ignitis gamyba

26/02/2021 No. SD-79

CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the provisions of the Article 12 of the Law on Securities of the Republic of Lithuania and the Rules of Disclosure of the Bank of Lithuania we, the undersigned Rimgaudas Kalvaitis, Chief Executive Officer of Ignitis gamyba AB and Renata Zakažauskienė, Head of Financial Reporting of UAB Ignitis grupės paslaugų centras acting under Order No. IS-185-20 signed of 18 December 2020, hereby confirm that, to the best of our knowledge, Ignitis gamyba AB financial statements for the financial year 2020 are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, give a true and fair view of Ignitis gamyba AB assets, liabilities, financial position, profit or loss for the period and cash flows, the Annual Report for the financial year 2020 includes a fair review of the activities business development as well as the condition of Ignitis gamyba AB and with the description of the principle risk and uncertainties it faces.

Chief Executive Officer — Rimgaudas Kalvaitis

UAB Ignitis grupės paslaugų centras,
Head of Financial Reporting, acting
under Order No. IS-185-20 (signed 18/12/2020) — Renata Zakažauskienė

AB „Ignitis gamyba“
Elektrinės g. 21, LT-26108
Elektrėnai, Lithuania

+370 618 37392
gamyba@ignitis.lt

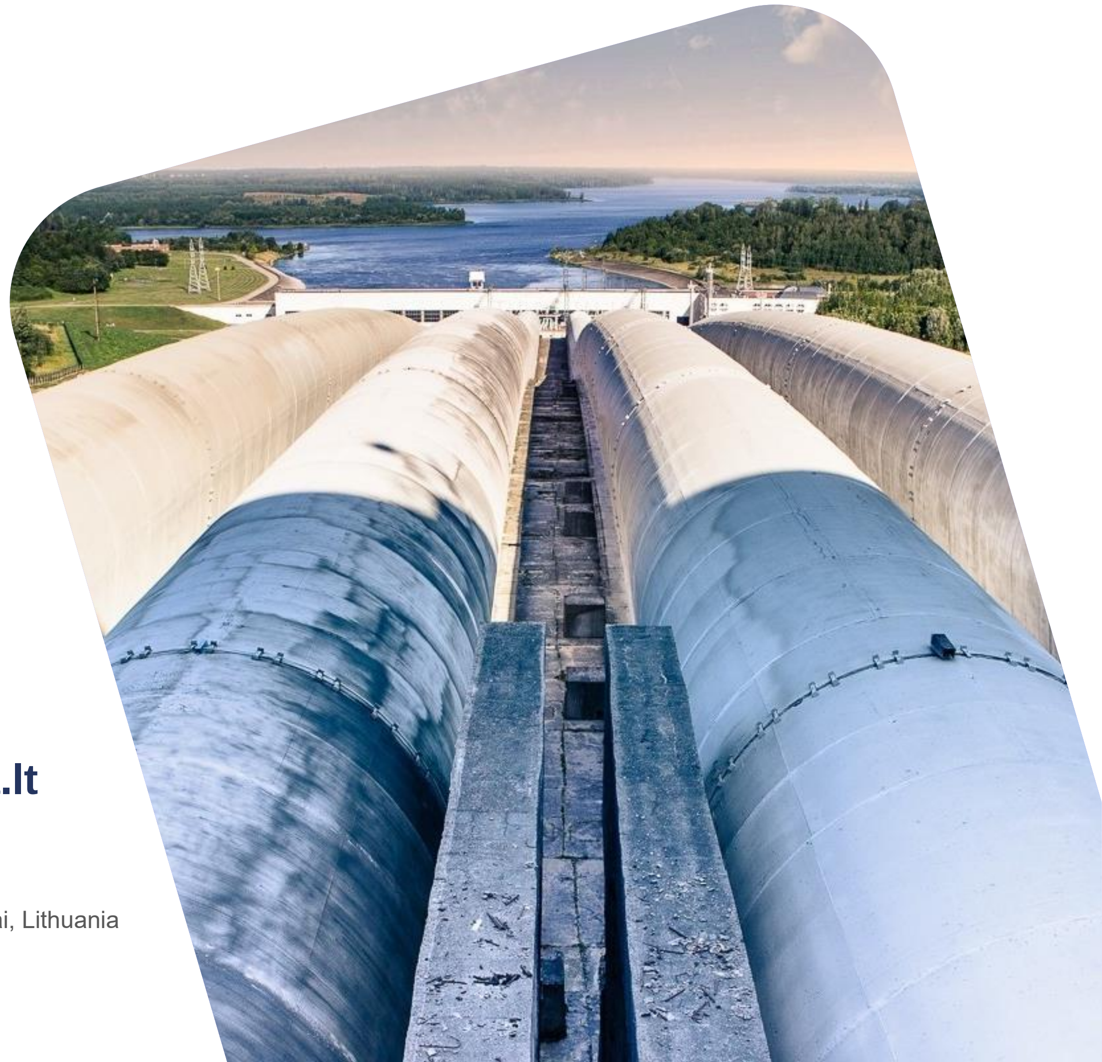
www.ignitisgamyba.lt

Company code
302648707
VAT code
LT100006256115

2020

AB IGNITIS GAMYBA

COMPANY'S FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION AND ANNUAL REPORT FOR THE YEAR 2020, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



www.ignitisgamyba.lt

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

CONTENT

The financial statements of AB Ignitis Gamyba were prepared and signed on 26 February 2021 by the Chief Executive Officer and the Head of Financial Reporting of UAB Ignitis grupės paslaugų centras (acting under Order No IS-185-20 of 18/12/2020):

Rimgaudas Kalvaitis
Chief Executive Officer

Renata Zakažauskienė
Head of Financial Reporting of
UAB Ignitis grupės paslaugų centras
acting under Order No IS-185-20 of 18/12/2020

UAB „Ernst & Young Baltic“
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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ignitis gamyba

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AB Ignitis gamyba, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), which comprise the statement of financial position as of 31 December 2020, statement of profit (loss) and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on the audit of financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How the matter was addressed in the audit
1. Assessment of impairment indications of property, plant and equipment	
As at 31 December 2020, the Company's book value of property, plant and equipment was equal to 426 411 thousand EUR. The major part of these assets is related to Kruonis hydroelectric power station, Kaunas hydroelectric power station of Algirdas Brazauskas, and the Elektrėnai complex, which consists of blocks No. 7 and No. 8 along with a combined cycle unit with biofuel and steam boiler plants. 420 629 thousand EUR of these assets were accounted for at cost, less accumulated depreciation and impairment, while 4 151 thousand EUR of the assets were carried at revalued amounts. As disclosed in Note 3.2, the Company's Management performed an assessment of impairment indications for property, plant and equipment. The Management concluded that there are no indications of impairment, therefore, at the date of the financial statements, no impairment tests were required for these assets. The matter was significant to our audit because property, plant and equipment comprise 62% of the Company's total assets in the statement of financial position, and the Management of the Company is required to make important decisions and significant estimates to determine whether there is any indication of an impairment and changes in recoverable amounts assessment.	Among other procedures, we performed the following: - We discussed with the Company's Management how external and internal indications of assets impairment are assessed; - We have involved EY specialists to assist us in the assessment of potential impairment indicators; - We have reviewed and compared cash flows forecasts for year 2019 and 2020, which were used in last impairment test, performed in 2019, with actual figures for the same years. In addition, we have considered the assumptions used in the last detailed impairment test and compared to actual results and events for the current year; - We have analyzed changes in the regulatory environment, taking into account the recent decisions made by the National Energy Regulatory Council; - We have read and compared the property, plant and equipment disclosures prepared by the Management and presented in Note 6 and 3.2 to source data and supporting accounting registers and reviewed if corresponding disclosure is adequate.

2. Recognition and measurement of regulatory assets and liabilities arising from regulated services provision, and regulated revenue recognition assessment

The Company earns revenue from its commercial and regulated activities. As disclosed in Note 32 of the Financial Statements, in the statement of profit (loss) and other comprehensive income of 2020 income from regulated activities amounted to 52 817 thousand EUR, with revenue from capacity reserve services and other system services (21 956 thousand EUR and 27 100 thousand EUR, respectively) being the most material regulated activity revenue streams in 2020.

The provision of revenue from regulated activities is subject to certain regulations and decisions of the National Energy Regulatory Council, most of which are complex. Some of the decisions have been sued by the Company.

Tariffs for the regulated activities are set by the National Energy Regulatory Council in accordance to the Company's forecasted costs. Subsequently the tariffs are adjusted to reflect differences in actual costs incurred by the Company, which may result in regulatory assets and / or liabilities arising from the Company's regulated activities during the current reporting period. Recognition of such regulatory assets and / or liabilities and related regulated revenue in financial statements in accordance with related International Financial Reporting Standards (hereinafter – IFRS) (IFRS 15 "Revenue from contracts with customers", IAS 37 "Provisions, contingent liabilities and contingent assets" and IFRS Framework) requires an in-depth assessment of the applicable laws and regulations and significant judgment and decision-making, as disclosed in Note 2.17.

This matter was significant to our audit because it involves significant management estimates and judgments about applying appropriate accounting policies in accordance with IFRS.

In order to address this matter, among other procedures, we performed the following:

- We gained an understanding of the Company's regulated revenue recognition process;

- We have analyzed and understood the relevant legislation governing the provision of regulated services;

- We have analyzed the Company's accounting policy for the recognition of revenue from regulated activities and assessed whether the policy is in compliance with IFRS requirements;

- We understood how the amount of regulatory liabilities accounted for as a provision was calculated for 2020 and performed a recalculation of the amount as well as tested the key inputs by performing the following procedures:
  - Traced and agreed revenue and expenses data used in estimation of regulatory provision related to Company's activity in 2019 to audited 2019 regulatory accounting system report submitted by the Company to the National Energy Regulatory Council.
  - We have considered the change in prior year provision estimate during the current financial period and assessed the accuracy of management estimation process.
  - Agreed fixed and variable expenses used in the calculation of regulatory provision related to Company's activity in 2020 to accounting records and agreed forecasted expenses used in the estimation to the ones set by the National Energy Regulatory Council.

We have also reviewed the adequacy of the disclosures related to the recognition of revenue from regulated activities.

Other information

Other information consists of the information included in the Company's Annual Report, including Corporate Governance Statement, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

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

We also have to evaluate, if the financial information included in the Company's Annual Report, including Corporate Governance Statement, corresponds to the financial statements for the same financial year and if the Company's Annual Report, including Corporate Governance Statement, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's Annual Report, including Corporate Governance Statement, corresponds to the financial information included in the financial statements for the year ended 31 December 2020; and
- The Company's Annual Report, including Corporate Governance Statement, was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by the shareholders in 2019 we have been chosen to carry out the audit of Company’s financial statements. Our appointment to carry out the audit of Company’s financial statements in accordance with the decision made by General shareholders meeting has been made for three years period. The audit of the financial statements for the year ended 31 December 2020 was our second annual audit of the Company.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company.

Non-audit services

We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have provided non-audit services for 1 850 EUR (translation of financial statements to English) that were not disclosed in the Company's financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Inga Gudinaitė.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

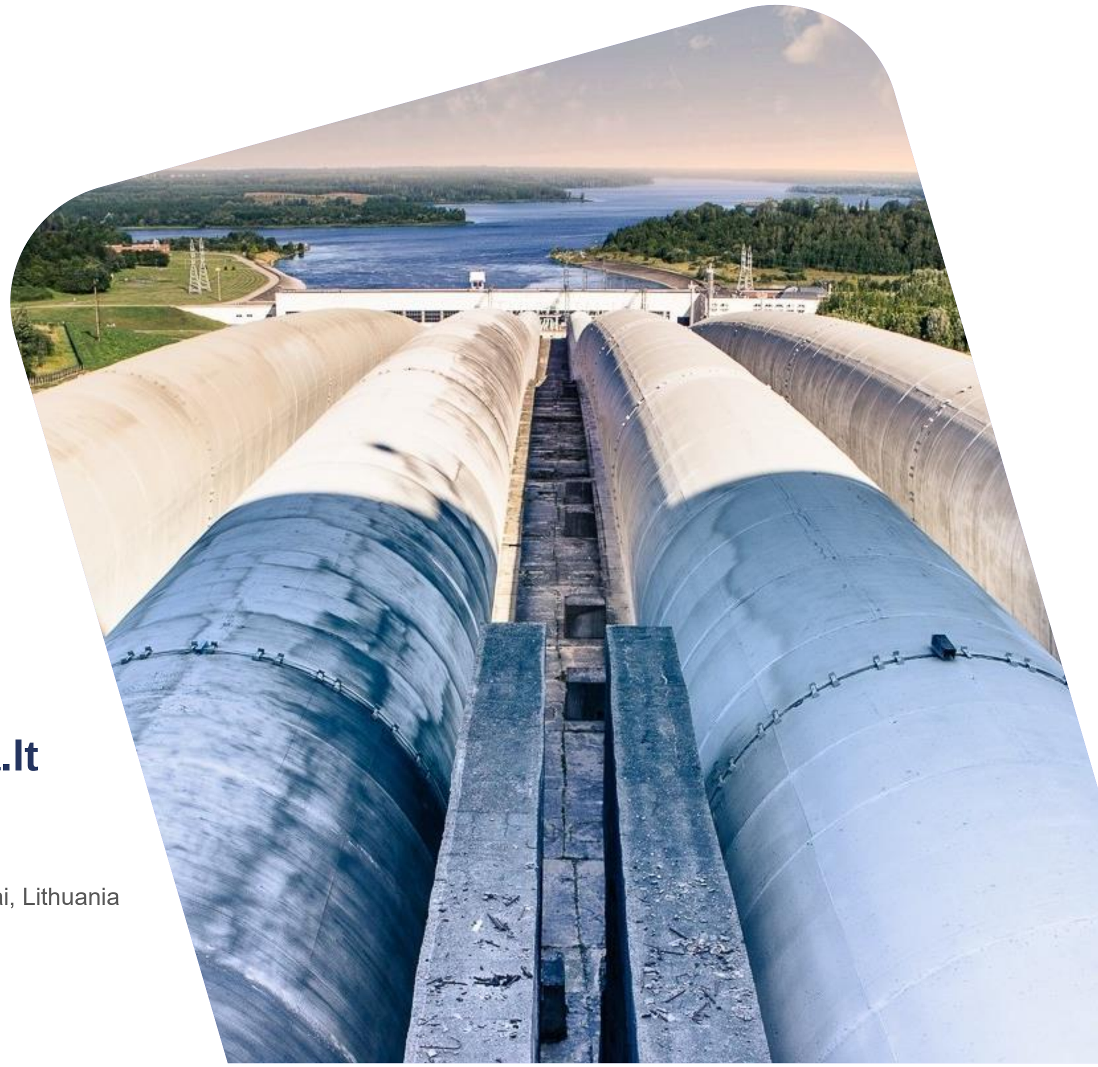
Inga Gudinaitė
Auditor's licence
No. 000366

26 February 2021

2020

AB IGNITIS GAMYBA ANNUAL REPORT

FOR THE YEAR ENDED 31 December 2020



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E-mail gamyba@ignitis.lt
Company code 302648707

CONTENT

ANNUAL REPORT

All amounts are in EUR thousand unless otherwise stated

Reporting period covered by the Annual Report

The Annual Report provides information to the shareholders, creditors and other stakeholders of Ignitis Gamyba AB (hereinafter "the Company") about the Company's operations for the period of January-December 2020.

Legal basis for preparation of the Annual Report

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

Individuals responsible for the information contained in the Annual Report

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

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

The report and the documents, on the basis of which it was prepared, are available at the head office of AB Ignitis gamyba (Elektrinės g. 21, Elektrėnai), on working days from Mondays through Thursdays from 7.30 a.m. To 4.30 p.m., and on Fridays from 7.30 a.m. to 3.15 p.m.

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

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

KEY OPERATING AND FINANCIAL INDICATORS OF THE COMPANY

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

		2020 12 months of	2019 12 months of	Change +/-	Change %
KEY OPERATING INDICATORS					
Electricity generated	*TWh*	2.14	0.83	1.31	157.93
KEY FINANCIAL INDICATORS					
Revenue	*EUR thousand*	174.460	145.504	28.956	19.90
Costs for the purchase of electricity, fuel and related services	*EUR thousand*	69.690	53.511	16.179	30.23
Operating expenses[1]	*EUR thousand*	23.046	21.616	1.430	6.62
EBITDA[2]	*EUR thousand*	71.157	68.588	2.569	3.75
EBITDA margin[3]	*%*	40.8	47.1	-6,4 p. p.	
Adjusted EBITDA[4]	*EUR thousand*	70.883	54.007	16.876	31.25
Adjusted EBITDA margin[5]	*%*	40.7	41.4	-0,7 p. p.	
Net profit (loss)	*EUR thousand*	41.793	42.792	-999	-2.33

		31/12/2020	31/12/2019	Change +/-	Change %
Total assets	*EUR thousand*	689.922	678.113	11.809	1.74
Equity	*EUR thousand*	417.513	410.053	7.460	1.82
Borrowings	*EUR thousand*	21.317	25.768	-4.451	-17.27
Net debt[6]	*EUR thousand*	-116.803	-32.733	-84.070	256.84
Return on equity (ROE)[7]	*%*	10.0	10.4	-0,4 p. p.	
Equity ratio[8]	*%*	60.5	60.5	0 p. p.	
Net debt/EBITDA for 12 months	*%*	-164.1	-47.7	-116,4 p. p.	
Net debt/Equity	*%*	-28.0	-8.0	-20 p. p.	
Assets turnover ratio[9]	*%*	25.3	21.5	3,8 p. p.	
Current liquidity ratio[10]	*%*	341.0	402.0	-61 p. p.	

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

FOREWORD BY THE CHAIRMAN OF THE BOARD

Dear customers, shareholders, partners and colleagues,

When looking back at 2020, the outcome achieved by the Company is something what we want to emphasise and what can make everyone feel proud: whether they are our employees or citizens of Lithuania. With a joint effort of Elektrėnai Complex, Kruonis PSHP and Kaunas HP, we have managed to produce more than 2,145 GWh of electricity, i.e. 2.5 times more than in the same period in 2019. Over the last decade, the Company's production results improved only in 2012, when the amount of electricity produced in power plants exceeded 2,200 GWh. Moreover, it is worth noting that compared to 2019, the outcome of the combined cycle unit (CCU) increased almost 62 times to 1,180 GWh, and Kruonis PSHP produced even a third more electricity – 717 GWh. These are the highest ever production levels reported these power plants throughout their history.

In order to contribute to the implementation of energy projects of strategic importance for Lithuania, it is necessary to assess all available electricity generation and ancillary services' capacities, therefore, one of the most important projects implemented by the Company in 2020 was the successful testing of one of the two installed energy units at the Vilnius Third Combined Heat and Power Plant (TE 3) at the beginning of November.

Two more significant tests were carried out in the summer at the Elektrėnai Complex, when, for the first time in the operation history of Unit 7 and 8, a successful activation tests were carried out within 8 hours. These tests have shown that the said units are compliant with the network code requirements and will be eligible for use in energy security solutions beyond 2025.

The Company's activities prove that we are purposefully striving to meet the country's strategic energy needs. As Lithuania prepares for the synchronization its electricity system with the continental European grids, we are contributing to the implementation of this important energy project by ensuring reliable local electricity production and increasing its volumes. The Company's results confirm that we are a strong and competitive player in the Baltic and Nordic energy markets.

The pandemic has brought significant changes to all of us. Many business sectors and companies have had to adjust to the consequences of COVID-19. The dramatic changes did not take place in one or more sectors, they rather covered a much broader scale: the economy, the health system, supply chains, consumption, and many other inter-related areas. These are the fundamental factors on which the well-being of us all depends, and among them is electricity generation. It is positive that the Company has successfully coped with the challenges during this difficult period – it is a company whose operations come to a halt and which has not experienced any interruptions due to the COVID-19 situation.

During the year, the main financial indicators of the Company also consistently improved, and in the end of 2020 we recorded a significant growth: the Company's revenue from contracts with customers increased to EUR 172.4 million, which is as much as 27.7% more than 2019; Adjusted EBITDA increased by 31.2% to EUR 70.9 million.

We had several exceptional news to share in the area of Green generation. In May, we opened our 1 MW solar power plant in Obeniai, which became the first remote solar park in the country and marked the launch of the Ignitis saulės parkai platform, and therefore its owners (almost 300 remote generating consumers), have already benefited from the electricity generated by this solar power plant. We have fulfilled our promises to our customers and partners by installing a three-time larger solar power plant in Obeniai in September. By expanding this solar park to 4 MW power, so far we have developed the largest solar park not only in Lithuania, but also in the Baltic states. We are proud for implementing this project and we are also proud to be the first to give the opportunity to all Lithuanian residents to generate electricity for their own apartments or houses in remote solar power plants. Moreover, this autumn we were still the only ones who developed "Ignitis saulės parkai" platform and whose solar power plants are installed, produce electricity and provide benefit to customers.

A project for the dismantling of two disused chimneys is also successfully underway, symbolising the end of the era of polluting generation of electricity when fuel oil was used. Intensive preparatory work took place in 2020 when dismantling the inner layer of the chimneys, and in 2021 it is planned to completely dismantle both the middle 250 metres-high chimney and the smaller chimney which is 150 m high.

At the end of the year, we won the auction of the tertiary active power reserve, announced by the transmission system operator LitGrid (hereinafter "LitGrid" or "the TSO"), and signed a contract to provide this service. Under this agreement, we will provide this vitally important service in 2021 for ensuring power grid reliability in units 7 and 8 (222 MW and 260 MW, respectively) within the overall scope of 482 MW. This is a major achievement for our Company. Over the course of the year, we have sought to optimise to the maximum our costs so we could offer the most competitive prices. We have succeeded and, therefore, in 2021 we will provide tertiary reserve services even in a higher volumes than in 2020, as we have won the largest share of the increased reserves. In addition, knowing that we have had to put a lot of work and effort into proving that the capacity managed by Ignitis Gamyba is the best option to ensure the reliability of the Lithuanian energy system makes this achievement satisfying.

We have also signed the agreement with Litgrid for provision of services ensuring isolated operation of the power system in 2021. These services will be provided by CCGT (371 MW) and Unit 7 (38 MW). It is worth noting that, taking into account developments in the provision of the secondary active power reserve service implemented on the initiative of LitGrid, Kruonis PSHP, which has so far secured the secondary reserve for the country, has become one of the market participants providing this service from 2021.

In 2020, we were able to see more than ever how important it is to ensure reliable electricity generation in the country and to provide vital systemic services for the whole region. Therefore, despite the socio-economic challenges, Ignitis Gamyba will continue to carry out this purposeful work by implementing innovative projects and promoting efficiency in line with strategic directions.

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

MOST SIGNIFICANT EVENTS

During the reporting period

On 3 January 2020, District Court of Vilnius Region announced that it received the claim of the few minority shareholders of the Company asking to invalidate resolutions which were adopted at the Extraordinary General Meeting of Shareholders of the Company on 4 December 2019. The Court applied the temporary protection measures and suspended the resolutions of the Extraordinary General Meeting of Shareholders of the Company until final decision in this civil case becomes effective. The Company appealed against this order on 8 January 2020.

The **field tests of operation of the tertiary active power reserve and isolated network** were carried out successfully on 10 January 2020 in Elektrėnai Complex. The Company carried them out under the contractual obligations, having won the auction of the tertiary active power reserve, announced by the Lithuanian transmission system operator LITGRID (hereinafter "TSO") for 2020, and while providing service of operation of the isolated network.

The Company announced on 24 January 2020 that it had entered into the contract with the company "IMASD Energias SL" regarding establishment of a **new 3 MW solar power plant in Obeniai,**, Elektrėnai Municipality.

The Company announced on 07 February 2020 that **disassembly works of two unused chimneys in Elektrėnai Complex will be performed** by the company that had won the competition of public procurement, "Vilniaus betono demontavimo technika". The value of the contract for disassembly of two chimneys is 1.89 million euros (excl. VAT). It is planned to finish the disassembly works of these chimneys until autumn 2021.

In order to carry out the processes related to delisting of the Company's shares from the Stock Exchange and compulsory buyout of the shares smoothly, **Ignitis grupė entered into a peace agreement** with the Association of Investors that is representing minor shareholders of the Company on 17 March 2020.

The **meeting of the Company's Supervisory Board** passed resolutions on 18 March 2020 to approve the Company's annual report of 2019, set of audited annual financial statements of 2019, proposed profit/loss distribution of 2019, guidelines of remuneration of top-level managers of the group of companies AB Ignitis grupė, and remuneration policy of AB Ignitis grupė *in corpore* as the Company's remuneration policy, and to submit these comments to the Ordinary General Meeting of Shareholders of the Company that is held on 30 April 2020.

The Supervision Service of the Bank of Lithuania approved the non-competitive **official tender circular** of Ignitis grupė regarding the Company's shares on 30 March 2020. According to its conditions, the price paid by "Ignitis grupė" for one share is EUR 0,640.

On 3 April 2020 **Ignitis Grupė started buyout of the Company's shares.** The official proposal of Ignitis grupė to buy the Company's shares out was valid for 20 days, from 3 April until 22 April (inclusive).

The Company announced on 10 April 2020 that, Kruonis **PSHP starts implementing the procurement for building the experimental solar power plant floating on the water**. The building of 60 kW floating photovoltaic solar power plant in the upper basin of Kruonis PSHP.

29 April2020 **a 1 MW solar power plant was opened in Obeniai,** which started to generate electric energy to the customers of the world's first remote solar platform, Ignitis saulės parkai (Ignitis Solar Parks), which is available to all households in the country.

On 18 May 2020, **the mandatory buyout of shares of the Company has started**, and continued until August 17.

In the morning on 9 June 2020, due to unexpected shut-down of two Riga cogeneration power plants and the failure of the electricity connection with Sweden NordBalt, **most of the electricity demand in Lithuania was provided** by the Kruonis pumped storage power plant, Combined Cycle Unit and Kaunas Hydro Power Plant, which ensured almost 73% the country's electricity demand.

On 22 June 2020, the Company **announced the results of the technological and socio-economic feasibility studies of the 5th hydro unit of Kruonis Pumped Storage Hydroelectric Power Plant (PSHP)**. Based on the findings of the study, the implementation of each of the technological alternatives at Kruonis PSHP would bring long-term benefits to society, and, in terms of net discounted socio-economic benefits, the best results are demonstrated by alternatives to a 110 MW new synchronous unit or a 225 MW new asynchronous unit with benefits in excess of EUR 150 million.

On 30 June 2020, the Company's **shares were delisted from the Main List of AB Nasdaq Vilnius** in accordance with the decision of the Extraordinary General Meeting of Shareholders of the Company held on 4 December 2019.

On 13 July 2020, **Gitanas Nausėda, President of Lithuania, visited Kruonis Pumped Storage Hydroelectric Power Plant (PSHP).** During the visit, the President was introduced to the importance of Kruonis PSHP for the reliability of the Lithuanian and regional electricity system. After getting acquainted with the activities of Kruonis PSHP, the President assured that the reserve of this power plant will not be used for the needs of Astravas NPP.

On 25 July 2020 and 1–2 August 2020, internal tests of electricity system recovery after a total accident and test of the operation of a part of the isolated Lithuanian energy system were **successfully carried out** in the power plants of the Company.

On 28 September 2020, the Company announced that the **establishment of a new 3 MW solar power plant in Obeniai was completed**. A new 3 MW solar power plant will be connected to a 1 MW power plant already in operation since the summer. There are 4 MW solar power plants in Obeniai and so far it is the largest solar power plant park not only in Lithuania, but also in the Baltic states.

On 5 November 2020, **one of the two installed energy units at the Vilnius Third Combined Heat and Power Plant (TE 3) was successfully tested at full power.**

On 9 November 2020, the Company announced that it has **successfully undergone repairs of the inner concrete slope in the upper basin of Kruonis PSHP.** During these repairs, for the first time in the history of Kruonis PSHP service, the water level of the upper basin was reduced by about 12 meters for almost a week.

On 10 December 2020, Ignitis Grupė announced that together with its subsidiaries Ignitis Gamyba, Energijos skirstymo operatorius (ESO) and Ignitis it has signed the **bilateral agreement on Education and Consultation of Energy Users with the Ministry of Energy of the Republic of Lithuania.** In such a way, Ignitis, ESO and Ignitis Gamyba committed to teach and consult the users on effective usage of energy and to help the user to reduce costs of energy consumption and to contribute to improvement of energy efficiency.

In December 2020, the Company **won the auction of the tertiary active power reserve announced by the LITGRID** and signed the agreement to provide this service to provide this service in 2021 in the scope of 260 MW which will be guaranteed by units 7 and 8.

On 29 December 2020, Andrius Valivonis became the **Director of Finance and Administration of the Company**, who has also been appointed to the Board of the Company by the decision of the Supervisory Board of the Company. Mr Valivonis will hold this position until the end of the term of office.

On 30 December 2020, the Company and LITGRID signed the agreement **for provision of secondary reserve and services ensuring isolated operation of the power system in 2021**. Under this agreement, the services will be provided in the following scope: 371 MW will be guaranteed by the combined cycle unit and 37 MW – by unit 7.

After the reporting period

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

Further details on the events above and other events significant to the Company are given in other sections of this report and are available on the Company's website www.ignitisgamyba.lt.

