Kvalifikuotas elektroninis parašas
RENATA ZAKAŽAUSKIENĖ
2022-03-31 12:54:38 GMT+3
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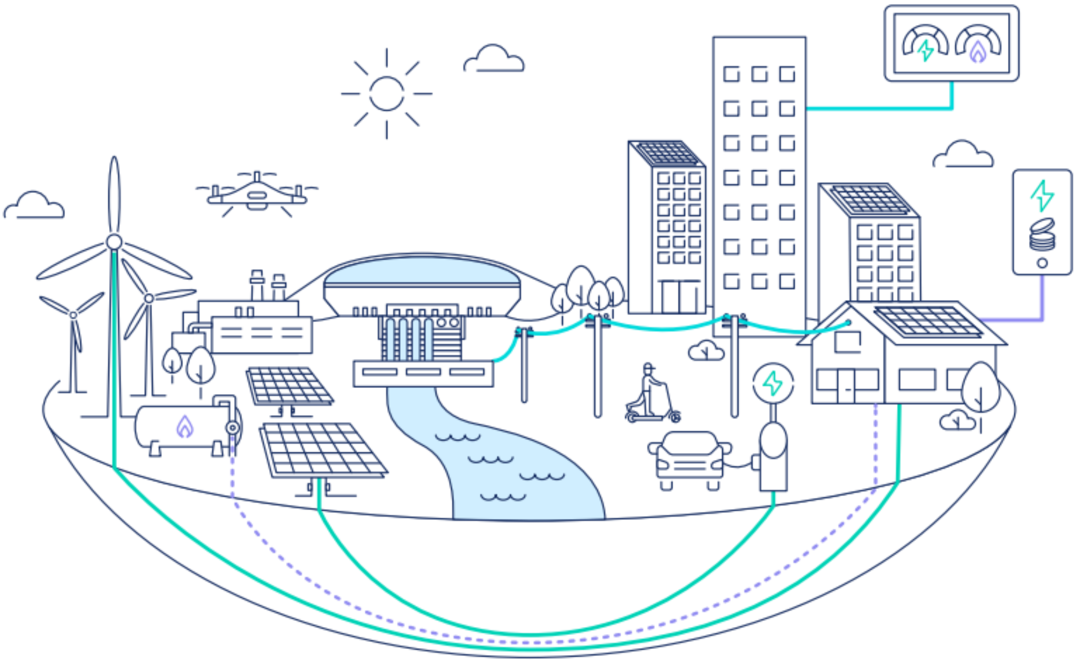
Kvalifikuotas elektroninis parašas
ANDRIUS VALIVONIS
2022-03-31 13:13:14 GMT+3
Paskirtis: Parašas

Kvalifikuotas elektroninis parašas
RIMGAUDAS KALVAITIS
2022-03-31 14:15:01 GMT+3
Paskirtis: Parašas

AB Ignitis gamyba

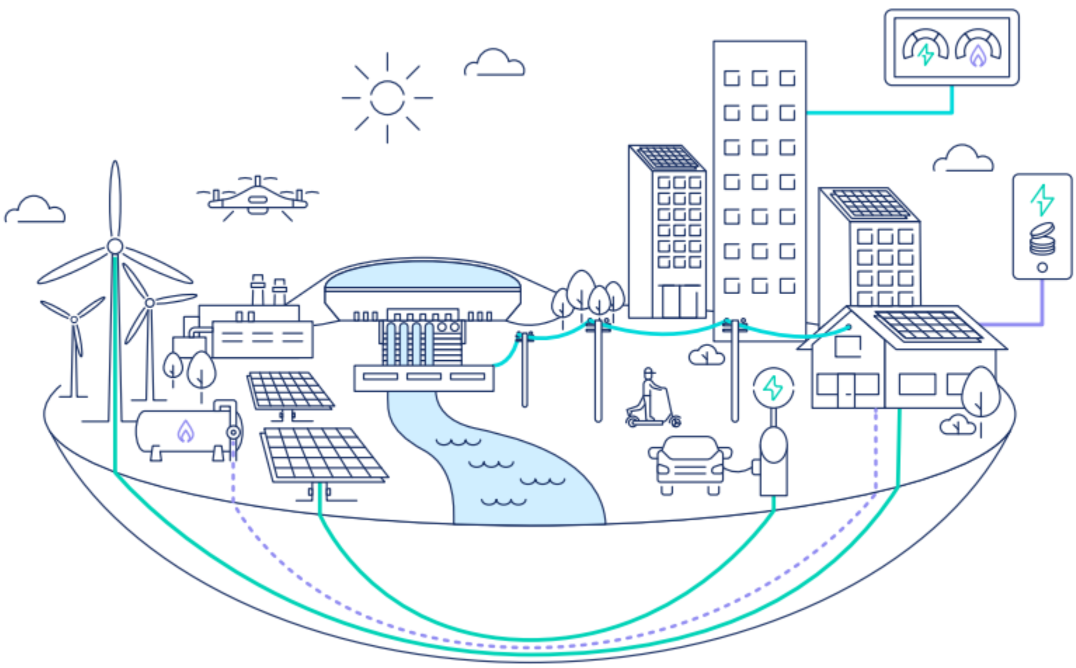
Annual report for the year ended 31 December 2021 and the company's financial statements for the year ended 31 December 2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, accompanied by an independent auditor's report for the year ended 31 December 2021



Content

AB Ignitis gamyba
Annual report for the year 2021

Annual report for the year ended 31 December 2021 and the company's financial statements for the year ended 31 December 2021, 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 2021



AB Ignitis gamyba
Elektrinės st. 21 26108 Elektrėnai, Lithuania
E-mail gamyba@ignitis.lt
Legal entity code 302648707

Content

All amounts are in EUR thousand unless otherwise stated

Reporting period covered by the Annual Report

The Annual Report provides information to the shareholders, creditors and other stakeholders of AB Ignitis gamyba (hereinafter "the Company") about the Company's operations for the period of January-December 2021.

Legal basis for preparation of the Annual Report

The Annual Report of AB Ignitis gamyba has been prepared by the Company's Administration in accordance with the Lithuanian Law on Securities, the Lithuanian Law on Companies, the Rules for Disclosure of Information and the updated version of the Guidelines for Disclosure of Information approved by the Board of the Bank of Lithuania, the Lithuanian Government's Resolution On the approval of the guidelines for ensuring transparency of operations of state-owned entities and other legislation.

Individuals responsible for the information contained in the Annual Report

Position	Full name	Phone
AB Ignitis gamyba, Chairman of the Board, CEO	Rimgaudas Kalvaitis	+370 618 37392
AB Ignitis gamyba, the Board member, Director for Finance and Administration	Andrius Valivonis	+370 618 37392

Information on the availability of the report and the documents used in preparation of the report, and the means of mass media in which the Company's public reports are published

The report and the documents, on the basis of which it was prepared, are available at the head office of AB Ignitis gamyba (Elektrinės g. 21, Elektrėnai), on business days from Monday through Thursday, from 7.30 a.m. until 4.30 p.m., and on Friday from 7.30 a.m. until 3.15 p.m.

The report is also available on the Company's website at www.ignitisgamyba.lt.

All public announcements, which are required to be published by the Company according to the effective legal acts of the Republic of Lithuania, are published on the Company's website (www.ignitisgamyba.lt).

KEY OPERATING AND FINANCIAL INDICATORS OF THE COMPANY

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section “Financial Reports” (link) of the section “For Investors” of the Company's website

		12 months of 2021	12 months of 2020 [1]	Change	
				+/-	%
KEY OPERATING INDICATORS					
Electricity generated	*TWh*	1.76	2.14	-0.39	-17.99
FINANCIAL INDICATORS					
Revenue	*EUR thousand*	295,788	174,460	121,328	69.54
Costs for the purchase of electricity, fuel and related services	*EUR thousand*	150,112	69,834	80,278	114.96
Operating expenses[2]	*EUR thousand*	24,092	23,047	1,045	4.53
EBITDA[3]	*EUR thousand*	105,327	67,769	37,558	55.42
EBITDA margin[4]	*%*	35.6	38.8	-3.2 p. p.	
Adjusted EBITDA[5]	*EUR thousand*	103,949	67,926	36,023	53.03
Adjusted EBITDA margin[6]	*%*	35.3	38.9	-3.6 p. p.	
Net profit (loss)	*EUR thousand*	74,816	42,434	32,382	76.31
		31/12/2021	**31/12/2020**	**Change**	
				+/-	**%**
Total assets	*EUR thousand*	707,191	642,246	64,945	10.11
Equity	*EUR thousand*	342,175	386,975	-44,800	-11.58
Borrowings	*EUR thousand*	16,900	21,317	-4,417	-20.72
Net debt[7]	*EUR thousand*	-152,521	-116,803	-35,718	30.58
Return on equity (ROE)[8]	*%*	21.9	11.0	10.9 p. p.	
Equity ratio	*%*	48.4	60.3	-11.9 p. p.	
Net debt/EBITDA for 12 months	*%*	-144.8	-172.4	27.5 p. p.	
Net debt/Equity	*%*	-44.6	-30.2	-14.4 p. p.	
Asset turnover ratio[10]	*%*	41.8	27.2	14.7 p. p.	
Current liquidity ratio [11]	*%*	166.4	471.2	-304.8 p. p.	

[1] Some of the amounts do not match the amounts presented in the annual financial statements for the year 2020, and represent the restatement of comparative information due to reclassification.
[2] Operating expenses, excluding costs of purchase of electricity and related services, costs of fuel used for production, depreciation and amortisation costs, impairment losses, expenses of emission allowances, derivative financial instruments, costs of doubtful debts and write-offs of property, plant and equipment, and cost of inventory sales.
[3] Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses – restatement of impairment + expenses of emission allowances + write-offs of property, plant and equipment and other assets.
[4] EBITDA / Revenue.
[5] EBITDA result is reported after the adjustments made by the management, eliminating the impact of one-time factors, and by measuring the correction of Company’s regulated activity revenue for receivable and payable amounts recognized previous periods, related to NERC’s decisions for regulated services price setting in the future. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company, without the occurrence of atypical, one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company’s annual reports.
[6] Adjusted EBITDA/Revenue.
[7] Financial debts – Cash and cash equivalents – Short-term investments and term deposits – Share of non-current other financial assets consisting of investments in debt securities.
[8] Net profit (loss) a respective reporting period/Equity at the end of the period.
[9] Equity at the end of the period/Total assets at the end of the period.
[10] Revenue / Total assets at the end of the period.
[11] Short-term assets at the end of the period/short-term financial liabilities at the end of the period.

CEO'S FOREWORD

Dear customers, shareholders, partners and colleagues,

When looking back at the year 2021 we may call it a year of challenges which were successfully managed by the Company. Despite the gas prices, which went up by as many as four times, and more than doubled increase in prices of emission allowances, which also increased the costs of energy production, we managed to stay competitive and offer acceptable electricity prices to the market players. With a joint effort of Elektrėnai Complex, Kruonis PSHP and Kaunas HPP, during the year we have managed to produce 1,759 GWh of electricity.

Last year we continued our active contribution to preparation of Lithuania for synchronization of the power system with the grid of Continental Europe. There is no doubt that one of the major projects of preparation is the historical test performed by the Lithuanian and Polish electricity transmission system operator Litgrid ('TSO') and PSE. The largest electricity generators, managed by the Company – Kruonis PSHP and Elektrėnai combined cycle block ('CCB') – successfully participated in this test. This unique practice proved competence of our specialists, readiness to work in emergency situations and proper technical availability of the facilities of the power plants. Now we can be sure that by coordinating our actions with colleagues from Polish and Lithuanian TSOs we will be ready to ensure stable and uninterrupted operation of the country's energy system even under the most critical circumstances.

We have also started the project of major repairs of the second out of four units of Kruonis PSHP, which is also a continuation of the consistently implemented plan to prepare for the synchronization with the grid of Continental Europe. The objective of this plan is to carry out major repairs of all the four units of Kruonis PSHP until 2025, i.e. prior to synchronization with the grid of Continental Europe, which will allow to extend their reliable service life for at least 15 more years. Let me remind you that first major repairs of the unit were carried out as early as in 2018.

In 2021 we have adopted another decision of great importance regarding major repairs of the energy block B-8 of Elektrėnai Complex. Having carried out major repairs on this B-8 unit of 300 MW capacity, the resource of operation thereof will be extended, and it will ensure the possibility to produce electricity by it without interruptions for at least 90 days. All works of major repairs are planned to be carried out and thus ensure the availability of B-8 for a possible long-term production of electricity until synchronization of the energy system of the Republic of Lithuania with the electricity grid of Continental Europe.

We have also successfully launched the development of Kruonis PSHP. During 2021, in cooperation with advisors who were awarded a contract, the technical specification was prepared as well as other documents necessary for the international tender, and this year a call for tender was announced for acquisition and installation of unit 5 of Kruonis PSHP, which is of great importance to the Lithuanian energy sector. The new unit will enable the power plant to work in a wider range of capacity and, thereby, respond more flexibly to the needs of the system balancing. This will become of great relevance after the synchronization with the grid of Continental Europe has been completed and it will be required to ensure the provision of necessary services of the frequency management.

Last year we have continued to develop the green energy projects. In August, we have completed a successful sale of the last part of the solar park, which was developed up to 4 MW in 2020. Confidence placed in us by more than 1,000 households, as they chose the solar park of Ignitis gamyba, in particular, encouraged us to take actions to develop it. As a result, in November we concluded an agreements with the contractor and as early as this year over 6,000 solar modules will be installed in the area of 3 ha, and the total capacity of the park will reach 7.4 MW. Now it can be safely said that this was the relevant solution for consumers without any doubt, as all the power of a newly installed solar park has been already reserved by customers.

The results of works in the Company related not only to cost optimization but also safety of employees and respect for the environment are worth to be proud of as achievements of our colleagues. One of them is completion of Phase II of the fuel clean-up project in October, which is significant not only from the perspective of economy but also ecology as well. Having improved the idle crude oil infrastructure during this phase in Elektrėnai Complex, we have eliminated long-standing sources of pollution, and significantly reduced the risk of spill of crude oil and contamination of soil and underground waters caused by it. Completed works serve as another contribution of our company to creation of a cleaner environment not only for our employees but also residents of Elektrėnai. Another implemented project includes works of dismantling of two unused chimneys in Elektrėnai Complex, which are almost completed and unique in the region, which were finalized in January of this year.

Last year we have also finished the pilot project of floating solar power plant of low power in the upper basin of Kruonis PSHP. The project included not only installation of the power plant but also various research and studies. The performed experiment showed that there were not yet any preferred technological options to use the area of upper basin of Kruonis PSHP by installing a floating solar power plant here, which would allow to reliably operate such a solar power plant.

In the end of the previous year, the Company adopted another significant decision: to terminate exploitation of loss-making energy units of TE-3, which does not operate in the market, as of 6 January 2022. This decision was adopted after the analysis and assessment of various scenarios of possible use of TE-3 facilities and having made sure that termination of exploitation of energy units will not have a major impact on stability, security, reliability and adequacy of operation of the electricity system.

In the course of the year the key financial indicators of the Company were consistently improving, and the year 2021 was closed with the all-time record result of adjusted EBITDA, the value whereof increased by 53% and amounted to as much as EUR 103.9 million. The Company's revenue increased up to EUR 295.8 million last year, which is more by as many as EUR 121.3 million compared to 2020.

We are a strategic company, therefore we continued to take all available preventive measures during the period of COVID-19 pandemic in order to protect our employees and smoothly organize the operation. Employees who are unable to work remotely, the number whereof accounts for as much as 70% in our company, were provided with conditions to safely perform their functions in conventional work places. Furthermore, we provided employees with a possibility to get vaccinated against COVID-19 sooner as of the beginning of April. Timely decisions regarding management of COVID-19 pandemic in the company allowed us to ensure stable and successful operation of the Company, without making any essential changes to our operation plans.

In the end of the year we won the auction announced by TSO for the services of tertiary active power reserve and signed a contract to provide these services. In 2022, the tertiary active power reserve within the power of 519 MW will be ensured by capacities of generators of block 7 and 8 of Elektrėnai Complex. Having extended the agreement with Litgrid, which is in force as of 2019, the services of secondary emergency reserve of active power will be ensured by Kruonis PSHP in 2022. In 2022, we will also provide the service of isolated operation which will be ensured within the capacity of 372 MW by the combined cycle unit of Elektrėnai Complex and unit 8.

The unforseen jump in prices of energy resources in 2021, continuing Russia's confrontation with Ukraine and the whole European Union strikingly demonstrated the importance of ensuring sufficient production of electricity in the country, and provide system services of vital importance to the whole region. Thus, despite social or economic challenges, in 2022 Ignitis gamyba will continue to ensure provision of services of isolated operation and secondary/tertiary reserve of active power necessary for security of the energy system of Lithuania, and, under the right conditions of the market, will produce electricity at a competitive price.

Rimgaudas Kalvaitis
AB Ignitis gamyba, Chairman of the Board and CEO

MOST SIGNIFICANT EVENTS

Events of the reporting period

On 4 February 2021, the Company announced that during the installation of the floating solar power plant in the upper basin of Kruonis PSHP it was found by the contractor that the technological solutions used at that time in the market were not adequate for the present conditions in the basin of Kruonis PSHP due to cumulative effect of external factors. After evaluating the above and the received results of the project, it was decided **not to pursue the pilot project further**.

On 25 February 2021, the Company announced that, having announced the business plan of expansion of Kruonis PSHP, **tender procedures necessary for the installation of 5th hydro unit were launched**. First of all, the contractor will be selected which will help the Company with preparation of technical requirements for a new unit. It is sought to implement the project of Kruonis PSHP before the synchronization of the Lithuanian energy system with the grid of Continental Europe in 2025.

On 26 February 2021, the Company announced the **audited annual report**. The total of 2,145 GWh of electricity was produced in the power plants managed by the Company, i.e. more by 157.9% if compared to 2019. In 2020, the Company also recorded a significant increase in the key financial indicators.

On 3 March 2021, the Company **informed the public about the increasing inflow of water into the Kaunas Lagoon**. Taking into account the amount of water inflow, at that time Kaunas HPP worked using all 4 hydro units, and the water level of the lagoon was maintained at the level lower than the normal floodplain by 10-20 cm. The public was informed that if the Nemunas flowed even more water into the Kaunas Lagoon, the power plant would also produce more at night in order to maintain the water level in the Kaunas Lagoon within the limits provided for by the rules for the pond use.

On 15 March 2021, District Court of Vilnius City, having examined the claim of Ignitis grupė for recognition of the shares of Ignitis gamyba as its ownership, **divided the claim into two separate cases: a case where concerned parties, the shareholders of Ignitis gamyba, are deceased, and the case where concerned parties are all the remaining shareholders of Ignitis gamyba.** The claim in a divided case, in which the concerned parties are represented by all the shareholders of Ignitis gamyba who are not deceased, was accepted by the court on 15 March 2021 and civil proceedings were initiated.

On 24 March 2021, the Company informed that **changes in the two dismantled unused chimneys of Elektrėnai Complex were already visually detectable**. The dismantling of the outer reinforced concrete base began with the middle 250-meter-high chimney in the worst condition. The project of chimney dismantling is planned to be completed in Q4 of 2021.

On 30 April 2021, **District Court of Vilnius City** adopted a judgment in the case where the shareholders of Ignitis gamyba were not identified as deceased and satisfied the Company's claim regarding establishment of the fact of legal significance, recognized that 11,113,442 out of 11,688,245 units of shares not transferred during the mandatory sale of shares of its subsidiary Ignitis gamyba are the ownership of the Company, and **imposed an obligation on managers of share accounts to make records of the transfer of ownership to the Company in the securities accounts** (link).

On 27 May 2021, the results of Ignitis gamyba of the first quarter were announced. **In Q1 of this year a significant increase in electricity production and growth in financial indicators was recorded.** The increase in production volumes was mainly due to the almost 4.5-fold increase in production volumes in the combined cycle unit. Significantly increased volumes of electricity production in Elektrėnai Complex and efficient utilization of Kruonis PSHP also increased the Company's financial indicators.

On 4 June 2021, the Company announced about the **received notification of the resignation of Dominykas Tučkus, Chairman of the Supervisory Board of Ignitis gamyba, from the position of the member and Chairman of the Supervisory Board of Ignitis gamyba**, the last day of his duties being 25 June 2021. Dominykas Tučkus also resigned from the position of the Board member and Director for Infrastructure and Development of AB Ignitis grupė, the main shareholder of Ignitis gamyba.

On 27 August 2021, **District Court of Vilnius City** adopted a judgment and satisfied the Company's claim regarding the establishment of the fact of legal significance and recognized that the remaining 574,803 units of ordinary registered shares of its subsidiary AB Ignitis gamyba, which were owned by the deceased shareholders of Ignitis gamyba, and which were not transferred during the mandatory sale of shares of Ignitis gamyba, are the Company's ownership and **imposed an obligation on managers of share accounts to make records of the transfer of ownership to the Company** (link).

On 3 September 2021, in the extraordinary general shareholders' meeting of AB Ignitis gamyba **Vidmantas Salietis was elected as the member of the Supervisory Board** until the end of the term of the Supervisory Board of AB Ignitis gamyba, **and a new version of the articles of association of the Company was approved** (link).

On 9 September 2021, the Company announced about **the contract concluded** with UAB Elektrėnų energetikos remontas **regarding major repairs of the second unit of Kruonis PSHP.** Major repairs of the unit will be performed in two stages. In stage one, components will be acquired while in stage two, which should begin in autumn of 2022, repairs will be carried out. The completed repairs will not only prolong the lifetime of the unit but also increase its efficiency, it will operate more economically and less costs will be incurred.

On 24 November 2021, the Company announced about **the contract concluded** with Eternia Solar LT **regarding development of one of the largest remote solar power plants in Lithuania.** During the development of Obeniai solar park, in the area of 3 ha over 6,000 solar modules will be installed, and the total capacity of the park will reach 7.4 MW. The total area of the solar power plant will be more than 9 hectares.

On 8 December 2021, **the largest electricity generators of Lithuania managed by Ignitis gamyba** – Kruonis PSHP and the combined cycle block operating in Elektrėnai Complex – **successfully participated in the historical test carried out by Litgrid, the electricity transmission operator of Lithuania and Poland, and PSE**. During the test a part of the Lithuanian electricity system was working for the first time in history in synchronization with the Polish system, and, at the same time, together with the synchronous zone of Continental Europe.

On 29 December 2021 the Company and Litgrid, the Lithuanian electricity transmission operator, **concluded contracts regarding isolated operation of the electricity system and provision of services of tertiary active power reserve.** According to the concluded contracts, the tertiary reserve of active power with the capacity of 519 MW in 2022 will be ensured by block 7 and 8 of Elektrėnai Complex. The block of the combined cycle and block 8 will ensure the regime of isolated operation in the capacity of 372 MW.

Events after the reporting period

On 6 January 2022, **the loss-making exploitation of TE-3 energy blocks was terminated**. Exploitation was terminated after the analysis and assessment of possible various scenarios of possible operation of TE-3 and having made sure that termination of exploitation of these units will not have a significant impact on stability, safety, reliability and adequacy of the electricity system.

On 14 February 2022, the Company announced about **the contract concluded with** UAB Elektrėnų energetikos remontas **regarding works of major repairs for the turbine and generator of the energy block 8 located in Elektrėnai Complex.** After the major repairs of 300 MW B-8, the resource of its service will be extended up to 50 thousand hours and the possibility of uninterrupted production of energy for more than 90 days will be ensured.

On 26 January 2022, the Company **announced the call for tender for acquisition and installation of 5th unit of Kruonis PSHP.** The maximum capacity of 5th unit planned for installation will be 110 MW. The lifetime of the unit will be 40 years.

For more information about these and other events significant to the Company, see further herein and www.ignitisgamyba.lt.

ANALYSIS OF FINANCIAL INDICATORS

A detailed description of the Company's alternative performance indicators and the methodology for their calculation is provided in the section “Financial Reports” (link) of the section “For Investors” of the Company's website.

		2021	2020[1]	2019[2]	2018[2]	2017[2]
KEY OPERATING INDICATORS						
Electricity generated	*TWh*	1.76	2.14	0.83	0.88	1.15
FINANCIAL INDICATORS						
Revenue from contracts with customers	*EUR thousand*	295,201	172,380	134,978	136,528	147,199
Other revenue	*EUR thousand*	587	2,080	10,526	1,293	2,616
EBITDA[3]	*EUR thousand*	105,327	67,769	68,588	51,986	70,760
Adjusted EBITDA[4]	*EUR thousand*	103,949	67,926	53,576	44,816	53,955
Operating profit	*EUR thousand*	88,163	49,998	50,710	43,654	16,458
Net profit (loss) for the reporting period	*EUR thousand*	74,816	42,434	42,792	34,664	20,677
Profit before tax	*EUR thousand*	87,961	49,775	50,650	42,377	15,917
Cash flows from operating activities	*EUR thousand*	111,964	96,230	48,211	61,140	59,993
Total assets	*EUR thousand*	707,191	642,246	678,113	656,714	635,999
Equity	*EUR thousand*	342,175	386,975	410,053	391,812	354,030
Borrowings	*EUR thousand*	16,900	21,317	25,768	38,208	55,557
Net debt	*EUR thousand*	-152,521	-116,803	-32,733	-9,677	-5,143
RATIOS						
Obligations/Equity		1.07	0.66	0.65	0.68	0.80
Financial debts/Equity		0.05	0.06	0.06	0.10	0.16
Financial debts/Asset		0.02	0.03	0.04	0.06	0.09
Equity ratio	%	48.39	60.25	60.47	59.66	55.67
Net debt/EBITDA for 12 months	%	-144.81	-172.35	-47.72	-18.61	-7.27
Net debt/Equity	%	-44.57	-30.18	-7.98	-2.47	-1.45
Asset turnover ratio	%	41.83	27.16	21.46	20.99	23.56
Current liquidity ratio	%	166.41	471.21	402.04	417.78	254.15
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA)/(interest costs + loans repaid in the reporting period)[5]		19.76	13.11	5.11	1.14	0.91
PROFITABILITY RATIOS						
Operating profit margin	%	29.81	28.66	34.85	31.67	10.99
Profit before tax margin	%	29.74	28.53	34.81	30.75	10.62
Net profit margin	%	25.29	24.32	29.41	25.15	13.80
Return on equity	%	21.86	10.97	10.44	8.85	5.84

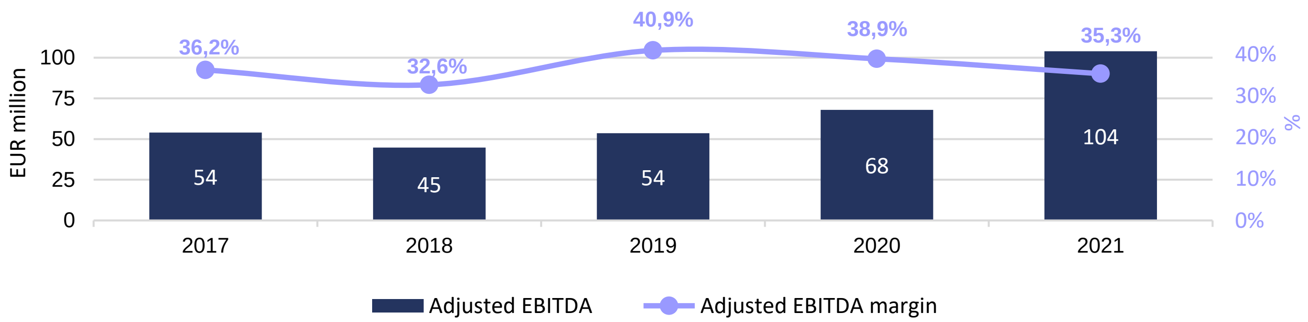
Return on assets	%	10.58	6.61	6.31	5.28	3.25
Return On Capital Employed (ROCE)	%	20.84	10.39	9.82	8.06	5.05

[1] Some of the presented amounts do not match the amounts presented in the annual financial statements for the year 2020, and reflect reorganization of comparative data due to reclassification.
[2] Comparative ratios were not recalculated.
[3] Earnings before tax - interest income + interest costs - dividends received + depreciation & amortisation + impairment + costs/(income) of emission allowance provisions ir revaluation + write-down costs + result of selling a part of a business (when the accounting policy was changed in 2020, cost/(income) of revaluation of emission allowances no longer existed).
[4] EBITDA result is reported after the adjustments made by management by eliminating the impact of one-off factors. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company eliminating one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company's interim and annual reports.
[5] Re-financed loans were not included in the calculation of the ratio.

Between January and December of 2021, the Company's adjusted EBITDA increased by 53.0 %, in comparison with the same period in 2020. This can be also seen in the chart showing the dynamics of EBITDA in January–December 2017-2021, provided below (see Figure 1). Other profitability indicators of the Company (operating profit margin, margin of profit before tax, net profit margin) in January–December 2021 were also higher if compared to the same period in January–December 2020. Between January and December of 2021, operating profit before tax and net profit was higher by over 76% if compared with the same period in 2020.

Between January and December of 2021, compared to the same period in 2020, the Company's adjusted EBITDA grew as a result of the efficient use of Kruonis Pumped Storage Power Plant and higher production volume, as well as higher selling prices of electricity in Kaunas A. Brazauskas power plant.

Figure 1
The Company's adjusted EBITDA and adjusted EBITDA margin* dynamics*



* Ratios of 2020 do not match the amounts presented in the annual financial statements for the year 2020, and reflect reorganization of comparative data due to reclassification. Ratios of 017-2019 were not recalculated.

