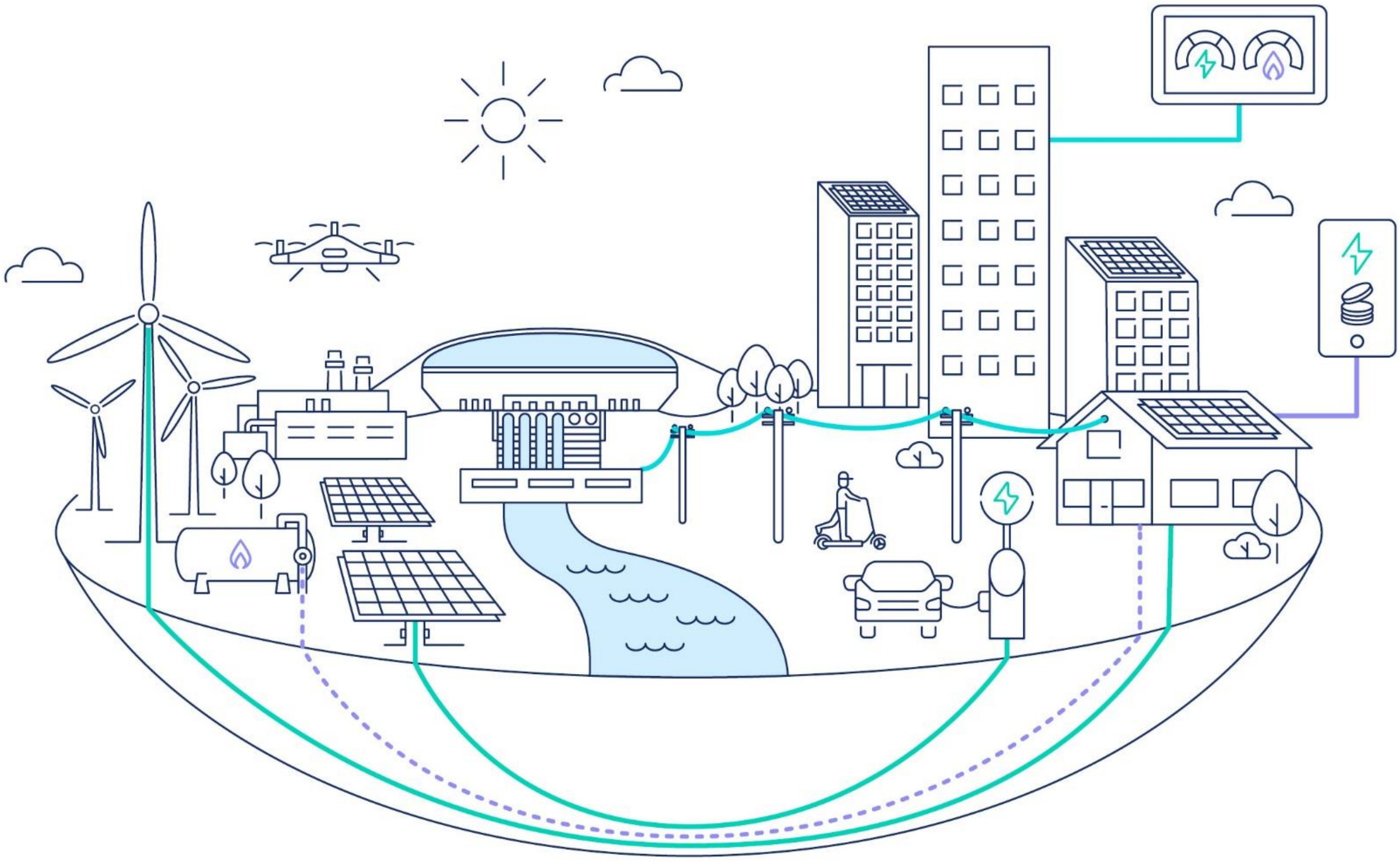
Ignitis Renewables
Annual report 2022

Consolidated annual report for the year ended 31 December 2022, and the consolidated and the company's financial statements for the year ended 31 December 2022 prepared according to the international Financial Reporting Standards, adopted by the European Union, and presented together with the independent auditor's report for the year ended 31 December 2022



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Overview

1.1 CEO's statement

Dear All,

Ignitis Group is creating an energy smart world, which is green, safe, empowering, and sustainable, with a clear commitment to reach net zero emissions by 2050. Ignitis Renewables is at the core of this transformation and is leading the green generation breakthrough not only in Lithuania, but in the Baltics as well.

Today, the themes at the heart of Renewables Group's activities are more relevant than ever. They include a responsible attitude towards the Earth's finite resources, accelerated replacement of old energy sources with green energy to achieve the goals set by the United Nations and other international organisations, and the education of the public on the benefits of green energy for future generations.

In 2022, we continued our steady long-term growth – our project Portfolio grows steadily with an increasing number of commissioning projects. Since the beginning of 2022, Ignitis Group's Green Generation Portfolio increased almost twofold to 5.3 GW (from 2.6 GW). Our project Pipeline more than tripled to 4.1 GW (from 1.1 GW) with the largest share of growth captured by the accelerated expansion of greenfield projects, which increased more than twelve times to around 2.2 GW (from 170 MW) as of report announcement date.

We will continue to accelerate our green transformation projects in our home market. We intend to become the region's largest and most advanced green energy company with the largest wind power projects in the region. All these developments will help Ignitis Group to nearly double its installed green energy capacity to reach 2.0–2.2 GW of installed renewables capacity by 2025, compared to currently operational portfolio of 1.2 GW.

In 2022, Renewables Group's revenue increased by 154.8% compared to 2021 and reached EUR 57.9 million. The main driver of the change was the COD of Pomerania WF in December 2021, Tuuleenergia WF, whose shares were transferred to UAB "Ignitis renewables" in December 2021, generally higher electricity market prices and power purchase contracts (PPA) signed for operating WFs in Lithuania.

As our ambitions grow, so does the need for a wide range of competences. As of the report announcement date, our team has grown to over 100 employees. We are aiming to attract highly qualified and motivated professionals from all over Europe.

Ambitious goals, innovative solutions and motivating results empower us. We are moving ahead with the help of constantly growing innovators, talented creators, and top professionals in different fields of expertise – people who are united in their values and seek to make a meaningful impact on the world.

Thierry Aelens
CEO
Ignitis Renewables

1.2 Business highlights

During the reporting period

February

- Thierry Aelens, a well-respected executive with extensive experience in development of offshore wind projects in leading energy companies, was appointed as the new CEO of Ignitis Renewables.
- The conditional SPA with the developer (Sun Investment Group) of Polish solar portfolio I (up to 170 MW) was terminated, as no agreement regarding acceptable return level which would be in line with the Ignitis Group's targeted range was reached.

May

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

June

- Installation of wind turbines has been started in Mažeikiai WF (63 MW).
- The development of the first Lithuania's hybrid solar park (Tauragė solar project) with a capacity of 22 MW was initiated in the vicinity of an existing Vėjo Gūsis WF (19.1 MW). COD is expected at the end of 2024.

July

- Construction of Silesia WF I (50 MW) has been started.
- A letter of intent with electricity transmission system operator Litgrid AB securing grid capacity in Jonava region, Lithuania for connection of 252 MW capacity solar park was signed.
- The decision regarding Renewables Group's equity commitments towards Moray West, an 850–900 MW offshore wind project in Scotland was taken. The Renewables Group owns 5% of the Project's shares.

September

- An onshore WF project (Silesia WF II) in Poland was acquired with a total capacity of up to 137 MW. The project is under construction (an agreement with Nordex was signed for wind turbines) with expected COD in H2 2024.
- A conditional agreement for an acquisition of a wind and solar project in Latvia (Latvian hybrid portfolio I) with targeted total capacity of around 200 MW was signed. The project is at early development stage with expected COD in around 2027–2028.

November

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

December

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

After the reporting period

January

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

February

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

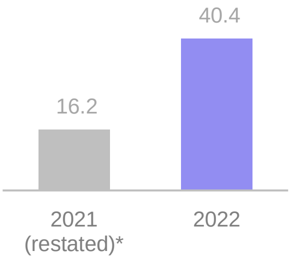
April

- Financial close achieved for Moray West offshore wind farm. The Project financing will be utilised to secure the remaining elements of supply chain activity in preparation for offshore installation works in later 2023.

1.3 Performance highlights

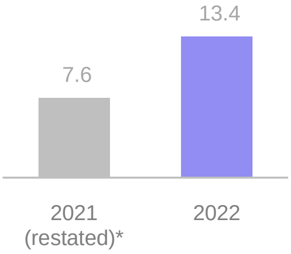
Financial

EBITDA
EURm



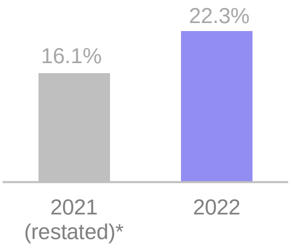
In 2022, Renewables Group's EBITDA was 150%, or EUR 24.2 million, higher than in 2021, mainly due to the launch of Pomerania WF (94 MW), which COD was December 2021, as well as Tuuleenergia WF, which shares were transferred to UAB Ignitis Renewables in December 2021 and generally higher electricity market prices and power purchase contracts (PPA) signed for operating WFs in Lithuania.

Net profit
EURm



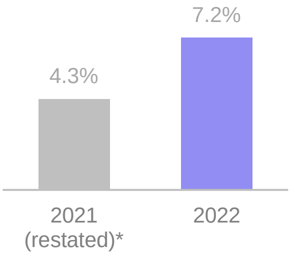
In 2022, the net profit was EUR 5.8 million (77%) higher compared to 2021, mainly due to the positive impact of the EBITDA.

ROE
%



The ROE increased from 16.1% to 22.3% due to the higher net profit.

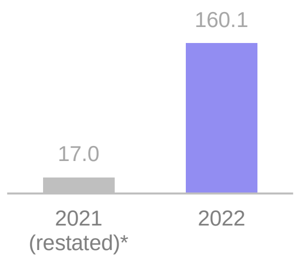
ROCE
%



The ROCE increased to 7.2%. One of the main drivers was the higher EBIT, which was mostly affected by higher EBITDA.

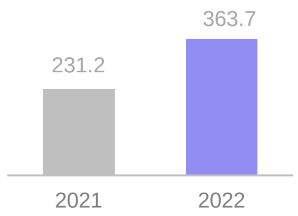
** Due to changes in IAS, part of financial indicators were recalculated retrospectively for the year 2021 (for more information, see 'Consolidated financial statements' note '6 Restatement of comparative figures due to changes in the accounting policy'.*

Investments APM
EURm



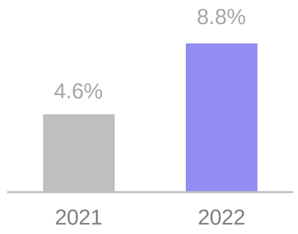
The investments in 2022 were significantly higher due to expenditure related to Mažeikiai WF and Silesia WF I construction, newly acquired Silesia WF II in Poland, and development of Polish solar portfolio II. Furthermore, the Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets.

Net debt APM
EURm



In 2022 the net debt increased by 57.3% to EUR 363.7 million due to the new investments into wind farm projects.

FFO / Net debt APM
%



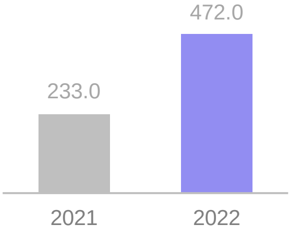
FFO/net debt increased from 4.6% to 8.8% due to a proportional higher FFO.

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

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

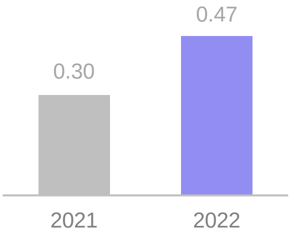
Operational

Secured capacity
MW



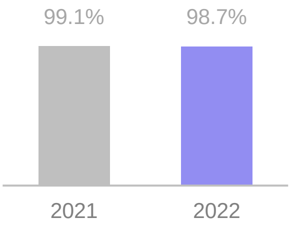
In 2022 the secured capacity increased by 239 MW as construction works started on Silesia WF II (+137 MW), Silesia WF I (+50 MW), Polish solar portfolio II (+30 MW) and Taurage solar project (+22 MW).

Electricity generated (net)
TWh



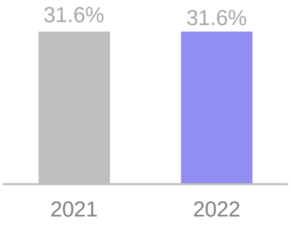
In 2022, the generated electricity volume (net) increased by 58.4%. This was the result of Pomerania WF generating and offsetting the negative effect of the operational WFs due to lower wind speeds.

Wind farms availability factor
%



The wind farms availability factor remains at high and expected level.

Wind farms load factor
%



In 2022, the wind farms load factor remained steady compared to prior year value.

Business overview

2.1 Business profile

Business

Ignitis Renewables manages assets of renewable energy in the Baltics and Poland, also is responsible for the efficient operation of wind farms, as well as supervision of farms under construction and the development of new generation capacities. By developing new wind and solar generation projects, Ignitis Renewables is implementing the strategic goal of Ignitis Group to expand its Green Generation portfolio to 4 GW by 2030.

Revenue model

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

Main customers

The end buyers of electricity generated by the subsidiaries of the company are other Ignitis Group companies, as well as other business customers, which acquire produced electricity through power exchange.

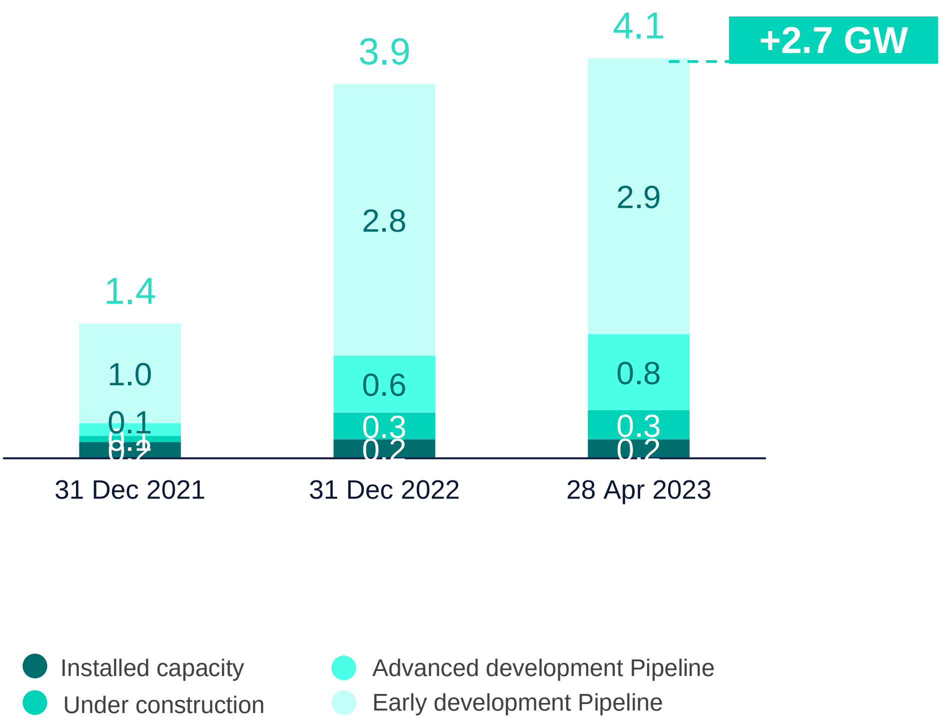
Net zero strategy support

Through development of zero carbon electricity generating assets.

Portfolio and markets

Renewables Group owns four wind farms operating in Lithuania with a combined generation capacity of 58 MW, 18 MW wind farm in Estonia, and 94 MW wind farm in Poland. There are few projects under construction. One of them is Mažeikiai WF with a total installed capacity of 63 MW which already supplied the first power to the grid in January 2023 and expects COD in Q2 2023, also wind farms and PV power plants in Poland.

Renewables Group Portfolio, GW



Operational (170 MW):

- Eurakras WF (24 MW)
- Vėjo gūsis WF (19 MW)
- Vėjo vatas WF (15 MW)
- Tuuleenergia WF (18 MW)
- Pomerania WF (94 MW)

Under construction (280 MW):

- Mažeikiai WF (63 MW)
- Silesia I WF (50 MW)
- Silesia II WF (~137 MW)
- Polish solar portfolio II (40 MW)

Advanced development pipeline (up to 592 MW):

- Tauragė solar project (22 MW)
- Latvian solar portfolio I (up to 300 MW)
- Latvian onshore WF portfolio I: Project 1 (around 70 MW)
- Latvian hybrid portfolio I (around 200 MW)

Early development pipeline (around 2,985 MW):

- Lithuania offshore WF I (700 MW)
- Plungė WF project (up to 218 MW)
- Latvian onshore WF portfolio I: Project 2 & 3 (around 90 MW)
- Greenfield portfolio (around 1,8 GW)

2.2 Business environment

Business environment

Recently there has been a significant shift towards renewable energy as a cleaner and more sustainable alternative to traditional fossil fuels. This shift has been driven by a combination of government policies, technological advancements, and increased awareness of climate change. The global renewable energy market has been growing at a double-digit compound annual growth rate. This growth is expected to continue in the coming years as more countries set ambitious targets for renewable energy adoption due to mitigation of climate change, sustainable energy and geopolitical aspects.

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

Implementation of Regulation (EU) 2022/1854

On 6 October 2022, the EU Council adopted Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices. The regulation introduced common measures, including the mandatory cap of 180 EUR/MWh on market revenues, to reduce electricity demand and to collect the energy sector's surplus revenue as well as to redistribute it to households and small and medium-sized enterprises. As a result, the regulation was adopted in Lithuania and Poland with key matters highlighted below and more detailed information described in Ignitis Group Annual report 2022.

Lithuania

On 15 December 2022, the Parliament of the Republic of Lithuania introduced the Regulation (EU) 2022/1854 into national law by determining that:

- the revenue surplus shall be collected from producers who generate electricity from the sources referred to in Article 7(1) of Regulation (EU) 2022/1854, i.e., wind energy, solar energy (solar thermal and solar photovoltaic), geothermal energy, hydropower without reservoir, biomass fuel (solid or gaseous biomass fuels), excluding biomethane, waste, nuclear energy, lignite, crude petroleum products, peat;
- the cap on market revenues shall only apply to 90 % of the market revenues exceeding the cap of 180 EUR/MWh;
- main principles for determining and calculating revenue surplus as well as other principles are detailed;
- it stipulates a temporary legal regulation, which will apply only while the Regulation (EU) 2022/1854 is in effect - until 30 June 2023 with an option to extend the regulation until 31 December 2023 (with exceptions);
- DSO provides the TSO with information regarding network users connected to the distribution networks.

Poland

On 8 November 2022, the Council of Ministers of Poland introduced the Regulation (EU) 2022/1854 into national law by determining that:

- for the electricity generated by generation facilities benefiting from the CfD scheme, with respect to the electricity sold ‘outside’ the CfD (not settled within the CfD scheme): the winning price offered by the producer at the auction, which is subject to annual indexation based on the average annual price index of consumer goods and services from the previous calendar year, published by the President of the Central Statistical Office (§ 2 (1) (a) of the regulation);
- for the electricity generated by generation facilities not benefiting from the CfD scheme: the reference price for the CfD scheme in force on the date of calculating the write-off to the Fund (§ 2 (1) (b) of the regulation).

The selected current reference prices for generation facilities with a total capacity greater than 1 MW (generation facilities with a total capacity lower than 1 MW are not subject to the write-off obligations) are as follows:

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

EU electricity market design

On 14 March 2023, the European Commission has proposed the EU's electricity market design. The proposed reform foresees revisions to several pieces of EU legislation – notably the Electricity Regulation, the Electricity Directive, and the REMIT Regulation. It introduces measures that incentivise longer term contracts with non-fossil power production and bring more clean flexible solutions into the system to compete with gas, such as demand response and storage. Such measures will likely decrease the impact of fossil fuels on the consumer electricity bills, boost fair competition in European wholesale energy markets and ensure the price stability of energy generated using renewable and non-fossil energy technologies.

The proposal requires suppliers to manage their price risks at least to the extent of the volumes under fixed contracts and obliges Member States to establish suppliers of last resort so that no consumer ends up without electricity. Moreover, Member States will protect vulnerable consumers in arrears from being disconnected and will now be required to assess their needs, establish objectives to increase non-fossil flexibility, and will have the possibility to introduce new support schemes, especially for demand response and storage.

Lithuania

The development of onshore wind farms and solar parks in Lithuania

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

- a resolution establishing that, once the 2 GW capacity for utility-scale commercial solar parks is reached, further development of such plants shall be subject to potential curtailment in a case there would be a need for the TSO to maintain grid stability;
- a resolution establishing the following grid capacity allocation proportions for onshore wind farms and solar parks:
  - 4.4 GW of solar capacity and 3.6 GW of onshore wind capacity will be made available for connecting to the grid by 2030;
  - 1.6 GW of solar capacity and 0.57 GW of onshore wind capacity will be allocated to non-commercial development of renewable energy plants at the proportions determined by the Government;
  - after reaching the permitted generation capacities, further development of solar parks and onshore wind farms shall be subject to potential curtailment, in case the TSO would need to maintain grid stability;

- at least once a year, the electricity network operators ESO (Networks) and AB "Litgrid" shall carry out an assessment of the electricity network capacity granted to electricity generation facilities and the existing available capacity of the electricity network, and inform the Ministry of Energy of the Republic of Lithuania and the National Energy Regulatory Council (NERC). The Ministry of Energy shall evaluate the information provided and submit proposals for corrections, if needed.

It is also worth mentioning that on 18 January 2023 a draft Law on Energy from Renewable Sources was registered, which proposes not to limit the total installed capacity (2 GW) of both solar parks and prosumers. The members of Lithuanian Parliament who initiated this proposal suggested that its aim is to ensure the stability of the electricity system. Consequently, solar parks may be subject to technical limitations provided in the descriptions of the procedure for the use of electricity network by electricity network operators.

New rules and procedures for connecting to electricity transmission network and grid capacity reservation

On 6 March 2023, the Lithuanian National Energy Regulatory Council (NERC) adopted AB "Litgrid" description of the procedure for the use of electricity transmission networks. The established material amendments to the procedure for the use of electricity transmission networks are the following:

- main steps for connecting users and assets to the grid, upgrading power plants, connecting to another power plant or connecting a storage facility;
- a new priority-based grid capacity reservation procedure, prioritising storage facilities and power plants using both solar and wind generation (hybrid projects);
- it is provided that in one zone of the transmission grid could be connected up to 100% of wind capacity, up to 100% of solar PV capacity and up to 100% of storage capacity altogether, and that the permitted generation capacity of newly connected wind and solar power plants will be exposed to potential curtailment due to congestions on particular grid zones and/or the system's balance capabilities, i.e. national electricity generation exceeds absorption capabilities;
- procedures for calculating fines for exceeding the permitted generation capacity;
- rules on further development of solar parks, after the 2 GW installed capacity limit is reached.

Rules and conditions of the offshore wind farm tenders, and requirements for participants and winners

In March 2023, the Government of the Republic of Lithuania and the Lithuanian National Energy Regulatory Council (NERC) adopted resolutions regarding rules and conditions of Lithuanian offshore wind farm tenders, and requirements for tender participants and winners, which include the following:

1. for the spring tender without incentive measures, which started on 30 March 2023:
   - setting the maximum permitted generation capacity of 700 MW and the minimum installed capacity of 580 MW, and establishing the parts of the territorial sea and/or the exclusive economic zone of the Republic of Lithuania in the Baltic Sea;
   - setting the requirements for participants and winners of the tender as well as setting the conditions of the tender.
2. for the autumn tender with potential incentive measures, which is expected to start on 1 September 2023:
   - amending the previous resolution and setting the maximum permitted generation capacity of 700 MW and the minimum installed capacity of 700 MW;

  - amending the requirements for participants and winners of the tender which will come into force 2 months after the European Commission's approval of the amendments of the Law on Energy from Renewable Sources in accordance with Article 108(3) of the Treaty on the Functioning of the European Union.
3. for both the spring and the autumn tenders:
  - describing procedures for announcing and organising tenders and the procedure of issuing permits for the development and operation of power plants that use renewable energy sources to tender winners.

Draft methodology for determining the maximum transaction price in the autumn offshore wind farm tender

On 1 February 2023, the Lithuanian National Energy Regulatory Council (NERC) announced a public consultation on the Draft Methodology for Determining the Maximum Transaction Price that can be applied in the offshore tender with potential incentive measures, which is expected to start on 1 September 2023.

Overview of partial compensation of energy prices

Over the course of 2022 as well as 2023, increasing prices as well as regulatory differences have been partially compensated as per overview below. Further in-depth information about the measures applied in Lithuania while providing consumers with partial compensation due to increasing prices of energy recourses and their impact to the Group in 2022 and 2023 can be found in Ignitis Group Annual report 2022.

Latvia

Offshore wind development

Legislation related to the development of greenfield offshore wind projects, which was initially adopted in Latvia in 2014, is currently under review by the governmental institutions to set the tender pre-qualification criteria, the bidding process, and the obligations of the tender winner.

Estonia

Offshore wind development

On 15 February 2023, the Estonian Parliament (Riigikogu) passed amendments to the Electricity Market Act and other laws, paving the way for the organisation of competitive auctions to grant seabed exclusivity for offshore wind development. The announcement of specific areas designated for offshore wind development and their number is expected in the second quarter of 2023, while the bidding process is scheduled to take place in the fourth quarter of 2023.

Latvia and Estonia offshore wind projects

A joint offshore wind project

The governments of Latvia and Estonia have selected the locations in their respective parts of the Baltic Sea where a joint offshore wind energy project – ELWIND – will be built. The ELWIND should comprise two offshore wind farms situated in the Latvian and Estonian parts of the Baltic Sea, with interconnections between them and connections to both countries. ELWIND, with a total capacity between 700 MW and 1,000 MW, has been listed on the first list of renewable energy cross-border projects under the EU Connecting Europe Facility. The tender for a project developer is set to take place in 2026, and the project is expected to be completed after 2030.

Poland

Liberalisation of 10H rule

On 23 April 2023, the amendment to the Wind Power Plant Investment Act dated 20 May 2016 entered into force (the provisions related to virtual prosumers will become effective starting from 2 July 2024). The infamous 10H rule (the minimum distance of wind turbines from residential buildings = ten times the height of the wind turbine) will still apply, but local governments will be able to designate the location of wind farms as part of the procedure for amending the zoning plan or adopting a new plan and set a minimum distance of 700 m. Contrary to the initial proposal, the investors will not be allowed to finance the preparation or amendment of a local zoning plan, allowing for construction of a wind farm.

The distance between the wind turbine and the transmission grid must be at least three times the maximum rotor diameter including blades (3D), or at least twice the maximum total height of the wind turbine specified in the local plan (2H), whichever is greater. Moreover, developer will be obliged to offer at least 10% of the installed capacity of a wind farm to community residents for a period of 15 years in order for them to become virtual prosumers of renewable energy (this will apply only to projects with construction permits issued starting from 2 July 2024).

2.3 Strategy

Overview

The Renewables Group is a part of Ignitis Group that operates to ensure the implementation of the updated Ignitis Group strategy, which applies to all subsidiaries of the Group.

Sustainability is a core part of the Ignitis Group strategy. Ignitis Group is accelerating the transition towards a decarbonised world, is transforming business models by developing and scaling-up smart solutions, is expanding in the region and is exploring new opportunities in the markets undergoing energy transitions.

Ignitis Group is focusing on four key strategic priorities. The first is creating a sustainable future, where there is no place for coal or nuclear energy. The ESG criteria are an integral part of the Ignitis Group's strategic goals, along with a strong commitment to a more sustainable future. The Group's business targets are aligned with the United Nations' Sustainable Development Goals and it is committed to reducing net carbon dioxide emissions to zero by 2050. Ignitis Group also thrives by aligning businesses with science-based targets to a 1.5°C-compliant business model. The second priority is ensuring the resilience and flexibility of the energy system, as well as enabling energy transitions and evolution. Third is growing renewables to meet the regional energy commitments. The Ignitis Group target is to reach 4 GW of installed Green Generation capacity by 2030. As the fourth priority, we are dedicated to capturing growth opportunities and developing innovative solutions to make life easier for those who are energy smart.

Renewables Group focuses on its home markets of the Baltic countries and Poland. It is also exploring new opportunities in countries travelling on the energy transition path.

Ignitis Group pursues its strategic priorities with a strong focus on financial discipline. Engaged personnel, agile teams, a learning culture, and an organisation with a strong governance model and digital approach are the integral parts of this strategy.

To ensure the implementation of its strategy, on a yearly basis, Ignitis Group announces a strategic plan with targets and KPIs set for the next 4-year period, indicated which of the Group's subsidiaries are responsible for their implementation.

Our values

RESPONSIBILITY

Care. Do. Earth.
Starting with myself.

PARTNERSHIP

Diverse. Strong.
Together.

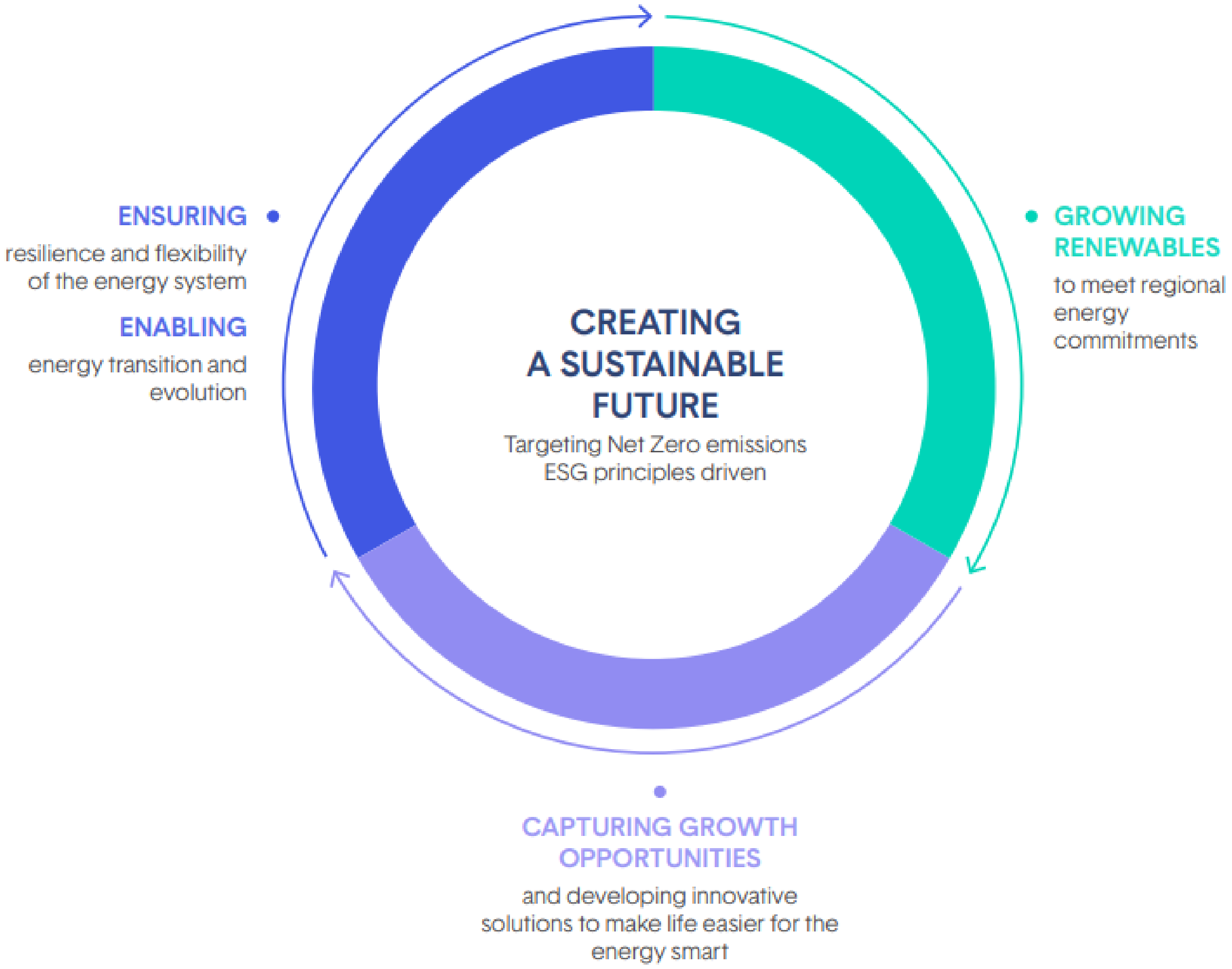
OPENNESS

See. Understand. Share.
Open to the world.

GROWTH

Curious. Bold.
Everyday.

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



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

Business performance and targets

The Renewables Group contributes to the Ignitis Group's Green Generation development goals by investing its capital and human resources in onshore and offshore wind farms, as well as solar technologies at various project development stages.

Our annual targets and the overview of their achievement is detailed in Section 4.3 People and remuneration.

Investments

Overview

Based on strategic plan, Ignitis Group targets to reach a 2.0–2.2 GW of installed Green Generation capacity by 2025, compared to its currently operational portfolio of 1.2 GW. The Renewables Group will take on a main role by investing in renewable energy projects, which include the completion of projects currently in the construction stage, further development of projects in the development stage, the acquisition of new projects and greenfield investments.

Ignitis Group applies a prudent investment framework with hurdle rates for its Green Generation projects to ensure value-creating growth. A disciplined investment policy targets high single-digit to low double-digit levered equity returns depending on the risk profile of each project. The Group intends to initiate our asset rotation programme. In the longer term, we are targeting to sell up to 49% of our equity stakes in operational Green Generation projects, to capture additional returns and recycle our capital for future investments.

Status of key investment projects

	Under construction				
Project	**Mažeikiai WF**	**Silesia WF I**	**Silesia WF II**	**Polish solar portfolio II**	**Moray West offshore wind project[7]**
Country	Lithuania	Poland	Poland	Poland	United Kingdom
Technology	Onshore WF	Onshore WF	Onshore WF	Solar	Offshore WF
Capacity	63 MW	50 MW	Up to 137 MW	~ 40 MW	850–900 MW
Expected COD	Q2 2023	Q1 2024	H2 2024	2023 – Q1 2024	2025
Investment	~EUR 80–85 million	~EUR 70 million[1]	~ 240 EUR million[1]	~ EUR 30 million	Not disclosed
Subsidy scheme	Merchant (PPA)	15-year indexed CfD at ~ 51 EUR/MWh[2]	15-year indexed CfD at ~59 EUR/ MWh6 (for ~35% of expected output) / Merchant (PPA) (for ~65% of expected output)	15-year indexed CfD (partly secured at ~49–57 EUR/MWh[3]) / Merchant (PPA)	15-year indexed CfD at ~52 EUR/ MWh[6] (for ~33% of expected output) / Merchant (PPA) (for ~67% of expected output)
Ownership	100%	100%	100%	100%[4]	5%[7] (partnership with Ocean Winds, the 50/50 joint venture owned by EDP Renewables and Engie)
Progress	– All wind turbines were erected and connected to the internal grid. The process of wind turbines electrical completion in progress. – Undergoing final testing procedures of TSO substation, wind turbines, SCADA system with expected testing completion at Q2 2023. – The first power to the grid supplied in January 2023 and since then generated power is being sold on merchant basis.	– Delivery and installation of wind turbines and its components (Nordex) remains unchanged, i.e., are expected to start in Q2 2023 and finish by the end of Q3 2023. – Foundation's works of wind turbines completed. – Undergoing roads and crane pads constructions with expected completion in Q2 2023. – First power to the grid is expected to be supplied as planned in Q4 2023. However, due to some constrains in supply chain as well as weather risk challenges, the projects budget was revised to around EUR 75 million (from EUR 70 million) and COD postponed to Q1 2024 (from Q4 2023).	– Wind turbine supply and installation (Nordex), BoP and owner's engineer agreements have been signed. – Project development and design works have been initiated. – The project has been awarded by the Polish auction system with a 15-year CfD for 35% of the total planned electricity production to sell the generated energy at a level of ~59 EUR/MWh[5].	– 30 projects with a total capacity of around 30 MW have already secured CfD in the range of ~49–57 EUR/MWh[3] . – First portfolio batch of 21 MW is under construction, with expected COD by the end of 2023. Subsequent batch of 8 MW is expected to be commissioned by Q1 2024. The remaining around 10 MW are still under development.	– Siemens Gamesa has been awarded the order for the delivery of 60 wind turbines with capacity of 14.7 MW each. – European Commission confirmation received, confirming the project not falling within the scope of the merger regulation. – Project financial close achieved in April 2023.

[1] Including project acquisition and construction works.
[2] 237.5 PLN/MWh, applying inflation index and 4.6808 PLN/EUR rate as of 30 December 2022.
[3] 228–268 PLN/MWh, applying inflation index and 4.6808 PLN/EUR rate as of 30 December 2022.
[4] After full completion of construction works.
[5] 274.99 PLN/MWh, applying inflation index and 4.6808 PLN/EUR rate as of 30 December 2022.
[6] 37.35 GBP/MWh (in 2012 prices), applying inflation index and 0.88693 GBP/EUR rate as of 30 December 2022.
[7] As the Renewables Group owns a minority stake of 5%, the project's capacity is not consolidated and is not reflected in the data of Green Generation portfolio.

	Advanced development pipeline			
Project	**Tauragė solar project**	**Latvian solar portfolio I**	**Latvian onshore WF portfolio I: Project 1**	**Latvian hybrid portfolio I**
Country	Lithuania	Latvia	Latvia	Latvia
Technology	Solar	Solar	Onshore wind	Onshore wind & solar
Capacity	22.1 MW	Up to 300 MW	Around 70 MW	Around 200 MW
Expected COD	2024	2025	2025	2025-2027
Investment	~ EUR 16 million	~EUR 213 million[1]	~EUR 90 million[1]	~EUR 270 million[1]
Subsidy scheme	Merchant (PPA)	Merchant (PPA)	Merchant (PPA)	Merchant (PPA)
Ownership	100%	100%[2]	100%[2]	100%[2]
Progress	– The solar project will be constructed in the vicinity of our existing Vėjo Gūsis WF (19.1 MW) in Tauragė, Lithuania, i.e. will be the first Group's onshore hybrid project. – FID decision has been taken. – Contracts with PV module and inverter suppliers has been signed. – Project design works in progress. – Contracting process of owner's engineer and DC contractor in progress.	– A conditional agreement for an acquisition of solar portfolio in Latvia signed in December 2022. – Grid secured for all 3 projects. – Building permitting process in progress with expected finalization in Q3 2023.	– EIA is in progress. – Grid secured. – Permit from Ministry of Economics and technical conditions from TSO received.	– EIA is in progress. – Grid secured. – Permit from Ministry of Economics and technical conditions from TSO received.

[1] Including project acquisition and construction works.
[2] After construction permits are granted or prior grid deposit is paid.

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

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

Results

3.1 Annual results

Revenue

In 2022, Renewables Group's revenue increased by 154.8% compared to 2021 and reached EUR 57.9 million. The main driver of the change was COD of Pomerania WF in December 2021, Tuuleenergia WF which shares were transferred to UAB Ignitis Renewables in December 2021 and generally higher electricity market prices and power purchase contracts (PPA) signed for operating WFs in Lithuania.

Revenue by country, EURm

	2022	2021	Δ	Δ,%
Poland	32.8	9.5	*23.3*	*245.3 %*
Lithuania	15.9	13.2	*2.7*	*20.5 %*
Estonia	9.2	-	*9.2*	*100.0 %*
Revenue	**57.9**	**22.7**	***35.2***	***155.1 %***

After the Pomerania WF started its commercial operations, the Renewables Group's revenue in Poland reached 56.6% in 2022 (in 2021 this amounted to 41.8%). 27.5% of revenue was earned in Lithuania (in 2021 this was 58.1%), and 15.9% in Estonia due to shares of the operating WF (18 MW) Tuuleenergia WF acquisition.