ANALYSIS OF FINANCIAL INDICATORS

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

		2020	2019	2018	2017	2016
KEY OPERATING INDICATORS						
Electricity generated	*TWh*	2.14	0.83	0.88	1.15	1.37
FINANCIAL INDICATORS						
Revenue from contracts with customers:	*EUR thousand*	172,380	134,978	136,528	147,199	151,758
Other revenue	*EUR thousand*	2,080	10,526	1,293	2,616	21,164
EBITDA[1]	*EUR thousand*	71,157	68,588	51,986	70,760	58,054
Adjusted EBITDA[2]	*EUR thousand*	70,883	54,007	44,816	53,733	63,652
Operating profit	*EUR thousand*	50,598	50,710	43,654	16,458	49,030
Net profit (loss) for the reporting period	*EUR thousand*	41,793	42,792	34,664	20,677	39,975
Profit before tax	*EUR thousand*	50,375	50,650	42,377	15,917	48,330
Cash flows from operating activities	*EUR thousand*	96,230	48,211	61,140	59,993	60,513
Total assets	*EUR thousand*	689,922	678,113	656,714	635,999	819,430
Equity	*EUR thousand*	417,513	410,053	391,812	354,030	355,566
Borrowings	*EUR thousand*	21,317	25,768	38,208	55,557	132,907
Net debt	*EUR thousand*	-116,803	-32,733	-9,677	-5,143	33,862
RATIOS						
Obligations/Equity		0.65	0.65	0.68	0.80	1.30
Financial debts/Equity		0.05	0.06	0.10	0.16	0.37
Financial debts/Asset		0.03	0.04	0.06	0.09	0.16
Equity ratio	%	60.52	60.47	59.66	55.67	43.39
Net debt/EBITDA for 12 months	%	-164.15	-47.72	-18.61	-7.27	58.33
Net debt/Equity	%	-27.98	-7.98	-2.47	-1.45	9.52
Asset turnover ratio	%	25.29	21.46	20.99	23.56	21.10
Current liquidity ratio	%	341.01	402.04	417.78	254.15	318.82
LOAN COVERAGE RATIO						
Loan coverage ratio (EBITDA)/(interest costs + loans repaid in the reporting period)[2]		13.77	5.11	1.14	0.91	3.95
PROFITABILITY RATIOS						
Operating profit margin	%	29.00	34.85	31.67	10.99	28.35
Profit before tax margin	%	28.88	34.81	30.75	10.62	27.95

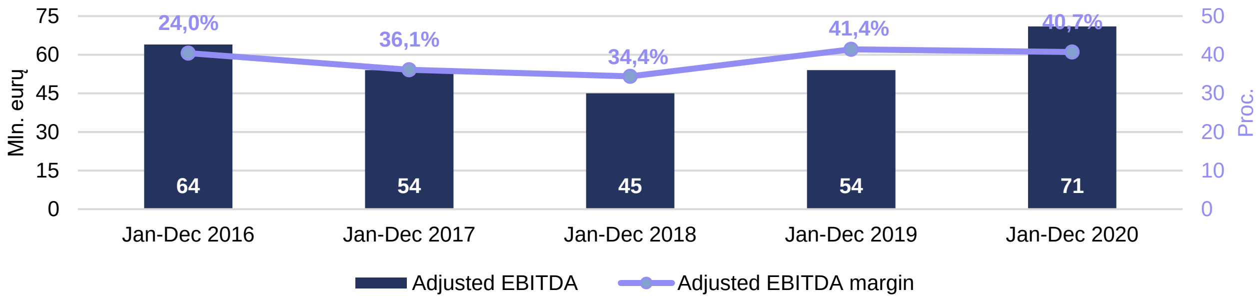
Net profit margin	%	23.96	29.41	25.15	13.80	23.12
Return on equity	%	10.01	10.44	8.85	5.84	11.24
Return on assets	%	6.06	6.31	5.28	3.25	4.88
Return On Capital Employed (ROCE)	%	9.52	9.82	8.06	5.05	8.18
Earnings per share	(EUR)	0.064	0.066	0.053	0.033	0.063
P/E (share price/earnings)		9.92	9.24	9.35	19.14	9.95

[1] Comparative indicators were not recalculated.
[2] Earnings before tax + interest costs – interest income – dividends received + depreciation & amortisation + non-current & current asset impairment losses + ETL reappraisal (costs)/income + write-down costs + result of selling a part of a business.
[3] EBITDA result is reported after the adjustments made by management by eliminating the impact of one-off factors. The purpose of these adjustments is to disclose the results of the ordinary activities of the Company eliminating one-time factors that are not directly attributable to the current period. All adjustments made by the management are disclosed in the Company's interim and annual reports.
[4] Re-financed loans were not included in the calculation of the ratio.

Between January and December of 2020, the Company's adjusted EBITDA increased by 31.2 %, in comparison with the same period in 2019. This can also be seen in the chart showing the dynamics of EBITDA in January–December 2016-2020, provided below (see Figure 1). Other profitability indicators of the Company (operating profit margin, margin of profit before tax, net profit margin) in January–December 2020 were also lower if compared to the same period in January–December 2019. Between January and December of 2020, operating profit before tax and net profit decreased due to compensation received for the projects carried out in previous years which respectively increased indicators in 2019.

Between January and December of 2020, compared to the same period in 2019, the Company's adjusted EBITDA grew due to the efficient use and higher production capacity of the Kruonis Pumped Storage Power Plant and the Elektrėnai Complex, which offset the lower production at the Kaunas HPP and the effect of fuel oil and scrap metal sales in 2019, which improved the results.

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



Statement of financial position

Liabilities of the Company to financial institutions were equal to EUR 21.3 million (as of 31 December 2020) and consisted of the liabilities under the long-term loan agreements. Liabilities of the Company to financial institutions were equal to EUR 25.8 million EUR 25.8 million as at 31 December 2019.

Statement of Comprehensive Income

Revenue

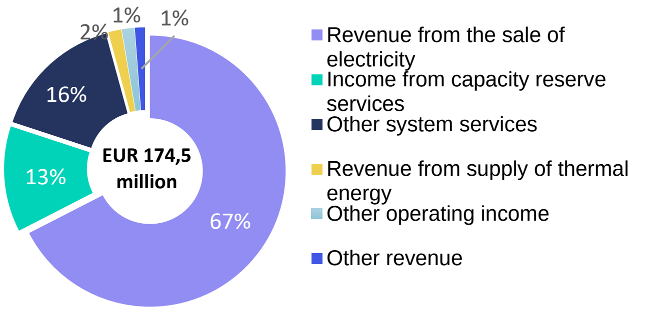
Company revenue amounted to EUR 174.5 million in January–December 2020. The Company's income increased by 19.9%, in comparison with January–December 2019. Such increase was mostly caused by higher electricity production volumes.

Revenue, EURm	2020	2019	Change +/-
Revenue from the sale of electricity	117.7	56.3	61.4
Income from capacity reserve services	22.0	44.6	-22.6
Other system services	27.4	23.5	3.9
Revenue from supply of thermal energy	2.7	3.6	-0.9
Other operating income	2.6	7.0	-4.4
Other revenue	2.1	10.5	-8.4
Total	**174.5**	**145.5**	**29.0**

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

Figure 2

Breakdown of revenue by type in 2020

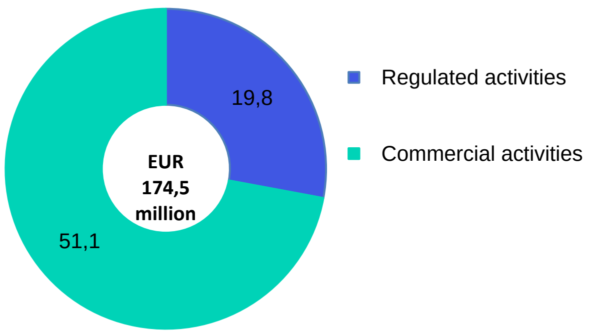


Costs, EURm	2020	2019	Change +/-
Purchases of electricity or related services	24.0	30.4	-6.4
Gas and biofuel expenses	45.7	23.1	22.6
Depreciation and amortisation	17.5	18.2	-0.7
Payroll and related expenses	9.7	8.8	0.9
Repair and maintenance expenses	7.0	5.6	1.4
Emission allowance (expenses)/income	7.7	0.8	6.9
Other expenses	12.3	7.9	4.4
Total operating expenses	**123.9**	**94.8**	**29.1**

In January–December 2020 the regulated services of the Company accounted for 30.3% of the total revenue of the Company (49.4% in January–December 2019).

Figure 3

Revenue by segment 2020



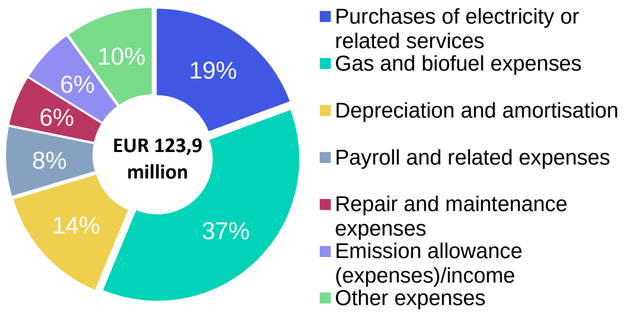
Expenses

In January–December 2020, the Company incurred the costs of EUR 123.9 million (EUR 116.2 million, if we exclude the emission allowance utilisation and revaluation income/costs).

Operation and maintenance costs amounted to EUR 23.0 million in January–December 2020 and were EUR 1.4 million higher in comparison with January–December 2019, mainly due to increase of repair and maintenance costs.

Figure 4

Cost structure 2020



The major part of the Company's costs (EUR 69.7 million or 56.3%) was related to the purchase of electricity and related services, as well as the purchase of fuel for electricity generation. Such costs accounted for 56.4% of costs, or EUR 53.55 million in January–December 2019.

Gas and biofuel expenses were almost twice as high in January-December 2020 due to higher gas purchase costs, the increase of which was caused by the increased production volumes in the Elektrėnai Complex.

Company's depreciation and amortization costs amounted to EUR 17.5 million in January–December 2020 (EUR 18.2 million in January–December 2019).

Higher production volumes in Elektrėnai Complex also reflected in rise of repair and maintenance costs by 25.0%, as well as of emission allowance (EA) expenses.

Increase in other expenses in 2020 was caused by the result from derivative financial instruments.

Profit

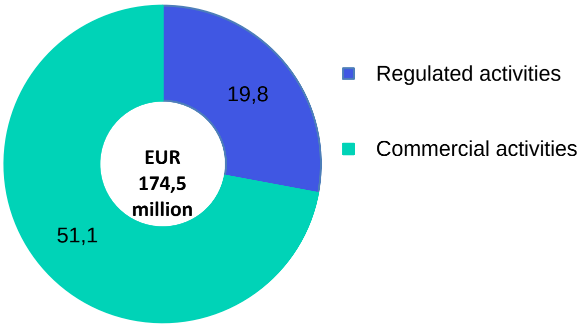
In January-December 2020, the Company's adjusted EBITDA increased by EUR 16.9 million in comparison with the same period in 2019, and the Company's adjusted EBITDA margin amounted to 40.7% in January–December 2020 (41.4% in January–December 2019).

	2020	2019	Change +/-
Total revenue	**174.5**	**145.5**	***29.0***
Regulated activities	52.8	71.9	*-19.1*
Commercial activities	121.6	73.6	*48.0*
Adjusted EBITDA, total	**70.9**	**54.0**	***16.9***
Regulated activities	19.8	27.6	*-7.8*
Commercial activities	51.1	26.4	*24.7*
EBITDA margin, %	**40.8**	**47.1**	***-6.4 p.p.***
Regulated activity, %	37.1	46.5	*-9.4 p.p.*
Commercial activities, %	42.4	47.8	*-5.4 p.p.*

In January-December 2020, adjusted EBITDA of commercial activities almost doubled and represented 72.1% of the total EBITDA, in January-December 2019 adjusted EBITA for commercial activities represented 48.9% of the total EBITDA.

The growth of the adjusted EBITDA of commercial activities in January-December 2020 was mainly influenced by the better result of Kruonis PSHP (increased margin and 34% higher production volume compared to January – December 2019) and amendments to the Rules for the Use of Electricity Networks made in 2019, which allowed electricity producers providing the service of operation of the isolated network to produce electricity in the facilities used to provide the service of operation of the isolated network.

Figure 5
Adjusted EBITDA by segments 2020



The Company earned EUR 50.4 million of profit before tax, and the net profit amounted to EUR 41.8 million in January–December 2020. The Company earned EUR 42.8 million of net profit in January–December 2019.

Statement of cash flows

Net cash flows from operating activities amounted to EUR 96.2 million in January–December 2020. Net cash flows from operating activities amounted to EUR 48.2 million in the same period in 2019.

In January–December of both 2020 and 2019 cash flows from financial activities of the Company were negative and amounted to EUR 56.2 million and EUR 38.7 million, respectively.

Statements of cash flows, EURm	2020	2019	Change +/-
Cash and cash equivalents (including overdraft) at the beginning of the period	**58.5**	**47.9**	**10.6**
Net cash flows from operating activities	96.2	48.2	48.0
Net cash flows from investing activities	39.6	1.1	38.5
Net cash flows used in financing activities	(56.2)	(38.7)	-17.5
Net increase/ (decrease) in cash flows	**79.6**	**10.6**	**69.0**
Cash and cash equivalents at the end of the period	**138.1**	**58.5**	**79.6**

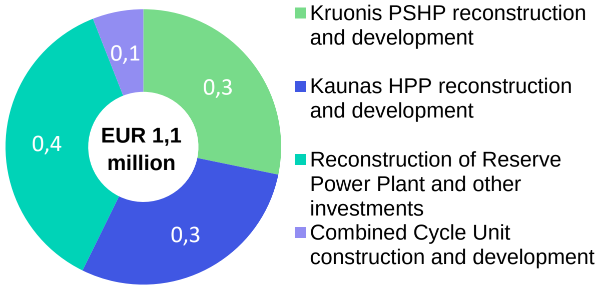
Capital expenditure

Company's investments in non-current tangible and intangible assets amounted to EUR 1.1 million in January–December 2020, and EUR 0.8 million in January–December 2019.

Investments, EURm	2020	2019	Change +/-
Kruonis PSHP reconstruction and development	0.3	0.2	*0.1*
Kaunas HPP reconstruction and development	0.3	0.1	*0.2*
Reconstruction of Reserve Power Plant and other investments	0.4	0.4	*0.0*
Combined Cycle Unit construction and development	0.1	0.1	*-0.1*
Total	**1.1**	**0.8**	***0.3***

Compared to 2019, investments in 2020 were slightly higher due to investments in Kaunas HPP and Kruonis PSHP.

Figure 6
Investments by power plants 2020, EURm



Balance sheet

At the end of 2020, assets amounted to EUR 689.9 million (1.7% growth during the year).

During the year, the Company's equity increased by 1.8% and amounted to EUR 417.5 million.

Total liabilities at the end of 2020 amounted to EUR 272.4 million or 1.6% higher compared to the same period in 2019. The increase in current liabilities was due to provisions for utilised allowances, which amounted to EUR 14.5 million at the end of 2020 (EUR 0.5 million at the end of 2019). Meanwhile, long-term liabilities decreased by 3.1% due to reduction in long-term loans and grants.

Balance sheet, EURm	2020	2019	Change +/-
Non-current assets	517.1	519.7	-2.6
Current assets	172.8	158.4	14.4
Total assets	**689.9**	**678.1**	**11.8**
Equity	417.5	410.1	7.4
Non-current liabilities	221.7	228.7	-7.0
Current liabilities	50.7	39.4	11.3
Total equity and liabilities	**689.9**	**678.1**	**11.8**
Asset turnover ratio, %	*25.3*	*21.5*	*3.8 p.p.*
Return on equity (ROE), %	*10.0*	*10.4*	*-0.4 p.p.*
Current ratio, %	*341.0*	*402.0*	*-61,0 p.p.*
(Current assets – liabilities)/Revenue,%	*70.6*	*81.8*	*-11.8 p.p.*

ANALYSIS OF BUSINESS ENVIRONMENT AND PERFORMANCE

Business environment

Ignitis Gamyba manages and develops the largest electricity generation capacities in Lithuania: Kruonis Pumped Storage Hydroelectric Plant (hereinafter "Kruonis PSHP"), the combined cycle unit and the reserve power plant the Elektrėnai Complex, Kaunas Algirdas Brazauskas Hydroelectric Power Plant (hereinafter "Kaunas HPP") and Vilnius thermal power plant No 3 (hereinafter "Vilnius TE-3"). The Elektrėnai Complex produces thermal energy for Elektrėnai consumers, Kietaviškės greenhouse complex, and the Company's own needs.

Ignitis Gamyba helps to ensure reliability and security of the energy systems in the whole Baltic and Nordic region as well as contributes to a historical change – synchronization of the Baltic States with the Continental European grids in 2025.

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

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

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

Analysis of external environmental indicators

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

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

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

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

Overview of economic situation

The changes in general domestic product have the biggest impact on increase in demand for energy and competitive environment, in which the Company is operating. Gross domestic product in the European Union was growing for six years in a row until 2019. In 2020, the situation changed due the impact of COVID-19. According to the forecast of the European Commission published in autumn 2020[1], the euro area economy is forecast to contract by 7.8% in 2020, before growing 4.2% in 2021 and 3.0% in 2022. Under this forecast, EU economy will contract by 7.4%, but subsequently will recover and its grow will stood at 4.1% in 2021 and 3.0% in 2022. Compared to forecast published in summer, the EU and euro area growth projections for 2020 are slightly revised upwards and for 2021 – reduced. Both the EU and euro area are not expected to recover their pre-pandemic level of GDP by the end of 2022.

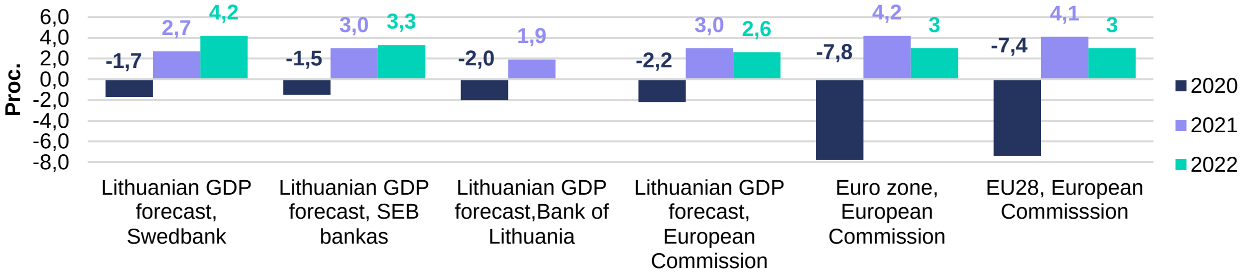
The European Commission announces that the real GDP of Lithuania will decline by only about 2.25% as export remained resilient and mitigated the decline in domestic demand. Over the forecast period, economic growth will recover to 3% in 2021 and will slightly exceed 2.5% in 2022.

As indicated in the Lithuania's economic outlook published by the economists of the Lithuanian banks, Lithuania's economic prospects are considered to be positive. According to the forecasts presented by the analysts of SEB bank in February 2020[2], the real GDP of Lithuanian is going to decrease by 1.5% in 2020, and will grow by 3% and 3.3% in 2021 and 2022, respectively. The Swedbank analysts published Lithuania's economy outlook in the end of January 2020[3]: it is forecasted that the fall in general domestic product will reach 1.7% in 2020, however, its growth will reach 2.7% in 2020, and 4.2% in 2022. The projections of the Bank of Lithuania[4], made in December 2020, showed that the gross domestic product in Lithuania shrunk by 2.0% in 2020, but is going to grow by 1.9% in 2021 (see Figure 7).

As the energy consumption is closely related to the growth of general domestic product, the changes in economic growth rates in Lithuania and neighbouring countries may also affect the Company's performance results.

[1] Source: European Commission. European Economic Forecast Autumn 2020.
[2] Source: SEB bank. Lithuanian Macroeconomic Review, 10 November 2020, No 73.
[3] Source: Swedbank Economic Outlook. January 2021.
[4] Source: Bank of Lithuania. Lithuanian Economy Review: December 2019.

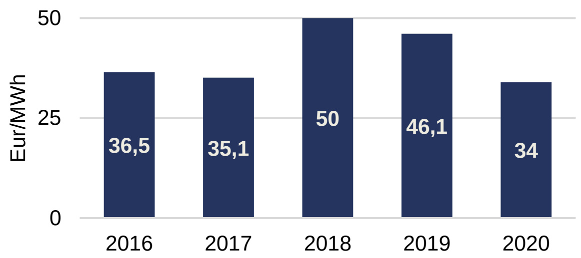
Figure 7
Gross Domestic Product Growth Forecasts for the European Union, Euro Zone and Lithuania in 2020–2022, %



Overview of the situation on the wholesale electricity market

In 2019, electricity prices fell sharply in all of the bidding areas of the Nord Pool Nordic power exchange. Compared to 2019, the average system price was lower by approx. 72% (2019 – 38.96 EUR/MWh, 2020– 10.90 EUR/MWh), in the fourth price area of Sweden, with which Lithuania is connected through the NordBalt power link – approx. 35% (2019– 39.82 EUR/MWh, 2020 – 28.84 EUR/MWh), in Finland – approx. 36% (2019 – 44,04 EUR/MWh, 2020 – 28.00 EUR/MWh), in Baltic region – approx. 26% (2019 – 46.09 EUR/MWh, 2020 – 33.91 EUR/MWh).

Figure 8
Electricity prices as per Lithuania price area
(source: Nord Pool)



It is noteworthy that in Lithuania at some period's prices were approx. 0.03% lower than in Latvia, but 1.0% higher than in Estonia. In 2020, the average price difference between Lithuania and Sweden in the fourth zone was approx. 30% higher (6.30 EUR/MWh in 2019, 8.19 EUR/MWh in 2020). Last year, the average wholesale electricity market price in Lithuania and Latvia was 26% lower than in 2019. The price in Estonia fell even more – by 27%. In 2020, the average wholesale price of electric power in Lithuania and Latvia was 34 EUR/MWh, Estonia – 33.7 EUR/MWh. In 2020, negative prices were observed for the first time in Lithuania's price zone (one hour on 6 July and four hours on 2 November).

Compared to 2019, the total energy demand in the price areas of the Nord Pool power exchange in 2020 increased by approx. 28% (by 6% in Lithuania). Due to moderate winter and spring temperatures hydroelectric power plant production increased by approx. 13%. Nuclear power plant production in the Scandinavian region decreased by 20%, mainly due to the decommissioning of the Unit 2 of the Ringhals nuclear power plant in Sweden, a series of faults in this type of power plants and scheduled maintenance work in 2020.

In 2020, Lithuania produced approx. 37% more electricity compared to 2019. Meanwhile, the production in other Baltic countries decreased: in Latvia by approx. 11%, in Estonia – approx. 28%. Lithuania remains an energy-deficit country, which produced around 48% of the country's demand (30% in 2019). In Latvia, local production in 2020 covered 77% of domestic demand (approx. 85% in 2019). Estonia also remains an energy-deficit country, where local production in 2020 ensured 55% of domestic demand (approx. 74% in 2019).

The main changes in the Lithuania's commercial import balance during 2020: 52% of our country's electricity demand was imported, 33% of electricity was imported from third countries, 42% from Scandinavia via NordBalt connection, 19% was imported across the border with Latvia and 5% – via the LitPol Link connection with Poland. Due to the imposed trade restrictions with Belarus, commercial imports from third countries decreased 2 times compared to 2019. Imports from Scandinavia to Lithuania increased by 37%, exports to Poland decreased by 23%. According to Nord Pool data, electricity consumption in Lithuania in 2020 decreased by approx. 2% compared to 2019 (excl. Kruonis PSHP demand). In Latvia, demand decreased by approx. 2%, in Estonia – approx. 3%.

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

All amounts are in EUR thousand unless otherwise stated

Company's strategy and objectives

In 2020, the Company was acting in accordance with the Company's operational strategy for 2019–2030 approved by the Company's Board at the end of 2018. This document defines the long-term operational strategy of the Company: strategic directions, objectives and indicators measuring the strategy's implementation (Figure 4).

In 2020, the Company was seeking to earn income from new activities and at the same time to reduce the expenses of the main activities.

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

The Action Plan for 2020 set out 15 specific projects and objectives. The Company paid great attention to new solar power plant projects and modernisation of physical security systems used in hydroelectric power plants.

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

The implementation of the program of cleaning works in Elektrėnai Complex remains important for the Company – the old and ineffective devices are disposed and unused chimneys are dismantled.

Great attention is paid to the improvement of the qualification of employees and ensuring the rotation of key positions.

It is planned that the Company's investments will represent a significant share of total amount of investments (EUR 600 million) that the Group is planning to invest into the production facilities at both currently existing and new production bases before 2030. The financial outcome of strategic generation (EBITDA) is expected to reach up to EUR 60 million.

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

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

MISSION
To ensure the reliable and safe operation of the Lithuanian electricity system

Quality services (the TSO, suppliers, consumers, shareholders)	**Enhancement of operational efficiency**	**Business development**	**Staff development**
Ensuring high availability of production capacity, high reliability of managed equipment and reduction of environmental impact.	Reducing the electricity and heat generation cost, eliminating idle capacity and fostering a culture of continuous improvement.	Implementation of competitive energy projects and utilization of managed infrastructure, facilities and personnel expertise to develop production-related activities.	Promoting employee engagement and commitment, developing an organizational culture based on values and leadership, and ensuring business continuity and employee rotation.

VISION
To become a leader in the emerging market of system services in Baltic region

Achievement of the Company's objectives

Based on the preliminary evaluation, the Company succeeded in implementation of 5 out of 7 annual objectives of the Company for 2020: the operating profit margin in the year 2020 exceeded the set limit; the operating expenses were controlled successfully and were lower than planned; a reliable participation in the isolated network testing program, safety of the Company's employees ensured (1 minor accident), objectives of the employee experience achieved (improving result of eNPS survey). The availability and reliable work of the power plants was ensured partially (the objective of availability of Kruonis HPP PSHP was not achieved).

In 2021, the Company will seek to satisfy the shareholders' expectations and to ensure profitable activities of the Company (objective 1) and to ensure effective control of expenses (objective 2). As every year, ensuring reliable operation of power plants (objective 3), employee safety (objective 3) and improving employee experience (objective 5) is important. New goals of the strategic production direction in 2021: to prepare for synchronization with continental European networks (6) and efficient project portfolio management (7).

Overview of activities of the Company's power plants

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

Elektrėnai Complex

Reserve power plant and combined cycle unit

Capacity – 1055 MW*

The power plant provides tertiary active capacity reserve services and services ensuring isolated operation of the power system to ensure safe electricity supply and the reliability of the energy system.

Units 1-6 of the reserve power plant were dismantled.

In 2020, the combined cycle unit (455 MW) provided services ensuring isolated operation of the power system and carried out commercial production of electricity. In 2020, units 7 and 8 of the reserve power plant provides tertiary reserve service. Unit 8, powered by partial capacity, provides service of operation of the isolated network.

Heat is produced in steam and biofuel boiler houses.

Kruonis Pumped Storage Hydroelectric Plant

Capacity – 900 MW

Kruonis PSHP is intended for the balancing of electricity generation and consumption, as well as for the prevention of emergency incidents within the power system and elimination of consequences thereof.

In 2020, Kruonis PSHP secured the entire secondary active capacity reserve required for the Lithuanian energy system in the scope of 400 MW.

Kaunas Algirdas Brazauskas Hydroelectric Power Plant

Capacity – 100.8 MW

Kaunas HPP is the largest power plant in Lithuania that uses renewable energy sources.

Depending on natural conditions, the plant produces green energy and provides system services.

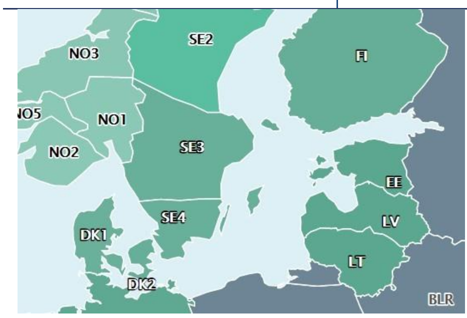
Kaunas HPP contributes to the balancing of electricity generation and consumption, and levels out the power system. It is one of the power plants in the Lithuanian energy system that can start an autonomous operation in case of the total system failure.

Vilnius Third Combined Heat and Power Plant

Installed electricity capacity – 360 MW
Installed heat capacity – 603 MW

The operations of the power plant were discontinued with effect from 31 December 2015.

In November 2020, one of the two installed energy units were tested at full power.



Electricity trading

In 2020, trading in electricity produced by the Company was conducted under the agreement on the wholesale electricity market by YUAB Gamybos Optimizavimas. The fall in gas prices at the beginning of the year and the favourable situation in the electricity market have led to a significant increase in sales of electricity produced at the Lithuanian power plant. In 2020, Nord Pool power exchange continued to observe a positive development in electricity trading. On the power exchange, the year was distinguished by an increase in the number of submitted automated trading orders. Poland joined the Intraday markets in Nord Pool in the middle of 2020. In response to changes in the market, UAB Gamybos optimizavimas has implemented an automated trading system as from April 2020. Due to the emergence of power exchange participants, increased liquidity in the market and successfully implemented robotic solutions significantly contributed to the growth of the Company's trading portfolio.

** The above-mentioned power plant capacity applies from 1 January 2016, i.e. upon decommissioning of units 5 and 6.*

Provision of system services

The Company provides balancing services, as well as system services to the Lithuanian transmission system operator LITGRID. The system services ensure the stability and reliability of the energy system, prevention of and response to system emergencies, and the required power reserve in line with the established requirements for quality and reliability of electricity supply. The system services provided by the Company include power reserve, trade in balancing and disbalancing energy, reactive power management and system recovery services. In 2020, the service of operation of the isolated network was provided.

Power reserve services are intended to ensure reliable operation of the electricity system in the (emergency) events of unexpected drop in production of electricity or unexpected increase in electricity consumption. The producers provide secondary and tertiary active power reserve maintenance services. The secondary active power reserve is the power of installations or hydro units maintained by the producer, which are activated in less than 15 minutes. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. The power plants managed by the Company in 2020 provided tertiary and secondary active power reserve services. The secondary power reserve was ensured at Kruonis PSHP, whereas the tertiary power reserve is ensured at Elektrėnai Complex.

Balancing services are intended to balance the surplus and shortage of power in the energy system. Trade in balancing power is conducted in real time and ensures reliable operation of the power system on an hourly basis. When the amount of electricity in the system becomes insufficient and the TSO gives an instruction to increase its production, the Company increases the volume of electricity generation and sells the lacking amount of balancing power to the TSO. When there is surplus of power in the energy system and the TSO gives an instruction to reduce its generation, the Company reduces the volume of electricity generation and buys surplus balancing power from the TSO.

