During 2023 and 2022, the Company used the Group's cash-pool platform. (Note 20). The Company had received funds through the platform (see table above "Loans granted").

Derivative transactions with related parties are disclosed in Note 25.

27.1 Terms of transactions with related parties

The payment terms set range from 15 to 90 days. Receivables as at the year-end are not secured by pledges, they do not yield interest, and settlements occur in cash.

27.2 Compensation to key management

EUR thousand	2023	2022
Salaries and other current benefits to key management	257	405
Whereof:		
Current benefits	257	405
Termination benefits	-	-
Number of key management personnel	6	6

In 2023 and 2022, the members of the Management Board and the Chief Executive Officer of the Company are designated as the Company's key management personnel (the Supervisory Board was also designated as key management personnel in 2022 – see below). For more information on the key management personnel, see Sections 4.3 and 4.4 of the Annual Report.

In 2023, the Supervisory Board and the Management Board of the parent company adopted a decision to replace the Company's two-tier governance model with a one-tier governance model, i.e. to remove the Executive Board made up of employees and instead to form the Board with a supervisory function; a new composition of the Management Board was approved.

28 Fair values of financial instruments

28.1 Financial instruments measured at fair value

As at 31 December 2023 and 2022, the Company has accounted for assets and liabilities arising from financial derivatives. The Company accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 3.7.3. 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 statement of financial position. 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 Company attributes to Level 2 of the fair value hierarchy derivative financial instruments linked with the Lithuanian/Latvian and Estonian/Finish electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are estimated based on the prices of the NASDAQ Commodities exchange.

28.2 Financial instruments for which fair value is disclosed

The fair value of the Company's financial liabilities related to debt liabilities to commercial banks and Group companies 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 4.35% as at 31 December 2023 (31 December 2022: 4.80%). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2023:

EUR thousand	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments for which fair value is disclosed						
Liabilities						
Group's cash-pool platform	21	**47,978**	-	47,978	-	**47,978**
Loans from commercial banks	21	**8,088**	-	**8,012**	-	**8,012**

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2022:

EUR thousand	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments measured at fair value through profit (loss) or other comprehensive income						
Assets						
Derivatives	5	**15,196**	-	15,196	-	**15,196**
Financial instruments for which fair value is disclosed						
Liabilities						
Group's cash-pool platform	21	**61,410**	-	61,410	-	**61,410**
Loans from commercial banks	21	**12,491**	-	12,238	-	**12,238**

29 Events after the reporting period

29.1 Litigations

By its ruling of 6 March 2024, the Supreme Administrative Court of Lithuania dismissed the appeal lodged by AB Ignitis gamyba and upheld the decision of the Vilnius Regional Administrative Court of 2 February 2023, which upheld the decision of NERC of 29 October 2021 No O3E-1420 refusing to grant the request of AB Ignitis gamyba for EUR 2.51 million compensation (payment of PSO funds).

29.2 Other events

On 25 January 2024, the Company established a subsidiary UAB Ignitis gamyba projektai, which is engaged in the generation, storage, trading and other related activities of electricity and the development of such projects.

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

*****

KPMG Baltics, UAB
Klaipėda branch
Liepų str. 4
LT-92114 Klaipėda
Lithuania

+370 46 48 00 12
klaipeda@kpmg.lt
home.kpmg/lt

Independent Auditor's Report

To the Shareholder of AB Ignitis gamyba

Opinion

We have audited the financial statements of AB Ignitis Gamyba ("the Company"). The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended as at 31 December 2023,
- the statement of financial position as at 31 December 2023,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethics Standards Board for Accountants and the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's annual management report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Company code: 111616158
VAT code: LT114949716

In addition, our responsibility is to consider whether information included in the Company's annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of KPMG Baltics, UAB

ROKAS KASPERAVIČIUS Digitally signed by ROKAS KASPERAVIČIUS
Date: 2024.03.26 20:09:34 +02'00'

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
26 March 2024

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 95 to 97 of this document.

6.3 Information on the auditor

Overview

On 24 April 2023, the Company's Meeting of Shareholders re-appointed KPMG Baltics, UAB to audit the Company's financial statements for the period 2023–2027. Under the previous agreement, KPMG also audited the Company's financial statements for 2021 and 2022.