Expenses

OPEX

In 2022, OPEX of the Renewables Group amounted to EUR 14 million and increased by 114.3% (EUR +7.5 million). This change was driven by an expansion of its renewables business, which led to an increased number of employees and therefore higher remuneration expenses (EUR +2.5 million or +186.4%). Repair and maintenance costs increased due to operating Pomerania WF and Tuuleenergia WF (EUR +1.1 million). Other expenses also increased (EUR +3.9 million or 113.5%), mostly due to higher expenses for legal and finance consulting (EUR +1.0 million), higher taxes (EUR +1.1 million), derivatives result (EUR +0.6 million), variable lease expenses (EUR +0.5 million) and people and culture related costs (EUR +0.5 million).

Depreciation and amortisation

Depreciation and amortisation expenses increased by EUR 6.5 million (+122.3%) mostly due to Pomerania WF (EUR +4.3 million) and Tuuleenergia WF (EUR +1 million).

Expenses, EURm

	2022	2021	Δ	Δ,%
Purchases of electricity and other services	**3.5**	**-**	***3.5***	***100.0%***
OPEX APM	**14.0**	**6.5**	***7.5***	***114.3%***
Salaries and related expenses	3.9	1.4	*2.5*	*186.4%*
Repair and maintenance expenses	2.9	1.8	*1.1*	*60.9%*
Other	7.3	3.4	*3.9*	*113.5%*
Depreciation and amortisation	**11.8**	**5.3**	***6.5***	***122.3%***
Write-offs of intangible assets and result on lease modification	**2.7**	**-**	***2.7***	***100.0%***
Total	**32.1**	**11.9**	***20.2***	***169.7%***

EBITDA

In 2022, Renewables Group's EBITDA was 150%, or EUR 24.2 million, higher than in 2021, mainly due to the launch of Pomerania WF (94 MW), which COD was December 2021, as well as Tuuleenergia WF, which shares were transferred to UAB Ignitis Renewables in December 2021 and generally higher electricity market prices and power purchase contracts (PPA) signed for operating WFs in Lithuania.

EBITDA by activity type, EURm

	2022	2021	Δ	Δ,%
Long-term contracted	33.2	13.7	19.5	143%
Other	7.2	2.5	*4.6*	*184%*
EBITDA APM	**40.4**	**16.2**	***24.2***	***150 %***

Net profit

In 2022, net profit amounted to EUR 13.4 million and was EUR 5.8 million higher than in 2021. The main driver of this change was the positive impact of the EBITDA.

Investments

Investments in 2022 amounted to EUR 160.1 million and were EUR 143.1 million higher when compared to 2021. The main drivers for the higher investments were expenditure related to Mažeikiai WF and Silesia WF I construction, newly acquired Silesia WF II in Poland, and development of Polish Solar portfolio II. Furthermore, the Investments formula has been adjusted retrospectively from the beginning of 2022 by including prepayments for non-current assets.

Assets

As of 31 December 2022, total assets amounted EUR 530.9 million (a 59.1%, or EUR 197.2 million, increase compared to 31 December 2021). This increase was mainly driven by an increase in non-current assets (50.1% or EUR 140.3 million), which was mainly driven by the prepayments for PPE (EUR 90.1 million) for the projects under construction: Mažeikiai WF (EUR 48.6 million), Silesia WF I (EUR 32.0 million) and Silesia WF II (EUR 9.3 million). There was also an increase in intangible assets (EUR 34 million) related to Altiplano S.A. identified assets during business combination and REH investments additions. In addition to the aforementioned factors, total assets growth was also impacted by current assets growth mostly due to an increase in other receivables (EUR 22.8 million) and higher cash balance (EUR 31.1 million).

Equity

As of 31 December 2022, the shareholder's equity amounted to EUR 68.2 million and was higher by 31.4%, or EUR 16.3 million, compared to 31 December 2021 due to increase in retained earnings.

Liabilities

As of 31 December 2022, the total liabilities increased by 64.2%, or EUR 181.0 million. This was mainly driven by an increase in the loans to finance new investments.

Balance sheet, EURm

	31.12.2022	31.12.2021	Δ	Δ,%
Non-current assets	420.3	280.0	*140.3*	*50.1%*
Current assets	110.6	53.7	*56.9*	*106.1%*
TOTAL ASSETS	**530.9**	**333.7**	*197.2*	*59.1%*
Equity	68.2	51.9	*16.3*	*31.4%*
Total liabilities	462.7	281.7	*181.0*	*64.2%*
Non-current liabilities	434.8	259.2	*175.6*	*67.7%*
Current liabilities	27.9	22.5	*5.4*	*23.9%*
TOTAL EQUITY AND LIABILITIES	**530.9**	**333.7**	*197.2*	*59.1%*
Asset turnover APM	0.13	0.08	*0.06*	*75.0%*
ROA APM	3.1%	2.6%	*n/a*	*0.5 p.p.*
Current ratio APM	*3.97*	*2.39*	*1.58*	*66.4%*

Net debt

As of 31 December 2022, net debt amounted to EUR 363.7 million, an increase of 57.3%, or EUR 131,2 million, compared to 31 December 2021.

FFO LTM / Net debt increased from 4.6% to 8.8% due to a proportional higher FFO.

Net debt, EURm

	31.12.2022	31.12.2021	Δ	Δ,%
Total non-current financial liabilities	**412.1**	**247.4**	***164.7***	**66.6%**
Non-current loans	392.8	231.4	*161.3*	69.7%
Lease liabilities (IFRS 16)	19.3	16.0	*3.4*	21.1%
Total current financial liabilities	**9.0**	**10.0**	***(1.0)***	**(10.0%)**
Current portion of non-current loans	5.3	5.2	*0.0*	0.8%
Current loans	-	2.7	*(2.7)*	(100.0%)
Interests payable (including accrued)	3.3	1.7	*1.6*	95.2%
Lease liabilities (IFRS 16)	0.4	0.4	*(0.1)*	(25.0%)
Gross debt APM	**421.1**	**257.4**	***163.7***	**63.6%**
Cash and cash equivalents	57.3	26.2	*31.1*	118.8%
Net debt APM	**363.7**	**231.2**	***132.5***	**57.3%**
Net debt / EBITDA APM	*9.0*	*14.3*	*(5.3)*	(37.1%)
FFO / Net debt APM	*8.8%*	*4.6%*	*n/a*	4.2 p.p.
Gross debt/Equity APM	*6.2*	*5.0*	*1.2*	24.7%
Equity ratio APM	0.13	0.16	*(0.03)*	(17.4%)

Dividends

On 15 December 2020 the Board of Ignitis Group approved the updated dividend policy of the companies owned by Ignitis Group, according to which:

1. The management bodies of the subsidiary may propose to allocate dat share of the profit to dividends for the financial year or for a period shorter than the financial year, of at least 80 percent of the subsidiary's net profit received during the reporting period for which the dividends are proposed.
2. The management bodies of the subsidiary may propose to allocate a share of the profit to dividends for the financial year, or for a period shorter than the financial year, if the subsidiary has incurred a loss during the reporting period, but has accumulated retained earnings from

previous reporting periods. This provision shall apply only when there is a necessary need for the company to receive dividends in the implementation of the company's dividend policy.

3. The management bodies of the subsidiaries may propose to set a lower share of the profit for the dividends set for the subsidiaries specified in the sub-clause of the policy, or to propose not to pay dividends for the reporting period, if at least one of the following conditions is met:
   - 3.1. The subsidiary is implementing Green Generation investment projects in accordance with the Ignitis Group's strategy;
   - 3.2. The subsidiary's ability to pay dividends is limited by the covenants set out in the financing agreements;
   - 3.3. The subsidiary is implementing or participating in the implementation of an economic project of state importance, as recognised by a decision of the Government of the Republic of Lithuania;
   - 3.4. The subsidiary's equity, after the payment of the dividends, would become less than the amount of the subsidiary's authorised capital, mandatory reserve, revaluation reserve and reserve for the acquisition of its own shares;
   - 3.5. The subsidiary is insolvent, or would become insolvent upon the payment of the dividends;
   - 3.6. The subsidiary's net financial debt at the end of the reporting period for which the 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 (i.e. a net financial debt ≥ 6 EBITDA for the last 12 months);
   - 3.7. The subsidiary has received the written consent of the Head of the Treasury Function and the Director of Finance and Treasury of the company to apply Sub-Clause 4.3, in a case not provided for in Sub-Clauses 3.1-3.6.

EUR 1.8 million dividends for the year 2021 was approved at the Ordinary General Meeting of shareholders on 23 May 2022. In total the Group paid EUR 1,8 million dividends in cash during 2022 (2021: EUR 6.7 million).

Dividends declared by the company during the year, EURm

	2022	2021	Δ	Δ,%
Dividends declared during the period	**1.8**	6.7	*(4.9)*	*(73.1%)*

Key operating indicators

		2022	2021	Δ	Δ,%
Secured capacity	MW	472	233	*239*	*103%*
Projects under construction	MW	280	63	*217*	*344%*
Electricity generated (net)	TWh	0.47	0.30	*0.17*	*57%*
Availability factor	%	98.7%	99.1%	*(0.4 p. p.)*	*n/a*
Load factor	%	31.6%	31.6%	-	*n/a*

In 2022, electricity generated (net) by wind farms amounted to 0.47 TWh and increased by 0.17 TWh compared to 2021. This was the result of Pomerania WF generating and offsetting the negative effect of the lower wind speeds. Availability factor was slightly lower, however generally it remained at high and expected level.

3.2 Three-year annual summary

Key financial indicators

		2022	2021	2020
Revenue	EURm	57.9	22.7	13.9
EBITDA APM	EURm	40.4	16.2	8.9
EBITDA margin APM	%	69.8%	71.4%	64.10%
EBIT APM	EURm	25.9	10.8	1.7
Net profit	EURm	13.4	7.6	-0.1
Investments APM	EURm	160.1	17.0	77.6
ROE APM	%	22.30%	16.10%	-0.30%
ROCE APM	%	7.20%	4.30%	1.00%
ROA APM	%	3.10%	2.60%	-0.10%
		31.12.2022	**31.12.2021**	**31.12.2020**
Total assets	EURm	530.9	333.7	243.7
Equity	EURm	68.2	51.9	42.1
Net debt APM	EURm	363.7	231.2	181.4
Net debt / EBITDA APM	times	9.0	14.3	20.3
Current ratio APM	times	3.97	2.39	3.98
Asset turnover APM	times	0.13	0.08	0.07

Key operating indicators

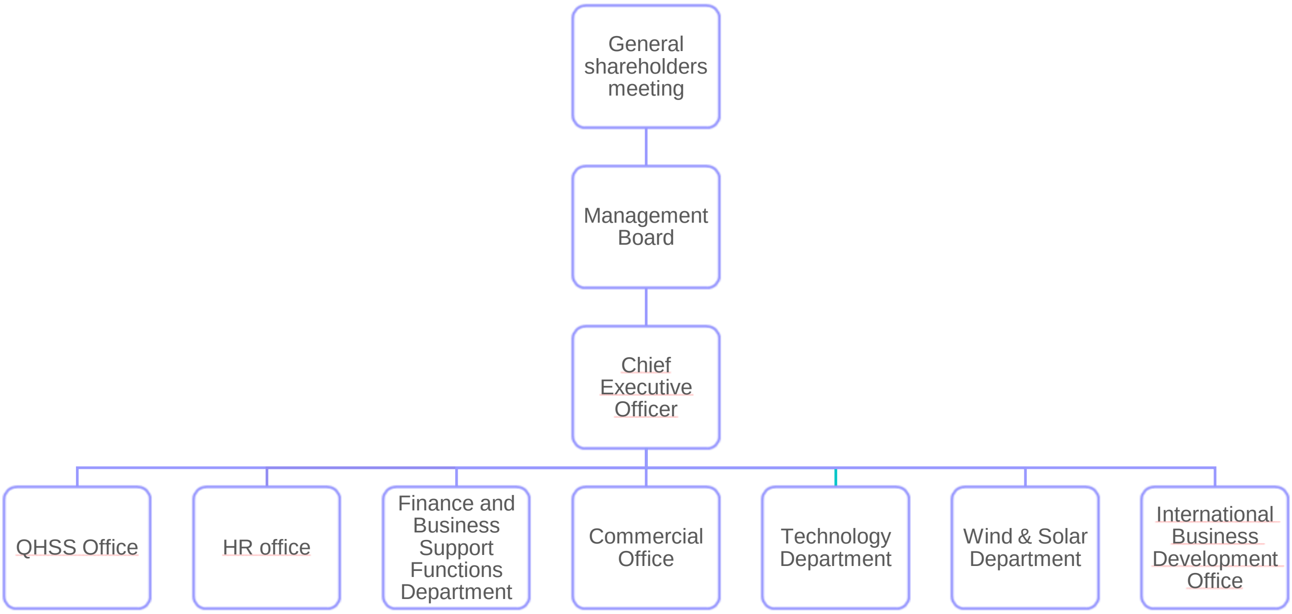
		2022	2021	2020
Secured capacity	MW	472	233	233
Projects under construction	MW	280	63	157
Electricity generated (net)	TWh	0.47	0.30	0.24
Availability factor	%	98.7%	99.1%	98.5%
Load factor	%	31.6%	31.6%	35.7%

Governance

4.1 Governance model

Governance model

The company's governance structure is comprised of the Chief Executive Officer (CEO) and a one-tier management system, which is the Management Board of the company. The CEO of the company represents the company on all issues and, together with the Management Board, is responsible for managing the company. The CEO of the company manages the day-to-day operations of the company and is entitled to solely represent the company.



Shareholders, their rights and functions

The company is a part of the state-owned group of energy companies belonging to Ignitis Group; 100% of the company's shares are owned by the AB Ignitis Grupė. The General Meeting of Shareholders is the highest governing body of the company. The competence of the General Meeting of Shareholders, the procedure for the convocation of the General Meeting and the decision-making process is prescribed by the laws, other legal acts and the Articles of Association of the company.

4.2 Management Board

Overview

The Management Board is a collegial management body, as set out in the Articles of Association of the company. The Management Board's area of competence is designed to ensure the proper management of the company. The Management Board members are elected for a four-year term and are recalled by the General Meeting of Shareholders. The Management Board is comprised of three members, who elect the Chair of the Management Board from among themselves. The competence of the Management Board, as well as the procedure for decision-making, election and recalling of the members of the Management Board, are established by the laws and other legal acts, as well as the Articles of Association of the company and the Rules of Procedure of the Management Board.

Functions and responsibilities

The Management Board considers and approves the following:

- business strategy and plan of the company;
- budget of the company;
- Rules of Procedure of the Management Board;
- management (organisational) structure of the company, list of positions and the maximum headcount;
- positions where employees are hired through a selection procedure;
- regulations of the company's affiliates and representative offices;
- job description of the Chief Executive Officer;
- lists of confidential information and trade (industrial) secrets;
- Annual Report and interim report of the company, prepared for adopting a decision on the allocation of dividends for a period which is shorter than the financial year;
- Consolidated Annual Report of the company, and the companies wherein the company is a shareholder, on the provision of financial support and its utilisation in the previous calendar year.

The Management Board analyses and evaluates the material submitted by the Chief Executive Officer of the company on the following:

- implementation of the business strategy of the company;
- organisation of the company's activities;
- financial situation of the company;
- results of the economic activities of the company, estimates of revenue and expenses, inventory data and other accounting data of changes in the assets;
- a set of annual financial statements of the company, as well as a set of interim financial statements of the company prepared for the purpose of adopting a decision on the allocation of dividends for a period shorter than the financial year, the distribution of the company's profit (loss) and the decision regarding the projects in relation to allocating dividends for a period shorter than the financial year.

The Management Board adopts decisions regarding the conclusion of the following transactions (except for cases where the transactions meeting these criteria are included in the operational budget of the company):

- investments, transfers or leases of non-current assets with a book value equal to or exceeding EUR 300,000 (three hundred thousand euros) (calculated separately for each type of transaction);
- purchases of non-current assets at a price equal to or exceeding EUR 300,000 (three hundred thousand euros);
- pledges or mortgages of non-current assets with a book value equal to or exceeding EUR 300,000 (three hundred thousand euros) (calculated for the total amount of transactions);
- assurances or guarantees of the fulfilment of the obligations of other entities, if the amount is equal to or exceed EUR 300,000 (three hundred thousand euros);
- money lending or borrowing, including, but not limited to, decisions to enter into any credit (loan) agreements and/or amendment of the terms and conditions of existing credit (loan) agreements, when the value of the transaction is equal to or exceed EUR 300,000 (three hundred thousand euros);
- conclusions of other transactions with a value equal to or exceeding EUR 300,000 (three hundred thousand euros).

The Management Board adopts decisions regarding the following matters:

- the company becoming a founder or participant in other legal entities;
- establishment of affiliates and representative offices of the company;
- approval of nominations of the supervisory or management bodies of companies wherein the company is a shareholder;
- approval of the Articles of Association of the companies wherein the company is a shareholder;
- operational guidelines and operational rules of the company's group of companies, their annual financial plans, the annual rate of return on assets and the maximum amounts of debt obligations, as well as determining other activity parameters and management issues of the subsidiary companies of the company, in compliance with the requirements established in the legal acts;
- participating and voting at the General Meetings of Shareholders of the companies wherein the company is a shareholder, as well as appointing the person who will implement the decision of the Management Board at the specific General Meeting of Shareholders;
- adopting decisions regarding the participation in associations and other gatherings of a similar type, the purpose of which is to coordinate the activities of their members, represent the interests of their members, to protect them or to meet other public interests;
- approval of the procedure for the company, and the companies wherein the company is a shareholder, to granting financial support or charitable donations;
- the procedure for the company, and the companies wherein the company is a shareholder, to grant financial support or charitable donations;
- other issues that fall within the Management Board's competence attributed by the legal acts, the Articles of Association or the General Meeting, including issues in relation to which the Management Board is approached by the Chief Executive Officer (including issues related to the conclusion of transactions).

The Management Board shall be responsible for convening and organising the General Meetings in a timely manner.

Selection procedure

The Management Board members are elected for a four-year term and are recalled by the General Meeting of Shareholders of the company. If the Management Board is recalled, resigns or ceases to hold office before the end of term for other reasons, a new Management Board shall be elected for a new term of office. Individual members of the Management Board shall be elected only for a term until the end of the term of the current Management Board.

Each candidate to be a member of the Management Board must provide the General Meeting with their written consent to stand for the office of the Management Board and a Declaration of Interests, stating therein all the circumstances which may give rise to a conflict of interest between the candidate and the company. The candidates to the Management Board of the company must comply with the general and special criteria set out by the legal acts. Members of the Management Board cannot do other work or hold other positions that are incompatible with their activities in the Management Board, including holding executive positions in other legal entities (except for positions within the company and the Group of companies), nor work in a civil service or statutory service position. The members of the Management Board may hold other positions or do other work, except for positions within the company and other legal entities wherein the company is a participant, and may carry out pedagogical, creative or authorship activities only after receiving the consent of the General Meeting in advance.

Overview of the reporting period

In 2022, there were 67 meetings of the Management Board of the company held in total. The table below details the participation of the members in the meetings.

Overview of the meeting attendance of the Management Board members

Name, surname*	
Jonas Rimavičius	67/67
Vidmantas Salietis	67/67
Peter Overgaard*	67/67

** The numbers indicate how many meetings the members attended in 2022, out of the total meetings during the reporting period.*

Key decisions adopted in 2022:

- The Management Board of the company adopted a decision to approve the 2022-2025 Strategic Plan of the company;
- On 21 January 2022, the company's Management Board adopted a decision to establish a subsidiary of the company, Ignitis renewables Latvia SIA.
- On 11 February 2022, the company's Management Board approved appointment of Laurynas Jocys to the Board of Pomerania Wind Farm sp. z o.o., Altiplano Elektrownie Wiatrowe B1 sp. z o.o., Ignitis Renewables Polska sp. z o.o., appointment of Jacek Wojerz to the Board of Ignitis Renewables Polska sp. z o.o. and to the position of the Chairman of the Board of Pomerania Wind Farm sp. z o.o., Altiplano Elektrownie Wiatrowe B1 sp. z o.o., Ignitis Renewables Polska sp. z o.o.
- On 22 February 2022, the company's Management Board adopted a decision to increase Ignitis Renewables Polska sp. z o.o. share capital in amount of PLN 140,277,500.00.
- On 22 February 2022, the company's Management Board adopted a decision to establish subsidiaries of the company, IGN RES DEV1 SIA and IGN RES DEV2 SIA.
- On 22 February 2022, the company's Management Board approved the appointment of Thierry Michel W Aelens to the position of the Company's CEO.
- On 18 May 2022, the company's Management Board adopted a decision to approve the Annual and Consolidated Annual Report for the year 2021, as well as to approve the set of annual financial statements of the company and its subsidiaries for the year 2021, and to approve the draft distribution of the company's profit (loss) for the year 2021;
- On 2 August 2022 the company's Management Board adopted a decision to establish subsidiaries of the company, IGN RES DEV3 SIA and IGN RES DEV4 SIA;
- On 9 August 2022 the company's Management Board adopted a decision to establish subsidiaries of the company, UAB Ignitis renewables projektai 2 and UAB Ignitis renewables projektai 3;
- On 6 September 2022 the company's Management Board adopted a decision to acquire 100% of SIA CVE shares, developing up to 210 MW combined wind and solar PV project in Latvia;
- On 29 September 2022 the company's Management Board adopted a decision to acquire 100% of the Altiplano S.A. shares, developing up to 137 MW wind park;
- On 4 October 2022 the company's Management Board adopted a decision to establish a subsidiary of the company, UAB Vėjo galia bendruomenei;
- On 11 October 2022 the company's Management Board adopted a decision to establish subsidiaries of the company, IGN RES DEV 5 SIA and IGN RES DEV 6 SIA;
- On 30 November 2022 the company's Management Board adopted a decision to acquire 100% of UAB Plungės vėjo energija shares, developing up to 218.4 MW wind park;
- On 30 November 2022, the company's Management Board adopted decisions to approve the company's planning documents for the year 2023;
- On 6 December 2022 the company's Management Board approved the Final Investment Decision (FID) for UAB "Vėjo gūsis", a subsidiary of UAB "Ignitis renewables", on the installation of 22 MWp solar PV park in Tauragė region, Lithuania.
- On 28 December 2022 the company's Management Board adopted a decision to acquire 100% of SIA SP Venta shares, developing up to 287.6 MWp solar PV projects.

Members of the Management Board

	Description	Experience	Education	Other current place of employment, position
	**Jonas Rimavičius** Chair Term of office: from 3 January 2019 until 2 January 2023	Jonas Rimavičius joined Ignitis Group in 2016. Before that time, he worked as a Senior Analyst at Swedbank, a Finance Business Partner at the telecommunications company Telia as well as an Associate for Strategy and Transactions at Ernst & Young Baltic.	University of Warwick – BSc in Accounting and Finance. University of Cambridge – Master's degree in Business Administration (EMBA).	Member of AB Ignitis Grupe's Management Board and Chief Financial Officer. Member of the Management Board of UAB Vilniaus Kogeneracinė Jėgainė.
	**Vidmantas Salietis** Member Term of office: from 22 June 2021 until 2 January 2023	Vidmantas Salietis joined Ignitis Group in 2011 and has 7 years of executive experience, which he acquired in the energy sector. He worked as CEO at UAB Energijos Tiekimas, and before that as Director of the Wholesale Trading Department at AB Ignitis Gamyba.	Stockholm School of Economics in Riga – Bachelor's degree in Economics and Business.	Member of the AB Ignitis Grupe's Management Board and Group Head of Commercial Activities. Chair of the Supervisory Board at AB Ignitis Grupė. Chair of the Supervisory Board at UAB Ignitis. Member of the Supervisory Board at Ignitis Polska Sp. z o.o.
	**Peter Overgaard** Independent member Term of office: from 30 August 2021 until 2 January 2023	Peter Overgaard joined Ignitis Group in 2021. Mr Overgaard gained experience as an executive in various companies involved in developing green energy, such as DONG (now Orsted) and Siemens Gamesa. He also has invaluable experience in Poland – one of the strategic markets of the Group.	Aalborg University – Master's degree in Mechanical Engineering, Energy Sector. Vitus Bering University College – Diploma in Engineering Business Administration (EBA).	-

Chief Executive Officer

Overview

The Chief Executive Officer is the sole management body of the company. The Chief Executive Officer is appointed by a decision of the company's Management Board. The Chief Executive Officer organises the activities of the company, manages it, acts on behalf of the company and concludes transactions unilaterally, except for in the exceptions provided by the legal acts and the Articles of Association. The competence of the Chief Executive Officer, as well as the procedure of election and recalling are established by the laws, other legal acts and the Articles of Association of the company.

Profile

	Description	Experience	Education	Other current place of employment, position
	**Thierry Aelens** Chief Executive Officer Term of office: from 7 March 2022 until 6 March 2027	Thierry Aelens joined Ignitis Group in 2022. Thierry Aelens has led offshore wind development projects in one of the largest energy companies in the world – RWE Innogy (now RWE renewables). He was also Senior Vice President at STX France, one of the leading offshore wind substation manufacturers, and held executive positions in the renewable energy company Elicio, as well as having accumulated experience in other international companies throughout the world.	UCL and RWTH Aachen University – Civil Engineering. Several postgraduate modules and vocational training in the areas of engineering, oil and gas, energy management and energy policy studies, and marine engineering.	-

4.3 People and remuneration

People and culture

Overview

Ignitis Group, with the Renewables Group as a part of it, is one of the largest employers in Lithuania. Maintaining good relations with employees and contributing to employee engagement and welfare is a great responsibility and challenge, but at the same time is and an opportunity.

Ignitis Group forms and strives to maintain an organisational culture that fosters long-term employer-employee partnerships based on the Group's values and its Code of Ethics, as well as mutual understanding and the opportunity to create an energy smart future together.

In the Ignitis Group strategy, the following strategic directions of the Group's People and Culture are named: engaged employees and flexible teams, learning anywhere and anytime. The Ignitis Group People and Culture Policy sets out the principles and defines the key provisions which the company follows in its operations, when managing its talent potential and culture, and when implementing its strategic goals.

The company, in accordance with the Group's People and Culture Policy, strives to maintain and attract the best employees who can develop the current operations professionally and who will create new business opportunities and innovations, thus creating a sustainable and innovative organisation. We strive to have employees who uphold the values of the organisation, who are open and willing to grow, who are responsible and who foster partnerships.

Employees, their diversity and representation

As of 31 December 2022, the company had 61 employees (on 31 December 2021 there were 21 employees). As of 31 December 2022, the Renewables Group had 80 employees (compared to 28 employees on 31 December 2021).

The nature of the work in the Renewables Group, as in the entire Ignitis Group, does not depend on a person's gender. The Renewables Group ensures equal opportunities and diversity for its employees and has zero tolerance for direct or indirect discrimination in all areas of its activities. As of 31 December 2022, the share of men in the Renewables Group amounted to 57,5%, while women accounted for 42,5%. The gender distribution in middle management positions was: men – 60%, women – 40%.

The Renewables Group provides work opportunities for people of various ages. As of 31 December 2022, the employees of the Renewables Group were mostly between 36,5 year old:

Under 29 years old - 15%, 30-39 years old – 59%, 40-49 years old – 17% and over 50 - 9%. More than 80% of the Renewables Group's employees have a university degree.

Remuneration

Overview

Ignitis Group is rapidly moving towards a sustainable management model, including the management of its human resources. In order to continue the transitioning process, Ignitis Group needs new skills and competences, so it can further develop the Group's culture. In 2019, we carefully revised our remuneration system to reduce the gap between the salaries within the market (fixed base salary) and the median salary at Ignitis Group, by moving a part of the short-term incentives to the fixed base salary, in order to remain competitive. We participate in salary market surveys every year, so as to ensure external competitiveness. More information on the company's people management and salary-related issues is available on the website of Ignitis Group (link).

Remuneration Policy

The objective of the Remuneration Policy, which applies to all the companies belonging to Ignitis Group, is to increase the business efficiency and motivation to achieve the strategic goals. Ignitis Group has defined 5 key principles in its Remuneration Policy: fairness, competitiveness, clarity, transparency and flexibility.

Key principles of the Group Remuneration Policy

Internal fairness	It is ensured that the work of a similar or the same value is compensated equally throughout the organisation.
Competitive externally	Employees are entitled to receive a competitive salary based on their functions, the market conditions and the geography.
Remuneration clarity	All employees are informed about how their performance, competences and qualifications impact their remuneration package, as well as the basis on which it is set.
Transparency	We believe in transparency and share our objective remuneration criteria with our employees.
Flexibility	We are flexible in providing individual solutions for retaining strategic employees or critical positions, if they are in line with the principles listed above.

Overall, Ignitis Group's remuneration structure consists of two parts: fixed base salary (FBS) and short-term incentives (a percentage of the FBS). The short-term incentives (STI), depending on the employee's functions, are paid every three months, six months or every year, and are linked to the results of the employee, team and/or the company/Ignitis Group. Positions that are in high demand (e.g. renewable energy development project managers, wholesale electricity and gas trading specialists and salesmen) have specialised remuneration systems.

You can find the full Remuneration Policy on the website of Ignitis Group (link)

Remuneration of the company's employees

The company's salary fund in 2022 amounted to EUR 3.0 million, compared to EUR 1.1 million in 2021. The table below shows the average monthly remuneration and number of the company's employees, EUR (gross).

Average monthly remuneration and number of the company's employees, EUR (gross)

Position category	2022		2021	
	Number of employees	Average salary	Number of employees	Average salary
CEO	1	20,872	-[1]	10,992
Top level managers	4	9,510	2	6,804
Middle managers	11	6,675	1	5,759
Experts / Specialists	44	4,392	14	4,061
Total	**60**	**5,426**	**17**	**4,840**

[1]There was no CEO at the end of the year. The former CEO resigned in November 2021 and the new CEO was appointed in February 2022.

Remuneration of the Renewables Group's employees

The Renewables Group's salary fund in 2022 amounted to EUR 3.9 million compared to EUR 1.4 million in 2021. The table below shows the average monthly remuneration and number of the Renewables Group's employees, EUR (gross).

Average monthly remuneration and number of the Renewables Group's employees, EUR (gross)

Position category	2022		2021	
	Number of employees	Average salary	Number of employees	Average salary
CEO	4	11,037	3	7,415
Top level managers	4	9,510	2	6,804
Middle managers	14	6,472	4	5,754
Experts / Specialists	57	4,023	23	3,610
Total	**79**	**5,090**	**32**	**4,434**

Remuneration of the company's Management Board and CEO

To attract and retain competent board members, remuneration guidelines are applied. In order to attract high-level professionals to the company's management positions, we aim to keep the remuneration close to the market median of the country in which the Renewables Group operates. The remuneration structure of board members corresponds to the remuneration structure of the remaining employees of Ignitis Group (except for the allocation of a company car). The remuneration includes FBS and STI, and it is described in more detail in the table below.

Remuneration structure of the company's Management Board

Element	Purpose	Description and performance measures
Fixed base salary (FBS)	Remuneration for job responsibilities, which also reflects the skills, knowledge and experience of the individual.	Remuneration is determined by the employment contract, considering the level of the position and the level of competence of the employee required for the position. The base salary is paid on a monthly basis. A fixed base salary revision is performed during the annual remuneration review.
Remuneration of the collegial body (RCB)	Remuneration for the Management Board members' activities.	The RCB is fixed and is paid on a monthly basis. The RCB is usually reviewed before a 4-year tenure contract is signed.
Short-term incentives (STI)	Remuneration for achieving the Group's annual financial, strategic and sustainability targets.	This remuneration element is related to the performance, i.e. for meeting the objectives or indicators set for an individual position. The STI proportion is determined as a percentage of the FBS, where up to 20% STI (of the annual FBS) is applied for the executives.
Additional benefits	Benefits for aligning with the market practices and retaining the current management.	Employees are covered by health insurance schemes, unless they choose the contributions to the private pension funds and other benefits to be applied according to the internal legal acts. The benefits package for the Management Boards additionally includes a company car.

Remuneration of the company's Management Board in 2022, EURm (gross)

	FBS	STI	RCB	Total
Peter Overgaard	19,709	-	-	19,709

The company did not have any independent board members that were remunerated in 2022.

For more information about the Ignitis Group remuneration principles, refer to Ignitis Group Annual Report 2022.

The Company's targets and achievements for 2022

Performance criteria	Relative weighting	Objective	Score
Strategic projects and key milestones	25%	Growing the pipeline of early stage Greenfield projects	100%
	25%	M&A: Acquiring the projects at expected return level with a planned COD in 2023-2025	70%
	20%	Projects under construction within the approved project execution plan	85%
	15%	Development of Lithuania offshore wind	100%
	5%	Development of other offshore wind project	100%
	5%	Management of the Renewables HR pipeline	100%
Financial objective	5%	Consolidated Ignitis Renewables OPEX	100%

The Company's targets for 2023

Performance criteria	Relative weighting	Objective
Strategic projects and key milestones	85%	Onshore portfolio expansion and projects under construction delivered within the parameters of Project execution plan (40%)
		Offshore wind development projects (40%)
		Implementing an integrated approach for optimal power off-take (5%)
		Attracting and retaining required competences (5%)
		Increasing safety at work (5%)[1]
Sustainability and corporate culture	10%	Maintaining the high quality of operational and financial performance (5%)
		Onshore portfolio expansion and projects under construction delivered within the parameters of Project execution plan (40%)
Financial objective	5%	Offshore wind development projects (40%)

[1]Zero work-related fatal accidents (own employees and contractors), TRIR of own employees – 0 and TRIR contractors – <4.9 (TRIR – the rate of total recordable work-related injuries per million hours)

4.4 Risk and risk management

Risk management framework

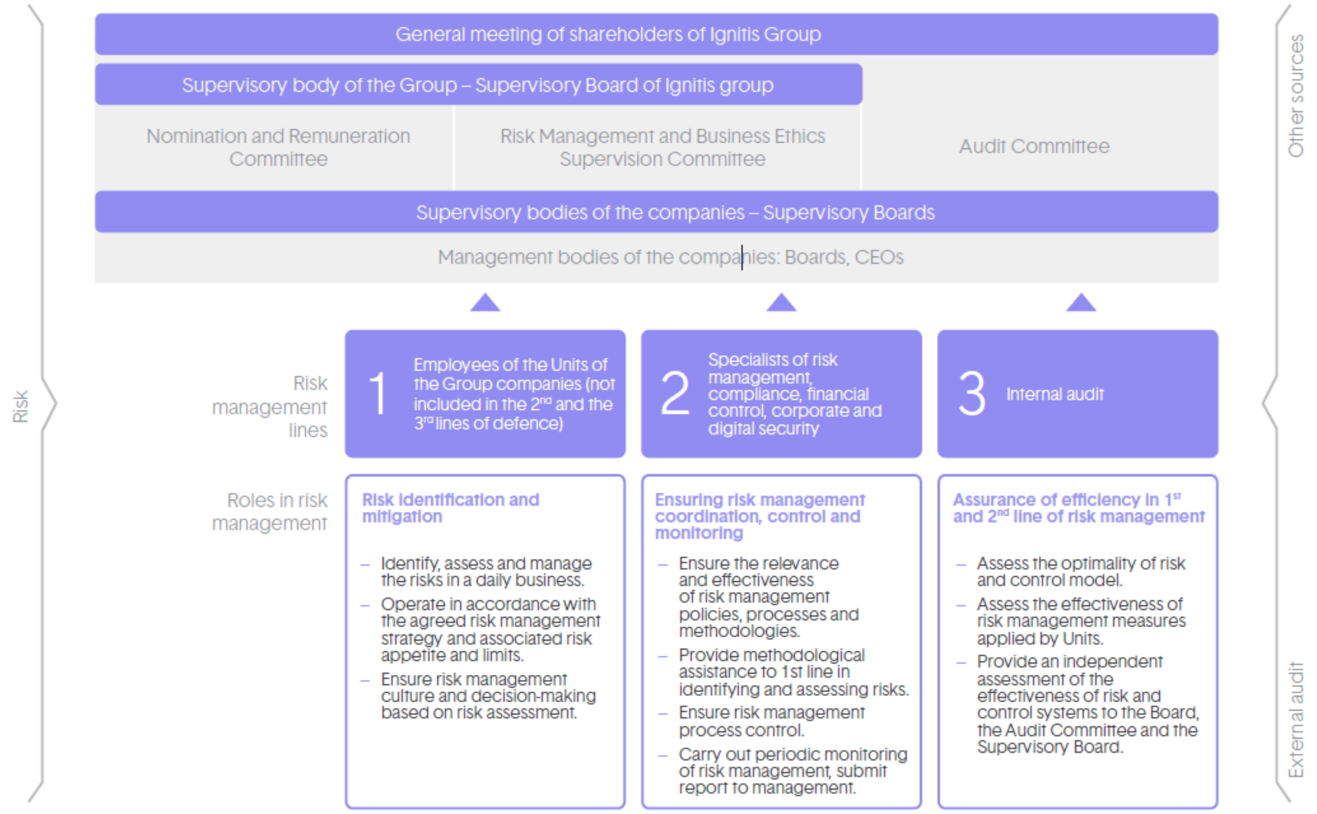
Overview

In connection with the business activities, the Renewables Group is exposed to both internal and external risks that might affect our performance. To ensure their mitigation to an acceptable level, in all the Ignitis Group we apply uniform risk management principles, which are based on the best market practices, including the guidance of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and AS/NZS ISO 31000:2018. A clear segregation of risk management and control duties is controlled by applying the 'Three-lines enterprise risk management framework' in the Ignitis Group (see figure below), where the duties are distributed between management and supervisory bodies, structural units, and functions.

In order to ensure effective risk management control, we monitor risks, risk management measures, key risk indicators and prepare internal reports to the management on a quarterly basis.

We provide more details in the section below, including key risks for 2023. Additionally, this year, considering growing importance of ESG (Environmental, Social and Governance) themes, we are highlighting ESG related risks.

Three-lines risk management framework



Key risk management objectives:

to eliminate or reduce the impact of the materialised risks on the Group's goals for different periods as much as possible;	to ensure that correct information is provided to decision-makers, shareholders, and other stakeholders in a timely manner;	to protect and ensure the Group's reputation and reliability;	to protect the interests of shareholders, employees, customers, stakeholders, and the public;	to ensure the stability (including financial) and sustainability of the Group's activities.

Risk management process and key principles

In order to achieve strategic goals and respond to a dynamic operating environment, the Renewables Group pays special attention to proactive risk management. Therefore, on a quarterly basis, the Renewables Group reviews risk levels, plans new risk management measures as needed, refines key risk indicators, identifies new sources of risk or new risks. The ability to proactively react to changing risks is extremely important and ensures that our management receives the most relevant information to make necessary decisions in a timely manner.

Our risk management process comprises four parts: risk identification, assessment, establishing management strategy and monitoring. We constantly assess sources of risks and register new risks immediately, subsequently, the risk assessment is then carried out, the risk management strategy is established and periodic risk management monitoring started.

1. **Identification stage.** At the beginning of each annual planning process, the Ignitis Group's enterprise risk management team issues risk management planning guidelines, which contain the most relevant information on various sources of risks and their potential impact on the Ignitis Group. During the last quarter of the year, when the Renewables Group reviews its goals, the risk management process is also employed when making changes to annual and strategic goals by assessing whether there are additional risks related to these changes and identifying new or adopting existing risks as needed. After each quarter of the year, existing risks are being reviewed and new risks (if any) are identified. The Renewables Group constantly assesses a potential impact of different sources of risks such as climate change, regulation changes, geopolitical and economic situation, raw materials/services/labour market trends, cultural and social issues that affect the achievement of the Renewables Group's goals.