Disbalancing is the actual deviation from electricity generation or consumption scheduled by the TSO. Settlement for trade in disbalancing power is conducted at the end of the reporting month and it encourages the market players to make accurate forecasts of their electricity generation and consumption. For instance, when the amount of electricity produced by the Company at a certain hour is lower than the scheduled one, the Company has to buy the difference from the TSO (purchase of disbalancing power); and vice versa, when the amount generated by the Company at a certain hour is higher than the scheduled one, the Company has to sell the difference to the TSO (sale of disbalancing power).

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

System recovery after complete failure services are intended to ensure effective activation of the power-generating source in the event of full or partial failure of power system, without using power supply from the grid. System recovery after complete failure services are provided at both Kruonis PSHP and Kaunas HPP.

Key performance indicators of power plants for 2020

In 2020, the Company generated electricity and thermal energy, provided tertiary and secondary active power reserve service, and services ensuring isolated operation of the power system in Elektrėnai complex, secondary active power reserve service in Kruonis PSHP and other system services.

The Company has permissions of unlimited duration to produce electricity. In 2020, the amount of electricity generated in the Company's power plants increased by 2.5 times compared to 2019 (see Figure 11). The total of 2.1 TWh of electricity was produced in the Company's power plants, in 2019 – 0.83 TWh

In **Elektrėnai Complex**, the total electricity production risen sharply to 1.2 TWh, as much as 48% more than in 2019, when production amounted to 0.025 TWh. Production of the combined cycle unit due to favourable market conditions contributed a great deal to this outcome.

Tertiary power reserve was provided through the EC units 7 and 8 in 2020. The tertiary active power reserve is the power of power-generating sources maintained by the producer, which is activated within 12 hours. This reserve is activated by the TSO. Units are constantly ready to produce electricity and contribute to the overall security of the energy system.

Efficient use of **Kruonis PSHP** resulted in 33.8% higher production volumes in 2020 – 0.72 TWh (in 2019 – 0.54 TWh). Historically, this is the best performance of this power plant since the start of operations in 1992.

The significant increase in production outcome was due to the favourable difference between night/day electricity prices, operation of the trading team on the professional level and the introduction of a 24-hour automatic trading system. As a result, Kruonis HPSP carried out production for about 75% of its operation time in 2020, while in previous years this figure was around 60%.

Another ancillary service provided by Kruonis PSHP is the secondary active power reserve, i.e. the power of facilities or hydro-units maintained by the producer activated in less than 15 minutes. The TSO usually activates this reserve (for which two units (400 MW) of Kruonis PSHP are assigned in 2020) when there is a need to compensate a sudden drop in electricity transmitted, in case of power plant disconnection, a sudden decrease in the amount of electricity entering Lithuania or by providing secondary active capacity reserve to neighbouring countries. During 2020, the Company sold

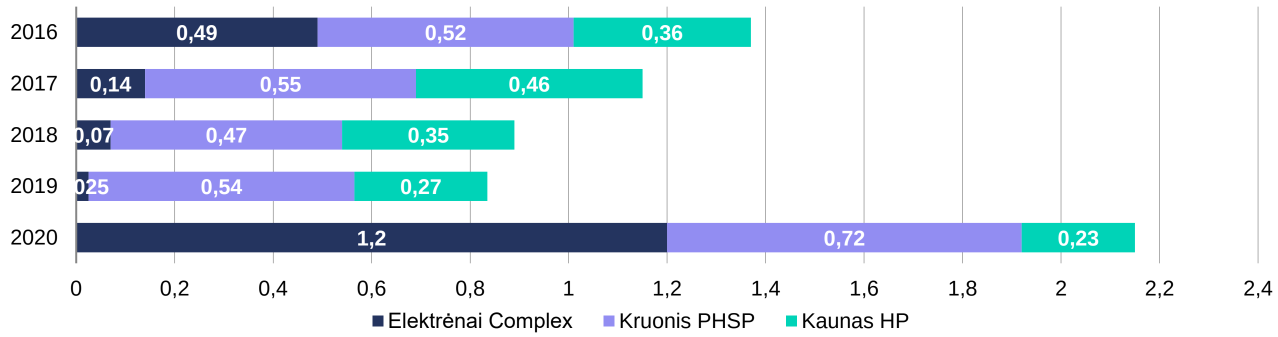
0.033 TWh of electricity produced in facilities providing secondary power reserve services, i.e. 2.5 times the volume reached in the same period in 2019.

During 2019, the Company sold 0.057 TWh and purchased 0.026 TWh of regulation electricity (the service necessary to balance the surplus/shortage of electricity in the system). The respective amounts for 20219 had been 0.055 TWh and 0.023 TWh.

In **Kaunas A. Brazauskas HPP**, production capacity reduced due to the fact that the beginning of 2020 the climate was a relatively dry. At the beginning of the year, there was almost no snow, so there was no major flooding, and in the spring and early summer, production was limited by the reduced flow of the Nemunas. The total volume of electricity produced at Kaunas A. Brazauskas' Hydroelectric Power Plant amounted to 0.23 TWh, i.e. 16.4 times less than in 2019 (0.27 TWh).

Figure 11

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



Noteworthy events during the reporting period

In July and August 2020, in power plants operated by the Company LITGRID permed tests of Lithuanian electricity system restoration after a total failure and isolated work of a part of the system.

In July and August 2020, for the first time in the operation history of Unit 7 and 8, a successful activation tests were carried out within 8 hours. These tests have shown that the said units are compliant with the network code requirements and will be eligible for use in energy security solutions beyond 2025.

In November 2020, one of the two installed energy units at the Vilnius Third Combined Heat and Power Plant (TE 3) was successfully tested at full power.

Planned activities of the power plants in 2021

It became clear in the end of 2020 that the tertiary active power reserve in the scope of 482 MW will be guaranteed by units 7 and 8. The periodical short-term technological tests of equipment are planned in the Elektrėnai Complex.

In 2021, the services ensuring isolated operation of the power system will play an important role – to ensure the availability of energy generation facilities, necessary to maintain the system stability and balance during the isolated operation of the power system. The Company will provide services ensuring isolated operation of the power system in the following scope: 371 MW will be guaranteed CCU and 38 MWh – by unit 7 of Elektrėnai Complex.

Under the market conditions for balancing services prepared by the TSO in 2021, the demand for a secondary power reserve in the country amounts to 390 MW. Compare to the previous year, from 2021 the balancing service will be ordered at auction in advance at the lowest price per hour (until now, the secondary power reserve has been ordered for the year ahead). Therefore, Kruonis HPPS, which has secured a secondary power reserve for the country so far, has become one of the market participants to provide the balancing service.

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

It is not planned to produce energy in Vilnius TPP-3 in 2021.

The Company sets availability goals for the power plants. Plants are considered available when they produce electricity or are fully prepared for production. It is planned that the average annual availability indicators in 2021 will be at least 94.4% for the CCU, 98.7% for Unit 7 and 96.8% for Unit 7, 95.9% for Kruonis PSHP and for 94.6% for Kaunas HPP. In 2020, these indicators were as follows: for CCU – 97.8%, Unit 7 – 98.7%, Unit 8 – 99.0%, Kruonis PSHP – 91.1% (lower than expected due to medium-scale repairs), Kaunas HPP – 95.97%.

Research projects

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

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

- Installation of unit 5 at Kruonis PSHP (if market conditions appear to be favourable)
- Installation of 4 MW solar power plant in at the Obeniai site
- Dismantling of chimneys 1 and 2 in Elektrėnai
- Fuel management
- Major repair of the second unit of Kruonis PSHP
- Reconstruction of integrated distribution facilities for own use of 6 and 10 kV in Kruonis PSHP

The following projects were under implementation during 2020, which resulted in major changes and achievements:

Installation of hydro unit 5 at Kruonis PSHP

The Company is assessing the possibilities for the expansion of Kruonis PSHP with the installation of the5th hydro unit. The results of the analysis show that under current market conditions the existing 900 MW capacity is sufficient for the operation of the power plant, but its expansion is important for assuring sufficient electricity capacity, reliable operation of the power system and competitive power system in Lithuania in future.

A large part of preparatory works for the expansion project of Kruonis PSHP has been already performed. The implementation of the project is expected to continue for about four or five years.

For the purpose of assessing the project perspective, two studies were carried out in 2019-2020, during which the most technologically attractive alternatives were evaluated together with their socioeconomic impact. The results were obtained in May 2020 enabling the Company to select the best technological solution for the unit that meets today's market conditions and changing needs in the context of electricity system synchronization with continental Europe.

Based on the findings of the study, the implementation of each of the technological alternatives at Kruonis PSHP would bring long-term benefits to society, and, in terms of net discounted socio-economic benefits, the best results are demonstrated by alternatives to a 110 MW new synchronous unit or a 225 MW new asynchronous unit with benefits in excess of EUR 150 million. Investments in the new unit would amount to about EUR 85 or 120 million, and construction would take from 4 to 5 years. The choice of one of these alternatives will depend on the electricity market and the demand for system services in the country in the future.

The project will be continued having resolved the issues relating to the projected demand for power reserve when operating in the isolated network during the preparation for synchronisation and after synchronisation as well as technical requirements established for the facility ensuring such a power reserve.

Study of solar power plant in the reservoir of Kruonis PSHP

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

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

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

Installation of solar power plant at the Obeniai site

By developing the field of remote generation, the Company continued the expand of the solar power plant park in Elektrėnai. A 1 MW solar park was installed in spring of 2020, and additional 3 MW capacity was installed in autumn of 2020. Since the start of the project, 544 users have become prosumers managing generation capacity of 2 MW. They form 1.6% of all electricity consumers indicated in the National Energy Independence Strategy, the goal of which is to have 34 thousand electricity consumers using a prosumer scheme It is estimated that there should be about 1,400 consumers managing up to 6.5 MW of capacity by the end of the project.

Seeing the potential for the development of remote solar power plants, the Company evaluates the possibilities to install solar power parks in other places. Further development is envisaged after marketing of the current build capacity.

Dismantling of chimneys 1 and 2 in Elektrėnai Complex

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

At the beginning of 2020, the agreement was concluded with the contractor for dismantling chimneys 1 and 2. In 2020, chimney dismantling engineering and preparatory works were carried out, dismantling of the inner layer of chimneys was started. The dismantling of the external reinforced concrete base of the chimneys is scheduled at the beginning of 2021. After dismantling of 250-meter height chimney, the lower 150-meter height chimney will follow, which was used to emit smoke from units 1 and 4 that are currently fully dismantled. The total value of the project is EUR 3.2 million.

Fuel arrangement in Elektrėnai Complex

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

The vast majority of works scheduled for 2019–2020 were performed during the first two years of the project implementation, and therefore a contractor will only need to carry out landscape maintenance services. Total value of the project is EUR 930 thousand.

Reconstruction of the unit of Kruonis PSHP

The unit of Kruonis HPP I has been in operation for up to 28 years of initial operation, therefore, in order to continue the successful operation of this facility, a decision was made to perform major repair of the unit by removing defects, which can only be treated during major repair of the unit. Procurement procedures for the project are scheduled in Q1 and Q2 of 2021, with work to be completed in 2022. Identical major repair works were carried out for the second hydro unit in 2018–2019, thus extending its life time for at least 15 years.

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

The existing integrated distribution facilities for own us in Kruonis PSHP were put into operation in period from 1985 to 1990. They are aimed at ensuring a reliable and high-quality electricity supply to the technological equipment of hydro units: pumping stations, compressors, heating, ventilation, fire systems, oil facilities, etc. The decision to reconstruct these facilities was adopted to ensure reliable operation of the power plant and to save the maintenance costs of the existing equipment. The company carried out procurement procedure in 2020, and contract is scheduled to be signed in theQ4 of 2020, with works to be completed in stages by Q3 of 2022. The total investment value of the project is EUR 1.5 million.

Operational excellence, innovative activities

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

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

Innovative activities of the company:

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

Successful implementation of arrangement work program in Elektrėnai complex: unused power units are dismantled, electricity and fuel facilities' clearing is carried out, and unused chimneys are being prepared for dismantling.

Services to external customer

The Company continued providing services to external clients in 2020. The Company offers services of wide range: automation, maintenance and repair of electric and mechanical devices, hydrotechnical buildings and equipment, operation of various power facilities, operational management, production of complex, bulky and non-standard parts, rent of buildings not used for own activities, warehousing areas and territories, offers chemical products, laboratory tests and other services.

The company successfully develops its activities in the field of solar power plant installation and maintenance. In 2020, the Company's employees installed and connected solar modules in the 4 MW Obeniai solar power plant park during two stages.

The Company provided maintenance and repair of hydroelectric power plants services for two companies, which jointly own over ten hydroelectric power plants in Lithuania. The year of 2020 was successful in providing the Company's railway services, which were continuously provided to three customers (shunting, provision of wagon storage services in the Elektrėnai Complex). In 2020, income from shunting services exceeded EUR 40 thousand. It is expected to further expand the provision of railway shunting services in 2021: through implementation of fuel facilities clearing projects new spaces for activities related to railway logistics will be created.

In 2020, the Company took part successfully in the renewed tender of Kaunas co-generation power plant for the provision of laboratory services. The amount of solar modules stored by UAB Ignitis was almost doubled by using the engine rooms of the Elektrėnai Complex that were vacated after the dismantling of the power units. In all, the Company's employees provided services to more than 40 different clients during 2020. The total value of the services is almost EUR 170 thousand.

One of the goals achieved in 2020 is the sale of redundant assets and inventories. The Company successfully organised tenders for the sale of redundant assets, and took part in tenders announced by external companies for the acquisition of assets. In all, redundant assets and inventories were sold for more than ER 150 thousand. The sale of redundant assets will be actively pursued in 2021.

By assessing opportunities for developing new services and implementing its business strategy, the Company continues to strive to apply its expertise and competencies by offering various services to the market. The target for 2020 is to focus on the provision of services in the areas where the Company produced a wealth of experience, to provide higher value-added services, and to offer in the market professional consulting services provided by the Company's employees.

Risk factors and their management

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

The main objectives of the risk management process at the Company are as follows:

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

The risk management principles established by Ignitis Group are consistently applied across the entire Group of companies. The uniform risk management principles ensure that the management personnel of the Group companies receive risk management information covering all areas of activities. To ensure the practicality of the risk management process, specific activity areas supplement information on their activities with detailed risk assessment, monitoring, and management principles.

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

Risk appetite and risk tolerance limits are established within the Group. Risk appetite means the level and type of risk that Ignitis Group is ready to accept aiming to implement strategic objectives. Risk appetite determined by assessing the potential impact of risk exposure in the context of financial, reputational, compliance, human safety and health aspects. KRIs means the level of risk the excess of which is not acceptable for the Group of companies and which is expressed in the results of operations or values of incidents. The risk appetite and KRIs of the Group are established and reviewed as needed by the Ignitis Group's Board. Where risk appetite and/or KRIs are exceeded by the Company, action plans are prepared in order to meet the mentioned thresholds. The effectiveness of the management plans is assessed by the Company's Board, the Company's Supervisory Board and the Ignitis Group's Risk Management and Business Ethics Supervision Committee under the Supervisory Board.

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

All amounts are in EUR thousand unless otherwise stated

Figure 12
Risk management and control model

In 2020, the **risk factors** related to Market Developments and Regulation have manifested in the following cases:

- changes in regulation of the secondary active power reserve service due the decrease in return on investment;
- a new Lithuania's concept regarding system services was announced in 2025, which would be fully implemented from 2025 (partly from 2023). Based on the draft concept, the TSO does not plan to order a system replacement reserve. Instead, limits will be set on the maximum possible capacity offered for the mFRR reserve, which will technically replace the existing secondary emergency power reserve. However, it should be emphasized that the maximum capacity available in the concept of the Baltic frequency control unit and the common balancing market could be higher than the one indicated in the concept of Lithuania.

As is the case each year, in 2020 the Company performed risk assessment for the year 2021 which included the determination of the areas where the Company's main risk management measures and initiatives are concentrated and coordinated. The list of the main risk factors for 2021 and their management policies is presented below:

Figure 13
Risk factors for 2021 and it's management policies

Risk factor	Description	Main risk management policies	Risk level
Risk of market and regulatory changes	The risk of market and regulatory changes in the Company presents challenges to cash flow planning, the irreversibility of products or services and potential reputational damage. The National Energy Regulatory Council remains the main regulatory authority making the largest impact on the prices of services provided by the Company and its revenue by establishing ceilings for the prices. **The most relevant potential sources of risk in 2021 are the following:** - The risk of inadequate notification of the European Commission about the State aid	• Efforts are made to fulfil the requirements of the regulatory authority in as specific manner as possible; • For the purpose of ensuring compliance with new requirements, the Group's projects engaging the best specialists of the Group with regard to the issue concerned are organised. • The compliance function is strengthened and formed; • Active participation in the process of public coordination of legal acts;	High

	received for strategic reserve service in 2013–2018, as described in points 7.3 and 7.4 of the PSO procedure, the services are not coordinated with the European Commission. - Changes in the market for the provision of capacity reserve services and services ensuring isolated operation of the power system. - Sector-specific indicators also remain relevant – volatility of the prices of raw materials, changes in the market of strategic initiative, country's macroeconomic indicators that determine the level of consumption of electricity, heat and gas, changes in prices of raw materials as well as new markets that emerged after the launch of the NordBalt and LitPolink interconnections.	• The long-term strategy of the Company provides for a consistent reduction of operational costs, increase of operational efficiency through reduction of costs for the provision of services, diversification and expansion of activities aiming to ensure the long-term stability of the Company's activities; • Abandonment of out-of-service production facilities; • The management regularly reviews the relevant regulatory risks.	
Failure to ensure IT and information security	By observing external factors, geopolitical situation the Company understands its strategic importance for the country's security and by cooperating with external establishments and by introducing internal measures it aims to ensure that both the Company's strategic information and the main management systems are protected from the impact of any external/internal crime. In 2020 during the COVID-19 pandemic, with the increase in social engineering attacks, few internal simulation trainings were organised for employees, addition sensors were acquired and installed to strengthen the network monitoring, as well as external simulation trainings were attended. Taking into the account that a number of the Company's IT systems are of critical importance and subject to specific security, implementation and upgrade requirements, ensuring their stability, having maintenance competencies, and rapid incident response time are very important to the Company in achieving its goals.	• Improvement of resistance through scanning and isolating technology networks, carrying out tests/exercises/staff training. • Periodical updating of work stations of management system and software; • Ensuring the continuity of the Company's critical systems; • Enhancement of detection/suspension of cyber-attacks; • Cooperation with external institutions via joint exercises, exchange of information.	High
Safety and health of employees and contractors	Due to a specific character of the activity and nature of works the Group bears an inherent risk of health and safety of employees and contractors. This risk has remained a priority for many years, and the main sources of this risk, in addition to the hazardous work environment, are use of open flame sources, flammable and explosive materials, steam, hot water in the production process, temporary workplaces for specific works, and complex working conditions. In 2020, the Company had an accident-free record related to employees and contractors, however, this risk remains a priority area of the Company in the following years, giving high priority to maintaining these risk trends.	• An updated occupational health and safety management system (OHSAS 45001:2018) was implemented. • Regular control and supervision of safety of employees and contractors. • Ensuring occupational safety linked with the annual objectives of the Company and management personnel; • Teleworking, arrangement and maintenance of the reserve of personal protective equipment, restriction of physical connection.	High

	The expected new sources of this risk in 2021 are related to the management of COVID-19 (pandemic), ensuring a safe working environment for both employees and contractors, and the continuity of core activities.		
Failure to meet commitments for operational activities	The main activities of the Company include capacity reserve services and services ensuring isolated operation of the power system, commercial heat and electricity production from biofuels and gas. Disruptions of the main activities would have a direct financial and reputational impact on the Company, negatively affect the implementation of the Company's strategy. Due to the disconnection of the Baltic electricity grids from BRELL and synchronization with the mainland Europe, and the forthcoming testing in "Island" mode, the start-up of the Astravec nuclear power plant and the global impact of the pandemic, the Company sees this area as a priority. In 2020, the Company had an accident-free record, and the number of disruptions (investigated by the NERC) remained at a similar level as in 2019. **The most relevant potential sources of risk in 2021 are the following:** - Infrequent use of equipment providing the reserve service, leading to a loss of staff qualifications and skills. - COVID 19 pandemic. - Natural hidden defects in the energy production sector, depreciation.	• Drafting and constantly updating of a shift program; • Opportunities for continuous professional development; • Continuous and timely performance of technical maintenance; • Periodic equipment testing; • Renewal of equipment; • Ensuring the continuity of knowledge and retention of skills of operations personnel, and rotation between equipment; • Development, renewal and testing of business continuity plans; • Implementation of the integrated asset management system of energy facilities. • Business continuity plans. • Coordination of emergencies (such as COVID-19) at both – the Company and the Group level.	High

Risks related to sustainability (environment, human resources management), corruption and physical security are considered as being within the scope of appetite and CRIs, and are therefore excluded from the table. However, the Company actively monitors these risks in order to keep them within this scope.

All amounts are in EUR thousand unless otherwise stated

INFORMATION ON THE COMPANY'S ISSUED CAPITAL AND SECURITIES

Structure of issued capital and securities in issue

The authorised share capital of the Company amounted to EUR 187,920,762.41 as at the end of the reporting period (31 December 2020) and it was divided into 648,002,629 ordinary registered shares with par value of EUR 0.29 each. All the shares have been fully paid.

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

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

The formal offer was implemented in the period from 3 April 2020 to 22 April of 2020. As from 18 May 2020, the mandatory buyout of shares of the Company had started and ended on 17 August 2020. In accordance with the Law on Securities, at the end of this process AB Ignitis Grupė, a shareholder redeeming the shares, after having made payments to the deposit account of shareholders who did not sell shares, exercised its right to apply before the court requesting to oblige the managers of share accounts to make records on the transfer of ownership of remaining shares to AB Ignitis Grupė. At the time when this report was issued, the Court had not yet proceeded to judgement in this case.

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

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

Structure of the issued share capital (as of 31 December 2020)

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

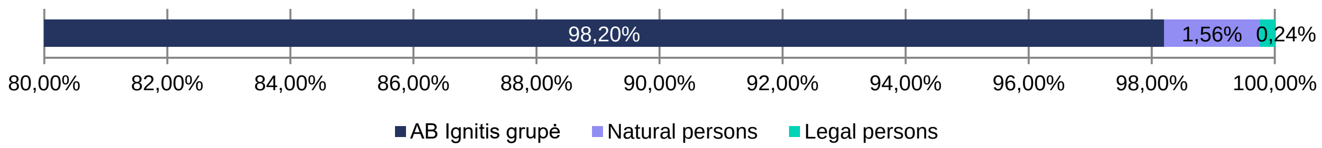
Shareholder structure

At the end of 22 September 2020, on the record date of the rights of shareholders during the Extraordinary General Meeting of Shareholders of the Company, the Company had in total 4.054 shareholders.

Shareholders holding more than 5% of the Company's shares (as of 22 September 2020)

Shareholder's name	Class of shares	Number of shares, units	% of issued capital	% of shares with voting rights
Ignitis grupė AB Company code – 301844044 Žvejų st. 14, LT-09310 Vilnius	Ordinary registered shares	636,314,384	98.20	98.20
Other shareholders	Ordinary registered shares	11,688,245	1.80	1.80
TOTAL	Ordinary registered shares	648,002,629	100	100

Figure 14
Breakdown of the Company's shares by shareholder



All amounts are in EUR thousand unless otherwise stated

Breakdown of the Company's shareholders by country (as of 31 December 2020)

Country	Number of shareholders, %	Country	Number of shareholders, %	Country	Number of shareholders, %
Lithuania	95.93	Estonia	0.78	Germany	0.12
Russia	1.18	USA	0.32	UK	0.12
Belarus	0.93	Latvia	0.27	Other countries	0.35

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

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

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

Restrictions on voting rights

There were no restrictions on voting rights.

Restrictions on transfer of securities

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

Information on agreement with intermediary of public trading in securities

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

Dividend policy and dividends

Dividend policy

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

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

Payment of dividends

On 30 April 2020, the Ordinary General Meeting of Shareholders of the Company approved the distribution of the Company's profit or loss of 2019. The plan is to pay EUR 36,288,147 in dividends for the six-month period ended on 31 December 2019. EUR 0.056 in dividends per share is paid for this period. The dividends were awarded to those persons who had been the Company's shareholders at the end of the record date, i.e. on 15 May 2020.

On 28 September 2020, the Extraordinary General Meeting of Shareholders of the Company decided to allocate dividends of EUR 0.023 per share to the shareholders of the Company for the six-month period ended on 30 June 2020. Dividends are to be paid to those persons who had been the Company's shareholders at the end of the record date, i.e. on 15 May 2020, in accordance with the provisions of Article 60(5) of the Law on Companies of the Republic of Lithuania, i.e. within one (1) month from the day of the adoption of a decision on the allocation of dividends via the companies' securities account managers and the Company's account manager AB SEB bank.

The Company's net profit from continuing operations for January-June 2020 was EUR 14.86 million, and accordingly the dividends paid for 2020/net profit indicator was 0.52.

All amounts are in EUR thousand unless otherwise stated

COMPANY AND ITS MANAGEMENT BODIES

Information on the Company and contacts

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

The Company's main business activity

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

The Company operates the following power generation facilities:

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

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

Information on the Company's branches and representative offices

The Company has no branches or representative offices.

Subsidiaries and associates

The Company belongs to Ignitis grupė, a state-owned group of companies, which is one of the biggest group of energy companies in the Baltic countries. The Group's parent company UAB Ignitis grupė holds 98.20% of the Company's shares (based on data of 31 December 2020).

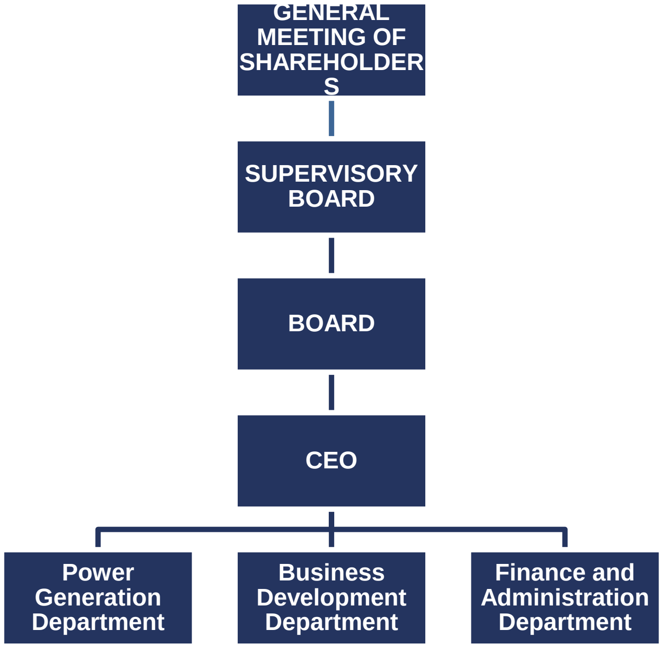
As at the date of reporting, the Company had no subsidiaries. The Company was able to exert significant influence over UAB Ignitis grupės paslaugų centras and UAB Geoterma which is undergoing liquidation due to insolvency (see table below).

	Ignitis grupės paslaugų centras UAB,	Undergoing liquidation due to insolvency UAB Geoterma
Address	A. Juozapavičius st. 13, Vilnius	Lypkių st. 17, Klaipėda
Date of registration:	04 December 2013	01 March 1996
Company code	303200016	123540818
Contacts	(8 5) 278 2272, gpc@ignitis.lt	(8 46) 326 163, info@geoterma.lt
Website	www.ignitisgrupe.lt	www.geoterma.lt
Ownership interest	21.45%	23.44%
Main business activity	Provision of information technology and telecommunication services to energy companies.	Geothermal heating plant.

Information on related party transactions

Information on related party transactions is available in the notes to the Annual Financial Statements of January-December 2020.

Figure 15
Management structure of the Company (as of 31 December 2020)



Information about the Company's management bodies

Based on the Articles of Association effective at 31 December 2020, the management bodies of the Company are the following:

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

The Articles of Association of the Company are available on the Company's website under section „Company Management". On 30 June 2020, the Extraordinary General Meeting of Shareholders decided to amend the Company's Articles of Association. The amended Company's Articles of Association were registered with the Register of Legal Entities on 29 July 2020. The procedure for the formation of the Company's management bodies has not been changed.

Changes in the Company's management bodies during the reporting period shall be indicated next to each of the bodies.

The Companies comply with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius Information on compliance with this Code of Governance is provided for in Annex No 1 (page 43). The Company highlights that from 1 July 2020, when shares of the Company were withdrawn from sale in regulated market, the obligation to disclose how it complies with Corporate Governance Code for the Companies Listed on Nasdaq Vilnius is not applicable to the Company. However, in order to ensure high transparency and corporate governance standards, in its annual report, the Company additionally provides the report regarding the compliance with aforementioned code provisions.

The General Meeting of Shareholders

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

There are no shareholders with special control rights among the shareholders of the Company. Also, the Company has no restrictions on voting rights and the Company does not have any information on the agreements between the shareholders.

Three General Meetings of Shareholders of the Company were held from 1 January 2020 and until the day of publication of this report:

1. **On 30 April 2020,** the Ordinary General Meeting of Shareholders of the Company adopted the decisions to approve the Annual Report of the Company for the year 2019 and audited Annual Financial Statements of the Company for the year 2019, and to allocate the profit the Company for the year 2019. The dividends are to be paid for the six-month period ended 31 December, 2019. The Company's remuneration policy has also been approved.

2. **On 30 June 2020,** the Extraordinary General Meeting of Shareholders approved new version of the Company's Articles of Association.
3. **On 28 September 2020**, the Extraordinary General Meeting of Shareholders approved the Company's interim report and approved the financial statements for the six-month period that ended on 30 June 2020, audited by ERNST & YOUNG BALTIC UAB. It also decided to allocate dividends to the Company's shareholders, amounting to EUR 0.023 per Company's share, for the six-month period that ended on 30 June 2019.