Statement of financial position

Liabilities of the Company to financial institutions were equal to EUR 16.9 million (as of 31 December 2021) and consisted of the liabilities under the long-term loan agreements. Liabilities of the Company to financial institutions were equal to EUR 21.3 million as at 31 December 2020.

Statement of Comprehensive Income

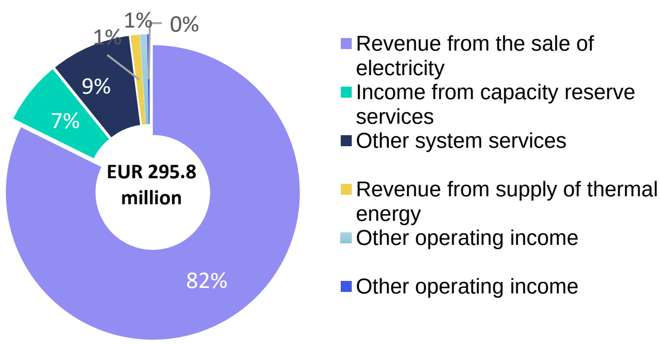
Revenue

The Company's revenue amounted to EUR 295.8 million in January–December 2021. The Company's income increased by 69.5%, in comparison with January–December 2020. Such increase was mostly caused by higher selling prices of electricity.

Revenue, EURm	2021	2020	Change +/-
Revenue from the sale of electricity	243.4	118.1	125.4
Income from capacity reserve services	20.4	22.0	-1.6
Other system services	26.0	27.1	-1.1
Revenue from supply of thermal energy	2.9	2.7	0.2
Other operating income	2.2	2.4	-0.1
Other revenue	0.8	2.3	-1.4
Total	**295.8**	**174.5**	**121.3**

The major part of the revenue is the income from electricity trading and power reserve services, balancing and regulation electricity, as well as from the sale of heat energy.

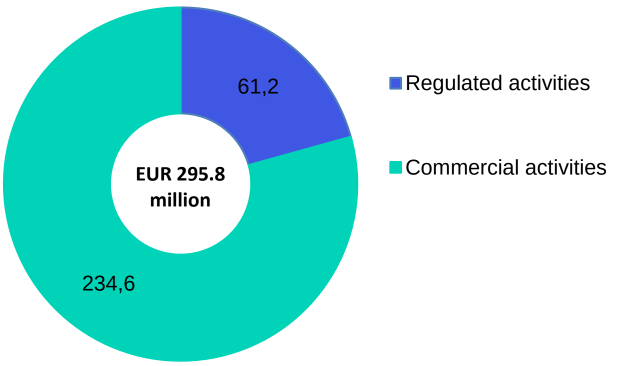
Figure 2
Breakdown of revenue by type in 2021



Costs, EURm	2021	2020	Change +/-
Purchases of electricity or related services	68.7	24.1	44.6
Gas and biofuel expenses	81.4	45.7	35.7
Depreciation and amortisation	17.0	17.5	-0.5
Payroll and related expenses	10.6	9.7	0.9
Repair and maintenance expenses	6.5	7.0	-0.5
Emission allowance (costs)/income	5.7	8.3	-2.6
Other expenses	17.7	12.2	5.5
Total operating expenses	**207.6**	**124.5**	**83.1**

In January–December 2021 the regulated services of the Company accounted for 20.7% of the total revenue of the Company (30.3% in January–December 2020).

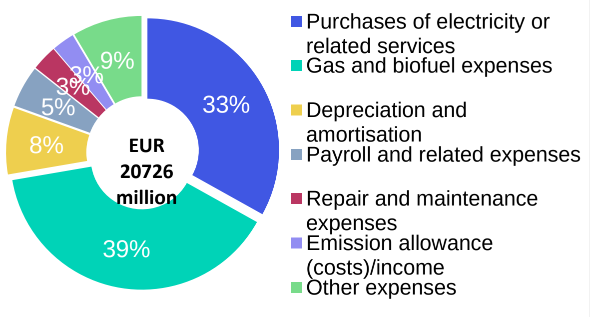
Figure 3
Revenue by segment 2021



Expenses

In January–December 2021, the Company incurred the costs of EUR 207.6 million (EUR 201.9 million, if we exclude the emission allowance utilization).
Operation and maintenance costs amounted to EUR 24.4 million in January–December 2021 and were higher by EUR 1.4 million in comparison with January–December 2020, mainly due to higher provisions for pensions (having reviewed the assumptions), tax and other costs.

Figure 4
Cost structure 2021



The major part of the Company's costs (EUR 150.1 million or 72.3%) was related to the purchase of electricity and related services, as well as the purchase of fuel for electricity generation. Such costs accounted for 56.1% of costs, or EUR 69.8 million in January–December 2020.

Gas and biofuel expenses were almost twice as high in January-December 2021 due to higher purchase costs of gas for electricity generation, the increase whereof was caused by the increased price.
The Company's depreciation and amortization costs amounted to EUR 17.0 million in January–December 2021 (EUR 17.5 million in January–December 2020).
Increase in other expenses in 2021 was caused by the result from derivative financial instruments.

Profit

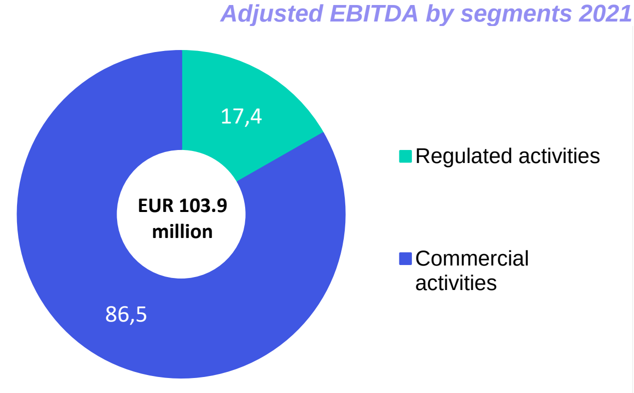
In January-December 2021, the Company's adjusted EBITDA increased by EUR 36 million in comparison with the same period in 2020, and the Company's adjusted EBITDA margin amounted to 35.3% in January–December 2021 (38.9% in January–December 2020).

	2021	2020	Change +/-
Total revenue	**295.8**	**174.5**	**121.3**
Regulated activities	61.2	52.8	8.4
Commercial activities	234.6	121.6	113.0
Adjusted EBITDA, total	**103.9**	**67.9**	**36.0**
Regulated activities	17.4	19.8	-2.4
Commercial activities	86.5	48.1	38.4
EBITDA margin, %	**35.6**	**38.8**	**-3.2 p. p.**
Regulated activity, %	30.6	37.1	-6.6 p. p.
Commercial activities, %	36.9	39.6	-2.7 p. p.

In January-December 2021, adjusted EBITDA of commercial activities almost doubled and represented 83.3% of the total EBITDA, in January-December 2020 adjusted EBITDA for commercial activities represented 70.9% of the total EBITDA.

The growth of the adjusted EBITDA of commercial activities in January-December 2021 was mainly influenced by the better result of Kruonis PSHP (production volume higher by 28% and the selling price higher by 185%). Also, the result of Kruonis PSHP increased because of efficient use of the power plant in the market.

Figure 5
Adjusted EBITDA by segments 2021



In January–December 2021 the Company earned EUR 88.0 million of profit before tax, and the net profit amounted to EUR 74.8 million. The Company earned EUR 42.4 million of net profit in January–December 2020.

Statement of cash flows

Net cash flows from operating activities amounted to EUR 112.0 million in January–December 2021. Net cash flows from operating activities amounted to EUR 96.2 million in the same period of 2020.

Cash flows from financial activities of the Company in January–December of both 2021 and 2020 were negative and amounted to EUR 24.1 million and EUR 56.2 million, respectively.

Statement of cash flows, EURm	2021	2020	Change +/-
Cash and cash equivalents (including overdraft) at the beginning of the period	138.1	58.5	79.6
Net cash flows from operating activities	112.0	96.2	15.8
Net cash flows from investing activities	(56.6)	39.6	-96.2
Net cash flows used in financing activities	(24.1)	(56.2)	32.1
Net increase/(decrease) in cash flows	31.3	79.6	-48.3
Cash and cash equivalents at the end of the period	169.4	138.1	31.3

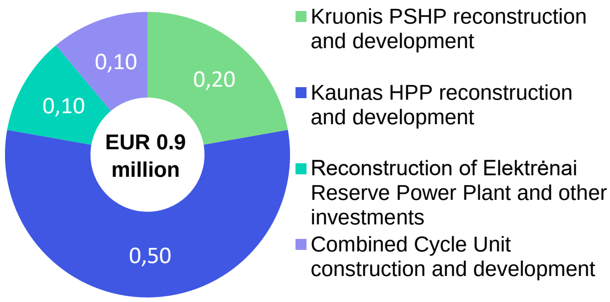
Investments in non-current assets

The Company's investments in non-current tangible and intangible assets amounted to EUR 0.9 million in January–December 2021, and were lower by 18.2% than in the same period of 2020.

Investments, EURm	2021	2020	Change +/-
Kruonis PSHP reconstruction and development	0.2	0.3	-0.1
Kaunas HPP reconstruction and development	0.5	0.3	0.2
Reconstruction of Elektrėnai Reserve Power Plant and other investments	0.1	0.4	-0.3
Combined Cycle Unit construction and development	0.1	0.1	0.0
Total	**0.9**	**1.1**	**-0.2**

In January-December 2021, the major investments were aimed at modernization of security systems of Kruonis PSHP and Kaunas A. Brazauskas HPP (these investments amounted to EUR 0.2 million) and restoration of the bottom concrete (EUR 0.2 million).

Figure 6
Investments by power plants 2021, EURm



Balance sheet

At the end of 2021, the Company's assets amounted to EUR 707.2 million (more by 10.1% as compared to the end of 2020).

During the year, the Company's equity decreased by 11.6% and amounted to EUR 342.2 million as at the end of 2021.

Total liabilities at the end of 2021 amounted to EUR 365.0 million or were higher by 43.0% compared as at the end of 2020. The increase in current liabilities was due to provisions for dividends, which amounted to EUR 101.6 million at the end of 2021 (EUR 0.01 million at the end of 2020). Meanwhile, long-term liabilities decreased by 10.8% due to reduction in long-term loans, grants and SPI amounts.

Balance sheet, EURm	2021	2020	Change +/-
Non-current assets	414.5	438.4	-23.9
Current assets	292.7	203.8	88.9
Total assets	707.2	642.2	65.0
Equity	342.2	387.0	-44.8
Non-current liabilities	189.1	212.1	-23.0
Current liabilities	175.9	43.2	132.7
Total equity and liabilities	**707.2**	**642.3**	**64.9**
Asset turnover ratio, %	41.8	27.2	14.6 p. p.
Return on equity (ROE), %	21.9	11.0	10.9 p. p.
Current ratio, %	166.4	471.2	-304.8 p. p.
(Current assets – liabilities)/Revenue,%	39.5	92.0	-52.5 p. p.

ANALYSIS OF BUSINESS ENVIRONMENT AND PERFORMANCE

Business environment

Ignitis gamyba manages and develops the largest electricity generation capacities in Lithuania: Kruonis Pumped Storage Hydroelectric Plant (hereinafter "Kruonis PSHP"), the combined cycle unit and the reserve power plant in Elektrėnai Complex, and Kaunas Algirdas Brazauskas Hydroelectric Power Plant (hereinafter "Kaunas HPP"). The Elektrėnai Complex also produces thermal energy for Elektrėnai consumers, the needs of Kietaviškės greenhouse complex and other consumers and the Company.

Ignitis gamyba helps to ensure reliability and security of the energy systems in the whole Baltic and Nordic region, it also contributes to a historical change in energy sector – synchronization of the three Baltic States with the Continental European grid in 2025.

The main goal of Ignitis gamyba – the modernization and development of local reliable generation capacity and further development of the strategic generation through participation in the regional power reserve and system services market. To ensure its sustainability and long-term vision, the Company is putting an increasing focus on driving innovations and developing the green generation capacities.

The main customers of the Company are LITGRID (receiving all system services), the National Energy Regulatory Council (representing the interests of consumers as the Company provides regulated services, hereinafter "the NERC"), Nord Pool (NP) exchange participants (receiving electricity generation services), Elektrėnų Komunalinis Ūkis UAB and Kietaviškių Gausa UAB (receiving heat energy services).

The Company operates in Lithuania, but as it sells electricity via the exchange, it also participates in the regional market of Nordic countries.

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 planned synchronization of the Lithuania's electricity system with the grid of Continental Europe has the potential to open up new markets to the Company while increasing competition. At the same time, expanding renewable energy production (RES) creates challenges and opportunities for conventional power generation.

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

Overview of economic situation

Changes in the general domestic product have the biggest impact on the increase in demand for energy and competitive environment, in which the Company operates.

According to the forecast announced by the European Commission in November 2021[1], the overall increase in the gross domestic product of the European Union (EU) in 2022 will be at 4.3% and at 2.5% in 2023. In 2022, the growth rate of the euro zone should be at 4.3% and 2.4% in 2022 and 2023, respectively. The projection of the European Commission[2] is that the growth in the economy of Lithuania will reach up to 3.6% and 3.4 in 2022 and 2023, respectively.

Prospects of the Lithuania's economy growth published by the banks operating in Lithuania also project the growth of the Lithuanian economy. According to the forecasts presented by the analysts of SEB bank in September 2021[3], the growth will be at 3.6% in 2022 and 3.3% in 2023. In November the analysts of Swedbank adjusted the outlook of the Lithuanian economy[4]: 3.4% in 2022 and 3.4% in 2023. The review of the Bank of Lithuania of December 2021[5] shows that GDP of Lithuania will go up by 3.6% in 2022 and no data is provided for 2023. It is important to emphasize that these prospects were made prior to Russia's war that erupted in Ukraine on 24 February 2022, which will definitely affect the perspectives of domestic and global economy.

As the energy consumption is closely connected with growth of the gross domestic product, changes in economic growth rates in Lithuania and neighbouring countries may have an impact on the Company's performance as well.

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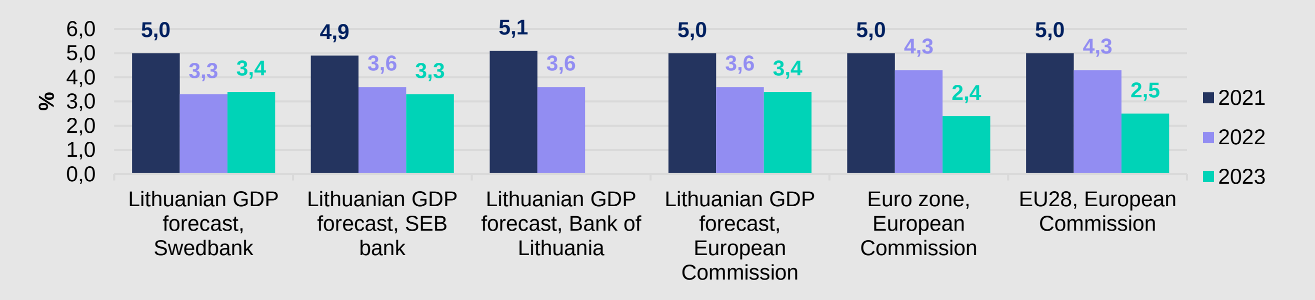
[1] *Source: European Economic Forecast. Autumn 2021 (europa.eu)*
[2] *Source: https://ec.europa.eu/economy_finance/forecasts/2021/autumn/ecfin_forecast_autumn_2021_lt_en.pdf*
[3] *Source: https://www.seb.lt/infobankas/lietuvos-makroekonomikos-apzvalga/lietuvos-makroekonomikos-apzvalga-nr-76*
[4] *Source: https://www.swedbank-research.com/english/swedbank_economic_outlook/2021/q3/_uncharted_recovery_pushes_inflation_up/seo_nov_2021_eng_final.pdf*
[5] *Source: https://www.lb.lt/lt/leidiniai/makroekonomines-prognozes-2021-m-gruodzio-men#_Toc90645596*

Figure 7

Gross Domestic Product Growth Forecasts for the European Union, Euro Zone and Lithuania in 2020–2023.



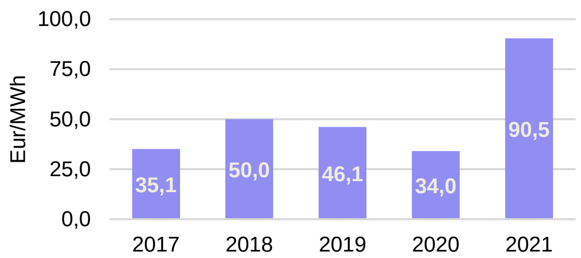
Overview of the situation on the wholesale electricity market

In 2021, electricity prices went up sharply in all of the bidding areas of the Nord Pool Nordic power exchange. Compared to 2020, the average system price was higher by approx. 470% (2020 – 10.93 EUR/MWh, 2021 – 62.31 EUR/MWh), in the fourth price area of Sweden, with which Lithuania is connected through the NordBalt power link, the increase in price was approx. 211% (2020 – 25.86 EUR/MWh, 2021 – 80.52 EUR/MWh), in Finland – approx. 158% (2020 – 28.02 EUR/MWh, 2021 – 72.34 EUR/MWh), in the Baltic region – approx. 161% (2020 – 33.93 EUR/MWh, 2021 – 88.65 EUR/MWh).

Figure 8

Electricity prices as per Lithuania price area

(Source: Nord Pool)



The average whole sale price of electricity last year in Lithuania was higher by approx. 166% as compared to 2020, whereas in Latvia the increase in prices was slightly more moderate, i.e. approx. 161%. and even a little lower in Estonia, i.e. approx. 157%. The average whole sale price of electricity in Lithuania in 2021 was 90.45 EUR/MWh, in Latvia – 88.78 EUR/MWh and in Estonia – 86.73 EUR/MWh. In 2021, the average difference in hourly prices between Lithuania and zone four of Sweden was approx. higher by 22% (in 2020 – approx. 8.18 EUR/MWh, in 2021 – approx. 9.94 EUR/MWh). It is noteworthy that the year 2021 was significant not only in terms of record average prices but also hourly prices: on 7 December 2021, the price of 8-9 hour in the area of Lithuanian prices was 1,000.07 EUR/MWh.

The record prices of 2021 resulted mostly from the increase in prices of energy resources. If to compare with 2020, the price of gas increased by almost four times, and the increase in price of emission allowances more than doubled. During 2021, as compared with 2020, the volume of electricity generated by wind power plants in the region of Scandinavia increased by 6,9%, Poland – 0.3%, however in Germany and the Baltic States it decreased by 12.7 and 15.1, respectively. In Scandinavia, which is characterized by high generation of hydro power plants, the generation of hydro power plants remained pretty much the same: the annual decrease of only 0.6%. Production of electricity from nuclear power plants in the Scandinavian region increased by 6.2%, in Germany – 7.4%, thereby terminating the decrease in generation of such kind of the several previous years.

In 2021, the volume of electricity produced by Lithuania was lower by 14% as compared to 2020. However production in other Baltic States increased: in Latvia by approx. 2%, in Estonia – approx. 30%. Lithuania remained the country with the deficit of electricity, producing 35% of electricity demanded by the country (42% in 2020). In Latvia the domestic production covers approx. 76% of the country's demand in 2021 (approx. 77% in 2020), and in Estonia the domestic generation of electricity in 2021 satisfied 69% of the country's demand (approx. 55% in 2020). According to Nord Pool, in 2021 the electricity consumption in Lithuania increased by approx. 4.5% if compared with 2019 (except for the demand of Kruonis PSHP). In Latvia the demand went up by approx. 3.2%, in Estonia – approx. 4.1%.

The main nuances of commercial electricity flows of Lithuania in 2021: 17% of electricity was imported from third countries, 32% from Scandinavia via NordBalt connection, 45% was imported across the border with Latvia and 6% via the LitPol Link connection with Poland. While export to Poland accounted for 82%, zone four of Sweden – 11% and Poland – 6%. The total import from Latvia to Lithuania was higher by 264% in 2021, as compared with 2020, from Sweden – lower by 27%, from third countries – lower by 50%, and the export of electricity to Poland was lower by 46%.

The operation of the Company's power plants under these conditions is described further herein.

COMPANY'S STRATEGY AND OBJECTIVES

In 2021, the Company was acting in accordance with the Company's operational strategy for 2019–2030 approved by the Company's Board at the end of 2018. This document defines the long-term operational strategy of the Company: strategic directions, objectives and indicators measuring the implementation of the strategy (Figure 4).

In 2021, the Company was seeking to earn income from new activities and, at the same time, control the expenses of the main activities.

All amounts are in EUR thousand unless otherwise stated

The principal activity of the Company – strategic power generation, as a basis for achieving the growth objectives of the entire Group, as well as a significant contribution in the area of green generation and implementation of innovations.

In 2021, 24 particular projects and initiatives were provided in the portfolio of strategic initiatives. The Company focused strongly on preparation of a project of new unit of Kaunas HPP, sustainability initiatives and projects of remote solar power plants.

The Company intends to contribute to development of green generation by using the current capacities of hydroelectric power plants, developing and offering the solar power plant projects to the market.

The implementation of the programme of clean-up works in Elektrėnai Complex remains important for the Company – the old and ineffective devices are disposed of and unused chimneys are dismantled.

Strong focus is placed on the improvement of the qualification of employees and ensuring the rotation of key positions.

It is planned that the Company's investments will represent a significant share of total amount of investments (EUR 600 million) that the Group is planning to make into the production facilities at both currently existing and new production bases until 2030.

The document of the Company's Strategy for 2019-2030 is available on the Company's website (link).

Figure 9
The Company's strategic directions for 2019–2030

MISSION Be a reliable partner in provision of system services of electricity market	
Preparation for synchronization with the grid of Continental Europe	• We adapt current capacities of conventional electricity production for provision of system services, or, in absence of such possibility, terminate their operation and dismantle them. • We prepare the current production capacities for operation after synchronization in 2025.
Provision of high-quality services	• By provision of new balancing services we seek to contribute to synchronization of the Baltic States with the electricity grid of Continental Europe. • Every year we set ambitious goals related to availability of facilities in order to ensure flexibility of the energy system of Lithuania and high reliability in provision of reserve and system services.
Sustainable growth	• We create our organization by applying a transparent and efficient management model. • We do care about employees' expertise and personal development. The variety of our employees' knowledge and competences provides exceptional possibilities to ensure security of the national energy system. • We implement solutions which increase efficiency and create value in all areas of activity. • We develop solar power plants of installed capacities of > 7 MW. We were the first in Lithuania to provide services of remote solar power plants.
VISION Help to ensure the future of sustainable European energy	

Achievement of the Company's objectives

Based on the preliminary assessment, the Company succeeded in full implementation of 4 out of 7 annual objectives of the Company for 2021: the operating profit margin in 2021 exceeded the set limit; the operating expenses were controlled successfully and were lower than planned; availability of power plants was ensured and objectives of the employee experience were achieved (improving result of eNPS survey). The objectives of management of the Company's project portfolio, preparation for synchronization with the grid of Continental Europe and employees' safety were ensured partially.

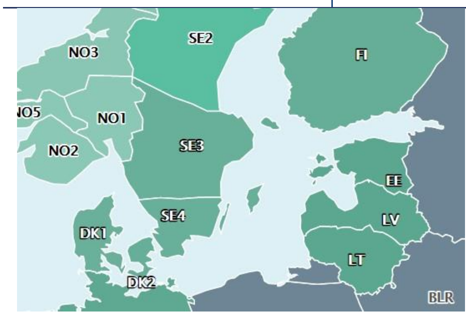
In 2022, the Company will seek to satisfy the shareholders' expectations and ensure profitable activities of the Company (objective 1) and effective control of expenses (objective 2). As every year, ensuring reliable operation of power plants (objective 3), employee safety (objective 3) and improving employee experience (objective 5), as well as management of the portfolio of strategic objects (objective 6) are important.

All amounts are in EUR thousand unless otherwise stated

OVERVIEW OF ACTIVITIES OF THE COMPANY'S POWER PLANTS

Figure 10
Overview of activities of the Company's power plants

Elektrėnai Complex Reserve power plant and combined cycle unit	**Kruonis Pumped Storage Hydroelectric Plant**	**Kaunas Algirdas Brazauskas Hydroelectric Power Plant**	**Vilnius Third Combined Heat and Power Plant**
			
Capacity – 1,055 MW*	**Capacity – 900 MW**	**Capacity – 100.8 MW**	**Installed electricity capacity – 360 MW** **Installed heat capacity – 603 MW**
The power plant provides tertiary active capacity reserve services and services ensuring isolated operation of the power system to ensure safe electricity supply and the reliability of the energy system. In 2021, the combined cycle unit (371 MW) provided services ensuring isolated operation of the power system and carried out commercial production of electricity. In 2021, unit 7 and 8 of the reserve power plant provided tertiary reserve service. Unit 8, powered by partial capacity (38 MW), also provided service of operation of the isolated network. Heat is produced in steam and biofuel boiler houses.	Kruonis PSHP is intended for the balancing of electricity generation and consumption, as well as prevention of emergency incidents within the power system and elimination of consequences thereof. In 2021, Kruonis PSHP secured the entire secondary active capacity reserve of average of 362 MW required for the Lithuanian energy system in PSO. It is one of the power plants of the Lithuanian energy system which is able to start autonomous operation in the event of a total system crash.	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 contributes to the balancing of electricity generation and consumption, and levels out the power system. It is one of the power plants in the Lithuanian energy system that can start an autonomous operation in case of the total system failure.	The operation of the power plant was discontinued with effect from 31 December 2015. In December 2021 a decision was made on total cessation of operation of both installed energy units. At the moment, solutions are being analyzed in respect of use of assets.



Electricity trading

In 2021 trading in electricity produced by the Company was continued under the agreement on the wholesale electricity market by UAB Gamybos Optimizavimas. The year 2021 is globally characterized as the period of sky-rocketing prices of energy resources: the price of gas went up by four times if compared with 2020, the average prices of emission allowances increased by 116.6% - from 24.8 EUR/t in 2020 up to 53.6 EUR/t in 2021. In 2021 the average price of electricity system of Nord Pool power exchange was higher by 470.0% compared to the corresponding period in the previous year. In the area of the Lithuanian prices, the prices of electricity increased by 166.2% and the average price was at 90.5 EUR/MWh in 2021, and the absolute record of hourly price was reached in Lithuania in December 2021 – 1,000.1 EUR/MWh. As of the end of June of 2021, the methodology of calculation, issue and distribution of intersystem capacities, according to which intersystem flows in Poland are estimated, changed. The virtual zone changed from PLA (Lithuania, Sweden, Poland) to PLC (Lithuania, Sweden, Poland, Germany, Czech Republic, Slovakia). More efficiently distributed intersystem capacities increased the liquidity on Nord Pool exchange. In order to use the market potential, in 2021 UAB Gamybos Optimizavimas continued to improve the system of automated trading and implemented innovative trading solutions which contributed to the growth of the Company's trading portfolio.

KEY PERFORMANCE INDICATORS OF POWER PLANTS FOR 2021

In January-December 2021, the Company generated electricity and thermal energy, provided the service of ensuring tertiary active power reserve in Elektrėnai Complex, the service of secondary emergency reserve in Kruonis PSHP and other system services. It is noteworthy that in December 2021, under the Company's agreement with LITGRID, AB after a break of 10 years, the tertiary power reserve was activated.

The Company has permissions of unlimited duration to produce electricity. In January-December 2021, the amount of electricity generated and sold in the Company's power plants decreased by 18.0% compared to January-December 2020 (see Figure 2). The total of 1.759 TWh of electricity was produced and sold in the Company's power plants in January-December 2021, in January-December 2020 – 2.145 TWh.

Production indicators of **Kaunas A. Brazauskas HPP** increased by 28.3% and during January-December 2021 this power plant generated electricity of 0.290 TWh, while production during the same period in 2020 amounted to 0.226 TWh.

Production volumes of **Kruonis PSHP** went down by 10.0% and during January-December 2021 production and transmission to the grid amounted to 0.645 TWh (in January-December 2020 – 0.717 TWh).

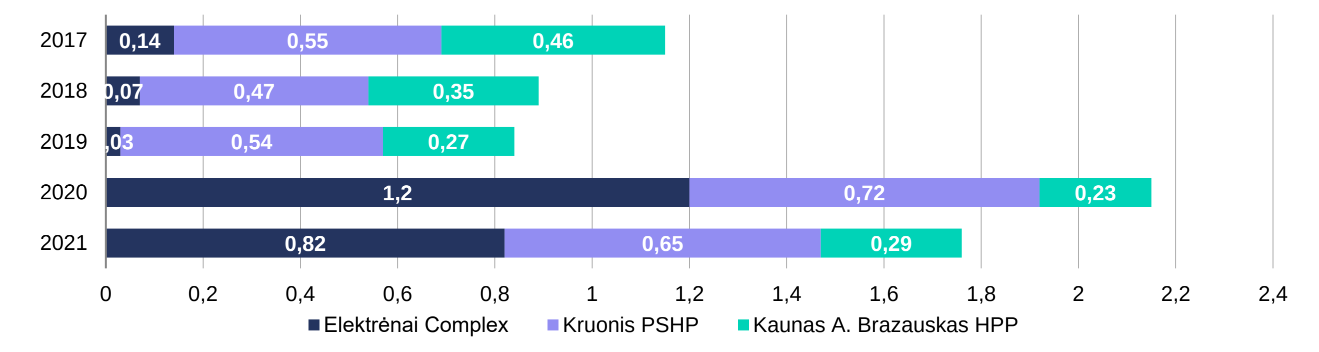
During January-December 2021, Kruonis PSHP transmitted and purchased 0.058 TWh and 0.045 TWh balancing electricity, respectively (the service is required for balancing the surplus/deficit of electricity in the energy system). During January-December 2020 – 0.032 TWh and 0.017 TWh, respectively.