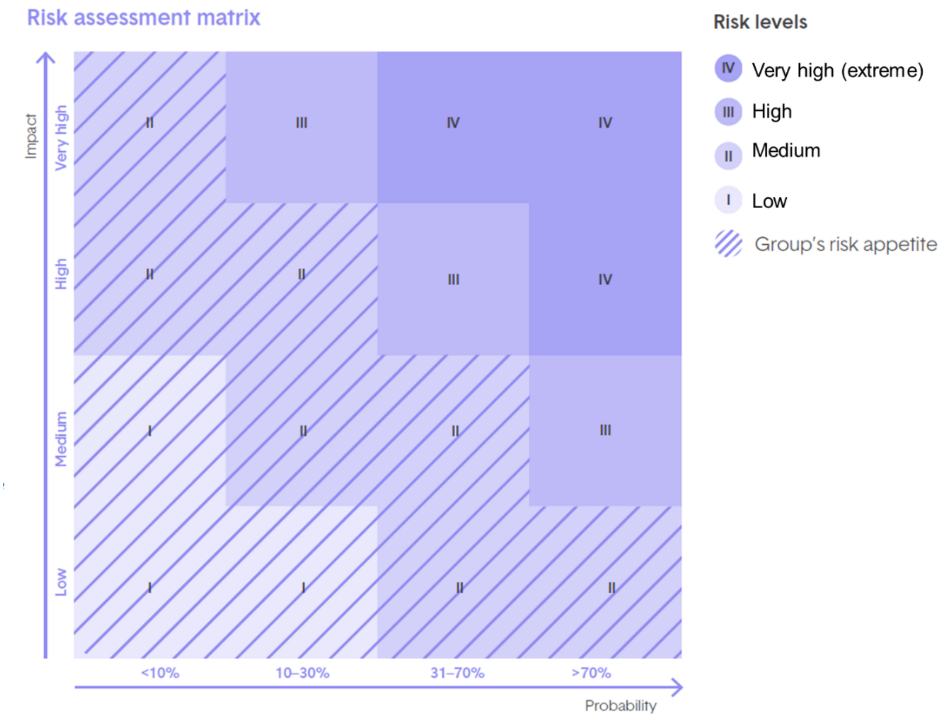
   Risks can materialise and are recognised:

   - at the Renewables Group company level – risks arising in the main activities;
   - at the function level – risks arising in internal services;
   - at the Renewables Group level – risks arising in more than one Renewables Group company or function.

   In addition, based on the potential impact of risks on the Renewables Group's goals, all risks are assessed based on the periods of when they could potentially materialise and are categorized as follows:

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

2. **Assessment stage** is where risk levels are determined. Risk levels are defined from low to very high and are being calculated by multiplying probability of the risk occurrence and the potential impact (financial, reputational, compliance, people, health, and safety). The evaluation is carried out considering existing risk management measures. See risk assessment matrix below.



During the evaluation of the potential impact of the risk, it is important to determine whether the risk exceeds the risk appetite determined by the Ignitis Group. Risks exceeding the Ignitis Group's risk appetite – all types of high and very high level risks (except external type risks – only very high), and risks with significant financial impact on the Ignitis Group (>2% of the Group's Adjusted EBITDA) – must be managed. See risk financial materiality assessment table below.

Risk financial materiality assessment

Impact level	Financial impact on the Ignitis Group's Adjusted EBITDA
Low	x ≤ 1%
Medium	1% < x ≤ 2%
High	2% < x ≤ 5%
Very high	x > 5%

Each new risk is assessed and assigned to the Ignitis Group's strategic direction (to which could have biggest impact), then its category and relevant characteristics are identified.

Risk categories

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

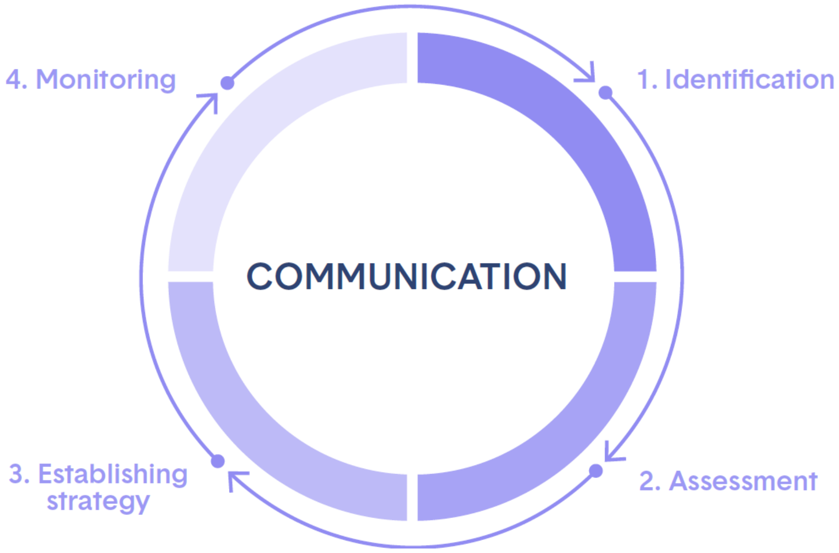
Strategic risks	Operational risks	Financial[1] risks	External risks
Risks that may impact the strategic objectives of the Group. They can materialise due to unfavourable or erroneous business decisions, inadequate implementation of decisions or as a result of the external factors, e.g., political, legislative changes.	Risks that materialise due to inadequate or poorly organised internal processes, failed or ineffective internal control procedures, employee errors and/or improper/insufficient management of IT operations, etc.	Risks from financial assets and/or obligations of the Group. This category includes the risks such as the credit risk, liquidity risk, insufficient capital risk, interest rate risk, currency exchange risk, risk related to fluctuation of shares and market prices, etc.	Risks that materialise due to changes in market conditions, regulatory, and legislation changes, natural resources, natural disasters, etc.

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

If a risk meets specific criteria, it could also be assigned to ESG risks type (for further details, see section ‘ESG risks’).
Key Risk Indicators (KRI) may be set depending on the type of the risk and the period when it could potentially materialise. KRIs are quantitative or qualitative indicators that specify a risk’s trend (decreasing, increasing or stable). At risk assessment stage, specific KRI thresholds are determined, which will allow to identify the risk trend during the monitoring stage.

3. **Establishing strategy** – choosing one of the risk management strategies (accept, reduce, avoid or transfer). All risks exceeding the Ignitis Group's risk appetite must be managed in order to reduce their level to a level acceptable to the Ignitis Group. A risk management plan is then created to implement a risk level mitigation strategy. Plan implementation control is carried out in the monitoring stage.
4. **Monitoring stage –** quarterly monitoring of risks, risk management measures, key risk indicators, risk signals are carried out and presented to the management. During this stage, the level of risks is also re-assessed, new risks can be registered, and the risks that are no longer relevant are eliminated. The Renewbles Group's consolidated key risks register, which is approved by the Renewables Group's Management Board, includes only those risks whose potential impact exceeds the Group's risk appetite.

Risk management process



Key risks and their control measures

Risk management in 2022

Overview

Russia's energy blackmail policy in Europe, which led to an increase in energy prices for European residents, prompted many countries to look for energy sources that would be independent from Russia. The overall interest in the development of green energy has increased dramatically, which accelerated the implementation of existing projects as well as the expansion of the pipelines for potential new ones. Many countries have taken measures to promote the production of green energy (from wind and solar). This led to a strong increase in competition in the field of green energy development in the Renewables Group's business operation countries, which manifested itself in the insufficient power of electricity transmission networks in these countries (especially in Lithuania and Poland). This led to optimizing Renewables Group risk of not achieving the green generation installed capacity objectives on time (risk No 2 in 2021 Ignitis Renewables report) to the risk of insufficient transmission grid capacities (No 1 in this year Key risks map). In order to reduce electricity prices for the EU residents, EC also set a 180 EUR/Mwh “cap” on electricity selling price. Poland set several times stricter regulation for at least one year. It caused new Renewables Group high level risk appearance – risk of negative regulatory changes in PL market (No 4).

During the 2022 – all key managerial roles of Ignitis Renewables (including CEO, CTO, CFO, COO, Head of HR, Head of legal and others) were successfully employed. This led to one of the Renewables Group key risk’s – Employees’ attraction, development and retention risk (No 3) – level reduction from very high to high. However, despite quite smooth employment process, there is still high risk in future to ensure sufficient HR resources in order to achieve all green generation development strategic goals, because of big competition for employees with competences, required for green energy projects implementation, in the global market.

Despite smooth preparation for Lithuania offshore wind tender, risk’s level of not winning this tender (No 2) remains very high, because tender’s result will have big impact on Renewables Group green energy production capacities development strategic goal’s (4GW until 2030) achievement.

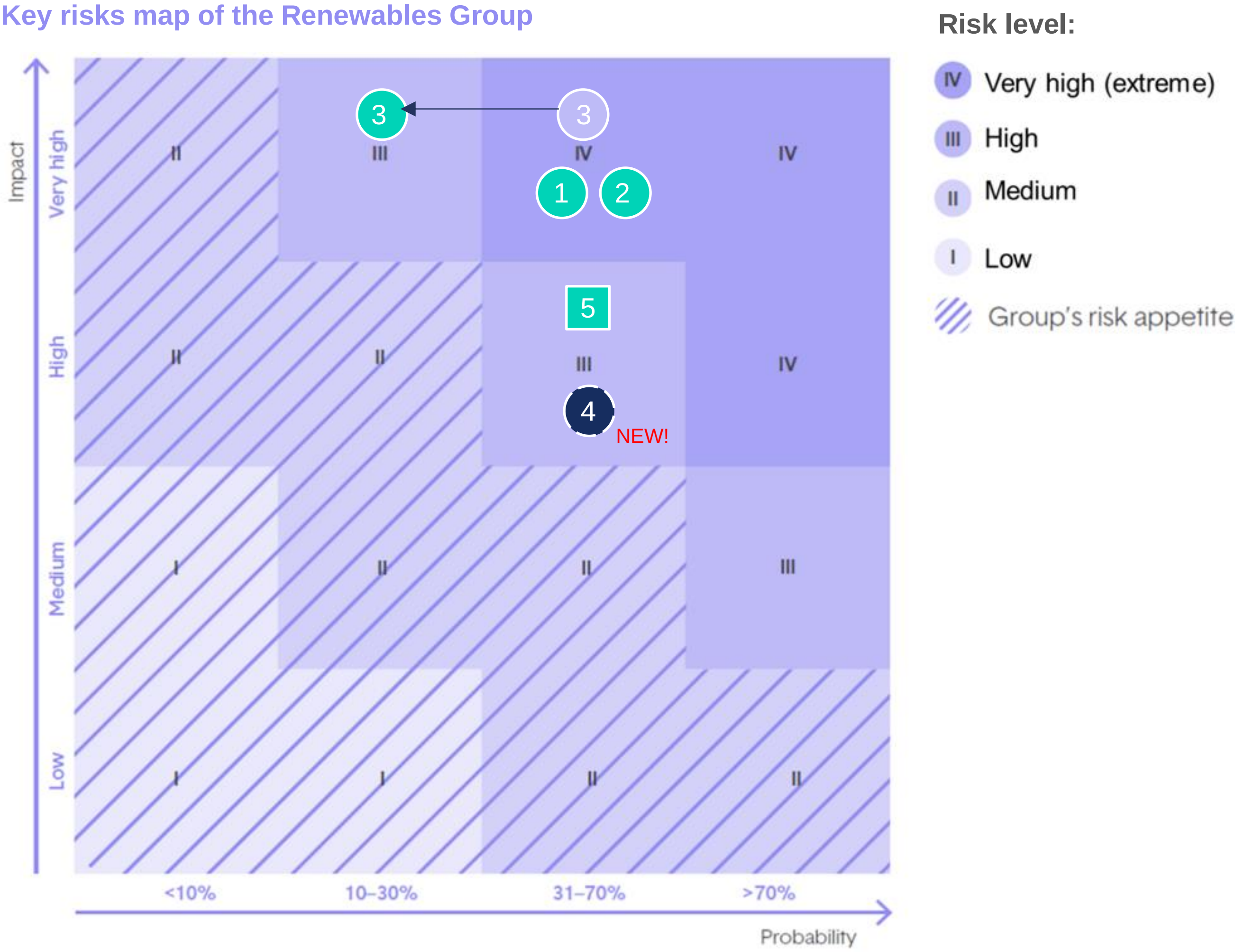
Ignitis Group-wide cyber-attack risk (No 5) remains high as density of these attacks attempts intensified after Russia invasion in Ukraine. Despite this, Ignitis group cyber security reacts appropriately and ensures business continuity.

More information on Renewables Group risks management – see section below ‘Key risks management plan 2023’.

Starting 2023

In Q4 2022, a periodic risk management process was initiated based on the updated risk assessment methodology. During this process, after evaluating all relevant risks in the context of the Renewables Group’s operation areas, and considering the company’s strategic directions, a new risk register was compiled, where the most important risks for the upcoming period for the Renewables Group were established. There were identified five key risks relevant to Renewables Group. One of the high level Ignitis Group risks – Cyber attack risk is relevant to Renewables Group as well. Another one high level Ignitis Group risk of occupational health & safety incidents (employees and contractors) in Renewables Group is considered as medium level and is not being disclosed in this report (more information on this risk management – see 2022 Ignitis Group annual report). All key risks relevant to Renewables Group is disclosed in key risk map below and in section ‘Key risk management plan’.

Key risks map of the Renewables Group



1 Risk of insufficient grid capacities (ESG)

2 Risk of not winning the Lithuanian offshore wind tender (ESG)

3 Employees' attraction, development and retention risk (ESG)

4 Risk of negative regulatory changes in PL market NEW!

5 Risk of cyberattacks using publicity known system vulnerabilities (ESG, Ignitis Group)

ESG risks

As countries, international organizations pay more and more attention to various sustainability topics: climate change prevention, anti-corruption, promotion of transparency, social welfare, implementation of good governance principles, the Ignitis Group understands its responsibility and contributes to the implementation of sustainability goals. To achieve these goals, the Ignitis Group focuses its risk management on areas important for environmental protection, social responsibility, and governance (ESG). Therefore, all risks in the Ignitis Group are assessed while considering ESG factors, i.e., assigning the relevant risks under ESG risks. Below we reveal our main principles on ESG risks' information disclosure, management, and promoting awareness of these risks.

1. **Information related to ESG risks' disclosure**: transparency of sustainability related information is essential to maintain the trust of our stakeholders. Therefore, the Ignitis Group follows the recommendations of the TCFD for the disclosure of this type of information.
2. **ESG risks management**: climate change related risks and opportunities are addressed as an integral part of the Ignitis Group's daily business and are fully integrated into the applied risk management process, i.e., our processes for identifying and assessing risks related to climate change follow the same procedures as for assessing other risks (see 'Risk management process and key principles' section above). The Ignitis Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the Ignitis Group's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Climate change can be a negative factor in assessing the likelihood of materialisation of various risks and/or assessing the potential impact of risks on finance/reputation/compliance/people's health and safety.
3. **Promoting awareness of ESG risks**: the Ignitis Group's employees are being trained and consulted on climate change and other ESG risks and their possible impact on achieving business goals. This increases the Ignitis Group's ability to identify and manage climate related and other ESG risks in a timely manner and, at the same time, contribute to global sustainability goals.

The Renewbles Group assess all the risks if they meet ESG risks' criteria. Based on these criteria, ESG type is assigned to the risk. E type is assigned to risks including climate-related physical, transitional, and other environmental risks, S to social and G to governance related risks. Below we disclose the Renewables Group's key ESG risks according to their type (additional information on the typology of these and other key risks of the Renewables Group, risk management directions and other relevant information are available in section 'Management plan of the key risks').

ESG risks meeting the environmental criteria:

- 1 Risk of insufficient grid capacities. The risk is attributable to the transitional market changes risk type.
- 2 Risk of not winning the Lithuanian offshore wind tender. The risk can be attributed to the transitional reputational risk type.

ESG risk meeting the social criteria:

- 3 Employees' attraction, development, and retention risk.

ESG risk meeting the corporate governance criteria:

- 5 Risk of cyber-attack.

Other Renewables Group's risks related to ESG (environmental, social responsibility and governance), as well as to the health and safety of employees (and contractors), corruption, compliance, business continuity, and more areas rated as medium/low risk and within the risk appetite and the key risk indicators (tolerances) are not mentioned in the table above but are monitored to keep them within the required limits. You can find more about some of these risks in Sections "5. Sustainability Review" and Section "6.1 Consolidated and Company Financial Statements" and the Ignitis Group's Annual report 2022 in the section titled "Risks and their management" - "Other significant ESG risks and their management directions".

Key risks management plan

1 Risk of insufficient grid capacities

Main source of the risk:

The limited availability of electricity transmission network power reservations (both due to the technical capabilities of the network, decisions of regulatory authorities, and due to growing competition in the markets) limits the Renewables Group's opportunities to develop Green Generation projects.

Key risk indicators:
- Secured gross Green Generation pipeline, GW
- Green Generation pipeline, with grid reservations, GW
- Green generation pipeline, limited by grid capacities, GW

Risk category| Strategic

ESG type| Environmental - climate

Period | Long-term

Impact on strategic direction
Green generation

Primary potential impact
Financial

Risk level
Very high

Main risk management principles
- Cooperation with State authorities
- A hybrid project model is applied to the development of Green Generation combining wind, solar and storage capacities
- Innovations related to electricity storage, conversion to other chemicals and transportation
- Development of Green Generation projects in various countries

2 Risk of not winning the Lithuanian offshore wind tender

Main source of the risk:
Parties participating in the competition can submit better tenders for the implementation of the project

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category| Strategic

ESG type| Environmental - climate

Period | Short-term

Impact on strategic direction
Green generation

Primary potential impact
Financial

Risk level
Very high

Main risk management principles
- Partnership with Ocean winds, which has many years of experience in the implementation of Green Generation projects
- Attracting and retaining professional employees with experience in the development of offshore wind projects
- Development of competencies of existing employees in the field of offshore wind energy (as part of partnership with Ocean Winds, employee's secondment program to offshore wind farm Moray West in Scotland is being implemented).
- Use of external consultants

3 Employees' attraction, development, and retention risk

Main source of the risk:
- Lack of experienced project managers in the Green Generation area
- High employee flow during the process of the expansion of the company
- Employee replacement issues

Key risk indicators:
- Employee turnover

Risk category| Strategic

ESG type| Social

Period | Long-term

Impact on strategic direction
People and culture

Primary potential impact
Financial

Risk level
High

Main risk management principles
- Employees are offered a competitive salary and additional benefits
- Critically important competences for the development of Green Generation are identified within the Renewables Group
- Employees are given opportunities to improve their competence
- Cooperation with human resources agencies in Lithuania and abroad
- Energy Smart Start programme implementation

4

Risk of negative regulatory changes in PL market

Main source of the risk:
- If electricity selling price cap in Poland would be extended beyond 2023, It could have negative impact on currently developing green generation projects' IRRs
- Additional legislative changes needed in order to develop hybrid projects

Key risk indicators:
- Periodic reporting of risk signals to the management

Risk category| External

ESG type| Not related

Period | Long-term

Impact on strategic direction
Finance

Primary potential impact
Financial

Risk level
High

Main risk management principles
- Ignitis PL active participation in Energy trading association of Poland.
- Constant PL market changes monitoring in regulatory environment.

5 Risk of cyber-attack

Main source of the risk:
- Cyber-attacks against the Ignitis Group companies organized by third parties
- Social engineering attacks, data theft
- Known vulnerabilities in systems have been removed late or improperly

Key risk indicators:
- Number of internal and external critical vulnerabilities
- Average time to fix critical vulnerabilities

Risk category| Operational
ESG type| Governance

Period | Long-term

Impact on strategic direction
Organization

Primary potential impact
- Reputation
- Compliance

Risk level
High

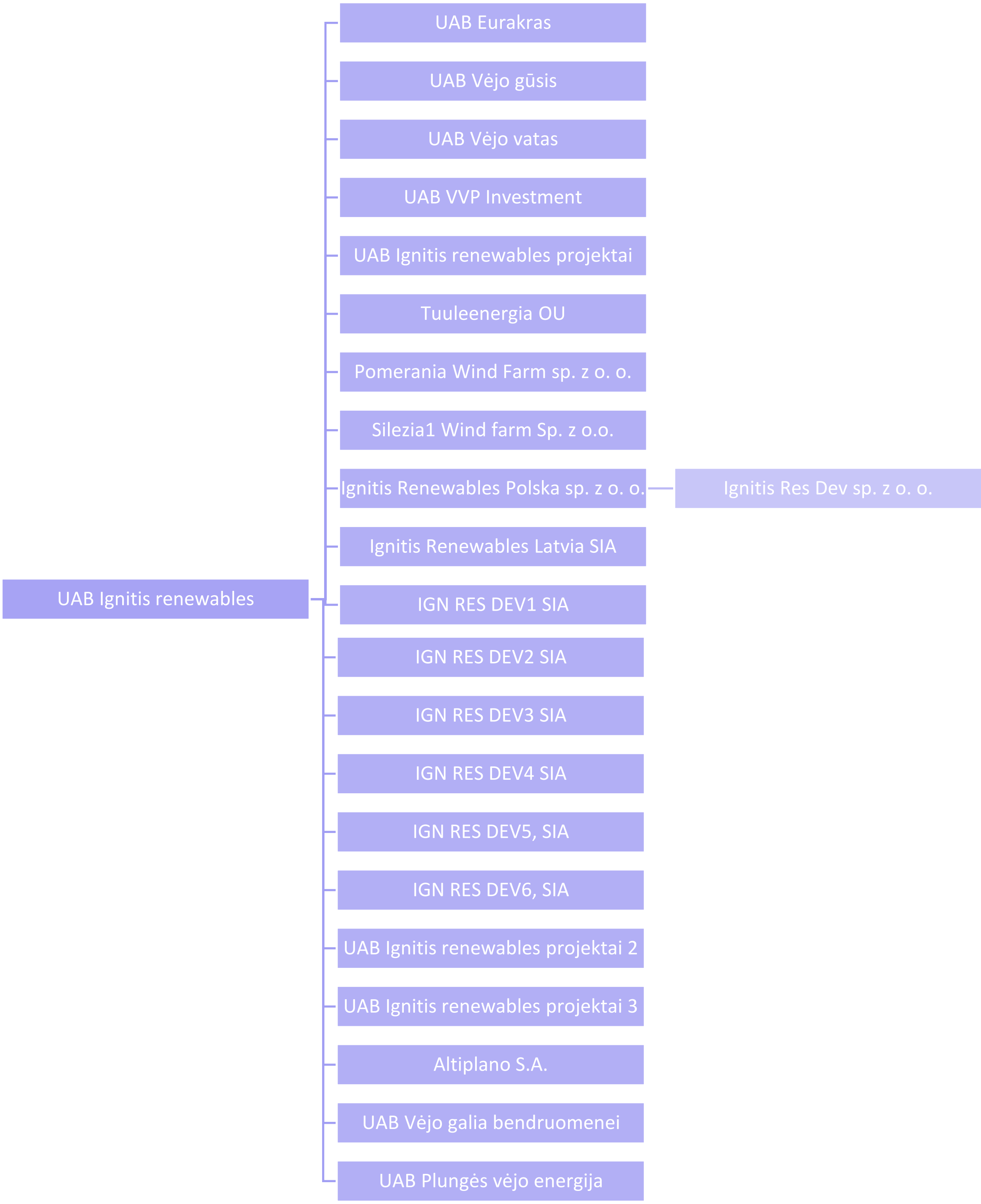
Main risk management principles
- Periodic preparation of vulnerability reports and submission to responsible persons
- Removal of internal and external cyber-vulnerabilities
- Internal audit
- Cooperation with external partners
- Developing digital security competencies by becoming accredited members of the CERT organization, participating in cyber security exercises with external partners
- The Ignitis Group-wide cybersecurity supervision is ensured 24/7

4.5 Information about the subsidiaries

Overview of the subsidiaries

At the reporting date, the company directly or indirectly controlled the 22 subsidiaries listed in the structural figure below.

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



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

- Altiplano Elektrownie Wiatrowe B1 sp. z o. o. name was changed to Silezia1 Wind Farm Sp. z o. o.
- UAB Ignitis Renewables established twelve new subsidiaries:
    1. Ignitis renewables Latvia SIA
    2. UAB„Ignitis renewables projektai 3"
    3. UAB „Ignitis renewables projektai 2"
    4. IGN RES DEV6 SIA
    5. IGN RES DEV5 SIA
    6. IGN RES DEV4 SIA
    7. IGN RES DEV3 SIA
    8. IGN RES DEV2 SIA
    9. IGN RES DEV1 SIA
    10. UAB „Vėjo galia bendruomenei"
    11. UAB „Plungės vėjo energija“
    12. Altiplano S.A.

Changes in the Renewables Group's structure after the reporting period:

- UAB Ignitis Renewables established three new subsidiaries in Lithuania to develop offshore wind parks:
    1. UAB „Ignitis renewables projektai 4"
    2. UAB „Ignitis renewables projektai 5"
    3. UAB „Ignitis renewables projektai 6"
- UAB Ignitis Renewables acquired three entities in Latvia:
    1. SIA SP Venta
    2. SIA CVE
    3. SIA BRVE

Subsidiaries and their performance during the reporting period (2022)

Pomerania Wind Farm Sp. z o.o. Generation of renewable electricity	**Company code:** 0000450928 **Registered address:** Puławska St. 2B, 02-566 Warsaw, Poland **Effective ownership interest:** 100% **Share capital:** PLN 44,500 **Website:** link	**Performance (EURm):** Revenue: 32.8 Expenses: (3.6) Adjusted EBITDA: 29.1 Net profit: 17.3 Investments: - Assets: 154.8 Equity: 53.8 Liabilities: 101.0 **Number of employees: 0**[1]
Tuuleenergia Osaühing Generation of renewable electricity	**Company code:** 10470014 **Registered address:** Keskus, Helmküla küla, Lääneranna vald, Pärnu maakond, 88208, Estonia **Effective ownership interest:** 100% **Share capital:** EUR 499,488 **Website:** https://windenergy.ee/	**Performance (EURm):** Revenue: 9.2 Expenses: (1.5) Adjusted EBITDA: 7.7 Net profit: 5.3 Investments: - Assets: 32.0 Equity: 11.8 Liabilities: 20.2 **Number of employees: 1**
UAB Eurakras Generation of renewable electricity	**Company code:** 300576942 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 4,620,539.04 **Website:** link	**Performance (EURm):** Revenue: 7.4 Expenses: (2.1) Adjusted EBITDA: 5.3 Net profit: 3.2 Investments: - Assets: 24.9 Equity: 8.8 Liabilities: 16.1 **Number of employees: 1**
UAB Vėjo gūsis Generation of renewable electricity	**Company code:** 300149876 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 7,442,720 **Website:** link	**Performance (EURm):** Revenue: 4.8 Expenses: (1.3) Adjusted EBITDA: 3.5 Net profit: 2.2 Investments: 0.1 Assets: 7.9 Equity: 10.2 Liabilities: 7.7 **Number of employees: 1**
UAB Vėjo vatas Generation of renewable electricity	**Company code:** 110860444 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 2,896,000 **Website:** link	**Performance (EURm):** Revenue: 3.7 Expenses: (1.3) Adjusted EBITDA: 2.4 Net profit: 1.2 Investments: - Assets: 14.3 Equity: 4.4 Liabilities: 9.8 **Number of employees: 1**
UAB VVP Investment Development and operation of a renewable energy (wind) project	**Company code:** 302661590 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 250,214.40 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.1) Adjusted EBITDA: (0.1) Net profit: (0.1) Investments: 52.5 Assets: 71.2 Equity: (0.0) Liabilities: 71.2 **Number of employees: 1**

Silezia1 Wind Farm Sp. Z o.o. Development and operation of a renewable energy (wind) project	**Company code:** 0000531275 **Registered address:** Puławska St. 2B, 02-566 Warsaw, Poland **Effective ownership interest:** 100% **Share capital:** PLN 47,977,500 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.2) Adjusted EBITDA: (0.2) Net profit: (0.6) Investments: 10.4 Assets: 24.8 Equity: 0.4 Liabilities: 24.4 **Number of employees: 0**[1]
UAB Ignitis renewables projektai Development of renewable energy projects	**Company code:** 305916135 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 3,000 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.1) Adjusted EBITDA: (0.1) Net profit: (0.1) Investments: - Assets: 4.7 Equity: 0.9 Liabilities: 3.8 **Number of employees: 1**
Ignitis Renewables Polska Sp. z o. o. Development of renewable energy projects	**Company code:** 0000871214 **Registered address:** Puławska 2 Building B, Warsaw 02-566, Poland **Effective ownership interest:** 100% **Share capital:** PLN 5,000 **Website:** link	**Performance (EURm):** Revenue: 0.2 Expenses: (1.2) Adjusted EBITDA: (0.9) Net profit: (0.3) Investments: - Assets: 34.1 Equity: 33.8 Liabilities: 0.3 **Number of employees: 10**
Ignitis Res Dev Sp. z o. o. Development of renewable energy projects	**Company code:** 0000873356 **Registered address:** Puławska 2 Building B, Warsaw 02-566, Poland **Effective ownership interest:** 100% **Share capital:** PLN 5,000 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.0) Adjusted EBITDA: (0.0) Net profit: (0.0) Investments: 0.1 Assets: 0.1 Equity: (0.0) Liabilities: 0.2 **Number of employees: 0**[1]
IGN RES DEV1 SIA Development of renewable energy projects	**Company code:** 40203389977 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 500,000.00 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.0) Adjusted EBITDA: (0.0) Net profit: (0.0) Investments: - Assets: 0.5 Equity: 0.5 Liabilities: 0.0 **Number of employees: 0**[1]
IGN RES DEV2 SIA Development of renewable energy projects	**Company code:** 40203390251 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 500,000.00 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.0) Adjusted EBITDA: (0.0) Net profit: (0.0) Investments: - Assets: 0.5 Equity: 0.5 Liabilities: - **Number of employees: 0**[1]

Ignitis renewables Latvia SIA Development of renewable energy projects	**Company code:** 40203380662 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 2,000,000.00 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.2) Adjusted EBITDA: (0.2) Net profit: (0.3) Investments: 0.0 Assets: 1.8 Equity: 1.8 Liabilities: 0.0 **Number of employees: 5**
Altiplano S.A. Development of renewable energy projects	**Company code:** 0000508979 **Registered address:** Gdańsk (80-307) at St. Antoniego Abrahama 1A, Poland **Effective ownership interest:** 100% **Share capital:** PLN 47,548,500 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.0) Adjusted EBITDA: (0.0) Net profit: 0.5 Investments: 32.1 Assets: 67.9 Equity: 10.0 Liabilities: 57.9 **Number of employees: 0**[1]
UAB „Plungės vėjo energija“ Development of renewable energy projects	**Company code:** 304939316 **Registered address:** Vytauto St. 7-14, Plungė, Lithuania **Effective ownership interest:** 100% **Share capital:** EUR 2,500 **Website:** link	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: - Equity: - Liabilities: - **Number of employees: 1**
UAB „Ignitis renewables projektai 2” Development of renewable energy projects	**Company code:** 306147729 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 2,500 **Website:** link	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 1**
UAB „Ignitis renewables projektai 3” Development of renewable energy projects	**Company code:** 306147711 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 2,500 **Website:** link	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 1**
IGN RES DEV5 SIA Development of renewable energy projects	**Company code:** 40203447438 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 2,800 **Website:** link	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 0**[1]

UAB „Vėjo galia bendruomenei" Development of renewable energy projects	**Company code:** 306163651 **Registered address:** Laisvės Ave. 10, Vilnius **Effective ownership interest:** 100% **Share capital:** EUR 2,500 **Website:** link	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 1**
IGN RES DEV3 SIA Development of renewable energy projects	**Company code:** 40203421195 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 2,800 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.0) Adjusted EBITDA: (0.0) Net profit: (0.0) Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 0[1]**
IGN RES DEV4 SIA Development of renewable energy projects	**Company code:** 40203420931 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 2,800 **Website:** link	**Performance (EURm):** Revenue: - Expenses: (0.0) Adjusted EBITDA: (0.0) Net profit: (0.0) Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 0[1]**
IGN RES DEV6 SIA Development of renewable energy projects	**Company code:** 40203447423 **Registered address:** Cēsu St. 31 k-3, LV-1012 Rīga, Latvia **Effective ownership interest:** 100% **Share capital:** EUR 2,800 **Website:** link	**Performance (EURm):** Revenue: - Expenses: - Adjusted EBITDA: - Net profit: - Investments: - Assets: 0.0 Equity: 0.0 Liabilities: - **Number of employees: 0[1]**

[1] There was no employment contract. A company is represented by elected board member.

5.1 Sustainability overview

The sustainable activities and the results of the entire Ignitis Group of companies (hereinafter referred to as the Group), as well as its subsidiary Ignitis Renewables, are reviewed in the Sustainability Report (hereinafter referred to as the Sustainability Report), which is an integral part of the consolidated Group's Annual Report 2022. The report can be found in the "Investors" and "Sustainability" sections of the website www.ignitisgrupe.lt.

The information set out in the Group's Sustainability Report covers the period from 1 January to 31 December 2022 with reference to the Global Reporting Initiative (GRI) Standards. The disclosures are made on a materiality basis and reflect the Group's progress in implementing the principles of the United Nations Global Compact (UNGC) and the Group's contribution to the United Nations Sustainable Development Goals (SDGs). This report complies with the requirements for social responsibility reports, as provided for in the Lithuanian legislation.

Ignitis Renewables does not prepare a separate report on this subject; however, the company has provided a summary of its sustainable activities and references to the relevant sections of the Group's Sustainability Report below, which also includes an assessment of the compliance with the EU Taxonomy Regulation.

Sustainability in the Group and at Ignitis Renewables

Sustainability is a prerequisite for the Group's mission to create an energy smart world. The world needs energy to exist, and we aim to generate, distribute, supply and consume it sustainably. Our long-term strategy focuses on building a sustainable future. We aim to further increase the capacity of energy generation from renewable sources, ensure the reliability and flexibility of the energy system, promote changes and the development of the energy system, and explore development opportunities. The Group's strategy and its annually updated strategic plan are available here.

The main sustainability principles we follow in our day-to-day operations at Ignitis Renewables and across the Group are defined in the Group Sustainability Policy, which also emphasises our commitment to the ten principles of the Global Compact (UNGC), which we joined in 2016. This agreement – the generally accepted guidelines for responsible business conduct – is a clear guide for the development of responsible business. The control over the implementation of these principles and the management of the related risks are an integral part of the overall control and risk management activities of the Group's companies, including Ignitis Renewables.

The ambition to lead the energy transition across the region towards an energy smart world, requires strengthening of our environmental, social and governance (hereinafter referred to as ESG) performance and accountability. The Group's sustainability management plan and a list of policies, which also apply to Ignitis Renewables, are disclosed publicly (link). We publish our ESG indicator data and sustainability highlights in the interim and half-year reports, while our comprehensive ESG information is published in our Annual reports.

Sustainability is coordinated centrally at the Group level, via a separate Sustainability function that reports directly to the Group's CEO. The Group's Management Board makes decisions on the the formulation, approval and revision of the organisation's strategic sustainability-related policies, guidelines and activities. You can find a detailed description of the sustainability governance at the Group in the Sustainability Report integrated into the Group's Annual Report 2022, as well as on the Group's website in the "Sustainability" section. Below, we provide a high-level overview of our approach to ESG performance improvements.

Main sustainability topics and management and accountability principles of the Group

MAIN TOPICS	GOVERNANCE AND PROCESSES	ACCOUNTABILITY
We are committed to reduce net GHG emissions to zero by 2050. We seek to contribute directly to the implementation of the UN Global Compact, Sustainable Development Goals and the Paris Agreement.	We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientific community.	We seek to disclose the Group's progress by using globally recognised standards and formats suited to a broad range of stakeholder needs.

MEASURING OUR PROGRESS

We aim to benchmark our continuous improvement using the ESG ratings provided by leading ESG ratings agencies, and seek to continually improve our ESG ratings.

Sustainability goals of the Group and Ignitis Renewables are disclosed on the Group's website www.ignitisgrupe.lt, "Sustainability" section.

Indicators

ESG aspects are of exceptional importance for Ignitis renewables, the main indicators determining the state of the ESG have been set, and their values are constantly monitored.

The main ESG indicators monitored by Ignitis Renewables[1]

Sustainability pillar	Indicator	Units	2021	2022
Preserving natural resources	Compliance with identified environmental impact mitigation measures	%	N/A	100
Future-fit employees	Fatalities, total	units	0	0
	Own employees	units	0	0
	Contractors	units	0	0
	TRIR (overall workers' injury rate at work)	per million hrs worked	0	0
	Employees net promoter score (eNPS) (employee satisfaction index)	%	54.3	64.2
	Share of women in top management	%	N/A	33.33
	Share of women in IT and engineering	%	N/A	0
	Share of employees participating in volunteering initiatives	%	N/A	13.3
Robust organization	Corruption intolerance among employees	%	N/A	100
	Anticorruption and Code of Ethics knowledge test, employee pass rate	%	N/A	91.53

[1] Only indicators from Ignitis renewables Lithuania are presented, excluding subsidiaries in other countries.

Stakeholder relations and assessment of the ESG priorities

Stakeholder engagement is critical to ensuring that the Group responds proactively to new trends, issues and opportunities. When applying the ESG principles in our relations with stakeholders, which are set out in our Sustainability Policy, we aim to manage their expectations effectively, while taking their interests into account as well as looking for opportunities where our cooperation could increase the positive impact on sustainable development.

Therefore, when planning our activities – for example, preparing our investment plans – we perform a stakeholder expectation analysis based on international principles and engage our stakeholders, as per the recommendations of highly regarded sustainability standards. During the surveys performed in spring 2021, we asked our stakeholders which environmental, social and governance aspects Ignitis Renewables should focus on the most, as well as how the stakeholders evaluate the company's current activities with respect to each ESG aspect.

During this stakeholder engagement, the following 4 key stakeholder groups were identified and surveyed:

- Company employees
- Community members
- Contractors and suppliers
- State and municipality institutions or those operating under those institutions

It was decided to group the stakeholders to identify the specific expectations of each group more accurately. Other stakeholders, which are relevant at the Group level, were surveyed during an additional survey of the Group (you can find the full survey report in the "Priorities for sustainability" section on the Group's website). 36 responses were received, corresponding to a 19–52% response rate, depending on the different stakeholders. Representatives of the communities located near the wind farms of Ignitis Renewables in Poland and Lithuania were surveyed as focus groups. A materiality assessment was then conducted based on the results of the survey.

During this process, the stakeholder expectations were compared to the current goals and objectives of Ignitis Renewables, based on which priority topics that meet both the expectations of the stakeholders and the business goals of Ignitis Renewables were identified. The results of the materiality assessment then became a basis for the further sustainable business development in the company, allowing us to consider the general impact of Ignitis Renewables on its stakeholders and to simultaneously coordinate the expectations expressed by the stakeholders with the company's strategic goals.

The main facts about the materiality assessment of Ignitis Renewables are:

- 36 stakeholder representatives were interviewed.
- 15 thematic ESG aspects have been identified as having the most relevance to the Group and its stakeholders.
- The stakeholders shared their views on which ESG aspects should be important to the Group's companies.
- During internal strategic sessions, the managers of Ignitis Renewables refined the links between the expressed expectations of the stakeholders and the company's business strategy.

Ignitis Renewables materiality matrix 2021

ESG risks and risk management

The main ESG risks and risk management decisions are disclosed in more detail above in this report and in the section '4.7 Risks and risk management report' of the Group's annual report.

Overview of the main sustainability impacts and implemented initiatives/measures

Environmental topic

The main environmental impacts of Ignitis Renewables are:

- Climate impact, GHG emissions and RES development – developing electricity generation using renewable energy sources and reducing greenhouse gas emissions (CO2, etc.) from the company's operations.
- Impact on biodiversity and ecosystems – preserving of fauna, flora and natural ecosystems.
- Impact on soil, water and air quality – maintenance of soil, water and air quality, prevention of environmental pollution.
- More sustainable internal energy consumption – use of green energy for the company's needs, reduction of total energy consumption.
- Using secondary raw materials and reducing waste – use of secondary raw materials in the company's operations and reduction of the waste generated in the company's activities.

Climate action

Climate change is one of the greatest challenges humanity is facing in this century, and the actions of everyone – people, businesses, non-governmental organisations and states – are necessary. Although energy is the engine of the economy, its production and distribution accounts for a significant share of greenhouse gas (GHG) emissions. Therefore, the transformation and decarbonisation of the energy sector are prerequisites for the implementation of the Paris Agreement and for limiting the average global temperature increase to 1.5 °C compared to the pre-industrial era. Energy is a key sector in the European Union's policy to achieve climate neutrality by 2050.

November 2021, the Science Based Targets Initiative (SBTi) approved the ambitions Group's GHG reduction targets – they are in line with the latest science-based recommendations on actions which should keep global warming below 1.5 °C compared to pre-industrial levels. According to scientists, this threshold should not be crossed in order to avoid catastrophic natural disasters, which will adversely affect the health and well-being of the population.

To achieve the GHG emissions reduction targets, we will focus on the amount of emissions generated in our operations and will endeavour to engage our partners, suppliers and customers in this process. The foreseen emission reduction measures of the Group and its companies include increasing the Green Generation capacity, growing the share of green electricity sold to consumers and consumed by the Group's companies, encouraging the gradual abandonment of the use of natural gas, reducing energy losses, upgrading the Group's vehicle fleet with electric vehicles, analysing the potential of carbon accumulation and storage technology, etc.