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

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

The Company's Supervisory Board

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

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

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

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

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

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

There were no changes in the composition of the Company's Supervisory Board during the reporting period.

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

All amounts are in EUR thousand unless otherwise stated

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

In January-December 2020, overall 15 meetings of the Company's Supervisory Board were held during the reporting period, and all of them were attended by all members of the Company's Supervisory Board.

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

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

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

Members of the Supervisory Board (during the reporting period)

	Participation in other companies and organisations	Education
 **Dominykas Tučkus** Member, Chairman of the Supervisory board **Term of office** 26 March 2018 – 25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• AB Ignitis Grupė (company code 301844044, Žvejų st. 14, 09310 Vilnius), Member of the Board, Director for Infrastructure and Development • Ignitis UAB (company code 303383884, Žvejų st. 14, 09310 Vilnius), Member of the Supervisory Board • UAB Vilniaus kogeneracinė jėgainė (company code 303782367, Žvejų st. 14, 09310 Vilnius), Member of the Board • Ignitis Renewables UAB (company code 304988904, P. Lukšio st. 5B, 08221 Vilnius), Member of the Board • KŪB Smart Energy Fund powered by Ignitis grupė (company code 304596351, Antakalnio st. 17, 10312 Vilnius), Member of the Advisory Committee.	• L. Bocconi University (Italy), Master's degree in Finance; • L. Bocconi University (Italy), Bachelor's degree in Business Management and Administration •
 **Živilė Skibarkienė** Member **Term of office** 26 March 2018 – 25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)**	• AB Ignitis Grupė (company code 301844044, Žvejų st. 14, 09310 Vilnius), Member of the Board and Director of Organizational Development. • UAB Ignitis grupės paslaugų centras (company code 303200016, A. Juozapavičius st. 13, 09311 Vilnius), Member of the Board • UAB Elektroninių mokėjimų agentūra (company code 136031358, Žvejų st. 14, 09310, Vilnius, Lithuania), Member of the Board	• Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; • Vilnius University, Faculty of Law, Master's degree in Law.

All amounts are in EUR thousand unless otherwise stated

–		
 **Edvardas Jatautas** Independent member	**Participation in other companies and organisations**	**Education**
Term of office 26 July 2019 – 25 March 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• UAB Profectus Novus (company code 302500459, Konstitucijos ave. 21C, 08130 Vilnius) owner, Member of the Board. • Addendum Group Inc. (company code 46-2547117, 13955 Tahiti Way #354, Los Angeles, 90292, California, USA) , founder, President. • UAB Addendum Solutions (company code 302312642, Konstitucijos ave. 21C, 08130 Vilnius) founder, Member of the Board. • Lithuanian American Business Association in Los Angeles, Member of the Board. • SIA Addendum LV (company code 40203222589, Rīga, Ludzas iela 42 k-1 - 20, LV-1003, Latvia) founder, Member of the Board. • OU Addendum EE (company code 10903252, A.H.Tammsaare tee 47, 11316 Tallinn, Estonia) founder, Member of the Board.	• Vilnius Gediminas Technical University, Master's degree in Engineering Informatics; • ISM University of Management and Economics, Head of Master's Study module; • Harvard Business School, Head of Master's Study module.

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

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

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

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

Edvardas Jatautas received a monthly remuneration of EUR 876.63 (before taxes) for the activities carried out in the Supervisory Board.

The Company's Board

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

The Board consisting of three members is elected by the Supervisory Board for the term of office of four years and is recalled by the Supervisory Board in line with the procedure prescribed by law and the Company's Articles of Association. Nominations for members of the Board are also assessed by the Supervisory Board of the parent company AB "Ignitis grupė", the Nomination and Remuneration Committee and the Board. The Board reports to the Supervisory Board and the General Meeting of Shareholders. The Board elects its Chairman from among its members.

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

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

The Board adopts decisions on:

- The Company's acting as a founder or a member of a legal person;
- Any transfer to third parties or encumbrance of the Company's shares/interests or rights attached thereto;
- Formation or termination of branches and representatives offices of the Company;

All amounts are in EUR thousand unless otherwise stated

- Bond emissions;
- sale, mortgage, change of legal status, other restriction, or operation of energy facilities (as individual assets or a substantial part thereof) located in the territory of Elektrėnai Municipality, Kaunas Hydroelectric Power Plant, Kruonis Hydro Pumped Storage Plant, Vilnius Third Combined Heat and Power Plant;
- Signing of agreements for the value of in excess of EUR 3 million;
- Other matters provided for in the Articles of Association of the Company.

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

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

Changes in the structure of the Company's Board during the reporting period:

- On 7 August 2020, the Company received a notice from the Board member Mindaugas Kvekšas on his resignation from the position of the member of the Board and Director of Finance and Administration. 21 August 2020 was last day of Mr Kvekšas office as the Company's Board member, and 27 August 2020 – as the last day of office as the Company's Finance and Administration Director.
- On 29 December 2020, Andrius Valivonis became the **Director of Finance and Administration of the Company**, who has also been appointed to the Board of the Company by the decision of the Supervisory Board of the Company. Mr Valivonis will hold this position until the end of the term of office.

The expected end of term of office of the current Board is 2 April 2022.

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

Overall 40 meetings of the Board were held during the reporting period. All of them were attended by all elected members of the Board.

Activities of the Company's Board in 2020 covered the following key areas:

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

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

Members of the Board (during the reporting period)

	Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
 **Rimgaudas Kalvaitis** Chairman of the Board, CEO **Term of office** From 27 March 2019 to 2 April 2022 **Number of shares held at the Company** – **Ownership interest in other companies (>5%)** –	• Lietuvos energijos paramos fondas (company code 303416124, Žvejų st. 14, 09310 Vilnius), Member of the Board (until 15/10/2020). • Vilniaus sostinės Lions klubas (company code 193538827, A. Juozapavičius st. 3, Vilnius), Member of the Board	• Vilnius University, Faculty of Physics, Master's degree. • Vilnius University, Faculty of Physics, Postgraduate Studies in Solid State Electronics.	1,815

All amounts are in EUR thousand unless otherwise stated

Darius Kucinas
Member of the Board, Director of Power Generation

Term of office
From 3 April 2018
to 2 April 2022

Number of shares held at the Company
–

Ownership interest in other companies (>5%)
–

Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
–	• Kaunas University of Technology, Department of Electrical Engineering and Automation, Bachelor's Degree in Electrical Power Engineering.	1,300

Mindaugas Kvekšas
Board member
Finance and Treasury Director

Term of office
From 3 April 2018
21 August 2020

Number of shares held at the Company
–

Ownership interest in other companies (>5%)
–

Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
• UAB Ignitis grupės paslaugų centras (company code 303200016, A. Juozapavičius st. 13, 09311 Vilnius), Member of the Board (until 21/08/2020).	• Stockholm School of Economics in Riga, Bachelor's Degree in Economics and Business Administration.	1,254

Andrius Valivonis
Board member
Finance and Treasury Director

Term of office
From 29 December 2020
to 2 April 2022

Number of shares held at the Company
–

Ownership interest in other companies (>5%)
–

Participation in other companies and organisations	Education	Average remuneration for the activities as the member of the Board (before taxes, EUR)
–	• Vilnius University, Master's degree in Economics	1,300

The Company's Management

The General Manager acts as a single-person management body of the Company. The General Manager organises and controls the operations of the Company, acts on behalf of the Company and enters into agreements at his/her own discretion, except for the cases stipulated in the Articles of Association and legal acts. The powers of the General Manager, the procedure of his/her election and removal are established by laws, other legal acts and the Company's Articles of Association.

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

	Average fixed monthly remuneration (before taxes, EUR)	1/12 share of annual variable remuneration for the results of previous year (before taxes, EUR)
To the CEO Rimgaudas Kalvaitis	7,131	1,621
To the Chief Financier*	–	–

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

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

Information about the Committees

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

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

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

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

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

Risk Management and Business Ethics Supervision Committee

Main functions of the committee:

- To monitor the way the risks relevant for the achievement of the targets set for Ignitis Group and the Group are identified, assessed and managed;
- To assess the adequacy of internal control procedures and risk management measures in view of the risks identified;
- To assess the progress achieved in the implementation of risk management measures;
- To monitor the process of risk management;
- To analyse the financial possibilities for the implementation of risk management measures;
- To assess the risks and the risk management plan for Ignitis Group and the Group's entities;
- To assess the periodic cycle of risk identification and assessment;

All amounts are in EUR thousand unless otherwise stated

- To monitor availability of risk registers, analyse their data, provide recommendations;
- To monitor the availability of internal documentation pertaining to risk management;
- To assess the tolerance and adequacy of internal documents that regulate fight of the group of companies against bribery and corruption, and to monitor periodically their implementation/compliance;
- To monitor periodically information related to the controlling actions of assurance of business ethics, events and unsolved incidents (security of transparency, prevention of corruption, management/prevention of corruption risk, etc.);
- To perform other functions assigned to the Committee based on the decision of the Supervisory Board of Ignitis Group.

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

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

The term of office of the current Risk Management and Business Ethics Supervision Committee will last until 23 April 2022. Overall 8 meetings of the Risk Management and Business Ethics Supervision Committee were held during the reporting period.

Audit Committee

Main functions of the committee:

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

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

All amounts are in EUR thousand unless otherwise stated

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

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Irena Petruškevičienė Chairwoman Independent member	–	From October 2017 to October 2021	• European Stability Mechanism (ESM), Member of Auditors Board. • Lietuvos geležinkeliai, AB, Member of Audit Committee; • MAXIMA GRUPĖ, UAB, Chairman of Audit Committee.
Danielius Merkinas Independent member	–	From October 2017 to October 2021	• UAB NNL Termo, CEO, Chairman of the Board; • UAB NNT LT, CEO, Chairman of the Board; • UAB Nordnet, Head of Commerce, Chairman of the Board; • UAB Litcargo, Chairman of the Board;
Aušra Vičkačkienė Member	–	From October 2017 to October 2021	• Lithuanian Ministry of Finance, Asset Management Department, Director • Member of the Supervisory Board of Ignitis Group; • Valstybės investicijų valdymo agentūra, Member of the Supervisory Board (till 21/10/2020);
Ingrida Muckutė Member	–	May 2018– to October 2021	The Ministry of Finance of the Republic of Lithuania, Head of Reporting, Audit, Property Valuation and Insolvency Management Division
Šarūnas Radavičius Independent member	–	May 2018– to October 2021	• AB Lietuvos radijo ir televizijos centras, member of the Audit Committee; • MB Saluma owner.

The term of office of the current Audit Committee will last until 12 October 2021.
Overall 15 meetings of the Audit Committee were held during the reporting period.

Nomination and Remuneration Committee

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

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

Committee member	Number of shares held at the Company (%)	Term of office	Place of employment, position
Daiva Lubinskaitė-Trainauskienė Chairwoman Independent member	–	From September 2017 to September 2021	• UAB Thermo Fisher Scientific Baltics, Administrative Director; • Member of the Supervisory Board of Ignitis Group;
Aušra Vičkačkienė Member	–	September 2017– September 2021	• Lithuanian Ministry of Finance, Asset Management Department, Director • Member of the Supervisory Board of Ignitis Group; • Valstybės investicijų valdymo agentūra, Member of the Supervisory Board (till 21/10/2020);
Daiva Kamarauskienė Member	–	March 2019– September 2021	• Budget Department of the Ministry of Finance, Director;

			• Member of the Supervisory Board of Ignitis Group;
Lėda Turai – Petrauskienė Independent member	–	From March 2018 September 2021	• L-CON Global UAB, leadership training partner, shareholder • Management Institute of Finland MIF, coach; • Coaching Development Ltd., coach; • International Coach Federation, Member of the EMEA Coordination Team; • Vilnius International School, Member of the Advisory School Council.

The term of office of the current Audit Committee will last until 12 September 2021.
Overall 16 meetings of the Nomination and Remuneration Committee were held during the reporting period.

More information on the activities of the Committees during 2020 can be found in the Group's Consolidated Annual Report for 2020.

Employees of the Company

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

Headcount and composition of employees

As at 31 December 2020, the Company had 359 employees (excluding those on child care leave). At the beginning of 2019, the Company had 356 employees.

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

65% of Company's employees were specialists and middle-level managers, 34% were workers, and 1% were top level managers.

53% of the Company's employees have high education, 7% have post-secondary education, 37% have vocational or secondary education, and 3% have primary education.

Remuneration and performance management

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

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

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

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

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

In 2020, the Company's work pay fund amounted to EUR 9,6 million. The size of the fund is guided by the remuneration revised on annual basis and the country's market median.

All amounts are in EUR thousand unless otherwise stated

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

	Breakdown of headcount by category of employees	Average remuneration, EUR	Average AVP*, EUR
Head of the company	1	7,131	1,621
Top level executives	3	5,846	2,010
Mid-level executives	29	3,497	677
Experts, specialists	203	2,138	240
Workers	119	1,450	159
Total	**355** (excluding trainees)	**2,073**	**270**

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

Professional career, adaptation of new joiners and possibilities of internship

Turnover of employees is 8.4%. Each vacant position is subject to selection procedure. Priority consideration is given to internal candidates in the selection process if they meet the competency requirements for the given position. When no potential candidates are available at the Company or the group for the vacant position, the recruitment process is continued outside the Company. The key to attracting new employees is to ensure that the people of the highest repute and appropriate expertise work at the right time and place.

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

Seeking to attract young qualified specialists, the Company is actively involved in cooperation with educational institutions, and provides opportunities for higher education and vocational students to apply their theoretical knowledge and acquire practical skills during the internships. In 2020, 5 trainees from different Lithuanian universities completed the traineeship in the Company. 4 from Kaunas University of Technology and 1 from Vilnius College of Technology and Design. After the internship, 4 of them were employed at the Company.

Organisational culture, development of competences, professional training

By creating and nurturing a culture and environment for continuous improvement, taking into the account performance goals set for the Company, teams and employees, and innovation in work processes, the Company provides opportunities for its employees to engage consistently in their personal growth by developing their professional, soft and management skills

By the mean of professional training, the employees refresh their knowledge required to fulfil their job duties and obtain the necessary certificates of professional qualification and attestations. By attending various seminars, internal training courses and external conferences employees learn about the latest developments, innovations and best practices in their respective fields of work. During the hackathons organized by Ignitis Group, employees have the opportunity to share new ideas, develop new products, services, tools, test themselves in new activities and projects. It should be noted that due to a pandemic in 2020, most of the training took place remotely.

In 2020, 183 employees of the Company attended mandatory technical training. Seminars, internal and external training courses and conferences were attended by 68 employees, during which they learnt about the latest developments, innovations and best practices in their respective fields of work. 51 employees attended internal trainings at Ignitis GROW akademija. In 2020, trainings were attended by in total 247 unique employees (i.e. when the same employee attends several trainings, such employee is counted as one). The Company further focused its efforts on intensive development of leadership competencies of management. Many internal training courses, which were attended by all employees of the Company who also completed the tests thereon, were conducted as e-learning. The ones that are worth mentioning include anti-corruption, occupational safety, fire prevention and civil safety, personal data protection and many more.

In addition to numerous external trainings, the Company prioritizes on-the-job learning, performing new tasks with the help of colleagues and managers. In this context, the Company operates an employee substitution programme whose primary objective is to ensure that the Company has the appropriate expertise in place to ensure the continuity of the Company's operations. Under this programme, the substitute employees are trained consistently so that they could substitute employees in those functions that are important for ensuring business continuity. Training of such employees requires a lot of time and who are not easy to find in the labour market due to the specific nature of their work and the required level of expertise. Substitution is regarded as an opportunity for growth develop in terms of professional and other competences.

One of the Company's most important goals is to ensure the best possible working experience of the employee. To this end, a quarterly survey is conducted on how employees evaluate the Company, processes related to their activities, and will they recommend the Company as a good place to work. By expressing their opinions and providing evaluation, employees help the Company become more focused on its people and create a favourable working environment.

Collective agreement, trade unions

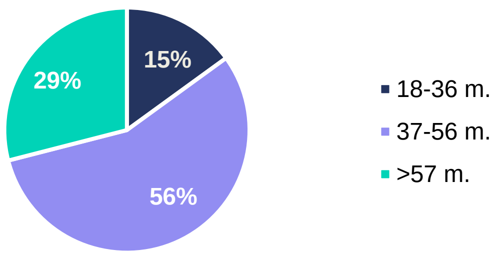
There are four trade unions at the Company, which are joined by 200 employees of the Company.

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

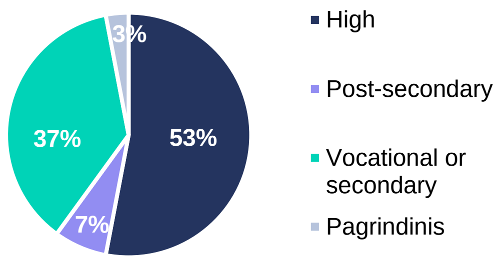
The Company holds meetings with trade union representatives on a regular basis to discuss performance results and future plans, changes being made, and other relevant issues, together with proposals of the employees representatives' being heard.

Figure 16-19
Employees of the Company

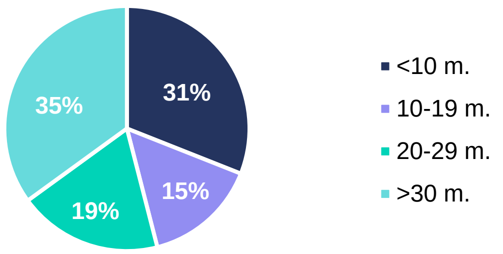
16 pav. Employees by age



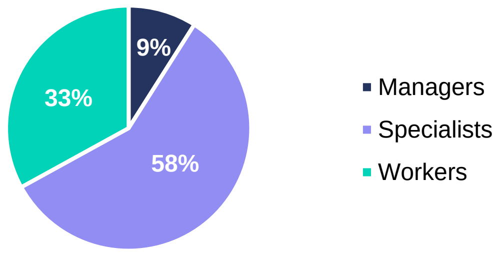
17 pav. Employees by education



18 pav. Emploees by term of service



19 pav. Employees by position



SUSTAINABILITY REPORT

Sustainability activities and performance of the entire Group of companies, including its subsidiary Ignitis Gamyba, are reviewed in the consolidated annual report and the integrated sustainability report of Ignitis Grupė, which is available on the website www.ignitisgrupe.lt. The information contained in the report covers the period from 1 January 2020 to 31 December 2020. Ignitis Gamyba does not issue a separate sustainability (social responsibility) report. More information is available on the Company's website www.ignitisgamyba.lt

Ignitis Group Sustainability Report has been prepared in accordance with the Global Reporting Initiative (hereinafter "GRI Standards") and United Nations Global Compact (UNGC) requirements. The disclosures are guided by the materiality principle of Ignitis Group and represents compliance and progress regarding the implementation of the United Nations Global Compact (UNGC) principles as well as the Group's contribution to the UN Sustainable Development Goals (SDGs).

Figure 20
Ignitis Group's long-term corporate strategy

Group's sustainability approach

We create an energy-smart world with a strong focus on sustainability.

The world runs on energy. Therefore within a group of companies we want to generate, supply, distribute and consume it in a sustainable way.

In the long-term strategy (see figure above), we focus on building a sustainable future. We aim to obtain more energy from renewable energy sources, ensure resilience and flexibility of the energy system, enable energy transition and evolution.

Sustainable activity

Sustainability constitutes one of the key elements of Ignitis Group strategy. We take into account environmental, social responsibility and governance (ASV) aspects to create smart energy in our region. In April 2020, our continuous improvement received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. In September 2020, Sustainalytics, a leading independent provider of ESG and corporate governance ratings, research and analysis, after a complete evaluation of Ignitis Group sustainability progress awarded the Group a medium risk (score of 26.5) ESG rating. With the 2020 interim report, the Group began to publish detailed ESG data. The 2020 Sustainability Report is prepared in accordance with the GRI Core framework as well as Nasdaq ESG guidelines.

In 2020, we made continuous efforts to strengthen sustainability management within the Group. In Q3 of 2020 we published a Sustainability Management Plan, (link), which specified our management approach and international standards towards the strategic sustainability priorities, principles of governance and accountability embedded in the Group's strategy.

Main topics

We seek to contribute directly to the implementation of the UN Sustainable Development Goals, and the Paris Agreement

Governance and processes

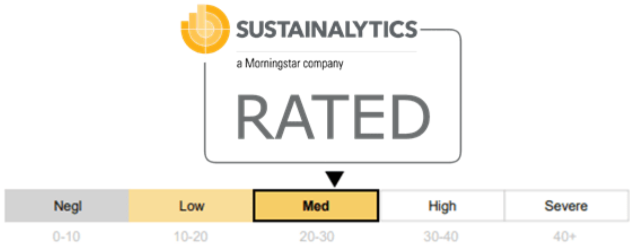
We follow good corporate governance practices and seek to manage our impacts based on the recommendations of international institutions and the scientists.

Accountability

We seek to disclose the progress by using globally recognized standards and formats suited to a broad range of stakeholder needs.

Measuring progress

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



The main stakeholders across the Group of companies

Employees	Local communities	Suppliers, contractors
B2C clients	Regulators	NGOs
B2B clients	State and municipal bodies	Media

Significant areas of impact

Relevance to the Company and society

Environment protection	Social responsibility	Governance
Climate impact/GHG emissions – decarbonisation of our own operations (reducing CO_2 etc.) renewable energy generation.	**Occupational health and safety –** achieving safety at work, promoting health and safety of employees and contractors.	**Stable and secure energy system –** ensuring the security and continuous operation of the energy system.
Energy efficiency for society and customers – supporting customer energy efficiency.	**Impact on local communities and community relations –** protection of the health of community members and natural environment, listening to the needs of communities.	**Ethics, anti-corruption and transparency –** transparent governance, corruption prevention, fair and ethical business practices.
Sustainable solutions and services to clients – promotion prosumer activity, other environmentally friendly and energy smart customer solutions.	**Employee engagement and labour relations –** fair employee remuneration and satisfaction, freedom of association.	**Responsible and sustainable supply chain –** green procurement practices, social and environmental footprint of suppliers.
Impacts on biodiversity and ecosystems – protection of biodiversity, flora and fauna.	**Competent employees today and in the future –** career and personal development of employees, growing competencies for energy market.	
Impact on land, water and air – land, water and air quality, pollution prevention.	**Diversity, equal opportunities, human rights –** ensuring gender equality and equal opportunities, promoting diversity at work.	
Energy self-consumption – energy efficiency and saving measures in own operations.	**Engagement for societal development –** participation and promotion of civic initiatives and partnerships for the SDGs, volunteering.	
Materials efficiency and waste management – recycling, reducing the volume of waste generated from activities.		

* For more details on the process of identifying impact areas refer to Annual Sustainability Report of Ignitis Group.

Climate impact/GHG emissions

The Green Production capacity managed by Ignitis Gamyba contributes significantly to the decarbonisation of the region and the mitigation of the impact on climate change. Ignitis Gamyba is committed to become a CO_2 neutral company by 2050. In recent years, the decrease in CO_2 were observed in Elektrėnai Complex, however, emission volumes started to increase again in 2020 as a result of increased production in the Elektrėnai Complex. In the long term, the Group aims to explore the most effective ways to reconcile two objectives: to ensure national energy security and reduce climate impact.

Energy efficiency for society and customers

In October 2019, Ignitis Gamyba and other Group companies signed an agreement with the Ministry of Energy by which the companies undertook to educate and consult consumers of guaranteed supply on increasing energy efficiency issues, thus helping consumers to reduce their energy costs and increase energy efficiency.

Sustainable solutions and services to clients

The Company completed establishment of a new 3 MW solar power plant in Obeniai. Customers of the platform “Ignitis saulės parkai” already have access to the capacity of this power plant. Together with a1 MW solar power plant operating in Obeniai since February, so far this is the largest solar park not only in Lithuania, but also in the Baltic states.

Impacts on biodiversity and ecosystems

Environmental issues at the level of the Group shall be coordinated in accordance with the Group’s environmental policy, which was developed in 2020 to establish the general provisions and principles of the Environmental Group. The policy includes goals to maintain and modernize all managed facilities, to take care of the protection of landscape and biodiversity and follow the principle of non-disturbance of protected areas, species and habitats of high ecological value. Where this cannot be avoided for objective reasons, all possible measures are implemented necessary to reduce and compensate for the impact. Hydroelectric equipment can influence biodiversity in several ways, such as the impact of water level fluctuations on fish migration habits or the availability of birds crossing islets to predators. In order to manage the potential risks, Kaunas HP Dam Use and Maintenance Guidelines provide restrictions of changes in water level and its state is constantly monitored. Kaunas HP electricity generation is performed while ensuring the permissible change in water level in the pond of Kaunas HP (Kaunas Lagoon) and ensuring the environmentally necessary flow into the tailwater (Nemunas River). Integrated pollution prevention and control permit (IPPCP) issued to Elektrėnai Complex sets out commitments to ensure the environmental flow in the Strėva river, when releasing specific amounts of water through the spillway necessary to ensure the vitality of the Strėva river, from the upper waters of the Elektrėnai Reservoir to the tailwater. Environmental monitoring reports, including the groundwater impact report, are made available on the Company’s website.

Impact on land, water and air

In its activities, the Ignitis Gamyba seeks to protect the environment, contribute to more sustainable use of natural resources, and implement modern, efficient and environmentally safe technologies in production activities. In 2020, internal environmental audits took place in all production facilities. The company's departments operate an Environmental Management System that meets the requirements of the world-recognized ISO 14001:2005 standard, so in order to assess the effectiveness of the system at least every half year, the technical department of Elektrėnai complex, together with the colleagues of the technical department of hydroelectric power plants, presents the achievements and challenges of environmental activities to the management.

Energy self-consumption

Energy consumption effectiveness is being increased by constantly improving the production processes and gradually upgrading less-effective facilities. Internal energy consumption improvements are being implemented by following the results of regular internal audits and audits of certified auditors performed every four years. After assessing the internal energy consumption, the measures and suggestions regarding the energy saving short-term (one to three years) and long-term are defined. The company compiles and periodically revises the facility regime cards, intended for optimal operations of heating facilities and resource saving for own use. Also, long-term projects optimizing costs are being executed – in 2020 two transformers of 1000 kVA of the Elektrėnai Complex were changed in order to optimize the facilities of decommissioned electricity units. A new internal audit of energy self-consumption is scheduled in 2021.

Every employee can contribute to improving energy efficiency. The employees register suggestions to improve the operations (Kaizen) by following the LEAN principles. There are additional incentives for employees who provide solutions that greatly improve cost savings.

Materials efficiency and waste management

The Group’s approach to waste management is guided by the Environmental Protection Policy (link). Contributing to the protection of the environment and reduction of pollution in Lithuania, all waste generated by the Company's operations is sorted, separating secondary raw materials, hazardous waste, accounted for by GPAIS (Unified Product Packaging and Waste Information System) and transferred to contracted waste managers. The same is required of the Company's partners and contractors.

Sustainability is one of the key components of the Ignitis Group's strategy. We aim to develop smart energy in our region, so we take into account environmental, social responsibility and governance (US) aspects in our activities. Our continuous improvement was rated in April 2020 when the MSCI ASV rating agency assigned the group an “A” rating (on a scale from CCC to AAA). In September 2020, Sustainalytics, an independent leader in US and corporate governance ratings, research and analysis, gave a comprehensive assessment of Ignitis Group's sustainability progress and gave the Group an average US risk rating (26.5 points). With the publication of the semi-annual report for 2020, we have started to publish detailed US data, and we prepare the annual sustainability report in accordance with the GRI principles and Nasdaq US guidelines.

Occupational health and safety

Ignitis Gamyba adheres to the general provisions and principles of occupational health and safety at work as well as to the provisions of the Ignitis Group’s Zero Tolerance for Accidents at Work Policy (link). Accident prevention, safety and health are in the focus of attention of the Company, therefore it operates in accordance to the updated occupational safety and health management standard ISO 45001:2018. Workplaces and the quality of organised work are regularly inspected, the employees are regularly briefed and provided with personal protective equipment.

In 2020, Ignitis Gamyba had an accident-free record. One health incident due to an employee's high blood pressure was recorded.

In 2020, 8 incidents related to contractor were recorded: contractors violated occupational safety and health requirements in their work. Most often did not use Personal Protective Equipment (helmets – 3 cases, protection against falls from a height – 2 cases), as well as improperly documented work procedures and use of defective work equipment.

Impact on local communities and community relations

Ignitis Gamyba aims to maintain good relations with the communities in which the Company operates. After the reporting period (January 2021), Community Relations and Engagement Guidelines were adopted by the Group (link). Under these guidelines the Group companies engage communities in their activities and manage relationships with them, apply measures to give effect to these principles within the Group, which strengthen the culture and practices of responsible and sustainable development of business.

Employee engagement and labour relations

The Company respects the rights of its employees and comes out against child's work and against any discrimination both in the employee hiring process and among current employees. Trade unions are active and there is a valid collective agreement in the Company. Objective self-assessment by the employee and an assessment of the employee's competences by his/her supervisor is the only way in which employees are assessed in the Company. The Company is concerned about the improvement of its employees' competences. There is a transparent wage setting and payment procedures in place.

Competent employees today and in the future

By creating and nurturing a culture and environment for continuous improvement, taking into the account performance and career goals, new activities, and innovation in work processes, the Company provides opportunities for its employees to engage consistently in their personal growth by developing their professional, soft and management skills

In addition to numerous external trainings, the Company prioritizes on-the-job learning, performing new tasks with the help of colleagues and managers, and learning new things. In this context, the Company operates an employee substitution programme whose primary objective is to ensure that the Company has the appropriate expertise in place to ensure the continuity of the Company's operations. Under this programme, the substitute employees are trained consistently so that they could substitute employees in those functions that are important for ensuring business continuity, i.e. such employees whose training requires a lot of time and who are not easy to find in the labour market due to the specific nature of their work and the required level of expertise. The substitution programme is mostly focused on the production units. Such substitution is regarded as an opportunity for growth in terms of professional competences.