Another system service provided by Kruonis PSHP is the secondary active power reserve, i.e. the power of facilities or hydro-units maintained by the producer, activated within 15 minutes. During January-December 2021 this service was demanded 225 times. In January-December 2020 this service aimed at ensuring the security of electricity supply was activated 212 times. This reserve is usually activated by the system operator in the event where it is necessary to compensate a sudden decrease in the electricity volume coming to Lithuania. During January-December 2021 the Company sold approx. 0.019TWh of secondary power reserve, while during the same period in 2020 – 0.032 TWh.

During January-December 2021, **Elektrėnai Complex** produced electricity in the amount of 0.823 TWh, i.e. less by 31.5% than in January-December 2020 (1.201 TWh). The total amount of electricity of Elektrėnai Complex was produced by the combined cycle unit and block 7 and 8.

Figure 11

Electricity produced at power plants controlled by the Company and electricity sold (TWh)



PROVISION OF SYSTEM SERVICES

Strategically important activity of the Company is related to ensuring the balancing capacities in the Lithuanian electricity system. Reserve capacities, in accordance with the established requirements for the quality and reliability of electricity supply, ensure the stability and reliability of the Lithuanian electricity system, prevention and elimination of systemic accidents, and the Company's services provided to the Lithuanian transmission system operator include ensuring secondary and tertiary active power, trading in balancing electricity in the common Baltic balancing market, reactive power management at Kruonis PSHP, the service of system recovery after a total disaster and the service of ensuring the isolated operation of the electricity system.

This structure of services has been settled and is adapted to the current situation, when operating in the existing synchronous zone with the neighboring Baltic States and third countries.

Primary power reserve for management of frequency is not ensured in the electricity system of Lithuania and it is not ordered in generation capacities, as in the existing synchronous zone the frequency is controlled and managed centrally in selected generators operating in the territory of Russia.

The secondary power reserve is activated in case of disconnection of direct current connections of NordBalt or import of LitPol Link to Lithuania, when generation capacity is in an emergency shut-down or in other unexpected cases when there is a sudden power shortage in the system. This service is activated within 15 minutes and may continue up to 12 hours. In 2021, this type of power reserve within the average capacity of 362 MW was provided by two units of Kruonis PSHP.

Tertiary power reserve is aimed at replacement of the secondary power reserve after the period of 12 hours, when the resources of the secondary power reserve are exhausted. Capacities of the tertiary reserve may be activated within the period of 12 hours, when the operator gives an instruction and the activation schedule, which specifies the activation duration. In 2021, due to high energy prices in the market, this service was activated by us upon the order of PSO within the capacity of 260 MW and produced 2,995 MWh of electricity.

In the normal state of the electricity system, when there is an imbalance in the system due to demand planning errors, the balancing of unstable production of power plants using renewables or consumers' disconnection due to network failures is carried out using the common balancing market of the Baltics. The Company must provide capacities of all facilities, which are operating and able to activate their available capacity within 15 minutes, via the Lithuanian transmission system operator to the platform of balancing market where the ranking of use of balancing capacities is established according to the price of electricity. In this market the company operates in the competitive environment together with the whole Baltic region and competes with the balancing offers of the Nordic operators.

In preparation for synchronous connection to the grid of Continental Europe, significant changes are happening by developing services and extending technical and organizational terms for provision of services. As of 1 January 2021, in the scope of secondary power regulation capacities we participate in the daily auction of capacities, by making bids for each hour in the auction, the test of isolated operation of the Lithuanian electricity system by using the extended LitpolLink connection was carried out, when for the first time the Company's production capacities were synchronized and were working together with the electricity system of Poland, and, at the same time, together with the entire KET synchronous zone, synchronized, the scope of service of isolated operation was extended by supplementing with a requirement to ensure a possibility for facilities to work without interruptions for 60 days. Another significant event of 2021, related to provision of services, is extension of services of isolated operation and tertiary power reserve with a possibility to provide them to operators of other systems. The result of joint work with the transmission system operator is a possibility provided to the Polish operator to use the Company's capacities in ensuring the reliability and adequacy of the electricity system of Poland. The cooperation shows that flexible, synchronized mechanism, which is in compliance with requirements, allows ensuring the support of other systems and real assistance under extreme circumstances in the energy systems.

System recovery after a total disaster – it is a preparation to promptly run the generation source in the event of a full-scope or partial shut-down of the electricity system, without using the electric mains. The service of system recovery after a total disaster is provided by both Kruonis PSHP and Kaunas HPP.

Reactive power management services are intended to level out any fluctuations in the loads of the power system and ensure the required level of voltage and frequency. Reactive power management services are provided through the units of Kruonis PSHP operating in synchronous compensator mode.

NOTEWORTHY EVENTS DURING THE REPORTING PERIOD

On 4 February 2021, during the installation of the floating solar power plant in the upper basin of Kruonis PSHP it was found that the technological solutions used at that time in the market were not adequate for the present conditions in the basin of Kruonis PSHP due to cumulative effect of external factors. After evaluating the above and the results of the project, it was decided not to pursue the pilot project further.

On 8 December 2021, the largest electricity generators managed by Ignitis gamyba, i.e. Kruonis pumped storage hydroelectric plant ('PSHP') and Elektrėnai combined cycle block ('CCB') successfully participated in the historical test performed by the Lithuanian and Polish electricity transmission system operator Litgrid and PSE. During the test for the first time in history a part of the Lithuanian electricity system operated synchronically with the Polish system, and with the electricity grid of Continental Europe.

In December 2021, the Company adopted the decision to terminate exploitation of loss-making TE-3 energy blocks as of 6 January 2022. This decision was adopted after the analysis and assessment of various scenarios of possible use of TE-3 facilities and having made sure that termination of exploitation of energy blocks will not have a major impact on stability, security, reliability and adequacy of operation of the electricity system.

Planned activities of the power plants in 2022

It became clear at the end of 2021 that the tertiary active power reserve in the scope of 519 MW will be guaranteed by units 7 and 8 in 2022. The periodical short-term technological tests of equipment are planned in the Elektrėnai Complex.

In 2022, the services ensuring isolated operation of the power system will play an important role – to ensure the availability of energy generation facilities, necessary to maintain the system stability and balance during the isolated operation of the power system. In 2022 the Company will provide services ensuring isolated operation of the power system in the following scope: 371 MW will be guaranteed CCU and 1 MWh – by unit 8 of Elektrėnai Complex.

Having extended the agreement with Litgrid, which is in force as of 2019, the services of secondary emergency reserve of active power will be ensured in 2022 by Kruonis PSHP. From 2021 this service is pre-ordered in auction according to the lowest price for an hour (until 2021 the secondary power reserve used to be pre-order for a next year).

The production volumes of Kaunas A. Brazauskas HPP will depend mostly on the Neman yield. The power plant is affected a lot by seasonality, i.e. the major part of electricity is produced at times of spring flood, whereas the smallest part of electricity is produced in cold winter and hot summer. The efforts will be put to make use of the flexible production in the power plant during those hours when the highest price is reached in the power exchange.

Exploitation of loss-making TE-3 energy blocks was terminated as of 6 January 2022.

The Company sets availability goals for the power plants. Plants are considered available when they produce electricity or are fully prepared for production. It is planned that the average annual availability indicators in 2022 will be at least 93.9% for the CCU, 96.5% for Unit 7 and 98.2% for Unit 8, 86.3% for Kruonis PSHP and for 93.2% for Kaunas HPP. In 2021, these indicators were as follows: for CCU – 94.4%, Unit 7 – 98.7%, Unit 8 – 96.8%, Kruonis PSHP – 95.9%, Kaunas HPP – 94.6%.

RESEARCH AND PROJECTS

For the purpose of implementing a technologically and economically feasible investment policy, the Company conducts long-term strategic planning helping to identify the directions of development for the Company and the investments required for replacement or modernisation of technological equipment.

The following investments of higher value are conducted or planned by the Company:

- Installation of unit 5 at Kruonis PSHP
- Installation of 3.4 MW solar power plant in at the Obeniai site
- Dismantling of chimneys 1 and 2 in Elektrėnai
- Fuel management
- Major repair of the 1st, 3rd and 4th units of Kruonis PSHP
- Reconstruction of integrated distribution facilities for own use of 6 and 10 kV in Kruonis PSHP
- Major repairs of energy unit 8 (B-6) in Elektrėnai Complex

The following projects were under implementation during 2021, which resulted in major changes and achievements.

Installation of hydro unit 5 at Kruonis PSHP

For the purpose of assessing the project perspective, two studies were carried out in 2020-2021, during which the most technologically attractive alternatives were evaluated together with their socioeconomic impact. The results were obtained in May 2020 which enabled the Company to select the best technological solution for the unit that meets today's market conditions and changing needs in the context of electricity system synchronization with continental Europe.

Study of solar power plant in the reservoir of Kruonis PSHP

In 2020-2021, in cooperation with scientists of Kaunas University of Technology (KTU), the Company carried out a regionally unique innovation activity in Kruonis PSHP – sought to evaluate the possibilities to build an experimental solar power plant floating on the water.

In 2020, the design and construction works of the floating solar power plant were commissioned. Following collection and evaluation of the performance data on the experimental power plant, the opportunity to cover the whole reservoir by floating construction of solar modules will be considered.

During the installation and test of the floating solar power plant it was found that the technological solutions currently used in the world are not adequate for the present conditions in the Kruonis PSHP basin due to cumulative effect of external factors. After installing approx. 70% of floating solar power plant constructions, it turned out that the float systems available on the market are not adequate in particularly difficult conditions prevailing in the upper basin of Kruonis PSHP, which are heavily affected by water level fluctuations and waves. In addition, during the experiment it became clear that the operation of the power plant is endangered by eddies and currents in the Kruonis PSHP basin, as well as ice formed on the power plant components due to waves and water splashes, not even before the Kruonis HPP basin water surface freezes. After evaluating the above reasons and the results of the project, it was decided to not pursue the pilot project further.

Installation of solar power plant at the Obeniai site

By developing the field of remote generation, the Company continued the expand of the solar power plant park in Elektrėnai. A 4 MW solar park was installed in 2020. Since the start of the project, more than 1,000 users have become prosumers managing generation capacity of 4 MW. They form 3.2% of all electricity consumers indicated in the National Energy Independence Strategy, the goal of which is to have 34 thousand electricity consumers using a prosumer scheme It is estimated that there should be about 2,000 consumers managing up to 7.4 MW of capacity by the end of the project.

Seeing the potential for the development of remote solar power plants, the Company evaluates the possibilities to install solar power parks in other places.

Dismantling of chimneys 1 and 2 in Elektrėnai Complex

Considering that chimneys 1 and 2 of the Elektrėnai Complex have not been used since 2014 and their condition deteriorated every year and thus could pose an increasing threat to the safety of people, the Company initiated their dismantling project. The chimneys were constructed as early as at the beginning of the 1960s. The middle 250-meter height chimney will be dismantled first as its condition is the worst. This chimney was used to remove smoke emitted from units 5 and 6 that are dismantled. This chimney was damaged by the occurrence of electrochemical corrosion of reinforcing bars and has signs of the emergency condition of the structure.

At the beginning of 2020, the agreement was concluded with the contractor for dismantling chimneys 1 and 2. In 2020, chimney dismantling engineering and preparatory works were carried out, dismantling of the inner layer of chimneys was started. The dismantling of the external reinforced concrete base of the chimneys was started at the beginning of 2021. By the end of 2021 almost all the work related to dismantling of chimneys was completed, and in January 2022 the project was fully implemented. The total value of the project is EUR 3.2 million.

Fuel arrangement in Elektrėnai Complex

In 2018, the Company adopted a decision to discontinue the use of reserve heavy fuel oil in the facilities of the Elektrėnai Complex. The need for the reserve fuel during cold seasons of the year will be assured by means of natural gas. In order to prepare the site, fuel facilities' clearing was initiated in 2019 by arranging open sources of pollution. The Company plans to dismantle the reinforcing units of the fuel oil tanks, the lashing pipes of fuel oil pumping stations and reinforced concrete structures, the cleaning of drainage pits of the receiving tanks, unloading track, drainage pits of receiving reinforcement troughs and the troughs and the dismantling of the unloading track.

The majority of works scheduled for 2019–2021 were performed during the first two years of the project implementation, and in 2021 the contractor carried out landscape maintenance services. The total value of the project is EUR 930 thousand.

Major repairs of unit 1 of Kruonis PSHP

The unit 1 of Kruonis HPP has been in operation for up to 28 years of initial operation, therefore, in order to continue the successful operation of this facility, a decision was made to perform major repair of the unit. Procurement procedures for the project were completed in Q1 and Q2 of 2021, and in September a contract was signed with the successful tenderer. Identical major repair works were carried out for the second hydro unit in 2018–2019. Major repairs of units of Kruonis PSHP are a continuation of a consistently implemented plan to prepare for synchronization with the grid of Continental Europe. The purpose of this plan is to carry out major repairs of all four units of Kruonis PSHP until 2025, i.e. before synchronization with the grid of Continental Europe, which will allow to extend their reliable life-time for at least 15 years.

Reconstruction of integrated distribution facilities for own use of 6 and 10 kV in Kruonis PSHP

The existing integrated distribution facilities for own us in Kruonis PSHP were put into operation in period from 1985 to 1990. They are aimed at ensuring a reliable and high-quality electricity supply to the technological equipment of hydro units: pumping stations, compressors, heating, ventilation, fire systems, oil facilities, etc. The decision to reconstruct these facilities was adopted to ensure reliable operation of the power plant and to save the maintenance costs of the existing equipment. The company carried out procurement procedure in 2020, and a contract was concluded in 2021, with works scheduled to be completed in four stages by Q3 of 2022. The total investment value of the project is EUR 1.5 million.

Major repairs of energy unit 8 of Elektrėnai Complex

Unit B-6 was put into exploitation in 1972 and ever since the beginning of exploitation until the end of 2020 it had operated for over 162 thousand hours, therefore the its operational resource was coming to an end. Seeking to ensure that the unit was able to provide important services of operation of tertiary active power reserve and isolated system operation, the project of major repairs of the unit was initiated. All works of major repairs are expected to be carried out and the availability of B-6 for possible long-term production of electricity is expected to be ensured until the synchronization of the energy system of the Republic of Lithuania with the electricity grid of Continental Europe.

Operational excellence, innovative activities

Qualitative implementation of the Company's functions is only feasible in a modern work culture which is based on the principles of continuous improvement, therefore the Company attaches great importance to increasing operational efficiency, implementing result and market-driven management, training specialists and ensuring improving employee experience.

To ensure its sustainability and long-term vision, the Company is putting an increasing focus on driving innovations and developing the green generation capacities.

Innovative activities of the company:

- Solar power plants for remote customers.
- Maintenance of renewable energy production capacities.
- Preparation for auctions of production capacity in Lithuania and of provision of other system services in neighbouring countries.

Successful implementation of arrangement work programme in Elektrėnai complex: unused power units were dismantled, electricity and fuel facilities' clearing is carried out.

Services to external customer

The Company continued providing services to external clients in 2021. The Company offers services of wide range: automation, maintenance and repair of electric and mechanical devices, hydrotechnical buildings and equipment, operation of various power facilities, operational management, production of complex, bulky and non-standard parts, rent of buildings not used for own activities, warehousing areas and territories, offers chemical products, laboratory tests and other services.

The Company provided maintenance and repair of hydroelectric power plants services for two companies, which jointly own over ten hydroelectric power plants in Lithuania. The year of 2021 was successful in providing the Company's railway services, which were continuously provided to three customers (shunting, provision of wagon storage services in the Elektrėnai Complex). In 2021, income from shunting services exceeded EUR 33 thousand. It is expected to further expand the provision of railway shunting services in 2022: through implementation of fuel facilities clearing projects new spaces for activities related to railway logistics will be created.

In all, the Company's employees provided services to more than 40 different clients during 2021. The total value of the services is almost EUR 203 thousand.

By assessing opportunities for developing new services and implementing its business strategy, the Company continues to strive to apply its expertise and competencies by offering various services to the market. The target for 2022 is to focus on the provision of services in the areas where the Company produced a wealth of experience, to provide higher value-added services, and to offer in the market professional consulting services provided by the Company's employees.

RISK FACTORS AND THEIR MANAGEMENT

Risk management model

Overview

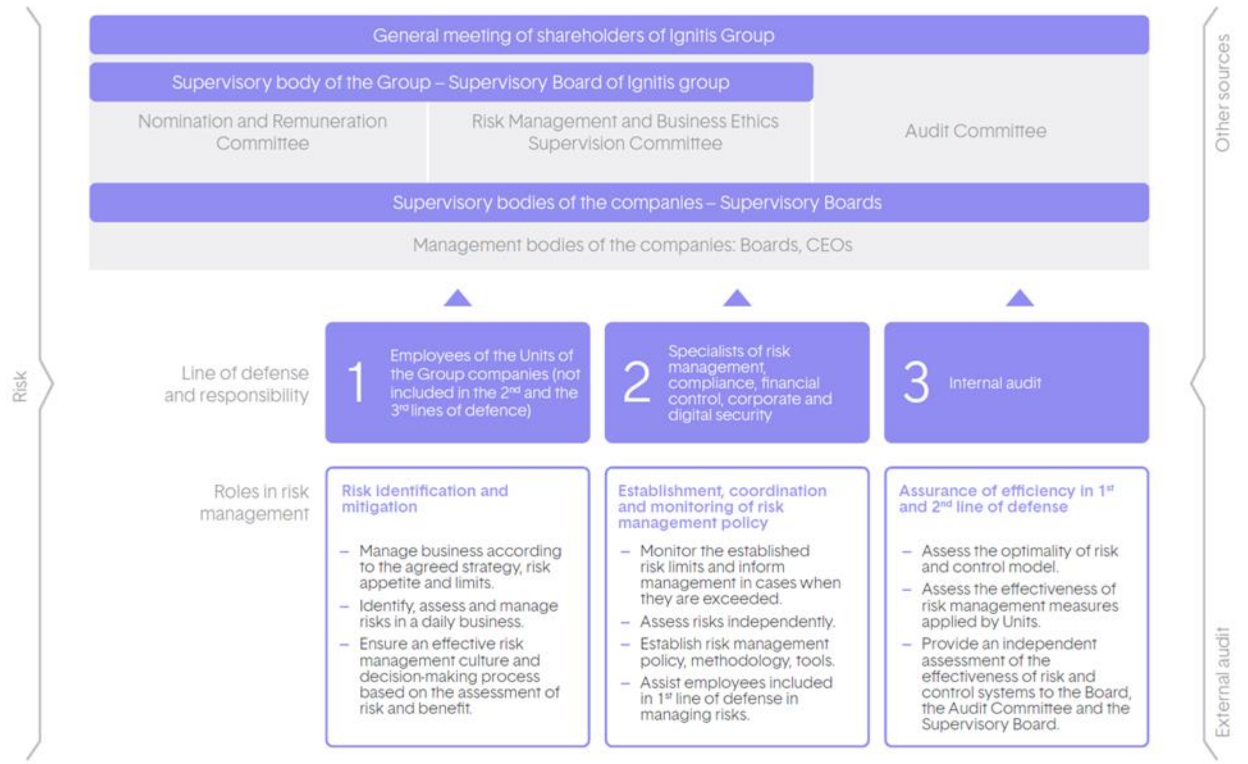
In order to efficiently manage and control the risks arising from its activities, the Company applies the three lines of defence model which establishes a clear segregation of duties for risk management and control between the Company's management and supervisory bodies, structural departments or functions (see Figure 12).

The risk management model, which is applicable across the entire Ignitis grupė companies, has been based on the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the main principles of AS/NZS ISO 31000:2009 (Risk management - Principles and guidelines) by reflecting the best risk management practices.

The efficiency of the Company's risk management plans is assessed by the Company's Management Board, Supervisory Board; the Management Board, the Committee for Risk Management and Business Ethics Supervision of the Supervisory Board and the Supervisory Board of the parent company.

The risk management principles defined in the Group's risk management policy and other detailing internal documents are consistently applied across the entire Ignitis grupė of companies. The uniform risk management principles ensure that the management personnel of the Group companies receive risk management information covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement information on their activities with detailed risk assessment, monitoring, and management principles.

Figure 12
"Three lines of defence" risk management framework



The main risk management objectives are the following:

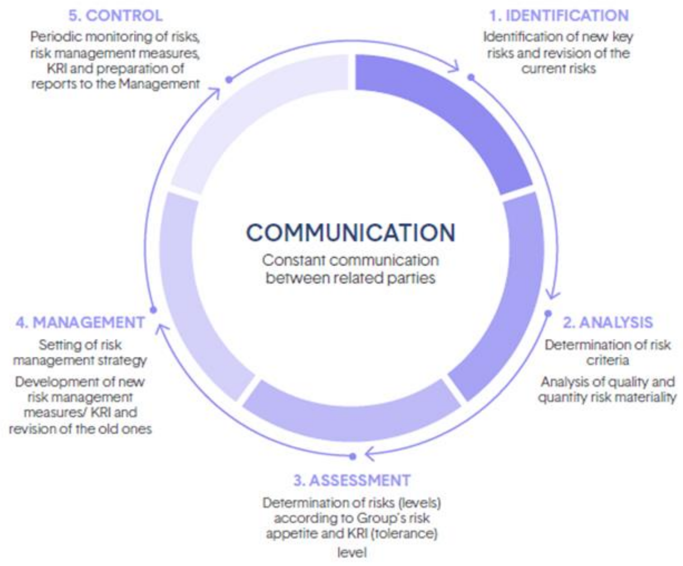
- to achieve the Company's performance objectives with controllable, yet, in principle, acceptable deviations from these objectives;
- to ensure uninterrupted performance of core activities of the Company in short- and long-term perspectives;
- to ensure a timely provision of information of the highest possible accuracy to decision-makers, shareholders and other stakeholders;
- to protect the Company's reputation and ensure reliability;
- to protect the interests of shareholders, employees, customers, stakeholders and the public;
- to ensure the stability (including financial) and sustainability of the Company's activities.

Risk management process and key principles

In order to ensure that risk management information and decisions are relevant and reflect the changes in the Company, a risk management process (see below) is carried out each year which includes all areas of the Company's activity. Throughout the risk management process, a constant communication between the related parties is ensured.

- **Identification stage** – identification of new key risks and revision of the current risks allows to form a comprehensive picture about the Company's risk.
- **Analysis stage** – risk criteria are determined according to the method established in the Company and quality and quantity risk materiality analysis is then performed.
- **Assessment stage** – here risk levels are determined. The risk level is determined by assessing the current control measures, probability of occurrence and potential impact of the risk (in the context of financial, reputational, compliance, corruption, human health and safety and business continuity aspects) and then multiplying them. Risk level can be low, medium, high, or very high (see risk assessment matrix). The risk appetite of Ignitis grupė companies is established and reviewed as needed by the parent company's Management Board. Risk appetite means the level and type of risk that the Group is ready to accept in order to implement strategic objectives.
- **Management stage** – all risks are assigned a risk management strategy, such as "accept", "mitigate", "avoid", or "dispose". Also new risk management measures, key risk indicators (KRI) are developed, and the old ones are revised and their tolerance thresholds are established. KRI threshold means the specific value of the occurrence of a particular risk factor, without threatening or creating the preconditions for a financial, reputational or other type of crisis to occur, expressed in qualitative or quantitative units. KRI is used to determine risks of all levels by distinguishing deviation thresholds (low, average, high), which would allow to identify risk tendency and, should there be deviations from the plan within the tolerance threshold, to initiate a more intensive monitoring by escalating the issue and planning additional steps to control it.
- **Control stage** – periodic monitoring of risks, risk management measures, key risk indicators and preparation of reports to the Company's Board and Supervisory Board.

Risk management process



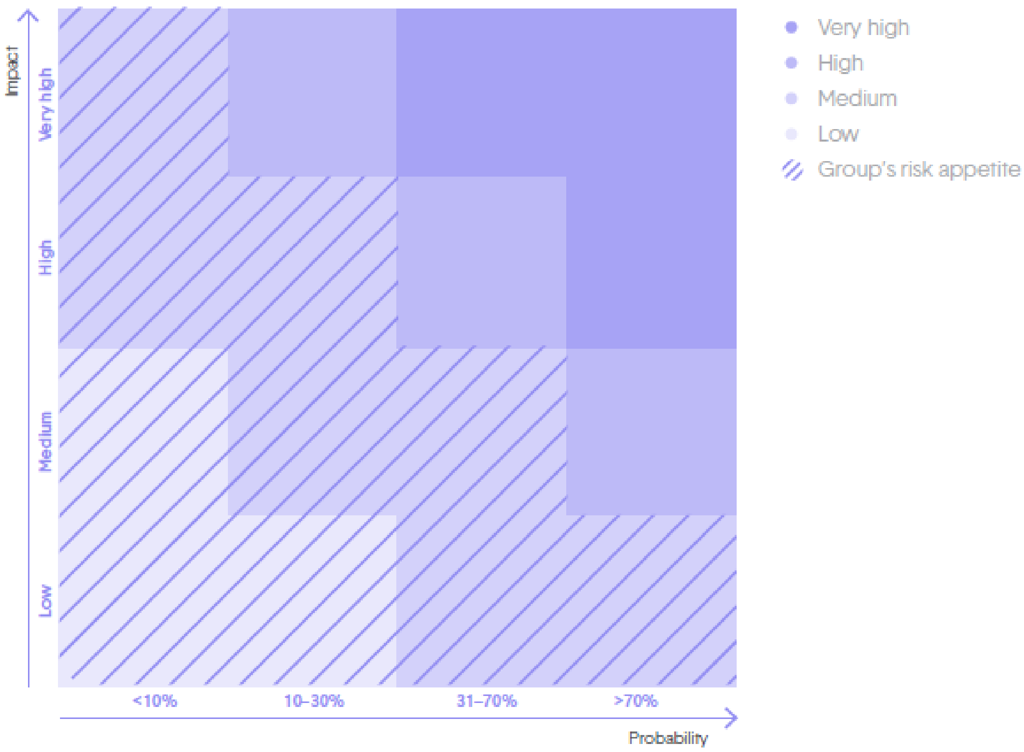
Risk categories

The Company's risks are categorized into strategic, operational (activity), financial and external risks. Their descriptions are provided below.

Risk category	Strategic	Operational (activity)	Financial	External
Description	Risks that may impact the mission, strategic objectives of the Company's functions. They can manifest due to unfavourable or erroneous business decisions, inadequate implementation of decisions or due to unfavourable reaction related to political, legislative changes.	Risks that manifest due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, poor business practices or development, employee errors and/or illegal activities, improper/insufficient management of IT operations, etc.	Risks that manifest from financial assets and/or obligations of the Company. This category includes the following risks: credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks manifesting due to changes in market conditions, regulatory and judicial changes (both planned and unplanned), natural resources, natural disasters, etc.

Figure 14

Risk assessment matrix

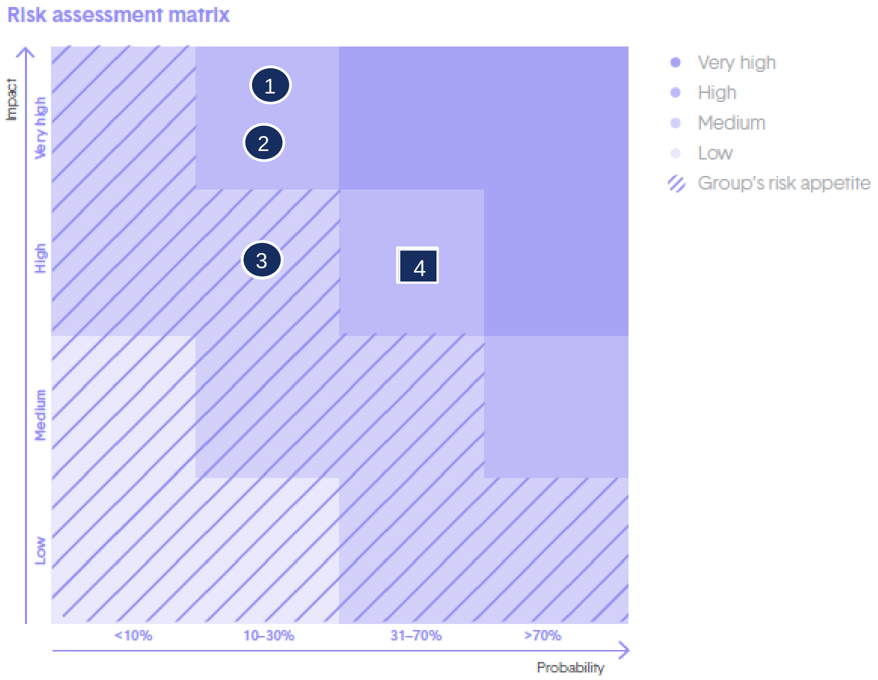


Key risks and their control

Starting 2022

In Q4 2021, a periodic risk management process was initiated based on the updated risk assessment methodology. During the process, after evaluating all relevant risks in the context of the Company business segments and functions, and considering the strategic directions, a new consolidated risk register of the Company was compiled, where the most important risks for the Company in the upcoming period were established. These key risks of the Company and their management plan have our greatest focus and attention. More information about these risks and their management plan is available below.

Figure 15
Key risks of the Company



1. Risk of failing to notify the European Commission about the aid from the Government
2. Risk of market changes
3. Failure to meet commitments for operational activities within the deadlines
4. Risk of cyberattacks using publicity known system vulnerabilities (the Group)

Risks of 2022 and their management plan

External risk | Risk of failing to notify the European Commission about the aid from the Government

Main sources of risk
The European Commission (EC) is yet to be notified about the aid granted by the Government to the Company.