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 criterion of implementing public tenders is to ensure competitiveness and accordingly the only specific audit selection criterion 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

2021–2023
KPMG Baltics, UAB Lvivo g. 101 LT-08104 Vilnius, Lithuania

Services and fees

– During the period of 2022–2023, the following services have been provided to the Company by the independent auditors and its international partners.

– Independent auditor's services and fees

EUR thousand	2023	2022
Statutory audit	58	58
Other	2	2
Total	**60**	**60**

Other services included the translation into English of the Company's financial statements and annual report.

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.

7. Additional information

7.1	Other important statutory information	100
7.2	Information on compliance with the guidelines on transparency in state-owned companies	102

7.1 Other important statutory information

The Annual Report provides information to the shareholders, creditors and other stakeholders of AB Ignitis gamyba (the Company) about the Company's and its controlled companies', if any, operations for the period of January–December 2023.

The Annual report has been prepared by the Company's administration in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania, and taking into consideration the description of the guidelines for transparency of the activities of state-owned enterprises. The Company's securities are not listed or traded on a regulated market. The Articles of Association of the Company do not impose any requirements on the content of the Company's annual report beyond those provided for in the above-mentioned laws.

The 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 Company (Elektrinės str. 21, Elektrėnai) on working days from Mondays to Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (with a prior arrangement).

Company details
1. Company name: AB Ignitis gamyba 2. Legal form: joint stock company 3. Share capital: EUR 90,000,000.12 4. Registration date and place: 20 July 2011, the Register of Legal Entities of the Republic of Lithuania 5. Company code: 302648707 6. Company address: Elektrinės str. 21 7. Company's register: Register of Legal Entities 8. Phone: +370 618 37392 9. E-mail address: gamyba@ignitis.lt 10. Website: www.ignitisgamyba.lt
Legal notes
1. There were no significant events after the end of the financial year except those revealed in Business highlights. 2. The Company uses derivatives and hedging instruments that are subject to accounting of hedging transactions. 3. As at the beginning of the reporting period, the Company did not have own shares and did not acquire any during the reporting period. 4. The Company has no branches or representative offices. 5. The Company envisages further sustainable development of its existing operations to ensure higher profitability and asset efficiency in the long term. Research will be carried out as and when required. 6. The Company's operations are in compliance with the requirements of environmental protection legislation.
Alternative performance measures
Alternative Performance Measures ("APM") are the adjusted figures presented in this report used for the internal assessment of performance management. These measures are not defined by the International Financial Reporting Standards (IFRS) and do not comply with the requirements of IFRS. Definitions of alternative performance indicators are available on the AB Ignitis grupė website (link).
Internal control and risk management systems relevant to the preparation of financial statements
The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The staff of the Company's accounting firm ensures that the financial statements are properly prepared and that the data is collected in a timely and accurate manner. The preparation of the Company's financial statements, internal control and financial risk management systems are monitored and managed based on the legal acts governing the preparation of financial statements.

Information on agreements concluded between the company, the members of the management and supervisory bodies or employees, that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the company (official offer)
There are no agreements concluded between the company, the members of the management and supervisory bodies or employees that provide for compensation in case of their resignation or dismissal without a reasonable cause or in case of termination of their employment as a result of the change in control of the company.
Information on restrictions on the transfer of securities of the company imposed by law, articles of association or shareholders' agreements
There are no restrictions on the transfer of securities of the company imposed by law, articles of association or shareholders' agreements.
Information on the company's branches and representative offices and research and development activities
The company has no branches and representative offices and does not carry out research and development activities.
Notice on the language
In the event of discrepancies between the Lithuanian and English versions of the documents, the Lithuanian version shall prevail.

7.2 Information on compliance with the Guidelines on Transparency in State-Owned Companies

Information on compliance with the guidelines on transparency in state-owned companies