Diversity, equal opportunities and human rights

The Company has created opportunities for people of different age and having different experience to successfully find employment and work. Men account for 87% and women account for 13% of the Company's employees at the end of 2020. This gender distribution remains stable in the Company due to specifics of its activities – women choose technological positions and related professions less frequently. One woman was a member of the Company's Supervisory Board – Živilė Skibarkienė, Member of the Supervisory Board.

Engagement for societal development

The Company contributes to increasing awareness of the public, especially the younger generation, about the energy. The Company demonstrates willingness and invites the to participate in free-of-charge excursions at its objects: the combined cycle unit, Kruonis PSHP, Kaunas A. Brazauskas HPP. Sightseeing tours to introduce visitors to the power plants' history, activities, technology and basic facilities are organised on site. In 2020, due to introduction of quarantine in the country, no tours were organised. A virtual tour of Kaunas Algirdas Brazauskas Hydroelectric Power Plant was created (link). Tours are planned to be opened up after quarantine restrictions are lifted.

Stable and secure energy system

We invest to ensure flexibility and high reliability of the Lithuanian energy system. A reliable and flexible energy system is one of the Ignitis Group's strategic objectives. Ignitis Gamyba controls strategic power generation assets (including the largest electricity generation capacity in Lithuania – Elektrėnai Complex) which are used to provide balancing and system services to the transmission system operator (TSO) Litgrid. The system services ensure the stability and reliability of the energy system, help prevent and respond to system emergencies, and maintain the required power reserve in line with the established requirements for the quality and reliability of electricity supply. In this way, the Company also makes a significant contribution to the objectives of the National Energy Independence.

Ethics, anti-corruption and transparency

Ignitis gamyba together with all other Group companies, follows ethical operating practices set out in the Group's Code. In accordance with the United Nations Global Compact principle in terms of anti-corruption, the Company and its employees follow the Anti-Corruption Policy applicable to the entire Group (link). The Company does not tolerate any forms of corruption. We encourage to report any suspected unethical behaviour of the Group's employees or representatives, any cases of discrimination or corruption and other violations of sustainability principles or concerns by email to the Trust Line at pasitikejimolinija@ignitis.lt or by phone +370 640 88889. These contacts are available to employees as well as all stakeholders.

Responsible and sustainable supply chain

The Company is contracting authority. The procurement function of the Group companies is carried out by the Ignitis Grupės Paslaugų Centras UAB (hereinafter "the GPC"). The GPC carries out procurements procedures and provides planning and execution services for the procurement of goods, services or works. All procurements are centralized, the procurement processes are standardized and concentrated on a single online platform. To ensure a transparent and open public procurement process and open dialogue, every year the Ignitis GPC invites the suppliers to information meetings during which plans, news or changes are presented, high-value procurements planned by the procuring organizations are presented in detail. In 2020, Ignitis Gamyba completed 330 procurement procedures. During the year, 19 claims were received from suppliers regarding the tenders made by the Ignitis Gamyba, 2 of them were found to be justified and were satisfied, and 4 claims were partially satisfied.

All amounts are in EUR thousand unless otherwise stated

OTHER IMPORTANT INFORMATION

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.

There were no arrangements between the Company and the members of its management bodies or its employees that would provide for payment of termination benefits in the event of their resignation or dismissal without a valid reason or in the event of termination of their employment t as a result of changes in the Company's control situation.

Detrimental transactions

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

The main attributes of the internal control and risk management systems involved in the preparation of the consolidated financial statements

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

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

Information about audit

On 25 February 2019, the Extraordinary General Meeting of Shareholders of the Company adopted decision regarding the election of the audit company for the audit of financial reports of the Company and the terms of remuneration for the audit services (ERNST & YOUNG BALTIC UAB was elected as the audit company for the audits of financial reports of the Company for the period of 2019–2021. The remuneration for the audit services shall not exceed 194,850.00 EUR (VAT excluded) for the year 2019–2021).

Notifications on materials events during the reporting period

03 January 2020	On adopted Resolution of the Court
08 January 2020	Regarding the decision to appeal the judgement
10 January 2020	Regarding the information submitted to the Bank of Lithuania about official tender circular
31 January 2020	Ignitis gamyba preliminary financial results for 12 months of 2019
27 February 2020	Correction: Reporting
27 February 2020	The Court upheld the decision to apply the temporary protection measures
28 February 2020	Interim information of Ignitis gamyba for the twelve-month period of 2019: improved financial results
28 February 2020	Ignitis gamyba preliminary financial results for the 1st month of 2020
05 March 2020	Correction: Reporting
10 March 2020	Ignitis gamyba audited financial information for the year 2019
17 March 2020	Ignitis grupė and minority shareholders of its subsidiary AB Ignitis gamyba reached a settlement
17 March 2020	Regarding the agenda and proposed draft resolutions of the Ordinary General Meeting of Shareholders of AB Ignitis gamyba
18 March 2020	Regarding the resolutions of the Supervisory Board of AB Ignitis gamyba
19 March 2020	Courts approved waiver of claims of minority shareholders of Ignitis gamyba
31 March 2020	Regarding approval of the official tender offer circular of Ignitis gamyba shares
31 March 2020	Ignitis gamyba preliminary financial results for the 2 months of 2020
02 April 2020	The start of the official tender offer for shares of Ignitis gamyba
06 April 2020	Regarding the opinion on the announced official tender offer of the board of AB Ignitis gamyba
30 April 2020	Regarding the resolutions of Ordinary General Meeting of AB Ignitis gamyba Shareholders
30 April 2020	Regarding the Annual Information of 2019 of AB Ignitis gamyba

All amounts are in EUR thousand unless otherwise stated

30 April 2020	Report of UAB Ignitis grupė on the implementation of the tender offer for shares of AB Ignitis gamyba
30 April 2020	Results of Ignitis gamyba for January-March 2020: increased production volumes and preparation for important projects
05 May 2020	The Bank of Lithuania approved the price at which Ignitis grupė will offer the buy-out of Ignitis gamyba shares
18 May 2020	Regarding the beginning of the process of mandatory buyout of shares of AB Ignitis gamyba
19 May 2020	Regarding the request submitted by AB Ignitis gamyba to delist the shares from trading on the Nasdaq Vilnius Stock Exchange
21 May 2020	Regarding decision to delist the shares of AB Ignitis gamyba from the Nasdaq Vilnius Stock Exchange
29 May 2020	Ignitis gamyba preliminary financial results for 4 months of 2020
08 June 2020	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of AB Ignitis gamyba
30 June 2020	Regarding the resolutions of Extraordinary General Meeting of Shareholders of AB Ignitis gamyba
30 June 2020	Ignitis gamyba preliminary financial results for 5 months of 2020
31 July 2020	Ignitis gamyba preliminary financial results for 6 months of 2020
10 August 2020	Regarding resignation from the Board of Ignitis Gamyba, AB
26 August 2020	Correction: Reporting
26 August 2020	Ignitis Gamyba, AB, audited interim financial information for the first six months of 2020
31 August 2020	Ignitis Gamyba preliminary financial results for 7 months of 2020
03 September 2020	Regarding the convocation, agenda and proposed draft resolutions of the Extraordinary General Meeting of Shareholders of AB Ignitis gamyba
21 September 2020	Regarding the resolutions of the Supervisory Board of AB Ignitis Gamyba
28 September 2020	Regarding the resolutions of Extraordinary General Meeting of Shareholders of AB Ignitis gamyba
30 September 2020	Ignitis Gamyba preliminary financial results for 8 months of 2020
30 October 2020	Ignitis Gamyba preliminary financial results for 9 months of 2020
13 November 2020	"Ignitis Gamyba" results of the three quarters: impressive growth in electricity generation and stability of financial indicators
30 November 2020	Ignitis Gamyba preliminary financial results for 10 months of 2020
22 December 2020	AB Ignitis Gamyba financial calendar 2021
29 December 2020	Regarding the agreement on tertiary active power reserve
30 December 2020	Ignitis Gamyba preliminary financial results for 11 months of 2020
30 December 2020	Regarding the agreement on isolated regime service

Notifications on materials events after the end of the reporting period

28 January 2021	Ignitis gamyba preliminary financial results for 12 months of 2020
25 February 2021	AB "Ignitis gamyba" approved Kruonis Pumped Storage Hydroelectric Powerplant expansion plan

List of Commonly Used Abbreviations and Terms

EA	Emission allowances	**Kruonis PSHP**	Kruonis Pumped Storage Hydroelectric Plant
Company	AB Ignitis Gamyba	**RL**	Republic of Lithuania
GDP	Gross domestic product	**MW**	Megawatt
OHS	Occupational health and safety	**NordPool**	NordPool power exchange
EC	European Commission	**TSO**	Transmission system operator, LITGRID AB
EU	European Union	**TWh**	Terawatt hour
Group	Group companies of Ignitis Group UAB	**NERC**	The National Energy Regulatory Council
Kaunas HPP	Kaunas Algirdas Brazauskas Hydroelectric Power Plant	**PSO**	Public service obligation
CCU	Combined cycle unit	**Vilnius TPP-3**	Vilnius Third Combined Heat and Power Plant

All amounts are in EUR thousand unless otherwise stated

Annex 1. Notice on the compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius

AB Ignitis Gamyba (hereinafter “the Company”), acting in compliance with Article 12(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of NASDAQ Vilnius AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius AB as well as its specific pro-visions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with are indicated and the reasons for such non-compliance are specified. The Company highlights that from 1 July 2020, when shares of the Company were withdrawn from sale in regulated market, the obligation to disclose how it complies with Corporate Governance Code for the Companies Listed on Nasdaq Vilnius is not applicable to the Company. However, in order to ensure high transparency and corporate governance standards, in its annual report, the Company additionally provides the report regarding the compliance with aforementioned code provisions.

Summary of the Corporate Governance Report

AB Ignitis Gamyba is a part of Ignitis Group, the shareholder of which is the State of Lithuania. The Ignitis Group aims at ensuring efficiency and transparency of its operations. For this purpose, governance restructuring was started back in 2013, which resulted in transformation and consolidation of the Ignitis Group’s corporate governance.

The new governance structure and model of the Ignitis Group have been developed on the basis of the most advanced international and national practices, following the recommendations published by the Organisation for Economic Cooperation and Development (OECD), having regard to the Corporate Governance Code of companies listed on the NASDAQ Vilnius exchange, Guidelines on the Governance for State- owned Enterprises recommended by the Baltic Institute of Corporate Governance (BICG). The corporate governance model of the Ignitis Group was implemented following the governance guidelines approved by the Ministry of Finance of the Republic of Lithuania on 7 June 2013. The guidelines were updated few times and current applicable version was approved on 7 September 2020 which is available here.

Corporate governance activities are concentrated at the level of the parent company of the Ignitis Group companies – AB Ignitis Grupė – the responsibilities of which involve coordination of such areas as finance, law, planning and monitoring, human resources, risk management, audit, technology, communication and other common areas.

Activities of the Ignitis Group companies in these areas are based on mutual agreement, i.e. cooperation with a focus on achievement of common result, and they are coordinated by policies (common provisions and norms) applicable to all Ignitis Group companies.

Use this link for the description of the corporate governance principles and of the governance and control system.

More information on the Company’s management bodies ant its members, committees, etc. is provided herein under section “The Company and its management bodies” and in the table below, which contains information on compliance with the Corporate Governance Code for the Companies Listed on NASDAQ Vilnius.

The Corporate Governance Report was prepared in accordance with the current version of the Corporate Governance Code for the Companies listed on Nasdaq Vilnius, approved at the meeting of the Board of AB Nasdaq Vilnius on 15 January 2019 (Minutes No. 19-63), at the meeting of the Bank of Lithuania on 7 January 2019 (Decision No. 241-3).

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders’ rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1 All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be public in accordance with legal acts is published on the website of the Company. The place, date and time of the General Meeting of Shareholders convened by the Company is determined in order to enable the shareholders to participate in the decision-making process where significant corporate matters are discussed.

1.2 It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's authorized share capital consists of EUR 0.29 nominal value ordinary shares, which provide their holders equal property and non-property rights.
1.3 It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights, provided by the shares are indicated in the Company's Articles of Association, which is publicly available on the Company's website.
1.4 Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	The Articles of Association of the Company do not provide that the mentioned transactions must be approved by the general meeting of shareholders.
1.5 Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The Company convenes General Meetings of Shareholders and implements other meeting-related procedures in accordance with the procedure established in the Law on Companies of the Republic of Lithuania.
1.6 With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Following the Lithuanian Law on Companies, the Company places information about the calling of a general shareholders' meeting, its agenda and draft resolutions of the general shareholders' meeting in Lithuanian and English on its publicly accessible website in advance. Information about resolutions adopted by the general shareholders' meeting is published in Lithuanian and English on the website of the Company.
1.7 Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders may implement their right to participate in the general shareholders' meeting in person and through a representative if the person has an appropriate authorisation or an agreement on the transfer of the right to vote was made with the person in line with the procedure prescribed by laws. The Company enables the shareholders to vote by completing the general voting ballot as prescribed by the Lithuanian Law on Companies.
1.8 With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	On request of the shareholders and considering objective circumstances, the Company would allow the shareholders to vote using telecommunication terminal equipment, however, it is not applied yet because there is no tool to ensure proper authentication of the participating shareholders.
1.9 It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on candidates to become members of the Supervisory Board of the Company is provided to shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania in the general shareholders' meeting, the agenda whereof includes the consideration of the issue of the election of members of the Supervisory Board shall also be announced with a notice of the General Meeting of Shareholders being convened. The Company's Articles of Association defines that a person nominating a candidate to the members of the Supervisory Board shall have an obligation to produce written explanations to the general shareholders' meeting as to the qualifications of each candidate proposed to members of the Supervisory Board, candidate experience of managerial work and fitness to hold the office of a member of the Supervisory Board. The Articles of Association of the Company also provides that each candidate to the members of the Supervisory Board must present to the general shareholders' meeting a

		declaration of interests of the candidate, indicating therein all the circumstances which may lead to a conflict of interests of the candidate and the Company. Upon emergence of new circumstances, which may lead to a conflict of interests of a member of the Supervisory Board and the Company, the member of the Supervisory Board shall notify the Company and the Supervisory Board of such new circumstances in writing without any undue delay. An opinion on the suitability of candidates is submitted by the Selection Commission formed in accordance with the procedure established by legal acts. Information about the proposed audit company shall also be announced with a notice of the General Meeting of Shareholders being convened in accordance with the procedure established by legal acts.
1.10 Members of the Company's collegial management body, heads of the administration or other competent persons related to the Company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The General Manager of the Company and the Chairman of the Board shall always attend the General Meetings of the Company, as well as any other competent person able to provide information relating to the agenda of the general meeting, for example, Director of Finance and Administration, members of the Supervisory Board. Proposed candidates to the members of the Supervisory Board also attended, although not on every occasion, the General Meetings of the Company.
Principle 2: Supervisory Board		
2.1 Functions and liability of the supervisory board **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	All members of the Supervisory Board act in good will with respect to the Company, with due regard to the Company's interests and public welfare. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	Collegial bodies of the Company follow the prescribed recommendations. Members of the Supervisory Board Before taking decisions, Members of the Supervisory Board discuss their influence to the Company's performance and the Company's shareholder. The Company's Articles of Association oblige the Supervisory Board of the Company and also each of its members to act on behalf of the Company and its shareholders. Communication with and commitments to shareholders are defined in accordance with statutory requirements.
2.1.3. The Supervisory Board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the Supervisory Board should act and pass decisions without an external influence from the persons who elected them.	Yes	The Company's Supervisory Board is independent from the Company's management bodies and takes decisions that are significant to the Company's activities and strategy, acts independently in accordance with requirements of legal acts.
2.1.4. Members of the Supervisory Board should clearly voice their objections in case they believe that a decision of the Supervisory Board is against the interests of the Company. Independent[1] members of the Supervisory Board should: (a) maintain independence of their analysis and decision-making; (b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	Members of the Supervisory Board have the right to express their opinion concerning all questions included to the agenda that according to work regulations of the Supervisory Board must be properly reflected in the protocol of the meeting. Upon emergence of circumstances, which may lead to a conflict of interests of a member of the Supervisory Board and the Company, the member of the Supervisory Board shall notify the Company and the Supervisory Board of such new circumstances in writing without any undue delay. The duties set out in this recommendation are embedded in the agreement on activities of a member of the Supervisory Board and agreement on activities of an independent member of the Supervisory Board.

[1] *For the purposes of this Code, the criteria of independence of members of the Supervisory Board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.*

All amounts are in EUR thousand unless otherwise stated

2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	In exercising its competence to supervise the activities of the Company's management bodies, the Supervisory Council performs the duties specified in the recommendation, and submits its opinion on tax planning issues.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The Company ensures that the Supervisory Board is supplied with all of the resources required for its activities (monitors technical aspects of the Supervisory Board meetings, provides all the required information). Agreement of activities of a member of the supervisory board defines that the Company commits to creating proper working conditions for the supervisory board and its members by supplying them with technical and administrative tools required for work. The Articles of Association set out that the Supervisory Board has the right to apply to the board and chief executive officer asking for documents and information pertaining to the Company's operations, and the board of directors and chief executive officer must ensure that the documents and information so requested are produced to the Supervisory Board within reasonable time. The provision regarding supply of information is also included in the agreement of activities of a member of the supervisory board.
2.2 Formation of the Supervisory Board **The procedure of the formation of the Supervisory Board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the Supervisory Board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the Supervisory Board, it should be ensured that members of the Supervisory Board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	Pursuant to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected and the qualification of its members is assessed at the General Meeting of Shareholders. It should be noted that the main activities of the Company include generation, trade in electricity and assurance of energy security, while the majority of members on the Supervisory Board are experts in the field of energy.
2.2.2. Members of the Supervisory Board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	The members of the Supervisory Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. The Company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Supervisory Board and the whole Supervisory Board *in corpore,* without waiting for their mandates' terms to end. The members of the Supervisory Board (separate or the body itself) may be dismissed by the General Shareholder Meeting.
2.2.3. Chair of the supervisory board should be a person who's current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The Chairman of the Company's Supervisory Board and the CEO of the Company is not the same person. The members of the Supervisory Board and the Chairman have not been members of the Board of the Company or the CEO of the Company.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the Supervisory Board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the Supervisory Board. Should a member of the Supervisory Board attend less than a half of the meetings of the Supervisory Board throughout the financial year of the Company, the shareholders of the company should be notified thereof.	Yes	Members of the Supervisory Board are active participants of the meetings of the collegial body and devote sufficient time to perform their duties as members of the collegial body. In 2020 there were 15 (fifteen) Supervisory Board's meetings, and all of them were attended by all members of the Supervisory Board.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The Supervisory Board may decide that, despite the fact that a particular member meets all the	Yes	Information on the candidates to the Company's Supervisory Board members (as well as information on the candidate's compliance with the independence requirements) is provided to the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania (see commentary on recommendation 1.9).

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criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.		
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	The independent member of the Supervisory Board is remunerated for his/her activity in the Supervisory Board according to the procedure and terms established in the agreement signed with him on activity as an independent member of the Supervisory Board. The conditions of the agreement with the independent member of the Supervisory Board, including amount of remuneration, are approved by the General Meeting of Shareholders.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	The Supervisory Board makes an assessment of its activity every year. The Supervisory Board assesses the organization of meetings, efficiency, the need for competences, mutual cooperation, and sufficiency of the information furnished by the management for decision-making. Information on the working procedure regulations of the Supervisory Board, applied practices, adopted decisions is not made publicly available.

Principle 3: Board

3.1 Functions and liability of the management board
The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the Supervisory Board if the latter has been formed at the Company. In such cases where the Supervisory Board is not formed, the Management Board is also responsible for the approval of the Company's strategy.	Yes	The Company's Management Board carries out the duty of implementation of the Company's strategy approved by the Company's Supervisory Board.
3.1.2. As a collegial management body of the Company, the Management Board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the Supervisory Board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the Management Board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	As there is the Supervisory Board formed in the Company, the Board performs the functions of the Company's collegial management body. The obligation to take into account the Company, the shareholders, the employees and other interest groups is established in the agreement on performance in the Management Board signed by each member of the Management Board.
3.1.3. The Management Board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board of the Company adheres to the aforementioned recommendation, approves and ensures compliance with internal policies.
3.1.4. Moreover, the Management Board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board of the Company follows the aforementioned recommendation.
3.1.5. When appointing the manager of the company, the Management Board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the CEO of the Company the Board takes into account the balance of his/her qualifications, experience and competence as well as the opinion of the Company's Supervisory Board.
3.2 Formation of the Management Board		
3.2.1. The members of the Management Board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the Management Board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The diversity of qualifications, professional experience and competences should be ensured among the members on the Management Board. The main activities of the Company include production, trade in electricity and assurance of energy security, while the majority of members on the Management Board are experts in the field of energy.

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3.2.2. Names and surnames of the candidates to become members of the Management Board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the Supervisory Board in which the Management Board or individual members of the Management Board are elected. In the event that the Supervisory Board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The Management Board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the Company's annual report.	Yes	Information on candidates to the Management Board of the Company is provided under the procedure established in the laws. An opinion on the suitability of candidates is submitted by the Selection Commission. Information on the candidate's education, work experience, competence, position held and former positions (CV), declaration of interests and other documents specified in the legal acts are provided at the meeting of the Company's Supervisory Board, which elects the Management Board or its individual members. Information on offices held by members of the Board or their involvement in activities of any other companies is constantly collected, accumulated, and published in the annual report, as well as on the Company's website.
3.2.3. All new members of the Management Board should be familiarized with their duties and the structure and operations of the company.	Yes	The members of the Management Board after their election are acquainted with the Company's activities, organizational and management structure, strategy, activities and financial plans.
3.2.4. Members of the Management Board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the Management Board are elected according to the maximum term of office, specified in the Law on Companies of the Republic of Lithuania – for 4 years per term of office. Limitations concerning re-election of the members of the Management Board are not provided in the Company's Articles of Association, nevertheless, limitations provided by valid legal acts are applied to candidates to members of the Board. The Company's Articles of Association provide a possibility to revoke (dismiss) both separate members of the Board and the whole collegial body *in corpore*, without waiting for their mandates' terms to end. The members of the Management Board (separate or the body itself) may be dismissed by the Supervisory Board.
3.2.5. Chair of the Management Board should be a person who's current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	Current or past positions of the Chairman of the Management Board of the Company do not create preconditions for possible impartiality. The Chairman of the Management Board of the Company is a member of the Board and CEO of the Company, but in this case the impartiality of its activities is ensured, as there is the Supervisory Board formed in the Company.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the Management Board. Should a member of the Management Board attend less than a half of the meetings of the Management Board throughout the financial year of the company, the Supervisory Board of the company or, if the Supervisory Board is not formed at the company, the General Meeting Of Shareholders should be notified thereof.	Yes	Members of the Management Body are actively involved in meetings of the Management Board and devote sufficient time for performing their duties as a member of the collegial body. In 2020, 40 (forty) meetings of the Board of the Company were held. All elected members of the Management Board were in attendance in all meetings of the Management Board held in 2020.
3.2.7. In the event that the Management Board is elected in the cases established by the Law where the Supervisory Board is not formed at the company, and some of its members will be independent[2], it should be announced which members of the management board are deemed as independent. The Management Board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	There is the Supervisory Board formed in the Company.
3.2.8. The General Meeting of Shareholders of the Company should approve the amount of remuneration to the members of the Management Board for their activity and participation in the meetings of the management board.	No	Since the Company has a Supervisory Board that has the competence to elect and revoke the members of the Management Board, the remuneration of the Management Board members is also determined by the Supervisory Board.
3.2.9. The members of the Management Board should act in good faith, with care and responsibility for the benefit and the interests of the Company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their	Yes	The members of the Management Board act in good faith towards the Company and in accordance with the interests of the Company and taking into account the welfare of the society.

[2] *For the purposes of this Code, the criteria of independence of the members of the Management Board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.*

personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the Company's operations in violation of the Company's interests.		
3.2.10. Every year the Management Board should carry out an assessment of its activities. It should include evaluation of the structure of the Management Board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the Management Board, and evaluation whether the Management Board has achieved its objectives. The Management Board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes/No	Each year the members of the Company's Management Board perform an assessment of their activities by completing the questionnaires, which include the evaluation of the work of the Management Board.
Principle 4: Rules of procedure of the Supervisory Board and the Management Board of the Company **The rules of procedure of the Supervisory Board, if it is formed at the Company, and of the Management Board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the Company's management bodies.**		
4.1 The Management Board and the Supervisory Board, if the latter is formed at the Company, should act in close cooperation in order to attain benefit for the Company and its shareholders. Good corporate governance requires an open discussion between the Management Board and the Supervisory Board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	Legal acts, Articles of Association and rules of procedure governing activities of the Company's Supervisory and Management bodies lay down the principles and procedure of cooperation between supervisory and management bodies of the Company and ensure that management and supervisory bodies cooperate to attain the greatest possible benefit to the Company and its shareholders.
4.2 It is recommended that meetings of the Company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the Company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of collegial bodies proceed according to the pre-approved schedule. Supervisory An annual plan of meetings and their agendas are formed for the Supervisory Board which, with consideration to activities of the group of Companies and processes going on in them, is supplemented in the course of the year. Meetings of the Supervisory Board are held once a month and of the Management Board – once a week. Members of the Supervisory Board suggest issues to be discussed during meetings.
4.3 Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the Company require immediate resolution.	Yes	Members of the collegial body are informed on the agenda of a meeting in advance. The agenda of the future meeting is discussed at the end of the current meeting, and issues are included into the agenda of the future meeting by consensus. In the course of the meeting, the agenda is not usually changed. All members of collegial bodies receive the material necessary for decision-making on issues on the agenda in advance and have a possibility to become familiar with them, also to ask questions before the meeting and during the meeting materials of the issue discussed should be supplemented, or ask to specify it. All members of the collegial bodies are informed about any received comments or specification.
4.4 In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	Meetings of the Supervisory Board are also attended by the Management Board of the Company. Dates and agenda of the meetings are coordinated in such a way that they could be attended by all members of collegial bodies. The Supervisory Board and the Management Board cooperate in forming agendas of the meetings by including relevant issues on activities of the Company.
Principle 5: Nomination, remuneration and audit committees		
5.1 Purpose and formation of committees		

The committees formed at the Company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the Management Board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.
Committees should exercise independent judgement and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the Supervisory Board of the Company or, in cases where the Supervisory Board is not formed, the Management Board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[3].	Yes	In accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, a public interest company which is a subsidiary and prepares consolidated financial statements may omit the requirement to form an Audit Committee as defined in the Lithuanian Law on Audit if its parent company has the required committee. Since the parent company, i.e. AB Ignitis Grupė has an Audit Committee, there is no need or obligation for the Company to have a separate Audit Committee. AB Ignitis Grupė, being the parent company, also has Nomination and Remuneration, and Risk Management and Business Ethics Supervision committees, functioning at the Group level.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Not applicable	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Not applicable	See the comments for recommendation 5.1.1
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the Management Board should not serve as the chair of committees.	Yes	The Company implements the recommendation through the committees of the Supervisory Board formed at AB Ignitis Grupė. Committees consist of at least 3 members by involving also independent members. Chairpersons of all committees are independent members.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	The Company implements the recommendation through the committees of the Supervisory Board formed at AB Ignitis Grupė. Committees are advisory bodies of the Supervisory Board of the parent company. Their regulations are approved and members are appointed by the Supervisory Board. Committees prepare reports on their performance at least once every 6 (six) months that are delivered at the meeting of the Supervisory Board of the parent company. The number of meetings, the main directions of the committees are disclosed in the annual report; additionally, the Supervisory Board of the parent company is informed on the number of meetings and the main decisions adopted in them at least once every 6 months.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	The Company implements the recommendation through the committees of the Supervisory Board formed at AB Ignitis Grupė. All committees are chaired by independent members and include members of the Supervisory Board of the parent company. Other members of the parent company or the Company's Supervisory Board shall have the right to attend committee meetings. If necessary, at the invitation of committees, particular employees or experts attend the meetings.
5.2 Nomination committee		
5.2.1. The key functions of the Nomination committee should be the following:	Yes	The Company implements the recommendation through the Nomination and Remuneration committees formed at AB Ignitis Grupė. The main functions of the Nomination and

[3] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

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(1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The Nomination Committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; (2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; (3) devote the attention necessary to ensure succession planning.		Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, not limited to, the functions laid down in this principle.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Yes	The Company implements the recommendation through the Nomination and Remuneration committees formed at AB Ignitis Grupė. The Nomination and Remuneration Committee submits an opinion on candidatures to the management and supervision bodies of the Group's companies (if necessary, it may submit an opinion also regarding other candidatures). Decisions on the approval of such candidatures are adopted by the Supervisory Board of the parent company. An opinion on the suitability of the mentioned candidatures is also submitted by the Company's Supervisory and Management Board (including the CEO).
5.3 Remuneration committee.		
5.3.1. The main functions of the Remuneration Committee should be as follows: (1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; (2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; (3) review, on a regular basis, the remuneration policy and its implementation.	Yes	The Company implements the recommendation through the Nomination and Remuneration committees formed at AB Ignitis Grupė. The main functions of the Nomination and Remuneration Committee are described in the Corporate Governance Guidelines and conform with, however, not limited to, the functions laid down in this principle. The Nomination and Remuneration Committee submits an opinion on the guidelines for the top-level management policy to the Supervisory Board of the parent company. The Supervisory Board adopts decisions on the approval of such remuneration guidelines with consideration to the opinion of the Nomination and Remuneration Committee.
5.4 Audit Committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the Audit Committee[4].	Yes	The Company implements the recommendation through the Audit Committee formed at AB Ignitis Grupė. The main functions of the Audit Committee are described in the Corporate Governance Guidelines and conform to the functions laid down in the legal acts regulating.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The Company implements the recommendation through the Audit Committee formed at AB Ignitis Grupė. All members of the committee are provided with detailed information on specific issues of the Company's accounting system, finances and operations.
5.4.3. The Audit Committee should decide whether the participation of the chair of the management board, the manager of the Company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when	Yes	The Company implements the recommendation through the Audit Committee formed at AB Ignitis Grupė. Meetings of the Audit Committee are attended by the Head of the Internal Audit Unit, and, if necessary, by other employees when discussing specific issues. The Audit Committee also cooperates with other