Ignitis Renewables significantly contributes to the Group's objective to increase its renewable energy generation, manages wind farms and develops solar parks in Lithuania, Latvia, Poland and Estonia. Over the years, the international management and specialist team of Ignitis Renewables has created a strong core and given impetus to the transformation from being a passive investor in renewable energy projects to a vigorous market leader. Several colleagues are currently interning at Ocean Winds (OW) – a leader in renewable energy and one of the largest wind farm developers in the world. The Group is OW's junior partner in the development of the Moray West wind farm on Britain's east coast. We are increasing the experience of offshore wind projects, which will be useful in the process of development of offshore wind energy and for the purpose of eventually participating in auctions intended for the development of the project in the Baltic Sea.

Read more about the Group's goals and planned emissions reduction measures in the Section '5.4 Climate action' of the Sustainability Report, which is integrated into the Group's Annual Report 2022 (the report is available here).

Reducing the impact on biodiversity, ecosystems and the quality of soil, water and air

The most important general provisions and principles of environmental protection applied by the Group, which aim to reduce the impact on the environment, manage risks related to the environment

and foster a culture based on the principles of sustainable development in the Group and its environment, are defined in the Group's Environmental Policy, which applies to all Group companies.
Developing renewable energy generation reduces GHG emissions, thus mitigating the impact on the climate. However, renewable energy projects as well as the ancillary infrastructure also pose threats and challenges to biodiversity and ecosystem. Therefore, we regularly examine the impact of our activities on ecosystems and biodiversity, as well as managing the waste generated in our activities, and we strive for a balance between our business operations and the preservation of ecosystems and the conservation of resources.
Biodiversity issues are addressed from the early stages of a project preparation and site planning, for example, at the start of the development of a new wind farm, noise level simulations are performed, shading effects are assessed, the planned site is checked to see if it does not contain rare plants, animals, or if the site does not fall within the Natura 2000 ecological network or other protected areas. In order to protect birds and bats, the Group implements various risk mitigation and management measures (for example, we implemented automated solutions in the Pomerania WF that reduces the impact of the wind farm on bats, we also perform bird monitoring (migration, hatching) near the wind farms managed by the Group, and submit the reports to the Environmental Protection Agency.

In 2022, we performed the analysis of the Group's impact on biodiversity and ecosystems, prepared on the basis of the ENCORE tool, and identified preliminary environmental impacts and dependencies.

We intend to finalise and start applying the Decommissioning guidelines for Ignitis Renewables. The guidelines will oblige to assess, even at the planning stage of objects, how the object will have to be arranged after its operations are terminated, how waste will have to be handled, landscape restored, and other environmental and social aspects taken into account. In this way, we will contribute not only to the goals of biodiversity and ecosystem protection, but also to the implementation of circular economy principles in the Group's activities.

Read more about the Group's impact on the environment in the Section '5.5 Preserving natural resources' of the Sustainability Report, which is integrated into the Group's Annual Report 2022 (the report is available here).

More sustainable energy consumption

Ignitis Renewables promotes efficient use of energy and contributes to the education of its employees about generation using renewable energy sources. The company's employees working in Vilnius work in an A+ energy class building complex.

Read more about Ignitis Renewables' and the Group's initiatives to improve energy efficiency in the Section '5.4 Climate action' of the Sustainability Report, which is integrated into the Group's Annual Report 2022 (the report is available here).

Using secondary materials in the company's operations and reducing waste

Waste management in each Group company is carried out in accordance with the Environmental and Occupational Health and Safety policies.

Contributing to protecting the environment and reducing pollution, all waste generated in the activities of Ignitis Renewables is recycled, separating secondary raw materials. The company does not own any buildings, thus generated municipal waste is handled by the building owners, handling over the licenced waste handlers. The Group has begun monitoring the risks related to the management of waste that will be generated after wind and solar power plants are decommissioned (15-20 years from now). At the same time, the legal framework is monitored.

Read more about Ignitis Renewables' and the Group's actions to reduce waste and promote circular economy in the Section '5.5 Preserving natural resources' of the Sustainability Report, which is integrated into the Group's Annual Report 2022 (the report is available here).

Employees and the public (communities) topic

The main impact of Ignitis Renewables' actions in relation to its employees and the public (communities) are:

- Health & safety of employees – ensuring occupational safety, as well as fostering the health of its employees and contractors.
- Employee welfare and cooperation – ensuring adequate remuneration, employee satisfaction and the freedom to join associations.
- Local community welfare and relations – protecting the health and environment of community members, paying attention to the needs of local communities.
- Competent employees now and in the future – ensuring the professional and personal growth of employees by growing the competences necessary for the energy sector.
- Engagement in social activities –participating in civic initiatives and NGO activities, volunteering.

Health & safety of employees and contractors

The basic occupational health and safety provisions and principles are defined set in the Group's Occupational Health and Safety Policy, which applies to the entire Group and therefore to Ignitis Renewables. . The company focuses on preventing accidents, as well as ensuring health and safety. The total recordable injury rate per million hours worked (TRIR) at Ignitis Renewables in 2022 was 0. In 2022, there were no serious injuries or accidents among the company employees. According to the information provided by the contractors, there have been no accidents to the contractors' employees.

In 2022 Occupational health and safety (OHS) specialists and project managers of Ignitis Renewables participated in the OHS training organized by the Global Wind Organization (GWO).

Ignitis Renewables employee health and safety indicators (2022)

Employee incidents and accidents (minor, serious or fatal)	There were no accidents in 2022
Occupational health and safety violations of contractors at the company's facilities, their nature, and accidents	According to the information provided by the contractors, there have been no accidents to the contractors' employees.

Read more about the measures and initiatives of the Group's companies, including Ignitis Renewables, to ensure the health and safety of employees and contractors in the section titled '5.6 Future-fit employees and communities' of the Sustainability Report, which is integrated into the Group's Annual Report 2022 (the report is available here).

Employee welfare and cooperation with employees, ensuring the competences of employees and community relations

The Group is one of the largest employers in Lithuania; therefore, it forms and strives to maintain an organisational culture that fosters long-term employer-employee partnerships based on the Group's values and the Code of Ethics, with mutual understanding and the opportunity to create an energy smart future together. The implementation of the Group's strategic goals is inseparable from the Group's success in attracting and retaining qualified employees, involving them in various activities, increasing their motivation, creating conditions for career development and at the same time encouraging them to improve. We aim for employees to support the organization's values: openness, growth, responsibility and partnerships. The Group cares about employees and pays particular attention to employee safety and health, social dialogue, equal opportunities and diversity. At the end of 2022, 60 employees were working at Ignitis Renewables while, together with the companies owned by Ignitis Renewables, there were 85 employees in total.

Ignitis Renewables respects the rights of its employees and stands against any discrimination both when recruiting new employees and among the company's current employees. The employee net promoter score (eNPS) of Ignitis Renewables increased in 2022 by 9.9 pp compared to 2021 – from 54.3% to 64.2%.

Ignitis Renewables provides opportunities for employees to grow and improve purposefully, as well as to grow their professional, general and business competences, by creating and fostering a culture and environment of constant growth within the organisation, as well as by setting clear business and employee career objectives, and by implementing new activities and innovations in our work processes.
Maintaining close relations with the communities where we operate as well as with non-governmental organisations is one of the main principles of our sustainable and responsible activities, set out in the Code of Ethics and Sustainability Policy. We operate in a consistent and transparent manner, taking responsibility for our activities and cooperating with various organisations.

The Group's Community Involvement and Relations Management Guidelines have been approved by the Group, which specify measures that strengthen the culture and practice of responsible and sustainably developed business – increasing the engagement of communities when creating new products or services, carrying out educational activities related to the specifics of the Group's activities, especially in the field of energy efficiency. In the context of the Group's activities, the guidelines define the communities that are affected or may be affected by the Group's activities.

Ignitis Renewables grants financial support based on the Group's Financial Support Policy and Financial Support Management Guidelines of Ignitis Renewables. Support is allocated to community social, educational, artistic, cultural, scientific and sports (except for extreme and high-risk sports), improvement and development of the public environment (including public infrastructure), environmental protection projects and activities. All communities in the immediate vicinity to the operational facilities or facilities under active development have a contact person – a community coordinator – and are in regular contact. Due to the novelty of development activities, the engagement of new communities poses challenges. However, the development of the community engagement strategy and updates to the guidelines should help refine the process.

Ignitis Renewables and its subsidiaries have granted financial support to nine communities located near renewable energy projects operated by the companies. A total of EUR 86,100 was allocated for community support. All approved projects include renovation or installation of relevant infrastructure for local communities. Most of the beneficiaries plan to implement their projects by mid-2023. In 2023, we will again invite communities located near Ignitis Renewables developing or operating capacities to apply for community project funding.

During 2022 representatives of Ignitis Renewables met at least once live with community representatives in Jurbarkas, Tauragė, Kretinga and Mažeikiai districts (a total of 10 meetings took place). In addition to regular meetings, the Group also participated in gatherings organised by 6 communities. We developed the idea of adapting wind farms for education and tourism on the topic of renewable energy. We hope that this will increase the number of tourists in the areas around the wind farms and thus provide new opportunities for local communities and encourage their entrepreneurship. To test the relevance of the project in real conditions, we organised two pilot educations in 2022 (one internal and one external). The educational program consisted of an excursion to the wind farm, a workshop for the construction of wind turbine models. After assessing the feedback, it has been decided to develop the project further, involving more communities.

The Group participated in an educational project which goal is to make quality cinema easily accessible to the widest possible audience of various ages, different social strata, and to enrich the cultural life of Lithuania's regions and reduce their social isolation. Throughout the summer months, we visited 40 cities and towns, where we interacted with an audience of various ages and interests. During the meetings with the people who came to the film screenings, Group employees shared news related to the Group's activities, answered a number of questions related to electricity supply, pricing or energy efficiency. In addition, we presented in detail the new trends in energy and its "green" transformation: we talked about the benefits of solar and wind power plants both for household consumers and for Lithuania and the environment, and we also explained how to become a prosumer and its benefits. We talked with the communities where Ignitis Renewables plans to build solar or wind power plants about the plans and answered the questions that arose.

Read more about how the Group’s companies, including Ignitis Renewables, ensures employee welfare and employee representation, in addition to information about the application of the Remuneration Policy, employee education and upskilling. as well as community relations in the Section ‘5.6 Future-fit employees and communities’ of the Sustainability Report, which is integrated into the Group’s Annual Report 2022 (the report is available here).

Human rights topic

The main impact of Ignitis Renewables in relation to human rights was:

- Diversity, equal opportunity, and human rights – ensuring gender equality and equal opportunities, promoting diversity at work.

We value employee diversity and strive to ensure there are equal opportunities for all our employees to fully participate in the organisation’s activities. This means we provide equal opportunities for our employees to gain employment, work smoothly, receive a fair salary, feel content, grow, pursue a career, combine their work and personal life, and strengthen their personal skills and talents. The Group has an Equal Opportunities and Diversity Policy that applies to both companies and all employees. This policy is the Group's equal opportunities "code", establishing the principles of equal opportunities and diversity that are binding on all, specifying how they are to be implemented and how, in the event of a violation of equal opportunities, reports are made and dealt with. It is important to emphasize that this policy stipulates that a person may confidentially report potential discrimination by contacting the Trust line in different ways. The principles of equal opportunities and diversity are enshrined not only in a separate dedicated policy, but also integrated into our other internal legislation: Code of Ethics, Sustainability Policy, People and Culture Policy, Remuneration Policy. Therefore, as established in the Group's equal opportunities and diversity policy, Ignitis Renewables and other Group companies 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 employees, including their distribution by gender, age, education, profession, country of employment. Diversity data is a way to get to know the people of the Group and, given the fact that we are all different, create a positive, inclusive work culture for everyone.

In 2022 the number of employees of Ignitis Renewables increased the most – by 3.5 times compared to 2021. Such growth is organic in pursuit of the Group's strategic Green Generation target of reaching 2.0–2.2 GW of installed capacity by 2025.

Read more about the Group’s efforts and achievements in ensuring diversity, equality and human rights in the Section ’5.6 Future-fit employees and communities’ of the Sustainability Report, which is integrated into the Group’s Annual Report 2022 (the report is available here). More information about the Group's actions and initiatives in ensuring diversity, equal opportunities and human rights can be found on the Group's website (only in Lithuanian).

Headcount share by position, 2022	Men	Women	Total
Trainees	0	0	0
Workers	0	0	0
Experts, specialists	22	22	44
Mid-level executives	5	6	11
Top-level executives	4	0	4
Heads of companies	1	0	1

Governance and anti-corruption topic

The main impact of Ignitis Renewables measures on governance and anti-corruption are:

- Ethical business, anti-corruption and transparency – transparent management of the company, anti-corruption measures, honest and ethical business operations in the market.
- Ensuring continuity, resilience and security of energy system – ensuring uninterrupted, reliable and stable energy generation.
- Sustainable financial instruments – raising funds for sustainability-promoting projects.
- Responsibility and sustainability in the supply chain – procurement of more environmentally friendly goods and services for internal use and reducing suppliers' negative environmental and social impact

Ethical business, anti-corruption and transparency

Ignitis Renewables, like the other Group companies, adheres to the ethical business principles which are defined in the Group's Code of Ethics. In its commitment to the Global Compact regarding anti-corruption, the company and its employees adhere to the Anti-corruption Policy which applies at the Group level. The company has zero tolerance towards any forms of corruption. You can report any unethical activities of the Group's employees and representatives, cases of corruption or discrimination and other violations of the Group's sustainability principles using the Trust line by emailing pasitikejimolinija@ignitis.lt, calling +370 6 408 8889 or by filling in the online form (only in Lithuanian). Both the Group's employees and all stakeholders can use these forms of contact.

Ensuring the resilience and stability of energy system

Lithuania is largely dependent on energy imports, therefore maintaining and developing local energy generation capacities is very important to ensure national energy security. By expanding the Green Generation portfolio, we contribute not only to the reduction of GHG emissions, but also to the increase Lithuania's energy independence. We strive to have uninterrupted energy generation and reliable operations of power plants, therefore, we carry out their constant maintenance.

Read more about processes and achievements in ensuring uninterrupted, reliable and stable energy generation and the development of Green Generation in the Section '5.7 Robust organisation' of the Sustainability Report, which is integrated into the Group's Annual Report 2022 (the report is available here) and in the 2022-2025 Strategic Plan of the Group (the plan is available here).

Responsibility and sustainability in the supply chain

The Group applies the same standard for conclusion, performance and implementation of contracts and other internal legal acts to all Group companies. The contracts stipulate that suppliers undertake to comply with the Group's Anti-Corruption Policy and the Group's Supplier Code of Ethics (hereinafter referred to as the CES) when performing contracts. All contracts include mechanisms for ensuring the performance of the contract (fines, interest on arrears, bank guarantees, etc.) and include provisions for the enforcement of environmental, safety standards and occupational safety requirements. A system for monitoring the performance of procurement contracts is being implemented in the Group companies, which facilitates proper management and control of the concluded procurement contracts in the Group.

After the Group approved the CES in 2021, all the suppliers of the Group are invited to contribute to the creation of a more sustainable future. To each public procurement document a memo to supplier is attached concerning the application of green public procurement requirements in the procurement of Group companies. In addition, the Group's website provides information on the Group's green public procurement and socially responsible procurement practices as well as the most common sustainability requirements applied in the Group's procurement. In 2022, we started inspecting how suppliers comply with the CES and what sustainability practices they apply in their operations.

Read more about our achievements in applying the principles of responsibility and sustainability in the supply chain in the Section ‘5.7 Robust organisation’ of the Sustainability Report, which is integrated into the Group’s Annual Report 2022 (the report is available here).

If you have any questions concerning the content of the Sustainability Report or the Group’s sustainability activities, please contact us at: sustainability@ignitis.lt..

6. Financial statements

6.1 Consolidated financial statements

Prepared for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union

The Group's consolidated financial statements were prepared and signed by UAB „Ignitis renewables" management on 2 May 2023:

Thierry Aelens

Chief Executive Officer

Augustas Dragūnas

Chief Financial Officer

Paulius Žukovskis

UAB „Ignitis grupės paslaugų centras",
Head of Financial statements and consultations
acting under Decision No 23_GSC_SP_0010
(signed 17 February 2023)

Content

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

EURk	Notes	2022	2021 (restated)[1]
Revenue from contracts with customers	7	57,847	21,860
Other income	8	68	872
Total revenue and other income		**57,915**	**22,732**
Purchases of electricity and other services		(3,500)	(26)
Salaries and related expenses		(3,889)	(1,358)
Repair and maintenance expenses		(2,858)	(1,776)
Other expenses	9	(7,273)	(3,407)
Total		**(17,520)**	**(6,567)**
EBITDA		**40,395**	**16,165**
Depreciation and amortisation	13, 14, 15	(11,823)	(5,319)
Write-offs of intangible assets and result on lease modification	13, 14, 15	(2,719)	-
Operating profit (loss) (EBIT)		**25,853**	**10,846**
Finance income	10	755	251
Finance expenses	11	(7,987)	(2,195)
Finance activity, net		**(7,232)**	**(1,944)**
Profit (loss) before tax		**18,621**	**8,902**
Current income tax (expenses)/benefit	12	(5,482)	(1,862)
Deferred tax (expenses)/benefit	12	265	537
Net profit for the year		**13,404**	**7,577**
Attributable to:			
Equity holders of the parent		13,404	7,577
Non-controlling interest		-	-

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements and correction of error (see Note 6).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

EURk	Notes	2022	2021 (restated)[1]
Net profit for the year[1]		**13,404**	**7,577**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)			
Change in actuarial assumptions		19	(8)
Items that will not be reclassified to profit or loss in subsequent periods, total		**19**	**(8)**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Cash flow hedges – effective portion of change in fair value	26	5,326	-
Foreign operations – foreign currency translation differences		(693)	(564)
Items that may be reclassified to profit or loss in subsequent periods, total		**4,633**	**(564)**
Total other comprehensive income (loss) for the year		**4,652**	**(572)**
Total comprehensive income (loss) for the year[1]		**18,056**	**7,005**
Attributable to:			
Equity holders of the parent		18,056	7,005
Non-controlling interests		-	-

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements and correction of error (see Note 6).

Consolidated Statement of Financial Position

As at 31 December 2022

EURk	Notes	31 December 2022	31 December 2021 (restated)[1]	1 January 2021 (restated)[1]
Assets				
Non-current assets				
Intangible assets	13	81,846	47,892	38,733
Property, plant and equipment	14	194,210	187,968	126,916
Right-of-use assets	15	19,130	22,034	41,100
Prepayments for non-current assets	20.1	105,814	15,718	-
Non-current receivables	17	7,641	340	1,761
Other financial assets	18	5,000	5,000	2,357
Other non-current assets	19	6,255	-	-
Deferred tax assets	12.4	450	1,057	968
Total non-current assets		**420,346**	**280,009**	**211,835**
Current assets				
Inventories		74	75	-
Prepayments and deferred expenses	20.2	1,030	557	324
Trade receivables	21	16,601	14,279	1,833
Other receivables	22	35,235	12,468	15,640
Prepaid income tax		291	70	-
Cash and cash equivalents	23	57,323	26,201	11,434
Total current assets		**110,554**	**53,650**	**29,231**
Total assets		**530,900**	**333,659**	**241,066**

EURk	Notes	31 December 2022	31 December 2021 (restated)[1]	1 January 2021 (restated)[1]
Equity and liabilities				
Equity				
Issued capital	2424	22	22	3
Share premium	2424	54,133	54,133	44,697
Reserves		2,165	(3,646)	(3,220)
Retained earnings		11,891	1,416	626
Equity attributable to equity holders of the parent		**68,211**	**51,925**	**42,106**
Non-controlling interests		-	-	-
Total equity		**68,211**	**51,925**	**42,106**
Liabilities				
Non-current liabilities				
Non-current loans	27	392,757	231,433	108,045
Non-current lease liabilities	28	19,343	15,975	11,481
Deferred tax liabilities	12.4	14,436	8,659	6,012
Provisions	29	2,764	3,172	6
Other non-current amounts payable and liabilities	30.1	5,524	-	-
Total non-current liabilities		**434,824**	**259,239**	**125,544**
Current liabilities				
Loans	27	8,594	9,623	61,413
Lease liabilities	28	363	419	9,250
Trade payables		1,163	480	388
Income tax payable		509	1,393	577
Provisions	29	-	6,278	-
Other current amounts payable and liabilities	30.2	17,236	4,302	1,788
Total current liabilities		**27,865**	**22,495**	**73,416**
Total liabilities		**462,689**	**281,734**	**198,960**
Total equity and liabilities		**530,900**	**333,659**	**241,066**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements and correction of error (see Note 6).

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

EURk	Notes	Issued capital	Share premium	Legal reserve	Hedging reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2021		**3**	**44,697**	**187**	**-**	**(3,332)**	**561**	**42,116**
Effect of correction of error (Note 6)	6	-	-	-	-	(75)	65	**(10)**
Recalculated balance as at 1 January 2021		**3**	**44,697**	**187**	**-**	**(3,407)**	**626**	**42,106**
Net profit for the year (restated)[1]		-	-	-	-	-	7,577	**7,577**
Other comprehensive income (loss) for the year (restated)[1]	26	-	-	-	-	(564)	(8)	**(572)**
Total comprehensive income (loss) for the year (restated)[1]		**-**	**-**	**-**	**-**	**(564)**	**7,569**	**7,005**
Transfers to legal reserve		-	-	138	-	-	(138)	**-**
Issue of share capital	24.4	19	-	-	-	-	-	**19**
Increase of share premium	24.4	-	9,436	-	-	-	-	**9,436**
Dividends	24.3	-	-	-	-	-	(6,655)	**(6,655)**
Share-based payments		-	-	-	-	-	14	**14**
Balance as at 31 December 2021 (restated)[1]		**22**	**54,133**	**325**	**-**	**(3,971)**	**1,416**	**51,925**
Balance as at 1 January 2022		**22**	**54,133**	**325**	**-**	**(3,971)**	**1,416**	**51,925**
Net profit for the year		-	-	-	-	-	13,404	**13,404**
Other comprehensive income (loss) for the year	26	-	-	-	5,326	(693)	19	**4,652**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**5,326**	**(693)**	**13,423**	**18,056**
Transfers to legal reserve		-	-	1,178	-	-	(1,178)	**-**
Dividends	24.3	-	-	-	-	-	(1,770)	**(1,770)**
Balance as at 31 December 2022		**22**	**54,133**	**1,503**	**5,326**	**(4,664)**	**11,891**	**68,211**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements and correction of error (see Note 6).

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

EURk	Notes	2022	2021 (restated)[1]
Cash flows from operating activities			
Net profit for the year		13,404	7,577
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses	13, 14,15	11,823	5,319
Income tax expenses/(benefit)		5,217	1,325
Increase/(decrease) in provisions		(1,321)	1,277
Loss/(gain) on disposal/write-off of intangible assets	13	3,012	-
Share-based payments expenses		-	14
Other expenses of investing activities		-	353
Interest income	10	(755)	(69)
Interest expenses		6,275	2,190
Other expenses/(income) of financing activities		1,712	(177)
Changes in working capital:			
(Increase)/decrease in trade receivables and other amounts receivable		(4,357)	(1,086)
(Increase)/decrease in inventories, prepayments and other non-current assets		(516)	712
Increase/(decrease) in trade payables, advances received, other non-current and current amounts payable and liabilities		(2,044)	(1,262)
Income tax (paid)/received		(1,859)	(1,138)
Net cash flows from operating activities		**30,591**	**15,035**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(101,684)	(27,159)
Acquisition of subsidiaries, net of cash acquired	35	(28,372)	(2,839)
Loans granted		(20,768)	(1,818)
Other increases/(decreases) in cash flows from investing activities		269	-
Net cash flows from investing activities		**(150,555)**	**(31,816)**

EURk	Notes	2022	2021 (restated)[1]
Cash flows from financing activities			
Loans received	28	174,050	111,300
Repayments of loans	28	(11,186)	(59,229)
Cash-pool net change	28	(2,691)	(128)
Lease payments	28	(753)	(9,530)
Interest paid	28	(6,564)	(4,210)
Dividends paid	24.3	(1,770)	(6,655)
Net cash flows from financing activities		**151,086**	**31,548**
Increase/(decrease) in cash and cash equivalents		**31,122**	**14,767**
Cash and cash equivalents at the beginning of the period		26,201	11,434
Cash and cash equivalents at the end of the period	23	**57,323**	**26,201**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to accounting policy change in accordance with IAS 16 amendment requirements and correction of error (see Note 6).

Explanatory Notes

For the year ended 31 December 2022

1 General information

UAB „Ignitis renewables" (hereinafter referred to as 'parent company') is a public limited liability company registered in the Republic of Lithuania. The parent company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. The parent company was registered on 14 January 2019 with the Register of Legal Entities managed by the public institution the Centre of Registers. Parent company code 304988904. The parent company has been founded for an indefinite period.

The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on production of electricity, developing Green Generation portfolio in Baltic States and Poland. Information on the Group's structure is provided in Note 16.

The Group's shareholder:

Shareholder of the Group	31 December 2022		31 December 2021	
	Share capital, in EURk	%	Share capital, in EURk	%
AB "Ignitis grupė"	22	100	22	100
Total	**22**		**22**	

AB „Ignitis grupė" (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania) is an ultimate parent company, which as at 31 December 2022 holds 100% (as at 31 December 2021 – 100 %) of shares of the parent company. The structure of ultimate parent company's shareholders as at 31 December 2022 was – Finance Ministry of the Republic of Lithuania (controls 74.99%) and retail and institutional investors (control 25.01%). The structure of ultimate parent company's shareholders as at 31 December 2021 was – Finance Ministry of the Republic of Lithuania (controls 73.08%) and retail and institutional investors (control 25.25%) and treasury shares (1.67%).

AB „Ignitis grupė" and its subsidiaries are hereinafter collectively referred to as 'the Ignitis Group'.

These consolidated financial statements were prepared and signed for issue by Group's management on 2 May 2023.

The Group's shareholders have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements. These are consolidated financial statements of the Group. The parent company also prepares separate financial statements in accordance with IFRS as adopted by the European Union EU as required by local legislation.

2 Basis of preparation

2.1 Basis of accounting

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

The Group's financial statements as at and for the year ended 31 December 2022 have been prepared on a going concern basis applying measurement based on historical cost, except for certain financial instruments measured at fair value.

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

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period due to accounting policy change in accordance with IAS 16 amendment requirements and correction of error (see Note 6).

2.2 Consolidation principles

2.2.1 Consolidation

The financial statements comprise the financial statements of the parent company and its directly and indirectly controlled subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances and unrealized gains and/or losses on transactions among the Group companies are eliminated.

Non-controlling interest represents a part of net profit and net assets which is not controlled by the Group. Non-controlling interest is reported separately in the statement of profit or loss. The share of equity attributable to the non-controlling interest and to the owners of the parent is shown separately in the consolidated statement of financial position.

2.2.2 Business combinations

2.2.2.1 Business combination applying IFRS 3 (subsidiaries that are not under common control)

Acquisition of subsidiaries that are not under common control is accounted for using the acquisition method. When the acquisition method is applied the consideration transferred in a business combination is measured as fair value of net assets transferred to the former owners of the acquiree. Acquisition-related costs are recognised in statement of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with International Accounting Standard (hereinafter refere to as 'IAS') 12 and IAS 19 respectively;
– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period , or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.2.2.2 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable net assets assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in statement of profit or loss as a bargain purchase gain.

2.2.2.3 Contingent consideration

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in statement of profit or loss.

2.2.2.4 Business combination is achieved in stages

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

2.2.2.5 Business combination of entities under common control

For a business combination of entities under common control the following methods are applied:
(a) the acquisition method set out in IFRS 3 or;
(b) the pooling of interests' method.

In selecting which method to apply to the accounting for business combinations of entities under common control, the Group assesses whether there is a "commercial substance" for which the following criteria are considered:

– the purpose of the transaction;
– the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
– whether or not the transaction is conducted at fair value;
– the existing activities of the entities involved in the transaction; and
– whether or not it is bringing entities together into a 'reporting entity' that did not exist before.

If the transaction has a commercial substance to the merging parties the Group applies the acquisition method as set above in paragraph "Acquisition of subsidiaries that are not under common control", accordingly if not – the Group applies the pooling of interests' method. By applying the pooling of interests' method, the business combination of entities under common control is accounted according to the following procedures:

– the assets and liabilities of the entities in business combinations are measured at their carrying amounts equal to those reported in the financial statements of the ultimate parent company;
– no newly arising goodwill is recognised on a business combination, however acquiree can recognise intangible assets that meet the recognition criteria in IAS 38;
– any difference between consideration paid and the carrying amount of net assets acquired as at the date of acquisition is recognised directly in equity within retained earnings.

2.2.3 Changes in ownership interest in a subsidiary that do not result in changes in control

Transactions with non-controlling interests that do not result in a loss of control are presented within equity, i.e. as transactions with equity owners. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (hereinafter 'the functional currency').

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in statement of profit or loss.

2.3.3 Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at average exchange rates observed during reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to statement of profit or loss.

3 Significant accounting policies

3.1 New standards, amendments and interpretations

3.1.1 Changes in accounting policy and disclosures

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

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

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2022.

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

The adoption of these standards, revisions and interpretations had no material impact on the financial statements except Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) as described below:

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

In previous years, income received from the use of property, plant and equipment while bringing that asset to the location and condition necessary for it to be capable of operating in a manner intended by management and the expenses related to its earning were recognized as assets, i.e. were included in the acquisition cost of property, plant and equipment. After the amendments came into force, such income and expenses related to its earning are recognized as profit or loss.

The Group has performed an analysis of such revenues and related expenses and determined that adjustments are necessary. The Group has applied these amendments retrospectively in accordance of amendments requirements: only items of property, plant and equipment that are delivered to the site and are in such a condition that they can be used in the manner intended by management at the beginning of or after the earliest period considered for restatement of the financial statements in which the Group first applies the amendments. More information about the impact of these amendments on the Group's financial statements is disclosed in Note 6.

3.1.2 Standards issued but not yet effective and not early adopted

Preparing these financial statements the Group did not adopt new IFRS, IAS, their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Amendments are endorsed for application in European Union (hereinafter referred to as 'EU').

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The amendments also clarify that:

- not all information about accounting relating to material transactions, other events or conditions is itself material;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
- disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and the amendments do not relieve an entity from meeting other disclosure requirements within IFRS.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Early application is permitted. Amendments are endorsed for application in EU.

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

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

3.2 Revenue from contracts with customers

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

- customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually), and
- the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

The Group's major legal performance obligations identified in the contracts with customers are sales of produced electricity and provision of public service obligations (hereinafter - PSO services).

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

When recognising revenue, the Group takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

3.2.1 Revenue from sales of produced electricity

Revenue from sales of produced electricity is received from business customers according to (i) support scheme by providing PSO services (Note 3.2.1.1) and (ii) bilateral contracts (Note 3.2.1.2) and is showed in line item "Revenue from sale of produced electricity" in Note 7. Revenue recognition is described in Note 3.2.1.3.

3.2.1.1 Revenue received according to support scheme by providing PSO services

The Group is engaged in electricity generation in wind power plants, which are subject to measures promoting the use of renewable energy sources, including support tariff (or may be called "incentive tariff") and purchase of electricity generated and supplied to the grid, under the terms and conditions provided for by the legislation.

Electricity generation from renewable energy sources is considered as a public service obligation (hereinafter - PSO) and financed through the PSO budget. Electricity producer receives a premium in addition to the market price of electricity, i.e. the difference between the incentive tariff and the electricity market price traded on the Power Exchange, when electricity price on Power exchange is lower than incentive tariff.

There are different support mechanisms:

- Feed-in premium (FiP) - fixed premium to the electricity market price.
- Contract for Difference (CfD) - both positive and negative deviations from a fixed reference price are paid out to the contractual partners.

The term of incentive depends on each auction, during which the Group receives a support tariff applied for each generated megawatt-hour (MWh). Currently the Group has incentives for a period of 15 years in Poland and 12 years in Estonia and they long from the date of issue of the generation permit, which longs an indefinite period.

The following Group companies are entitled to the following incentive tariffs:

Group company	Capacity, MW	Tariff, EUR/MWh	Subsidy scheme	Expiry of the incentive measure
Pomerania Wind Farm sp. z o.o.	93.9	50	Indexed CfD	31 December 2035
Tuulenergia OU	18.3	54	FiP for 12 MW	1 December 2026
Altiplano Elektrownie Wiatrowe B1 sp. z o.o.	50	55	Indexed CfD	15 years from commercial operation date (commercial operation is not started as at 31 December 2022)

The obligation of the buyer to purchase electricity from the Group companies is established for the period during which the electricity generation facilities of the Group companies are connected to the electricity grid, and the Group companies are entitled to apply an incentive tariff for the electricity generated from renewable sources.

The computation of price of electricity supplied during the month:

- the weighted average price of electricity (i.e. the market price) calculated and declared to the Group by the electricity buyer based on the sales of electricity purchased on the Power Exchange market during the previous month;
- the amount of premium, which is calculated as the difference between the incentive tariff and the weighted average price of electricity. If the weighted average price of electricity is higher than the incentive tariff, no premium is allocated to the Group. Both the resulting negative and positive difference is recorded respectively as the reduction/increase of revenue from sales of produced electricity (line "Revenue from sale of produced electricity" in Note 7).

3.2.1.2 Revenue received according to bilateral contracts

During the year 2022 the following Group companies have terminated its participating in the support scheme and therefore have ended to provide PSO services:

Group company	Capacity, MW	Tariff, EUR/MWh	Subsidy scheme[1]	Expiry of the incentive measure	Date of termination
Eurakras UAB	24	71	FiT	1 December 2027	1 July 2022
Vėjo gūsis UAB	19	87	FiT	31 March 2022 (9.1 MW) 1 December 2022 (10 MW)	31 March 2022 1 July 2022
Vėjo vatas UAB	14.9	87	FiT	1 October 2023	1 July 2022

[1] *FiT – "Feed-in Tariff"*

After the date of termination the Group companies entered into bilateral contracts with partner and negotiated a new price scheme for electricity sale for a specified contract period. Contracts include:

- electricity sales under agreed price for 1 MWh;
- purchase of balancing service provided by the electricity buyer. The balancing service fee is considered as a payment for distinct services and is showed under the caption "Purchases of electricity and other services" in the statement of profit or loss;
- purchase from the buyer or sale to the buyer of balancing electricity under the market price traded in Power Exchange. As the contract includes the agreed quantity which should be produced during the month, the Group companies buy or sale balancing electricity in respect of whether there is a shortage or surplus of electricity quantity produced during the month. In case of sale the Group accounts revenue under the caption of "Revenue under the contracts with customer" in the statement of profit or loss and shows under the line "Revenue from sale of produced electricity" in Note 7. In case of purchase the Group accounts purchase under the caption of "Purchases of electricity and other services" in the statement of profit or loss.

3.2.1.3 Revenue recognition

Revenue is recognised when control of electricity is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for this electricity supplied to the grid.

Upon confirmation of a transaction executed by the electricity buyer on the Power Exchange, the system of the Power Exchange forwards the confirmation of the concluded electricity sale transaction to the Group. Under this transaction, the Group fulfils its operational obligations by supplying the amount of electricity specified in the transaction confirmation to the electricity grid. Performance obligation is carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the grid. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue from sales of produced electricity is recognized at the end of the month by issuing monthly invoices. Invoices show the amount of electricity supplied to the electricity grid in the current month and the price of electricity per 1 MWh. The amount of electricity supplied is determined by the readings of metering devices. The timing of satisfaction of its performance obligations is one month after which the invoice is issued for payment the term of which is set 30 days. No advances are required. Due to this there is no effect on contracts assets and contract liabilities balances.

3.3 Expense recognition

Expenses are recognised in statement of profit or loss as incurred applying accrual basis of accounting.

3.4 Current and deferred tax

3.4.1 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. Calculation of income tax is based on requirements of the countries where the Group operates and the Group company generates taxable income on applicable legislation.

Standard corporate income tax rate of 15% was applicable to the companies in Lithuania, in Poland – 19%.

Standard corporate income tax rate in Latvia and Estonia is 20%(14% in certain cases) on the gross amount of the distribution.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivatives. Such carrying forward is disrupted if the Group changes its activities due to which these losses incurred except when the Group does not continue its activities due to reasons which do not depend on Group itself. The losses from disposal of securities and/or derivatives can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature In terms of utilizing tax losses carried-forward the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

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

3.4.2 Deferred tax

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

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

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

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

3.4.3 Current and deferred tax for the reporting period

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

3.5 Dividend distribution

Dividend distribution to the parent company shareholder is recognised as a liability in the Group financial statements in the period in which the dividends are approved by the parent company shareholders.

3.6 Intangible assets

3.6.1 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.

Intangible assets of the Group mainly consist of intangible assets identified in a business combination and goodwill.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The Group's intangible asset amortization expenses are accounted for within the item "Depreciation and amortization" in the statement of profit or loss. For the licenses acquired in a business combination (licenses to produce electricity with incentive tariff), useful life is determined to be 12 years.

3.7 Property, plant and equipment

Property, plant and equipment is measured by applying acquisition cost model.

Cost includes replacement costs of components of property, plant and equipment when incurred and when these costs meet the recognition criteria of property, plant and equipment. The carrying amount of the replaced part is derecognised. Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with these costs will flow to the Group and the costs can be measured reliably. All other repairs and maintenance costs charged to statement of profit or loss during the financial period in which they are incurred.

Property, plant and equipment include spare parts, spare equipment, maintenance equipment when they meet the definition of property, plant and equipment. The wind power plants and their installations includes additionally decommissioning costs (Note 5.4). The assets' residual values and useful lives are reviewed at least once per year, and adjusted if appropriate. For accounting of borrowing costs - see Note 3.10.2.

When asset is retired or otherwise disposed of, the cost and related accumulated depreciation are derecognised and any related gains or losses are included in statement of profit or loss. Gains or losses on disposal of property, plant and equipment are determined as proceeds received on disposal less the carrying amount of assets disposed.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the acquisition cost/revalued amounts less their residual values over their estimated useful lives (number of years), as follows:

Category of property, plant and equipment	Useful lives (number of years)
Buildings	20
Wind power plants and their installations	20-30
Other property, plant and equipment	3

3.8 Right-of-use assets

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

3.8.1 Initial measurement of right-of-use assets

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Group recognises these costs as part of the cost of right-of-use asset when the Group incurs an obligation for these costs.

3.8.2 Subsequent measurement of right-of-use assets

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

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

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

3.9 Impairment of non-financial assets

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

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

The recoverable amount is the higher of the asset’s fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit - hereinafter “CGU”) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss.

3.10 Financial instruments

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

3.10.1 Financial assets

The Group classifies its financial assets into the following three categories:
- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income (hereinafter “FVOCI”), and
- financial assets subsequently measured at fair value through profit or loss (hereinafter “FVPL”).

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (hereinafter “SPPI”)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Interest income calculated on these financial assets is recognised as finance income and amortised using the effective interest rate method. Any gain or loss arising from the write-off of assets is recognised in statement of profit or loss. Impairment losses are accounted for as other expenses (Note 9) in statement of profit or loss.

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

3.10.1.1 Financial assets subsequently measured at FVOCI

The Group only has derivatives subsequently measured at FVOCI. For detailed information see Note 3.10.3.

3.10.1.2 Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate (hereinafter “EIR”) method and are subject to impairment. Amortised cost is the amount at which the financial instrument was recognised at initial recognition minus principal repayments, plus accrued interest, and, for financial assets, minus any write-down for expected credit losses. The Group’s financial assets at amortised cost includes loans granted by the Group, trade and other amounts receivable, and cash and cash equivalents are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

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

3.10.1.3 Financial assets at FVPL

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

The Group classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in statement of profit or loss in the period in which it arises. The Group classifies in this category investments to equity instruments that do not meet the SPPI conditions.

3.10.1.4 Effective interest method

The EIR method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in statement of profit or loss over the relevant period.

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

3.10.1.5 Impairment of financial assets – expected credit losses

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

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

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Group seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. Expected credit losses are recognised by taking into consideration individually assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable information, including forward-looking information.