Point in the description of the Guidelines on Transparency in State-Owned Companies (version as at 30 April 2021)	Disclosure	Explanation
Chapter II. Disclosure of information by a State-owned enterprise		
5. The following data and information must be published on the website of a state-owned entity:		Information available on www.ignitis-gamyba.lt/en
5.1. name;	Yes	
5.2. the code and register in which the company's data is collected and stored;	Yes	
5.3. registered office (address);	Yes	
5.4. the legal status if the state-owned entity is being restructured, reorganised (indicating the type of reorganisation), liquidated, bankrupt or insolvent;	Yes	
5.5. the name of the authority representing the State and a link to its website;	Yes	
5.6. operational objectives, vision and mission;	Yes	
5.7. structure;	Yes	
5.8. data about the head of the company;	Yes	
5.9. data about the chairman and members of the management board, if the management board established under the articles of association;	Yes	
5.10. data about the chairman and members of the supervisory council, if the supervisory council is established under the articles of association;	Yes	
5.11. names of committees, data about their chairmen and members, if committees are established under the articles of association;	Yes	
5.12. the sum of the nominal values of the shares owned by the State (to the nearest euro cent) and the share (as a percentage) in the authorised capital of the State-owned company;	Yes	
5.13. special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations shall be specified, the state budget allocations for their execution in the current calendar year and the legal acts by which the state-owned companies is entrusted with the execution of the special obligation shall be indicated, the terms and conditions of the execution of the special obligation shall be set and/or the pricing shall be regulated;	Not applicable	
5.14. information on social responsibility initiatives and measures, major investment projects underway or planned.	Yes	
6. In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies and committees of State-owned companies, the following data shall be published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 is elected or appointed as an independent member, this shall be indicated in addition to his/her data.	Yes	Information available on www.ignitis-gamyba.lt/en
7. The following documents shall be published on the website of a State-owned enterprise:	Yes	Information available on www.ignitis-gamyba.lt/en
7.1. Articles of Association;	Yes	
7.2. statement from the representative body of the State on the definition of the State's objectives and expectations in a State-owned enterprise;	Yes	
7.3. the business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret;	Yes	
7.4. a document setting out the remuneration policy covering the remuneration of the chief executive of a State-owned enterprise and the remuneration of the members of the collegiate bodies and committees of a State-owned enterprise, as detailed in the Corporate Governance Code;	Yes	

7.5. annual and interim reports of a State-owned enterprise , and annual and interim activity reports of a State-owned enterprise for a period of at least 5 years;	Yes	
7.6. sets of annual and interim financial statements for a period of at least 5 years and auditor's reports on the annual financial statements.	Yes	
8. If the State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description concerning the subsidiaries and entities of subsequent rows, the website addresses, the percentage of the parent company's shareholding in their share capital as well as the annual consolidated financial statements and the consolidated annual reports.	Yes	Information available on www.ignitis-gamyba.lt/en
9. If a State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Yes	Information available on www.ignitis-gamyba.lt/en
9[1]. If the entity is a subsidiary or an entity of a subsequent row of the State-owned company, the website shall contain the parent company's data referred to in points 5.1 to 5.3 of the Description and a link to the website of the parent company.	Yes	The requested information is published on the websites of the parent company's subsidiaries and subsequent-row subsidiaries (if any)
10. Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 91 of the Schedule shall be promptly amended and published on the website.	Yes	Information and documents that have changed are updated immediately
11. The set of annual financial statements of the State-owned company, the annual report of the State-owned company, the annual activity report of the State-owned company, as well as the auditor's report on the annual financial statements of the State-owned company, must be published on the website of the State-owned company within 10 working days from the date of the approval of the annual financial statements of the State-owned company.	Yes	Documents are published on the website within a set time limit
12. The sets of interim financial statements of the State-owned company, the interim reports of the State-owned company and the interim activity reports of the State-owned company must be published on the website of the State-owned company at the latest 2 months after the end of the reporting period.	Yes	Documents are published on the website within a set time limit
13. The documents referred to in point 7 of the Description shall be published in PDF format and shall be technically printable.	Yes	Documents are published in the PDF format
Chapter III. Preparation of financial statements, reports and activity reports		
14. State-owned companies shall maintain their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Yes	The Company's accounting is in accordance with IFRS
15. In addition to the annual financial statements, a State-owned company prepares a set of 6-month interim financial statements, and a state enterprise prepares sets of 3-month, 6-monthly and 9-month interim financial statements.	Not applicable	
16. A State-owned company classified as a public interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares a 6-month interim report in addition to the annual report. A State-owned enterprise classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania shall, in addition to the annual activity report, prepare a 6-month interim activity report.	Not applicable	
17. The annual report of a State-owned company or the annual activity report of a State-owned company shall, in addition to the content requirements set out in the Law on Financial Reporting of Enterprises of the Republic of Lithuania or the Law on State and Municipal Enterprises of the Republic of Lithuania, contain:	Yes	The Company presents information in the annual report
17.1. a brief description of the business model of the State-owned company;	Yes	
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) that had a material impact on the activities of the State-owned enterprise;	Yes	
17.3. the results of the achievement of the objectives set out in the State-owned company's operational strategy;	Yes	
17.4. profitability, liquidity, asset turnover, debt ratios;	Yes	
17.5. fulfilment of specific obligations;	Not applicable	