[4] *Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.*

needed, to meet the relevant persons without members of the management bodies present.		committees, and, if necessary, joint meetings are organised. If necessary, a meeting of the Audit Committee is attended by representatives of the audit firm conducting an independent audit of financial statements.
5.4.4. The Audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The Audit Committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the Company and its Group.	Yes	The Company implements the recommendation through the Audit Committee formed at AB Ignitis Grupė. The Audit Committee receives the information referred to in this paragraph, submits an opinion on annual plans of internal audit that is approved by the Supervisory Board of the parent company. The Internal Audit Unit informs the Audit Committee on the implementation of internal audit plans and submits reports. If necessary, a meeting of the Audit Committee is attended by representatives of the audit firm conducting an independent audit of financial statements.
5.4.5. The Audit Committee should examine whether the Company complies with the applicable provisions regulating the employee's possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	The Company implements the recommendation through the Audit Committee formed at AB Ignitis Grupė. Audit committee performs these functions.
5.4.6. The Audit Committee should submit to the Supervisory Board or, where the Supervisory Board is not formed, to the Management Board its performance report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Company implements the recommendation through the Audit Committee formed at AB Ignitis Grupė. The Audit Committee submits its performance reports to the Supervisory Board at least once every 6 months.
Principle 6: Prevention and disclosure of conflicts of interest **The Corporate Governance Framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** **The Corporate Governance Framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
6.1 Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the Company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The Company does observe the recommendations. According to the Company's Articles of Association, each candidate to a member of the collegial body is obliged to provide a declaration of interest to the body electing him/her stating all of circumstances which could lead to a conflict of interests between the candidate and the Company. Upon emergence of new circumstances, which may lead to a conflict of interest between a member of the collegial body and the Company, a member of the Supervisory Board must immediately inform in writing the Company and the Supervisory Board of such new circumstances. Besides, according to the Company's Articles of Association, members of the Board may not have any other job or hold any other office that would be incompatible with their activity on the Board, including the holding of management positions in other legal entities (except for the position and work in the company or the Group of companies), work in civil service, statutory service. Members may hold any other position or have other job, except for the position held in the Company and other legal entities the participant whereof the Company is, also engage in educational, creative, or authorship activity only on receipt of prior consent from the Supervisory Board.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1 The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	On 30 April 2020, General Meeting of Shareholders approved guidelines of remuneration of top-level managers of the group of companies AB Ignitis Grupė, and remuneration policy of AB Ignitis Grupė *in corpore* as AB Ignitis gamyba remuneration policy in accordance

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		with the documents listed in Article 37^3(1) of Law on Companies of the Republic of Lithuania.
7.2 The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy of AB Ignitis Grupė defines remuneration components, their maximum amounts, the principles of allocation and payout, which are common for all companies of the Group. According to the provisions of the Remuneration Policy, the variable remuneration component is paid only in case the target achievement value is at least 70 percent. If criteria for the evaluation of performance results are not met, i.e. the goal achievement value is below 70 percent, the variable remuneration component is not paid.
7.3 With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the Company's performance.	Yes	The Remuneration Policy is aimed at defining the principles of employee remuneration. The published Guidelines for Corporate Governance of State-Owned Energy Group, approved by the Ministry of Finances of the Republic of Lithuania, provide for the principles of remuneration of collegial bodies. The remuneration of members of collegial bodies carrying out supervisory functions does not depend on the Company's performance.
7.4 The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company follows this recommendation in accordance with provisions of the Labour Code of the Republic of Lithuania, without exceeding the sums laid down therein.
7.5 In the event that the financial incentive scheme is applied at the Company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Yes	The information contained in the Recommendation is provided in the Share Allocation Rules of AB Ignitis Grupė, which apply to the entire group of companies.
7.6 The Company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes/No	The Company follows the provisions of the Guidelines for Corporate Governance of State-Owned Energy Group approved by the Ministry of Finance of the Republic of Lithuania, also the principles laid down in Resolution No. 1341 of the Government of the Republic of Lithuania "On the Remuneration of Managers of State-Owned Enterprises" (as subsequently amended) (hereinafter – the Resolution). The Company has been providing the Ministry of Social Security and Labour of the Republic of Lithuania with information on the implementation of the Resolution. There have been no major changes in the Remuneration Policy in the past few years.
7.7 It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the General Meeting of Shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the General Meeting of Shareholders.	Yes	On 30 April 2020, General Meeting of Shareholders approved guidelines of remuneration of top-level managers of the group of companies AB Ignitis Grupė, and remuneration policy of AB Ignitis Grupė *in corpore* as AB Ignitis gamyba remuneration policy in accordance with the documents listed in Article 37^3(1) of Law on Companies of the Republic of Lithuania.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1 The Corporate Governance Framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company's management system provides protection for the rights of the stakeholders that are protected by laws. The Company pursues the maximum possible transparency in its relations with all stakeholders and the compliance with the highest ethical requirements and principles – in

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		its activities, because honest and open business activities are one of the key elements of impeccable business reputation. The Company takes into account the changing customer needs, constantly improving its operational processes, empowering employees, taking care of the safety and health of its employees, seeking to maintain a close relationship with investors and ensure information accessible to all, continuously updating the information and posting it in the "Investors" section of its website.
8.2 The Corporate Governance Framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the Company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company does observe the recommendations. For instance, representatives of the employees of the Company participate in consultations, negotiation and meetings regarding the processes of performance optimisation that are implemented at the Company. According to the Company's collective agreement signed with the representatives of the employees of the Company, the Company provides information to the representatives of trade unions about the expected changes in the Company, the Company's financial situation, etc. The shareholders may participate in the management of the Company to the extent provided by laws.
8.3 Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The Company does observe the recommendations. The stakeholders are given access to the necessary information.
8.4 Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The Company has a trust line, information can also be provided anonymously by e-mail: pasitikejimolinija@le.lt.

Principle 9: Disclosure

The Corporate Governance Framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the Company.

9.1 In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:

9.1.1. operating and financial results of the Company;	Yes	The Company's operating and financial results are published each month, also in the Company's interim and annual reports.
9.1.2. objectives and non-financial information of the company;	Yes	The Company's business objectives and non-financial information is published in the Company's interim and annual reports, the Company's strategy and activity plans.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	This information is published on the Company's publicly accessible website and is disclosed in annual and interim reports.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.
9.1.7. the company's transactions with related parties;	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.

All amounts are in EUR thousand unless otherwise stated

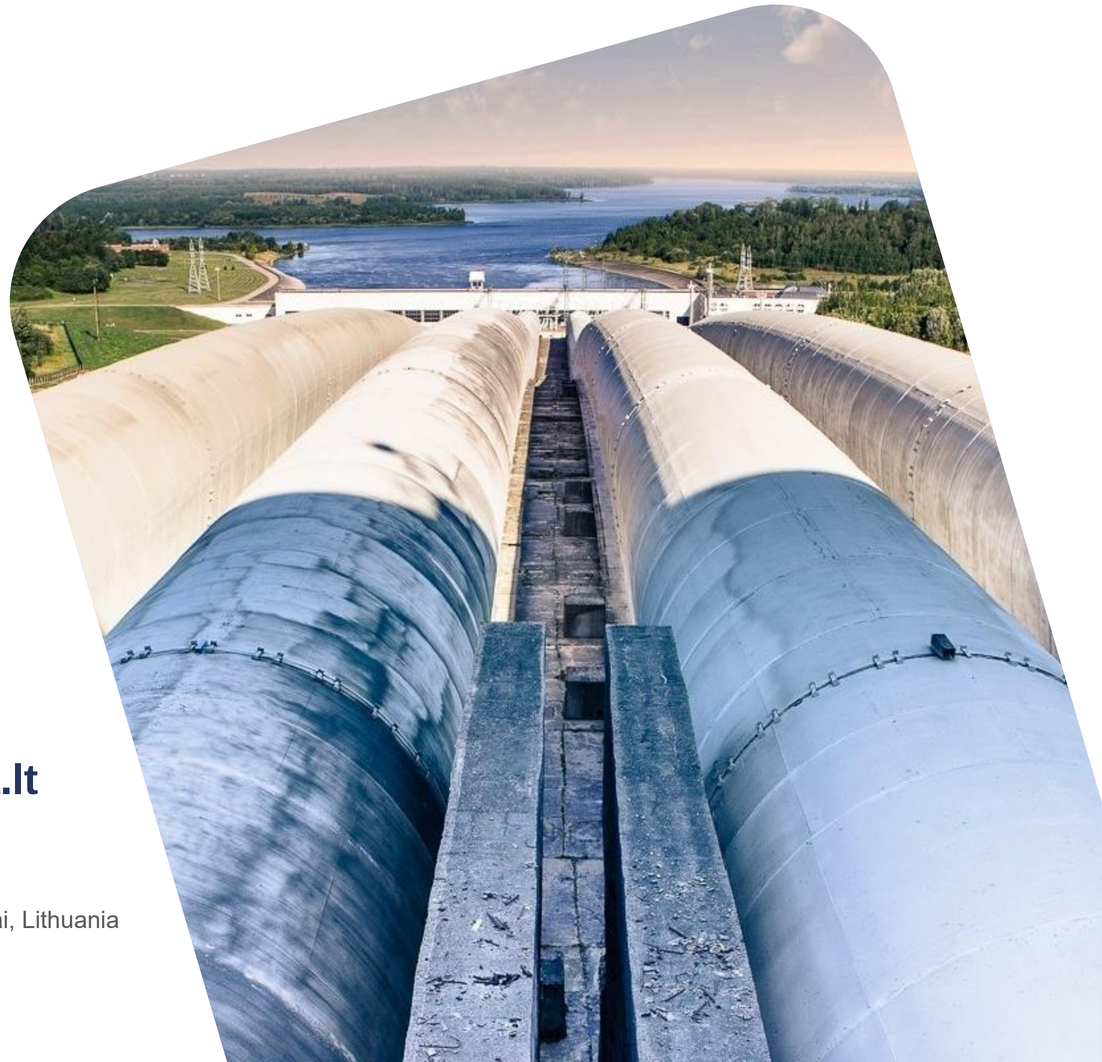
9.1.9. structure and strategy of corporate governance;	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.
9.1.10. social responsibility policy, anti-corruption initiatives and measures, major investment projects under way or planned. This list should be considered as a minimum list and companies are encouraged not to limit themselves to disclosing the information contained in this list. This principle of the Code does not relieve the Company of the obligation to disclose information prescribed by law.	Yes	The information is published in the Company's interim and annual reports, and on the Company's website.
9.2 When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	Information related to the parent company AB Ignitis Grupė is announced by the parent company itself.
9.3 When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in Item 9.1.4 of the recommendation 9.1 is published in the Company's annual report and on the Company's website. The Company makes public the salary to the Company's CEO and other benefits associated with the functions as members of the management bodies.
9.4 Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company makes the information available on its website in the Lithuanian and English languages simultaneously. The Company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is made public.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1 With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The Company executes its annual financial statement audit. The audit firm also verifies the compliance of the Company's annual report with its audited financial statements.
10.2 It is recommended that the audit firm would be proposed to the General Meeting Of Shareholders by the Supervisory Board or, if the Supervisory Board is not formed at the company, by the Management Board of the company.	No	The audit firm is being selected according to the procedure, laid out in the Public procurement law of the Republic of Lithuania, the selected audit firm is proposed to the General Shareholder Meeting by the Company's Board.
10.3 It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. The audit firm is being selected according to the procedure, laid out in the Public procurement law of the Republic of Lithuania, the selected audit firm is proposed to the General Shareholder Meeting by the Company's Board.	Yes	The Company does observe the recommendations.

2020

AB IGNITIS GAMYBA

COMPANY'S FINANCIAL STATEMENS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION FOR THE YEAR 2020

ignitis gamyba



www.ignitisgamyba.lt

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

STATEMENT OF FINANCIAL POSITION
31 December 2020
All amounts are in EUR thousand unless otherwise stated

	Notes	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Intangible assets	5	78,662	51,888
Property, plant and equipment	6	426,411	450,261
Right-of-use assets	7	5,627	6,029
Investment property	8	3,423	3,818
Investments in associates	9	2,867	1,980
Other non-current assets	10	-	5,087
Other financial assets	14	99	628
Total non-current assets		**517,089**	**519,691**
Current assets			
Inventories	11	2,033	1,298
Prepayments	12	5,752	15,584
Receivables from contracts with customers	13	15,793	15,845
Other financial assets	14	1,993	17,222
Loans granted	15	9,142	49,971
Cash and cash equivalents	16	138,120	58,501
Total current assets		**172,833**	**158,421**
TOTAL ASSETS		**689,922**	**678,112**
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	187,921	187,921
Share premium	17	89,975	89,975
Legal reserve	18	17,519	15,379
Revaluation reserve	19	37,105	20,554
Retained earnings		84,993	96,224
Total equity		**417,513**	**410,053**
Non-current liabilities			
Long-term borrowings	22	16,900	21,317
Non-current lease liabilities	24	5,579	5,559
Grants	25	154,035	166,722
Deferred tax liabilities	26	27,817	24,834
Provisions	28	16,943	9,681
Other non-current payables and liabilities		452	542
Total non-current liabilities		**221,726**	**228,655**
Current liabilities			
Current portion of long-term loans	22	4,417	4,417
Current portion of lease liabilities	24	150	186
Trade payables	27	20,028	17,978
Contract liabilities		221	41
Income tax liabilities		4,173	5,458
Provisions	28	18,249	7,209
Other payables and liabilities	29	3,445	4,115
Total current liabilities		**50,683**	**39,404**
Total liabilities		**272,409**	**268,059**
TOTAL EQUITY AND LIABILITIES		**689,922**	**678,112**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	2020	2019
Revenue			
Revenue from contracts with customers	30	172,380	134,978
Other income	31	2,080	10,526
Total revenue		**174,460**	**145,504**
Operating expenses			
Purchases of electricity or related services		(23,970)	(30,365)
Gas, biofuel expenses	37	(45,720)	(23,146)
Cost of inventories sold		(144)	(2,445)
Impairment loss on property, plant and equipment		-	62
Depreciation and amortisation	5, 6, 7	(17,525)	(18,235)
Wages and salaries and related expenses	36	(9,721)	(8,803)
Repair and maintenance expenses		(6,986)	(5,558)
Emission allowance revaluation and utilisation (expenses)/income		(7,695)	(816)
(Expenses)/income on impairment of other non-current assets		(138)	(335)
Inventory write-down (allowance)/reversal		(54)	16
Other expenses	38	(11,909)	(5,169)
Operating expenses, total		**(123,862)**	**(94,794)**
OPERATING PROFIT (LOSS)		**50,598**	**50,710**
Finance income/(expenses)			
Finance income		278	373
Whereof: interest income		258	306
Finance (expenses)	33	(613)	(648)
Total financial income and expenses		**(335)**	**(275)**
Share of results of associates	9	**112**	**215**
PROFIT/(LOSS) BEFORE TAX		**50,375**	**50,650**
Income tax and deferred tax expenses	26	(8,582)	(7,858)
NET PROFIT (LOSS) FOR THE YEAR		**41,793**	**42,792**
Other comprehensive income (loss) that will not be subsequently reclassified to retained earnings (loss)		**16,859**	**722**
Revaluation of emission allowances*		16,859	722
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**58,652**	**43,514**

** The market price of the emission allowances on 01/01/2019 was EUR 24.63 per unit; on 31/12/2019 – EUR 24.93 per unit; on 31/12/2020 – EUR 32.04 per unit. The market price volatility is the main reason related to the significant change of emission allowance revaluation effect.*

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

All amounts are in EUR thousand unless otherwise stated

	Notes	Issued capital	Share premium	Revaluation reserve	Legal reserve	Retained earnings	Equity Total
Balance as at 1 January 2019		**187,921**	**89,975**	**20,659**	**13,897**	**79,359**	**391,811**
Revaluation of emission allowances*		-	-	722	-	-	722
Net profit for the reporting period		-	-	-	-	42,792	42,792
Total comprehensive income for the period		**-**	**-**	**722**	**-**	**42,792**	**43,514**
Legal reserve		-	-	-	1,482	(1,482)	-
Emission allowances utilised	19	-	-	(812)	-	812	-
Depreciation of revaluation reserve		-	-	(15)	-	15	-
Dividends	21	-	-	-	-	(25,272)	(25,272)
Balance as at 31 December 2019		**187,921**	**89,975**	**20,554**	**15,379**	**96,224**	**410,053**
Balance as at 1 January 2020		**187,921**	**89,975**	**20,554**	**15,379**	**96,224**	**410,053**
Revaluation of emission allowances*		-	-	16,859	-	-	16,859
Net profit for the reporting period		-	-	-	-	41,793	41,793
Total comprehensive income for the period		**-**	**-**	**16,859**	**-**	**41,793**	**58,652**
Legal reserve		-	-	-	2,140	(2,140)	-
Emission allowances utilised	19	-	-	(294)	-	294	-
Depreciation of revaluation reserve		-	-	(14)	-	14	-
Dividends	21	-	-	-	-	(51,192)	(51,192)
Balance at 31 December 2020		**187,921**	**89,975**	**37,105**	**17,519**	**84,993**	**417,513**

** The market price of the emission allowances on 01/01/2019 was EUR 24.63 per unit; on 31/12/2019 – EUR 24.93 per unit; on 31/12/2020 – EUR 32.04 per unit. The market price volatility is the main reason relate to the significant change of emission allowance revaluation effect.*

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
All amounts are in EUR thousand unless otherwise stated

	Notes	2020	2019
Net profit (loss) for the reporting period		41,793	42,792
Reversal of non-cash expenses (income) and other adjustments			
Depreciation and amortisation expenses	5, 6, 7	25,873	26,606
Loss from impairment of property, plant and equipment	6	138	427
Impairment (reversal) of property, plant and equipment accounted for at revaluated amount	6	-	(96)
Impairment (reversal) of inventory	11	54	(16)
Expenses of provision for emission	28	2,788	432
Other impairment (reversals)	37	31	(1,041)
Share of (profit) of associates	9	(112)	(215)
Income tax expense	26	7,281	7,524
Change in deferred tax	26	1,301	334
Amortisation of grants	25	(8,348)	(8,371)
(Decrease)/increase in provisions	28	9,214	7,072
(Gain) loss on disposal/write-off of non-current assets (other than financial assets)		41	230
Elimination of results of financing and investing activities:			
- Interest (income)		(278)	(306)
- Interest expenses	33	589	648
- Other finance (income)/costs		24	(67)
Working capital adjustment:			
(Increase) decrease in receivables from contracts with customers and other financial assets		15,761	(18,858)
(Increase) decrease in inventories and prepayments		8,912	(9,861)
Increase/(decrease) in payables and contract liabilities		(451)	2,992
Income tax (paid)		(8,381)	(2,015)
Net cash flows from operating activities		**96,230**	**48,211**
Investing activities			
Acquisition of property, plant and equipment and intangible assets		(760)	(1,463)
Disposal of property, plant and equipment and intangible assets		8	233
Short-term loans recovered (granted)	15	40,829	(21)
Investments in associates		(934)	-
Grants received		18	16
Sale of a part of business		-	2,000*
Interest received		296	239
Dividends received		159	83
Net cash flows from investing activities		**39,616**	**1,087**
Financing activities			
Repayments of borrowings	22	(4,417)	(12,302)
Lease payments		(173)	(460)
Interest paid		(578)	(648)
Dividend expenses		(51,059)	(25,272)
Net cash flows (to) financing activities		**(56,227)**	**(38,682)**
Net increase (decrease) in cash and cash equivalents		79,619	10,616
Cash and cash equivalents at the beginning of the period		**58,501**	**47,885**
Cash and cash equivalents at the end of the period		**138,120**	**58,501**

** Amounts received under the wholesale electricity trade business transfer agreement concluded on 12 October 2015 with Energijos Tiekimas UAB.*

The accompanying notes are an integral part of these financial statements.

All amounts are in EUR thousand unless otherwise stated

1 General information

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

As at 31 December 2020 and 2019, the issued capital of AB Ignitis Gamyba amounted to EUR 187,920,762.41, and it was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid. As at 31 December 2020 and 2019, the Company did not hold its own shares.

From 1 September 2011, the shares of Ignitis Gamyba AB have been listed on the Main List of NASDAQ OMX Vilnius Stock Exchange. On 21 May 2020, Nasdaq Vilnius AB took the decision under the request of the Company to delist all the shares of the Company from the Main List. 30 June 2020 was the last day of trading on the Nasdaq Vilnius AB Stock Exchange.

During 2020 and 2019, the Company was engaged in electricity generation and electricity trading activities. In addition to these principal activities, the Company is free to be engaged in any other business activities not forbidden under the laws and stipulated in the Company's Articles of Association.

The Company has permits of indefinite term to engage in electricity generation activities at the Reserve Power Plant and the Combined Cycle Unit (hereinafter collectively referred to as the Elektrėnai Complex), at Kaunas Algirdas Brazauskas Hydro Power Plant and at Kruonis Pumped Storage Power Plant, as well as in electricity import and export activities. The Company also holds permits to expand electricity generation capacities at the Reserve Power Plant and Kruonis Pumped Storage Power Plant, and certificates entitling to engage in maintenance and operation of electric, thermal power, natural gas and oil facilities. On 29 July 2011, based on the decision of the National Energy Regulatory Council (hereinafter "the NERC"), Ignitis Gamyba AB obtained the licence of an independent electricity supplier.

On 27 August 2019, the Extraordinary General Meeting of Shareholders decided to rename Lietuvos Energijos Gamyba AB to Ignitis Gamyba AB.

As at 31 December 2020 and 31 December 2019, the Company had no subsidiaries.

Shareholders of the Company:

	As at 31 December 2020		As at 31 December 2019	
	Number of shares held	Ownership pct.	Number of shares held	Ownership pct.
Ignitis grupė AB	636,314,384	98.20%	627,372,769	96.82%
Other shareholders	11,688,245	1.80%	20,629,860	3.18%
Total	**648,002,629**	**100.00%**	**648,002,629**	**100.00%**

As at 31 December 2020 and 2019, the main shareholders of the Company was AB Ignitis Grupė (hereinafter "the Group"). Until 06 September 2019, the name of the main shareholder was UAB Lietuvos energija, which was later changed to UAB Ignitis Grupė. As from 28 July 2020, UAB Ignitis grupė was converted to public limited liability company AB Ignitis Grupė. As at 31 December 2019, AB Ignitis Grupė was wholly owned by the State of Lithuania, represented by the Lithuanian Ministry of Finance. On 5 October 2020, AB Ignitis Grupė increased its issued capital, and on 7 October 2020, has executed initial public offering (hereinafter "IPO") of new shares. As at 31 December 2020, the shareholders of AB Ignitis Grupė were the Ministry of Finance of the Republic of Lithuania (73.08%), and retail and institutional investors (26.92%)

The Company's investments into associates comprised the following:

Associate	Registered office	Company's ownership interest As at 31/12/2020	Company's ownership interest As at 31/12/2019	Main activities
Geoterma UAB, bankrupt	Lypkių st. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
Ignitis Grupės Paslaugų Centras UAB (former Technologijų ir Inovacijų Centras UAB)*	Juozapavičiaus st. 13, Vilnius, Lithuania	21.45%	22.23%	Information technology services, public procurement, accounting and employment relations administration services
Verslo Aptarnavimo Centras UAB (reorganised)*	-	-	15.00%	-

* As from 1 January 2020, the Company's associates UAB Ignitis Grupė Paslaugų Centras and UAB Verslo Aptarnavimo Centras UAB were reorganised by merging UAB Ignitis Grupė Paslaugų Centras with UAB Verslo Aptarnavimo Centras, which ceased its activities without the liquidation procedure. The assets, rights and obligations of Verslo Aptarnavimo Centras UAB were transferred to the company Ignitis Grupės Paslaugų Centras UAB, the Company and the shareholders of the reorganised company, except for Ignitis Grupės Paslaugų Centras UAB, received in return the shares of Ignitis Grupės Paslaugų Centras UAB for no consideration, and accordingly, the issued capital of Ignitis Grupės Paslaugų Centras UAB was increased.

For the purpose of these financial statements, the Company's investments in associates have been reported under the equity method (Note 9).

As at 31 December 2020, the Company had 359 employees (as at 31 December 2019 – 356).

These financial statements were signed by the management of UAB Ignitis Gamyba on 26 February 2021. The Company's shareholders have a right to approve the present financial statements, refuse to approve them and require that new financial statements are drawn up.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Company's financial statements for the year ended 31 December 2020 are the following:

2.1 Basis for preparing financial statements

The financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (hereinafter 'the IFRS'), as adopted by the European Union.

These financial statements have been prepared on a going concern and historical cost basis, except for certain property, plant and equipment which is recorded at revalued amount (Note 2.5.1), emission allowances (Note 2.7), investment property (Note 2.4) and financial assets measured at fair value (Note 2.24).

These financial statements are presented in euros (EUR '000), unless stated otherwise. Given that the financial statements are presented in thousands of euros, the figures in the tables may not add up due to rounding. Such discrepancies in the financial statements are considered to be immaterial. The functional and presentation currency of the Company is euro. The Company's financial year coincides with a calendar year.

2.2 Changes in accounting policies

Accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except for the new standards which entered into force on 1 January 2020.

In preparing these financial statements, the Company did not made any early adoption of new standards, amendments and interpretations, the effective date of which is later than 1 January 2020. The following new standards and amendments that became effective in 1 January 2020 did not significantly affect these financial statements.

(a) Adoption of new and/or amended International Financial Reporting Standard (hereinafter "IFRSs") and interpretations of the International Financial Reporting Interpretations Committee (hereinafter "IFRIC")

Conceptual Framework in IFRS standards

The International Accounting Standards Board (hereinafter "IASB") issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Amendments have no impact on these financial statements but may impact future periods if the Company enters to any business combinations.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "material" (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards.

The management of the Company has assessed that these amendments have no impact on the financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7: Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (hereinafter "RFR").

The management of the Company has assessed that these amendments have no impact on the financial statements.

(b)Standards issued but not yet effective and not early adopted

New standards, amendments and interpretations that are not yet effective in the reporting period beginning on or after 1 January 2020 and have not been early adopted when preparing these financial statements are presented below:

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet adopted for use in the European Union.

The management of the Company has assessed that these amendments will have no impact on the financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU.

The management of the Company is currently assessing the impact of this amendment on the financial statements.

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendment applies to annual reporting periods beginning on or after 1 June 2022. Earlier application is permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018–2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

These Amendments have not yet been endorsed for use in the European Union. The Company's management is currently assessing the impact of these amendments on the Company's financial statements.

IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

In the opinion of the Company's management, the application of these amendments will not have a material impact on the Company's financial statements as no significant concessions or discounts have been received during the reporting period and are not expected to be received in subsequent periods.

Interest Rate Benchmark Reform– Phase 2– IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendment applies to annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted. While application is retrospective, an entity is not required to restate prior periods.

The management of the Company has assessed that these amendments will have no impact on the financial statements.

2.3 Investments in associates

Investments in associates over which the Company has significant influence are accounted for using the equity method, unless the investment is acquired and held solely for the purpose of selling in the near term (no later than 12 months after the acquisition) and management is actively seeking for a buyer.

Under the equity method, investments are initially recognised at cost, and the carrying amount is increased or decreased based on the investor's share of the post-acquisition changes in the net assets of the acquiree.

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

At each reporting date the Company reviews investments in associates to assess whether there is objective evidence that investments in associates may be impaired. If any such indications exist, the Company calculates the amount of impairment, which is equal to the difference between the recoverable cost and the carrying amount of the associate, and recognises this amount under the line item of share of profit (loss) of associates in the statement of profit or loss and other comprehensive income.

2.4 Investment property

Investment property, which consists of the Company's buildings, structures and equipment held to earn rentals or for capital appreciation. Investment property is recognised initially at acquisition cost, and subsequently at fair value. The fair value of investment property is estimated by independent appraisers by applying valuation models appropriate to the nature of the asset (Note 8). Investment property is not depreciated, and gain or loss on change in the fair value of investment property is recognised in the statements of profit or loss or other comprehensive income for the reporting period.

Transfers to and from investment property are made only when there is an evidence of change in the purpose of use of assets. Part of the property, plant and equipment may be occupied by the Company, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company can be sold separately, the Company accounts for these components separately.

2.5 Non-current assets

An item of asset is recognised as property, plant and equipment, if it is probable that future economic benefits associated with the asset will flow to the entity, the cost of the item can be measured reliably and its useful life is longer than one year.

2.5.1 Property, plant and equipment

Property, plant and equipment, which includes the categories of assets of hydro power plant, pumped storage power plant, combined cycle unit and reserve power plant, is accounted for at cost less accumulated depreciation and impairment.

Other property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent appraisers, less subsequent accumulated depreciation and subsequent accumulated impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets. Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Increases in the carrying amount arising on the subsequent revaluation of property, plant and equipment are credited to revaluation reserve, whereas decreases in the carrying amount that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases in value of the property plant and equipment that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of the asset are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax.

Construction in progress represents property, plant and equipment under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs. Construction in progress is measured at cost less accumulated impairment losses, if any. Plant and equipment are stated at acquisition (production) cost less accumulated depreciation and impairment losses, if any.

Expenses for replacement of parts of some items of property, plant, and equipment as well as borrowing costs for long term construction projects are also recognized as a cost if the recognition criteria are met. When significant parts of some items of property, plant, and equipment are required to be replaced at certain intervals, the Company will depreciate them separately, taking into account the specific useful life of such parts. The carrying amount of those parts that are replaced is derecognised. All other repair and maintenance costs are recognised as expenses in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. The present value of the expected costs of decommissioning the asset when it is withdrawn from use is included in the cost of the particular asset, if the recognition criteria are satisfied.