KRI
Periodic reporting of risk signals to the Management

Period | Constant

Impacted strategic area
Finance

Potential impact
- Financial
- Reputation

Risk level
High

Main risk management policies
- Continuous collaboration and provision of information to the authorities (the EC and the Ministry of Energy of the Republic of Lithuania).
- Centralized coordination of regulatory issues within the Group.

External risk | Risk of market changes

Main sources of risk
- Regulatory changes in demand and ordering of reserve services (secondary and tertiary power reserve).
- Regulatory changes in demand and ordering of system services (isolated regime services).

KRI
Periodic reporting of risk signals to the Management

Period | From 2026

Impacted strategic area
Flexible generation

Potential impact
- Financial

Risk level
High

Main risk management policies
- Preparation for synchronization with electricity grid of the Continental Europe.
- Consistent decommissioning of unused generation capacities.
- Focused reduction of costs of regulated activities.
- Revision and optimization of processes.
- Active cooperation with the regulator.
- Centralized coordination of regulatory issues within the Group.

Operational (activity) risk | Failure to meet commitments for operational activities within the deadlines

Main sources of risk
- Equipment operating modes determined by the market (when trading in the market – frequent launches/stops, in assurance of reserve services – rare launches leading to loss of employees' professional development and skills).
- Natural hidden defects in the energy production sector, depreciation.

KRI
- Accessibility
- Operation reliability

Period | Constant

Impacted strategic area
Flexible generation

Potential impact
- Financial
- Reputation

Risk level
Average

Main risk management policies
- Drafting and constantly updating of a shift program.
- Professional development.
- Continuous and timely performance of technical maintenance, tests.
- Renewal of equipment.
- Ensuring the continuity of knowledge and retention of skills of operations personnel, and rotation between equipment.
- Development, renewal and testing of business continuity plans.
- Implementation of the integrated asset management system of energy facilities.
- Coordination of emergencies (such as COVID-19) at both – the Company and the Group level.

Operational (activity) risk | Risk of cyberattacks using publicly known system vulnerabilities (the Group)

Main sources of risk
- Cyberattacks.
- Cases of social engineering, data theft.
- Late or improperly patched publicly known exploitations.

KRI
- Critical vulnerabilities
- Solution duration

Period | Constant

Impacted strategic area
Organisation

Potential impact
- Compliance
- Reputation

Risk level
High

Main risk management policies
- Verification of publicly known vulnerabilities, critical system restriction/isolation in the internal network.
- Preparation of periodic IT vulnerabilities reports and their submission to persons responsible for solving them.
- Internal audit.
- Cooperation with external institutions.

Other inherent financial risks of the Company (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 described in section 'Financial statements' of this report (Financial and capital risk management part).

Other risks of the Company related to social responsibility and governance, continuity of operations, compliance, corruption, physical security and health of the employees and other areas are considered of average/low risk level and as being within the scope of risk appetite and CRIs, and are therefore excluded from the table above. However, the Company actively monitors these risks in order to keep them within this scope. More information on some of them can be found in the chapters "Sustainability report", "Financial statements" of this report and in the chapter "Risk and risk management" – "Other risks" of the Annual Management Report of AB Ignitis grupė for 2021.

All amounts are in EUR thousand unless otherwise stated

INFORMATION ON THE COMPANY'S ISSUED CAPITAL AND SECURITIES

Structure of issued capital and securities in issue

The authorised share capital of the Company amounted to EUR 187,920,762.41 as at the end of the reporting period (31 December 2021) and it was divided into 648,002,629 ordinary registered shares with par value of EUR 0.29 each. All the shares have been fully paid.

All the shares of the Company belong to the same class of ordinary registered shares and they grant equal rights to their holders (shareholders).

The Extraordinary General Meeting of Shareholders of the Company, that was held on 4 December 2019, adopted the decision to delist all the Company's shares from trading on the Nasdaq Vilnius Stock Exchange. The meeting also adopted a decision to approve the Company's shareholder AB Ignitis grupė as a person who will make a formal offer to buy out the shares of the Company.

The formal offer was implemented in the period from 3 April 2020 to 22 April of 2020. As from 18 May 2020, the mandatory buyout of shares of the Company had started and ended on 17 August 2020. In accordance with the Law on Securities, at the end of this process AB Ignitis grupė, a shareholder redeeming the shares, after having made payments to the deposit account of shareholders who did not sell shares, exercised its right to apply before the court requesting to oblige the managers of share accounts to make records on the transfer of ownership of remaining shares to AB Ignitis grupė.
On 30 April 2021, the court granted AB Ignitis grupė the application for the establishment of a fact of legal significance and recognized that 11 113 442 of the 11 688 245 shares unsold at the time of the compulsory sale of the Company's shares were the property of AB Ignitis grupė and ordered the administrators of the share accounts to make an entry in the register of the transfer of ownership to AB Ignitis grupė. On 27 August 2021, the Vilnius City District Court ruled and granted the Company's petition for the establishment of a fact of legal significance and recognized that the remaining 574 803 ordinary registered shares of its subsidiary AB Ignitis gamyba, which belonged to the deceased shareholders of AB Ignitis gamyba and which had not been transferred at the time of the compulsory sale of the shares of AB Ignitis gamyba, were the property of the Company, and obliged the administrators of the share accounts to make an entry of the transfer of ownership to the Company.

As from 1 July 2020 (the last day of trading shares was 30 June 2020), the Company's shares were delisted from the Main List of AB Nasdaq Vilnius in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Company held on 4 December 2019.

The Company neither acquired, nor transferred its own shares during the reporting period. The Company had not acquired its own shares.

Structure of the issued share capital (as of 31 December 2021)

Class of shares	Number of shares, units	Par value, EUR	Total par value, EUR	% of issued capital
Ordinary registered shares	648,002,629	0.29	187,920,762.41	100.00

Shareholder structure

As of 9 September 2021 all shares of AB Ignitis gamyba are owned by the sole shareholder AB Ignitis grupė.

Rights of the shareholders, shareholders with special control rights and description of these rights

All shareholders of the Company have equal property and non-property rights as laid down in the legislation, other legal acts, and the Articles of Association of the Company. The management bodies of the Company create suitable conditions for implementing the rights of shareholders of the Company.

None of the shareholders of the Company had special control rights.

Restrictions on voting rights

There were no restrictions on voting rights.

Restrictions on transfer of securities

To the best of the Company's knowledge, there were no arrangements among the shareholders of the Company that could result in restriction of transfer of securities and/or voting rights.

Information on agreement with intermediary of public trading in securities

AB SEB bankas is authorised to keep and manage the Company's securities accounts.
AB SEB bankas contact details:
Konstitucijos ave. 24, LT-08105 Vilnius,
+370 5 268 2800

All amounts are in EUR thousand unless otherwise stated

Dividend policy and dividends

Dividend policy

The **dividend policy** of AB Ignitis grupė subsidiaries, approved on 15 December 2020, applies to the Company. This policy was revised due updated dividend policy of AB Ignitis grupė that came to effect on 4 September 2020. According to this policy, appropriation of profit for the payment of dividends to the Group companies for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. For dividends paid for the financial year or for a period shorter than the financial year, each subsidiary needs to allocate at least 80% of the net profit received during the reporting period for which dividends are proposed.

The Group companies are not obliged to allocate dividends only when they incurs net loss. Additionally, the Group companies will not pay any dividends when net financial debt at the end of the reporting period for which dividends are proposed is equal to or greater than the Subsidiary's EBITDA for the last twelve months (from the end of the reporting period) multiplied by six. Dividends will not be paid if the Group company's equity (after the payment of dividends) becomes lower than the sum of its issued capital, legal reserve, revaluation reserve and reserve for acquisition of own shares, and also if a company becomes insolvent or would become insolvent upon payment of dividends. The Group companies will be also exempted from paying dividends if, based on the Group's strategy, the Subsidiary implements green generation investment projects or the Subsidiary's ability to pay dividends is limited by the covenants set out in the financing agreements. Dividend Policy is available on the Company's website (link).

Payment of dividends

On 31 March 2021, the Ordinary General Meeting of Shareholders of the Company approved the distribution of the Company's profit or loss of 2020. The plan is to pay EUR 18,792,076 in dividends for the six-month period ended on 31 December 2020 (EUR 14,904,060 was paid in dividends for the reporting period from 1 January 2020 until 30 June 2020 based on the decision of the Extraordinary General Meeting of Shareholders of the Company). EUR 0.029 in dividends per share is paid for this period. The dividends were awarded to those persons who had been the Company's shareholders at the end of the record date, i.e. on 15 April 2021.

On 21 December 2021, under decision of the sole shareholder the decision was made to allocate dividends of EUR 0.155 per share to the shareholders of the Company for the nine-month period ended on 30 September 2021. Dividends are to be paid to those persons who had been the Company's shareholders at the end of the record date, i.e. on 4 January 2022, in accordance with the provisions of Article 60(5) of the Law on Companies of the Republic of Lithuania, i.e. within one (1) month from the day of the adoption of a decision on the allocation of dividends via the companies' securities account managers and the Company's account manager AB SEB bank.

The Company's net profit from continuing operations for January-September 2021 was EUR 35.491 million, and accordingly the dividends paid for 2021/net profit indicator was 2.83.

COMPANY AND ITS MANAGEMENT BODIES

Information on the Company and contacts

Name	AB Ignitis gamyba
Legal form	Public company; private legal person with limited civil liability
Registration date and place	20 July 2011, Register of Legal Persons of the Republic of Lithuania
Company code	302648707
Address of the registered office:	Elektrinės st. 21, LT-26108, Elektrėnai
Telephone	+370 618 37392
Fax:	(8 5) 278 2906
E-mail:	gamyba@ignitis.lt
Website:	www.ignitisgamyba.lt

The Company's main business activity

The Company's business objective is effective energy generation and supply in contribution to assurance of energy security. The Company's business object is energy generation and supply, as well as trade in electricity. The Company may engage in other activities that are not in conflict with its objectives and laws of the Republic of Lithuania.

The Company operates the following power generation facilities:

- Elektrėnai Complex with a reserve power plant (the former Lietuvos Elektrinė) and a combined cycle unit (CCU),
- Kruonis Pumped Storage Hydroelectric Plant,
- Kaunas Algirdas Brazauskas Hydroelectric Power Plant
- Vilnius Third Combined Heat and Power Plant (since March 31, 2018).

The Company's geographic market is Lithuania. Its electricity is traded on the Nordic exchange Nord Pool.

Information on the Company's branches and representative offices

All amounts are in EUR thousand unless otherwise stated

The Company has no branches or representative offices.

Subsidiaries and associates

The Company belongs to Ignitis grupė, a state-owned group of companies, which is one of the biggest group of energy companies in the Baltic countries. The Group's parent company UAB Ignitis grupė holds 100% of the Company's shares (based on data of 31 December 2021).

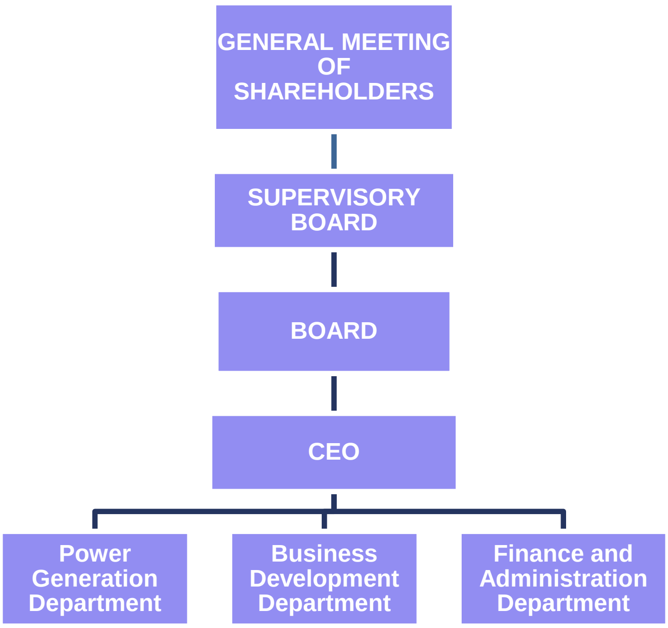
As at the date of reporting, the Company had no subsidiaries. The Company was able to exert significant influence over UAB Ignitis grupės paslaugų centras and UAB Geoterma which is undergoing liquidation due to insolvency (see table below).

	UAB Ignitis grupės paslaugų centras	Undergoing liquidation due to insolvency UAB Geoterma
Address	Laisvės Ave. 10, Vilnius	Lypkių st. 17, Klaipėda
Date of registration:	04 December 2013	01 March 1996
Company code	303200016	123540818
Contacts	(8 5) 278 2272, gpc@ignitis.lt	(8 46) 326 163, info@geoterma.lt
Website	www.ignitisgrupe.lt	www.geoterma.lt
Ownership interest	21.45%	23.44%
Main business activity	Provision of information technology and telecommunication services to energy companies.	Geothermal heating plant.

Information on related party transactions

Information on related party transactions is available in the notes to the Annual Financial Statements of January-December 2021.

Figure 16
Management structure of the Company (as at 31 December 2021)



Information about the Company's management bodies

Based on the Articles of Association effective at 31 December 2021, the management bodies of the Company are the following:

- the General Meeting of Shareholders;
- the Supervisory Board;
- the Board;
- the Managing Director – the Chief Executive Officer.

The Articles of Association of the Company are available on the Company's website under section „Company Management". The procedure for the formation of the Company's management bodies has not been changed. Changes in the Company's management bodies during the reporting period shall be indicated next to each of the bodies.

The General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of the Company. The scope of competence and the procedure for its convention and adoption of decisions by the meeting are established by the laws, other legal acts and the Company's Articles of Association. According to the Articles of Association of the Company, the additional competence of the General Meeting of Shareholders is decision-making on the conclusion of contracts with members of the Supervisory Board of the Company and the Chairman of the Supervisory Board regarding the activities of the Supervisory Council and the protection of confidential information, and their terms and conditions and on approval or disapproval of the Company's annual report and interim report adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year.

Two General Meetings of Shareholders of the Company were held from 1 January 2021 and until the day of publication of this report:

1. **On 31 March 2021,** the Ordinary General Meeting of Shareholders of the Company adopted the decisions to approve the Annual Report of the Company for the year 2020 and audited Annual Financial Statements of the Company for the year 2020, and to allocate the profit the Company for the year 2020. The dividends are to be paid for the six-month period ended 31 December 2020.
2. **On 3 September 2021**, the Extraordinary General Meeting of Shareholders approved the decision to appoint Vidmantas Salietis as a member of the Supervisory Board until the end of term of the Supervisory Board of AB Ignitis gamyba. Vidmantas Salietis started his activities after the General Meeting of Shareholders. New version of the Company's Articles of Association was approved (link).

None of the shareholders registered to participate physically in the General Meetings of Shareholders convened in 2021. Each shareholder has voted beforehand in writing by submitting the signed general ballot papers.

Information on voting results of the Company's shareholders during the above-mentioned and previous General Meetings of Shareholders is available on the Company's website under „For Investors".

The Company's Supervisory Board

The Company's Supervisory Board is a collegial supervisory body. Its competence, procedures of decision making, election and recalling of the members are established in laws, other legal acts and the Company's Articles of Association. The Company's Supervisory Board has three members elected for the term of office of four years by the General Meeting of Shareholders. At least one third of the Supervisory Board should be formed from independent members. The Supervisory Board elects its Chairman from its members.

Every candidate to the position of the Supervisory Board member must inform the General Meeting of Shareholders in writing about qualification of each candidate, experience in managing position, and suitability to act as a member of the Supervisory Board. The CEO, the Board member, the member of management body of a subsidiary, the member of supervisory body, management body or administration of the legal entity that is engaged in transmission of electricity or gas, an auditor or employee of an audit company cannot be a member of the Supervisor Board. The same applies to the person who does not have a right to take this position in accordance with the legal acts.

As from 6 September 2019, the selection of the members of the Supervisory Board is subject to the Description of Selection of the Candidates for the Collegial Supervisory or Management Body of a State or Municipal Enterprise, a State-Owned or Municipally-Owned Company or its Subsidiary approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015. Since the members of the current Supervisory Board were elected before the date of application of this description to the Company, the procedure set out in the description of their selection was not applied. However, a notice of open competition was announced for the selection of an independent member of the Company's Supervisory Board. The notice specified essential and desirable competencies of a candidate. Before nominating the selected candidate to the General Meeting of Shareholders of the Company, law enforcement (control) authorities were contacted to provide the available information about the candidate. Nominations for members of the Supervisory Board are also assessed by the Supervisory Board of the parent company AB "Ignitis grupė", the Nomination and Remuneration Committee and the Board.

If a member of the Supervisory Board is removed from office, resigns or discontinues the performance of his duties for other reasons and the shareholders whose shares carry at least 1/10 of all votes object to the election of individual members of the Supervisory Board, the Supervisory Board shall lose its powers, and the entire Supervisory Board shall be subject to election. Where individual members of the Supervisory Board are elected, they shall be elected only until the expiry of the term of office of the current Supervisory Board.

The main competences of the Company's Supervisory Board are the following:

- To consider and approve the strategy of the Company, to analyse and evaluate information on the implementation of the Company's strategy, and to submit this information to the ordinary General Meeting of Shareholders;

All amounts are in EUR thousand unless otherwise stated

- To elect the members of the Board and to remove them from office;
- To supervise the activities of the Board and the CEO of the Company;
- To submit its comments and proposals to the General Meeting of Shareholders on the Company's set of annual financial statements, proposed profit/loss distribution and the annual report of the Company as well as the activities of the Board and the CEO of the Company;
- To submit to the General Meeting of Shareholders its comments and proposals regarding a draft decision on the allocation of dividends for a period shorter than the financial year and the set of interim financial statements and the interim report drawn up for the purpose of adoption of the decision;
- With regard to the report of the Company's Audit Committee, to submit opinion about the transactions planned by the Company with the related party (if they satisfy the criteria discussed in the Company's Articles of Association);
- To submit proposals to the Board and the CEO of the Company to revoke their decisions which are in conflict with laws and other legal acts, the Articles of Association of the Company or the decisions of the |General Meeting of Shareholders;
- To address other issues assigned to the powers of the Supervisory Board by the Articles of Association of the Company as well as by the decisions of the General Meeting of Shareholders regarding the supervision of the Company's management bodies.

There were no changes in the composition of the Company's Supervisory Board during the reporting period. On 25 June 2021 Dominykas Tučkus resigned as Member and Chairman of the Company's Supervisory Board. On 3 September 2021 the new member of the Supervisory Board Vidmantas Tučkus started his activities.

The expected end of term of office of the current Supervisory Board of the Company is 25 March 2022.

Activities of the Company's Supervisory Board during the reporting period:

In January-December 2021, overall 16 meetings of the Company's Supervisory Board were held during the reporting period, and all of them were attended by all members of the Company's Supervisory Board.

Activities of the Supervisory Board in 2021 covered the following key areas:

- Assessment and provision of an opinion on the Company's related party transactions;
- Evaluation of the decisions made by the Company's Board regarding the approval of the Company's programming documents and provision of opinion;
- Periodic monitoring and evaluation of the Company's performance;
- Assessment of the achievement of the Company's annual performance targets (indicators);
- Submission to the General Meeting of Shareholders of the opinion on the Company's annual financial statements, the Company's profit (loss) allocation project, the Company's annual report, the draft decision on dividend distribution for less than a financial year, decision to approve the interim financial statements and the interim report.

More details about the members of the Company's Supervisory Board are available in the table below. Description of their education and professional experience is available on the Company's website under section Company Management.

Members of the Supervisory Board (during the reporting period)

	Participation in other companies and organisations	Education
 **Vidmantas Salietis** Member, Chairman of the Supervisory board **Term of office** 3 September 2021 –25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• AB Ignitis grupė (company code 301844044, Laisvės ave. 10, 04215 Vilnius), Member of the Board and Chief Commercial Officer. • UAB Ignitis (company code 303383884, Laisvės ave. 10, 04215 Vilnius), Member of the Supervisory Board. • UAB Ignitis renewables (company code 304988904, Laisvės ave. 10, 04215 Vilnius), Member of the Board. • UAB NT Valdos (company code 300634954, Laisvės ave. 10, 04215 Vilnius) Chair of the Board.	• Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business Administration

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	Participation in other companies and organisations	Education
 **Živilė Skibarkienė** Member **Term of office** 26 March 2018 – 25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• AB Ignitis Grupė (company code 301844044, Laisvės ave. 10, 04215 Vilnius), Member of the Board and Director of Organizational Development. • UAB Ignitis grupės paslaugų centras (company code 303200016, Laisvės ave. 10, 04215, 09311 Vilnius), Member of the Board • UAB Elektroninių mokėjimų agentūra (company code 136031358, Laisvės ave. 10, 04215 Vilnius), Member of the Board	• Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; • Vilnius University, Faculty of Law, Master's degree in Law.

	Participation in other companies and organisations	Education
	• UAB Profectus Novus (company code 302500459, Konstitucijos ave. 21C, 08130 Vilnius) owner, Member of the Board. • Addendum Group Inc. (company code 46-2547117, 13955 Tahiti Way #354, Los Angeles, 90292, California, USA) , founder, President. • UAB Addendum Solutions (company code 302312642, Konstitucijos ave. 21C, 08130 Vilnius) founder, Member of the Board. • Lithuanian American Business Association in Los Angeles, Member of the Board. • SIA Addendum LV (company code 40203222589, Rīga, Ludzas iela 42 k-1 - 20, LV-1003, Latvia) founder, Member of the Board. • OU Addendum EE (company code 10903252, A.H.Tammsaare tee 47, 11316 Tallinn, Estonia) founder, Member of the Board.	• Vilnius Gediminas Technical University, Master's degree in Engineering Informatics; • ISM University of Management and Economics, Head of Master's Study module; • Harvard Business School, Head of Master's Study module.

Information on payments made to the members of the Supervisory Board during the reporting period

Based on Articles 20 and 24 of the Company's Articles of Association, at least 1/3 (one third) of members of the Supervisory Board must be independent members. Remuneration for work at the Supervisory Board can be paid only to the independent members of the Supervisory Board and upon the decision of the General Meeting of Shareholders.

In accordance with decision of the Company's General Meeting of Shareholders of 26 July 2019, Edvardas Jatautas, an independent member of the Supervisory Board of the Company, is paid an hourly pay rate (before taxes) in the amount of EUR 54.43 (fifty-four euros and forty three cents) for the actual activity as an independent member of the Supervisory Board. The monthly pay rate for an independent member of the Supervisory Board of the Company is limited to a maximum amount of EUR 1,300 (one thousand and three hundred euros) before taxes.

The terms and conditions of the agreements with the members of the Supervisory Board, including the independence criteria, are established at the General Meeting of Shareholders in accordance with the requirements set forth in the relevant legal acts and based on the best corporate governance practices.

Edvardas Jatautas received a monthly remuneration of EUR 779.63 (before taxes) for the activities carried out in the Supervisory Board.

The Company's Board

The Board is a collegial management body of the Company. The scope of competence and the procedure for making the decisions, election of members and their removal from office is prescribed by law, other legal acts, the Company's Articles of Association, and the Work Regulations of the Board.

The Board consisting of three members is elected by the Supervisory Board for the term of office of four years and is recalled by the Supervisory Board in line with the procedure prescribed by law and the Company's Articles of Association. Nominations for members of the Board are

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also assessed by the Supervisory Board of the parent company AB Ignitis grupė, the Nomination and Remuneration Committee and the Board. The Board reports to the Supervisory Board and the General Meeting of Shareholders. The Board elects its Chairman from among its members.

The person who nominates candidates for the position of the member of the Board is required to submit to the Supervisory Board a written statement about the qualification of each nominated candidate, his/her experience in managing positions, and fitness for the position of the member of the Board. The following members may not be elected as the members of the Board: a person occupying the position of a member of the supervisory body, management body or administration in an energy company engaged in electricity or gas transmission operations; a member of the Supervisory Board of the Company; an auditor or employee of audit company; and any person who is not entitled to occupy such position on other grounds established in legal acts.

If the Board is recalled, the Board resigns or ceases to perform its duties for any other reason prior to expiry of its term of office, the new Board will be elected for the new term of office. When individual members are elected, such members may be elected only for the period until the end of term of office of the current Board.

The Board adopts decisions on:

- The Company's acting as a founder or a member of a legal person;
- Any transfer to third parties or encumbrance of the Company's shares/interests or rights attached thereto;
- Formation or termination of branches and representatives offices of the Company;
- Bond emissions;
- Sale, mortgage, change of legal status, other restriction, or operation of energy facilities (as individual assets or a substantial part thereof) located in the territory of Elektrėnai Municipality, Kaunas Hydroelectric Power Plant, Kruonis Hydro Pumped Storage Plant, Vilnius Third Combined Heat and Power Plant;
- Signing of agreements for the value of in excess of EUR 3 million;
- Other matters provided for in the Articles of Association of the Company.

In certain cases, prior to adopting a decision the Board is required to seek for comments from the Supervisory Board and obtain approval from the General Meeting of Shareholders.

In view of the opinion of the Supervisory Board, the Board elects and recalls the Chief Executive Officer, decides on his/her remuneration and other terms of employment contract, approves his/her job regulations, provides incentives and imposes penalties.

The composition of the Company's Board did not change during the reporting period.

The Planned end of term of the Board in office as at the date of announcement of this report – 2 April 2022.

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

Overall 45 meetings of the Board were held during the reporting period. All of them were attended by all elected members of the Board.

Activities of the Company's Board in 2021 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;
- Evaluation of the arrangement of the Company's activities and taking decisions related thereto;
- Evaluation and approval of the Company's operational planning documents, taking into account the opinion of the Company's Supervisory Board;
- Convocation of general meetings of the Company;
- approval of the Company's annual report and interim report adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year and submission to the Supervisory Board and General Meeting of Shareholders;
- Evaluation of the Company's annual financial statements and profit (loss) distribution project, interim financial statements adopted with a view to making a decision on allocation of dividends for the period shorter than the financial year, the draft decision on dividend distribution for less than a financial year and provision of feedback to the Supervisory Board and the General Meeting of Shareholders.

More details about the members of the Company's Board are available in the table below. Description of their education and professional experience is available on the Company's website under section Company Management.

Members of the Board (during the reporting period)

	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board
 **Rimgaudas Kalvaitis** Chairman of the Board, CEO **Term of office** From 27 March 2019 to 2 April 2022	• Lietuvos energijos paramos fondas (company code 303416124, Žvejų st. 14, 09310 Vilnius), Member of the Board (until 15/10/2020). • Vilniaus sostinės Lions klubas (company code 193538827, A. Juozapavičius st. 3,	• Vilnius University, Faculty of Physics, Master's degree. • Vilnius University, Faculty of Physics, Postgraduate Studies in Solid State Electronics.	1,815

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Number of shares held at the Company – **Ownership interest in other companies (>5%)** –	Vilnius), Member of the Board		

 **Darius Kucinas** Member of the Board, Director of Power Generation	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board
Term of office From 3 April 2018 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	–	• Kaunas University of Technology, Department of Electrical Engineering and Automation, Bachelor's Degree in Electrical Power Engineering.	1,300

 **Andrius Valivonis** Board member Finance and Treasury Director	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board
Term of office From 29 December 2020 to 2 April 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	-	• Vilnius University, Master's degree in Economics	1,300

The Company's Management

Chief Executive Officer acts as a single-person management body of the Company. Chief Executive Officer 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 and legal acts. The powers of Chief Executive Officer, the procedure of his/her election and removal are established by laws, other legal acts and the Company's Articles of Association.

Information on payments made to Chief Executive Officer and Chief Financier (during the reporting period)

	Average fixed monthly remuneration (before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)
To the CEO Rimgaudas Kalvaitis	7,798	1,389

To the Chief Financier*	–	–

*On 1 December 2014, the accounting function was transferred from the Company to UAB Verslo aptarnavimo centras (on 2 January 2020 the company was reorganised by merging UAB Verslo aptarnavimo centras to UAB Ignitis grupės paslaugų centras), therefore, there are no employees and senior executives performing the accounting function in the Company. UAB Ignitis grupės paslaugų centras performs a complete set of accounting services for the Company, starting with the recording of the source documents into the accounting software and ending with the preparation of the financial statements

The Company has neither transferred management of assets nor issued guarantees to the members of the bodies. During the reporting period, the Company did not grant any loans to the members of the management bodies, nor provided any guarantees or sureties to secure the fulfilment of their obligations.

Information about the Committees

The committees of the Supervisory Board are formed in Ignitis grupė group of companies. They have the competence to submit conclusions, opinions and suggestions to the Supervisory Board of Ignitis grupė. The committee must have at least three members, where at least one member has to be a member of the Supervisory Board and at least one member has to be independent. The members of the committees are elected for the period of four years. The activities of the committees apply to Ignitis grupė and its directly and indirectly controlled subsidiaries, including the Company, as well as other legal persons with different legal status, over which Ignitis grupė directly or indirectly may have significant influence.

The following committees of the Supervisory Board are operating in Ignitis grupė:

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

If necessary, other committees may be formed according to the ad hoc principle (e.g., to solve special issues, to prepare, supervise or coordinate strategic projects etc.).

At the end of the reporting period, the committees of Risk management and business ethics supervision, Audit and Nomination and remuneration were operating in Ignitis grupė.