For short-term trade receivables without a significant financing component the Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables (Note 5.6).

The lifetime expected credit losses of all amounts receivable (including loans granted) are assessed based on the individual assessment basis. The Group’s management performs the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

Recognition stages of expected credit losses:

1. upon granting of a loan, the Group recognises the expected credit losses for the twelve-month period. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
2. upon establishing that the credit risk related to the borrower has significantly increased, the Group accounts for the lifetime expected credit losses of the loan agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses;
3. where the Group establishes that the recovery of the loan is doubtful, the Group classifies this loan as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan is calculated on the carrying amount of financial assets which is reduced by the amount of expected credit losses.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the Group recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the Group accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

3.10.1.6 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the borrower;
(b) a breach of contract, such as a default or past due event for more than 90 days;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties;
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

3.10.1.7 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

3.10.2 Financial liabilities and equity instruments issued

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

3.10.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities measured at FVPL, loans, trade and other payables or derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, trade and other payables, net of directly attributable transaction costs.

3.10.2.2 Subsequent measurement

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

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

3.10.2.3 Financial liabilities at FVPL

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivatives entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in statement of profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

3.10.2.4 Financial liabilities at amortised cost

After initial recognition, trade payables, interest-bearing loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss.

3.10.2.5 Classification and borrowing costs

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

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

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time (more than one year) to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. All other borrowing costs are expensed as incurred. Interest income that relate to temporal investment of borrowed funds until their use for the acquisition of the assets are deducted from the acquisition cost of the assets.

3.10.2.6 Effective interest rate method

The EIR method is used in the calculation of the amortised cost of a financial liabilities and in the allocation of the interest expenses in statement of profit or loss over the relevant period.

The EIR is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to the gross carrying amount of the financial liability that shows the amortised cost of the financial liability (for more information see Note 3.10.1.4).

3.10.2.7 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

3.10.2.8 Derecognition of financial liabilities

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

3.10.3 Derivatives and hedge accounting

The Group enters into derivatives' transactions related to sale prices of electricity.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

3.10.3.1 Presentation

Fair value of derivatives is presented In the statement of financial position as 'Other non-current assets' (Note 19.1) and 'Other current amounts payable and liabilities' (Note 30).

Changes in fair value and result of settled derivatives for hedges that do not meet the qualifying criteria for hedge accounting are recognised in statement of profit or loss either as 'Other income', if result for a period of such derivatives is profit, or 'Other expenses' if result of such derivatives for a period is loss (Note 9).

Changes in fair value and result of settled derivatives for hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

3.10.3.2 Fair value hedges

The change in the fair value of a hedging instrument is recognised in statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in statement of profit or loss. The Group did not have such hedges as at 31 December 2022 and 2021.

3.10.3.3 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in statement of financial position in the hedge reserve. Ineffective portion is recognised immediately in the statement of profit or loss in 'Other income' or 'Other expenses' (accounting method is similar to derivatives that do not meet the hedge criteria – Note 3.10.3.1) . The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

When cash flow hedges are realised, gain or losses are transferred from equity and recognised in statement of profit or loss as "Purchases of electricity and other services". The Group had no such cash flows hedges during the year 2022 and 2021.

3.11 Cash and cash equivalents

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

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

3.12 Issued capital and share premium

3.12.1 Issued capital, share premium

Ordinary shares are classified as equity.

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

3.12.2 Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (market value of share price).

During 2021 share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

3.13 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.14 Provisions

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

Once a year the management assesses legislation or resolutions and the possible decommissioning liability. Current legislation of the Republic of Lithuania and Estonia does not provide the Group for an obligation related to decommissioning of the wind power plants, therefore the management has not recognized any decommissioning related liability in these financial statements. On 2021 having put into operation the new wind power plant of the Group company Pomerania Wind Farm Sp. z o.o. the management studied the legislation of the Poland and determined that the Group has an obligation to decommission of this wind power plant after its operation ends.

3.15 Employee benefits

3.15.1 State plans

The Group participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Group, the State Social Security Fund). State plans are defined benefit plan under which the Group pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. This contributions are recognised as an expense on an accrual basis and are included within remuneration expenses.

3.15.2 Termination benefits

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

3.15.3 Non-current employee benefits

Each employee of retirement age who terminates his/her employment with the Group upon retirement is entitled to receive a payment equal to 2 monthly salaries according to Lithuanian laws. If an employee belongs to trade union, he/she is also entitled to additional retirement benefit according in accordance with the collective agreement. A liability for such pension benefits is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the statement of financial position. The aforementioned non-current liability for pension benefits to employees at the reporting date is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current liability for pension benefits to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government bonds denominated in a currency in which the benefits will be paid to employees and that have maturity term similar to that of the related liability.

3.16 Contingencies

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

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

3.17 Related parties

Related parties are defined as follow:

- parent company's controlling shareholder or those who have significant influence;
- AB „Ignitis grupė“ group companies;
- other parent company's controlling shareholder's subsidiaries;
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- key management personnel and close members of that personnel's family and their controlled enterprises and companies.

3.18 Offsetting

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

3.19 Fair value

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.20 Events after the reporting period

All events after the reporting period (adjusting events) are accounted for in the financial statements provided that they are related to the reporting period and have a significant impact on the financial statements. Events after the reporting period that are significant but are not adjusting events are disclosed in Note 36.

4 Risk management

4.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The Group aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Other risks management are presented in the Governance section of Annual report.

4.2 Financial risk factors

The Group is exposed to a variety of financial risks in their operations: market risk (including foreign currency exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the Group companies seek to mitigate the impact of factors which could adversely affect the Group financial performance results.

4.2.1 Market risk

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

4.2.1.1 Foreign currency exchange risk

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

In 2022 and 2021 the sale/purchase contracts for day-to day operations of the Group is mainly denominated in national currencies (in Poland – zlotys, in Latvia and Estonia – euros) therefore the management has not identified significant exposure to foreign currency exchange risk in these operations.

The Group has not entered into the PLN/EUR exchange rate swaps. As the Group expands in Poland, management will consider entering into exchange rate swaps or to perform other foreign currency exchange risk mitigation actions.

As well the Group is exposed to a foreign currency exchange risk related to issued loan in pound sterling (Note 22) to Moray West Holding Limited. Maturity of loan issued in pound sterling is until 31 March 2023 (in year 2023 the loan was extended till 1 July 2025, Note 36). The Group is not planning to enter into the GBP/EUR exchange rate swaps.

Therefore, the Group's management has identified significant exposure to foreign currency exchange risk related to loans granted and payments to wind power plant contractors and discloses sensitivity analysis for this risk:

31 December 2022	Profit or loss	
	Strengthening of euro against foreign currency	Weakening of euro against foreign currency
PLN (10.25% movement)	(1,795)	1,461
GBP (9.56% movement)	2,471	(2,040)

31 December 2021	Profit or loss	
	Strengthening of euro against foreign currency	Weakening of euro against foreign currency
PLN (5.84% movement)	219	(195)
GBP (8% movement)	404	(344)

4.2.1.2 Interest rate risk

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

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount (in the context of the Group), interest rate derivatives would be used for the purpose of interest management. The aim is that non-current liabilities with fixed interest rates would comprise not less than 50% of the Group's consolidated non-current liabilities portfolio. The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

The Group's income, expenses and cash flows are not affected by fluctuations in market interest rates because the Group's all loans received or granted (Note 10 and 18) are with fixed interest rate as at 31 December 2022 and 2021.

All of the Group's loans payable have fixed interest rates as at 31 December 2022. Variable-rate financial instruments include the loan granted to Moray West Holdings Limited for amount EUR 23.4 million as at 31 December 2022 (as at 31 December 2021 all loans received or granted were with fixed interest rate).

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

Group	Increase/decrease, pp	(Decrease)/increase in profit
2022	1.0/(1.0)	(234)/234
2021	1.0/(1.0)	-

4.2.1.3 Energy and commodity risk

Commodity risk is the risk that changes in market prices (i.e. commodity prices) will affect the Group's results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage the commodity risk. All such transactions are carried out according to Group's risk management policy. Generally, the Group seeks to apply hedge accounting to manage volatility in statement of profit or loss.

In the ordinary course of its operations, the Group is exposed to commodity risks on natural gas and electricity products. The source of exposure lies with cash flows from sales of electricity in the power exchange at market prices. Majority of this type of exposure is based on changes of respective commodity price on hourly basis in the market that the Group operates.

In order to manage commodity price risk the Group enters into financial derivatives contracts (cash flow hedges). This is performed in order to secure a fixed sales price regardless of the changes in the mark at power exchange, so that optimum profit margins could be obtained from contracted or expected fixed price sales. A financial derivative is related to Nordpool power exchange prices in the Estonian price zone.

When assessing the effectiveness and fair value of a hedging transaction as a hedged position, two components of price changes are taken into account:

– SYS price (average price of Nordpool power market , of which Estonia is a member of);
– price component equivalent or similar to difference between Estonia price area and SYS price (commonly referred as EPAD in NASDAQ commodities market).

The derivative is effective for hedging accounting purposes, since the production and sale of electricity are carried out in the same price zone.

Overview of Group‘s derivatives positions:

EURk	31 December 2022		31 December 2021	
	Contractual nominal value	Market Value	Contractual nominal value	Market Value
Over the counter (OTC) derivatives – Electricity (Note 31)	20,821	26,147	-	-
Total	**20,821**	**26,147**	**-**	**-**

Nominal amounts (quantities in MWh) hedged:

MWh	31 December 2022		
	2023	2024	2025
Electricity hedges	40,006	40,006	40,006
Total	**40,006**	**40,006**	**40,006**

Nominal values hedged:

EURk	31 December 2022		
	2023	2024	2025
Electricity hedges	6,940	6,940	6,940
Total	**6,940**	**6,940**	**6,940**

Market value sensitivity analysis, due to changes in market prices:

EURk	31 December 2022		
	Market value		
	Increase by 10%	Current prices	Decrease by 10%
Over the counter (OTC) derivatives - Electricity	27,696	26,147	24,597
Total	**27,696**	**26,147**	**24,597**

4.2.2 Credit risk

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

The Group’s exposure to credit risk arises from operating activities of the companies (trade and other amounts receivable) and from financing activities (granted loans). The Group’s risk related to cash is limited, as the Group keeps cash balances only in reliable financial institutions.

The Group’s exposure to credit risk arising from amounts receivable is limited because the major buyers are reliable customers. As at 31 December 2022 amounts of trade receivables in Lithuania and Poland are billed to Ignitis grupė AB group companies, in Estonia – billed to a single third party which comprises insignificant part of total trade receivables. As at 31 December 2022 and 2021, the Group had no any loss allowance for trade receivables, trade receivables were of high credit quality. The Group is exposed to significant credit risk concentration, because debts of the main customer of the Group account for approximately 86% (2021: approximately 82%) of total trade receivables. More details about credit risk arising from amounts receivable are provided in Note 21.

The Group is exposed to credit risk concentration related to loans granted (Note 22). The Group is evaluating cash flows and financial results of Moray West Holdings Limited, no impairment loss is recognised for the investments into Moray West Holdings Limited to which loan is granted. Due to that the Group does not consider that risk related to concentration of loans granted is significant.

The priority objective of the Group’s treasury management is to ensure security of funds and maximize return on investments in pursuance of this objective. Risk of counterparties defaulting is managed by entering into transactions with reliable financial institutions (or subsidiaries of such institutions) with a long-term credit rating (in foreign currency) not lower than ‘A-’ according to the rating agency Fitch Ratings (or an equivalent rating of other rating agencies).

The maximum exposure to credit risk is equal to the carrying amount of financial assets.

EURk	Note	31 December 2022	31 December 2021
Financial assets measured at amortised cost:			
Non-current receivables	17	7,641	340
Trade receivables	21	16,601	14,279
Other receivables	22	106	6,532
Granted loans including interests receivable	22	24,060	3,638
Cash and cash equivalents	23	57,323	26,201
Financial assets measured at FVPL			
Other financial assets	18	5,000	5,000
Financial assets measured at FVOCI			
Derivatives	31	6,019	-
Total		**116,750**	**55,990**

4.2.3 Liquidity risk

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

As at 31 December 2022, the Group's current ratio (total current assets/total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 3.97 and 3.96 respectively (31 December 2021 (restated)[1]: 2.38 and 2.38 respectively). As at 31 December 2022, the Group's balance of credit and overdraft facilities not withdrawn amounted to EUR 92,473 thousand (31 December 2021: EUR 297,503 thousand).

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

EURk	Note	31 December 2022	31 December 2021 (restated)[1]
Amounts payable measured at amortised cost			
Loans and interests payable	27	401,351	241,056
Lease liabilities	28	19,706	16,394
Trade payables		1,163	480
Other amounts payable and liabilities	30	19,978	831
Financial liabilities measured at FVOCI			
Derivatives	31	693	-
Total		**442,891**	**258,761**

[1] Part of the amounts do not agree with the financial statements issued for the year ended 31 December 2021 due to correction of error (see Note 6).

The table below summarises the maturity profile of the Group's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

EURk	2022				In total
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and interests payable	4,347	12,961	81,625	345,004	**443,937**
Lease liabilities	524	197	4,570	25,287	**30,578**
Trade payables	1,163	-	-	-	**1,163**
Other amounts payable and liabilities	7,583	6,871	5,524	-	**19,978**
Derivatives	693	-	-	-	**693**
As at 31 December 2022	**14,310**	**20,029**	**91,719**	**370,291**	**496,349**

EURk	2021 (restated)[1]				In total
	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans and interests payable	2,514	11,446	44,349	222,983	**281,292**
Lease liabilities (restated)[1]	230	689	2,859	22,315	**26,093**
Trade payables	120	360	-	-	**480**
Other amounts payable and liabilities	208	623	-	-	**831**
As at 31 December 2021	**3,072**	**13,118**	**47,208**	**245,298**	**308,696**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to correction of error. See more information disclosed in Note 6.

5 Critical accounting estimates and judgments used in the preparation of the financial statements

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on financial statements in the future.

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

5.1 Impact of climate change

The Group pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc. Read more on the impact of climate change and parent company's approach on managing it in section '5.4 Climate Action' of the annual report.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Valuation of property, plant and equipment, and impairment assessment of goodwill

The Group assesses the useful economic life of its Property, Plant and Equipment assets annually. The useful economic life of assets has not been shortened. There are no indicators suggesting that assets have reduced in value, significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. The Group management does not reasonably expect climate change to have a significant impact of valuation of property, plant and equipment, and impairment assessment of goodwill.

Estimation of decommissioning provisions

The Group holds decommissioning provisions for part of Wind power plants. It is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's current wind farm portfolio.

Impact of climate change on provision for risk and on ECL

The Group management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required. No significant climate and environmental risks are had significant impact when calculating the ECL.

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

5.2 Impairment of goodwill

The Group performed an impairment test of goodwill recognised on acquisitions of the subsidiaries and determined no impairment is needed as at 31 December 2022 (Note 13.2). Carrying amounts of this goodwill are presented in Note 13.2.

5.3 Impairment of property, plant and equipment and other intangible assets

At least once a year the Group assesses whether there is any indication that the carrying amount of property, plant and equipment and other intangible assets recognized at acquisition cost could be impaired.

As at 31 December 2022, the Group's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation, capacity of assets, etc.) that might impact the value of assets mentioned above.

Having identified no impairment indications for wind power plants and their installations, the Group decided not to carry out an impairment test of these assets.

5.4 Determining whether statutory and contractual servitudes are a lease

Management of the Group analysed whether perpetual statutory and contractual servitudes are in scope of IFRS 16 Leases and concluded that statutory and contractual servitudes are not in scope since both statutory and contractual servitudes are not limited in time and can be used by the Group for an indefinite period of time. Perpetual arrangement lacks an essential characteristic of a lease – i.e. it does not meet the definition of a lease because it does not convey a right to use an underlying asset for a specified period of time.

For servitudes with a clear term or when term is renewable on a period-by-period basis IFRS 16 is applied when all other criteria are met listed in IFRS16.

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

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

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

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

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

5.5.2 Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (hereinafter "IBR") to measure lease liabilities (Note 34). The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

During the year of 2022 there were no significant new lease agreements except those acquired through business combinations of new subsidiaries in Poland (Note 35). Lease liability of these contracts was calculated using the average incremental borrowing yearly rate equal to 7.2%.

5.6 Expected credit losses of trade receivables and other receivables

The Group's uses a provision matrix to calculate expected credit losses for trade receivables. The Group accounts for expected credit losses (hereinafter referred to as ECL) assessing amounts receivable on an individual basis. For short-term trade receivables without a significant financing component the Group applies a simplified approach required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables.

ECL for other receivables and contract assets are calculated using individual assessment.

5.6.1 Individual assessment of ECL

Decision to asses amounts receivable on an individual basis depends on the possibility to obtaining information on the credit history of a particular client / borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular client, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular client / borrower. These accounting estimates require significant judgement. Judgement is based on information about substantial financial difficulties experienced by the debtor, probability that the debtor will enter bankruptcy or any other reorganisation, default of delinquency in payments.

In the absence of reliable sources of information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Group assesses the debt on a collective basis.

5.7 Wind power plants decommissioning liability

As at 31 December 2021 the Group recognized the provision related to decommissioning costs for an amount EUR 3,158 thousand (Note 29). As at 31 December 2022 a new value of provision EUR 2,759 thousand (Note 29) was calculated and recognised under the caption 'Provision' in non-current part of the statement of financial position. Accordingly other intangible assets were reduced by the difference EUR 343 thousand between the values of provision as at 31 December 2022 and 31 December 2021.

The provision is calculated using the main assumptions:
(i) period of provision corresponds to the useful lives of wind power plants, i.e. 30 years,
(ii) estimated decommission costs are discounted at discount rate,
(iii) estimated decommission costs are adjusted by inflation rate.

As at 31 December 2022 the Group made a reassessment of provision by:
- applying a revised yearly discount rate 7.43% for a period till 2026.12.31 and 4.70% for period after 2026.12.31 till the end of useful life of wind power plants (as at 31 December 2021 a yearly discount rate 3.7% was used for the whole period till the end of useful life);
- applying a revised inflation rate:

Year of useful life	Yearly inflation rates applied in calculation of provision as at:	
	31 December 2022	31 December 2021
2021	-	4.80%
2022	17.20%	4.70%
2023	13.10%	3.20%
2024	5.90%	2.80%
2025	3.50%	2.40%
>2026	2.40%	2.40%

In year 2022 the useful life of wind power plants has not changed.

6 Restatement of comparative figures due to change of accounting policy and correction of error

6.1 Accounting policy change in accordance with IAS 16 amendment

The Group discloses the impact of the amendments of IAS 16 "Property, Plant and Equipment" (Note 3.1.1) on these financial statements. The cumulative effect of the first-time adoption of these amendments is recognized as an adjustment to the opening balance of retained earnings in the statement of changes in equity at the beginning of that earliest period presented. There was no effect on figures of 1 January 2021. Restated statements are presented in Note 6.3, the effect on figures of this accounting policy change is presented in column “Restatement No.1”.

6.2 Correction of error

During the year 2022 the Group corrected the lease liability and right-of-use assets to reflect changes in future fixed payments resulting from the identification of incorrect inflation rate which was applied while calculating lease liability on initial recognition date. Future payments having decreased the Group corrected the carrying amount of lease liability and consequently – the right-of-use asset as at 31 December 2022. The correction also affected property, plant and equipment due to capitalised lease interests. According to requirements of IAS 8 “Accounting policies, changes in accounting estimates and errors” the Group presents restated statements in Note 6.3, the effect on figures of this correction is presented in column “Restatement No.2”.

6.3 Restated financial statements

The Group presents below the restatement of these financial statements:

- financial position as of 31 December 2021 and 1 January 2021,
- profit or loss for the year 2021,
- comprehensive income for the year 2021, and
- cash flow for the year 2021.

Retrospective corrections of the statement of financial position for 31 December 2021:

EURk	31 December 2021 before restatement	Restatement No.1	Restatement No.2	31 December 2021 after restatement
Assets				
Non-current assets				
Intangible assets	47,892	-	-	47,892
Property, plant and equipment	181,904	6,093	(29)	187,968
Right-of-use assets	24,692	-	(2,658)	22,034
Prepayments for non-current assets	15,718	-	-	15,718
Non-current receivables	340	-	-	340
Other financial assets	5,000	-	-	5,000
Deferred tax assets	2,150	(1,068)	(25)	1,057
Total non-current assets	**277,696**	**5,025**	**(2,712)**	**280,009**
Total current assets	**53,650**	**-**	**-**	**53,650**
Total assets	**331,346**	**5,025**	**(2,712)**	**333,659**
Equity and liabilities				
Equity				
Issued capital	22	-	-	22
Share premium	54,133	-	-	54,133
Reserves	(3,645)	20	(21)	(3,646)
Retained earnings	(3,690)	5,005	101	1,416
Total equity	**46,820**	**5,025**	**80**	**51,925**
Liabilities				
Non-current liabilities				
Non-current loans and bonds	231,433	-	-	**231,433**
Non-current lease liabilities	18,592	-	(2,617)	**15,975**
Deferred tax liabilities	8,659	-	-	**8,659**
Provisions	3,172	-	-	**3,172**
Total non-current liabilities	**261,856**	**-**	**(2,617)**	**259,239**
Current liabilities				
Loans	9,623	-	-	**9,623**
Lease liabilities	594	-	(175)	**419**
Trade payables	480	-	-	**480**
Income tax payable	1,393	-	-	**1,393**
Provisions	6,278	-	-	**6,278**
Other current amounts payable and liabilities	4,302	-	-	**4,302**
Total current liabilities	**22,670**	**-**	**(175)**	**22,495**
Total liabilities	**284,526**	**-**	**(2,792)**	**281,734**
Total equity and liabilities	**331,346**	**5,025**	**(2,712)**	**333,659**

Retrospective corrections of the statement of financial position for 1 January 2021:

EURk	1 January 2021 before restatement	Restatement No.2	1 January 2021 after restatement
Assets			
Non-current assets			
Intangible assets	38,733	-	38,733
Property, plant and equipment	126,944	(28)	126,916
Right-of-use assets	43,680	(2,580)	41,100
Prepayments for non-current assets	-	-	-
Non-current receivables	1,761	-	1,761
Other financial assets	2,357	-	2,357
Deferred tax assets	972	(4)	968
Total non-current assets	**214,447**	**(2,612)**	**211,835**
Total current assets	**29,231**	**-**	**29,231**
Total assets	**243,678**	**(2,612)**	**241,066**
Equity and liabilities			
Equity			
Issued capital	3	-	3
Share premium	44,697	-	44,697
Reserves	(3,145)	(75)	(3,220)
Retained earnings	561	65	626
Total equity	**42,116**	**(10)**	**42,106**
Liabilities			
Non-current liabilities			
Non-current loans and bonds	108,045	-	108,045
Non-current lease liabilities	13,994	(2,513)	11,481
Deferred tax liabilities	6,012	-	6,012
Provisions	6	-	6
Total non-current liabilities	**128,057**	**(2,513)**	**125,544**
Current liabilities			
Loans	61,413	-	61,413
Lease liabilities	9,339	(89)	9,250
Trade payables	388	-	388
Income tax payable	577	-	577
Other current amounts payable and liabilities	1,788	-	1,788
Total current liabilities	**73,505**	**(89)**	**73,416**
Total liabilities	**201,562**	**(2,602)**	**198,960**
Total equity and liabilities	**243,678**	**(2,612)**	**241,066**

Retrospective corrections of the statement of profit or loss for the year ended 31 December 2021:

EURk	2021 before restatement	Restatement No.1	Restatement No.2	2021 after restatement
Revenue from contracts with customers	15,759	6,101	-	21,860
Other income	872	-	-	872
Total revenue and other income	**16,631**	**6,101**	**-**	**22,732**
Depreciation and amortisation	(5,370)	(7)	58	(5,319)
Salaries and related expenses	(1,358)	-	-	(1,358)
Repair and maintenance expenses	(1,776)	-	-	(1,776)
Purchases of electricity, natural gas and other services	-	(26)	-	(26)
Other expenses	(3,407)	-	-	(3,407)
Total	**(11,911)**	**(33)**	**58**	**(11,886)**
Operating profit (loss)	**4,720**	**6,068**	**58**	**10,846**
Finance income	251	-	-	251
Finance expenses	(2,199)	-	4	(2,195)
Finance activity, net	**(1,948)**	**-**	**4**	**(1,944)**
Profit (loss) before tax	**2,772**	**6,068**	**62**	**8,902**
Current income tax (expenses)/benefit	(1,862)	-	-	(1,862)
Deferred tax (expenses)/benefit	1,626	(1,064)	(25)	537
Net profit for the year	**2,536**	**5,004**	**37**	**7,577**
Attributable to:				
Equity holders of the parent	2,536	5,004	37	7,577
Non-controlling interest	-	-	-	-

Retrospective corrections of the statement of comprehensive income for the year ended 31 December 2021:

EURk	2021 before restatement	Restatement No.1	Restatement No.2	2021 after restatement
Net profit for the year	**2,536**	**5,004**	**37**	**7,577**
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
Change in actuarial assumptions	(8)	-	-	(8)
Items that will not be reclassified to profit or loss in subsequent periods, total	**(8)**	**-**	**-**	**(8)**
Items that may be reclassified to profit or loss in subsequent periods (net of tax)				
Foreign operations – foreign currency translation differences	(638)	(22)	96	(564)
Items that may be reclassified to profit or loss in subsequent periods, total	**(638)**	**(22)**	**96**	**(564)**
Total other comprehensive income (loss) for the year	**(646)**	**(22)**	**96**	**(572)**
Total comprehensive income (loss) for the year	**1,890**	**4,982**	**133**	**7,005**
Attributable to:				
Equity holders of the parent	1,890	4,982	133	7,005
Non-controlling interests	-	-	-	-

Retrospective corrections of the statement of cash flows for the year ended 31 December 2021:

EURk	2021 before restatement	Restatement No.1	Restatement No.2	2021 after restatement
Cash flows from operating activities				
Net profit for the year	2,536	5,004	37	7,577
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortisation expenses	5,370	7	(58)	5,319
Income tax expenses	236	1,064	25	1,325
Increase/(decrease) in provisions	1,277	-	-	1,277
Share based payments	14	-	-	14
Other expenses of investing activities	352	1	-	353
Interest income	(69)	-	-	(69)
Interest expenses	2,194	-	(4)	2,190
Other expenses of financing activities	(177)	-		(177)
Changes in working capital:				
(Increase)/decrease in trade receivables and other amounts receivable	(1,086)	-	-	(1,086)
(Increase)/decrease in inventories, prepayments and other current and non-current assets	712	-	-	712
Increase/(decrease) in amounts payable, deferred income and advance amounts received	(1,279)	23	(6)	(1,262)
Income tax paid	(1,138)	-	-	(1,138)
Net cash flows from operating activities	**8,942**	**6,099**	**(6)**	**15,035**
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	(21,060)	(6,099)	-	(27,159)
Loans granted	(1,818)	-	-	(1,818)
Acquisition of subsidiaries, net of cash acquired	(2,839)	-	-	(2,839)
Net cash flows from investing activities	**(25,717)**	**(6,099)**	**-**	**(31,816)**
Cash flows from financing activities				
Loans received	111,300	-	-	111,300
Repayments of loans	(59,357)	-	-	(59,357)
Lease payments	(9,536)	-	6	(9,530)
Interest paid	(4,210)	-	-	(4,210)
Dividends paid	(6,655)	-	-	(6,655)
Net cash flows from financing activities	**31,542**	**-**	**6**	**31,548**
Increase/(decrease) in cash and cash equivalents	**14,767**	**-**	**-**	**14,767**
Cash and cash equivalents (including overdraft) at the beginning of the year	11,434	-	-	11,434
Cash and cash equivalents at the end of the year	**26,201**	**-**	**-**	**26,201**

7 Revenue from contracts with customers

7.1 Disaggregated revenue information

EURk	2022	2021 (restated)[1]
Revenue from sale of produced electricity	57,847	21,860
In total	**57,847**	**21,860**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements. See more information disclosed in Note 6.

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

EURk	2022	2021 (restated)[2]
Performance obligation settled over time	57,847	21,860
Performance obligation settled at a specific point in time	-	-
In total	**57,847**	**21,860**

[2] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance of IAS 16 amendment requirements. See more information disclosed in Note 6.

7.2 Contract balances

As at 31 December 2022 and 2021 the Group did not have any contract assets and liabilities under the contracts with customers. Information on trade receivables is presented in Note 21.

7.3 Rights to returned goods assets and refund liabilities

The Group does not have any significant rights to return goods specified in the contracts with customers.

7.4 Performance obligations

As at 31 December 2022 and 2021 the Group had no remaining performance obligations.

7.5 Group revenue from contracts with customers by geographic segment

EURk	2022	2021
Lithuania	15,888	12,353
Poland	32,738	9,507
Estonia	9,221	-
In total	**57,847**	**21,860**

8 Other income

EURk	2022	2021
Gain on bargain purchase (business combination)	-	872
Other income	68	-
In total	**68**	**872**

9 Other expenses

EURk	2022	2021
Consultation services	1,913	1,682
Taxes	1,752	620
OTC contracts (Note 31.2)	566	-
Personnel development	477	100
Telecommunications and IT services	207	76
Marketing	185	124
Other	2,173	805
In total	**7,273**	**3,407**

10 Finance income

EURk	2022	2021
Interest income at the effective interest rate	755	69
Other income from financing activities	-	182
In total	**755**	**251**

In 2022 and 2021 the Group has not received interests income in cash.

11 Finance expenses

EURk	2022	2021
Interest expenses	5,734	2,154
Negative effect of changes in exchange rates	1,696	-
Interest and discount expense on lease liabilities	541	36
Other expenses of financing activities	16	5
In total	**7,987**	**2,195**

11.1 The Group's interest expense

The Group incurs interest expense on long-term and short-term loans payable (Note 27). In 2022, the Group paid interest in cash in the amount of EUR 6,564 thousand (in 2021: EUR 4,210 thousand), which are presented in the cash flow statement under 'Interest paid'.

12 Income taxes

12.1 Amounts recognised in profit or loss

EURk	2022	2021 (restated)[1]
Income tax expenses (benefit) for the year	5,482	1,862
Deferred tax expenses (benefit)	(265)	(537)
In total	**5,217**	**1,325**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements and correction of error. See more information disclosed in Note 6.

12.2 Amounts recognised in other comprehensive income

EURk			2022			2021
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss in subsequent periods						
Change in actuarial assumptions	22	(3)	19	(9)	1	(8)
Items that may be reclassified to profit or loss in subsequent periods						
Cash flow hedges – effective portion of change in fair value	5,326	-	5,326	-	-	-
Exchange differences on translation of foreign operations into the Group's presentation currency	(516)	(177)	(693)	(451)	(113)	(564)
In total	**4,832**	**(180)**	**4,652**	**(460)**	**(112)**	**(572)**

12.3 Reconciliation of effective tax rate

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

EURk	2022	2022	2021 (restated)[1]	2021 (restated)[1]
Profit (loss) before tax		18,621		8,902
Income tax expenses (benefit) at tax rate of 15%	15.00%	2,793	15.00%	1,335
Effect of tax rates in foreign jurisdictions	6.87%	1,279	3.53%	314
Expenses not deductible for tax purposes	8.51%	1,585	0.43%	38
Income not subject to tax	(2.33)%	(433)	(4.13)%	(368)
Adjustments in respect of prior years	0.00%	-	0.56%	50
Unrecognized deferred tax on tax losses	0.00%	-	0.28%	25
Other	(0.04)%	(7)	(0.79)%	(69)
Income tax expenses (benefit)	28.02%	**5,217**	14.88%	**1,325**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements and correction of error. See more information disclosed in Note 6.

12.4 Deferred tax

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

EURk	As at 31 December 2020 (restated)[1]	Recognised in profit or loss (restated)[1]	Recognised in other comprehensive income	Tax losses given/taken	Increase with acquisition of subsidiary	Deferred taxes recognised in business combinations	As at 31 December 2021 (restated)[1]	Recognised in profit or loss	Recognised in other comprehensive income	Tax losses (given)/taken	Deferred taxes recognised in business combinations	As at 31 December 2022
Deferred tax assets												
Lease liabilities (restated)[1]	**470**	(28)	-	-	527	-	**969**	1,808	-	-	-	**2,777**
Decommissioning provision	**-**	600		-	-	-	**600**	(600)	-	-	-	**-**
PSO payable	**-**	-	-	-	-	-	**-**	1,050	-	-	-	**1,050**
Accrued expenses	**38**	168	-	-	-	-	**206**	(136)	-	-	-	**70**
Tax losses carry forward	**1,008**	329	-	(374)	-	-	**963**	1,119	-	(678)	-	**1,404**
Other	**137**	371	(135)	-	-	-	**373**	(7)	(3)	-	-	**363**
Deferred tax asset	**1,653**	**1,440**	**(135)**	**(374)**	**527**	**-**	**3,111**	**3,234**	**(3)**	**(678)**	**-**	**5,664**
Deferred tax liabilities												
Differences of financial and tax value (property, plant and equipment) (restated)[1]	**-**	1,162	-	-	-	-	**1,162**	1,607	-	-	-	**2,769**
Difference of financial and tax value of assets identified on business combination	**5,976**	(328)	(23)	-	-	2,601	**8,226**	(1,036)	-	-	5,791	**12,981**
Right of use assets	**306**	14	-	-	535	-	**855**	1,556	-	-	-	**2,411**
Other	**415**	55	-	-		-	**470**	842	177	-	-	**1,489**
Deferred tax liability	**6,697**	**903**	**(23)**	**-**	**535**	**2,601**	**10,713**	**2,969**	**177**	**-**	**5,791**	**19,650**
Deferred tax, net	**(5,044)**	**537**	**(112)**	**(374)**	**(8)**	**(2,601)**	**(7,602)**	**265**	**(180)**	**(678)**	**(5,791)**	**(13,986)**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements and correction of error. See more information disclosed in Note 6.

The Group's statement of financial position as at 31 December 2022 presents separately deferred tax assets EUR 450 thousand and deferred tax liabilities EUR 14,436 thousand related to different subsidiaries (as at 31 December 2021 deferred tax assets EUR 1,057 thousand and deferred tax liabilities EUR 8,659 thousand). The net balance of deferred tax is liability of EUR 13,986 thousand (as at 31 December 2021: EUR 7,602 thousand). Deferred tax assets and liabilities arising from the same entity are presented on net basis in the statement of financial position.

As at 31 December 2022 and 2021 the Group does not have any temporary differences from which deferred tax assets is not recognized.

13 Intangible assets

EURk	Goodwill	Other intangible assets	In total
As at 1 January 2021			
Acquisition cost	5,018	37,248	**42,266**
Accumulated amortisation	-	(3,533)	**(3,533)**
Carrying amount	**5,018**	**33,715**	**38,733**
Carrying amount at 1 January 2021	**5,018**	**33,715**	**38,733**
Additions	-	929	**929**
Acquisition through business combination (Note 35)	389	10,113	**10,502**
Foreign currency exchange difference	(14)	(112)	**(126)**
Amortisation	-	(2,146)	**(2,146)**
Carrying amount at 31 December 2021	**5,393**	**42,499**	**47,892**
As at 31 December 2021			
Acquisition cost	5,393	48,178	**53,571**
Accumulated amortisation	-	(5,679)	**(5,679)**
Carrying amount	**5,393**	**42,499**	**47,892**
Carrying amount at 1 January 2022	**5,393**	**42,499**	**47,892**
Additions	-	9,867	**9,867**
Write-offs	-	(3,012)	**(3,012)**
Acquisition through business combination (Note 35)	51	29,987	**30,038**
Foreign currency exchange difference	(39)	542	**503**
Amortisation	-	(3,442)	**(3,442)**
Carrying amount at 31 December 2022	**5,405**	**76,441**	**81,846**
As at 31 December 2022			
Acquisition cost	5,405	82,435	**87,840**
Accumulated amortisation	-	(5,994)	**(5,994)**
Carrying amount	**5,405**	**76,441**	**81,846**

13.1 Other intangible assets

EURk		31 December 2022	31 December 2021
Assets identified during business combination with the following subsidiaries and are related with their following rights or licences:			
Altiplano S.A. (13.1.2)	Licence to generate electricity	29,987	-
Pomerania Wind Farm Sp. z o. o.	Right to an incentive tariff	22,665	24,294
Silezia1 Wind Farm Sp. z o. o.	Right to an incentive tariff	9,550	9,550
UAB „EURAKRAS" (Note 13.1.1)	Licence to generate electricity	3,736	7,548
Tuuleenergia OU	Right to an incentive tariff	450	563
UAB „VĖJO GŪSIS"	Right to an incentive tariff	-	291
UAB „VĖJO VATAS" (Note 13.1.1)	Right to an incentive tariff	-	739
Foreign currency exchange difference arising from acquisition of a foreign operation (Note 13.1.2)		(780)	(1,452)
Other intangible assets:			
Software development in progress		36	36
Investments in businesses located in Poland and Latvia (Note 13.1.3)		10,797	930
Carrying amount		**76,441**	**42,499**

13.1.1 Write-off of rights to an incentive tariff

During the year of 2022 the Group companies UAB „EURAKRAS" and UAB „VĖJO VATAS" discontinued its contracts based on FiT (Feed-in Tariff) subsidy scheme and signed bilateral contracts. The value of assets identified by the Group during business combination of subsidiaries UAB „EURAKRAS" and UAB „VĖJO VATAS" is calculated based on licence to generate electricity and FiT. During the year of 2022 due to discontinuation of FiT the Group written off the part of value which relates to FiT advantage. Acquisition cost written-off comprised of EUR 6,139 thousand and accumulated amortisation – EUR 3,127 thousand.

13.1.2 Acquisition through business combination

Change in other intangible assets identified during business combination is related to acquisition of subsidiary Altiplano S.A. (Note 35.1) and foreign currency exchange difference arising from acquisition of a foreign operation located in Poland. Acquisitions through business combination during the year 2022 and 2021 are all related to activity of wind power plants.

13.1.3 Investments in businesses located in Poland and Latvia

As at 31 December 2022 and 2021 the parent company has investments into projects located in Poland and Latvia. During the year 2022 investments into projects related to activity of solar power plants comprised EUR 9,269 thousand (2021: EUR 239 thousand), to activity of wind power plants – EUR 598 thousand (2021: EUR 690 thousand). As the payments in such projects do not consitute the rights of control over the companies, the parent company recognised the payments as other financial assets. After projects developed by the companies are established, the parent company will owe 100% of shares of these companies.

The Group determined whether this transaction is a business combination by applying the definition of business combination, which requires that the assets acquired and liabilities assumed constitute a business. Having identified this transaction not being an acquisition of business, the Group accounted for this transaction as an intangible asset acquisition.

13.2 Goodwill

EURk	31 December 2022	31 December 2021
Pomerania Wind Farm Sp. z o. o.	2,061	2,061
UAB "VVP Investments"	1,866	1,866
UAB "EURAKRAS"	1,204	1,204
UAB "Plungės vėjo energija"	321	-
Silezia1 Wind Farm Sp. z o. o.	120	390
Foreign currency exchange difference arising from acquisition of a foreign operation	(167)	(128)
Carrying amount	**5,405**	**5,393**

Change in goodwill identified during business combination is related to acquisition of subsidiary UAB „Plungės vėjo energija" during the year of 2022 (Note 35.1 and 35.2), the reassessment of fair values of assets identified during business combination established in 2021 year (Note 35.3) and foreign currency exchange difference arising from acquisition of a foreign operation located in Poland.

Impairment test of goodwill

As at 31 December 2022 the Group performed impairment test for its goodwill. The tests showed that there is no need for impairment of goodwill as at 31 December 2022. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. the cash flow forecast covered the period until 2040-2053, with reference to the typical operational period of 30 years.
2. the production volume is stable each year, based on the third-party study of a wind farm or actual production capacity (depending on the wind farm).
3. the price of electricity is set at the agreed tariff if project is awarded in government auctions and tenders or offtake is secured through PPA (Power Purchase Agreement) or similar instruments. Otherwise, a third-party electricity price forecast is applied;
4. discount rate of 5.9-7.7% after tax (7.0-9.5% pre-tax) was used to calculate discounted cash flows (weighted average costs of capital after tax).

13.3 Fully amortised intangible assets

The Group has no any fully amortized intangible assets which are still in use.

13.4 Acquisition commitments

The Group has no acquisition commitments as at 31 December 2022 and 2021.