2.5.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through business combinations is its fair value at acquisition date. Intangible assets are recognised only when it is probable that future economic benefits associated with these assets will flow to the Company and the value of assets can be measured reliably.
Subsequent to initial recognition, intangible assets, except for emission allowances (Note 2.7), are carried at cost less any accumulated amortisation and accumulated impairment losses, if any (the Company does not have intangible assets with indefinite useful lives).

All amounts are in EUR thousand unless otherwise stated

2.5.3 Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except construction in progress, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed by the Company at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis.

Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (number of years)
Buildings	20–75
Structures and equipment:	
- electrical and communication devices	20–25
- electrical equipment	15–35
- other equipment	5–20
Structures and equipment of Hydro Power Plant and Pumped Storage Plant	
- hydrotechnical waterway structures and equipment	75
- pressure pipelines	50
- hydrotechnical turbines	25–40
- other equipment	8–15
Structures and equipment of Reserve Power Plant	
- structures and infrastructure	10–75
- thermal and electricity equipment	10–50
- measuring devices and equipment	5–10
- other equipment and tools	4–40
Structures and equipment of Combined Cycle Unit:	
- structures and infrastructure	20–50
- electricity lines	20–40
- electricity generation equipment	20–50
Structures and machinery of Vilnius Third Combined Heat and Power Plant:	
- structures and infrastructure	15–30
- thermal and electricity equipment	20–30
- other equipment	10–20
Motor vehicles	4–40
Other property, plant and equipment:	5–40
- computer hardware and communication equipment	3–15
- fixtures, tools	4–10
Intangible assets	4

The assets' residual values and useful lives are reviewed on regular basis, and adjusted if appropriate, under the procedure established by the Company.

When property is retired or otherwise disposed of, the cost and related accumulated depreciation and impairment are derecognized, and any related gains or losses are recorded in the statement of profit or loss or other comprehensive income. Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the carrying value of the disposed asset and is recognised in the statement of profit or loss and other comprehensive income. When revalued assets are disposed, the corresponding portion of revaluation reserve is transferred to retained earnings.

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 these costs can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognised as expenses in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Spare parts of high value that are expected to be used longer than one year are classified as property, plant and equipment. Spare parts are carried at acquisition cost, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the estimated useful life of the related item of property, plant and equipment

2.5.4. Impairment of property, plant and equipment, intangible assets and other non-current assets

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. When the recoverable amount of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, administrative assets of the Company are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The recoverable amount of other non-current assets, i.e. emission allowances receivable in the future, is determined with reference to market prices of forward or spot transactions in emission allowances.

The recoverable amount is the higher of the asset's fair value less costs to sell 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.

All amounts are in EUR thousand unless otherwise stated

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

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 or loss, unless such an asset was previously revalued. In this case the reversal of the impairment loss is recognised as a revaluation increase (without exceeding the sum of previous value impairment) as described in Note 2.24.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying value of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit or loss and other comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted for in the same caption of the statement of profit or loss and other comprehensive income as the impairment loss.

2.6 Right-of-use asset

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

2.6.1 Initial measurement of right-of-use assets

At the commencement date, the Company measures the right-of-use asset at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. The Company incurs obligation for these costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. The Company recognizes these costs as part of the cost of right-of-use asset when the Company incurs an obligation for these costs.

2.6.2 Subsequent measurement of right-of-use assets

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Categories of right-of-use assets	Lease term (in years)
Land	2-85
Premises	2-5
Vehicles and other equipment	2-5

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

The Company presents rights-of-use assets separately from intangible and tangible assets in the statement of financial position.

2.7 Emission allowances

Based on the EU Directive 2003/07/EC, the greenhouse gas emissions trading scheme was developed which came into force on 1 January 2005. The first period of operation of this scheme covered 3 years from 2005 to 2007; the second period covered 5 years from 2008 to 2012, and the third period covers 7 years from 2013 to 2020. From 2021 the fourth phase has started, which will last until 2030. The Scheme's operation period is in line with the period established under the Kyoto Agreement. The system functions on 'Cap' and 'Trade' basis.

The governments of the EU Member States are required to set caps for each emission unit in the scheme and for the period of implementation. These caps are specified in the National Allocation Plan (hereinafter "NPP") to be developed by a responsible authority of each Member State (in Lithuania – the Ministry of Environment). The National Allocation Plan determines the annual emission amount (measured as tons of carbon dioxide equivalent) for each emission unit and each period and allocates annual emission allowances.

A Member State has an obligation to allocate emission allowances by 28 February of each year in accordance with the National Allocation Plan (part of the allowances is set aside for new entrants).

A Member State is to assure that an operator of each emission unit will submit data on the unit's actual amount of greenhouse gas emissions during the current calendar year not later than by 30 April of the next year.

2.7.1 Intangible assets

The EU emission allowances are treated as *intangible assets* that were provided by the state or acquired by an entity in the form of non-monetary grant and that should be accounted for at fair value at the moment of their issuance or transfer.

Acquired emission allowances are recognised at cost, and emission allowances obtained by the Company free of charge are recognised based on market (Stock Exchange) prices at the date of transfer of ownership to the Company. Following the initial recognition, emission allowances (acquired at an acquisition cost and obtained free of charge) are remeasured at fair value based on the active market prices at the end of each reporting period. On revaluation of emission allowances, any increase in carrying amount, which is in excess of the acquisition cost, is added to the revaluation reserve within equity, whereas any decrease in carrying amount, which is excess of the previously accumulated amount in the reserve, is recognised through the statement of profit or loss and comprehensive income as current loss. Emission allowances acquired and emission allowances obtained free of charge are accounted for by the Company separately. Upon the realisation of emission allowances, the positive balance in the revaluation reserve is recognised directly within retained earnings.

2.7.2 Government grant

The EU emission allowances provided to the Company at no consideration are treated as a non-monetary government grant which is recognised at fair value at the date of its receipt or issuance. Subsequently, the government grant is recognised as income in proportion to emission allowances utilised during the validity period of emission allowances or upon their disposal.

2.7.3 Provision for the utilisation of emission allowances

As the Company makes emissions, a liability arises to pay for these emissions to the state using emission allowances, the nominal value of which is equal to the quantity of emissions. Such liability is a provision which is estimated at a value equal to expenses to be incurred by the Company for the settlement of liability at the date of the statement of financial position. The liability can be offset against intangible assets only when the actual quantity of emissions is approved by an appropriate regulatory state authority. Changes in the value of liability are recognised in the statement of profit or loss and other comprehensive income under the caption of profit or loss.

2.7.4 Emission allowances lent

Lending of emission allowances is a sale transaction of the Company during which emission allowances are disposed and the right to receive the same amount of emission allowances in the future is acquired. The right to receive emission allowances in the future is recognised as other non-current (non-financial) assets when the Company anticipates to use emission allowances to be received in the future for Company's activities (not for sale). Such assets are initially recognised at acquisition cost, and subsequently such assets are tested for impairment as described in Note 2.24. As at 31 December 2020, the Company had no emission allowances lent.

2.8 Financial instruments

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

2.8.1 Financial assets

The Company classifies its financial assets into the following 3 categories:

(i) financial assets subsequently measured at amortised cost;
(ii) financial assets subsequently measured at fair value through other comprehensive income; and
(iii) financial assets subsequently measured at fair through profit or loss.

The Company recognises a financial asset in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised using trade date accounting.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This measurement is referred to as the SPPI test and is performed at a financial instrument level.

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

The business model for managing financial assets is a matter of fact and not merely an assertion. It is typically observable through the activities that the Company undertakes to achieve the objective of the business model. In determining the business model applicable for managing financial assets, the Company justifies its decision not by a single factor or activity, but in view of all relevant evidence that is available at the date of the assessment.

At initial recognition, the Company measures financial assets at fair value. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. Trade receivables and contract assets that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

2.8.1.1 Financial assets measured at amortised cost

Loans granted by the Company and receivables 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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the date of the statement of financial position, in which case they are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when these assets are derecognised, impaired or amortised.

2.8.1.2 Financial assets at fair value through profit or loss

Financial asset at fair value through profit or loss includes financial asset held for trading, financial asset designated upon initial recognition at fair value through profit or loss, or financial asset mandatorily required to be measured at fair value. Financial asset is classified as held for trading if it is acquired for the purpose of selling or repurchasing in the near future. Derivatives, including embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (under IFRS 9).

The Company does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration. Financial assets that relate to cash flows that are not solely payments of principal and interest are recognized and measured at fair value through profit or loss, regardless of the business model. Notwithstanding the above criteria for classifying debt instruments as measured at amortized cost or fair value through other comprehensive income, the debt instruments may be classified as measured at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces an accounting mismatch. Financial assets are measured at fair in the statement of comprehensive income, where net changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

2.8.1.3 Effective interest method

Effective interest rate method is used to calculate amortised cost of financial assets and allocate interest expenses over a relevant period.

The effective interest rate 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 effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) without considering 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 effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

2.8.2 Impairment of financial assets – expected credit losses

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

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

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

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

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

The Company seeks for lifetime expected credit losses to be recognised before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example, a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including future oriented information.

To measure expected credit losses of receivables, the Company uses the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for trade receivables during the period of validity of trade receivables and is adjusted with respect to future forecasts. The loss ratios are updated during the preparation of the annual financial statements with respect to the impact of operational prospects where these prospects are indicative of any exacerbation of economic conditions during upcoming years.

The lifetime expected credit losses of trade receivables are assessed based on both the collective and individual assessment basis required by IFRS 9 and measures the loss allowance at expected lifetime credit losses from initial recognition of the receivables. The Company's management decides on the performance of 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. The Company applies a provision matrix to calculate the provision for losses in respect of trade receivables with different maturities and overdue payment periods. The non-recoverability analysis is conducted for the past 3 years in order to determine the general default ratio. In the absence of reliable sources on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information, the Company measures the debt on a collective basis.

The lifetime expected credit losses of other amounts receivable are assessed based on the individual assessment basis. The Company'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.

When granting the loan the Company assesses and recognises 12-month expected credit losses. In subsequent reporting periods, in case there is no significant increase in credit risk related to the lender, the Company adjusts the balance of 12-month expected credit losses in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the lender has deteriorated significantly compared to the financial position that existed upon the issue of the loan, the Company records all lifetime expected credit losses of the loan. The latest point at which the Company recognises all lifetime expected credit losses of the loan granted is identified when the borrower is late to pay a periodic amount or the total debt for more than 30 days. In case of other evidence available, the Company accounts for all lifetime expected credit losses of the loan granted regardless of the more than 30 days past due presumption.

Recognition stages of expected credit losses:

1. Upon granting of a loan, the Company 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 or bank, the Company accounts for the lifetime expected credit losses of the loan or finance lease agreement. All lifetime expected credit losses of a financial instruments are calculated only when there is a significant increase in credit risk relating to the borrower. Interest income from the loan is calculated on the carrying amount of financial assets without adjusting it by the amount of expected credit losses.
3. Where the Company establishes that the recovery of the loan is doubtful, the Company classifies this loan as financial assets that have objective evidence of impairment (doubtful loans and other 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.

Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

2.8.2.1 Credit-impaired financial assets

A financial asset is credit-impaired if there is objective evidence of the impairment, 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, if there is objective evidence of the impairment, include observable data about the following events:

a) overdue of accounts receivable for more than 360 days;
b) significant financial difficulty of the borrower;
c) a breach of contract, such as a default or past due event;
d) 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;
e) t is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
f) the disappearance of an active market for that financial asset because of financial difficulties;
g) financial assets are purchased or granted at a deep discount that reflects the incurred credit losses.

If there is objective evidence of the impairment, the combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

2.8.2.2 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 Company has retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and/or (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:
  - if the Company has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer;
  - if the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Whether the Company has retained control of the transferred asset 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, the Company has not retained control. In all other cases, the Company has retained control.

The Company writes off the loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

2.8.3 Financial liabilities and equity instruments issued by the Company

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

2.8.3.1 Recognition of instruments as debt or equity instruments

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

2.8.3.2 Equity instruments

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

2.8.3.3 Initial recognition and measurement of financial liabilities

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

2.8.3.4 Subsequent measurement

For the purposes of subsequent measurement, financial liabilities fall into two categories:

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

2.8.3.5 Financial liabilities at FVPL

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

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

Gain or loss arising from financial liabilities held for trading is recognised in the statement of profit or loss and other comprehensive income.

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

2.8.3.6 Financial liabilities measured at amortised cost

In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest rate method (hereinafter “EIR”).

Gain and loss is recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

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

2.8.3.7 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 and other comprehensive income over the relevant period.

Effective interest rate (‘EIR’) is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability to the gross carrying amount of the financial liability, which represents the amortized cost of the financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, put and similar options). EIR (including cost of amortised asset) calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of EIR, transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

2.8.3.8 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 balances is recognised in the statement of profit or loss and other comprehensive income.

2.8.4 Derivative financial instruments

The Company enters into derivative transactions related to electricity and gas purchase and sale prices.

All amounts are in EUR thousand unless otherwise stated

The Company enters into derivative transactions for the purpose of main activity hedge, but does not document such transactions and does not apply effectiveness requirements for it.

Fair value of derivative financial instruments is recognized in the statement of financial position under “Other financial assets” (Note 14) and “Other amounts payable and liabilities” (Note 29) captions.

Derivatives, for which hedge accounting is not applied for, changes in fair value and realized result is recognized under “Other income” (Note 31) if result of such derivatives for the period is profit, and under “Other expenses” (Note 38) if result of such derivatives for the period is loss.

2.8.5 Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is recognised in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

As at 31 December 2020, the Company did not have any offset financial assets/liabilities.

2.9 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes, and costs associated with bringing inventory into their current condition and location. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price, less the estimated costs of completion, marketing and selling expenses.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, demand deposits and other highly liquid investments (up to 3 months original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are recognised in the statement of financial position as current borrowings.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits in current bank accounts, and other short-term highly liquid investments with original maturity up to 3 months, and bank overdrafts.

2.11 Foreign currency

Foreign currency transactions are accounted for in the euros using the exchange rate announced by the Bank of Lithuania on the dates of transaction, which approximate market exchange rates. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of the statement of financial position. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities into the euros are recognised in the statement of profit or loss and other comprehensive income of the reporting period.

The applicable rates used for principal currencies were as follows:

	As at 31 December 2020	As at 31 December 2019
1 PLN	EUR 0.2193	EUR 0.2349

Items reported in the Company’s financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). For the purpose of the financial statements, financial performance results and financial position of the Company are presented in the euros, which is the functional currency and presentation currency of the Company.

When preparing the Company’s financial statements, transactions denominated in currencies other than the functional currency of the company (in foreign currencies) are carried using exchange rates prevailing at the dates of transactions. At each date of the statement of financial position monetary items denominated in foreign currencies are translated using the exchange rate prevailing at the date of the statement of financial position. Non-monetary items measured at fair value and denominated in foreign currency are translated using the exchange rate prevailing at the date when the fair value was determined. Non-monetary items carried at cost and denominated in foreign currency are not translated.

2.12 Grants

2.12.1 Grants related to assets

Asset-related government and the European Union grants and third party compensations comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recognised at fair value of the asset received and subsequently accounted for in the statement of profit or loss and other comprehensive income by reducing the depreciation charge of related asset on a proportionate basis over the expected useful life of the asset.

2.12.2 Grants related to income

Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. These grants are presented in the statement of profit or loss and other comprehensive income, less related expenses.

2.13 Lease liabilities

At the commencement date, the Company measures lease liability at the present value of the lease payments that are not paid.

At the commencement date, the lease payments included in the measurement of the lease liability comprise: fixed payments, less any lease incentives receivable; variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

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

2.13.1 Short-term and low-value lease

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

2.13.2 The Company is a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments are accounted for on a straight-line basis over the lease term and recognised as revenue in the statement of profit or loss and other comprehensive income based on its lease nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent payments are recognised as revenue in the period in which they are earned.

2.14 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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. When the Company expects that provision amount in part or in full will be compensated, e.g. under an insurance contract, compensation to be received is recorded as a separate asset, but only when it is virtually certain. The provision related expenses are accounted for in the statement of profit or loss and other comprehensive income at net value in respect of the compensated amounts. 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The most significant provisions of the Company as at 31 December 2020 (Note 28) were as follows:

- Provision for emission allowances (Note 3.4)
- Provision for Power reserve services (including isolated regime services) (Note 3.5)
- Provision for dismantling operations in Elektrėnai Complex (Note 3.7)

2.15 Employee Benefits

2.15.1 Social security contributions

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

2.15.2 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.15.3 Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15.4 Provisions for pension benefits

The Company is obliged to pay 2 months' salary for each employee, who is entitled to or receiving an old-age pension, when he/she is leaving the job at or after the start of pension period or after termination of their contract of indefinite duration on his/her own initiative. By complying with the methodology, the Company estimates the liability at the end of the reporting period based on the number of employees, age, length of service and actuarial demographics provided by the Department of Statistics of the Republic of Lithuania, and recognizes this liability in the financial statements at present value discounted at the market rate of interest.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

As at 31 December 2020 and 2019, the Company's management analysed the Company's activities by separating them into regulated and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, necessary for the provision of regulated services, balancing and regulation, capacity reserve services, isolated operation of the power system, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade and production in a free market, including isolated operation of the power system provided by the Reserve Power Plant, electricity generation at Kaunas Algirdas Brazauskas Hydro Power Plant and Kruonis Pumped Storage Power Plant, related balancing and regulation services and other activities (including Vilnius Thermal Power Plant No 3). Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses.

2.17 Revenue from contracts with customers

The Company recognises revenue at the time and to the extent that the transfer of goods or services to customers would show the amount which would correspond to a consideration, the right to which is expected to be obtained by the Company in exchange for those goods or services. When recognising revenue the Company takes into consideration terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer.

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

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

The Company's performance obligations set out in the agreement with the Designated Entity are as follows:

- Supply of electricity produced
- Electricity trading on power exchange
- Capacity reserve and services ensuring isolated operation of the power system
- Supply of thermal energy

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

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

2.17.1 Revenue from sale of electricity

The Company's revenue from sale of electricity include sales of electricity produced using own resources (Note 2.17.1.1). Electricity sales prices are not regulated.

2.17.1.1 Revenue from sales of electricity produced using own resources

The sales of electricity produced using own resources are conducted at the Power Exchange (hereinafter 'the Exchange') by submitting electricity sale offers to the Exchange. On the Day-Ahead market, the transaction for the purchase and sale of electricity is considered as concluded if the automatic coupling algorithm does not by default reject the submitted offer of selling electricity. Transactions on the Intraday market are approved by market participants. Following the approval of the transaction, the system of the Exchange sends a confirmation of the concluded electricity sale transaction to the seller. The seller's performance obligation under the concluded transaction is to supply the volume of electricity as indicated in the seller's offer to the electricity transmission system. The performance obligation is to be carried out throughout a certain period during which the supply of the agreed volume of electricity is maintained to the network. The progress of fulfilment of the performance obligation is assessed considering the volume of electricity indicated in respect of the transaction.

The price of the transaction and consideration to be paid to the seller correspond to the amount indicated in the confirmation notice of the transaction. The entire consideration of the seller payable at a flat rate. Upon receipt of the confirmation on the conclusion of the transaction on the sale of electricity, the prices of that transaction remain unchanged.

Revenue is recognised considering the actually supplied electricity pertaining to the transaction, without any deduction of commissions that might be deducted by trading intermediaries representing the Company at the Exchange.

2.17.2 Revenue from supply of thermal energy

Under the agreements concluded with the customers, the seller commits to supply thermal energy to its customers in compliance with the defined technical requirements (temperature graph, pressure, flow, quality of thermofication water, etc.). Under the agreement concluded with the customer, the single performance obligation that the seller commits to is the supply of thermal energy. The customer receives and simultaneously consumes the benefits of the service relating to the supply of thermal energy at the same time the seller carries out its performance obligation. The seller carries out its performance obligation throughout the period of validity of the agreement. The progress of fulfilment of the performance obligation is assessed considering the volumes of thermal energy actually supplied to the customer as determined on the basis of data of metering devices.

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

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

2.17.3 Revenue from capacity reserve services (including services ensuring isolated operation of the power system)

The Company provides to electricity transmission network operator capacity reserve services and services ensuring isolated operation of the power system. Transmission service operator purchases the services from the Company under the bilateral agreement.

Reserve power services are those transmission operations that ensure a secure and reliable operation of energy system, the required capacity reserve and electricity transmission capability through transmission grids. Reserve power services include:

- secondary active power reserve service
- tertiary active power reserve service
- reactive power and voltage management services,

Capacity reserve services ensures the required power reserve and are understood as the potential of electricity generation which is used to maintain the set frequency, to ensure the balance of the electricity system and to generate electricity in the event of a decrease in production or an increase in consumption. Capacity reserve services are provided continuously throughout the period for which it is sold for.

Revenue from power reserve services is recognized over the period. The ceiling price, for which services can be sold for is set by NERC in euros for one Mw/h. Tertiary power reserve service is ordered by the transmission service operator through auction for one year period. Secondary power reserve service is ordered by the transmission service operator through daily auction. Transmission service operator pays for factually provided service quantity calculated in euros for one MW/h

Revenue from services ensuring the isolated operation of the power system services is recognised over time. The price of these services which is paid by a transmission operator to the Group is set by NERC for one MW/h and the quantity is agreed in the contract as MW for the whole year. Transmission service operator pays for actually provided service quantity.

Capacity reserve and services ensuring isolated operation of the power system are regulated by NERC (Note 2.17.4).

2.17.4 Tariff regulation

The regulatory oversight is exercised by NERC through the ceiling prices approved for the next periods. The level of tariffs depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors. Actual costs of regulated activities incurred by the Company during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, actual earnings from regulated activities may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

The Company's revenue from capacity reserve and services ensuring isolated operation of the power system are subject to indirect regulation. The price of these services which is paid by a transmission operator to the Company is set by NERC. When concluding contracts for the provision of these services, the transmission system operator may not specify a price higher than the price set by NERC.

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

The Company recognises assets (Note 14) or liabilities (Note 28) of the regulated activities that are intended to eliminate the mismatches between the current year earnings and the regulated level, because in a case of termination of services, provided the difference will be recovered/refunded not through the provision of services in the future, but will be repaid/paid through recognition as amount payable/receivable (Note 3.5). The difference between accrued income and actually paid amounts during a year is recognised as non-current amounts receivable (accrued income) or amounts payable (income to be returned) under the caption "Other financial assets" or "Provisions". At the end of the next year, this amount is reclassified as a current amount receivable or payable under the caption "Other financial assets" or "Provisions".

2.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale are capitalised as part of the costs of those assets until those assets are completely ready for use or sale. 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.

Other borrowing costs are recognised as expenses in the statement of profit or loss and other comprehensive income as incurred.

2.19 Current and deferred income tax

Income tax expense consists of the current year income tax and deferred tax expense.

2.19.1 Income tax

The current year income tax charge is based on taxable pre-tax profit for the year as modified by the items of income or expenses that are not subject to tax or deductible. Tax rates used to compute income tax expense are those applicable at the date of the preparation of the financial statements. Income tax rate was 15% in 2020 and 2019. The current year income tax assets or liabilities are measured at the amount expected to be recovered from or paid to (respectively) the taxation authorities. The prepaid income tax and recognized income tax liabilities are offset in the statement of financial position when they relate to the same taxation authority.

2.19.2 Deferred income tax

Deferred income tax is calculated using the balance sheet 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. Deferred tax assets and liabilities are not recognised when temporary differences arise from goodwill (or negative 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.

Deferred income tax assets are reviewed at the date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for the Company to realise all or part of deferred income tax assets. Deferred tax assets are reduced to an amount which is likely to reduce the taxable profit in future. Deferred tax assets and liabilities are estimated using the tax rate, which will be applied during the period when the related deferred tax asset will be realized or liability will be settled, according to tax rate, which was applicable at the of reporting period.

Deferred tax assets and liabilities are offset only where they relate to taxes assessed by the same fiscal authority or where there is a right to offset current tax assets and current tax liabilities.

2.19.3 Income tax and deferred income tax for the reporting period

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

2.19.4 Transfer and acquisition of accumulated tax losses

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

Upon transfer of the accumulated tax losses, the Company derecognises deferred tax on the tax loss carried forward for Group companies and recognises the consideration receivable in the statement of profit or loss and other comprehensive income under “Deferred income tax expense”.

When tax losses are incurred, the Company accounts for deferred tax assets and payables for the acquired tax losses through the deferred tax expenses. These tax losses incurred are deducted by the Company from the deferred income tax account when utilised.

For the purposes of the cash flow statement, the consideration received for the transfer of the tax losses and the payments for the tax losses incurred are presented in the cash flows from operating activities under the caption ‘Realized (paid) income tax’.

2.20 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares in issue. Where the number of shares changes without causing a change in the economic resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period.

As at 31 December 2020, the weighted average number of shares, based on which the earnings per share are calculated was 648,002,629 (31 December 2019: 648,002,629).

2.21 Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities in business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2.22 Events after the end of the reporting period

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

2.23 Related parties

Related parties to the Company are defined as shareholders, employees, members of the Board, their close family members and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Company, provided such relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.24 Fair value

Fair value is defined 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
in the primary market for a given asset or liability, or in the absence of a primary market in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when acquiring the asset or liability, assuming that market participants act in their economic best interest. There are three levels in the fair value hierarchy: The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, provided below. The hierarchy is 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 where the lowest level inputs that are significant to the fair value measurement are directly or indirectly observable.
Level 3: fair value of assets where the lowest level inputs that are significant to the fair value measurement are unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

3 Critical accounting estimates and estimation uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable. There are no other areas where significant and complex judgements have to be made, or areas in which assumptions and accounting estimates are made that materially affect the financial statements, except for the following areas:

3.1 Impact of COVID-19 on critical accounting estimates, management judgements and estimation uncertainties

The key areas considered by the Company's management in assessing the impact of COVID-19 are presented below:

- *Going concern*

When making that going concern assessment, the management has taken into consideration the uncertainty arising from the COVID-19 outbreak at the time of reporting regarding the potential future impact on the Company's operations. The Company's management assessed the potential disruptions of cash flow, supply of services or goods, the attraction of sources of financing, the potential reduction in electricity consumption due to economic slowdown, the risk of COVID-19 infection of critical function personnel and the risk of delays in ongoing projects, using all the information available at the date of issue of these financial statements on the risks posed by COVID-19 in the future. The Company's management has not identified any threats to the Company's going concern. It is not possible to reasonably estimate the assumptions of the longer-term adverse effect scenario at the date of issue of the financial statements.

- *Management of the Company's liquidity risk*

The Company's available cash exceeds the Company's liabilities to financial institutions (non-current and current). The Company has granted loans to other Group companies through the Company's cash pool account. Short-term liquidity risk is managed by reducing the Company's borrowings through the cash pool account or by borrowing additionally through this account. The Company's net cash flows from operating activities during the first half of 2020 exceeded the budgeted level for 2020.

- *Risk management of COVID-19 infection in employees*

During the quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the management of the potential threat of COVID-19. The Company's management pays special attention to the management of the risk of infection of the employees whose functions are to ensure the smooth operation of the equipment used for electricity generation in order to ensure the continuity of operations. These employees are provided with additional personal protection and personal hygiene measures, actions for employee rotation have been developed and implemented, the areas at equipment control points have been separated by partitions, etc. At the date of issue of these financial statements, the Company did not experience any problems with the functions performed by these employees due to COVID-19.

- *Residual value and useful life of an asset: property, plant and equipment*

The management has reviewed the useful lives of non-current assets to assess whether they are consistent with the expected nature and purpose of their non-current assets, taking into account the potential impact of COVID 19 on those assets. The review of useful life was based on future outcomes and economic conditions that could result from a future COVID-19 pandemic. That review did not give any indication that any disruptions in the use of property, plant and equipment neither in the short nor in the long term.

- *Expected credit losses: financial assets*

To measure expected credit losses of receivables, the Company uses the loss ratio matrix. The loss ratio matrix is based on historical data on the settlement for receivables during the period of validity of finance lease receivables and is adjusted with respect to future forecasts. The Company's management has assessed past events, current and future economic conditions as of the date of issue of these interim financial statements in determining the expected credit losses due to the impact of COVID-19. Given that the Electricity Transmission Operator and the Power Exchange are the main customers, the Company's management has determined that the future economic situation due to COVID-19 does not materially change the loss ratio matrix used to calculate the expected credit loss for the Company's financial assets as of 31 December 2020.

- *Estimating recoverable amount and fair value of property, plant and equipment measured at revalued amount*

The management has reviewed the key assumptions used to determine the recoverable amount of property, plant and equipment measured using the cost model. The management has not identified any COVID-19 related circumstances that would require to adjust forecasts for 2021–2024 and weighted average cost of capital (pre-tax) compared to those indicators used in the preparation the financial statements for 2020. In addition, no any significant change in the return on investment is expected, nor significant changes in the legal framework and the scope of services provided are anticipated due to COVID-19, taking into account the most current information and long-term forecasts. Management has not identified any circumstances that could significantly change the value of assets carried at revalued amounts.

- *Classification of financial instruments as current and non-current*

Management has also reviewed the criteria for classifying loans and borrowings, as well as other receivables/payables into long and short term, and has not identified any circumstances that would require a material adjustment in their classification.

- *General information on the impact of COVID-19 on the Company's operations*

The World Health Organization (WHO) declared the outbreak of COVID-19 a public health emergency of international concern on 30 January 2020, and on 11 March 2020, characterized the spread of the disease as a pandemic. On 26 February 2020, the Government of the Republic of Lithuania declared a national level emergency in the whole country due to the threat of the COVID-19, and on 14 March 2020 it adopted the resolution No 207 "On the declaration of a national level emergency", on the basis of which quarantine was announced in the entire territory of the Republic of Lithuania from 16 March 2020 until 17 June 2020. The second quarantine was announced from 17 December 2020 until 31 March 2021.
During the quarantine, the following measures were applied in the country:

- Restricted cross-border and domestic movements of population (movements of goods were not restricted)
- Restricted activities of public and private sector
- Suspended educational and childcare process as well as the educational activities in all educational establishments
- The organisation of work in health care institutions was established, etc.