Risk Management and Business Ethics Supervision Committee

Main functions of the committee:

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

Members of the Risk Management and Business Ethics Supervision Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position

All amounts are in EUR thousand unless otherwise stated

Andrius Pranckevičius Chairman	–	From April 2018 to April 2022	• Linas Agro Group AB, Deputy Chief Executive Officer, Member of the Board; • Kekava PF, Chief Executive Officer and Chairman of the Board; • AB Linas Agro, Member of the Board; • AB Linas Agro Konsultacijos, Chairman of the Board; • Lielzeltini SIA, Chairman of the Board; • Broileks SIA, Chairman of the Board; • Cerova SIA, Chairman of the Board; • ŽŪB Žilvista, member.
Darius Daubaras Independent member	–	From April 2018 to April 2022	• Saudi Aramco (petroleum and natural gas company), Finance and Project Development Department; • Chairman and independent member of the Supervisory Board of Ignitis grupė.
Šarūnas Rameikis Independent member	–	From April 2018 to April 2022	• Law firm Litten, attorney at law

The term of office of the current Risk Management and Business Ethics Supervision Committee will last until 23 April 2022. Overall 5 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Audit Committee

Main functions of the committee:

- To monitor the preparation process of financial statements of Ignitis grupė and the Group companies paying particular attention to assessment of suitability and consistency of applied accounting methods;
- To monitor effectiveness of internal control and risk management systems of Ignitis grupė and the Group companies that affect financial accountability of the audited company;
- To monitor independence and objectivity of auditors and audit companies, and to submit recommendations regarding selected audit company;
- To supervise audit processes of Ignitis grupė and the Group companies, to verify audit's effectiveness and reaction of the administration to the recommendations submitted in the management letter by the audit company;
- To monitor effectiveness of internal audit function of Ignitis grupė and the Group companies, to submit recommendations to the Supervisory Board regarding selection, appointment and dismissal of a manager of the Company's Internal Audit Service, to coordinate and evaluate periodically the work of the Company's Internal Audit Service, to discuss verification results, removal of defects and implementation of internal audit plans;
- to approve regulations of the Company's Internal Audit Service and plan of internal audit;
- To monitor whether the activities of Ignitis grupė and the Group companies are in compliance with the laws of the Republic of Lithuania, other legal acts, Articles of Association and business strategy;
- To submit opinion to the Company's companies, whose shares may be sold in the regulated market, regarding transactions with the associated party, as provided in paragraph 5 of article 372 of the Law on Companies of the Republic of Lithuania;
- To assess and analyse other issues assigned to the Committee by the Supervisory Board;
- To perform other functions related to the committee's functions and provided in the legal acts of the Republic of Lithuania and the Corporate Governance Code for the Companies listed on Nasdaq Vilnius.

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

Members of the Audit Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Irena Petruškevičienė Chairwoman Independent member	–	From September 2021 to September 2025	• MAXIMA GRUPĖ, UAB, Chairman of Audit Committee
Saulius Bakas Independent member	–	From September 2021 to September 2025	• UAB Sauba advisor in own company

All amounts are in EUR thousand unless otherwise stated

Marius Pulkauninkas Independent member	–	From September 2021 to September 2025	• Director General and shareholder of UAB Kalnų grupė
Judith Buss Independent member	–	From September 2021 to September 2025	• Member of Supervisory Board of Uniper SE
Ingrida Muckutė Member	–	From September 2021 to September 2025	• The Ministry of Finance of the Republic of Lithuania, Head of Reporting, Audit, Property Valuation and Insolvency Management Division

The term of office of the current Audit Committee will last until 26 September 2025.
Overall 23 meetings of the Audit Committee were held during the reporting period.

Nomination and Remuneration Committee

Main functions of the committee:

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

Members of the Nomination and Remuneration Committee at the end of the reporting period

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Lorraine Wrafter Chairwoman Independent member	–	From November 2021 to November 2025	• The Problem (private company, Galeistraat 7, Putte, • 2580, Belgium) advisor and owner; Königstein im Taunus, Hesse; (cooperation platform) advisor and owner, member of the Board; • Ignitis grupė, independent member of the Supervisory Board.
Aušra Vičkačkienė Member	–	From November 2021 to November 2025	• Lithuanian Ministry of Finance, Asset Management Department, Director • Member of the Supervisory Board of Ignitis grupė; • Valstybės investicijų valdymo agentūra, Member of the Supervisory Board (from 21/10/2020).
Bent Christensen Independent member	–	From November 2021 to November 2025	• Christensen Management Consulting ApS, owner and Director; • Christensen Management Consulting Holding ApS, owner and Director; • Wind Estate A/S, member of the Supervisory Board; • Ignitis grupė, member of the Supervisory Board.

The term of office of the current Nomination and Remuneration Committee will last until 2 November 2025.
Overall 21 meetings of the Nomination and Remuneration Committee were held during the reporting period.

All amounts are in EUR thousand unless otherwise stated

More information on the activities of the Committees during 2021 can be found in the Group's Consolidated Annual Report for 2021.

Employees of the Company

The main Company's objective the area of people and culture is to attract and retain qualified and fast-learning employees and ensure long-term partnership relations with them on the basis of creating a mutually beneficial value and jointly implementing the Company's strategic goals. Much attention is paid to the efficiency of management and leadership, to ensuring the rotation of key positions and employees, to shaping the organizational culture, to the continuous development and empowerment of employees.

Headcount and composition of employees

As at 31 December 2021, the Company had 359 employees (excluding those on child care leave). At the beginning of 2021, the Company had 359 employees.

Men accounted for approx. 87% of the Company's employees and women – for approx. 13%. Most of the Company's employees are aged up to 56 years with a ten-year or longer record of service at the Company. These are highly qualified and experienced specialists who form the foundation at the production units of the Company, where knowledge and expertise of employees are highly valued. Employees of this age accounted for approx. 70% of all employees of the Company. Average age of the employees of the Company is almost 49 years, average experience at the Company – 20 years.

66% of Company's employees were specialists and middle-level managers, 33% were workers, and 1% were top level managers.

61% of the Company's employees have high education, 36% have vocational or secondary education, and 3% have primary education.

Remuneration and performance management

The remuneration system applied by the Company establishes clear, uniform principles for every employee, with the aim of ensuring transparency, internal fairness and external competitiveness. The employee's remuneration consists of monetary and non-monetary remuneration.

Monetary remuneration is a fixed pay, which is determined on the basis of the level of job position, which in turn depends upon the functions and complexity of tasks fulfilled, responsibilities undertaken and the level of decision-making, as well as upon the employee's professional qualification. Positions providing a similar value fall to the same level. Another part of monetary remuneration is a variable pay, which depends upon measurable performance results, i.e. achievement of targets or performance indicators established in respect of each job position. The Company's employees may receive additional monetary benefits for exceptional performance results, innovative ideas or suggestions for improvement and their implementation, and added value for the Company.

Non-monetary remuneration include social care and addition benefits to employees: health insurance, pension accumulation financed by the employer, as well as emotional reward sought to promote employee satisfaction in the organisation by creating opportunities for self-realization and career development. This also include training financed by the Company, various events organised for the Company's employees and their children, medical aid station services, vaccination of employees against seasonal diseases, acknowledgement and evaluation of the best employees, convenience benefits such as flexible work schedules, telecommuting, etc.
The purpose of employee performance management system is focused on continuous improvement of the organisation in pursuit of the Company's strategic objectives and mutual agreement through two-ways targeted, continuous feedback.

The purpose of employee performance management system is to ensure that the goals of employees match those of the Company and to direct the efforts of employees towards their achievement. Performance discussion meetings are organised between management and employees, during which management member and employee assess the last year performance, agree on goals and competences that need improvement for the next period, and on the specific employee development measures, provide feedback. Ongoing discussions of performance, issues raised, monitoring of indicators set are carried out on regular basis.

Breakdown of headcount by category of employees and average work pay are given in the table below.

In 2021, the Company's remuneration fund amounted to EUR 10,6 million. The size of the fund is guided by the remuneration revised on annual basis and the country's market median.

Breakdown of headcount by category of employees and average work pay (in the reporting period)

Functional groups	Number of employees	Average salary, EUR	Average AVP*, EUR
CEO	1	7,785	1,416
Top level executives	3	5,940	976
Mid-level executives	29	3,678	332
Experts, specialists	209	2,245	199
Workers	117	1,495	147
Total	**359**	**2,177**	**204**

* This column represents payment of annual variable part (AVP) The Company's workers receive AVP on a monthly basis, whereas employees of other categories receive it on a quarterly or annual basis

Professional career, adaptation of joiners and possibilities of internship

Turnover of employees is 6.4%. Each vacant position is subject to selection procedure. Priority consideration is given to internal candidates in the selection process if they meet the competency requirements for the given position. When no potential candidates are available at the Company or the Group for the vacant position, the recruitment process is continued outside the Company. The key to attracting new employees is to ensure that the people that are highly competent and consistent with the Company's values are recruited at the right time and place.

To ensure a successful integration of new joiners into the activities and teams of the Company or the Group, they are invited to attend 'Days of new employees', during which newcomers are introduced to the Group's mission, vision, strategy, main Group activities, and other companies of the Group. Adaptation plans are developed for new joiners, the purpose of which is to build best possible onboarding experience, help them familiarise with the work environment, functions, team and organisational culture, and to ensure effective inclusion.

In order to attract young qualified specialists, the Company actively cooperates with educational institutions, providing opportunities for students of higher and vocational schools to apply theoretical knowledge and acquire practical skills during internships and traineeships. The aim of the traineeships is to attract students to the operating units of the core business, with a view to their later employment in a permanent position. In 2021, 10 students from Lithuanian higher education institutions were placed in internships of a 0.5 year duration with the Company. After the traineeships, 6 students were recruited on a permanent basis.

Organisational culture, development of competences, professional training

By creating and nurturing a culture and environment for continuous improvement, taking into the account performance goals set for the Company, teams and employees, and innovation in work processes, the Company provides opportunities for targeted growth and development of employees, expanding professional, general and managerial competences.

Professional training helps staff update their technical knowledge and obtain the necessary qualifications and certificates for their work. Seminars, in-house training and external conferences expose them to new developments, innovations and best practices in their field of their work.

During the hackathons organised by Ignitis Grupė, employees have the opportunity to share new ideas, develop new products, services, tools, test themselves in new activities and projects.

In 2021, 121 Company employees received mandatory technical training. 71 employees took part in seminars, internal and external trainings, conferences, during which they got acquainted with novelties, innovations and best practices in their field of activity, and 97 employees took part in the internal trainings of Ignitis GROW Academy. A total of 231 unique employees participated in training in 2021 (i.e. if the same employee participated in several trainings, it is counted as one). The development of leadership competences for managers continued to be intensive. Numerous internal trainings were conducted electronically for regular refresher training of all Company employees, including anti-corruption, labour, fire and civil safety, personal data protection and many other trainings.

Our staff development is based on the 70/20/10 principle, which means that 70% of training takes place in the workplace through practical training, 20% through learning from colleagues and sharing experiences, and only 10% is spent on formal training. Therefore, in addition to the Company's numerous external training opportunities, on-the-job learning, with the help of colleagues and supervisors, is a very important part of the training. In this context, the Company operates an employee substitution programme, the main objective of which is to ensure that the Company has the right people with the right skills to ensure the continuity of the Company's operations. The programme provides for the training of employees who, if necessary, can replace employees in key strategic and core positions that are important for the continuity of the Company's operations, who take a long time to prepare and train, and who are difficult to find on the labour market due to the specific nature of their activities and the experience they need. Substitution is seen as another opportunity for employees to grow and develop, strengthening their professional and other competences

One of the Company's key objectives is to ensure that employees have the best possible working experience. To this end, a quarterly survey is carried out to find out how employees perceive the Company, the processes involved and whether they would recommend the Company as a good place to work. By expressing their views and opinions, employees help the Company to become more people-oriented and to create a supportive working environment.

Collective agreement, trade unions

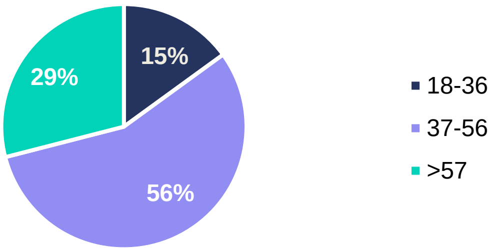
There are four trade unions at the Company, which are joined by 190 employees of the Company.

The Company has a collective agreement which ensures a more favourable package of social benefits for the Company's employees compared to that prescribed by the Lithuanian Labour Code. Based on the collective agreement, the Company's employees are paid allowances in the event of accident, illness, death of close family members, also additional benefits in the event of birth of child or families raising many children, also provides additional paid leave in the event of birth of child, marriage, death of a close relative and in other cases. For some years now a joint package of additional benefits for the entire Group applied by the Company.

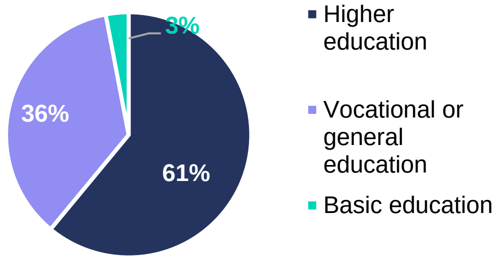
The Company holds meetings with trade union representatives on a regular basis to discuss performance results and future plans, changes being made, and other relevant issues, together with proposals of the employees representatives' being heard.

Figures 17-20
Employees of the Company

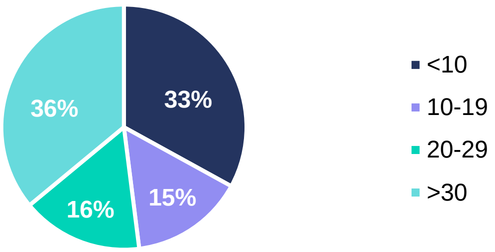
Pictrue 17. Employees by age



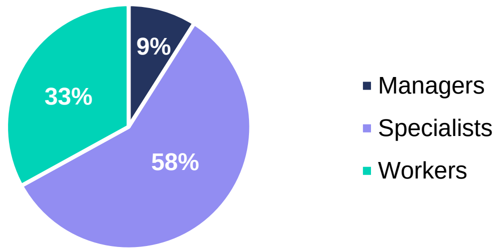
Picture 18. Employees by education



Picture 19. Emploees by term of service



Picture 20. Employees by position



SUSTAINABILITY REPORT

Sustainability overview

The sustainability performance and results of the entire group of companies Ignitis Grupė (the "Group"), including its subsidiary company Ignitis gamyba, are summarised in the Group's consolidated annual report for 2021, of which the Group's Sustainability (Corporate Social Responsibility) Report for the whole Group (the "Sustainability Report") is an integrated part. This report is available on the website https://www.ignitisgrupe.lt/en under "Investors" and "Sustainability". Please note that the terms "sustainability" and "coherence" are used synonymously in the Group.

The Group's Sustainability Report, which covers the period from 1 January to 31 December 2021, has been prepared in accordance with the Core Model of Global Reporting Initiative (GRI) Standards (GRI Core). The disclosures are made on a materiality basis and reflect the Group's progress in implementing the United Nations Global Compact (UNGC) and the contribution of the Group and its companies to the achievement of the United Nations Sustainable Development Goals (SDGs). This report meets the requirements for sustainability/social responsibility reporting as set out in Lithuanian legislation.

In this context, Ignitis gamyba does not prepare a separate report on this topic, but provides below a summary of its sustainability activities and links to relevant sections of the Group's sustainability report.

Sustainability in the Group and Ignitis gamyba

Sustainable operations are a prerequisite for the Group‘s mission to build an energy-smart world. The world needs energy to exist, and that is why the Group strives to produce, distribute, supply and consume energy in a sustainable way. Our long-term strategy focuses on building a sustainable future. We aim to further increase the capacity of energy production from renewable sources, to ensure the reliability and flexibility of the energy system, to promote the change and development of the energy system, and to exploit opportunities for expansion. The strategy and strategic plan of the Group, updated annually, can be found here.

The guiding principles of sustainability that we follow in our day-to-day activities at Ignitis gamyba and across the Group are defined in the Sustainability Policy of the Group updated in 2020.

The Sustainability Policy underlines, among other things, our commitment to the ten principles of the United Nations Global Compact (UNGC), which we joined in 2016. This agreement - the universally accepted guidelines for responsible business conduct - provides a clear roadmap for the development of responsible business. Monitoring the implementation of these principles and the management of the associated risks is an integral part of the overall control and risk management of the Group of companies, which is applied throughout AB Ignitis Grupė, and therefore Ignitis gamyba.

Driving the region's energy transformation towards an energy-smart world, we are focusing on our Environmental, Social and Governance (ESG) performance and accountability. Sustainability Management Plan and policies of the Group, which are also applicable to Ignitis gamyba, are publicly available (link). We publish key data on ESG indicators and key achievements in our interim and semi-annual reports, and provide detailed information in our annual reports.

Sustainability activities in the Group of companies are coordinated centrally through a separate Sustainability function reporting directly to the CEO of the parent company. The Management Board of the Group decides on the formulation, approval and updating of the organisation's sustainability strategic directions, policies and activities. A detailed description of the management of sustainable activities at the Group can be found in the Sustainability Report integrated into the Group‘s Annual Report 2021 under the heading ‘Sustainability in the Group’ and in the 'Sustainability' section on the website of the Group. The following is the basis on which we are improving our ESG performance.

Key sustainability themes and principles of governance and accountability in the Group

MAIN THEMATIC AREAS	GOVERNANCE AND PROCESSES	ACCOUNTABILITY
We aim to reduce net GHG emissions to zero by 2050. We contribute directly to the United Nations Global Compact, the Sustainable Development Goals and the Paris Agreement.	We follow good governance practices and take into account the recommendations of international institutions and the scientific community.	We disclose information on the progress of the Group in accordance with globally recognised standards and in formats tailored to a wide range of stakeholders

MEASURING PROGRESS

We continuously assess the progress of the Group on the basis of ASV ratings provided by independent, leading ASV rating agencies.

The Group's and Ignitis gamyba sustainability objectives are published on the Group's website www.ignitisgrupe.lt under “Sustainability” section, and on the Company's website.

Stakeholder relations and assessment of ESG priorities

Stakeholder engagement is crucial to ensure that the 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.

That's why, when planning our activities, such as investment plans, we analyse stakeholder expectations based on international principles (AA1000 standard) and involve stakeholders, as recommended by recognised sustainability standards such as the Global Reporting Initiative (GRI). In surveys conducted in spring 2021, stakeholders were asked which aspects of environmental, social responsibility and governance (ESG) the Company should focus on and how they perceive current performance of Ignitis gamyba in relation to each aspect of ESG.

During the Stakeholder engagement, we identified and interviewed 4 main stakeholder groups:

- employees,
- business clients,
- suppliers, contractors,
- state, municipal or subordinate authorities.

This grouping was chosen to more accurately reflect the specifics of each group's expectations, while at the same time assessing the similarity of respondents' expectations within each group Responses were received from 121 respondents, which equates to a 28% response rate. A materiality assessment was carried out on the basis of the survey results, as recommended by the sustainability standards mentioned above.

The expectations of the stakeholders expressed during this process were aligned with the existing goals and objectives of Ignitis gamyba, which led to the identification of priority themes that were in line with both the expectations of the stakeholders and the defined objectives of Ignitis gamyba. The outcome of the materiality assessment provides the basis for further embedding sustainable development in the Company's activities in a way that takes into account the overall impact of Ignitis gamyba on its stakeholders and generally aligns the expectations expressed by the stakeholders with the strategic objectives.

Key facts for assessing the significance of Ignitis gamyba:

- We have interviewed 121 representatives of the stakeholders;
- We have identified 17 thematic aspects of the ESG with the greatest relevance to Ignitis gamyba and its stakeholders;
- Stakeholders shared their views on which aspects of ESG should be important to the Company;
- During the internal strategy sessions, management of Ignitis gamyba clarified the links between the stakeholders' expectations and the business strategy.

Materiality assessment matrix of Ignitis gamyba for 2021

Overview of the main sustainability impacts and the initiatives/measures being implemented

Environmental area

Main impacts in the environmental area of Ignitis gamyba:

- Climate change impact/GHG emissions - reduction of greenhouse gases (CO_2, etc.) generated by activities, generating electricity from renewable energy sources;
- energy efficiency for society and customers - promoting consumer energy efficiency;
- sustainable solutions and services for customers – environmentally friendly and smart solutions for customers;
- impacts on biodiversity and ecosystems – protecting biodiversity, flora and fauna;
- impact on soil, water and air quality - maintaining soil, water and air quality, preventing environmental pollution;
- more sustainable self-consumption of energy - using green energy for self-consumption; reducing self-consumption;
- Resource efficiency and waste management - recycling raw materials and reducing waste from operations.

Reducing impacts on climate change

Climate change is one of the greatest human challenges of this century, and it requires action by everyone - governments, business, non-governmental organisations and society. Although energy is the engine of the economy, its production accounts for a significant share of greenhouse gas (GHG) emissions. Transformation and decarbonisation of the energy sector are therefore prerequisites for the implementation of the Paris Agreement and for limiting the average increase in the Earth's temperature to 1.5 degrees Celsius above pre-industrial levels. Energy is a key sector in the European Union's policy towards climate neutrality by 2050.

In November 2021, the Science Based Targets initiative (SBTi) adopted ambitious GHG emission reduction targets for AB Ignitis grupė, in line with the latest scientific recommendations on the actions that should be taken to keep climate warming below 1.5°C compared to pre-industrial levels. This limit should not be exceeded to avoid catastrophic natural phenomena and adverse impacts on health and wealth, according to the scientists.

In order to achieve our GHG emission reduction targets, we will focus on operational emissions throughout the year and will seek to involve our partners, suppliers and customers in this process. The main emissions from Ignitis gamyba come from the use of natural gas and biofuels to produce energy, and from the consumption of electricity at the Kruonis pumped storage power plant, where water is lifted from the Kaunas Lagoon into an artificial upper basin. The planned emission reduction measures of the Group and its companies include increasing green generation capacity, increasing the share of green electricity sold to consumers and consumed by the Group, promoting the phase-out of natural gas, reducing losses in the distribution network, adding electric vehicles to the vehicle fleet, etc.

For more information on the Group's objectives and planned emission reduction measures, please refer to the 'Climate Impact Mitigation' section of the Sustainability Report integrated into the Annual Report 2021 of AB Ignitis grupė (link).

Energy efficiency for society and customers

In December 2020, together with other Group companies, Ignitis gamyba signed an agreement with the Ministry of Energy, committing to educate and advise consumers on energy efficiency improvements to help them reduce their energy consumption and associated costs.

Solutions and services to customers

Ignitis gamyba is developing and expanding one of the largest remote solar power plants in Lithuania. The capacity of the solar park near Elektrėnai is expected to increase by 3.4 megawatts (MW) by summer 2022. The expansion of the Obenių Solar Park will contain more than 6,000 solar modules installed on a 3 hectare site, bringing the total capacity of the park to 7.4 MW. The total area of the solar energy plant will be more than 9 hectares.
At the end of 2021, more than 1,000 households were consuming energy from the 4 MW solar plant installed, rising to almost 2,000 after the last phase. The total capacity of the 7.4 MW solar plant is expected to generate at least 172 GWh of electricity over its lifetime. The solar park will reduce greenhouse gas emissions by almost 28 million tonnes of CO2.

Impacts on biodiversity, ecosystems and land, water and air quality

Environmental issues at the level of the Group are coordinated in accordance with Environmental Policy of AB Ignitis grupė, which establishes general environmental provisions and principles. The policy sets out the objectives for the maintenance and modernisation of the facilities under management, with a view to protecting the landscape and biodiversity, and to respecting the principle of the integrity of protected areas and species and habitats of high ecological value. Where this cannot be avoided for objective reasons, all feasible measures shall be implemented to reduce and compensate for the impact. This policy also underpins waste management in Group companies.

Ignitis gamyba is guided by the Environmental Protection Standard, the purpose of which is to define the implementation of the environmental protection requirements of the legislation of the Republic of Lithuania, ISO 14001:2015 and the provisions and principles of the environmental protection policy of AB Ignitis grupė. The aim is to reduce the overall environmental impact of the Company in the most effective way and to ensure compliance. During 2021, 6 external environmental inspections were carried out. 1 inspection found An infringement was found during one inspection resulting in no fines.

The operation of a hydroelectric power plant or other installations affecting water bodies changes the level, other properties of the water body, which can affect aquatic and terrestrial animals. For example, the Kaunas Lagoon contains the Natura 2000 ecological network site, where silver gulls breed. As water levels rise, bird nests closest to the water may be flooded, and as water levels fall, nests on small islands may be accessible to predators. Changes in water levels can also disrupt fish spawning and movement patterns. To manage this potential risk, the rules for the use and maintenance of the Kaunas HE dam set out restrictions on changes in water level. Water levels are continuously monitored, power generation is carried out within the permissible change in the water level in the Kaunas Lagoon and the environmentally necessary water level in the lower Nemunas basin is maintained. Also, in Elektrėnai pond the monitoring of water level is conducted: in 2021, the water level in the upper reaches of Elektrėnai pond varied between 94.65 m and 97.77 m and was within the permissible limits of the level fluctuations set out in the rules for the use and maintenance of Elektrėnai Pond. The Integrated Pollution Prevention and Control (IPPC) permit for the Elektrėnai complex obliges it to ensure sufficient water flow in the Strėva River (flowing into the Kaunas Lagoon) by discharging a certain amount of water from the Elektrėnai pond through a sluice.

Phase II of the fuel farm clean-up was completed in 2021: the unused fuel oil infrastructure at the Elektrėnai complex operated by Ignitis gamyba was cleaned up by cleaning and dismantling disused fuel oil and related infrastructure. The fuel farm rehabilitation project has significantly reduced the risk of fuel oil spills and contamination of soil and groundwater. The final phase III is currently being planned and will deal with the residues of uncollected fuel oil remaining in the large fuel oil tanks.

For more information on biodiversity impact management measures and other environmental initiatives of Ignitis gamyba, please see the section on "Protection of Natural Resources" in the Sustainability Report integrated into the Group's Annual Report 2021 (available here).

Self-consumption of energy

Ignitis gamyba promotes energy efficiency, contributes to employee education and introduces measures to improve energy efficiency. In 2021, Ignitis gamyba carried out an internal energy audit, the implementation of the recommendations of which will contribute to the achievement of energy efficiency and GHG emission reduction targets. The Company's employees in Vilnius have moved to an A+ energy efficiency class building complex. These and other energy efficiency initiatives of Ignitis gamyba and the Group as a whole are described in more detail in the section "Protection of Natural Resources" of the Sustainability Report integrated into the Group's 2021 Annual Report (available here).

Resource efficiency and waste management

Waste management in each Group company is based on the Group's environmental policy. In order to contribute to the protection of the environment and the reduction of pollution in Lithuania, all waste generated by Ignitis gamyba is sorted, separating out secondary raw materials, hazardous waste, accounted for in the GPAIS (the Unified Product Packaging and Waste Information System) and transferred to licensed waste handlers under contract. The same is required of partners and contractors.

In 2021, most of the dismantling of the 250 m and 150 m high chimneys No.1 and No.2 at the Elektrėnai complex, operated by Ignitis gamyba, was completed. Hazardous and non-hazardous waste generated during dismantling was transferred to waste management companies, reusable non-contaminated concrete was crushed and the resulting crushed stone was sold for use in construction.

In 2021, Ignitis gamyba generated 2,826 t of non-hazardous waste (of which 1,104 t of iron and steel) and 190 t of hazardous waste (4,072 t (2,332 t) and 103 t respectively in 2020). These quantities do not include waste from the dismantling of chimneys.

All amounts are in EUR thousand unless otherwise stated

Personnel and society/communities area

Key impacts of Ignitis gamyba on personnel and society/communities:

- Occupational health and safety - ensuring workplace safety and promoting the health of workers and contractors;
- Employee welfare and cooperation with employees - fair remuneration, employee job satisfaction, freedom of joining associations;
- Employee well-being and cooperation with employees - competent employees now and in the future - professional and personal development of employees, development of competences for the energy sector;
- Influencing and engaging with local communities - protecting the health of community members and the natural environment, listening to community needs;
- Involvement in community activities - participation in civic initiatives and NGOs; volunteering.

Safety and health of employees and contractors

Ignitis gamyba adheres to the provisions of the General Provisions and Principles of Occupational Safety and Health and the Group's Zero Tolerance for Accidents at Work Policy, which defines the basic guidelines for their implementation. The Company pays great attention to the prevention of accidents and ensuring safety and health, which is why Ignitis gamyba has implemented the ISO 45001:2018 occupational safety and health standard. Workplaces and the quality of work organisation of the Company's employees and contractors are regularly inspected, and complex inspections are carried out. New and innovative measures are constantly being introduced to strengthen the safety culture, increasing the involvement of employees and managers in safety (analysis of recorded violations, proposals for preventive measures, assignment of persons responsible for their implementation, strengthening of the system of prevention of drunkenness, which includes not only inspection of employees, but also education on healthy lifestyles. The total recordable injury rate per million hours worked (TRIR) at Ignitis gamyba was 3.22.

Details of the measures and initiatives implemented to ensure the safety and health of employees and contractors at the Group's companies, including Ignitis gamyba, can be found in the "Future-fit Employees and Communities" section of the Sustainability Report integrated into the Group's Annual Report 2021 (available here).

Health and safety performance indicators of employees of Ignitis gamyba in 2021

Employee incidents and accidents (minor, serious or fatal)	The company had 2 minor accidents in 2021 (both during work). All accidents are investigated. The main causes of the accidents - carelessness on the part of workers. There have been no incidents of staff due to poor well-being.
Occupational safety and health violations their nature and accidents performed by contractors' workers on the Company's sites	31 contractors' workplaces were inspected and 9 infringements were found. 2 times the work was stopped due to complex or serious infringements. Characteristics: improper documentation of works, failure to wear safety helmets, fireworks carried out with faulty equipment, use of faulty scaffolding. No accidents to contractors' workers.