14 Property, plant, and equipment

14.1 The Group's property, plant and equipment

EURk	Land	Buildings	Wind power plants and their installations (restated)[1]	Other property, plant and equipment	Construction-in-progress (restated)[1]	In total
As at 1 January 2021						
Acquisition cost	1,347	602	31,842	115	101,259	**135,165**
Accumulated depreciation	-	(150)	(7,958)	(113)	-	**(8,221)**
Carrying amount	**1,347**	**452**	**23,884**	**2**	**101,259**	**126,944**
Correction of error[1]	-	-	-	-	(28)	**(28)**
Recalculated carrying amount at 1 January 2021	**1,347**	**452**	**23,884**	**2**	**101,231**	**126,916**
Additions	-	-	-	-	16,093	**16,093**
Reclassifications between categories	-	-	111,281	-	(111,281)	**-**
Reclassified from (to) inventories	-	-	-	-	(76)	**(76)**
Reclassified from (to) right-of-use asset's	-	-	23,002	-	-	**23,002**
Depreciation	-	(30)	(2,112)	(1)	-	**(2,143)**
Acquisition though business combination (Note 35)	100	-	21,838	-	2,785	**24,723**
Foreign currency exchange difference	-	-	-	-	(547)	**(547)**
Carrying amount at 31 December 2021 (restated)[1]	**1,447**	**422**	**177,893**	**1**	**8,205**	**187,968**
As at 31 December 2021						
Acquisition cost	1,447	602	204,573	115	8,205	**214,942**
Accumulated depreciation	-	(180)	(26,680)	(114)	-	**(26,974)**
Carrying amount (restated)[1]	**1,447**	**422**	**177,893**	**1**	**8,205**	**187,968**
Carrying amount at 1 January 2022	**1,447**	**422**	**177,893**	**1**	**8,205**	**187,968**
Additions	-	-	-	6	5,341	**5,347**
Write-off	-	-	(455)	-	-	**(455)**
Reclassified from (to) right-of-use asset's	-	-	6,071	-	-	**6,071**
Depreciation	-	(30)	(7,505)	(1)	-	**(7,536)**
Remeasurement of provision for decommission (Note 5.7)	-	-	(343)	-	-	**(343)**
Acquisition though business combination (Note 35)	-	-	-	-	5,028	**5,028**
Foreign currency exchange difference	-	-	(2,010)	-	140	**(1,870)**
Carrying amount at 31 December 2022	**1,447**	**392**	**173,651**	**6**	**18,714**	**194,210**
As at 31 December 2022						
Acquisition cost	1,447	602	209,528	72	18,714	**230,363**
Accumulated depreciation	-	(210)	(35,877)	(66)	-	**(36,153)**
Carrying amount	**1,447**	**392**	**173,651**	**6**	**18,714**	**194,210**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to change of accounting policy in accordance with IAS 16 amendment requirements and corrections of error. See more information disclosed in Note 6.

14.2 Acquisitions and disposals of property, plant and equipment

Acquisitions of property, plant and equipment during 2022 include acquisitions for construction projects of wind farms.

The Group has significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years. The Group's acquisition and construction commitments amounted to EUR 277.5 million as at 31 December 2022 (31 December 2021: EUR 105.6 million).

During 2022, the Group capitalised EUR 1,289 thousand of interest expenses on borrowings intended to finance development of non-current assets (2021: EUR 2,716 thousand). In year 2022 the average capitalised interest rate was 2.75% (2021: 2.34%).

Acquisitions of property, plant and equipment through business combination during the year 2022 and 2021 are all related to activity of wind power plants.

14.3 Fully depreciated property, plant and equipment

As at 31 December 2022 the Group has fully depreciated assets still in use with acquisition cost of EUR 114 thousand (31 December 2021: EUR 114 thousand).

14.4 Pledged property, plant and equipment

As at 31 December 2022 and 2021 property, plant and equipment of the Group were not pledged to banks, credit institutions, etc.

15 Right-of-use assets

15.1 The Group's right-of-use assets

EURk	Land (restated)[1]	Buildings	Wind power plants and their installations (restated)[2]	Other property, plant and equipment	In total
As at 1 January 2021					
Acquisition cost	14,497	65	35,523	48	**50,133**
Accumulated depreciation	(480)	(20)	(5,944)	(9)	**(6,453)**
Carrying amount	**14,017**	**45**	**29,579**	**39**	**43,680**
Correction of error[1]	(2,580)	-	-	-	**(2,580)**
Recalculated carrying amount at 1 January 2021	**11,437**	**45**	**29,579**	**39**	**41,100**
Additions	1,775	109	-	15	**1,899**
Write-offs	(201)	(28)	-	(8)	**(237)**
Reclassifications between categories	-	-	-	-	**-**
Reclassified from / (to) property, plant & equipment	-	-	(23,002)	-	**(23,002)**
Acquisition through business combination	3,108	-	-	-	**3,108**
Foreign currency exchange difference	196	-	-	-	**196**
Depreciation	(487)	(49)	(466)	(28)	**(1,030)**
Carrying amount at 31 December 2021 (restated)[1]	**15,828**	**77**	**6,111**	**18**	**22,034**
As at 31 December 2021					
Acquisition cost	16,833	110	7,753	27	**24,723**
Accumulated depreciation	(1,005)	(33)	(1,642)	(9)	**(2,689)**
Carrying amount (restated)[1]	**15,828**	**77**	**6,111**	**18**	**22,034**
Carrying amount at 1 January 2022	**15,828**	**77**	**6,111**	**18**	**22,034**
Additions	38	-	-	95	**133**
Reclassifications (to)/from property, plant & equipment	-	-	(6,071)	-	**(6,071)**
Taken (given) during business combination (Note 35)	5,167	-	-	-	**5,167**
Foreign currency exchange difference	197	2	-	5	**204**
Remeasurement of right-of-use assets (Note 15.2)	(1,492)	-	-	-	**(1,492)**
Depreciation	(703)	(56)	(40)	(46)	**(845)**
Carrying amount	**19,035**	**23**	**-**	**72**	**19,130**
31 December 2022					
Acquisition cost	20,623	112	-	95	**20,830**
Accumulated depreciation	(1,588)	(89)	-	(23)	**(1,700)**
Carrying amount	**19,035**	**23**	**-**	**72**	**19,130**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to correction of error. See more information disclosed in Note 6.
[2] In year 2022 structures and machinery were added to wind power plants and their installation, therefore comparative figures of the year 2021 were restated accordingly.

The Group's major lease contracts are for land. As at 31 December 2022 the carrying amount of land lease liability amounted to EUR 19,343 thousand (31 December 2021: EUR 15,795). The remaining lease term of major contracts for land lease as at 31 December 2022 is between 14 – 33 years.

Some of land lease contracts provide additional rent payments that are based on level of sales by lessee. The difference between fixed payment and variable payment is recognised in the statement of profit or loss (Note 15.3). As well, some of the land lease contracts provide payments to land owners as indexed by inflation rate each year, therefore the Group performs remeasurement of the lease liability and right-of-use assets at the same time when new inflation index is applied for factual payments. The first indexation of factual payments starts in 2023 year.

During the year of 2022 all contracts for lease of wind power plants and their installations were finalized by paying in full remaining liability. Therefore, right of use assets attributable to this group were transferred to the property, plant and equipment with its carrying amount of EUR 6,071 thousand.

During the year of 2022 the Group capitalised lease interest expenses on property, plant and equipment construction in progress for amount EUR 43 thousand (2021: EUR 331 thousand).

Acquisitions of lease contracts and acquisitions through business combination during the year 2022 and 2021 are all related to activity of wind power plants.

15.2 Remeasurement of right-of-use assets

The Group reassessed right-of-use assets and lease liability related to land contracts due to remeasurement of lease liability due to change in lease term.

15.2.1 Remeasurement of lease liability due to change in lease term

The Group remeasured the land lease liability and right-of-use assets to reflect changes in the assessment of the lease term. In year 2021 at initial recognition date a lease term was determined as a non-cancellable period which includes the period during which the Group has a control over the contingency of the contract termination option. Termination option was assessed considering the likelihood of the triggering event occurring when determining the non-cancellable period at the commencement date. In year 2022 the management of the Group has assessed that the likelihood of the triggering event occurring is more than remote and determined that as at 31 December 2022 the non-cancellable period is not commenced. The triggering event is the obtaining of necessary permissions and capacity of conductivity in the electricity grid for the construction of renewable energy generating plants. The management has no intentions to cancel these land lease contracts.

The Group reduced carrying amounts of right-of-use assets and lease liability for amounts EUR 1,492 thousand and EUR 1,785 thousand respectively. The remaining amount of the remeasurement amounted to EUR 293 thousand was recognised in the statement of profit or loss in line item 'Write-offs of intangible assets and result on lease modification'.

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

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

EURk	2022	2021 (restated)[1]
Depreciation	845	1,030
Interest expenses	541	36
Variable lease payment expenses	520	-
Expenses related to leases of low value assets (other expenses)	155	-
Expenses related to short-term leases (other expenses)	-	52
Written-off of assets and liabilities	-	134
Other rent expenses	50	-
Lease expenses, total	**2,111**	**1,252**

15.4 Future expenses related to lease agreements

The Group's future lease expenses:

EURk	31 December 2022	31 December 2021
Future expenses related to short-term and low value leases	374	82
Future variable lease payments	14,499	870
Leases not yet commenced to which the lessee is committed	32	3,083
Future lease expenses, total	**14,905**	**4,035**

16 Structure of the group

The Group's structure as at 31 December 2022:

Company name	Country of registered office	Activities profile	Effective ownership interest, %
UAB „Ignitis renewables"	Lithuania	Parent company - management and coordination of the Group companies	-
Subsidiaries of the Group:			
Pomerania Wind Farm sp. z o. o.	Poland	Production of renewable electricity	100.00
Tuuleenergia OU	Estonia	Production of renewable electricity	100.00
UAB „EURAKRAS"	Lithuania	Production of renewable electricity	100.00
UAB „VĖJO VATAS"	Lithuania	Production of renewable electricity	100.00
UAB „VĖJO GŪSIS"	Lithuania	Production of renewable electricity	100.00
Silezia1 Wind Farm Sp. z o. o.	Poland	Operation of renewable energy project	100.00
Altiplano S.A.	Poland	Operation of renewable energy project	100.00
UAB „VVP Investment"	Lithuania	Operation of renewable energy project	100.00
UAB „Plungės vėjo energija"	Lithuania	Development of renewable energy projects	100.00
UAB „Ignitis renewables projektai"	Lithuania	Development of renewable energy projects	100.00
UAB „Ignitis renewables projektai 2"	Lithuania	Development of renewable energy projects	100.00
UAB „Ignitis renewables projektai 3"	Lithuania	Development of renewable energy projects	100.00
Ignitis Renewables Polska Sp. z o. o.	Poland	Development of renewable energy projects	100.00
Ignitis RES DEV Sp. z o. o.	Poland	Development of renewable energy projects	100.00
Ignitis renewables Latvia SIA	Latvia	Development of renewable energy projects	100.00
Ignitis RES DEV1 SIA	Latvia	Development of renewable energy projects	100.00
Ignitis RES DEV2 SIA	Latvia	Development of renewable energy projects	100.00
Ignitis RES DEV3 SIA	Latvia	Development of renewable energy projects	100.00
Ignitis RES DEV4 SIA	Latvia	Development of renewable energy projects	100.00
Ignitis RES DEV5 SIA	Latvia	Development of renewable energy projects	100.00
Ignitis RES DEV6 SIA	Latvia	Development of renewable energy projects	100.00
UAB „Vėjo galia bendruomenei"	Lithuania	Development of renewable energy projects	100.00

The Group's structure as at 31 December 2021:

Company name	Country of registered office	Activities profile	Effective ownership interest, %
UAB „Ignitis renewables"	Lithuania	Parent company - management and coordination of the Group companies	-
Subsidiaries of the Group:			
Pomerania Wind Farm Sp. z o. o.	Poland	Production of renewable electricity	100.00
Tuuleenergia OÜ	Lithuania	Production of renewable electricity	100.00
UAB „EURAKRAS"	Lithuania	Production of renewable electricity	100.00
UAB „VĖJO VATAS"	Lithuania	Production of renewable electricity	100.00
UAB „VĖJO GŪSIS"	Lithuania	Production of renewable electricity	100.00
Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.	Poland	Operation of renewable energy project	100.00
UAB „VVP Investment"	Lithuania	Operation of renewable energy project	100.00
UAB „Ignitis renewables projektai"	Lithuania	Development of renewable energy projects	100.00
Ignitis Renewables Polska Sp. z o. o.	Poland	Development of renewable energy projects	100.00
Ignitis RES DEV Sp. z o. o.	Poland	Development of renewable energy projects	100.00

16.1 Acquisition of shares in business combinations

Acquisition of shares during business combinations during the year 2022:

EURk	Date	Share capital	Share premium	Consideration transferred
Altiplano S.A. (Note 35)	September 2022	9,790	193	34,360
UAB „Plungės vėjo energija" (Note 35)	November 2022	3	-	321
In total		**9,793**	**193**	**34,681**

Acquisition of shares during business combinations during the year 2021:

EURk	Date	Share capital	Share premium	Consideration transferred
Silezia1 Wind Farm Sp. z o. o.	December 2021	10,437	712	9,545
Tuuleenergia OU	December 2021	499	576	9,455
In total		**10,936**	**1,288**	**19,000**

16.2 Establishment of new subsidiaries

New subsidiaries established during the year 2022:

EURk	Date	Share capital
Ignitis renewables Latvia SIA	February 2022	2,000
Ignitis RES DEV1 SIA	March 2022	500
Ignitis RES DEV2 SIA	March 2022	500
Ignitis RES DEV3 SIA	August 2022	3
Ignitis RES DEV4 SIA	August 2022	3
UAB „Ignitis renewables projektai 2"	September 2022	2
UAB „Ignitis renewables projektai 3"	September 2022	2
Ignitis RES DEV5 SIA	October 2022	3
Ignitis RES DEV6 SIA	October 2022	3
UAB „Vėjo galia bendruomenei"	October 2022	3
In total		**3,019**

New subsidiaries established during the year 2021:

EURk	Date	Share capital	Share premium
Ignitis Renewables Polska Sp. z o. o.	April 2021	1	-
UAB "Ignitis renewables projektai"	October 2021	2	997
In total		**3**	**997**

17 Non-current receivables

EURk	31 December 2022	31 December 2021
Cash reserved for guarantees	5,135	340
Deposits to Energy Regulatory Office in Poland	2,506	-
Total:	**7,641**	**340**
Less: loss allowance	-	-
Carrying amount	**7,641**	**340**

17.1 Cash reserved for guarantees

During 2022 limit of guarantee on behalf of Nord Pool AS was increased by EUR 1,015 thousand. Moreover the Group issued EUR 3,780 thousand guarantee on behalf of LITGRID AB, maturity of the guarantee 31 January 2026.

18 Other financial assets

EURk	31 December 2022	31 December 2021
Investment into Moray West Holdings Limited	5,000	5,000
Carrying amount	**5,000**	**5,000**

18.1 Moray West Holdings Limited deferred consideration

On 14 September 2020 the Group acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Having purchased shares the Group took an obligation to pay additional EUR 5,000 thousand if specific conditions are met. The deferred consideration is measured at fair value (Note 34).

19 Other assets

19.1 Other non-current assets

EURk	31 December 2022	31 December 2021
Derivatives (Note 31.1)	6,019	-
Other non-current assets	236	-
Carrying amount	**6,255**	**-**

20 Prepayments and deferred expenses

20.1 Prepayments for non-current assets

EURk	31 December 2022	31 December 2021
Prepayments for property, plant and equipment	105,814	15,718
Carrying amount	**105,814**	**15,718**

20.2 Prepayments for current assets and deferred expenses

EURk	31 December 2022	31 December 2021
Deferred expenses	837	548
Other prepayments	193	9
Carrying amount	**1,030**	**557**

21 Trade receivables

EURk	31 December 2022	31 December 2021
Amounts receivable under contracts with customers		
Receivables from electricity related sales	16,597	14,276
Other trade receivables	4	3
In total	**16,601**	**14,279**
Less: loss allowance	-	-
Carrying amount	**16,601**	**14,279**

As at 31 December 2022 and 2021, the Group had not pledged the claim rights to trade receivables.

No interest is charged on trade receivables and the regular settlement period is 30 days. Trade receivables for which the settlement period is more than 30 days comprise insignificant part of total trade receivables. The Group doesn't provide the settlement period longer than 1 year. The Group didn't identify any financing components. For terms and conditions on settlement between related parties see Note 33. The fair values of trade receivables as at 31 December 2022 and 2021 approximated their carrying amounts.

22 Other receivables

EURk	31 December 2022	31 December 2021
Granted loans including interests receivable	24,060	3,638
Value added tax	11,062	2,298
Other accrued revenue	7	10
Deposits to Energy Regulatory Office in Poland	-	2,016
Receivable payments made to SIG	-	3,782
Other receivables	106	724
In total	**35,235**	**12,468**
Less: loss allowance	-	-
Carrying amount	**35,235**	**12,468**

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

22.1 Granted loans

During the year 2022 the Group granted additional amount to loan to Moray West Holdings Limited, sea wind farm project development company in Scotland, for an amount EUR 19,787 thousand and as at 31 December 2022 the carrying amount of this loan was EUR 23,365 thousand (31 December 2021: EUR 3,578 thousand), interests rate – variable. The loan repayment term depends on the progress of the project development. The repayment of this loan is 31 March 2023.

As at 31 December 2022, the Group assessed whether credit risk of recipient of current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipient on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (from here on further - ECL) was recognised.

23 Cash and cash equivalents

EURk	31 December 2022	31 December 2021
Cash balances in bank accounts	57,323	25,634
Restricted cash	-	567
Carrying amount	**57,323**	**26,201**

The fair values of cash and cash equivalents as at 31 December 2022 and 2021 approximated their carrying amounts.

Restricted cash is held with banks in accordance with certain agreements requirements, for example deposits related to guarantee of performance of the contract. These deposits are not available to finance the Group's day-to-day operations.

According to the management's assessment, ECL on cash and cash equivalents are not significant because:

- The Group's cash and cash equivalents are kept in international group banks with good credit ratings. The banks are charged with the highest liquidity, capital adequacy, own funds, additional capital reserves and other risk-limiting requirements and regulations that banks must comply with and regularly report to supervisory authorities.
- The Group uses banks that are supervised by the European Central Bank.

24 Equity

24.1 Capital management

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

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a private limited liability company must be not less than EUR 2.5 thousand, and the shareholders' equity must be not lower than 50% of the company's issued capital. Foreign subsidiaries are subject for compliance with capital requirement according to regulation adopted in those foreign countries. As at 31 December 2022 the parent company and 18 of 22 subsidiaries met requirements of capital regulation (31 December 2021: the parent company and all the subsidiaries met requirements of capital regulation).

24.2 Issued capital

EURk	31 December 2022	31 December 2021
Authorised shares		
Ordinary shares	22	22
Ordinary shares issued and fully paid	**22**	**22**

As at 31 December 2022 the Group's issued capital comprised EUR 22 thousand (31 December 2021: 22 thousand) and was divided into 21,910 ordinary shares with EUR 1 nominal value for a share (31 December 2021: 21,910 ordinary registered shares with EUR 1 nominal value for a share).

Reconciliation of the number of shares at the beginning and at the end of the year:

	2022	2021
Number of authorised shares as at 1 January	**21,910**	**3,000**
Issuing of ordinary shares (Note 24.2)	-	18,910
Number of authorised shares as at 31 December	**21,910**	**21,910**

24.3 Dividends

Dividends declared by the parent company during the year:

EURk	2022	2021
AB "Ignitis grupė"	1,770	6,655

EUR 1,770 thousand dividends for the year 2021 was approved at the Ordinary General Meeting of shareholders on 23 May 2022. In total the Group paid EUR 1,770 thousand dividends in cash during 2022 (2021: EUR 6,655 thousand).

Dividends declared per share:

Declared on, EURk	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared
March 2022	2021 year	80.772	1,769,719
Total declared during 2022 year			**1,769,719**
September 2021	2020 year	2,218.358	6,655,075
Total declared during 2021 year			**6,655,075**

24.4 Increase in issued capital

On 24 November 2021, the Management Board of the ultimate parent company, as the sole shareholder of the Company has adopted the following decision: the Company issues 18,910 ordinary registered uncertified shares, each with a nominal value of EUR 1.00. The issue price of all newly issued shares was EUR 9,455,000 and consisted of EUR 18,910 of the aggregate amount of the nominal values of shares and EUR 9,436,090 of share premium. The issue price was paid for by the ultimate company by a non-monetary contribution: transfer 100 percent of shares of ultimate company's subsidiary Tuuleenergia OÜ (Note 16). The shares of Tuuleenergia OÜ was valued at EUR 9,455 thousand by the independent asset evaluator.

25 Reserves

25.1 Legal reserve

Legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

The Group's legal reserve as at 31 December 2022 and 2021 was not fully formed.

25.2 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss.

25.3 Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit.

As at 31 December 2022, the Group accounted for the result of the translation of the Group's net investments in Poland-based companies directly controlled by the Group (Ignitis Renewables Polska Sp. z o. o., Pomerania Wind Farm Sp. z o. o., Silezia1 Wind Farm Sp. z o.o., Altiplano S.A.) in the amount of EUR 4,664 thousand into the Group's presentation currency within the item of other reserves (31 December 2021: EUR 3,971 thousand). No other reserves were formed by the Group as at 31 December 2022 and 2021.

26 Other comprehensive income

EURk	Hedging reserve	Other reserves	Retained earnings	Total
Result of change in actuarial assumptions	-	-	(8)	**(8)**
Foreign operations – foreign currency translation differences	-	(564)	-	**(564)**
In total as at 31 December 2021	**-**	**(564)**	**(8)**	**(572)**
Cash flow hedges – effective portion of change in fair value	5,326	-	-	**5,326**
Result of change in actuarial assumptions	-	-	19	**19**
Foreign operations – foreign currency translation differences	-	(693)	-	**(693)**
In total as at 31 December 2022	**5,326**	**(693)**	**19**	**4,652**

27 Loans

EURk	31 December 2022	31 December 2021
Non-current		
Bank loans	75,082	81,817
Other non-current loans	317,675	149,616
Current		
Current portion of non-current loans	5,269	5,229
Cash-pool	-	2,691
Accrued interest	3,325	1,703
In total	**401,351**	**241,056**

Non-current loans by maturity:

EURk	31 December 2022	31 December 2021
From 1 to 2 years	5,457	5,365
From 2 to 5 years	46,881	16,974
After 5 years	340,419	209,094
In total	**392,757**	**231,433**

Loans of the Group are denominated in euros or polish zlotys.

27.1 Movement of loans

Movement of loans during the year 2022 mainly consisted of the following:

Other non-current loans

On 1 February 2021 the ultimate parent company issued a long term loan to the Group with maximum withdrawal amount EUR 293 million and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 205 million (EUR 95 million as at 31 December 2021).

On 27 November 2020 the ultimate parent company issued a long term loan to the Group with maximum withdrawal amount EUR 83 million and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 83 million (EUR 16 million as at 31 December 2021).

27.2 Covenants and unwithdrawn balances

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

As at 31 December 2022, the Group unwithdrawn balance of loans and cash-pool amounted to EUR 92,473 thousand (31 December 2021: EUR 297,503 thousand).

28 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Group. Management is monitoring net debt metric as a part of risk-management strategy. Only debts to financial institutions, the Ignitis Group companies and related interest payables and lease liabilities are included in the net debt calculation. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management.

Net debt balances:

EURk	31 December 2022	31 December 2021 (restated)[1]
Cash and cash equivalents	(57,323)	(26,201)
Non-current loans payable after one year	392,757	231,433
Current loans payable within one financial year (including interests)	8,594	6,932
Current loans - cash-pool (including interests)	-	2,691
Lease liabilities	19,706	16,394
Net debt	**363,734**	**231,249**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to corrections of error. See more information disclosed in Note 6.

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

EURk	Assets	Lease liabilities		Loans		Total (restated)[1]
	Cash and cash equivalents	Non-current (restated)[1]	Current (restated)[1]	Non-current	Current	
Net debt at 1 January 2021 (restated)[1]	**(11,434)**	**11,368**	**9,158**	**108,045**	**61,413**	**178,550**
Cash changes						
(Increase) decrease in cash and cash equivalents	(14,767)	-	-	-	-	**(14,767)**
Proceeds from loans	-	-	-	111,300	-	**111,300**
Repayments of loans	-	-	-	(1,000)	(58,229)	**(59,229)**
Lease payments	-	(2)	(9,528)	-	-	**(9,530)**
Interest paid	-	-	(368)	-	(3,838)	**(4,206)**
Cash-pool loans - net change	-	-	-	-	(128)	**(128)**
Non-cash changes						
Lease contracts concluded	-	1,883	16	-	-	**1,899**
Accrual of interest payable	-	-	367	-	4,539	**4,906**
Lease liabilities written-off	-	(99)	(4)	-	-	**(103)**
Reclassifications between items	-	(432)	432	(5,281)	5,281	**-**
Assumed through business combination (Note 35)	-	3,033	86	19,119	272	**22,510**
Change in foreign currency	-	224	260	(750)	(177)	**(443)**
VAT on interests payable	-		-	-	490	**490**
Net debt at 31 December 2021 (restated)[1]	**(26,201)**	**15,975**	**419**	**231,433**	**9,623**	**231,249**
Net debt at 1 January 2022	**(26,201)**	**15,975**	**419**	**231,433**	**9,623**	**231,249**
Cash changes						
(Increase) decrease in cash and cash equivalents	(31,122)	-	-	-	-	**(31,122)**
Proceeds from loans	-	-	-	174,050	-	**174,050**
Repayments of loans	-	-	-	(6,000)	(5,186)	**(11,186)**
Lease payments	-	-	(753)	-	-	**(753)**
Interest paid	-	-	(271)	-	(6,293)	**(6,564)**
Cash-pool loans - net change	-	-	-	-	(2,691)	**(2,691)**
Non-cash changes						
Lease contracts concluded	-	115	18	-	-	**133**
Accrual of interest payable	-	-	584	-	6,980	**7,564**
Lease liabilities written-off	-	-	(1)	-	-	**(1)**
Remeasurement of lease liabilities	-	(1,668)	(117)			**(1,785)**
Reclassifications between items	-	(311)	311	(5,269)	5,269	**-**
Assumed through business combination (Note 35)	-	5,167	-	-	-	**5,167**
Change in foreign currency	-	65	173	(1,457)	(43)	**(1,262)**
VAT on interests payable	-	-	-	-	935	**935**
Net debt at 31 December 2022	**(57,323)**	**19,343**	**363**	**392,757**	**8,594**	**363,734**

[1] Part of the amounts do not agree with the financial statements issued for the year 2021 due to corrections of error. See more information disclosed in Note 6.

29 Provisions

EURk	31 December 2022	31 December 2021
Non-current	2,764	3,172
Current	-	6,278
Total	**2,764**	**9,450**

Movement of the Group's provisions was as follows:

EURk	Provisions for employee benefits	Provision for decommission	Other provisions	Total
Carrying amount as at 1 January 2021	**6**	**-**	**-**	**6**
Increase during the year	-	3,158	6,278	**9,436**
Utilised during the year	(1)	-	-	**(1)**
Result of change in assumptions	9	-	-	**9**
Carrying amount as at 31 December 2021	**14**	**3,158**	**6,278**	**9,450**
Carrying amount as at 1 January 2022	**14**	**3,158**	**6,278**	**9,450**
Increase during the year	13	-	-	**13**
Utilised during the year	-	-	(1,278)	**(1,278)**
Result of change in assumptions	(22)	-	-	**(22)**
Discount effect	-	(343)	-	**(343)**
Foreign currency exchange difference	-	(56)	-	**(56)**
Reclassification to "Other current amounts payable and liabilities"	-	-	(5,000)	**(5,000)**
Carrying amount as at 31 December 2022	**5**	**2,759**	**-**	**2,764**
Non-current	5	2,759	-	**2,764**
Current	-	-	-	**-**
Carrying amount as at 31 December 2022	**5**	**2,759**	**-**	**2,764**

During the year 2022 the main changes of other provisions were related to the following:

- Provision for amount EUR 5,000 thousand related to deferred consideration defined in Moray West Holdings Limited share purchase agreement signed by the Company (Note 18) was classified as financial liability in year 2022 and therefore reclassified to the line item "Other current amounts payable and liabilities" of the statement of financial position.
- Provision for amount EUR 1,091 thousand related to claim received due to breach of contractual terms of construction contract signed by Group company Pomerania Wind Farm sp. z o. o. and the constructor of wind farms in Poland was removed as the claim was settled in year 2022.

29.1 Description of Group's provisions and the expected timing of resulting outflows of economic benefits

29.1.1 Provision for decommission

Decommissioning provision is related to the Group's legal obligation to decommission of wind power plant of Pomerania Wind Farm sp. z o. o. after its operation end (Note 5.7). The useful life of wind power plants is 30 years.

30 Other amounts payable and liabilities

30.1 Other non-current amounts payable and liabilities

EURk	31 December 2022	31 December 2021
Payable related to contracts for difference (CfD) (Note 3.2.1.1)	5,524	-
Carrying amount	**5,524**	**-**

The Group performs electricity sales in Poland according to contracts for difference, which may be both positive and negative deviation comparing fixed reference price to the electricity market price in Power exchange. Each month the Group accrues the difference according to received invoices from the buyer of electricity. The final settlement of the difference between the Group and the State PSO budget will be executed in year 2024.

Financial liabilities comprise EUR 5,524 thousand from total Other non-current amounts payable and liabilities (31 December 2021: EUR 0 thousand).

30.2 Other current amounts payable and liabilities

EURk	31 December 2022	31 December 2021
Contingent consideration to non-controlling party for acquisition of Altiplano S.A. shares (Note 35)	6,268	-
Moray deferred consideration (Note 18)	5,000	-
Amounts payable for property, plant and equipment	2,928	651
Payroll related liabilities	796	293
Derivatives (Note 31)	693	-
Accrued expenses	691	1,501
Taxes (other than income tax)	602	1,676
Other amounts payable and liabilities	258	181
Carrying amount	**17,236**	**4,302**

Financial liabilities comprise EUR 14,454 thousand from total Other current amounts payable and liabilities (31 December 2021: EUR 831 thousand). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

31 Derivatives

The Group's derivatives mainly comprises of contracts related to electricity (hedge accounting).

31.1 Derivatives included in the statement of financial position

EURk	Note	Movement during 2022
Derivatives		
Other non-current assets		-
Other current amounts payable and liabilities		-
Carrying amount as at 31 December 2021		**-**
Change in the value		
Fair value change of OTC recognised in 'Other comprehensive income'		5,326
Total change during 2022		**5,326**
Derivatives		
Carrying amount as at 31 December 2022		**5,326**
Other non-current assets	19	6,019
Other current amounts payable and liabilities	30	(693)

31.2 Derivatives included in the statement of profit or loss

EURk	2022	2021
Hedge ineffectiveness recognised - OTC	(566)	-
Total recognised in 'Other expenses'	**(566)**	**-**
Effective hedges reclassified from Hedging reserve to statement profit or loss	-	-
Total recognised in the statement of profit or loss	**(566)**	**-**

32 Contingent liabilities and commitments

32.1 Litigations

The Group has no significant litigations as at 31 December 2022.

32.2 Evaluation of Russia's invasion of Ukraine on Group's financial statements

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

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

As to the above no significant impact of Russia's invasion of Ukraine on Group's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, impact of the Russia's invasion of Ukraine on the business of the Group companies is being constantly reviewed.

32.3 Significant acquisition commitments

At the end of reporting year the Group had significant acquisition commitments of property, plant and equipment which will have to be fulfilled during the later years (Notes 13.4 and 14.4).

32.4 Issued guarantees

The Group has provided the following guarantees the maturity of which is 2022 – 2026 year:

Beneficiary of the guarantee	Currency of the amount	31 December 2022	31 December 2021
Bank guarantee to electricity grid operators	EUR	5,397	1,285
Bank guarantee to contractors of Moray Offshore Windfarm (West) Limited project	GBP	10,706	1,171
Bank guarantee to contractors of Moray Offshore Windfarm (West) Limited project	USD	210	-

33 Related-party transactions

The Group's transactions with related parties transaction during the year 2022 and account balances as at 31 December 2022:

Related parties	Accounts receivable	Loans payable	Accounts payable	Sales	Purchases	Finance income (expenses)
Ultimate parent company	-	317,674	3,390	-	433	(5,211)
Ignitis grupė AB group companies	14,292	-	199	44,713	1,716	(3)
Total	**14,292**	**317,674**	**3,589**	**44,713**	**2,149**	**(5,214)**

The Group's transactions with related parties transaction during the year 2021 and account balances as at 31 December 2021:

Related parties	Accounts receivable	Loans payable	Accounts payable	Sales	Purchases	Finance income (expenses)
Ultimate parent company	-	131,747	35	-	429	(2,324)
Ignitis grupė AB group companies	1,270	-	122	12,352	981	(6)
Total	**1,270**	**131,747**	**157**	**12,352**	**1,410**	**(2,330)**

Main transactions with ultimate parent company consists of receiving loans and management fee. Main transactions with Ignitis Group companies consist of selling electricity produced, support services provided to Group companies and derivative transactions related to electricity.

Loans received from ultimate parent company are disclosed in Note 27. Derivative transactions concluded with Ignitis grupė AB group companies are disclosed in Note 31.

33.1 Terms of transactions with related parties

The payment terms set range from 15 to 30 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash. There were no guarantees given or received in respect of the related party payables and receivable.

33.2 Compensation to key management personnel

EURk	2022	2021
Wages and salaries and other short-term benefits to key management personnel	261	157
Whereof:		
Short-term benefits	*261*	*125*
Termination benefits	*-*	*7*
Share-based payment expenses	*-*	*25*
Number of key management personnel	4	4

In 2022 and 2021 members of Board and Chief Executive Officer are considered to be the Group's key management personnel. For more information on the key management personnel, see the 'Governance report' of Annual report.

34 Fair values of financial instruments

34.1 Financial instruments, measured at fair value

As at 31 December 2022 and 2021, the Group has accounted for assets and liabilities arising from financial derivatives. The Group accounts for financial derivative assets and liabilities at fair value and their accounting policies are set out in Note 3.10.3. Market values that are based on quoted prices (Level 1) comprise quoted commodities derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet. Market values based on observable inputs (Level 2) comprise derivatives where valuation models with observable inputs are used to measure fair value. All assets and liabilities measured at market value are measured on a recurring basis. The Group attributes to Level 2 of the fair value hierarchy derivatives linked with the Estonian electricity price areas. Derivatives acquired directly from other market participants (OTC contracts) are estimated based on the prices of the NASDAQ Commodities exchange.

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

34.2 Financial instruments for which fair value is disclosed

The Group's fair value of financial assets related to loans granted and financial liabilities related to debt liabilities to the state-owned investment banks and ultimate parent company is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 4.80% for loans above EUR 1 million and 4.84% for loans less EUR 1 million (as at 31 December 2021: accordingly 2.76% and 2.82%).

The measurement of financial assets related to loans granted is attributed to Level 3 of the fair value hierarchy and the measurement of financial liabilities related to debt liabilities is attributed to Level 2 of the fair value hierarchy.

34.3 Financial instruments' fair value hierarchy levels

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

EURk	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments measured at FVOCI						
Assets						
Derivatives	31	**6,019**	-	6,019	-	**6,019**
Liabilities						
Derivatives	31	**693**	-	693	-	**693**
Financial instruments measured at FVPL						
Assets						
Investment into Moray West Holdings Limited	18	**5,000**	-	-	5,000	**5,000**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	17, 22	**24,060**			24,060	**24,060**
Liabilities						
Debt liabilities to state-owned investment banks	27	**80,352**	-	60,564	-	**60,564**
Debt liabilities to ultimate parent company	27	**320,999**	-	269,782	-	**269,782**

The table below presents allocation between the fair value hierarchy levels of the Group's financial instruments as at 31 December 2021:

EURk	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	17, 22	**3,638**	-	-	3,638	**3,638**
Liabilities						
Debt liabilities to state-owned investment banks	27	**87,046**	-	80,177	-	**80,177**
Debt liabilities to ultimate parent company	27	**154,010**	-	147,389	-	**147,389**

35 Business combinations

35.1 Acquisition of Altiplano S.A.

On 30 September 2022 the Group acquired a 100% shareholding in Altiplano S.A. from the legal person. As at 31 December 2022, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 34,360 thousand, EUR 28,060 thousand of which are paid through bank account, EUR 6,300 thousand were identified as contingent consideration which relates to the fulfillment of specific seller's obligations set out in the share purchase agreement: (i) obtaining all the necessary land rights and buildings permits. The amount of contingent consideration was assessed by the Group's management according to probability of fulfillment of obligations. As at 31 December 2022 the contingent consideration amounted to EUR 6.3 million. As at 31 December 2022 the investment was not fully paid. The Group's management estimated that the range of outcomes (undiscounted) is 100% of the total contingent consideration booked as at 31 December 2022.

The Group applied the acquisition accounting method to account for this business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents other intangible assets identified during business combination. The Group's management carried out the preliminary assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Note	Altiplano S.A.
Assets acquired		
Property, plant and equipment	14	5,028
Right-of-use assets	15	5,167
Prepayments for non-current assets		192
Current receivables		6,510
Cash and cash equivalents		9
Other intangible assets identified during business combination		29,987
Liabilities assumed		
Non-current lease liabilities		(5,167)
Income tax payable		(728)
Deferred tax liabilities		(5,698)
Trade payables		(940)
Total identifiable net assets acquired		**34,360**
Consideration paid		(28,060)
Contingent consideration		(6,300)
Total consideration transferred:		**(34,360)**
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(28,060)
Cash and cash equivalents acquired		9
Net cash flows		**(28,051)**

Other intangible assets identified during business combination comprise the licence to generate electricity. Multi-period excess earnings method was used measuring fair value of other intangible assets: it considers the present value of net cash flows expected to be generated by the production of electricity, by excluding any cash flows related to contributory assets.

If the acquisition of Altiplano S.A. had occurred on 1 January 2022, management estimates that the Group's net profit for the reporting period would not have changed significantly, and the Group's revenue for the reporting period would have been higher on EUR 1.5 million. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of profit or loss and comprehensive income for the reporting period are not significant.

The Group incurred acquisition-related costs for an amount of EUR 737 thousand on transfer tax, legal fees and due diligence costs. These costs have been included in statement of profit or loss item "Other expenses".

35.2 Acquisition of UAB „Plungės vėjo energija"

On 25 November 2022 the Group acquired a 100% shareholding in UAB „Plungės vėjo energija" from the legal persons. As at 31 December 2022, ownership rights of shares were held by the Group. Total consideration transferred amounts to EUR 321 thousand, which was paid through bank account. The share purchase agreement includes contingent consideration which relates to fulfillment of specific seller's obligations set out: (i) security of all the land rights, (ii) reservation of grid capacities, (iii) development license from regulator received. The amount of contingent consideration was assessed by the Group's management according to probability of obtaining necessary grid capacities within foreseeable future and it was determined being zero as at 31 December 2022, according to this the investment is considered as fully paid. The range of outcomes cannot be estimated due to remote triggering events that influence the fulfillment of obligations by the seller.

The Group applied the acquisition accounting method to account for this business combination according to the provisions of IFRS 3. Under the latter method, the acquisition cost is measured as the sum of the fair values, at the date of exchange, of assets given, liabilities incurred and equity instruments issued in exchange for control of the business being acquired.

During business combinations, the Group established that the difference between the acquisition cost of the business and the fair value of the net assets acquired represents goodwill identified during business combination. The Group's management carried out the preliminary assessment of the business combination. At the time of business combinations, the fair values of assets and liabilities were as follows:

	Note	UAB „Plungės vėjo energija"
Assets acquired		-
Liabilities assumed		-
Total identifiable net assets acquired		**-**
Consideration paid		(321)
Total consideration transferred:		**(321)**
Goodwill arising from the acquisition of subsidiary	13	321
Net cash flows from acquisition of subsidiary		
Cash paid to seller of shares		(321)
Cash and cash equivalents acquired		-
Net cash flows		**(321)**

If the acquisition of UAB „Plungės vėjo energija" had occurred on 1 January 2022, management estimates that the Group's total revenue and net profit would not have changed significantly. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of profit or loss and comprehensive income for the reporting period are not significant.