17.6. Implementation of the investment policy, ongoing and planned investment projects and Investments during the year under review;	Yes	
17.7. implementation of the risk management policy in a State-owned company;	Yes	
17.8. implementation of dividend policy in State-owned companies;	Yes	
17.9. implementation of remuneration policy;	Yes	
17.10. the total annual payroll fund, the average monthly salary by position and/or department;	Yes	
17.11. information on compliance with the provisions of Chapters II and III of the Description: how they are being implemented, which provisions are not being complied with and an explanation of why.	Yes	
18. State-owned companies and state enterprises that are not required to prepare a corporate social responsibility report are recommended to include in their annual report or annual activity report, as appropriate, information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues.	Not applicable	The Company prepares a social responsibility report (integrated into the annual report)
19. If the information referred to in point 17 of the Description is considered to be a commercial (industrial) secret or confidential information of the State-owned company, the State-owned company may not disclose such information, but state in the annual report of the State-owned company or the annual activity report of the State-owned company, as the case may be, that the information is not to be disclosed and under what reason.	Not applicable	The Company presents information in the annual report
20. The annual report of the State-owned company or the annual activity report of the State enterprise may also contain other information not specified in the Description.	Yes	The annual report also contains other information
21. A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as the data referred to in points 5.1 to 5.3, for each of its subsidiaries and subsequent-row subsidiaries, the shareholding (in percentage of share capital) in the authorised capital of the subsidiary and the financial and non-financial results of its operations for the financial year. Where a State-owned company which is the parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply *mutatis mutandis* to it.	Yes	The Company presents information in the annual report
22. The interim report of a State-owned enterprise or the interim performance report of a State-owned enterprise shall include a brief description of the business model of the State-owned enterprise, an analysis of its financial performance for the period under review, information on significant events that occurred during the period under review, as well as the indicators of profitability, liquidity, turnover, assets and debt, and the changes of these indicators as compared to the corresponding period of the previous year.	Not applicable	The Company presents information in the annual report

8. Glossary

RES	Renewable Energy Sources	**KHPP**	Kaunas HPP
EA	Emission Allowances	**CEN**	Continental European Network
Company	AB Ignitis gamyba	**RL**	Republic of Lithuania
GDP	Gross Domestic Product	**MW**	Megawatts
OHS	Occupational Health and Safety	**Nord Pool**	NordPool electricity exchange
EC	Elektrėnai Complex	**TSO**	Transmission system operator AB Litgrid
EU	European Union	**TWh**	Terawatt-hours
Group	Companies of the companies group AB Ignitis Grupė	**NERC**	National Energy Regulatory Council
GWh	Gigawatt-hours	**SPI**	Services of public interest
CCU	Combined cycle unit	**Vilnius TE-3**	3rd Combined Heat and Power Plant of Vilnius
KPSHP	Kruonis Pumped Storage Hydroelectric Plant		

9. Certification statement

26 March 2024

We, the undersigned AB Ignitis gamyba Rimgaudas Kalvaitis, Chief Executive Officer, Andrius Valivonis, Head of Finance and Administration Department, and Kristina Uldukienė, Accounting Expert acting under Order No 24_GSC_SP_0004 of 10 January 2024, hereby confirm that, to the best of our knowledge, AB Ignitis gamyba financial statements for the year 2023, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of AB Ignitis gamyba assets, liabilities, financial position, profit or loss for the period and cash flows, the annual report for the year 2023 includes a fair review of the activities business development as well as the condition of AB Ignitis gamyba and with the description of the principle risk and uncertainties it faces.

Rimgaudas Kalvaitis	Andrius Valivonis	Kristina Uldukienė
Chief Executive Officer	Head of Finance and Administration Department	Accounting expert of UAB Ignitis grupės paslaugų centras, acting under Decision No 24_GSC_SP_0004 of 10 January 2024

AB Ignitis gamyba	+370 618 37392	Company code
Elektrinės g. 21, LT-26108	gamyba@ignitis.lt	302648707
Elektrėnai, Lithuania	www.ignitisgamyba.lt	VAT payer’s code
		LT100006256115