Employee well-being and co-operation with employees, ensuring employee competence

As one of the largest employers in Lithuania, the Group develops and strives to maintain an organisational culture that fosters a long-term employer-employee partnership based on the Group's values and the Code of Ethics, mutual understanding and the opportunity to work together to create an energetically intelligent future. We operate and achieve our goals in a way that is not only respectful of the environment, but also of the well-being of our employees: for us, this is a prerequisite for sustainable operations. That is why the Group is constantly developing, researching and testing different measures that can contribute to the well-being of employees. Ignitis gamyba is one of the Group's largest companies, with 359 employees at the end of 2021, and all these principles are implemented scrupulously.

Ignitis gamyba respects workers' rights and opposes child labour and discrimination of any kind, both in the recruitment of new workers and among existing workers. The Company has trade unions and a collective agreement in force. The Employee Satisfaction Index (eNPS) at Ignitis gamyba increased in 2021 from 51.8% to 53.5%, compared to 2020.

By creating and fostering a culture and environment of continuous improvement within the organisation, as well as based on performance and career goals, new activities, and innovations in work processes, Ignitis gamyba enables its employees to grow and develop purposefully, and to expand their professional, general, and managerial competences.

All amounts are in EUR thousand unless otherwise stated

Detailed information on how the Group's companies, including Ignitis gamyba, ensure the well-being and representation of employees, as well as information on the application of the Remuneration Policy and employee training and competence-building initiatives, can be found in the section "Future-fit Employees and Communities" of the Sustainability Report integrated into the Group's Annual Report 2021 (available here).

Influence on and contact with local communities, involvement in social activities

The Group strives to maintain good relations with the communities in which it operates. This is done in accordance with the Community Engagement and Relationship Management Guidelines, which require Group companies to engage and manage relationships with communities in their operations, and set out measures to implement these principles across the Group to reinforce a culture and practice of responsible and sustainable business.

More information is provided in the Sustainability Report under the heading "Future-fit Employees and Communities" integrated into the Group's Annual Report 2021 (here).

Human rights area

The main impacts of Ignitis gamyba in the area of human rights:

Breakdown of actual employees per positions, 2021	Men	Women	Total
Trainees	0	0	0
Workers	106	8	117
Experts, specialists	176	33	209
Mid-level executives	25	4	29
Top level executives	3	0	3
Heads of the companies	1	0	1

Governance and anti-corruption area

The main impacts of Ignitis gamyba in the area governance and anti-corruption:

- Ethical business, anti-corruption and transparency - transparent corporate governance, anti-corruption, fair and ethical market conduct;
- Stability and security of the energy system - ensuring the security and continuity of the energy system;
- Access to energy - affordability of electricity and heating;
- Responsibility and sustainability in the Company's supply chain - buying more environmentally friendly goods and services for own use and reducing the negative impact of suppliers on the natural and social environment.
- Diversity, equal opportunities and human rights - ensuring gender equality and equal opportunities, promoting diversity at work

We value the diversity of our workforce and strive to ensure that all our employees have equal opportunities to be a full part of the organisation. This means equal employment opportunities, smooth working, fair pay, well-being, development, career progression, work-life balance, skills and talents. Therefore, as enshrined in the Group's Policy of Equal Opportunity and Diversity, Ignitis gamyba and other companies of the Group do not tolerate discrimination, promote a work environment that reflects the diversity of society, and implement the principles of respect for diversity in their activities.

The Group regularly collects and publishes data on the diversity of its workforce: gender, age, education, occupation and country of employment. Diversity data is a way of getting to know the Group's people and, given the fact that we are different, of creating a supportive, inclusive work culture for all. At the end of 2021, 88% of Ignitis gamyba workforce were males, compared to 12% females. This distribution remains stable due to the specific nature of Ignitis gamyba activities, with women being less likely to opt for technological jobs and related professions. For more information on the work and achievements on diversity, equality and human rights in the Group's businesses, please refer to the section "Future-fit Employees and Communities" in the Sustainability Report integrated into the Group's Annual Report 2021 (here).

Energy system stability and security

Lithuania is largely dependent on energy imports, so domestic energy production capacity is crucial for the country's energy security. Ignitis gamyba controls facilities in the flexible production segment. The system 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.

Ethical business, anti-corruption and transparency

Ignitis gamyba, like other companies in the Group, is guided by the principles of ethical conduct as defined in the Group's Code of Ethics. In line with the Global Compact principle on anti-corruption, the Company and its employees are guided by the Anti-corruption Policy in force throughout the Group. The Company does not tolerate any form of corruption. We encourage to report potentially unethical behaviour by Group employees or representatives, cases of discrimination or corruption, as well as other breaches of the sustainability principles or concerns to the Helpline by email at pasitikejimolinija@ignitis.lt, by phone at +370 640 88889, or by completing the online form. These contacts are available to both staff and all stakeholders.

Responsibility and sustainability in the corporate supply chain

The Company is a contracting authority. The procurement function of the Group companies is performed by UAB Ignitis Grupės Paslaugų Centras (GPC). GPC carries out procurement procedures and provides planning and execution services for the procurement of goods, services or works. Procurement is centralised; procurement processes are standardised and concentrated on a single online platform. In order to ensure a transparent procurement process and an open dialogue, the GPC invites suppliers to information meetings, during which high-value procurements planned by contracting authorities are presented.

All amounts are in EUR thousand unless otherwise stated

Detailed information on achievements in ensuring the reliability of the energy system, the application of transparency and anti-corruption principles, the security of personal data, responsible procurement and the involvement of suppliers can be found in the "Robust Organisation" section of the Sustainability Report integrated into the Group's Annual Report 2021 (here).

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

OTHER RELEVANT INFORMATION

Significant agreements

There are no material agreements of which the Company is a party that would take effect, change or terminate upon a change of control of the Company.

There were no agreements between the Company and members of its governing bodies or employees providing for compensation in the event of their resignation or dismissal without justified reason, or if their employment were to cease as a result of a change of control of the Company.

Detrimental transactions

No detrimental transactions were concluded during the reporting period on behalf of the Company (transactions that are not consistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders etc.), which had or potentially may have a negative impact on the Company's performance and/or results of operation, nor were any transactions concluded resulting in conflict of interests between the responsibilities of the Company's management, majority shareholders or other related parties against the Company and their own private interests and/or other responsibilities.

Main features of the internal control and risk management systems related to the preparation of the financial statements

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The employees of the company providing audit services make sure that the financial statements are prepared properly and that all data are collected in a timely and accurate manner. The preparation of the Company's financial statements, internal control and financial risk management systems, legal acts governing compilation of the financial statements are monitored and managed.

Notification of material events during the reporting period

28 January 2021	Ignitis gamyba preliminary financial results for 12 months of 2020
25 February 2021	Ignitis gamyba approved the business plan for the development of the Kruonis HPP
26 February 2021	Audited financial information of Ignitis gamyba for 2020
26 February 2021	On the convening of the General Meeting of Shareholders of Ignitis gamyba, the agenda and draft decisions on the items on the agenda
26 February 2021	Ignitis gamyba preliminary financial results for 1 month 2021
19 March 2021	Regarding the resolutions of the Supervisory Board of Ignitis gamyba
30 March 2021	Ignitis gamyba preliminary financial results for 2 months 2021
31 March 2021	Regarding the resolutions of the General Meeting of Shareholders of Ignitis gamyba
29 April 2021	Ignitis gamyba preliminary financial results for 3 months 2021
21 May 2021	Ownership rights to part of the shares of Ignitis gamyba were transferred to Ignitis Grupė
27 May 2021	1Q results of Ignitis gamyba: significant increase in electricity production volumes and growth in financial indicators
27 May 2021	Ignitis gamyba preliminary financial results for 4 months 2021
4 June 2021	Regarding the resignation of Dominykas Tučka, Chairman of the Supervisory Board of Ignitis gamyba
29 June 2021	Ignitis gamyba preliminary financial results for 5 months 2021
29 July 2021	Ignitis gamyba preliminary financial results for 6 months 2021
27 August 2021	The Court allowed the transfer of remaining shares of Ignitis gamyba to Ignitis Grupė
31 August 2021	Ignitis gamyba preliminary financial results for 7 months 2021
9 September 2021	Ownership rights to all the shares of Ignitis gamyba were transferred to Ignitis Grupė

All amounts are in EUR thousand unless otherwise stated

30 September 2021	Ignitis gamyba preliminary financial results for 8 months 2021
10 October 2021	Ignitis gamyba preliminary financial results for 9 months 2021
30 November 2021	Ignitis gamyba preliminary financial results for 10 months 2021
29 December 2021	Regarding the Flexible Production Segment Reserve and Isolated Work Services in 2022

Notification of material events after the end of the reporting period

9 February 2022	Regarding supplement to the agreement on the Flexible Production Segment Reserve and Isolated Work Services

COMMONLY USED ABBREVIATIONS AND TERMS IN THE REPORT

ATL	Emission allowances	**Kruonis HPP**	Kruonis hydro power plant
Company	Ignitis gamyba AB	**LR**	The Republic of Lithuania
GDP	Gross domestic product	**MW**	Megawatts
ESH	Employee safety and health	**NordPool**	NordPool electricity exchange
EC	European Commission	**TSO**	Transmission system operator AB LITGRID
EU	European Union	**TWh**	Terawatt-hours
Group	Companies of the companies group of Ignitis Grupė AB	**NERC**	National Energy Regulatory Council
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	**SPI**	Services of public interest
CCU	Combined cycle unit	**Vilnius TE-3**	Vilnius 3rd CHP plant

Financial statements

Company's financial statements

For the year ended 31 December 2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union

The Company's financial statements were prepared and signed by AB Ignitis gamyba management on 31 March 2022:

Rimgaudas Kalvaitis	**Andrius Valivonis**	**Renata Zakažauskienė**
General Manager	Director of Finance and Administration	Accounting Partner of UAB Ignitis grupės paslaugų centras, acting under Decision No IS-11-22 of 14 February 2022

Statement of financial position

31 December 2021
All amounts in thousands of euro unless otherwise stated

	Notes	31 December 2021	31 December 2020 (restated)[1]	1 January 2020 (restated)[1]
ASSETS				
Non-current assets				
Intangible assets		15	44	82
Property, plant, and equipment	6	402,542	426,411	450,261
Right-of-use assets	7	5,422	5,627	6,029
Prepayments for non-current assets		347	-	-
Investment property		3,043	3,423	3,818
Investments in associated companies	8	2,990	2,867	1,980
Non-current receivables		118	99	628
Other non-current assets		-	-	5,087
Total non-current assets		**414,477**	**438,471**	**467,885**
Current assets				
Inventories	9	24,043	32,975	27,173
Prepayments and deferred expenses		5,554	2,852	12,684
Trade receivables	10	20,369	15,793	15,845
Other receivables	11	8,394	4,893	20,122
Loans granted	12	64,933	9,142	49,971
Cash and cash equivalents	13	169,421	138,120	58,501
Total current assets		**292,714**	**203,775**	**184,296**
TOTAL ASSETS		**707,191**	**642,246**	**652,181**
EQUITY AND LIABILITIES				
Equity				
Issued capital	14	187,921	187,921	187,921
Share premium	14	89,975	89,975	89,975
Legal reserve	15.1	19,609	17,519	15,379
Revaluation reserve	15.2	603	618	632
Retained earnings (loss)		44,067	90,942	101,826
Total equity		**342,175**	**386,975**	**395,733**
Liabilities				
Non-current liabilities				
Non-current loans	17	12,483	16,900	21,317
Non-current lease liabilities	19	5,461	5,579	5,559
Grants and subsidies	20	142,470	150,774	159,105
Deferred tax liabilities	30	19,738	21,378	21,318
Provisions	21	8,580	16,943	9,681
Other non-current amounts payable and liabilities		390	452	542
Total non-current liabilities		**189,122**	**212,026**	**217,522**
Current liabilities				
Loans and borrowings	17	4,417	4,417	4,417
Lease liabilities	19	124	150	186
Trade payables	22	31,973	20,028	17,978
Prepayments received		92	221	41
Income tax payable		6,599	2,932	5,458
Provisions	21	21,168	12,052	6,731
Other current amounts payable and liabilities	23	111,521	3,445	4,115
Total current liabilities		**175,894**	**43,245**	**38,926**
Total liabilities		**365,016**	**255,271**	**256,448**
TOTAL EQUITY AND LIABILITIES		**707,191**	**642,246**	**652,181**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy and reclassifications. More information disclosed in Note 5.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2021
All amounts in thousands of euro unless otherwise stated

	Notes	2021	2020 (restated)[1]
Revenue from contracts with customers	24	295,201	172,380
Other income		587	2,080
Total revenue and other income		**295,788**	**174,460**
Purchases of electricity, gas and other services	26	(150,112)	(69,834)
Wages and salaries and related expenses		(10,610)	(9,721)
Repair and maintenance expenses		(6,543)	(6,986)
Depreciation and amortisation		(17,033)	(17,525)
Use of emission allowances		(5,694)	(8,295)
Other expenses	27	(17,633)	(12,101)
Total expenses		**(207,625)**	**(124,462)**
Operating profit (loss)		**88,163**	**49,998**
Finance income		343	278
Finance costs	28	(828)	(613)
Finance activity, net		**(485)**	**(335)**
Result of associated entities	9	**283**	**112**
Profit (loss) before tax		**87,961**	**49,775**
Current year income tax income (expenses)	29	(14,737)	(7,281)
Deferred tax income (expenses)	30	1,592	(60)
Net profit (loss) for the year		**74,816**	**42,434**
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		(398)	-
Items that will not be reclassified to profit or loss in subsequent periods, total		**(398)**	**-**
Total other comprehensive income (expenses) for the year		**(398)**	**-**
Total comprehensive income (expenses) for the year		**74,418**	**42,434**

[1] *Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to changes in presentation and change in accounting policy. More information disclosed in Note 5.*

Statement of changes in equity

For the year ended 31 December 2021
All amounts in thousands of euro unless otherwise stated

	Notes	Issued capital	Share premium	Legal reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2020		**187,921**	**89,975**	**15,379**	**20,554**	**96,224**	**410,053**
Change in accounting policy	5	-	-	-	(19,922)	5,602	**(14,320)**
Balance as at 1 January 2020 after restatement[1]		**187,921**	**89,975**	**15,379**	**632**	**101,826**	**395,733**
Net profit (loss)[1] for the year		-	-	-	-	42,434	**42,434**
Total comprehensive income (expenses) for the year (restated)[1]		**-**	**-**	**-**	**-**	**42,434**	**42,434**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(14)	14	**-**
Transfer to reserves and changes in reserves		-	-	2,140	-	(2,140)	**-**
Dividends	25	-	-	-	-	(51,192)	**(51,192)**
Balance as at 31 December 2020 (restated)[1]		**187,921**	**89,975**	**17,519**	**618**	**90,942**	**386,975**
Balance as at 1 January 2021		**187,921**	**89,975**	**17,519**	**618**	**90,942**	**386,975**
Net profit (loss) for the year		-	-	-	-	74,816	**74,816**
Other comprehensive income (expenses)		**-**	**-**	**-**	**-**	**74,816**	**74,816**
Result of change in actuarial assumptions		-	-	-	-	(398)	**(398)**
Total other comprehensive income (expenses) for the year		**-**	**-**	**-**	**-**	**(398)**	**(398)**
Total comprehensive income (expenses) for the year		**-**	**-**	**-**	**-**	**74,418**	**74,418**
Transfer of revaluation reserve to retained earnings (transfer of depreciation, net of tax)		-	-	-	(15)	15	**-**
Transfer to reserves and changes in reserves		-	-	2,090	-	(2,090)	**-**
Dividends	25	-	-	-	-	(119,232)	**(119,232)**
Share-based payments	16	-	-	-	-	14	**14**
Balance as at 31 December 2021		**187,921**	**89,975**	**19,609**	**603**	**44,067**	**342,175**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

Statement of cash flows

For the year ended 31 December 2021
All amounts in thousands of euro unless otherwise stated

	Notes	2021	2020 (restated)[1]
Cash flows from operating activities			
Net profit (loss) for the year		74,816	42,434
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation		25,302	25,873
Revaluation of investment property		(947)	138
Fair value changes of derivatives	27	7,444	-
Impairment/(reversal of impairment) of financial assets		(63)	31
Income tax expenses (income)	29	13,145	7,341
Depreciation and amortisation of grants	20	(8,269)	(8,348)
Increase/(decrease) in provisions	21	285	12,602
Inventory write-off to net realisable value (reversal)		36	54
Portion of (profit) of associated entities	8	(283)	(112)
Loss on disposal/write-off of property, plant and equipment		1,063	41
Share-based payment expenses		14	-
Interest income		(287)	(278)
Interest expenses	28.1	757	589
Other finance costs		15	24
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(7,985)	15,761
(Increase)/decrease in inventories, prepayments and deferred expenses		6,132	8,912
Increase/(decrease) in trade payables, deferred revenue, prepayments received, other non-current and current amounts payable and liabilities		9,984	(451)
Income tax paid		(9,195)	(8,381)
Net cash from / (used in) operating activities		**111,964**	**96,230**
Cash flows used in investing activities			
Acquisition of property, plant and equipment and intangible assets		(1,244)	(760)
Proceeds from sale of property, plant and equipment and intangible assets		4	8
Investments in associates		-	(934)
Grants received	20	-	18
Interest received		272	296
Dividends received		160	159
Loans granted		(55,768)	-
Loans recovered		-	40,829
Net cash flows from / (used in) investing activities		**(56,576)**	**39,616**
Cash flows from/(used in) financing activities			
Repayments of borrowings	17	(4,417)	(4,417)
Lease payments	18	(146)	(173)
Interest paid	18	(768)	(578)
Dividends		(18,756)	(51,059)
Net cash flows from/(used in) financing activities		**(24,087)**	**(56,227)**
Increase/(decrease) in cash and cash equivalents (including overdraft)		**31,301**	**79,619**
Cash and cash equivalents (including overdraft) at the beginning of the period	13	138,120	58,501
Cash and cash equivalents (including overdraft) at the end of the year	13	**169,421**	**138,120**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy: expenses of EUR 600 thousand were reclassified from the item “Increase/(decrease) in provisions” to “Net profit (loss) for the year”; income of EUR 1,241 thousand was reclassified from “Income tax expenses” to “Net profit (loss) for the year”.

All amounts in thousands of euro unless otherwise stated

Notes to the financial statements

For the year ended 31 December 2021

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. Reporting period is one year ended 31 December 2021.

From 1 September 2011, the shares of AB Ignitis gamyba have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius AB took the decision under the request of the Company to delist all the shares of the Company from the Main List. The Company's shares were removed on 1 July 2020 (the last day of trading on the Nasdaq Vilnius is 30 June 2020).

Main activities of the Company include electricity generation and electricity trading activities. 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 Algirdas Brazauskas 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.

Shareholders of the Company:

	31 December 2021		31 December 2020	
	Number of shares held	Ownership interest (%)	Number of shares held	Ownership interest (%)
AB Ignitis grupė	648,002,629	100.00	636,314,384	98.20
Other shareholders	-	-	11,688,245	1.80
Total	**648,002,629**	**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-04215 Vilnius, Lithuania), which owns 100% of shares of the Company as at 31 December 2021. On 5 October 2020, AB Ignitis grupė increased its issued capital, and on 7 October 2020, has executed initial public offering (hereinafter "IPO") of new shares. In December 2021, AB Ignitis grupė acquired own shares; as at 31 December 2021, the shareholders were the Ministry of Finance of the Republic of Lithuania (73.08%), retail and institutional investors (25.25%) and own shares (1.67%). As at 31 December 2020, the shareholders were the Ministry of Finance of the Republic of Lithuania (73.08%), and retail and institutional investors (26.92%).

AB Ignitis grupė is an ultimate controlling company. The Group comprises AB Ignitis grupė and all of its subsidiaries ("the Group").

As at 31 December 2021, the Company's associates were as follows:

Associate	Registered office	Company's ownership interest 31 December 2021	Company's ownership interest 31 December 2020	Main activities
UAB Geoterma, bankrupt	Lypkių g. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
UAB Ignitis grupės paslaugų centras	Laisvės pr. 10, LT-04215, Vilnius, Lithuania	21.45%	21.45%	Information technology services, public procurement, accounting and employment relations administration services

For the purpose of these financial statements, the Company's investments in associates have been reported under the equity method (Note 8).

These financial statements were signed by the management of AB Ignitis gamyba on 31 March 2022. 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 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Company's financial statements (hereinafter "financial statements") for the year ended 31 December 2021 are summarized below:

2.1 Basis of preparation of the financial statements

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The Company's financial statements as at and for the year ended 31 December 2021 have been prepared on a going concern basis applying measurement based on historical cost, except for certain items of property, plant and equipment (see Note 2.5), investment property, and certain financial instruments 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.

As at 31 December 2021, the Company reclassified certain figures of the statement of financial position as at 31 December 2020. More information is disclosed in Note 5.

For change in accounting policy – see Note 2.2.1 and Note 5.

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

2.2 New standards, amendments to standards and interpretations

2.2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following:

2.2.1.1 Emission allowances

During 2021 it was concluded that the current accounting policy for emission allowances does not present the statement of profit or loss and other comprehensive income (hereinafter – SPLOCI) and the statement of financial position in the best interest of the users of the financial statements. Therefore, the change in accounting policy was necessary; the change affects the statements of financial position, cash flows and changes in equity for the year ended 31 December 2020.

For detailed information on impact – see Note 5.

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

The following are new standards and/or amendments to the standards that have been approved by International Accounting Standards Board (hereinafter – IASB) and endorsed in European Union during the year ended as at 31 December 2021. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

Standards or amendments that came into force during 2021
COVID-19-Related Rent Concessions (Amendment to IFRS 16)
Interest Rate Benchmark Reform– Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

2.2.2 Standards issued but not yet effective and not early adopted

The Company did not adopt new IFRS and International Accounting Standards (hereinafter – IAS), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2021 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management. Instead, an entity recognises those sales proceeds in profit or loss. The amendments are be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments. Amendments apply for annual reporting periods beginning on or after 1 January 2022. Amendments are endorsed for application in European Union.

In 2021 the Company did not put into operation any assets, the cost of which would capitalise the income earned in 2021; therefore, the Company's management has decided that these amendments do not have a significant impact on the Company's financial statements.

All amounts in thousands of euro unless otherwise stated

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. Amendments are endorsed for application in the European Union.

The Company does not have significant onerous contracts therefore the Company's management determined that these amendments have no significant impact on the Company's financial statement.

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

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

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

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
Annual Improvements to IFRS Standards 2018-2020	1 January 2022	Endorsed
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	Not yet endorsed
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Not yet endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Not yet endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Not yet endorsed

2.3 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 in SPLOCI.

2.4 Intangible assets

2.4.1 Computer software

Computer software is stated at cost, less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 years.

2.4.2 Other intangible assets

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the estimated economic useful life of 3 to 4 years. Amortisation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be available for operating in the manner intended by management.

The Company's intangible asset amortisation expenses are accounted for within depreciation and amortisation item in SPLOCI.

All amounts in thousands of euro unless otherwise stated

2.5 Property, plant, and equipment

Property, plant and equipment, which include the categories of assets of hydro power plant, pumped storage power plant, combined cycle unit and reserve power plant, are accounted for at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful lives established for property, plant and equipment. Depreciation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

All other property, plant and equipment are measured at revalued amounts, based on periodic valuations by external independent valuers or by the Company's management, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income of SPLOCI and accumulated to the revaluation reserve in equity. However, the increase is recognised in profit or loss of SPLOCI to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss section. Decreases in the carrying amount of an asset arising on revaluation are generally recognised in profit or loss section; decreases that offset previous increases of the same asset are recognised in other comprehensive income section and charged against the revaluation reserve. Each year the difference between depreciation based on the revalued amount of the asset (when the carrying amount increases after revaluation) is charged to profit or loss section and depreciation based on the asset's original acquisition cost is transferred from revaluation reserve to retained earnings, net of deferred tax.

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 SPLOCI during the financial period in which they are incurred.

Property, plant and equipment include spare parts, spare equipment and maintenance equipment when they meet the definition of property, plant and equipment.

The assets' residual values and useful lives are reviewed at least once per year, and adjusted if appropriate.

For accounting of borrowing costs - see Note 2.11.2.5.

When asset is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gains or losses are included in profit or loss of SPLOCI. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed. When revalued assets are disposed, the corresponding portion of revaluation reserve is transferred to retained earnings.

Construction in progress is transferred to appropriate categories of property, plant and equipment when asset is completed and ready for its intended use.

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

2.6 Right-of-use assets

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

2.6.1 Initial measurement of right-of-use assets

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.

2.6.2 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:

Group of right-of-use assets	Depreciation (number of years)
Land	2-85
Buildings	2-5
Vehicles	2-5

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.

2.7 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amount of its property, plant and equipment, intangible assets and right-of-use assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of impairment (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, otherwise they are allocated to the smallest groups of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at each reporting date, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which were not considered in estimation of future cash flows.

If the recoverable amount of an asset (or cash generating unit - hereinafter "CGU") is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in SPLOCI.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in SPLOCI.

2.8 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 SPLOCI for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Certain immovable property may be occupied by the Company, with the remainder being held for rental yields or for capital appreciation. If part of immovable property occupied by the Company can be sold separately, the Company accounts for such property separately. The portion that is owner-occupied is accounted for under IAS 16 and the portion that is held to earn rentals is accounted for under IAS 40.

2.9 Assets held-for-sale

Non-current assets held-for-sale are stated at the lower of the carrying amount and fair value less costs of disposal if the carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.10 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 indications exist, the Company calculates the amount of impairment, and recognises this amount under the line item of share of profit (loss) of associates in the statement of profit or loss and other comprehensive income.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.11.1 Financial assets

The 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 SPLOCI. Impairment loss is accounted for as the cost of receivables and impairment of loans in SPLOCI.

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the Company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the Company. The intentions of the Company’s management regarding separate instruments 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, except for financial assets subsequently measured at FVOCI as the Company does not have this kind of assets, is as follows:

2.11.1.1 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (herein after “EIR”) method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses.

Financial assets are recognised as current assets, except for maturities greater than 12 months after the date of the statement of financial position, in which case they are classified as non-current assets.

2.11.1.2 Financial assets at FVPL

Debt and equity instruments that do not meet the criteria of financial assets to be measured at amortised cost or financial assets to be measured at FVOCI are stated as financial assets to be measured at FVPL.

The Company classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss of SPLOCI in the period in which it arises.

2.11.1.3 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 profit or loss of SPLOCI over the relevant period.

EIR is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating EIR, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, 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).

2.11.1.4 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.

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.

2.11.1.5 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

2.11.1.6 Derecognition of financial assets

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.

2.11.2 Financial liabilities and equity instruments issued

Debt or equity instruments are classified as financial liabilities or equity based on the substance of the arrangement.

2.11.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL (change in fair value of which is accounted through profit or loss), loans and borrowings, 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.

2.11.2.2 Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL;
- Financial liabilities at amortised cost.

2.11.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred 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 and other comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability at FVPL.

2.11.2.4 Financial liabilities at amortised cost

This category is the most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gain and loss is recognised in the statement of profit or loss and other comprehensive income 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 effective interests. The EIR amortisation is included as finance costs in SPLOCI.

2.11.2.5 Classification and borrowing costs

Financial liabilities are classified as current liabilities unless the 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 relates to temporary investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

2.11.2.6 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in SPLOCI.

2.11.3 Derivatives

The Company enters into derivative financial instruments transactions related to purchase and sale prices of electricity. The Company enters into derivative transactions for hedging purposes, but does not document such transactions and does not apply hedge accounting.

2.11.3.1 Presentation

Fair value of derivative financial instruments is presented In the statement of financial position as “Other current assets” and “Other current amounts payable and liabilities” (Note 23.1).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are disclosed in SPLOCI either as “Other income”, if result for a period of such derivatives is profit, or “Other expenses” if result of such derivatives for a period is loss (Note 27).

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is established using the FIFO method. 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.

2.13 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 April of the next year.

2.13.1 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.

2.13.2 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.

Change in value of the obligation related to missing emission allowances are recognised in profit or loss in SPLOCI.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented under liabilities within current borrowings in the statement of financial position.

2.15 Issued capital, share premium

Ordinary shares are classified as equity.

Share premium represents the difference between the nominal value of the new share issue and the fair value of consideration received for shares sold.

2.16 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.

2.16.1 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.

2.16.2 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 SPLOCI due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.17 Grants and subsidies

2.17.1 Asset-related grants

For presentation of grants related to assets, the Company uses the method which recognises the grant as deferred revenue that is recognised in SPLOCI on a systematic basis over the useful life of the asset. Government and the EU asset-related grants, and third-party compensations comprise grants received in the form of non-current assets or in the form of cash intended for the acquisition of non-current assets. Grants are initially recorded at the fair value of the asset received and subsequently recognised in SPLOCI by reducing the depreciation charge of the related asset over the expected useful life of the asset. Liability related to received asset-related grants is presented in the statement of financial position under the non-current liabilities' item "Grants and subsidies".

Upon the revaluation of non-current assets and in case impairment was recognised on revaluation, grants related to this non-current assets are written off in a respective proportion.

2.17.2 Income-related grants

Government and the EU grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants related to income are presented as part of SPLOCI.

2.18 Current and deferred tax

2.18.1 Corporate income tax

Income tax assets and liabilities of the reporting and previous periods are stated at the amount which is expected to be recovered from or paid to a tax administration authority. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. The standard income tax rate in Lithuania was 15% in 2021 and 2020.