The Group incurred acquisition-related costs for an amount of EUR 0.1 million on transfer tax, legal fees and due diligence costs. These costs have been included in statement of profit or loss item "Other expenses".

35.3 Reassessment of fair values of assets identified during business combination

During the year 2022 the Group made the reassessment of fair values of assets identified during business combination of subsidiary Silezia1 Wind Farm sp. z o.o. (previously Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.) which was acquired on December 2021. Reassessment showed that fair value of goodwill should be adjusted by EUR 270 thousand.

36 Events after the reporting period

36.1 New subsidiaries acquired or established

During the year 2023 the Group acquired the following subsidiaries:
– as at 14 March 2023 – 100 perc. of voting shares in company SP Venta SIA (Latvia) developing solar power plant;
– as at 17 March 2023 – 100 perc. of voting shares in company CVE SIA (Latvia) developing wind power plant;
– as at 17 March 2023 – 100 perc. of voting share in company BRV SIA (Latvia) developing wind power plant.

As the initial accounting of business combination is incomplete as at the time the financial statements are authorised for issue, the disclosure of required information is impracticable because of the significant assumptions required to take by management and impossibility to distinguish objectively information about significant estimates. Consideration paid (without contingent consideration which is not finally evaluated as at the time the financial statements are authorised for issue) for all three companies amounted to EUR 2.7 million.

During the year 2023 the Group established the following new subsidiaries:
– UAB Ignitis renewables projektai 4 (Lithuania)
– UAB Ignitis renewables projektai 5 (Lithuania)
– UAB Ignitis renewables projektai 6 (Lithuania)

36.2 Other

The Group extended a loan to Moray West Holdings Limited till 1 July 2025 by increasing the maximum loan amount to GBP 51 million. As at 31 December 2022 the carrying amount of loan receivable was EUR 23.4 million.

The Group issued new bank guarantees to electricity grid operators for EUR 10,239 thousand and GBP 14,210 thousand to the contractors of the Moray Offshore Windfarm (West) Limited project. The maturity of the issued guarantees is 2024-2026.

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

6.2 Parent company's financial statements

Prepared for the year ended 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the European Union

The parent company's financial statements were prepared and signed by UAB „Ignitis renewables" management on 2 May 2023:

Thierry Aelens	**Augustas Dragūnas**	**Paulius Žukovskis**
Chief Executive Officer	Chief Financial Officer	UAB „Ignitis grupės paslaugų centras", Head of Financial statements and consultations acting under Decision No 23_GSC_SP_0010 (signed 17 February 2023)

Content

Statement of Profit or Loss

For the year ended 31 December 2022

EURk	Notes	2022	2021
Revenue from contracts with customers	6	283	272
Dividend income	7	9,400	5,353
Total revenue and other income		**9,683**	**5,625**
Salaries and related expenses		(3,029)	(1,050)
Depreciation and amortisation		(21)	(28)
(Impairment) / reversal of impairment of investments in subsidiaries	12.4	1,650	(350)
Other expenses	8	(3,213)	(1,919)
Total expenses		**(4,613)**	**(3,347)**
Operating profit (loss)		**5,070**	**2,278**
Finance income	9	2,261	868
Finance expenses	10	(6,406)	(1,786)
Finance activity, net		**(4,145)**	**(918)**
Profit (loss) before tax		**925**	**1,360**
Current year income tax (expenses)/benefit	11	-	-
Deferred tax (expenses)/benefit	11	1,290	511
Net profit for the year		**2,215**	**1,871**

Statement of Comprehensive Income

For the year ended 31 December 2022

EURk	Notes	2022	2021
Net profit for the year		**2,215**	**1,871**
Total other comprehensive income (loss) for the year		19	(8)
Total comprehensive income (loss) for the year		**2,234**	**1,863**

Statement of Financial Position

As at 31 December 2022

EURk	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Intangible assets		36	36
Property, plant and equipment		205	1
Right-of-use assets		20	14
Investments in subsidiaries	12	189,017	119,863
Non-current receivables	13	132,085	42,834
Other financial assets	15	15,798	5,932
Other non-current assets		236	-
Deferred tax assets	11	1,314	574
Total non-current assets		**338,711**	**169,254**
Current assets			
Prepayments and deferred expenses		109	5
Trade receivables		219	132
Other receivables	14	28,453	8,747
Cash and cash equivalents	16	20,373	1,322
Total current assets		**49,154**	**10,206**
Total assets		**387,865**	**179,460**
Equity and liabilities			
Equity			
Issued capital	17	22	22
Share premium		54,133	54,133
Reserves	18	93	-
Retained earnings		2,248	1,877
Total equity		**56,496**	**56,032**
Liabilities			
Non-current liabilities			
Non-current loans	19	288,000	113,950
Non-current lease liabilities	20	8	4
Provisions		5	14
Total non-current liabilities		**288,013**	**113,968**
Current liabilities			
Loans	19	31,004	3,879
Lease liabilities	20	13	10
Trade payables		180	98
Provisions		-	5,000
Other current amounts payable and liabilities	21	12,159	473
Total current liabilities		**43,356**	**9,460**
Total liabilities		**331,369**	**123,428**
Total equity and liabilities		**387,865**	**179,460**

Statement of Changes in Equity

For the year ended 31 December 2022

EURk	Notes	Issued capital	Share premium	Legal reserve	Retained earnings	Total
Balance as at 1 January 2021		**3**	**44,697**	**-**	**6,656**	**51,356**
Net profit for the year		-	-	-	1,871	**1,871**
Other comprehensive income		-	-	-	(8)	**(8)**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**1,863**	**1,863**
Share capital and share premium increase	17.3	19	9,436	-	-	**9,455**
Dividends	7.1	-	-	-	(6,655)	**(6,655)**
Share based payments		-	-	-	13	**13**
Balance as at 31 December 2021		**22**	**54,133**	**-**	**1,877**	**56,032**
Balance as at 1 January 2022		**22**	**54,133**	**-**	**1,877**	**56,032**
Net profit for the year		-	-	-	2,215	**2,215**
Other comprehensive income		-	-	-	19	**19**
Total comprehensive income (loss) for the year		**-**	**-**	**-**	**2,234**	**2,234**
Transfers to legal reserve		-	-	93	(93)	**-**
Dividends	7.1	-	-	-	(1,770)	**(1,770)**
Balance as at 31 December 2022		**22**	**54,133**	**93**	**2,248**	**56,496**

Statement of Cash Flows

For the year ended 31 December 2022

EURk	Notes	2022	2021
Cash flows from operating activities			
Net profit for the year		2,215	1,871
Adjustments to reconcile net profit to net cash flows:			
Depreciation and amortisation expenses		21	28
Impairment/(reversal of impairment) of investments in subsidiaries	12	(1,650)	350
Income tax expenses/(income)	11	(1,290)	(511)
Increase/(decrease) in provisions		13	-
Share-based payments expenses		-	14
Interest income	9	(2,261)	(739)
Interest expenses	10	3,979	1,786
Dividends	7	(9,400)	(5,353)
Other expenses/(income) of financing activities	9, 10	2,427	(129)
Changes in working capital:			
(Increase)/decrease in trade receivables, non-current and other receivables, other financial assets		(5,320)	(2,640)
(Increase)/decrease in prepayments and deferred expenses, other non-current assets		(340)	16
Increase/(decrease) in trade payables, other current amounts payable and liabilities		(475)	165
Net cash flows from (to) operating activities		**(12,081)**	**(5,142)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(204)	(7)
Loans granted		(122,618)	(36,152)
Loan repayments received		9,502	2,400
Acquisition of a subsidiary	12.5	(61,473)	(15,113)
Interest received	9	1,678	1,251
Dividends received	7	9,400	5,353
Other increases/(decreases) in cash flows from investing activities	12.5	269	-
Net cash flows from investing activities		**(163,446)**	**(42,268)**
Cash flows from financing activities			
Loans received	20	202,277	111,300
Repayments of loans	20	-	(56,923)
Cash-pool net-change	20	(2,691)	(128)
Lease payments	20	(15)	(32)
Interest paid	20	(3,223)	(1,089)
Dividends paid	7	(1,770)	(6,655)
Net cash flows from financing activities		**194,578**	**46,473**
Increase/(decrease) in cash and cash equivalents		**19,051**	**(937)**
Cash and cash equivalents at the beginning of the year		1,322	2,259
Cash and cash equivalents at the end of the year	16	**20,373**	**1,322**

Explanatory Notes

For the year ended 31 December 2022

1 General information

UAB "Ignitis renewables" (hereinafter - the Company or the parent company) is a private limited liability company registered in the Republic of Lithuania. The Company was registered on 14 January 2019 with the Register of Legal Entities managed by the public institution the Centre of Registers. The Company's registered office address is Laisvės pr. 10, LT-04215, Vilnius, Lithuania. Company code 304988904, VAT payer code LT100012186012. The Company has been founded for an indefinite period.

UAB „Ignitis renewables" is a parent company, which is responsible for the management and coordination of activities of the group companies (Note 12). The parent company and its subsidiaries are hereinafter collectively referred to as 'the Group'. The Group's core business is focused on generation of electricity and developing wind and solar power generation projects.

The parent company analyses the activities of group companies, represents the group, implements it's shareholder's rights and obligations, defines operation guidelines and rules, and coordinates the activities in the fields of finance, law, strategy and development, human resources, risk management, audit, technology, communication, etc.

The parent company seeks to ensure effective operation of group companies, implementation of the shareholder's strategic goals related to expansion of its green electricity generation portfolio .

The parent company's shareholder is AB "Ignitis grupė" (100.00%):

Shareholder of the parent company	31 December 2022		31 December 2021	
	Share capital, in EURk	%	Share capital, in EURk	%
AB "Ignitis grupė"	22	100.00	22	100.00
Total	**22**		**22**	

AB "Ignitis grupė" (hereinafter – the ultimate parent company) (company code 301844044, registered address Laisvės pr. 10, LT-04215 Vilnius, Lithuania) as at 31 December 2022 and 2021 holds 100% shares of the parent company. As at 31 December 2022, the shareholder structure of AB "Ignitis grupė" is as follows: the Ministry of Finance of the Republic of Lithuania (74.99%), and retail and institutional investors (25.01%). As at 31 December 2021: the Ministry of Finance of the Republic of Lithuania (73.08%), retail and institutional investors (25.25%) and own shares (1.67%).

These financial statements were prepared and signed for issue by the Group's management on 28 April 2023.

The parent company's shareholder have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

2 Basis of preparation

2.1 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS') issued by International Accounting Standards Board (hereinafter referred to as 'IASB') and endorsed for application in European Union. Reporting period of these financial statements is one year ended 31 December 2022.

The parent company's financial statements as at and for the year ended 31 December 2022 (hereinafter referred to as 'financial statements') have been prepared on a going concern basis applying measurement based on historical cost (hereinafter referred to as 'acquisition costs'), except for certain financial instruments measured at fair value.

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

2.2 Foreign currency translation

2.2.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3 Significant accounting policies

3.1 New standards, amendments and interpretations

3.1.1 Changes in accounting policy and disclosures

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

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

The following are new standards and/or amendments to the standards that have been approved by IASB and endorsed in European Union during the year ended as at 31 December 2022. The adoption of these standards, revisions and interpretations had no material impact on the financial statements:

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

3.1.2 Standards issued but not yet effective and not early adopted

Preparing these financial statements the parent company did not adopt new IFRS, International Accounting Standards (hereinafter referred to as 'IAS'), their amendments and interpretations issued by IASB, the effective date of which is later than 31 December 2022 and early adoption is permitted. The following are new standards and/or amendments to the standards that have been issued but not yet effective:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The objective of the amendments is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosures. More specifically, the amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments also state that information about accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence the decisions that the primary users of those financial statements make. The amendments also clarify that:

(a) not all information about accounting relating to material transactions, other events or conditions is itself material;
(b) accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
(c) disclosing immaterial information about accounting policy is not prohibited but that it shall not obscure material accounting policy information; and
(d) the amendments do not relieve an entity from meeting other disclosure requirements within IFRS.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2023. Early application is permitted. Amendments are endorsed for application in EU.

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

Other standards

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

Other new standards or amendments	IASB Effective date	EU Endorsement status
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023	Endorsed
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Endorsed
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023	Endorsed
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	Endorsed
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024	Not yet endorsed
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed

3.2 Revenue from contracts with customers

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

(i) customer can benefit from the good or service on its own or with other readily available resources (i.e. distinct individually), and
(ii) the good or service is separately identifiable from other promises in the contract (distinct within the context of the contract).

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the parent company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the parent company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

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

3.2.1 Management services

The parent company provides management services to its subsidiaries. The control of management services is transferred over time and, therefore, the parent company satisfies a performance obligation and revenue is recognised over time. The parent company has concluded that it is the principal in its revenue arrangements.

For measuring a progress towards to complete satisfaction of a performance obligation the parent company applies a practical expedient allowed by IFRS 15. As the parent company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the performance completed to date, the parent company recognises revenue in the amount to which it has a right to invoice. The parent company bills a fixed amount for each hour of service provided.

Payment term is 30 days from the date of invoice issued for the services rendered in past month. The contract has no significant financing component as there is no significant length of time between the payment and the transfer of services.

After one calendar year of providing services the parent company recalculates the price of the provided services, taking into account its actual costs incurred in providing these services to the customer and adjusts the amount payable by the customer accordingly.

3.2.2 Contract balances

3.2.2.1 Contract assets and contract liabilities

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

3.2.2.2 Receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 3.11.1.

3.3 Dividend income

Dividend income is recognised after the shareholders' rights to receive payment have been established. Dividends received are attributed to investing activities in the statement of cash flows.

3.4 Expense recognition

Expenses are recognised in statement of profit or loss and other comprehensive income as incurred applying accrual basis.

3.5 Dividend distribution

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

3.6 Current and deferred tax

3.6.1 Income tax

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of income tax are those that are enacted or substantively enacted at the statement of financial position date.

Current income tax is calculated on profit before tax. Standard corporate income tax rate applicable in Lithuania is 15 percent.

In Lithuania tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the parent company changes its activities due to which these losses incurred except when the parent company does not continue its activities due to reasons which do not depend on parent company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and can only be used to reduce the taxable income earned from the transactions of the same nature In terms of utilizing tax losses carried-forward the amount may not exceed 70% of the taxpayer's taxable profits in a given year.

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

3.6.2 Deferred tax

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

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

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

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

3.6.3 Current and deferred tax for the reporting period

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

3.7 Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the useful lives established for property, plant and equipment.

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 the statement of profit or loss during the financial period in which they are incurred.

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

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)
Other property, plant and equipment	3-6

3.8 Right-of-use assets

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

3.8.1 Initial measurement of right-of-use assets

At the commencement date, the parent company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises: the amount equal to the lease liability at its initial recognition, lease payments made at or before the commencement of the lease (less any lease incentives received), any initial direct costs incurred by the parent company, and an estimate of costs to be incurred by the parent company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The parent company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The parent company recognises these costs as part of the cost of right-of-use asset when the parent company incurs an obligation for these costs.

3.8.2 Subsequent measurement of right-of-use assets

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

If the lease transfers ownership of the underlying asset to the parent company by the end of the lease term or if the cost of the right-of-use asset reflects that the parent company will exercise a purchase option, the parent company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the parent company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are depreciated on a straight-line basis.

The parent company presents rights-of-use assets separately from property, plant and equipment in the statement of financial position.

3.9 Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position at acquisition cost less impairment loss, when the investment's carrying amount exceeds its estimated recoverable amount. An adjustment to the value is made to write-down the difference as expense in statement of profit or loss and other comprehensive income. If the basis for the write-down can no longer be justified at the statement of financial position date, it is reversed. If there is a present obligation to cover a deficit in subsidiaries, a provision is recognised for this.

3.10 Impairment of non-financial assets

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

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

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

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

3.11 Financial instruments

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

3.11.1 Financial assets

The parent company classifies their financial assets into the following three categories:
(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income (hereinafter "FVOCI"); and
(iii) financial assets subsequently measured at fair value through profit or loss (hereinafter "FVPL").

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

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

Subsequent to initial recognition, financial assets are classified into the afore-mentioned categories based on the business model the parent company applies when managing its financial assets and characteristics of cash flows from these assets. The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective of the parent company. The intentions of the parent company's management regarding separate instruments have no effect on the applied business model. The parent company may apply more than one business model to manage its financial assets. In view of the business model applied for managing the group of financial assets, the accounting for financial assets, except for financial assets subsequently measured at FVOCI as the parent company does not have this kind of assets, is as follows:

3.11.1.1 Financial assets at amortised cost

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

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

3.11.1.2 Financial assets at FVPL

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

The parent company classifies financial assets as assets measured at FVPL, if this eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains or losses thereof on different bases. A gain or loss on fair value measurement of debt investment is recognised in profit or loss of statement of profit or loss and other comprehensive income in the period in which it arises. The parent company classifies in this category investments to equity instruments that do not meet the SPPI conditions.

3.11.1.3 Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss of statement of profit or loss and other comprehensive income over the relevant period.

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

3.11.1.4 Impairment of financial assets – expected credit losses (hereinafter "ECL")

The parent company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost regardless of whether there are any impairment indicators.

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

ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events and current conditions, and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Lifetime expected credit losses are ECL that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The parent company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. ECL are recognised by taking into consideration individually or collectively assessed credit risk of loans granted, trade and other receivables. Credit risk is assessed based on all reasonable information, including future-oriented information.

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

ECL for receivables (other than trade receivables) are calculated:
- ECL for receivables from Group companies are calculated using individual assessment;
- ECL for other receivables, prepayments and accrual of income are calculated using individual assessment.

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

Recognition stages of ECL:
1. upon granting of a loan, the parent company recognises ECL for the twelve-month period. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL;
2. upon establishing that the credit risk related to the borrower has significantly increased, the parent company accounts for the lifetime expected credit losses of the loan agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of ECL;
3. where the parent company establishes that the recovery of the loan is doubtful, the parent company classifies this loan as credit-impaired financial assets (doubtful loans and receivables). Interest income from the loan is calculated on the carrying amount of financial assets which is reduced by the amount of ECL.

In stage 2, an assessment of the significant deterioration in the borrower's financial situation is performed by comparing the financial situation as at the time of the assessment and the financial situation as at the time of issuing the loan.

The latest point at which the parent company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 90 days. In case of other evidence available, the parent company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 90 days past due presumption.

3.11.1.5 Credit-impaired financial assets

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

3.11.1.6 Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows from the asset is retained, but an obligation is assumed to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the rights to receive cash flows from the asset are transferred and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of the asset has been transferred:
  - if control is not retained, the financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised separately as assets or liabilities;
  - if control is retained, it shall continue to recognise the financial asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Whether the control of the transferred asset is retained depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, control is not retained. In all other cases, control is retained.

3.11.2 Financial liabilities and equity instruments issued

3.11.2.1 Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

3.11.2.2 Subsequent measurement

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

- financial liabilities at FVPL;
- financial liabilities at amortised cost (loans and other payables not measured at FVPL).

3.11.2.3 Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities designated upon initial recognition as at FVPL. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

3.11.2.4 Financial liabilities at amortised cost

All financial liabilities of the parent company are attributed to this category. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interests. The effective interests amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to trade payables and interest-bearing loans. The parent company's financial liabilities include the following:

3.11.2.5 Classification

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

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

3.11.2.6 Recognition of instruments as debt or equity instruments

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

3.11.2.7 Equity instruments

Equity instrument is any contract that evidences an interest in the assets of the parent company after deducting all of its liabilities. Equity instruments are recorded at the value of the proceeds received net of direct issue costs. Share premium represent the difference between the nominal value of shares and the proceeds received.

3.11.2.8 Derecognition of financial liabilities

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

3.12 Cash and cash equivalents

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

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

3.13 Issued capital and share premium

3.13.1 Issued capital and share premium

Ordinary shares are classified as equity. The parent company's issued capital consists only of ordinary shares.

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

3.13.2 Share-based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model (market value of share price).

During 2022 share-based payments agreements were voluntarily terminated without any compensation to executives and cancellation is not related to the failure of meeting vesting conditions, thus accounted as accelerated vesting of share based payments therefore full expense and related increase in equity recognised immediately.

3.14 Lease liabilities

At the commencement date of the lease the parent company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the parent company and payments of penalties for terminating the lease, if the lease term reflects the parent company exercising the option to terminate.

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

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

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

The parent company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The parent company also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.15 Employee benefits

3.15.1 State plans

The parent company participates only in State plans. State plans are established by legislation to cover all entities and are operated by national or local government or by another body (for example, in the case of the Group, the State Social Security Fund). State plans are defined benefit plan under which the Group pay fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. This contributions are recognised as an expense on an accrual basis and are included within remuneration expenses

3.16 Contingencies

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

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

3.17 Related parties

Related parties are defined as follows:
- Group companies;
- parent company's controlling shareholder or those who have significant influence;
- other parent company's controlling shareholder's subsidiaries;
- associated companies;
- state controlled companies and their subsidiaries (only significant transactions are being disclosed with such companies);
- Ministry of Finance of the Republic of Lithuania along with agencies and enterprises that are attributable to the governance of the decisions (only significant transactions are being disclosed with such companies);
- key management personnel and close members of that personnel's family and their controlled enterprises and companies.

3.18 Offsetting

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

3.19 Fair value

Fair value is defined by IFRS as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The parent company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- in the principal market for the asset or liability, or
- in the absence of principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The parent 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 fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1: fair value of assets is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value of assets is based on other observable market data, directly or indirectly;
- Level 3: fair value of assets is based on non-observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.20 Events after the reporting period

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

4 Risk management

4.1 Overview

Risks are a natural and integral part of business activities, and risk profile changes continuously. The parent company aims to mitigate its risks and reduce them to an acceptable level through risk management. This part describes only the management of the main financial risks. Other risks management are presented in the Governance section of Annual report.

4.2 Financial risk factors

The parent company is exposed to a variety of financial risks in their operations: market risk (including foreign exchange risk, interest rate risk in relation to cash flows), credit risk and liquidity risk. In managing these risks, the parent company seeks to mitigate the impact of factors which could adversely affect the parent company's financial performance results.

4.2.1 Market risk

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

4.2.1.1 Foreign currency exchange risk

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

The parent company's sale/purchase transactions for day-to-day operations are denominated in euros, therefore does not bear the risk of foreign exchange rate fluctuations. However the parent company is exposed to a foreign currency exchange risk related to (i) loan granted in sterling pounds to Moray West Holdings Limited (Note 14) and (ii) loan received and granted in polish zlotys from/to the subsidiaries (Note 13, 14, 19).

The parent company has not entered into the PLN/EUR exchange rate swaps. As the Group expands in Poland, management will consider entering into exchange rate swaps or to perform other foreign currency exchange risk mitigation actions. Maturity of loan issued in pound sterling is until 31 March 2023 the parent company is not planning to enter into the GBP/EUR exchange rate swaps.

Having identified significant exposure to a foreign currency exchange risk related to loans the management of the parent company discloses sensitivity analysis for this risk:

31 December 2022	Profit or loss	
	Strengthening of euro against foreign currency	Weakening of euro against foreign currency
PLN (10.25% movement)	(1,795)	1,461
GBP (9.56% movement)	2,471	(2,040)

31 December 2021	Profit or loss	
	Strengthening of euro against foreign currency	Weakening of euro against foreign currency
PLN (5.84% movement)	219	(195)
GBP (8% movement)	404	(344)

4.2.1.2 Interest rate risk

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

The parent company's income and cash flows are affected by fluctuations in market interest rates because the loans granted to Moray West Holdings Limited had fixed and variable interest rates as at 31 December 2022, and therefore, it is exposed to interest rate risk.

In assuming debt obligations, it is aimed that non-current liabilities would bear a fixed interest rate. If the fixing of the interest rate is not possible due to objective reasons and the liability assumed comprises a significant amount, interest rate derivatives would be used for the purpose of interest management (the parent company did not use such derivatives during 2022 and 2021). The usage of any of the interest rate derivatives requires the expiry date of the derivative to correspond to the maturity date of the debt obligation.

The risk of adverse changes in the interest rate of the investment is not actively insured. Risk management measures are applied only when the market has obvious indications that the interest rate might significantly decrease, resulting in negative investment returns.

Variable-rate financial instruments include loan granted to Moray West Holdings Limited for amount EUR 23.4 million as at 31 December 2022 (as at 31 December 2021 all loans received or granted were with fixed interest rate) (Note 14).

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

	Increase/decrease, pp	(Decrease)/increase in profit
2022	1.0/ (1.0)	234 / (234)
2021	1.0/ (1.0)	-

4.2.2 Credit risk

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

The parent company's exposure to credit risk arises from operating activities (other amounts receivable) and from financing activities (granted loans).

The parent company is exposed to credit risk concentration related to loans granted, although loans receivable principally consist of loans granted to subsidiaries (Note 13, 14). The parent company is evaluating cash flows and financial results of subsidiaries and Moray West Holdings Limited, no impairment is recognised for the investments into subsidiaries and Moray West Holdings Limited. Due to that the parent company does not consider that risk related to concentration of loans granted is significant.

As at 31 December 2022 the parent company is not exposed to significant credit risk concentration related to other amounts receivable. As at 31 December 2021 other receivables of the parent company principally consisted of dividends receivable and cash reserved for guarantees (Note 14).

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

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

EURk	Notes	31 December 2022	31 December 2021
Financial assets measured at amortised cost:			
Non-current loans granted	13.2	132,085	42,834
Other financial assets	15	10,798	932
Trade receivables		219	132
Other receivables	14	11	4,456
Current loans granted and interests receivable	14	28,193	3,718
Cash and cash equivalents	16	20,373	1,322
Financial assets measured at FVPL			
Other financial assets	15	5,000	5,000
		196,679	**58,394**

4.2.3 Liquidity risk

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

As at 31 December 2022, the parent company's current liquidity ratio (total current assets/total current liabilities) was 1.134 (31 December 2021 – 1.079). As at 31 December 2022, the parent company's balance of credit facilities not withdrawn amounted to EUR 92,473 thousand (31 December 2021 – EUR 288,068 thousand).

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

EURk	Notes	31 December 2022	31 December 2021
Amounts payable measured at amortised cost			
Loans	19	319,004	117,829
Lease liabilities		21	14
Trade payables		180	98
Other current amounts payable and liabilities	21	11,448	140
Total		**330,653**	**118,081**

The table below summarises the maturity profile of the parent company's financial liabilities under the contracts (based on contractual undiscounted payments of interest-bearing financial liabilities and the carrying amounts of other financial liabilities):

	2022				In total
EURk	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans	1,707	35,959	21,683	288,000	**347,349**
Lease liabilities	4	10	8	-	**22**
Trade payables	180	-	-	-	**180**
Other amounts payable	5,180	6,268	-	-	**11,448**
Total	**7,071**	**42,237**	**21,691**	**288,000**	**358,999**

	2021				In total
EURk	Less than 3 months	3 months to 1 year	1 and 5 years	After 5 years	
Loans	569	5,573	8,948	123,839	**138,929**
Lease liabilities	-	-	14	-	**14**
Trade payables	98	-	-	-	**98**
Other amounts payable	140	-	-	-	**140**
Total	**807**	**5,573**	**8,962**	**123,839**	**139,181**

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

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

The preparation of financial statements according to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Change in the underlying assumptions, estimates and judgements may have a material effect on the parent company's financial statements in the future.

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

5.1 Impact of climate change

The parent company pays special attention in order to reveal a potential impact of climate change and its related economic, transitional changes on the parent company's activities. This impact may arise from physical (extreme) weather phenomena and from the aspiration of states to switch to the Green Deal, which could cause additional requirements for energy sector: to comply with new regulations, implement new technological solutions, manage reputational risks, respond to fast growing market demand for green solutions, etc.
Read more on the impact of climate change and parent company's approach on managing it in section '5.4 Climate Action' of the annual report.

Climate change and the transition to net zero have been considered in the preparation of these financial statements. In preparing these financial statements, the following has been considered:

Impact of climate change on investment into subsidiaries and loans granted

Each year the parent company assesses whether there are any impairment indications for investments into subsidiaries (Note 5.2). There are no indicators suggesting that investment into subsidiaries have reduced in value, significant impacts of climate change on the parent company's assumptions used in estimating their recoverable value and there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made. Additionally, the parent company assessed whether credit risk of subsidiaries has increased due to climate change impact and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Thus, the parent company management does not reasonably expect climate change to have a significant impact on the value of investment into subsidiaries and loans receivable amounts.

Impact of climate change on provision for risk

The parent company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

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

5.2 Impairment of investments

On 31 December 2022, the parent company carried out an analysis to determine existence of indications of impairment for investments into subsidiaries. The parent company considered information from external and internal sources of information.

For the purpose to determine impairment indications it is assessed whether at least one of the following conditions exists (except for early stage companies):
1. actual adjusted EBITDA (Earnings Before Interests Taxes Depreciation and Amortization) is less than budgeted adjusted EBITDA;
2. the actual adjusted net profit is less than the actual dividends paid;
3. carrying amount of investment is higher than carrying amount of net assets.

In cases at least one abovementioned conditions exists, before performing impairment tests, additional analysis was performed, helping to determine whether current conditions shows impairment indications.

Additionally, the management assessed whether during the reporting period, there have been no significant adverse changes in the technological, market, economic and legal environment in which subsidiaries operate.

Having identified indications for possible reversal of impairment for investment in subsidiary UAB "VĖJO VATAS" UAB as at 31 December 2022 the parent company performed impairment test for it. Reversal resulting indications were mainly caused by increased cash flows that are influenced by forecasted increased electricity market price and company's decreased net debt. The test showed that impairment reversal should be recognized for investment in UAB "VĖJO VATAS". During the year 2022 the parent company recognized reversal of impairment for amount EUR 1,650 thousand. (Note 12.4).

The management did not find any impairment indications in all investments and concluded that no additional impairment is needed for investments into subsidiaries as at 31 December 2022 (Note 12).

6 Revenue from contracts with customers

EURk	2022	2021
Management fee income	283	272
Total	**283**	**272**

The parent company's revenue from contracts with customers during 2022 and 2021 mainly comprised the revenue from advisory and management services provided to subsidiaries.

The parent company did not present any segment information as there is only one segment.

All performance obligations of the parent company are settled over time.

The parent company's balances under the contracts with customers:

EURk	31 December 2022	31 December 2021
Trade receivables	219	132

7 Dividends

7.1 Dividends declared by the parent company

EURk	2022	2021
AB „Ignitis grupė"	1,770	6,655

EUR 1,770 thousand dividends for the year 2021 was approved at the Annual General Meeting of shareholders on 23 May 2022. The parent company dividends for amount EUR 1,770 thousand paid in cash (in 2021: EUR 6,655 thousand).

Dividends declared per share:

Declared on	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared EUR
May 2022	2021 year	80.772	1,769,719
Total declared during 2022 year			**1,769,719**
May 2021	2020 year	2,218.358	6,655,075
Total declared during 2021 year			**6,655,075**

7.2 Dividends received by the parent company

Dividends received by the parent company from Group companies during the year 2022 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the parent company	Non-controlling interest dividends
31 August 2022	Tuuleenergia OU	2021 year	3,933,086.0000	3,933	3,933	-
31 May 2022	UAB „EURAKRAS"	2021 year	16.4652	2,627	2,627	-
31 May 2022	UAB „Vėjo gūsis"	2021 year	4.1207	1,059	1,059	-
31 May 2022	UAB „Vėjo vatas"	2021 year	17.8081	1,781	1,781	-
				9,400	**9,400**	**-**

Dividends received by the parent company from Group companies during the year 2021 are the following:

Declared at	Dividends declared by	Period for which dividends are allocated	Dividends per share, in EUR	Amount of dividends declared	Dividend income attributable to the parent company	Non-controlling interest dividends
2021 June	UAB „Eurakras"	2020 year	17.0763	2,725	2,725	-
2021 June	UAB „Vėjo vatas"	2020 year	10.2347	1,023	1,023	-
2021 June	UAB „Vėjo gūsis"	2020 year	6.2457	1,605	1,605	-
Total				**5,353**	**5,353**	**-**

8 Other expenses

EURk	2022	2021
Consultation services	1,449	1,432
Personnel development	463	92
Taxes	391	84
Marketing	183	102
Telecommunications and IT services	149	48
Other expenses	578	161
In total	**3,213**	**1,919**

9 Finance income

EURk	2022	2021
Interest income at the effective interest rate	2,261	739
Other income from financing activities	-	129
In total	**2,261**	**868**

The parent company earns interest income from long-term and short-term loans, the majority of which is granted to the Group companies (Note 13.2, 14). During the year 2022, the parent company received EUR 1,678 thousand (2021: EUR 1,251 thousand) interest income in cash, which is presented in the cash flow statement under 'Interest received'.

10 Finance expenses

EURk	2022	2021
Interest expenses	3,979	1,786
Negative effect of changes in exchange rates	2,426	-
Other expenses of financing activities	1	-
In total	**6,406**	**1,786**

The parent company incurs interest expense on long-term and short-term loans payable (Note 19). During the year 2022, the parent company paid interest in cash in the amount of EUR 3,223 thousand (2021: EUR 1,089 thousand), which are presented in the cash flow statement under 'Interest paid'.

11 Income taxes

11.1 Amounts recognised in profit or loss

EURk	2022	2021
Current year income tax expenses/(benefit)	-	-
Deferred tax expenses/(benefit)	(1,290)	(511)
Income tax expenses (benefit) recognised in profit or loss	**(1,290)**	**(511)**

11.2 Reconciliation of effective tax rate

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

EURk	2022	2022	2021	2021
Profit (loss) before tax		925		1,360
Income tax expenses (benefit) at tax rate of 15%	15.03%	139	15.00%	204
Expenses not deductible for tax purposes	3.89%	36	6.47%	88
Income not subject to tax	(158.38%)	(1,465)	(59.04%)	(803)
Income tax expenses (benefit)	**(139.46%)**	**(1,290)**	**(37.57%)**	**(511)**

11.3 Deferred tax

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

EURk	As at 31 December 2021	Recognised in profit or loss	Recognised in other comprehensive income	Tax losses given/taken	As at 31 December 2022
Deferred tax assets					
Accrued expenses	**5**	74	(3)	-	**76**
Tax losses carry forward	**569**	1,216		(547)	**1,238**
Deferred tax asset	**574**	**1,290**	**(3)**	**(547)**	**1,314**

EURk	As at 31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	Tax losses given/taken	As at 31 December 2021
Deferred tax assets					
Accrued expenses	19	(15)	1	-	**5**
Tax losses carry forward	417	526		(374)	**569**
Deferred tax asset	**436**	**511**	**1**	**(374)**	**574**

12 Investments in subsidiaries

Information on the parent company's investments in subsidiaries as at 31 December 2022 provided below:

EURk	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
Pomerania Wind Farm Sp. z o. o.	56,627	-	56,627	100.00	100.00
Ignitis Renewables Polska Sp. z o. o.	34,641	-	34,641	100.00	100.00
Altiplano S.A.	34,360	-	34,360	100.00	100.00
UAB „EURAKRAS"	18,735	-	18,735	100.00	100.00
UAB „VĖJO GŪSIS"	12,919	-	12,919	100.00	100.00
Tuuleenergia OU	9,455	-	9,455	100.00	100.00
Silezia1 Wind Farm Sp. z o. o.	9,276	-	9,276	100.00	100.00
UAB „VĖJO VATAS"	6,132	-	6,132	100.00	100.00
UAB „VVP Investment"	2,532	-	2,532	100.00	100.00
Ignitis renewables Latvia SIA	2,000	-	2,000	100.00	100.00
UAB „Ignitis renewables projektai"	1,000	-	1,000	100.00	100.00
Ignitis RES DEV1 SIA	500	-	500	100.00	100.00
Ignitis RES DEV2 SIA	500	-	500	100.00	100.00
UAB „Plungės vėjo energija"	321	-	321	100.00	100.00
UAB „Ignitis renewables projektai 2"	3	-	3	100.00	100.00
UAB „Ignitis renewables projektai 3"	3	-	3	100.00	100.00
UAB „Vėjo galia bendruomenei"	3	-	3	100.00	100.00
Ignitis RES DEV3 SIA	3	-	3	100.00	100.00
Ignitis RES DEV4 SIA	3	-	3	100.00	100.00
Ignitis RES DEV5 SIA	2	-	2	100.00	100.00
Ignitis RES DEV6 SIA	2	-	2	100.00	100.00
In total	**189,017**	**-**	**189,017**		

Information on the parent company's investments in subsidiaries as at 31 December 2021 provided below:

EURk	Acquisition cost	Impairment	Carrying amount	Company's ownership interest, %	Group's effective ownership interest, %
Subsidiaries:					
Pomerania Wind Farm Sp. z o. o.	56,627	-	56,627	100.00	100.00
UAB „EURAKRAS"	18,735	-	18,735	100.00	100.00
UAB „VĖJO GŪSIS"	12,919	-	12,919	100.00	100.00
Silezia1 Wind Farm Sp. z o. o.[1]	9,545	-	9,545	100.00	100.00
Tuuleenergia OU	9,455	-	9,455	100.00	100.00
UAB „VĖJO VATAS"	6,132	(1,650)	4,482	100.00	100.00
Ignitis Renewables Polska Sp. z o. o.	4,568	-	4,568	100.00	100.00
UAB „VVP Investment"	2,532	-	2,532	100.00	100.00
UAB „Ignitis renewables projektai"	1,000	-	1,000	100.00	100.00
Ignitis RES DEV Sp. z o.o.	-	-	-	-	100.00
In total	**121,513**	**(1,650)**	**119,863**		

[1] *Former name of Silezia1 Wind Farm Sp. z o. o. was Altiplano Elektrownie Wiatrowe B1 Sp. z o. o.*

Movement of the parent company's investments during the year were as follows:

EURk	2022	2021
Carrying amount at 1 January	**119,863**	**95,645**
Acquisition of shares from non-controlling interest (Note 12.1)	34,681	19,000
Established new subsidiaries (Note 12.2)	3,019	1,000
Decrease in investments due to received holdback amount	(269)	-
(Impairment) / reversal of impairment of investments in subsidiaries (Note 12.4)	1,650	(350)
Share capital and share premium increase/(decrease) in subsidiaries (Note 12.3)	30,073	4,568
Carrying amount at 31 December	**189,017**	**119,863**

During the year 2022 there were no cash payments for coverage of losses.

During the year 2022 there were significant changes in the parent company's investments in subsidiaries which were covered by the following events:

12.1 Acquisition of subsidiaries from non-controlling interest

12.1.1 Subsidiaries acquired during the year 2022:

EURk	Date	Share capital	Share premium	Consideration transferred
Altiplano S.A.	September 2022	9,790	193	34,360
UAB „Plungės vėjo energija"	November 2022	3	-	321
In total		**9,793**	**193**	**34,681**

12.1.1.1 Altiplano S.A.

On 30 September 2022 the parent company acquired a 100% shareholding in Altiplano S.A. from the legal person. As at 31 December 2022, ownership rights of shares were held by the parent company. Total consideration transferred amounts to EUR 34,360 thousand, EUR 28,060 thousand of which are paid through bank account, EUR 6,300 thousand were identified as contingent consideration which relates to the fulfillment of specific seller's obligations set out in the share purchase agreement: (i) obtaining all the necessary land rights and buildings permits. The amount of contingent consideration was assessed by the parent company's management according to probability of fulfillment of obligations. As at 31 December 2022 the contingent consideration amounted to EUR 6,268 thousand (Note 21). As at 31 December 2022 the investment was not fully paid.

12.1.1.2 UAB „Plungės vėjo energija"

On 25 November 2022 the parent company acquired a 100% shareholding in UAB „Plungės vėjo energija" from the legal persons. As at 31 December 2022, ownership rights of shares were held by the parent company. Total consideration transferred amounts to EUR 321 thousand, which was paid through bank account. The share purchase agreement includes contingent consideration which relates to fulfillment of specific seller's obligations set out: (i) security of all the land rights, (ii) reservation of grid capacities, (iii) development license from regulator received. The amount of contingent consideration was assessed by the parent company's management according to probability of obtaining necessary grid capacities within foreseeable future and it was determined being zero as at 31 December 2022, according to this the investment is considered as fully paid. The range of outcomes cannot be estimated due to remote triggering events that influence the fulfillment of obligations by the seller.

12.1.2 Subsidiaries acquired during the year 2021:

EURk	Date	Share capital	Share premium	Consideration transferred
Silezia1 Wind Farm Sp. z o. o.	December 2021	10,437	712	9,545
Tuuleenergia OU	December 2021	499	576	9,455
In total		**10,936**	**1,288**	**19,000**

12.2 Established new subsidiaries

Established new subsidiaries in year 2022:

EURk	Date	Share capital	Share premium
Ignitis renewables Latvia SIA	February 2022	2,000	-
Ignitis RES DEV1 SIA	March 2022	500	-
Ignitis RES DEV2 SIA	March 2022	500	-
Ignitis RES DEV3 SIA	August 2022	3	-
Ignitis RES DEV4 SIA	August 2022	3	-
UAB „Ignitis renewables projektai 2"	September 2022	2	-
UAB „Ignitis renewables projektai 3"	September 2022	2	-
Ignitis RES DEV5 SIA	October 2022	3	-
Ignitis RES DEV6 SIA	October 2022	3	-
UAB „Vėjo galia bendruomenei"	October 2022	3	-
In total		**3,019**	**-**

Established new subsidiaries in year 2021:

EURk	Date	Share capital	Share premium
Ignitis Renewables Polska Sp. z o. o.	April 2021	1	-
UAB „Ignitis renewables projektai"	October 2021	2	997
In total		**3**	**997**

12.3 Share capital and share premium increase

Increase of share capital and share premium in subsidiaries during the year 2022:

EURk	Emission date	Quantity of new share issued	Emission price for 1 share	Total amount of emission	Paid in cash	Share premium	Unpaid
Ignitis Renewables Polska Sp. z o. o.	March 2022	180	10.58	2	9,718	9,716	-
Ignitis Renewables Polska Sp. z o. o.	April 2022	370	10.78	4	20,355	20,351	-
In total				**6**	**30,073**	**30,067**	**-**

Increase of share capital and share premium in subsidiaries during the year 2021:

EURk	Emission date	Quantity of new share issued	Emission price for 1 share	Total amount of emission	Paid in cash	Share premium	Unpaid
Ignitis Renewables Polska Sp. z o. o.	May 2021	100	10.66	1	4,568	4,567	-
In total				**1**	**4,568**	**4,567**	**-**

12.4 Reversal of impairment

On 31 December 2022 the parent company has performed impairment test for UAB „VĖJO VATAS" and fully reversed an impairment which was recognized for amount EUR 1,650 thousand as at 31 December 2021. The impairment test was performed using the discounted cash flow method and using the following key assumptions:

1. The cash flow forecast covered the period until 2041, with reference to the typical operational period of 30 years from the beginning of operation;
2. The production volume is stable each year, based on the study of the wind power farm prepared by a third party;
3. In years 2024 and 2025 part of generated electricity (26 GWh each year) are planned to be sold at fixed PPA price whereas the rest amount (10 GWh annually) are to be sold at market prices.
4. Discount rate of 5.9% after tax (7.0% pre-tax) was used to calculate discounted cash flows.

Since the parent company's management estimate of recoverable value of investment into subsidiary includes significant assumptions, the below sensitivity of valuation to changes in key valuation input has been provided:

Increase of WACC (which is used as a discount rate) by 1 percentage point would further lower the recoverable value by EUR 1.2 million; and, respectively, drop of WACC by 1 percentage point would further increase the recoverable value by EUR 1.3 million.

As at 31 December 2021 the parent company recognized an impairment loss for investment into subsidiary UAB „VĖJO VATAS" for amount EUR 1,650 thousand and reversal of impairment for investment into subsidiary UAB „VĖJO GŪSIS" for amount EUR 1,300 thousand.

12.5 Cash flows from investments in subsidiaries

Reconciliation of the factors that had impact on cash flows from the parent company's investments into subsidiaries to data reported in the statement of cash flows:

EURk	31 December 2022	31 December 2021
Share capital and share premium increase in subsidiaries (Note 12.3)	(30,073)	(5,562)
Acquisition of subsidiaries (Note 12.1)	(28,381)	(9,548)
Established new subsidiaries (Note 12.2)	(3,019)	(3)
Received holdback amount	269	-
Total	**(61,204)**	**(15,113)**

13 Non-current receivables

EURk	31 December 2022	31 December 2021
Loans granted	131,402	42,834
Cash reserved for guarantees	683	-
Total	**132,085**	**42,834**
Less: loss allowance	-	-
Carrying amount	**132,085**	**42,834**

13.1 Expected credit losses of loans granted and other non-current receivables

As at 31 December 2022, the parent company assessed whether credit risk of recipients of non-current and current loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on an individual basis has increased significantly. Therefore, no lifetime expected credit loss (from here on further - ECL) was recognised neither for non-current nor for current loans granted (Note 13.2, 14).

13.2 Loans granted

EURk	31 December 2022	31 December 2021
Within one year (Note 14.1)	27,145	3,578
From 1 to 2 years	-	9,534
From 2 to 5 years	-	-
After 5 years	131,402	33,300
Carrying amount	**158,547**	**46,412**

As at 2022 December 31 granted loans with a variable interest rate was 23,365 thousand. EUR (31 December 2021 – was not) and with a fixed interest rate – 135,182 thousand. EUR (31 December 2021 – 46,412 thousand EUR).

13.2.1 New loan issued to Altiplano S.A.

On 30 September 2022 the parent company issued a long term loan to its subsidiary Altiplano S.A. with maximum withdrawal amount EUR 51,000 thousand and fixed interest rate. Loan maturity date – 31 December 2027. The purpose of the loan is to finance the on-going activities and acquisition and development of the renewable energy sources projects. The balance of loan as at 31 December 2022 is EUR 48,002 thousand.

13.2.2 Cash-pool loan issued to UAB „Ignitis renewables projektai"

On 22 July 2022 the parent company issued cash-pool loan to AB „Ignitis renewables projektai" with the limit of EUR 6,000 thousand for period till 30 June 2023. As at 31 December 2022 the loan's carrying amount was EUR 3,780 thousand.

13.2.3 Other

During the year 2022 the Group granted additional amount to loan to Moray West Holdings Limited, sea wind farm project development company in Scotland, for an amount EUR 19,787 thousand and as at 31 December 2022 the carrying amount of this loan was EUR 23,365 thousand (31 December 2021: EUR 3,578 thousand), interests rate – variable. The loan repayment term depends on the progress of the project development. The repayment of this loan is 31 March 2023.

On 1 December 2020 the parent company issued a long term loan to subsidiary UAB „VVP Investment" with maximum withdrawal amount EUR 83,000 thousand and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 66,900 thousand (EUR 16,300 thousand as at 31 December 2021).

Fair values of loans granted are presented in Note 24.

13.3 Cash reserved for guarantees

During 2022 limit of guarantee on behalf of Nord Pool AS was increased by EUR 683 thousand.

14 Other receivables

EURk	31 December 2022	31 December 2021
Granted loans including interests receivable	28,193	3,718
Value added tax	249	573
Receivable payments made to SIG	-	3,782
Other receivables	11	674
Total	**28,453**	**8,747**
Less: loss allowance	-	-
Carrying amount	**28,453**	**8,747**

The fair values of other receivables except loans granted as at 31 December 2022 and 2021 approximated their carrying amounts.

14.1 Granted loans

EURk	31 December 2022	31 December 2021
Current loans	23,365	3,578
Cash-pool loans	3,780	-
Interest receivable on loans	1,048	140
Total	**28,193**	**3,718**
Less loss allowance	-	-
Carrying amount	**28,193**	**3,718**

15 Other financial assets

EURk	31 December 2022	31 December 2021
Investment into Moray West Holdings Limited	5,000	5,000
Investments in business located in Latvia	788	690
Investments in business located in Poland	9,510	242
Other financial assets	500	-
Carrying amount	**15,798**	**5,932**

As at 31 December 2022 and 2021 the parent company has investments into businesses located in Poland and Latvia. As the payments in such businesses do not constitute the rights of control over the companies, the parent company recognised the payments as other financial assets measured at amortised cost (Note 24). After projects developed by the companies are established, the parent company will owe 100% of shares of these companies.

On 14 September 2020 the parent company acquired 5% of Moray West Holdings Limited shares for an amount GBP 50. Having purchased shares the parent company took an obligation to pay additional EUR 5,000 thousand if specific conditions are met. The deferred consideration is measured at fair value through profit or loss (Note 24).

16 Cash and cash equivalents

EURk	31 December 2022	31 December 2021
Cash balances in bank accounts	20,373	1,322
In total	**20,373**	**1,322**

As at 31 December 2022 and 2021, cash and cash equivalents comprised cash in bank.

The fair values of cash and cash equivalents as at 31 December 2022 and 2021 approximated their carrying amounts. Parent company has no pledged current and future cash inflows.

According to the management's assessment, ECL on cash and cash equivalents are not significant because:
- The parent company's cash and cash equivalents are kept in international group banks with good credit ratings. The banks are charged with the highest liquidity, capital adequacy, own funds, additional capital reserves and other risk-limiting requirements and regulations that banks must comply with and regularly report to supervisory authorities.
- The parent company uses banks that are supervised by the European Central Bank.

17 Equity

17.1 Capital management

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

Pursuant to the Lithuanian Republic Law on Companies, the issued capital of a private limited liability company must be not less than EUR 2.5 thousand and the shareholders' equity must be not lower than 50% of the company's issued capital. As at 31 December 2022 and 2021, the parent company met requirements of capital regulation.

17.2 Issued capital

EURk	31 December 2022	31 December 2021
Authorised shares		
Ordinary shares	22	22
Ordinary shares issued and fully paid	**22**	**22**

As at 31 December 2022 parent company's issued capital comprised EUR 22 thousand (31 December 2021: 22 thousand) and was divided into 21,910 ordinary shares with EUR 1 nominal value for a share (31 December 2021: 21,910 ordinary shares with EUR 1 nominal value for a share).

Reconciliation of the number of shares at the beginning and at the end of the year:

	2022	2021
Number of authorised shares as at 1 January	**21,910**	**3,000**
Issuing of ordinary shares (Note 17.3)	-	18,910
Number of authorised shares as at 31 December	**21,910**	**21,910**

17.3 Increase in issued capital

On 24 November 2021, the Management Board of the ultimate parent company, as the sole shareholder of the parent company has adopted the following decision: the parent company issues 18,910 ordinary registered uncertified shares, each with a nominal value of EUR 1. The issue price of all newly issued shares was EUR 9,455,000 and consisted of EUR 18,910 of the aggregate amount of the nominal values of shares and EUR 9,436,090 of share premium. The issue price was paid for by the ultimate company by a non-monetary contribution: transfer 100 percent of shares of ultimate company's subsidiary Tuuleenergia OÜ (Note 12.1). The shares of Tuuleenergia OÜ was valued at EUR 9,455 thousand by the independent asset evaluator.

18 Reserves

18.1 Legal reserve

The legal reserve is a compulsory reserve under the Lithuanian legislation. Companies in Lithuania are required to transfer at least 5% of net profit from distributable profit until the total reserve reaches 10% of the issued capital. The legal reserve shall not be used for payment of dividends and is formed to cover future losses only.

The parent company's legal reserve as at 31 December 2022 was fully formed (31 December 2021: not).

19 Loans

EURk	31 December 2022	31 December 2021
Non-current		
Other non-current loans	288,000	113,950
Current		
Cash-pool	28,227	2,691
Accrued interest	2,777	1,188
Total loans and bonds	**319,004**	**117,829**

Loans are denominated in euros.

19.1 Movement of loans

Movement of loans during the year 2022 mainly consisted of the following:

Other non-current loans

On 1 February 2021 the ultimate parent company issued a long term loan to the Company with maximum withdrawal amount EUR 293 million and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 205 million (EUR 95 million as at 31 December 2021).

On 27 November 2020 the ultimate parent company issued a long term loan to the Company with maximum withdrawal amount EUR 83 million and a fixed interest rate. As at 31 December 2022 the balance of this loan is EUR 83 million (EUR 16 million as at 31 December 2021).

Cash-pool

On 23 September 2022 the parent company signet the agreement on grant of periodic loans with Ignitis Renewables Polska Sp. z o. o. The maximum withdrawal amount is EUR 10,000 thousand for period till 27 September 2023. As at 31 December 2022 the loan’s carrying amount was EUR 9,000 thousand.

On 23 September 2022 the parent company signet the agreement on grant of periodic loans with Pomerania Wind Farm Sp. z o. o. The maximum withdrawal amount is EUR 30,000 thousand for period till 27 September 2023. As at 31 December 2022 the loan’s carrying amount was EUR 19,227 thousand.

19.2 Covenants and unwithdrawn balances

During the year 2022 the parent company didn’t have any breaches of financial and non-financial covenants due to which the classification of current and non-current could be changed.

As at 31 December 2022, the parent company’s unwithdrawn balance of loans and bank overdrafts amounted to EUR 92,473 thousand (31 December 2021: EUR 290,705 thousand).

20 Net debt

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the parent company. Only debts to financial institutions, Group companies and related interest payables and lease liabilities are included in the net debt calculation. This note sets out an analysis of net debt, a non-IFRS measure for the purposes of these financial statements presentation defined by management as presented below.

Net debt balances:

EURk	31 December 2022	31 December 2021
Cash and cash equivalents	(20,373)	(1,322)
Non-current loans and bonds payable after one year	288,000	113,950
Accrued interests	2,777	1,188
Cash-pool loans	28,227	2,691
Lease liabilities	21	14
Net debt	**298,652**	**116,521**

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

	Assets	Lease liabilities		Loans and bonds		
EURk	Cash and cash equivalents	Non-current	Current	Non-current	Current	Total
Net debt at 1 January 2021	**(2,259**	**33**	**33**	**2,650**	**59,859**	**60,316**
Cash changes						
(Increase) decrease in cash and cash equivalents	937	-	-	-	-	**937**
Proceeds from loans	-	-	-	111,300	-	**111,300**
Repayments of loans	-	-	-	-	(56,923)	**(56,923)**
Lease payments	-	(2)	(30)	-	-	**(32)**
Interest paid	-	-	-	-	(1,089)	**(1,089)**
Cash-pool loans - net change	-	-	-	-	(128)	**(128)**
Non-cash changes						
Lease contracts concluded	-	2	5	-	-	**7**
Accrual of interest payable	-	-	-	-	1,786	**1,786**
Lease liabilities write-off	-	(13)	(14)	-	-	**(27)**
Reclassifications between items	-	(16)	16	-	-	**-**
VAT on interest payable	-	-	-	-	374	**374**
Net debt at 31 December 2021	**(1,322)**	**4**	**10**	**113,950**	**3,879**	**116,521**
Net debt at 1 January 2022	**(1,322)**	**4**	**10**	**113,950**	**3,879**	**116,521**
Cash changes						
(Increase) decrease in cash and cash equivalents	(19,051)	-	-	-	-	**(19,051)**
Proceeds from loans	-	-	-	174,050	28,227	**202,277**
Lease payments	-	-	(15)	-	-	**(15)**
Interest paid	-	-	-	-	(3,223)	**(3,223)**
Cash-pool loans - net change	-	-	-	-	(2,691)	**(2,691)**
Non-cash changes						
Lease contracts concluded	-	22	-	-	-	**22**
Accrual of interest payable	-	-	1	-	3,978	**3,979**
Lease liabilities write-off	-	-	(1)	-	-	**(1)**
Reclassifications between items	-	(18)	18	-	-	**-**
VAT on interest payable	-	-	- -		834	**834**
Net debt at 31 December 2022	**(20,373)**	**8**	**13** -	**288,000**	**31,004**	**298,652**

21 Other current amount payable and liabilities

EURk	31 December 2022	31 December 2021
Contingent consideration to non-controlling party for acquisition of Altiplano S.A. shares (Note 12.1.1)	6,268	-
Moray deferred consideration (Note 15)	5,000	-
Payroll related liabilities	616	202
Accrued expenses	95	35
Taxes (other than income tax)	-	96
Other amounts payable and liabilities	180	140
Carrying amount	**12,159**	**473**

Financial liabilities comprise EUR 11,448 thousand from total Other current amounts payable and liabilities (31 December 2021: EUR 140 thousand). Accrued expenses, taxes (other than income tax) and payroll related liabilities are not financial liabilities.

22 Contingent liabilities and commitments

22.1 Litigations

There are no significant litigations as at 31 December 2022.

22.2 Evaluation of Russia's invasion of Ukraine on parent company's financial statements

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

- no expected credit losses adjustments should be made as parent company does not have balances with affected markets;
- no adjustment to the carrying amounts of assets and liabilities should be made;
- no significant impact to the budgets and cashflows of subsidiaries. Accordingly, no significant impact to the carrying amounts of investments into subsidiaries;
- the situation does not have impact on parent company's ability to continue as a going concern.

As to the above no significant impact of Russia's invasion of Ukraine on parent company's financial statements was identified. However, it should be noted that, due to the ongoing uncertainty, impact of the Russia's invasion of Ukraine on the business of the Group companies is being constantly reviewed.

22.3 Issued guarantees

The parent company has provided the following guarantees the maturity of which is 2022 – 2026 year:

Beneficiary of the guarantee	Currency of the amount	31 December 2022	31 December 2021
Bank guarantee to contractors of Moray Offshore Windfarm (West) Limited project	GBP	10,706	1,171
Bank guarantee to contractors of Moray Offshore Windfarm (West) Limited project	USD	210	-

23 Related-party transactions

The parent company's transactions with related parties during the year 2022 and year-end balances arising on these transactions as at 31 December 2022 are presented below:

Related parties, EURk	Loans receivable	Accounts receivable	Loans payable	Accounts payable	Sales	Purchases	Finance income (expenses)
Ultimate parent company	-	286	290,796	-	-	432	(3,830)
Subsidiaries	135,502	-	28,227	-	9,680	19	1,495
Ignitis grupė AB group companies	-	-	-	115	-	828	(3)
Total	**135,502**	**286**	**319,023**	**115**	**9,680**	**1,279**	**(2,338)**

The parent company transactions with related parties during the year 2021 and year-end balances arising on these transactions as at 31 December 2021 are presented below:

Related parties, EURk	Loans receivable	Accounts receivable	Loans payable	Accounts payable	Sales	Purchases	Finance income (expenses)
Ultimate parent company	-	-	116,779	35	-	429	(1,770)
Subsidiaries	42,834	211	-	-	271	-	670
Ignitis grupė AB group companies	-	-	1,050	106	-	823	(6)
Total	**42,834**	**211**	**117,829**	**141**	**271**	**1,252**	**(1,106)**

The parent company's dividend income received from subsidiaries during the year 2022 and 2021 is disclosed in Note 7. Loans received from ultimate parent company are disclosed in Note 19. Loans provided to subsidiaries are disclosed in Note 13.

23.1 Compensation to key management personnel

EURk	2022	2021
Wages and salaries and other short-term benefits to key management personnel	261	157
Whereof:		
Short -term benefits	261	125
Termination benefits	-	7
Share-based payment expenses	-	25
Number of key management personnel	4	4

In 2022 and 2021 members of Board and Chief Executive Officer are considered to be the parent company's key management personnel. For more information on the key management personnel, see the 'Governance report' of Annual report.

24 Fair values of financial instruments

24.1 Financial instruments, measured at fair value

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

24.2 Financial instruments for which fair value is disclosed

The parent company's fair value of financial assets related to loans granted and financial liabilities related to debt liabilities is calculated by discounting future cash flows with reference to the interest rate observable in the market. The cash flows were discounted using a discount rate of 4.80% for loans above EUR 1 million and 4.84% for loans less EUR 1 million (as at 31 December 2021: accordingly 2.76% and 2.82%).

The measurement of financial assets related to loans granted is attributed to Level 3 of the fair value hierarchy and the measurement of financial liabilities related to debt liabilities is attributed to Level 2 of the fair value hierarchy.

EURk	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobser-vable inputs	In total
Financial instruments measured at FVPL						
Assets						
Investment into Moray West Holdings Limited		**5,000**	-	-	5,000	**5,000**
Financial instruments for which fair value is disclosed						
Assets						
Loans granted		**159,595**	-	-	151,674	**151,674**
Other financial assets		**10,798**			10,798	**10,798**
Liabilities						
Debt liabilities to ultimate parent company		**290,731**	-	237,956	-	**237,956**
Debt liabilities to Group companies		**28,273**	-	28,273	-	**28,273**

The table below presents allocation between the fair value hierarchy levels of the company's financial instruments as at 31 December 2021:

EURk	Note	Carrying amount	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobser-vable inputs	In total
Financial instruments for which fair value is disclosed						
Assets						
Loans granted	10	**46,552**	-	-	46,256	**46,256**
Liabilities						
Debt liabilities to ultimate parent company	18	**117,829**	-	110,801	-	**110,801**

25 Events after the reporting period

25.1 New subsidiaries acquired or established

During the year 2023 the Group acquired the following subsidiaries:

- as at 14 March 2023 – 100 perc. of voting shares in company SP Venta SIA (Latvia) developing solar power plant;
- as at 17 March 2023 – 100 perc. of voting shares in company CVE SIA (Latvia) developing wind power plant;
- as at 17 March 2023 – 100 perc. of voting share in company BRV SIA (Latvia) developing wind power plant.

As the initial accounting of business combination is incomplete as at the time the financial statements are authorised for issue, the disclosure of required information is impracticable because of the significant assumptions required to take by management and impossibility to distinguish objectively information about significant estimates. Consideration paid (without contingent consideration which is not finally evaluated as at the time the financial statements are authorised for issue) for all three companies amounted to EUR 2.7 million.

During the year 2023 the Group established the following new subsidiaries:

- UAB Ignitis renewables projektai 4 (Lithuania)
- UAB Ignitis renewables projektai 5 (Lithuania)
- UAB Ignitis renewables projektai 6 (Lithuania)

25.2 Share capital injections

In February 2023 the parent company increased investments into subsidiaries Silezia1 Wind Farm Sp. z o.o. and Altiplano S.A. by issuing new shares:

EURk	Emission date	Quantity of new share issued	Emission price for 1 share	Total amount of emission	Paid in cash	Share premium	Unpaid
Silezia1 Wind Farm Sp. z o.o..	February 2023	608,731	10.46	6,367	42,017	35,650	-
Altiplano S.A	February 2023	55,018,811	0.21	11,508	74,801	63,293	-
In total				**17,875**	**116,818**	**98,943**	**-**

25.3 Other

The Group extended a loan to Moray West Holdings Limited till 1 July 2025 by increasing the maximum loan amount to GBP 51 million. As at 31 December 2022 the carrying amount of loan receivable was EUR 23.4 million.

The parent company issued new bank guarantees to electricity grid operators for EUR 16,240 thousand and GBP 14,210 thousand to the contractors of the Moray Offshore Windfarm (West) Limited project. The maturity of the issued guarantees is 2024-2026.

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

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Lithuania

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vilnius@kpmg.lt
home.kpmg/lt

Independent Auditor's Report

To the Shareholders of UAB Ignitis renewables

Opinion

We have audited the separate financial statements of UAB Ignitis renewables ("the Company") and the consolidated financial statements of UAB Ignitis renewables and its subsidiaries ("the Group"). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statements of financial position as at 31 December 2022,
- the separate and the consolidated statements of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statements of changes in equity for the year then ended,
- the separate and the consolidated statements of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2022, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

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

Other Information

The other information comprises the information included in the consolidated annual management report on pages 3 to 57, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Company code: 111494971
VAT code: LT114949716

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company’s and the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

On behalf of KPMG Baltics, UAB

EDVINAS ŽUKAUSKAS
Digitally signed by EDVINAS ŽUKAUSKAS
Date: 2023.05.02 13:58:39 +03'00'

Edvinas Žukauskas
Certified Auditor

Vilnius, the Republic of Lithuania
2 May 2023

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 148 to 150 of this document.

6.4 Information about the auditor

Selection of the independent auditor

There were no changes in the Renewables Group's independent auditor during 2022. Since the appointment by the Ignitis Group's Annual General Meeting of Shareholders on 27 September 2021, the Ignitis Group's independent auditor was "KPMG Baltics", UAB (KPMG). Based on the concluded agreement, KPMG audited the parent company's, the Renewables Group's consolidated financial statements and the Renewables Group's companies financial statements for the years of 2021 and 2022. Before KPMG, the independent auditor of the Renewables Group was UAB "Ernst & Young Baltic" which audited the parent company's, the Renewables Group's consolidated financial statements and the Renewables Group's companies financial statements for the period over 2019–2021.

Taking into the consideration the term end of the agreement with KPMG, a new public tender for the audit of the parent company's financial statements, the Renewables Group's consolidated financial statements and the Renewables Group companies financial statements was announced in July 2022, during which the audit companies were invited to submit their offers. Finally, the new independent auditor for the 5 year term (for the years 2023-2027) is elected by the Ignitis Group's General Meeting of Shareholders on 30 March 2023.

It is worth noting that all independent auditor related tenders are carried out according to the prevailing best practices. The whole selection process is supervised by the Audit Committee and the independent auditor is appointed by a decision of the General Meeting of the Shareholders of Ignitis Group.

Independent auditors

2021 - 2027	2019 - 2020
UAB KPMG Baltics Lvovo st. 101 LT-08104 Vilnius, Lithuania	UAB Ernst & Young Baltic Aukštaičių st. 7 LT-11341 Vilnius, Lithuania

Independent auditor's services and fees

The following are the Ignitis Group and the company's remuneration to the independent audit firms (EUR thousand):

	2022	2021	2020
Audit of the financial statements under the agreements (UAB KPMG Baltics)	163	114	-
Audit of the financial statements under the agreements (UAB Ernst & Young Baltic)	-	-	101
Expenses of other services	-	1	2
Total	**163**	**115**	**103**

7. Further information

Other statutory information

The Annual report provides information to the shareholders, creditors and other stakeholders of UAB Ignitis Renewables (hereinafter the "company") about the company's and its controlled companies', which together are called the group of companies (hereinafter the "Renewables Group".

The Annual report has been prepared by the company's administration in accordance with the Law on Companies of the Republic of Lithuania and the Law on Consolidated Financial Reporting of the Republic of Lithuania, while at the same time considering the description of the guidelines for ensuring the transparency of the activities of state-owned enterprises. The company's securities are not listed and are not traded on a regulated market. The Articles of Association of the company do not provide for more requirements regarding the content of the company's Annual Report than are provided for in the above-mentioned laws.

The company's management is responsible for the information contained in the Annual Report. The Report and the documents, on the basis of which the Report was prepared, are available from the head office of the company (Laisvės Ave. 10, Vilnius) on working days from Mondays through Thursdays from 7.30 am to 4.30 pm, and on Fridays from 7.30 am to 3.15 pm (by prior arrangement through IR@ignitis.lt).

Information about the company

1. Name of the company: UAB "Ignitis renewables"
2. Legal form of the company: private limited liability company
3. Authorized capital: EUR 21,910
4. Date and place of registration: 2019 January 14, Vilnius, Republic of Lithuania
5. Company code: 304988904
6. Company address: Laisvės pr. 10, LT-04215 Vilnius
7. Company register: Register of legal entities
8. Phone number: + 370 69638942
9. Email e-mail address: grupe@ignitis.lt
10. Website page: www.ignitisrenewables.lt

Legal notices

1. There were no significant events after the end of the financial year.
2. The Company did not have any treasury shares at the beginning of the reporting period and did not acquire any treasury shares during the reporting period.
3. The company has no branches and representative offices.
4. The Company envisages further sustainable development of its existing operations in order to ensure higher profitability of operations and efficient use of assets in the long run. Research will be conducted as needed.
5. The activities performed by the Company comply with the requirements established in the legal acts regulating environmental protection.

Significant arrangements

The company was not a party to any significant arrangements that would take effect, be amended or terminated in the event of changes in the company's control situation.

During the reporting period, the company did not conclude any harmful agreements (which do not correspond to the company's objectives, current market conditions, violate the interests of its shareholders or other groups of persons, etc.), which had or potentially may have a negative impact on the company's performance and/or the results of its operations, nor there were any agreements concluded in the event of a conflict of interests between the obligations of the company's managers, the controlling shareholders or other related parties to the company and their private interests and/or other duties.

There are no agreements concluded between the company and the members of its management bodies or employees that provide for compensation in the case of their resignation or dismissal without a reasonable cause, or in the case of the termination of their employment as a result of a change in the control of the company.

Internal control and risk management systems involved in the preparation of the consolidated financial statements

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

The employees of the company providing accounting services to the company ensure that the financial statements are prepared properly and that all the data is collected in a timely and accurate manner. The preparation of the company's financial statements, as well as the internal control and financial risk management systems, and the legal acts governing the compilation of the financial statements are monitored and managed.

Alternative performance measures

Alternative performance indicators (hereinafter referred to as "APM") are the adjusted figures used in this report for the internal performance management assessment. These indicators are not defined in the International Financial Reporting Standards (IFRS) and do not meet the requirements of the IFRS. Definitions of alternative performance indicators are provided on the website of AB Ignitis Grupė (link).

Notice on the language

In the event of any discrepancy between the Lithuanian and the English versions of the document, the English version shall prevail.

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

Information on compliance with the Guidelines on Transparency in State-Owned Enterprises

Point of the Description of the Guidelines for Ensuring the Transparency of the activities of State-Controlled Enterprises (according to the wording of 30 April 2021)	Disclosure	Explanation
Section 2. Disclosure of information of a State-Owned company		
5. The following data and information must be published on the website of a State-owned company:		Information is published on www.ignitisrenewables.lt
5.1. name;	Ongoing	
5.2. code and register that collects and stores data on the enterprise;	Ongoing	
5.3. registered office (address);	Ongoing	
5.4. legal status if a State-owned company is being reformed, reorganized (the method of reorganization shall be specified), liquidated, is facing bankruptcy or is bankrupt;	Ongoing	
5.5. name of the authority representing the State and a link to its website;	Ongoing	
5.6. operational goals, vision and mission;	Ongoing	
5.7. structure;	Ongoing	
5.8. details of the Head;	Ongoing	
5.9. details of the Chair and of the members of the Management Board, if, according to the Articles of Association, the Management Board is formed	Ongoing	
5.10. details of the Chair and of the members of the Supervisory Board, if, according to the Articles of Association, the Supervisory Board is formed;	Ongoing	
5.11. names of the committees, details of their chairmen and of the member, if committees are formed;	Ongoing	
5.12. the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and share (percentage) in the authorized capital of a State-owned company;	Ongoing	
5.13. special obligations being fulfilled, which are determined in accordance with the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations, the state budget appropriations allocated to their implementation in the current calendar year, and the legislation entrusting a State-owned company with the performance of a special obligation shall be indicated, the conditions for fulfilling a special obligation and/or regulated pricing shall be established;	Not relevant	
5.14. information on social responsibility initiatives and measures, important ongoing or planned Investment projects.	Ongoing	
6. For publicity purposes in connection with the management and supervisory bodies set up in State-owned companies, as well as in connection with the professionalism of the members of the committees, the following data of the persons specified in sub-clauses 5.8–5.11 of the Description are published: forename, surname, date of commencement of the current position, other management posts held in other legal entities, educational background, qualification, professional experience. If the person specified in Sub-clauses 5.9–5.11 of the Description is elected or appointed as an independent member, this shall be additionally specified along with his/her details.	Ongoing	Information is published on www.ignitisrenewables.lt
7. The following documents must be published on the website of a state-owned company:	Ongoing	Information is published on www.ignitisrenewables.lt
7.1. articles of Association;	Ongoing	
7.2. an official letter from an authority representing the State on the setting state goals and expectations in a State-owned company	Ongoing	
7.3. operations strategy or its summary in cases where the operations strategy contains confidential information or information that is considered a commercial (industrial) secret;	Ongoing	
7.4. document that establishes the remuneration policy covering determining the	Ongoing	

salary of the Head of a State-owned company and the remuneration of the members of collegial bodies and committees formed in a State-owned company.		
7.5. annual and interim reports of a state-owned company, annual and interim activity reports of a State Enterprise for a period of at least 5 years;	Ongoing	
7.6. sets of annual and interim financial statements for a period of at least 5 years and reports of an auditor of annual financial statements.	Ongoing	
8. If a state-owned company is the parent company, the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of the subsidiaries and subsequent subsidiaries, website addresses, portion (percentage) of shares held by the parent company in their authorized capital, as well as annual consolidated financial statements and consolidated annual reports must be published on its website.	Ongoing	Information is published on www.ignitisrenewables.lt
9. If a state-owned company is a participant of legal entities other than those specified in Point 8 of the Description, the data referred to in Sub-clauses 5.1–5.3 of the Description of those legal entities and the addresses of their websites must be published on its website.	Ongoing	Information is published on www.ignitisrenewables.lt
9.1 If a company is a subsidiary or a second tier subsidiary of a state-owned company, the data referred to in Sub-clauses 5.1–5.3 of the Description of the parent company and the link to the parent company's website must be published on its website.	Yes	The specified information must be published on the websites of subsidiaries and second tier subsidiaries of the parent company
10. Data, information and documents referred to in Points 5 and 6, Sub-clauses 7.1 to 7.4, and in Points 8, 9 and 91 of the Description, that have changed or in cases where incorrect data of this kind has been published, must be changed immediately on the website too.	Ongoing	Information and documents that have changed are updated immediately
11. A set of annual financial statements of a state-owned company, annual report of a state-owned company, annual activity report of a State Enterprise, as well as report of an auditor of the annual financial statements of a state-owned company must be published on the website of a state-owned company within 10 working days from the approval of the set of annual financial statements of a state-owned company.	Ongoing	Documents are published on the website within the set deadline
12. The sets of interim financial statements of a State-owned company, the interim reports of a state-owned company and the interim activity reports of a State Enterprise must be published on the website of a State-owned company no later than 2 months after the end of the reporting period.	Ongoing	Documents are published on the website within the set deadline
13. The documents referred to in Point 7 of the Description shall be published in PDF format and technical possibilities for their printing shall be ensured.	Ongoing	Published PDF documents
Section 3. Preparation of sets of financial statements, reports and activity reports		
14. State-owned companies shall keep their accounts in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Ongoing	The parent company keeps its accounts in accordance with IFRS
15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, while a State Company - sets of interim financial statements for 3, 6 and 9 months.	Not relevant	
16. A State-owned company, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest entity, in addition to the annual report, additionally prepares a 6-month interim report. A State Enterprise, which according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as a public interest enterprise, in addition to the annual activity report, additionally prepares a 6-month interim report.	Not relevant	
17. In addition to the Contents requirements established in the Law on Financial Re-	Ongoing	

porting of Enterprises of the Republic of Lithuania or in the Law on State and Municipal Enterprises of the Republic of Lithuania, in the annual report of a State-owned company or in the annual activity report of a State Enterprise additionally must be provided:		The company provides information in the annual report
17.1. a brief description of the business model of a state-owned company;	Ongoing	
17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) and which were essential to the operation of a state-owned company;	Ongoing	
17.3. results of the implementation of the objectives provided for in the operational strategy of a state-owned company;	Ongoing	
17.4. profitability, liquidity, asset turnover, debt indicators;	Ongoing	
17.5. fulfilment of special obligations;	Not relevant	
17.6. implementation of Investment policy, ongoing and planned Investment projects and Investments during the reporting year;	Ongoing	
17.7. implementation of the risk management policy applied in a state-owned company;	Ongoing	
17.8. implementation of dividend policy in state-owned companies;	Ongoing	
17.9. implementation of remuneration policy;	Ongoing	
17.10. total annual payroll fund, average monthly salary by current position and/or units;	Ongoing	
17.11. information on compliance with the provisions of Sections 2 and 3 of the Description: shall be specified how they are implemented, which provisions are not complied with, and explanation as to why they are not complied with shall be provided.	Ongoing	
18. State-Owned companies and State Enterprises, that are not mandatory required to prepare social responsibility reports, are recommended to provide in the annual report or in the annual activity report, as appropriate, information related to environmental, social and personnel, human rights, fight against corruption and bribery matters.	Not relevant	The company prepares a social responsibility report (integrated in the annual report)
19. If information referred to in Point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned company, a state-owned company may not disclose such information. However, it must be specified in the annual report of a state-owned company or in the annual activity report of a State Enterprise, as appropriate, that this information is not being disclosed and the reason for the non-disclosure must be specified.	Not relevant	The company provides information in the annual report
20. Other information not specified in this Description may also be specified in the annual report of a State-owned company or in the annual activity report of a State Enterprise.	Ongoing	Other information is also provided in the annual report
21. A state-owned company, which is the parent company, shall present in the consolidated annual report and, if it is not required by law to draw up a consolidated annual report, then in its annual report the structure of the Group of Companies, as well as the data referred to in Sub-clauses 5.1 to 5.3 of the Description of each subsidiary and second tier subsidiary, portion (percentage) of shares held in the authorized capital of a subsidiary, financial and non-financial performance for the financial year. If a State-owned company, which is the parent company, draws up a consolidated annual report, the requirements of Point 17 of the Description shall apply to it mutatis mutandis.	Ongoing	The company provides information in the annual report
22. The interim report of a state-owned company or the interim activity report of a State Enterprise presents a brief description of the business model of a State-owned company, analysis of financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their changes compared to the corresponding period of the previous year.	Ongoing	The company provides information in the interim report

8. Glossary

#	Number
%	Per cent
'000 / k	Thousand
AB	Joint Stock Company
APM	Alternative performance measure
Advanced development Pipeline	Projects which have access to the electricity grid secured through preliminary grid connection agreement (agreement signed and grid connection fee has been paid). For offshore wind it also includes projects where public seabed auction has been won, but the grid connection has not yet been secured
COD (commercial operation date)	The date at which the asset passed a final performance test (commissioned) and the legal liability from the supplier has been transferred to the Renewables Group. The asset has been given with permission from competent authority to operate at full power and sell electricity in the market.
Company	UAB Ignitis Renewables
Ignitis Group	AB Ignitis Grupė and its controlled companies
Parent company	UAB Ignitis Renewables
Renewables Group	UAB Ignitis Renewables and its controlled companies
Group	UAB Ignitis Renewables and its controlled companies
CfD	Contract for difference
COD (commercial operation date) / commissioned	The start date of energy generation after the test on the project's completion
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Early development Pipeline	Projects of planned capacity higher than 50 MW with substantial share of land rights secured.
Electricity generated (net)	Electricity sold in wind farms and solar power plants.
EURm	million euros
EU	European Union
Eurakras	UAB EURAKRAS
FBS	Fixed base salary
Final investment decision (FID)	Relevant governance body decision to make significant financial commitments related to the project
FiT	Feed-in tariff
FTE	Full-time equivalent
Green Generation Portfolio	All Green Generation projects of the Renewables Group, which include: (i) secured capacity, (ii) advanced development pipeline and (iii) early development pipeline
GW	Gigawatt
IFRS	International Financial Reporting Standards
Installed capacity	All assets that have been completed and have passed a final test
YoY	Year-on-year
m	Million
Mažeikiai	UAB VVP Investment
MW	Megawatt
MWh	Megawatt hours
n/a	Not applicable
OPEX	Operating expenses
Pomerania	Pomerania Wind Farm Sp. z o.o.
pp	Percentage points
ROA	Return on assets
ROCE	Return on capital employed
ROE	Return on equity
ROI	Return on investment
Tuuleenergia	Tuuleenergia Osaühing
UAB	Private Limited Liability Company
Units	Units
Vėjo Gūsis	UAB VĖJO GŪSIS
Vėjo Vatas	UAB VĖJO VATAS
Vs.	Versus
WF	Wind farm

9. Certification statement

2 May 2023

We, Thierry Aelens, Chief Executive Officer at UAB Ignitis renewables, Augustas Dragūnas, Chief Financial Officer at UAB Ignitis renewables, and Paulius Žukovskis, Head of Financial statements and consultations at UAB Ignitis grupės paslaugų centras, acting under Decision No 23_GSC_SP_0010 of 17/02/2023, hereby confirm that, to the best of our knowledge, UAB Ignitis renewables consolidated and the stand-alone financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of UAB Ignitis renewables consolidated and stand-alone assets, liabilities, financial position, profit or loss and cash flows for the period, the Annual Report 2022 includes a fair review of the development and performance of the business as well as the condition of UAB Ignitis renewables and it's group companies together with the description of the principle risks and uncertainties it faces.

Thierry Aelens	Augustas Dragūnas	Paulius Žukovskis
Chief Executive Officer	Chief Financial Officer	UAB „Ignitis grupės paslaugų centras", Head of Financial statements and consultations acting under Decision No 23_GSC_SP_0010 (signed 17 February 2023)

UAB Ignitis renewables
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