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 transferable tax loss cannot cover more than 70% of the taxable profit of the current year.

The prepaid income tax and recognised income tax liabilities are offset in the statement of financial position of the Company when they relate to the same taxation authority.

2.18.2 Deferred tax

Deferred tax is accounted for using the liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent that is probable to reduce the taxable profit in future. These assets and liabilities are not recognised when temporary differences arise from goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profit will be available against which such deferred tax assets could be utilised in full or in part. Deferred tax assets are reduced to an amount which is likely to reduce the taxable profit in future.

Deferred tax is determined using tax rates that are expected to apply when the related deferred income asset is realized or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

2.18.3 Current and deferred tax for the reporting period

Current and deferred tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or other comprehensive income in the same or subsequent period or on business combination.

2.18.4 Acquisition and transfer of accrued tax losses

Upon transfer of the accumulated tax losses, the Company derecognises deferred tax attributable to tax loss carried forward and recognises the consideration receivable in SPLOCI under 'Deferred income tax expenses' caption.

When tax losses are acquired, the Company accounts for deferred tax assets and payables for the acquired tax losses through the deferred tax expenses account. These tax losses are deducted by the Company from the deferred income tax asset account when utilised. For the purposes of the statement of cash flows, the consideration paid for the tax losses acquired is recorded in the line item 'Paid income tax' in the cash flows from operating activities.

2.19 Provisions

Provisions are recognised when the Company has a legal obligation or irrevocable commitment as a result of the past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses related to provisions are recorded in SPLOCI, net of compensation receivable. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. When discounting is used, an increase in the provision reflecting the past period, is accounted for as finance costs.

The most significant provisions of the Company as at 31 December 2021 (Note 21) were as follows:

- Provision for emission allowances (Note 4.4);
- Provision for Power reserve services (including isolated regime services) (Note 4.5).

2.20 Employee benefits

2.20.1 Social security contributions

The Company pays social security contributions to the State Social Security Fund (hereinafter “the Fund”) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

2.20.2 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.

2.20.3 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. Employees with 10-year service are 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.

2.21 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.22 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 2.22.1), capacity reserve and services ensuring isolated operation of the power system (Notes 2.22.2 and 2.22.3) and supply of thermal energy (Note 2.22.4).

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.

2.22.1 Revenue from sale of produced electricity

The sales of electricity produced using own resources (Note 24, 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.

2.22.2 Revenue from capacity reserve services

The Company provides to electricity transmission network operator capacity reserve services (Note 24, 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;
- tertiary 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. Tertiary power reserve service is ordered by the transmission service operator through auction for one year period. 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.

2.22.3 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 24, 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 the power system are one of system services in energy sector and are defined as a service designed to ensure rapid regulation of active power during the operation of the isolated power system and to avoid automatic disconnection of users when a single network element is disconnected. 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 2.22.5).

2.22.4 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 24, 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.

2.22.5 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 21) 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 4.5). 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 financial assets" or "Provisions". At the end of the next year, this amount is reclassified as a current amount receivable or payable under the item "Other financial assets" or "Provisions".

2.23 Other income

2.23.1 Operating lease income

Lease income is recognised on a straight-line basis over the lease period.

2.24 Expense recognition

Expenses are recognised in SPLOCI as incurred applying accrual basis of accounting.

2.25 Dividend distribution

Dividend distribution to the shareholders of the parent company is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders of the parent company.

2.26 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in Note 35.

2.27 Related parties

Related parties are defined as:

- Group companies
- the parent company's controlling shareholders and shareholders having significant effect
- associates
- state-owned enterprises and their subsidiaries (transactions with these entities are disclosed separately only if they are material)
- the Ministry of Finance of the Republic of Lithuania and entities under control of the Ministry of Finance (transactions with these entities are disclosed separately only if they are material)
- key management personnel and their close family members as well as controlled entities

2.28 Offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when a certain IFRS specifically requires such set-off.

2.29 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.

All amounts in thousands of euro unless otherwise stated

3 Financial risk management

3.1 Financial risk factors

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

3.1.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign currency exchange risk.

3.1.1.1 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.

3.1.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Revenues and cash flows of the Company are affected by fluctuations in the market interest rates. As at 31 December 2021, a portion of the Company's loans is subject to a variable interest rate, which is linked to EURIBOR.

As at 31 December 2021, loans with variable interest rate amounted to EUR 16,900 thousand (31 December 2020: EUR 21,317 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.

	Increase/decrease, percentage points	(Decrease)/increase in profit
2021	1/(1)	(50)/50
2020	1/(1)	(62)/62

As at 31 December 2021, the Company had no significant valid interest rate swaps.

3.1.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

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

The Company's exposure to credit risk arising from amounts receivable is limited because the major buyers are reliable customers. As at 31 December 2021 and 2020, 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 account for approximately 93% of total trade receivables. More details about credit risk arising from amounts receivable are provided in Notes 10 and 11.

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.

	Note	31 December 2021	31 December 2020
Financial assets measured at amortised cost:			
Non-current receivables		118	99
Trade receivables	10	20,369	15,793
Other receivables	11	8,394	4,893
Loans granted	12	64,933	9,142
Cash and cash equivalents	13	169,421	138,120
Total		**263,235**	**168,047**

All amounts in thousands of euro unless otherwise stated

3.1.3 Liquidity risk

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

As at 31 December 2021, the Company's current liquidity ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 1.66 and 1.53 respectively (31 December 2020 (restated)[1]: 4.71 and 3.95 respectively).
[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

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

	Note	31 December 2021	31 December 2020
Amounts payable measured at amortised cost			
Loans and borrowings	17	16,900	21,317
Lease liabilities	19	5,585	5,729
Non-current trade payables		390	452
Trade payables	22	31,973	20,028
Other current amounts payable and liabilities		104,077	3,445
Financial liabilities measured at FVPL in SPLOCI			
Derivatives	23.1	7,444	-
Total		**166,369**	**50,971**

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):

	2021				
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans and borrowings	1,163	3,470	12,517	308	**17,458**
Lease liabilities	86	258	1,013	15,286	**16,643**
Trade payables and non-current amounts payable to suppliers	31,974	-	361	-	**32,335**
Other payables	104,077	-	-	-	**104,077**
Derivatives	-	6,612	832	-	**7,444**
As at 31 December 2021	**137,300**	**10,340**	**14,723**	**15,594**	**177,957**

	2020				
	Less than 3 months	3 months to 1 year	From 1 to 5 years	After 5 years	Total
Loans and borrowings	1,178	3,512	15,901	1,558	**22,149**
Lease liabilities	93	277	1,118	15,516	**17,004**
Trade payables and non-current amounts payable to suppliers	20,028	-	452	-	**20,480**
Other payables	3,445	-	-	-	**3,445**
As at 31 December 2020	**24,744**	**3,789**	**17,471**	**17,074**	**63,078**

3.2 Capital risk management

For the purpose of capital risk management, the management uses equity as reported in the statement of financial position.

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a limited liability company must be not less than EUR 25 thousand, and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2021, the Company complied with these requirements.

The Company forms its capital structure in view of internal factors relating to operating activities, the expected capital expenditures and developments and in view of business strategy of the Company, as well as based on external current or expected factors significant to operations relating to markets, regulation and local economic situation.

On 15 December 2020 the Board of AB Ignitis grupė approved the updated dividend policy of companies owned by AB Ignitis grupė. The provisions of the policy shall be followed when making decisions regarding the allocation of dividends by the subsidiaries (including subsequent subsidiaries). According to the updated Dividend Policy of Owned Companies, a subsidiary owned by AB Ignitis grupė shall allocate dividends for the financial year or a period shorter than the financial year using at least 80 per cent of the net profit of the subsidiary received during the financial period for which the dividends are offered. Exemptions for paying dividends by subsidiaries may apply if certain conditions are met.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements according to International Financial Reporting Standards as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the Company's financial statements in the future.

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

4.1 COVID-19 pandemic

The Company's management has assessed the impact of COVID-19 pandemic uncertainty to the following key areas:

1. Going concern
2. Impairment, residual value and useful life of property, plant and equipment
3. Assessment of expected credit losses
4. Net realisable value of inventories
5. Classification of financial instruments as current and non-current
6. Lease contracts

The Company's management has not identified any significant threats in assessing the potential impact of key COVID-19 factors on the Company's results.

4.2 Leases – determining the lease term and estimating the incremental borrowing rate

4.2.1 Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of shorter non-cancellable period (i.e., one to three, three to five, five to seven years, etc.). The Company usually exercises its option to renew for these leases. Lease of the state-owned land is not subject to an extension clause, after which the lessee has a pre-emptive right to extend the lease. The periods covered by termination options are included as part of the lease term only when they are reasonably certain to be exercised.

4.3 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.

4.3.1 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.

4.4 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 2020 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 2021 and the quantity of emissions which will be approved for 2022.

4.5 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.

4.5.1 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.

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.

As at 31 December 2021, the management of the Company accounted for EUR 7,107 thousand to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services (Note 21). 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 15,161 thousand was accounted under "Provisions", current liabilities (Note 21). 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 2021 and confirmed correction by NERC, which is expected to be approved at the end of 2022 for 2021.

All amounts in thousands of euro unless otherwise stated

5 Restatement of comparative figures due to changes in presentation, change in accounting policy and reclassifications

Restatement of comparative figures due to changes in presentation

In preparation of these financial statements, in 2021 the Company made changes in presentation of some of the items of the Statement of Profit or Loss and Other Comprehensive Income ('SPLOCI') and combining of lines of the items. The management believed that changes to SPLOCI are necessary as they will provide reliable and more relevant information for users of financial statements.

In 2021, the Company combined three line items of SPLOCI into one line under the caption "Purchase of electricity, gas and other services"; therefore, the comparative figures were restated accordingly. This restatement had no effect on the figures presented in the statements of financial position, changes in equity and cash flows for 2020. The following line items of SPLOCI comparative period have been combined:

	2020
Purchases of electricity or related services	(23,970)
Gas, biofuel expenses	(45,720)
Cost of inventories sold	(144)
Total purchases of electricity, gas and other services	**(69,834)**

In 2021, the Company combined three line items of SPLOCI into one line under the caption "Other expenses"; therefore, the comparative figures were restated accordingly. This restatement had no effect on the figures presented in the statements of financial position, changes in equity and cash flows for 2020. The following line items of SPLOCI comparative period have been combined:

	2020
(Expenses)/income on impairment of other non-current assets	(138)
Inventory write-down (allowance)/reversal	(54)
Other expenses	(11,909)
Total other expenses	**(12,101)**

Restatement of comparative figures due to change in accounting policy

The Company participates in the greenhouse gas emissions (hereinafter – European Union emission allowances or EUEA) trading system. In 2021 the management has concluded that the current accounting policy for emission allowances does not fairly present the statement of profit or loss and other comprehensive income (hereinafter – SPLOCI) and the statement of financial position. Therefore, the management has determined that there is a need for a voluntary change in accounting policy. The new accounting policy is described in Note 2.13.

The main arguments for changing the accounting policy are:

1. Revaluation of provision for EUEA will no longer have impact to the SPLOCI of future periods.
2. More fair presentation of SPLOCI and better relationship with cash flows.
3. More fair presentation of the statement of financial position as EUEAs are used in the Company's operations rather than for sale.

As IAS 8 requires that the users of financial statements need to be able to compare the financial statements of an entity over time to identify trends, the management presents the information regarding the accounting policy changes, that are performed retrospectively (see restatement 1). There was no significant impact to the statement of cash flows, the respective disclosure is added to the statement of cash flows.

Restatement of comparative figures due to reclassifications

In 2021, the Company reclassified the guarantee from prepayments in order to better present the statement of financial position. The figures on the statements of financial position as 31 December 2020 and 1 January 2020 were restated accordingly. Guarantee agreement is usually concluded for 12-month period, and later can be extended. The reclassification has no significant impact on the SPLOCI, changes in equity and cash flows presented (see restatement 2).

All amounts in thousands of euro unless otherwise stated

Retrospective corrections of the statement of financial position as at 1 January 2020:

	Notes	1 January 2020 before restatement	Restatement 1	Restatement 2	1 January 2020 after restatement
ASSETS					
Non-current assets					
Intangible assets		51,888	(51,806)	-	82
Property, plant, and equipment		450,261	-	-	450,261
Right-of-use assets		6,029	-	-	6,029
Investment property		3,818	-	-	3,818
Investments in associated companies		1,980	-	-	1,980
Non-current receivables		628	-	-	628
Other non-current assets		5,087	-	-	5,087
Total non-current assets		**519,691**	**(51,806)**	**-**	**467,885**
Current assets					
Inventories		1,298	25,875	-	27,173
Prepayments and deferred expenses		15,584	-	(2,900)	12,684
Trade receivables		15,845	-	-	15,845
Other receivables		17,222	-	2,900	20,122
Loans granted		49,971	-	-	49,971
Cash and cash equivalents		58,501	-	-	58,501
Total current assets		**158,421**	**25,875**	**-**	**184,296**
TOTAL ASSETS		**678,112**	**(25,931)**	**-**	**652,181**
EQUITY AND LIABILITIES					
Equity					
Issued capital		187,921	-	-	187,921
Share premium		89,975	-	-	89,975
Reserves					
Legal reserve		15,379	-	-	15,379
Revaluation reserve		20,554	(19,922)	-	632
Retained earnings (loss)		96,224	5,602	-	101,826
Total equity		**410,053**	**(14,320)**	**-**	**395,733**
Liabilities					
Non-current liabilities					
Non-current loans		21,317	-	-	21,317
Non-current lease liabilities		5,559	-	-	5,559
Grants and subsidies		166,722	(7,617)	-	159,105
Deferred tax liabilities		24,834	(3,516)	-	21,318
Provisions		9,681	-	-	9,681
Other non-current amounts payable and liabilities		542	-	-	542
Total non-current liabilities		**228,655**	**(11,133)**	**-**	**217,522**
Current liabilities					
Current loans		4,417	-	-	4,417
Lease liabilities		186	-	-	186
Trade payables		17,978	-	-	17,978
Prepayments received		41	-	-	41
Income tax payable		5,458	-	-	5,458
Provisions		7,209	(478)	-	6,731
Other current amounts payable and liabilities		4,115	-	-	4,115
Total current liabilities		**39,404**	**(478)**	**-**	**38,926**
Total liabilities		**268,059**	**(11,611)**	**-**	**256,448**
TOTAL EQUITY AND LIABILITIES		**678,112**	**(25,931)**	**-**	**652,181**

All amounts in thousands of euro unless otherwise stated

Retrospective corrections of the statement of financial position as at 31 December 2020:

	Notes	31 December 2020 before restatement	Restatement 1	Restatement 2	31 December 2020 after restatement
ASSETS					
Non-current assets					
Intangible assets		78,662	(78,618)	-	44
Property, plant and equipment		426,411	-	-	426,411
Right-of-use assets		5,627	-	-	5,627
Investment property		3,423	-	-	3,423
Investments in associated companies		2,867	-	-	2,867
Non-current receivables		99	-	-	99
Total non-current assets		**517,089**	**(78,618)**	**-**	**438,471**
Current assets					
Inventories		2,033	30,942	-	32,975
Prepayments and deferred expenses		5,752	-	(2,900)	2,852
Trade receivables		15,793	-	-	15,793
Other receivables		1,993	-	2,900	4,893
Loans granted		9,142	-	-	9,142
Cash and cash equivalents		138,120	-	-	138,120
Total current assets		**172,833**	**30,942**	**-**	**203,775**
TOTAL ASSETS		**689,922**	**(47,676)**	**-**	**642,246**
EQUITY AND LIABILITIES					
Equity					
Issued capital		187,921	-	-	187,921
Share premium		89,975	-	-	89,975
Reserves					
Legal reserve		17,519	-	-	17,519
Revaluation reserve		37,105	(36,487)	-	618
Retained earnings (loss)		84,993	5,949	-	90,942
Total equity		**417,513**	**(30,538)**	**-**	**386,975**
Liabilities					
Non-current liabilities					
Non-current loans		16,900	-	-	16,900
Non-current lease liabilities		5,579	-	-	5,579
Grants and subsidies		154,035	(3,261)	-	150,774
Deferred tax liabilities		27,817	(6,439)	-	21,378
Provisions		16,943	-	-	16,943
Other non-current amounts payable and liabilities		452	-	-	452
Total non-current liabilities		**221,726**	**(9,700)**	-	**212,026**
Current liabilities					
Current loans		4,417	-	-	4,417
Lease liabilities		150	-	-	150
Trade payables		20,028	-	-	20,028
Prepayments received		221	-	-	221
Income tax payable		4,173	(1,241)	-	2,932
Provisions		18,249	(6,197)	-	12,052
Other current amounts payable and liabilities		3,445	-	-	3,445
Total current liabilities		**50,683**	**(7,438)**	-	**43,245**
Total liabilities		**272,409**	**(17,138)**	-	**255,271**
TOTAL EQUITY AND LIABILITIES		**689,922**	**(47,676)**	-	**642,246**

All amounts in thousands of euro unless otherwise stated

Restatement for the year 2020:

	Notes	2020 before restatement	Restatement 1	2020 after restatement
Revenue from contracts with customers		172,380	-	172,380
Other income		2,080	-	2,080
Total revenue and other income		**174,460**	**-**	**174,460**
Purchases of electricity, gas and other services		(69,834)	-	(69,834)
Wages and salaries and related expenses		(9,721)	-	(9,721)
Repair and maintenance expenses		(6,986)	-	(6,986)
Depreciation and amortisation		(17,525)	-	(17,525)
Use of emission allowances		(7,695)	(600)	(8,295)
Other expenses		(12,101)	-	(12,101)
Total expenses		**(123,862)**	**(600)**	**(124,462)**
Operating profit (loss)		**50,598**	**(600)**	**49,998**
Finance income		278	-	278
Finance costs		(613)	-	(613)
Finance activity, net		**(335)**	**-**	**(335)**
Result of associated entities		**112**	-	**112**
Profit (loss) before tax		**50,375**	**(600)**	**49,775**
Current year income tax income (expenses)		(8,522)	1,241	(7,281)
Deferred tax income (expenses)		(60)	-	(60)
Net profit (loss) for the year		**41,793**	**641**	**42,434**
Other comprehensive income (expenses)				
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
Revaluation of emission allowances		16,859	(16,859)	-
Items that will not be reclassified to profit or loss in subsequent periods, total		**16,859**	**(16,859)**	**-**
Total comprehensive income (expenses) for the year		**58,652**	**(16,218)**	**42,434**

All amounts in thousands of euro unless otherwise stated

6 Property, plant and equipment

6.1 Company's property, plant and equipment

	Land	Buildings	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Other property, plant and equipment	Construction in progress	Total
1 January 2020							
Cost or revalued amount	1,845	596	210,729	774,658	2,242	1,611	**991,681**
Accumulated depreciation	-	(14)	(107,520)	(326,962)	(424)	-	**(434,920)**
Accumulated impairment	-	-	-	(106,277)	-	(223)	**(106,500)**
Carrying amount	**1,845**	**582**	**103,209**	**341,419**	**1,818**	**1,388**	**450,261**
Carrying amount as at 1 January 2020	**1,845**	**582**	**103,209**	**341,419**	**1,818**	**1,388**	**450,261**
Additions	-	-	28	123	4	898	**1,053**
Sales	-	-	-	-	(1)	-	**(1)**
Write-offs	-	-	(19)	(29)	-	-	**(48)**
Reclassifications between categories	-	3	453	113	95	(664)	**-**
Reclassified from (to) investment property	-	-	-	314	(57)	-	**257**
Reclassified from (to) inventories	-	-	116	19	(4)	-	**131**
Reclassified from / (to) right-of-use asset	-	-	-	356	-	-	**356**
Depreciation	-	(14)	(5,745)	(19,728)	(111)	-	**(25,598)**
Carrying amount as at 31 December 2020	**1,845**	**571**	**98,042**	**322,587**	**1,744**	**1,622**	**426,411**
31 December 2020							
Cost or revalued amount	1,845	599	211,264	774,227	2,279	1,845	**992,059**
Accumulated depreciation	-	(28)	(113,222)	(345,875)	(535)	-	**(459,660)**
Accumulated impairment	-	-	-	(105,765)	-	(223)	**(105,988)**
Carrying amount	**1,845**	**571**	**98,042**	**322,587**	**1,744**	**1,622**	**426,411**

(continued on the next page)

All amounts in thousands of euro unless otherwise stated

(continued)

	Land	Buildings	Assets of Hydro Power Plant, Pumped Storage Power Plant	Combined Cycle Unit and Reserve Power Plant	Other property, plant and equipment	Construction in progress	Total
31 December 2020							
Cost or revalued amount	1,845	599	211,264	774,227	2,279	1,845	**992,059**
Accumulated depreciation	-	(28)	(113,222)	(345,875)	(535)	-	**(459,660)**
Accumulated impairment	-	-	-	(105,765)	-	(223)	**(105,988)**
Carrying amount	**1,845**	**571**	**98,042**	**322,587**	**1,744**	**1,622**	**426,411**
Carrying amount as at 1 January 2021	**1,845**	**571**	**98,042**	**322,587**	**1,744**	**1,622**	**426,411**
Additions	-	-	24	103	59	727	**913**
Write-offs	-	-	-	(1,063)	-	(35)	**(1,098)**
Reclassifications between categories	-	-	772	231	-	(1,003)	**-**
Reclassified from (to) investment property	-	-	-	1,323	-	-	**1,323**
Reclassified from (to) inventories	-	-	56	6	-	-	**62**
Depreciation	-	(14)	(5,400)	(19,542)	(113)	-	**(25,069)**
Carrying amount as at 31 December 2021	**1,845**	**557**	**93,494**	**303,645**	**1,690**	**1,311**	**402,542**
31 December 2021							
Cost or revalued amount	1,845	599	212,108	770,565	2,314	1,534	**988,965**
Accumulated depreciation	-	(42)	(118,614)	(361,842)	(624)	-	**(481,122)**
Accumulated impairment	-	-	-	(105,078)	-	(223)	**(105,301)**
Carrying amount	**1,845**	**557**	**93,494**	**303,645**	**1,690**	**1,311**	**402,542**

6.2 Revalued property, plant and equipment

If property, plant and equipment had not been revalued, the carrying amount of the Company’s property, plant and equipment would have been the following:

	Land	Buildings	Other property, plant and equipment	Total
31 December 2020	1,699	144	1,840	**3,683**
31 December 2021	1,699	140	1,753	**3,592**

All amounts in thousands of euro unless otherwise stated

6.3 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 4,713 thousand as at 31 December 2021 (31 December 2020: EUR 725 thousand).

6.4 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:

	31 December 2021	31 December 2020
Assets of Hydro Power Plant, Pumped Storage Power Plant	30,184	29,184
Combined Cycle Unit and Reserve Power Plant	116,186	110,035
Other property, plant and equipment	608	607
Total	**146,978**	**139,826**

6.5 Fair value hierarchy of property, plant and equipment

In the opinion of the Company's management, the carrying amount of substantially all assets stated at revalued amount as at 31 December 2021 did not differ significantly from their fair value. The fair value of revalued property, plant and equipment is attributed to Level 3 of the fair value hierarchy (fair value hierarchy levels are specified in Note 2.29).

6.6 Pledged property, plant and equipment

As at 31 December 2021, the Company had pledged to the banks its property, plant and equipment in the amount of EUR 19,235 thousand (31 December 2020: EUR 20,121 thousand).

6.7 Impairment of property, plant and equipment

As at 31 December 2021, the Company's management assessed the external factors (changes in economic and regulatory environment, market structure, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. After assessing the named aspects, no impairment indications were identified as at 31 December 2021 and no impairment tests were performed.

All amounts in thousands of euro unless otherwise stated

7 Right-of-use assets

7.1 The Company's right-of-use assets

Movement on Company's account of right-of-use asset is presented below:

	Land	Buildings	Vehicles	Total
1 January 2020				
Acquisition cost	5,265	156	1,152	**6,573**
Accumulated depreciation	(65)	(39)	(440)	**(544)**
Carrying amount	**5,200**	**117**	**712**	**6,029**
Carrying amount as at 1 January 2020	**5,200**	**117**	**712**	**6,029**
Additions	199	-	-	**199**
Write-offs	(6)	(8)	-	**(14)**
Reclassified from / (to) property, plant and equipment	-	-	(356)	**(356)**
Depreciation charge	(76)	(38)	(117)	**(231)**
Carrying amount as at 31 December 2020	**5,317**	**71**	**239**	**5,627**
31 December 2020				
Acquisition cost	5,438	89	434	**5,961**
Accumulated depreciation	(121)	(18)	(195)	**(334)**
Carrying amount	**5,317**	**71**	**239**	**5,627**
Carrying amount as at 1 January 2021	**5,317**	**71**	**239**	**5,627**
Additions	1	-	58	**59**
Write-offs	-	(44)	(17)	**(61)**
Depreciation charge	(76)	(27)	(100)	**(203)**
Carrying amount as at 31 December 2021	**5,242**	**-**	**180**	**5,422**
31 December 2021				
Acquisition cost	5,439	-	475	**5,914**
Accumulated depreciation	(197)	-	(295)	**(492)**
Carrying amount	**5,242**	**-**	**180**	**5,422**

The Company has lease agreements for various items:

Land. The Company has land lease agreements most of which are effective until 2095. The agreements are subject to interest rate from 4.07% to 4.18%, their carrying amount was EUR 5,242 thousand as at 31 December 2021 (31 December 2020: EUR 5,317 thousand).

All amounts in thousands of euro unless otherwise stated

7.2 Expenses related to lease agreements recognised in SPLOCI

The Company's lease expenses recognised in SPLOCI were as follows:

	2021	2020
Depreciation	203	231
Interest charges	222	225
Expenses related to leases of low-value assets (other expenses)	2	2
Lease expenses, total	**427**	**458**

8 Investments in associated companies

Movement of the Company's investments in associated companies during the reporting year:

	2021	2020
Carrying amount as at 1 January	**2,867**	**1,980**
Increase in share capital	-	934
Dividends received	(160)	(159)
Profit (loss) from investments in associated companies	283	112
Carrying amount as at 31 December	**2,990**	**2,867**

The summarised financial information for the associates for the year 2021 (unaudited data) and the year 2020 (audited data) are presented below:

Summarised	UAB Ignitis grupės paslaugų centras		UAB Geoterma	
statement of financial position	2021	2020	2021[1]	2016
Non-current assets	16,459	12,123	-	5,822
Total non-current assets	**16,459**	**12,123**	**-**	**5,822**
Cash and cash equivalents	1,464	942	-	39
Other current assets	8,651	8,763	-	246
Total current assets	**10,115**	**9,705**	**-**	**285**
Grants and subsidies	-	-	-	(3,708)
Other non-current liabilities	(574)	(1,291)	-	(394)
Total non-current liabilities	**(574)**	**(1,291)**	**-**	**(4,102)**
Current loans	(8,840)	(213)	-	-
Other current liabilities	(3,158)	(6,523)	-	(3,353)
Total current liabilities	**(11,998)**	**(6,736)**	**-**	**(3,353)**
Net assets	**14,002**	**13,801**	**-**	**(1,348)**

[1] UAB Geoterma went bankrupt and failed to report for five consecutive years.

9 Inventories

The Company's inventories comprised as follows:

	31 December 2021	31 December 2020 (restated)[1]
Emission allowances and emission reduction units	22,666	30,942
Spare parts and other inventories	2,979	4,040
Other	733	702
Total	**26,378**	**35,684**
Less: write down to net realisable value	(2,335)	(2,709)
Carrying amount	**24,043**	**32,975**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

The Company's inventories expensed were as follows:

	2021	2020
Natural gas	80,303	44,808
Biofuel	1,145	912
Other inventories	674	708
Total	**82,122**	**46,428**

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

	2021	2020
Carrying amount as at 1 January	**2,709**	**2,273**
Additional write-down to net realisable value	36	124
Additional write-down to net realisable value of assets reclassified from property, plant and equipment	-	526
Reversal of write-down to net realisable value	(410)	(214)
Carrying amount as at 31 December	**2,335**	**2,709**

Movements on the account of inventory write-down to net realisable value were recognised in SPLOCI within the line item "Other expenses".

All amounts in thousands of euro unless otherwise stated

10 Trade receivables

The Company's trade receivables comprised as follows:

	31 December 2021	31 December 2020
Amounts receivable from contracts with customers		
Receivables for electricity	14,990	7,773
Receivables for sale of reserve services	1,965	3,259
Receivables for sale of system recovery services	2,646	4,346
Receivables for sale of heat	775	391
Amounts receivable from other contracts		
Other trade receivables	-	30
Total	**20,376**	**15,799**
Less: impairment of trade receivables	(7)	(6)
Carrying amount	**20,369**	**15,793**

As at 31 December 2021 and 2020, 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 32.

10.1 Impairment 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 2021 that are assessed on a collective basis using the loss ratio matrix:

	Loss ratio	Trade receivables	Impairment
Not past due	16.92	32	5
Up to 30 days	16.92	5	1
30-60 days	34.63	-	-
60-90 days	85.76	-	-
90-120 days	91.25	-	-
More than 120 days	100	1	1
31 December 2021		**38**	**7**

The Company's trade receivables from contracts with customers as at 31 December 2020 that are assessed on a collective basis using the loss ratio matrix:

	Loss ratio	Trade receivables	Impairment
Not past due	6.80	45	3
Up to 30 days	6.80	29	2
30-60 days	15.87	-	-
60-90 days	50.51	-	-
90-120 days	69.42	-	-
More than 120 days	99.57	1	1
31 December 2020		**75**	**6**

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

	31 December 2021		31 December 2020	
	Trade receivables	Impairment	Trade receivables	Impairment
Not past due	20,338	-	15,724	-
Up to 30 days	-	-	-	-
30-60 days	-	-	-	-
60-90 days	-	-	-	-
90-120 days	-	-	-	-
More than 120 days	-	-	-	-
Carrying amount	**20,338**	**-**	**15,724**	**-**

The fair values of trade receivables as at 31 December 2021 and 2020 approximated their carrying amounts.

11 Other receivables

The Company's other receivables comprised as follows:

	31 December 2021	31 December 2020 (restated)[1]
Value added tax	5,231	1,656
Guarantee	2,900	2,900
Other receivables	635	773
Total	**8,766**	**5,329**
Less: impairment of other receivables	(372)	(436)
Carrying amount	**8,394**	**4,893**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to reclassifications. More information disclosed in Note 5.

Impairment of receivables was recognised in line item "Other expenses" of SPLOCI.

The fair values of other receivables as at 31 December 2021 and 2020 approximated their carrying amounts.

All amounts in thousands of euro unless otherwise stated

12 Loans granted

The Company's loans granted comprised as follows:

	31 December 2021	31 December 2020
Cash-pool loans	64,910	9,142
Receivable loan interest	23	-
Total	**64,933**	**9,142**
Less: allowance	-	-
Carrying amount	**64,933**	**9,142**

Fair values of loans granted are presented in Note 33.

13 Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31 December 2021	31 December 2020
Cash balances in bank accounts	169,421	138,120
Carrying amount	**169,421**	**138,120**

The fair values of cash and cash equivalents as at 31 December 2021 and 31 December 2020 approximated their carrying amounts.

Under the loan agreements signed with the banks, the Company has not pledged current and future cash inflows.

14 Equity

As at 31 December 2021 and 2020, 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.

As at 31 December 2021 and 2020, share premium of the Company amounted to EUR 89,975 thousand.

15 Reserves

15.1 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.

As at 31 December 2021, the Company's legal reserve amounted to EUR 19,609 thousand (31 December 2020: EUR 17,519 thousand).

15.2 Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to increase in value. The revaluation cannot be used to cover losses.

16 Share-based payments

On 18 December 2020, share option agreements of the long-term promotion of key executives of the parent company's and its subsidiaries' programme have been concluded with key executives of the Company.

On 12 May 2021, the Supervisory Board of the parent company approved the suggestions of key executives of the Company to terminate executives' option agreements.

During the year 2021, share-based payment costs are accounted for in SPLOCI "Salaries and related expenses" for an amount of EUR 14 thousand and reflect the share-based payment agreements concluded with key executives. As share-based payment agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus they have been accounted for as accelerated vesting of share-based payments and therefore full expense and related increase in equity recognised immediately.

All amounts in thousands of euro unless otherwise stated

17 Loans

Loans received by the Company comprised:

	31 December 2021	31 December 2020
Non-current borrowings		
Loan from Luminor Bank AB Lithuanian Branch, to be repaid by 31 March 2027	5,210	6,436
Loan from AB SEB Bankas, to be repaid by 6 July 2027	7,273	10,464
Current portion of non-current loans		
Loan from Luminor Bank AB Lithuanian Branch, to be repaid by 31 March 2027	1,226	1,226
Loan from AB SEB Bankas, to be repaid by 6 July 2027	3,191	3,191
Total	**16,900**	**21,317**

Non-current borrowings by maturity:

	31 December 2021	31 December 2020
From 1 to 2 years	4,417	4,417
From 2 to 5 years	7,760	10,951
After 5 years	306	1,532
Total	**12,483**	**16,900**

All borrowings of the Company are denominated in euros.

17.1 Covenants and unwithdrawn balances

The loan agreements do not provide for financial and non-financial covenants that the Company is obliged to comply with.

18 Net debt

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

Net debt balances:

	31 December 2021	31 December 2020 (restated)[1]
Cash and cash equivalents	(169,421)	(138,120)
Non-current borrowings payable after one year	12,483	16,900
Current borrowings payable within one year (including overdraft and accrued interest)	4,417	4,417
Lease liabilities	5,585	5,729
Net debt	**(146,936)**	**(111,074)**

[1] As at 31 December 2020, liquid investments were treated as part of net debt. In 2021, a decision was taken that liquid investments should not be treated as part of net debt; therefore, disclosure for comparative period was adjusted.

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

	Assets	Lease liabilities		Loans and borrowings		Total
	Cash	Non-current	Current	Non-current	Current	
Net debt as at 1 January 2020	**(58,501)**	**5,559**	**186**	**21,317**	**4,417**	**(27,022)**
Cash changes						
(Increase) decrease in cash and cash equivalents	(79,619)	-	-	-	-	**(79,619)**
Repayments of borrowings	-	-	-	-	(4,417)	**(4,417)**
Lease payments	-	-	(173)	-	-	**(173)**
Interest paid	-	-	(225)	-	(353)	**(578)**
Non-cash changes						
Lease contracts concluded	-	199	-	-	-	**199**
Lease liabilities write-off	-	(15)	(3)	-	-	**(18)**
Accrual of interest payable	-	-	225	-	364	**589**
Reclassification of interest payable (from) / to trade payables	-	-	(24)	-	(11)	**(35)**
Reclassifications between items	-	(164)	164	(4,417)	4,417	-
Net debt as at 31 December 2020	**(138,120)**	**5,579**	**150**	**16,900**	**4,417**	**(111,074)**
Net debt as at 1 January 2021	**(138,120)**	**5,579**	**150**	**16,900**	**4,417**	**(111,074)**
Cash changes						
(Increase) decrease in cash and cash equivalents	(31,301)	-	-	-	-	**(31,301)**
Repayments of borrowings	-	-	-	-	(4,417)	**(4,417)**
Lease payments	-	-	(146)	-	-	**(146)**
Interest paid	-	-	(222)	-	(546)	**(768)**
Non-cash changes						
Lease contracts concluded	-	21	38	-	-	**59**
Lease liabilities write-off	-	(27)	(34)	-	-	**(61)**
Accrual of interest payable	-	-	222	-	535	**757**
Reclassification of interest payable (from) / to trade payables	-	-	4	-	11	**15**
Reclassifications between items	-	(112)	112	(4,417)	4,417	**-**
Net debt as at 31 December 2021	**(169,421)**	**5,461**	**124**	**12,483**	**4,417**	**(146,936)**

All amounts in thousands of euro unless otherwise stated

19 Lease liabilities

The Company minimum payments under leases are as follows:

	31 December 2021	31 December 2020
Minimum payments		
Within the first year	344	370
From two to five years	1,013	1,118
More than five years	15,286	15,516
Total	**16,643**	**17,004**
Future finance costs		
Within the first year	(220)	(220)
From two to five years	(873)	(876)
More than five years	(9,965)	(10,179)
Total	**(11,058)**	**(11,275)**
Carrying amount	**5,585**	**5,729**

Major Company's lease liabilities are related to land.

The Company's lease liabilities related to the land amounted to EUR 5,404 thousand as at 31 December 2021 (31 December 2020: EUR 5,418 thousand). Interest rates for lease of the land are 1.31-4.18% as at 31 December 2021 and as at 31 December 2020. As at 31 December 2021, the validity terms of the effective lease contracts for the land expire in the period from the year 2025 to 2100.

20 Grants and subsidies

The balance of grants and subsidies comprises grants to finance acquisition of property, plant and equipment. Movements on the account of grants were as follows:

	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards	Total
Carrying amount as at 1 January 2020 (restated)[1]	**25,729**	**133,376**	**159,105**
Depreciation and amortisation	(411)	(7,937)	**(8,348)**
Grants received	18	-	**18**
Grants reversed	(1)	-	**(1)**
Reclassifications between categories	16	(16)	-
Carrying amount at 31 December 2020 (restated)[1]	**25,351**	**125,423**	**150,774**
Carrying amount as at 1 January 2021	**25,351**	**125,423**	**150,774**
Depreciation and amortisation	(362)	(7,907)	**(8,269)**
Grants attributable to write-off of property, plant and equipment	(35)	-	**(35)**
Carrying amount as at 31 December 2021	**24,954**	**117,516**	**142,470**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

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

All amounts in thousands of euro unless otherwise stated

21 Provisions

The Company's provisions consisted of:

	31 December 2021	31 December 2020 (restated)[1]
Non-current	8,580	16,943
Current	21,168	12,052
Total	**29,748**	**28,995**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

Movement of the Company's provisions was as follows:

	Emission allowance liabilities (Note 4.4)	Provisions Provision for isolated power system operations and system services (Note 4.5)	Dismantling works	Provisions for employee benefits	Other provisions	Total
Balance as at 1 January 2020 (restated)[1]	**-**	**12,718**	**3,004**	**626**	**64**	**16,412**
Increase during the year	8,276	7,592	439	-	-	**16,307**
Utilised during the year	-	(3,049)	(143)	(12)	(7)	**(3,211)**
Result of change in assumptions	-	-	(513)	-	-	**(513)**
Balance as at 31 December 2020 (restated)[1]	**8,276**	**17,261**	**2,787**	**614**	**57**	**28,995**
Balance as at 1 January 2021 (restated)[1]	**8,276**	**17,261**	**2,787**	**614**	**57**	**28,995**
Increase during the year	5,713	5,878	331,	558	-	**12,480**
Utilised during the year	(8,276)	(871)	(2,978)	(60)	(10)	**(12,195)**
Result of change in assumptions	-	-	-	468	-	**468**
Balance as at 31 December 2021	**5,713**	**22,268**	**140**	**1,580**	**47**	**29,748**
Non-current portion	-	7,107	-	1,431	42	**8,580**
Current portion	5,713	15,161	140	149	5	**21,168**
Balance as at 31 December 2021	**5,713**	**22,268**	**140**	**1,580**	**47**	**29,748**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

Provisions for employee benefits include a statutory retirement benefit and retirement benefit under collective agreement payable to the Company's employees (Note 2.20.3). 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 (0.043% as at 31 December 2021, 0.21% as at 31 December 2020), long-term salary increase rate (4% as at 31 December 2021, 3% as at 31 December 2020).

The provision for isolated power system operation and system services relates to regulatory activities that give rise to regulatory differences which are reimbursed during the next years (Note 4.5). Regulatory differences and the period of reimbursement is determined and confirmed by NERC. According to the NERC's letter the period of reimbursement is 2022-2023 year.

22 Trade payables

The Company's trade payables consisted of:

	31 December 2021	31 December 2020
Amounts payable for electricity	27,355	14,244
Amounts payable for gas	2,211	4,743
Amounts payable for services	1,848	750
Other payables	559	291
Carrying amount	**31,973**	**20,028**

23 Other current amounts payable and liabilities

Other current amounts payable and liabilities of the Company consisted of:

	31 December 2021	31 December 2020
Payable dividends	101,574	1,098
Derivatives	7,444	-
Employment related liabilities	1,662	1,611
Taxes (other than income tax)	506	477
Other amounts payable and liabilities	335	259
Carrying amount	**111,521**	**3,445**

23.1 Derivatives

As at 31 December 2021, liabilities from derivatives related to trade in electricity amounted to EUR 7,444 thousand.

The Company carries out trade in derivative financial instruments linked to the market prices of electricity through over-the-counter transactions (directly with the Group company).

All amounts in thousands of euro unless otherwise stated

24 Revenue from contracts with customers

24.1 Disaggregated revenue information

The Company's revenue from contracts with customers was as follows:

	2021	2020
Revenue from sale of produced electricity	243,437	118,084
Revenue from services ensuring isolated operation of power system	26,039	27,100
Revenue from capacity reserve services	20,361	21,956
Revenue from supply of thermal energy	2,911	2,737
Sale of inventories	229	154
Other income	2,224	2,349
Total	**295,201**	**172,380**

All revenue from contracts with customers is calculated with regard to the price of the transaction as defined in the contract. Usually, the Company receives payments immediately after the services have been provided. In rare cases, the terms of delayed payment might be agreed upon; however, any delay of payments cannot exceed 12 months, and therefore, the transaction price is not adjusted in view of the impact of financing relations on revenue recognition. The Company earns its operating income from sale of services to Lithuanian companies or electricity on the power exchange Nord Pool AS; however, trading takes place in the Lithuanian trading zone; therefore, the Company's management considers these sales as trading on the local market of Lithuania.

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

	2021	2020
Performance obligation settled over time	292,989	170,070
Performance obligation settled at a point of time	2,212	2,310
Total	**295,201**	**172,380**

24.2 Contract balances

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

	Notes	2021	2020
Trade receivables	10	**20,369**	**15,763**
Contract liabilities		**42**	**177**
Prepayments received		42	177

24.2.1 Contract assets

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under the contracts.

24.2.2 Contract liabilities

	Notes	31 December 2021	31 December 2020
Current		42	177
Non-current		-	-
Total		**42**	**177**

24.3 Rights to returned goods assets and refund liabilities

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

25 Dividends

The table below provides dividends declared by the Company during the year:

	2021	2020
Amount of dividends (EUR thousand)	119,232	51,192

On 21 December 2021, the sole shareholder AB Ignitis grupė made a decision to pay out dividends of EUR 0.155 per share for January– September 2021, amounting to EUR 100,440 thousand in total.

During the ordinary General Meeting of Shareholders of AB Ignitis gamyba, held on 31 March 2021 a decision was made to pay out dividends of EUR 0.029 per share for July–December 2020, amounting to EUR 18,792 thousand in total.

During the ordinary General Meeting of Shareholders of AB Ignitis gamyba, held on 28 September 2020 a decision was made to pay out dividends of EUR 0.023 per share for January– June 2020, amounting to EUR 14,904 thousand in total.

During the ordinary General Meeting of Shareholders of AB Ignitis gamyba, held on 30 April 2020 a decision was made to pay out dividends of EUR 0.056 per share for July–December 2019, amounting to EUR 36,288 thousand in total.

All amounts in thousands of euro unless otherwise stated

26 Purchases of electricity, gas and other services

The Company's purchases of electricity, gas and other services were as follows:

	2021	2020 (restated)[1]
Costs of purchases of gas and biofuel for generation	81,448	45,720
Purchases of electricity for generation	68,664	24,114
Total	**150,112**	**69,834**

1 Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to changes in presentation. More information disclosed in Note 5.

27 Other expenses

The Company's other expenses were as follows:

	2021	2020 (restated)[1]
Derivatives	10,626	5,485
Tax (other than income tax) expenses	2,109	1,890
Business support and management services	1,271	1,330
Write-off of non-current assets	1,063	38
Security of property	340	322
Utilities	339	310
Transport	313	292
Insurance	245	180
Audit fees	102	84
Impairment (reversal) of receivables	(63)	31
Other	1,288	2,139
Total	**17,633**	**12,101**

1 Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to changes in presentation. More information disclosed in Note 5.

The result of realised and unrealised derivatives is presented through profit and loss of SPLOCI (Note 2.11.3). In SPLOCI result of derivatives is presented on a net basis, depending on the final outcome of the reporting period. The result of such financial instruments can be presented as follows:

	2021	2020
Gain (loss) of realised financial derivatives	(3,182)	(5,915)
Gain (loss) of unrealised financial derivatives[1]	(7,444)	431
Total profit (loss)	**(10,626)**	**(5,484)**

[1] Change in the fair value of unrealised derivatives.

28 Finance costs

The Company's finance costs are as follows:

	2021	2020
Interest expenses	535	364
Interest and discount expense on lease liabilities	222	225
Negative effect of changes in exchange rates	71	20
Other finance costs	-	4
Total	**828**	**613**

28.1 The Company's interest expense

EUR In 2021, the Company paid EUR 768 thousand of interest in cash (2020: EUR 578 thousand), which is presented in the cash flow statement under "Interest paid".

All amounts in thousands of euro unless otherwise stated

29 Income tax expense

Income tax expenses for the year comprise current year income tax and deferred tax. The Company's tax expenses are as follows:

	2021	2020 (restated)[1]
Income tax expenses (benefit) for the reporting period	14,737	7,281
Deferred income tax expenses (benefit)[2]	(1,592)	60
Income tax expenses (benefit) recognised in profit or loss	**13,145**	**7,341**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.
[2] The amount includes the difference of EUR 22 thousand between tax losses taken over and the amount paid.

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:

	2021	2021	2020 (restated)[2]	2020 (restated)[2]
Profit (loss) before tax		87,961		49,775
Income tax expenses (benefit) at tax rate of 15%	15.00%	13,194	15.00%	7,466
Non-deductible expenses	0.01%	5	0.49%	36
Non-taxable income	(0.05)%	(44)	(0.32)%	(159)
Adjustments in respect of prior years	(0.01)%	(10)	0.00%	(2)
Income tax expenses (benefit)	**14.95%**	**13,145**	**14.75%**	**7,341**

[2] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

30 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Movement of deferred tax assets and liabilities during the reporting period was as follows:

	31 December 2019 (restated)[1]	Recognised in profit or loss	31 December 2020 (restated)[1]	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Deferred tax assets						
Accrued expenses	947	23	970	(453)	-	517
Impairment of property, plant and equipment	2,329	(1,064)	1,265	(617)	-	648
Derivatives	-	-	-	1,117	-	1,117
Other	94	(2)	92	75	70	237
Deferred tax asset, net	**3,370**	**(1,043)**	**2,327**	**122**	**70**	**2,519**
Deferred income tax liability						
Revaluation of property, plant and equipment	4,838	(352)	4,486	(590)	-	3,896
Differences in depreciation rates	17,788	(544)	17,244	(884)	-	16,360
Tax relief on acquisition of property, plant and equipment	2,062	(87)	1,975	(85)	-	1,890
Other	-	-	-	111	-	111
Deferred income tax liability, net	**24,688**	**(983)**	**23,705**	**(1,448)**	-	**22,257**
Net deferred tax	**(21,318)**	**(60)**	**(21,378)**	**1,570**	**70**	**(19,738)**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2020 due to change in accounting policy. More information disclosed in Note 5.

Deferred tax asset was offset with deferred tax liability in the Company's statement of financial position as they relate to the same taxation authority.

All amounts in thousands of euro unless otherwise stated

31 Contingent liabilities

31.1 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 9 May 2022.

As at 31 December 2021, the amount of the Company’s contingent assets (these contingent assets are not recognised in the financial statements) related to the legal dispute concerning the NERC decision of 2014, by which the Company was declared as an undertaking with significant power in the electricity generation market and thus the amount of the payable PSO funds was additionally reduced by EUR 2.51 million, amounted to EUR 2.51 million and remains unchanged from 31 December 2020.

31.2 Other contingent liabilities and commitments

Based on a press release of the European Commission, the Company informs that 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 cash flows 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.

32 Related-party transactions

The Company's transactions with related parties and year-end balances arising on these transactions are presented below:

Related parties	Amounts receivable 31 December 2021	Amounts payable 31 December 2021	Current borrowings 31 December 2021	Sales 2021	Purchases 2021	Finance income (costs) 2021
Parent company AB Ignitis grupė	-	100,461	-	-	354	-
Associates of the Company	2	325	1,177	14	1,721	1
Other Group companies	47	9,406	63,733	268	23,913	270
State-controlled UAB EPSO-G group companies	23,995	20,166	-	75,432	91,108	-
Total	**24,044**	**130,358**	**64,910**	**75,714**	**117,096**	**271**

Related parties	Amounts receivable 31 December 2020	Amounts payable 31 December 2020	Current borrowings 31 December 2020	Sales 2020	Purchases 2020	Finance income (costs) 2020
Parent company AB Ignitis grupė	-	34	-	-	445	-
Associates of the Company	1	224	-	9	1,565	-
Other Group companies	35	4,648	9,142	6,345	31,304	255
State-controlled UAB EPSO-G group companies	17,322	2,882	-	144,320	44,890	-
Total	**17,358**	**7,788**	**9,142**	**150,674**	**78,204**	**255**

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 12,353 thousand during January– December 2021; EUR 13,864 thousand during January–December 2020) and sales (EUR 7,278 thousand during January–December 2021; EUR 61,478 thousand during January–December 2020) of electricity produced by wind-power generators as reported in the tables on the related-party transactions. Dividends received from associates are disclosed in Note 8.

All amounts in thousands of euro unless otherwise stated

32.1 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.

32.2 Compensation to key management

	2021	2020
Wages and salaries and other current benefits to key management	350	328
Whereof:		
Current benefits	335	314
Termination benefits	1	14
Share-based payment expenses	14	-
Number of key management personnel	6	5

As of 2021, only members of Board, Supervisory Board and Chief Executive Officer are assigned to the Company's key management personnel. Consequently, disclosure for comparative period was adjusted.

For share-based payments related to key management personnel – see Note 16.

33 Fair values of financial instruments

33.1 Financial instruments measured at fair value

As at 31 December 2021 and 2020, the Company has accounted for liabilities arising from financial derivatives. The Company accounts for financial derivative liabilities at fair value and their accounting policies are set out in Note 2.11.3. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All 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 electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) and physical transmission rights acquired are determined based on the prices of the NASDAQ Commodities exchange.

The Company's derivatives are measured at fair value (all allocations to hierarchy levels are presented in a table below).

33.2 Financial instruments for which fair value is disclosed

The fair value of the Company's financial liabilities related to debt liabilities to commercial banks is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76 as at 31 December 2021 (31 December 2020: 2.56). The measurement of financial liabilities related to the debts is attributed to Level 2 of the fair value hierarchy.

The fair value of the loans granted by the Company to the Group companies was determined by discounting cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a weighted average discount rate of 2.76% as at 31 December 2021 (31 December 2020: 2.56%). 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 2021:

	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)						
Liabilities						
Derivatives	23	**7,444**	-	7,444	-	**7,444**
Financial instruments for which fair value is disclosed						
Assets						
Current loans	12	**64,910**	-	64,910	-	**64,910**
Liabilities						
Debt liabilities to commercial banks	17	**16,900**	-	15,956	-	**15,956**

The table below presents allocation between the fair value hierarchy levels of the Company's financial instruments as at 31 December 2020:

	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Financial instruments for which fair value is disclosed						
Assets						
Current loans	12	**9,142**	-	9,142	-	**9,142**
Liabilities						
Debt liabilities to commercial banks	17	**21,317**	-	19,981	-	**19,981**

All amounts in thousands of euro unless otherwise stated

34 Remuneration to auditors

The Company's remuneration to the independent audit firms:

	2021	2020
Audit of the financial statements under the agreements (KPMG Baltics, UAB)	91	-
Audit of the financial statements under the agreements (Ernst & Young Baltic, UAB)	-	72
Expenses of other services	2	2
Total	**93**	**74**

35 Events after the reporting period

35.1 Other events

In February 2022, the Russian Federation invaded Ukraine. The military actions affect not only the economy in Ukraine, Russia and Belarus, but also the European Union and global economy. As at the date these financial statements were authorised for issue, the situation in Ukraine is extremely volatile and inherently uncertain. In the management's opinion, considering the ongoing and dynamic nature of the situation, a reliable estimate of the financial impact cannot be presently made.

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

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Independent Auditor's Report

To the Shareholders of AB "Ignitis gamyba"

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at 31 December 2021,
- the statement of profit or loss and other comprehensive income for the year then ended,
- 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 significant 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – comparative information

We draw attention to Note 5 to the financial statements which describes that the Company elected to change its accounting policy for emission allowances and made retrospective adjustments to the comparative information in the accompanying financial statements. Consequently, the comparative information in the accompanying financial statements has been restated. Our opinion is not modified in respect of this matter.

Company code: 111616158
VAT code: LT114949716

Other Matter relating to comparative information

The financial statements of AB "Ignitis gamyba" as at and for the year ended 31 December 2020, excluding the retrospective adjustments described in Note 5 to the financial statements as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 February 2021.

As part of our audit of the financial statements as at and for the year ended 31 December 2021, we also audited the retrospective adjustments described in Note 5 to the financial statements that were applied to restate the comparative information.

We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the retrospective adjustments described in Note 5 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on comparative information.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Regulated activity – accrual of revenues from capacity reserve and services ensuring isolated operation of the power system and provisions for charges

We refer to the financial statements:

The carrying value of provision for capacity reserve and services ensuring isolated operation of the power system in the statement of financial position as at 31 December 2021 amounts to EUR 22,268 thousand.

Revenue recognized in the consolidated statement of profit or loss and other comprehensive income in 2021 amounts to EUR 295,201 thousand; revenue from services ensuring isolated operation of the power system in 2021 amounts to EUR 26,039 thousand and revenue from power reserve services in 2021 amounts to EUR 20,361 thousand.

Significant accounting policies – Note 2.22 "Revenue from contracts with customers", Note 4.5 "Regulated activity: accrued revenue and provisions", Note 21 "Provisions", Note 24 "Revenue from contracts with customers".

The key audit matter	How the matter was addressed in our audit
The Company earns revenue from its commercial and regulated activities. The provision of revenue from regulated activities is subject to certain regulations and decisions of the National Energy Regulatory Council (hereinafter - NERC), most of which are complex. Some of the decisions have been sued by the Company.	Our audit procedures included, among others: • Gaining understanding of and evaluating the Company's regulated revenue recognition process and the relevant legislation governing the provision of regulated services;

Profitability of regulated services provided by the Company is regulated by NERC through the ceiling prices of services approved for the next periods. NERC approves maximum price ceiling, which depends on the forcasted costs and volume of services for the next period. Actual costs incurred by the Company during the year may differ from the forcasted costs that are considered during the approval of the tariffs, and the actual volume of services may differ from the forcasted one. Subsequently the new tariffs are adjusted to reflect differences in actual costs incurred and volume of services provided by the Company, which may result in regulatory assets and / or liabilities arising from the Company's regulated activities during the current reporting period. Recognition of such regulatory assets and / or liabilities and related regulated revenue in financial statements in accordance with related IFRS requires an in-depth assessment of the applicable laws and regulations and significant judgment and decisionmaking. Due to the materiality of the recognized revenue from regulated activities, judgements of the management involved in revenue recognition including applying appropriate accounting policies in accordance with IFRS, the area required our increased attention in the audit and as such was determined to be a key audit matter.	• Assessing whether the revenue recognition accounting policy applied to regulated revenue stream complies with the requirements of the relevant financial reporting framework; • For the amount of regulatory liabilities accounted for as a provision: - Testing the internal consistency, underlying formulas and mathematical accuracy of the provision caculation; - Tracing the key inputs used in the calculation, such as costs, volumes of services and revenues, by reference to actual revenue and expenses data as per accounting records and Company's regulatory accounting system report, which will be submitted to NERC; - Agreeing forecasted fixed and variable expenses used in the calculation of regulatory provision related to Company's activity in 2021 to the ones set by NERC. - Evaluating the change in prior year provision estimate during the current financial period and assessed the accuracy of management estimation process. • Considering the adequacy of the disclosures related to the recognition of revenue from regulated activities and related provisions, as well as management's judgements used.

Other Information

The other information comprises the information included in the Company's annual management report on pages 3 to 42, 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.

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 International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 29 September 2021 for the first time to audit the Company's financial statements. Our appointment to audit the Company's financial statements in accordance with the shareholder's decision has been made for a two-year period. The audit of the financial statements for the year ended 31 December 2021 was our first annual audit of the Company.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Company and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company in the course of audit and disclosed in the financial statements, we have provided translation of the financial statement services.

On behalf of KPMG Baltics, UAB

ROKAS KASPERAVIČIUS

Digitally signed by ROKAS KASPERAVIČIUS
Date: 2022.03.31 14:46:02 +03'00'

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
31 March 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 95 to 99 of this document.

Information on the auditor

Independent auditor's selection

PricewaterhouseCoopers, UAB was designated as independent auditor for the period from 2008 to 2018. PWC provided independent audit services for 10 years; therefore, considering the requirements for independent audit, the Company had to change its independent auditor. Following the tender organised in 2018-2019, UAB Ernst & Young Baltic (EY) was appointed as independent auditor by the General Meeting of Shareholders for 2019-2021.

Due to increased workload and needs of the Group, on 26 February 2021 a decision not to extend the agreement of financial audit services with EY for 2019–2021 was adopted. Therefore, on 30 April 2021, new public procurement of audit services was started for the reporting periods 2021 and 2022. After the tender, KPMG Baltics, UAB was appointed as the new auditor by the General Meeting of Shareholders on 29 September 2021.

Future selections of independent auditor will continue to be carried out according to best practices, by public tenders and ensuring that potential providers of these services meet the set criteria. Selections are supervised by the Audit Committee of AB Ignitis grupė and independent auditor is appointed by the Company's General Meeting of Shareholders.

Independent auditors

2021–2022	2019–2020	2008–2018
KPMG Baltics, UAB Lvivo g. 101 LT-08104 Vilnius, Lithuania	Ernst & Young Baltic, UAB Aukštaičių g. 7 LT-11341 Vilnius, Lithuania	*PricewaterhouseCoopers*, UAB J. Jasinskio g. 16B LT-03163 Vilnius, Lithuania

Independent auditor's services and fees

For the period of 2019-2021, the independent auditor rendered the services specified below.

Independent auditor's services and fees, EUR thousand

	2021	2020	2019
Audit of financial statements	91	72	51
Other	2	2	2
Total	**93**	**74**	**53**

Certification statement

31 March 2022

We, the undersigned AB Ignitis gamyba Rimgaudas Kalvaitis, Chief Executive Officer, Andrius Valivonis, Director of Finance and Administration, and Renata Zakažauskienė, Accounting Partner acting under Order No IS-11-22 of 14 February 2022, hereby confirm that, to the best of our knowledge, AB Ignitis gamyba financial statements for the year 2021, 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 2021 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	Renata Zakažauskienė
General Manager	Director of Finance and Administration	Accounting Partner of UAB Ignitis grupės paslaugų centras, acting under Decision No IS-11-22 of 14 February 2022

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