The Company's management instructed all the employees of the Group who have the ability to work remotely to refrain going to work in offices, attending and organising meetings, events, and to hold meetings through teleconferencing IT programs. All the conditions are in place for efficient teleworking without any disruptions in the performance of principal job. During the quarantine, the Company strictly follows all the recommendations provided by the Government of the Republic of Lithuania regarding the potential threat of COVID-19.

3.2 Impairment of property, plant and equipment

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets to determine whether there is any indications that those assets have suffered an impairment loss. If any such indication exists, the Company makes estimate of the recoverable amount of such property, plant and equipment and non-current assets to assess impairment, if any. When the recoverable amount of the asset cannot be calculated, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

As at 31 December 2020, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. Changes in regulatory base were assessed in the context of changes in regulatory environment, which starting from 2021, will affect the sale of secondary capacity reserve service provided by the Kruonis Pumped Storage Hydroelectric Plant (hereinafter - KPSHP), and the electricity sold from activation of equipment that provides secondary capacity reserve service. Because of these changes only half of maximum return on investment will be included in ceiling price of secondary capacity reserve services, while ceiling price of secondary capacity reserve service of future periods will have to be reduced by half of gross profit margin amount earned from sale of electricity generated through activation of equipment, which provides secondary capacity reserve service. Also, starting

2021, transmission system operator will order secondary capacity reserve service not for the annual period, but through the manner of daily occurring auctions. Management of the Company assessed the impact of changes in regulation and determined that all these changes in combination do not have significant negative impact for future cash flows of KPSHP.

After assessing the named aspects and the performance in 2020 of power plants managed by the Company - Kruonis PSHP (including assets of construction in progress), Kaunas HP and Elektrėnai Complex, consisting of unit 7 and 8 and CCU - no impairment indications were identified as at 31 December 2020 (Note 6). In addition, after assessing legal, regulatory and other changes, no impairment indications were identified for assets of Vilnius Power Plant-3.

As at 31 December 2020, management of the Company did not identify any changes in facts and circumstances, because of which, impairment of blocks No. 7 and No. 8, formed in previous periods, would have to be reassessed.

As at 31 December 2019, the Company's management assessed the external factors (changes in economic and regulatory environment, market composition, interest rates, etc.) and the internal factors (changes in the purpose of use and useful life of assets, cash flow generation capacity of assets, etc.) that might impact the value of non-current assets. In view of this, it was decided to carry out an impairment test of the Elektrėnai Complex (EC) as a cash-generating unit. Following the EC impairment test and after deducting grants, the recoverable amount exceeded the carrying amount of EC. The main aspects of testing described below. No impairment indications were identified for the remaining property, plant and equipment.

In line with the decisions of the NERC on the regulated prices of EC services in 2020 and volume of services of EC for future periods, the Company's management treated the EC as a single cash generating unit.

EC is treated as a single cash generating unit based on the following:

- EC commonly shared infrastructure, which is necessary for electricity generation facilities: For Units 7 and 8 and a combined cycle unit, (hereinafter "the CCU").
- The electricity transmission system operator (hereinafter "the TSO") informed that all EC units owned by the Company, which do not provide tertiary active power reserve service (hereinafter - "the Reserve"), will be used to provide services ensuring isolated operation of the power system in 2020.
- One of the EC electricity generation facilities provides both services at a partial capacity, i.e. services ensuring isolated operation of the power system is provided by using the capacity not allocate to the Reserve service.
- The Reserve Service Agreement provides for the possibility of exchanging the reserve service equipment with other equipment managed by the Company that meets the technical requirements.
- The electricity and thermal power generation, capacity reserve services, as well as services ensuring isolated operation of the power system at the EC are considered to be regulated activities.
- The Biofuel and Steam Boiler Plants share the same infrastructure with other facilities of the EC (electricity connections, thermal power networks, other pipelines, pumps, chemical bar, etc.), which represents the major part of all assets operated by the EC. The steam boilers have been mounted in the same building, which is used for the services provided by Combined-Cycle Unit, and the main purpose of use of the boilers (99.9% of assets of the Steam Boiler Plant are attributed to this area) is to activate the electricity generation units of the EC from "cold" operation mode and to generate steam energy that is necessary to support the infrastructure of the EC;
- The Biofuel and Steam Boiler Plants also supply thermal power that is necessary to support the infrastructure of the EC and to activate the electricity generation units of the EC.

The recoverable amount of cash generating unit was estimated with reference to the value in use calculations. These calculations take into account the forecasts of financial performance results prepared by the management for the period of five years. Continuous cash flow is estimated using the discounted cash flow in the fifth year.

The management estimated the projected operating profit in view of historical data, forecasts of market position and the legal acts in effect, as well as based on the relevant resolutions of the NERC, the Ministry of Energy, and the Government. Key assumptions used in performing the impairment test as at 31 December 2019 were as follows:

1. The value in use was estimated with reference to the most up-to-date budget for the year 2020 and the management's forecast covering the period 2021-2024, the projected pre-tax discounted cash flows using a pre-tax weighted average capital cost (WACC) of 5.18%. The WACC was estimated with reference to risk-free borrowing cost, the risk premium for the equity and the relative risk rate for the sector, calculated using publicly available market data and based on the terms and conditions of the new credit agreement.

2. Cash flow forecasts are prepared by the management as a result of financial projections based on the financial performance results, market development expectations and regulatory environment. The forecast of revenue from regulated activities also take into account the depreciation expenses of property, plant and equipment and the return on investments, which is calculated on a proportion of the value of the assets used in the regulated activities. When estimating return on investments for 2020, the management used the rate of return on investments set by the NERC for this year, which was 5.07%. The rate of return on investment for 2021–2024 was calculated in accordance with The Methodology of Determination of the Rate of Return on Investments approved by the Order No O3-510 of the National Energy Regulatory Council (hereinafter "the NERC") of 22 September 2015 has been approved by the Methodology for Determining the Rate of Return on Investments, taking into account the most current market information and long-term forecasts and amounts to 3.20–3.40%. Long-term cash flow forecasts were prepared taking into the account volume of services in 2020 and the legal framework applicable to them.

As a result of the impairment test in EC, it was determined that the assets' recoverable amount of EUR 226 million exceeded their carrying amount (less grants) of EUR 185 million. Accordingly, no impairment was recognised. The sensitivity of the recoverable amount to changes in the WACC (discount rate) is presented in the table below. If the WACC increased by 0.5%, the value of EC would amount to EUR 199 million or to EUR 179 million, if the WACC increased by 1.0%. The table below also reveals the dependence of recoverable amount on the long-term cash flow growth assumption. The impairment test was based on the long-term cash flow growth assumption of 2%.

Analysis of the recoverable amount sensitivity to changes in WACC.

WACC change,%	-0.50%	0.00%	0.50%	1.00%	1.50%	2.00%	2.50%
WACC,%	4.68%	5.18%	5.68%	6.18%	6.68%	7.18%	7.68%
Recoverable amount, EUR million	262	226	199	179	163	150	139
Recoverable amount compared to carrying amount, EUR million	73	36	10	-11	-27	-40	-51

Analysis of the recoverable amount sensitivity to the changes of the long-term cash flow growth assumption.

Change of the long-term cash flow growth assumption,%	-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%
Long-term cash flow growth assumption,%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
Recoverable amount, EUR million	160	171	185	202	226	258	304
Recoverable amount compared to carrying amount, EUR million	-30	-19	-5	13	36	68	115

3.3 Determining the lease term of contracts with renewal and termination options – Company as lessee

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

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

3.4 Provision for emission allowances

As emissions are made, a liability is recognised for the obligation to deliver allowances equal to emissions that have been made. This liability falls within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It is measured at the best estimate of the expenditure required to settle the present obligation at the date of the statement of financial position. The liability is estimated at the market price multiplied by the number of allowances required to cover emissions made up to the of the statement of financial position. The Company estimates the provisions for emission allowances based on actual quantity of emission during the reporting period multiplied by the market price of one emission allowance. The quantity of actual emissions is approved by a responsible state authority during four months after the end of the year. The provision accounted for as at 31 December 2019 was consistent with actual quantities of emissions. The Company's management, based on its own experience, does not expect any significant differences to arise between the estimated provision at 31 December 2020 and the quantity of emissions which will be approved in 2021.

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

Profitability of part of the services provided by the Company is regulated by the NERC through the ceiling prices of services approved for the next periods. The maximum price ceiling depends on the projected costs and volume of services for the next period, the extent to which the previous period earnings are at variance with the regulated level, and other factors.

Actual costs incurred by the Company during the year may be at variance with the projected costs that are considered during the approval of the tariffs, and the actual volume of services may be at variance with the projected one. Accordingly, the actual earnings of the Company may be at variance with the regulated level, and the resulting difference will affect the future tariffs of services.

As at 31 December 2020 the management of the Company accounted for EUR 16,390 thousand to be refunded for tertiary capacity reserve, isolated power system operation and secondary active capacity reserve services in the non-current liabilities under the caption "Provisions" (31 December 2019: Eur 7,630 thousand.). As at 31 December 2020 the management of the Company accounted for EUR 871 thousand to be refunded for isolated power system operation in the current liabilities under the caption "Provisions". Provision is based on Company's calculations when comparing set and actual prices, though these are not yet approved by NERC. According to results of previous periods, the management of the Company does not expect significant deviations between provision of 31 December 2020 and confirmed correction by NERC, which is expected to be approved at the end of 2021 for 2019 and 2020.

As at 31 December 2019, the amount of EUR 7,630 to be refunded for tertiary active capacity reserve services, services ensuring isolated operation of the power system and reactive power and voltage management services was accounted in the non-current liabilities under the caption "Provisions", while the receivable amount of EUR 475 thousand as a refund for secondary active capacity reserve and the receivable amount of EUR 5,060 thousand as a refund for services ensuring isolated operation of the power system were accounted for in other short-term financial assets.

3.6 Legal disputes over the NERC decisions related to regulated revenue

On 2019 August 7 the Company appealed to the Vilnius Regional Administrative Court regarding the annulment of the decision taken by NERC on 8 July 2019 No. R2- (E) -1340 "On compensation for the amount of funds of public interest services for public services provided in 2016" and to oblige the NERC when determining the need for funds for public interest services for the first year for which the need of PSO funds will be determined after the effective date of this court decision to estimate the resulting difference EUR 2.51 million between the Company's 2016 forecast revenue and actual costs incurred. Supreme Administrative Court of Lithuania on 2 December 2020 partially upheld the Company's appeal - annulled the decision of the Vilnius Regional Administrative Court in 21 November 2019 to dismiss the Company's appeal and remitted the case to the Court of First Instance for reconsideration. The Vilnius Regional Administrative Court appointed a hearing on 10 February 2021 and court decision should be made on 10 March 2021.

All amounts are in EUR thousand unless otherwise stated

As at 31 December 2020, the amount of the Company's contingent assets (these contingent assets are not recognised in the financial statements) related to the legal dispute concerning the NERC decision, by which the Company was declared as an undertaking with significant power in the electricity generation market and thus the amount of the payable PSO funds was additionally reduced by EUR 2.51 million, amounted to EUR 2.51 million and remains unchanged from 31 December 2019.

3.7 Provisions for dismantling of units in Elektrėnai Complex

At each reporting date, the Company estimates the provision for the dismantling of units 5–6 (i.e. blocks that consist of assets related to electricity generation) and chimneys at the Elektrenai Complex taking into account the expected economic outflows, which will be incurred in the future, when dismantling works will be actually performed. The dismantling of units 5, 6 and chimneys was initiated mainly due health and safety reasons. The Company publicly announced its intention to carry out the works, launched a public call for tender and signed the contracts. For the above reasons, the Company has an irrevocable obligation, therefore, provisions were recognised and accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

As at 31 December 2020, in the current liabilities, under the caption "Provisions" management of the Company recognized EUR 2,787 thousand accrued liability for the dismantling of units 5 and 6 and chimneys at the Elektrėnai Complex (Note 28).

As at 31 December 2019, a liability was accumulated in relation to the dismantling of units 5 and 6 and chimneys at the Elektrėnai Complex. The gross amount of the liability was equal to EUR 3,004 thousand, whereof: non-current liabilities accounted for EUR 1,610 thousand, and current liabilities accounted for EUR 1,394 thousand.

4 Management of financing and capital risks

4.1 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (foreign exchange risk, fair value interest rate risk and cash flow interest rate risk and securities price risk).

4.1.1 Credit risk

Exposure to credit risk arose from the following items:

Financial assets	As at 31/12/2020	As at 31/12/2019
Financial assets	163,457	141,274
Total	**163,457**	**141,274**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset:

Financial assets	As at 31/12/2020	As at 31/12/2019
Receivables from contracts with customers	15,793	15,845
Other receivables	303	16,329
Loans granted	9,142	49,971
Cash and cash equivalents	138,120	58,501
Other non-current amounts receivable	99	628
Total	**163,457**	**141,274**

The Company's exposure to credit risk arising from amounts receivable is limited because the major buyers are reliable customers. As at 31 December 2020 and 2019, trade receivables are neither past due nor impaired and were of high credit quality. The Company is exposed to significant credit risk concentration, because credit risks are shared among 5 main customers accounting for approximately up to 99% of total trade receivables of the Company. More details about credit risk arising from amounts receivable are provided in Notes 13 and 14.

Exposure to credit risk arising from cash at bank is limited because the Company conducts transactions with the banks with high credit ratings awarded by international credit rating agencies. The Company holds cash balances and term deposits in accounts of the major banks in Lithuania awarded with 'A-' and higher external credit rating by the rating agency Fitch Ratings.

4.1.2 Liquidity risk

Liquidity risk is managed by planning the movement of cash flows of the Company. In order to manage the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late collection of receivables and the short-term cash flows (inflows and outflows). Unwithdrawn balances of loans are disclosed in Note 22.

The table below analyses the Company's financial liabilities into relevant groupings.

All amounts are in EUR thousand unless otherwise stated

Financial liabilities	As at 31/12/2020	As at 31/12/2019
Long-term borrowings	21,317	25,734
Lease liabilities	5,729	5,745
Other non-current borrowings	452	542
Trade payables	20,028	17,978
Other payables and liabilities	1,204	1,011
Financial liabilities measured at amortised cost	**48,730**	**51,010**
Total	**48,730**	**51,010**

As at 31 December 2020, the Company's current ratio (current assets/current liabilities) and quick ratio (current assets – inventories)/current liabilities) were 3.41 and 3.37, respectively (31 December 2019: 4.02 and 3.99, respectively).

The table below summarises the maturity profile of the Company's non-derivative financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Balances with repayment terms up to 12 months approximate their carrying amounts, because the impact of discounting is insignificant.

	Within 1 year	Within the second year	Three to five years	After five years
As at 31 December 2020				
Loans	4,417	4,417	10,951	1,532
Lease liabilities	371	371	747	15,515
Trade and other payables:	21,322	90	272	-
As at 31 December 2019				
Loans	4,417	4,417	13,251	3,649
Lease liabilities	402	364	864	15,374
Trade and other payables:	19,079	90	272	90

4.1.3 Interest rate risk

Revenues and cash flows of the Company are affected by fluctuations in the market interest rates as all borrowings of the Company were subject to variable interest rates as of 31 December 2020 and 2019. Increase in interest rate risk is mostly affected by non-current borrowings. All borrowings bear variable interest rates which are linked to EURIBOR. Intervals of repricing of interest rates are disclosed in Note 22.

If interest rates on withdrawn balances of borrowings of the Company had been higher/lower by 1 p.p., net profit for the year 2020 would have been EUR 62 thousand (2019: EUR 75 thousand) lower/higher.

4.1.4 Foreign exchange risk

The Company has no significant assets or liabilities denominated in currencies other than the euro. The Company does not use any financial instruments to manage foreign exchange risk.

4.2 Capital management

Capital consists of the equity capital disclosed in the statement of financial position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, to repay capital to shareholders or issue new shares. As at 31 December 2020 and 2019, no changes were made in the objectives, policies or processes of capital management, except for dividends policy.

On 15 December 2020 he Board of Ignitis Group companies approved a common dividend policy, which sets uniform principles for the payment of dividends for all the group companies. The dividend policy is one of capital risk management tools. Based on the newly approved policy, distribution of dividends proposed by the Company will depend on the ratio of return on equity and net profit earned. Based on the dividend policy, appropriation of profit for the payment of dividends for the financial year or a period shorter than the financial year will depend on the ratio of return on equity, availability of financial resources for payment of dividends, implementation of economic projects important for the State and other significant circumstances. For the financial year or a period shorter than the financial year, at least 80% of the net profit for the financial period for which the dividends are proposed should be appropriated for the payment of dividends. The Company may be required to pay lower dividends, or it may be proposed not to pay dividends for the reporting period if at least one of the following conditions is met:

1) the Company implements green generation investment projects;
2) The Company's ability to pay dividends is limited by the covenants set out in the financing agreements;
3) The Company implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania;
4) The Company's equity, after payment of dividends, would become less than the amount of the Subsidiary's authorized capital, mandatory reserve, revaluation reserve and reserve for acquisition of own shares;
5) The Company is insolvent, or would become insolvent upon payment of dividends;
6) The Company net financial debt (i.e. financial liabilities to credit institutions and other entities and financial leasing liabilities that do not include trade payables) at the end of the reporting period is equal to or greater than the Company's EBITDA for the last twelve months (from the end of the reporting period) multiplied by six (i.e. EBITDA is Operating profit (loss) + depreciation and amortisation expenses + expenses on revaluation and provisions for emission allowances + impairment expenses of non-current assets + write-off expenses of non-current assets

Dividends will not be paid if the Company's equity (after the payment of dividends) becomes lower than the sum of its share capital, legal reserve, revaluation reserve and reserve for acquisition of own shares, and also if a company becomes insolvent or would become insolvent upon payment of dividends. The Company will also be able not to pay dividends if its ratio of financial debts to equity becomes equal to or exceeds 1.0.

According to the Law on Companies of the Republic of Lithuania, equity of the Company must account for at least ½ of the amount of the authorised share capital. There were no other externally imposed capital requirements on the Company. As at 31 December 2020, the Company complied with the aforementioned requirement.

All amounts are in EUR thousand unless otherwise stated

5 Intangible assets

Movement of the Company's intangible assets provided below:

	Software	Emission Allowances and emission reduction units	Other intangible assets	Total
As at 31 December 2018				
Acquisition cost or revalued amount	1,483	48,293	103	49,879
Accumulated amortisation	(1,179)	-	(103)	(1,282)
Net book value as at 31 December 2018	**304**	**48,293**	**-**	**48,597**
Period ended 31 December 2019				
Opening net book value as at 01/01/2019	304	48,293	-	48,597
Additions	64	-	3	67
Decrease after transfer of an in-kind contribution	(215)	-	-	(215)
Grant received (Note 25)	-	4,131	-	4,131
Emission allowances utilised	-	(987)	-	(987)
Revaluation of emission allowances	-	368	-	368
Amortisation	(72)	-	(1)	(73)
Net book value as at 31 December 2019	**81**	**51,805**	**2**	**51,888**
As at 31 December 2019				
Acquisition cost or revalued amount	695	51,805	126	52,626
Accumulated amortisation	(614)	-	(124)	(738)
Net book value as at 31 December 2019	**81**	**51,805**	**2**	**51,888**
Period ended 31 December 2020				
Opening net book value as at 01/01/2020	81	51,805	2	51,888
Additions	5	-	-	5
Grant received (Note 25)	-	1,992	-	1,992
Emission allowances utilised (Note 28)	-	(386)	-	(386)
Revaluation of emission allowances and emission reduction units	-	20,120	-	20,120
Returned emission allowances lent	-	5,087	-	5,087
Amortisation	(43)	-	(1)	(44)
Net book value as at 31 December 2020	**43**	**78,618**	**1**	**78,662**
As at 31 December 2020				
Acquisition cost or revalued amount	692	78,618	108	79,418
Accumulated amortisation	(649)	-	(107)	(756)
Net book value as at 31 December 2020	**43**	**78,618**	**1**	**78,662**

The fair value of emission allowances is determined using the prices quoted in an active market, therefore, it is attributable to Level 1 in the fair value hierarchy. Emission allowances are remeasured at fair value based on the active market prices at the end of each reporting period.

As at 31 December 2020 and 2019 cost of intangible assets that was fully amortised but still in use is insignificant.

All amounts are in EUR thousand unless otherwise stated

6 Property, plant and equipment

Movement of the Company's property, plant, and equipment provided below:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro-Power Plant, Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Third Combined Heat and Power Plant	Motor vehicles	Computer hardware, communication and other office equipment	Other non-current assets	Construction -in-progress	Total
As at 31 December 2018												
Acquisition cost or revalued amount	1,845	666	3,581	210,852	383,882	387,278	3,841	148	49	172	1,538	993,852
Accumulated depreciation	-	(70)	(1,709)	(101,638)	(215,286)	(91,633)	(397)	(134)	(47)	(132)	-	(411,046)
Accumulated impairment	-	-	-	-	(106,312)	-	-	-	-	-	(223)	(106,535)
Net book value as at 31 December 2018	**1,845**	**596**	**1,872**	**109,214**	**62,284**	**295,645**	**3,444**	**14**	**2**	**40**	**1,315**	**476,271**
Period ended 31 December 2019												
Opening net book value as at 01/01/2019	1,845	596	1,872	109,214	62,284	295,645	3,444	14	2	40	1,315	476,271
IFRS 16 adoption impact – reclassification to right-of-use asset	-	-	-	-	(446)	-	-	-	-	-	-	(446)
Additions	-	-	-	152	25	71	23	3	-	-	505	779
Write-offs	-	-	(1)	(220)	(2)	(9)	-	-	-	-	-	(232)
Revaluation of assets	-	-	-	-	96	-	-	-	-	-	-	96
Reversal of impairment	-	-	-	-	45	-	-	-	-	-	-	45
Impairment	-	-	-	-	(78)	-	-	-	-	-	-	(78)
Reclassifications between items	-	-	-	245	128	37	22	-	-	-	(432)	-
Reclassification from/to inventories	-	-	-	43	(2)	22	-	-	-	-	-	63
Depreciation change	-	(14)	(96)	(6,225)	(4,618)	(14,739)	(529)	(3)	(1)	(12)	-	(26,237)
Net book value as at 31 December 2019	**1,845**	**582**	**1,775**	**103,209**	**57,432**	**281,027**	**2,960**	**14**	**1**	**28**	**1,388**	**450,261**
As at 31 December 2019												
Acquisition cost or revalued amount	1,845	596	1,871	210,729	383,377	387,395	3,886	151	48	172	1,611	991,681
Accumulated depreciation	-	(14)	(96)	(107,520)	(219,668)	(106,368)	(926)	(137)	(47)	(144)	-	(434,920)
Accumulated impairment	-	-	-	-	(106,277)	-	-	-	-	-	(223)	(106,500)
Net book value as at 31 December 2019	**1,845**	**582**	**1,775**	**103,209**	**57,432**	**281,027**	**2,960**	**14**	**1**	**28**	**1,388**	**450,261**

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	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other non-current assets	Construction -in-progress	Total
Period ended 31 December 2020												
Opening net book value as at 01/01/2020	1,845	582	1,775	103,209	57,432	281,027	2,960	14	1	28	1,388	450,261
Additions	-	-	-	28	57	66	-	4	-	-	898	1,053
Disposals	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Write-offs	-	-	-	(19)	(12)	(17)	-	-	-	-	-	(48)
Reclassifications between items	-	3	90	453	103	4	6	(3)	10	(2)	(664)	-
Reclassification from/to inventories	-	-	-	116	18	1	-	-	-	(4)	-	131
Reclassification from/to right of-use-asset	-	-	-	-	356	-	-	-	-	-	-	356
Reclassification from/to investment property	-	-	(57)	-	-	-	314	-	-	-	-	257
Depreciation change	-	(14)	(97)	(5,745)	(4,380)	(14,725)	(623)	(3)	(1)	(10)	-	(25,598)
Net book value as at 31 December 2020	**1,845**	**571**	**1,711**	**98,042**	**53,574**	**266,356**	**2,657**	**12**	**9**	**12**	**1,622**	**426,411**
As at 31 December 2020												
Acquisition cost or revalued amount	1,845	599	1,904	211,264	382,586	387,435	4,206	153	57	165	1,845	992,059
Accumulated depreciation	-	(28)	(193)	(113,222)	(223,247)	(121,079)	(1,549)	(141)	(48)	(153)	-	(459,660)
Accumulated impairment	-	-	-	-	(105,765)	-	-	-	-	-	(223)	(105,988)
Net book value as at 31 December 2020	**1,845**	**571**	**1,711**	**98,042**	**53,574**	**266,356**	**2,657**	**12**	**9**	**12**	**1,622**	**426,411**

The depreciation expenses of the Company's property, plant and equipment are recognised under depreciation and amortisation caption in the statement of profit and loss and other comprehensive income.

All amounts are in EUR thousand unless otherwise stated

The table below presents the carrying amounts of the Company's property, plant and equipment that would have been recognised if the cost method had been used in accounting for assets as at 31 December 2020 and 2019:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other non-current assets	Construction-in-progress	Total
As at 31 December 2019												
Residual value	1,699	148	1,914	103,209	57,432	281,027	2,960	12	1	26	1,388	449,816
As at 31 December 2020												
Residual value	1,699	144	1,816	98,042	53,574	266,356	2,657	12	9	12	1,622	425,943

The table below presents the cost of acquisition of fully depreciated (including accumulated impairment) property, plant and equipment (to residual value), used by the Company as at 31 December 2020 and 2019:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other non-current assets	Construction-in-progress	Total
As at 31 December 2019												
Residual value	-	-	-	19,945	85,729	3	3	535	22	80	-	106,317
As at 31 December 2020												
Residual value	-	-	-	29,184	109,342	640	53	492	22	93	-	139,826

The table below presents the cost of acquisition of fully depreciated property, plant and equipment (to residual value) used by the Company not including the assets, which are still in use, but for which full impairment was recognized as at 31 December 2020 and 2019:

	Land	Buildings	Structures and equipment	Structures and machinery of Hydro Power Plant and Pumped Storage Power Plant	Structures and equipment of Reserve Power Plant	Combined Cycle Unit	Vilnius Thermal Power Plant No 3	Motor vehicles	Computer hardware, communication and other office equipment	Other non-current assets	Construction-in-progress	Total
As at 31 December 2019												
Residual value	-	-	-	19,945	11,762	3	3	535	22	80	-	32,350
As at 31 December 2020												
Residual value	-	-	-	29,184	12,215	640	53	492	22	93	-	42,699

All amounts are in EUR thousand unless otherwise stated

As at 31 December 2020, based on the Company's management assessment, which is based on market price analysis of similar assets, the carrying value of assets carried at revalued amount, did not differ significantly from their fair value.

Assets carried at revalued amount are attributed to Level 3 in the fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Land	-	-	1,845	1,845
Buildings	-	-	571	571
Structures and equipment	-	-	1,711	1,711
Motor vehicles	-	-	12	12
Computer hardware, communication and other office equipment	-	-	12	12
Other PP&E				
Carrying amount at 31 December 2020	**-**	**-**	**4,151**	**4,151**

At 31 December 2018, the independent property valuers APUS TURTAS UAB determined the market value of the Company's assets stated at revalued amount. The measurement was performed using the comparative value and the cost approach. The measurement of the land, buildings and constructions was performed using the comparable transactions approach. The valuers considered the type, purpose, location and physical characteristics of the property to determine the basis for comparable transactions. The cost per square meter is a basic value used for measurement. When determining the market value of land, buildings and structures, the valuers applied weightings which were used to adjust the basis of comparable transactions. Additionally, valuators applied locality weightings (Approved by the Order No 495 of the Director of the State Enterprise Centre of Registers on 27 September 2018 'REGARDING MASS VALUATION OF REAL ESTATE 2018 DATA AND LOCALITY WEIGHTINGS IN ACCORDANCE WITH 1 JANUARY 2019 APPROVAL OF ASSET PURPOSE AND LOCATIONS'), physical condition weightings and area weightings.

As at 31 December 2019, based on the Company's management assessment, which is based on similar assets market pricing analysis, the carrying value of financial assets and liabilities did not differ significantly from their fair value.

Assets carried at revalued amount are attributed to Level 3 in the fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Land	-	-	1,845	1,845
Buildings	-	-	582	582
Structures and equipment	-	-	1,775	1,775
Motor vehicles	-	-	14	14
Computer hardware, communication and other office equipment	-	-	29	29
Other PP&E				
Carrying amount at 31 December 2019	**-**	**-**	**4,245**	**4,245**

As at 31 December 2020, the outstanding capital expenditure commitments under the contracts amounted to approximately EUR 725 thousand (31 December 2019: EUR 1,040 thousand).

As at 31 December 2020, the Company pledged to the banks property, plant and equipment with the residual value of EUR 20,121 thousand at the statements of financial position (31 December 2019: EUR 21,032 thousand).

All amounts are in EUR thousand unless otherwise stated

7 Right-of-use assets

Movement of the Company's right-of-use assets provided below:

	Land	Buildings	Motor vehicles	Total
Period ended 31 December 2019				
Opening net book value as at 01/01/2019	-	-	-	-
IFRS 16 adoption impact – reclassification from property, plant and equipment*	-	-	446	446
Additions:	**5,287**	**156**	**451**	**5,894**
Whereof: recognition as right-of-use asset as at 01/01/2019	4,210	156	442	4,808
Whereof: lease contracts signed	1,077	-	9	1,086
Write-offs and disposals	-	-	(15)	(15)
Depreciation change	(87)	(39)	(170)	(296)
Net book value as at 31 December 2019	**5,200**	**117**	**712**	**6,029**
As at 31 December 2019				
Acquisition cost	5,265	156	1,152	6,573
Accumulated depreciation	(65)	(39)	(440)	(544)
Net book value as at 31 December 2019	**5,200**	**117**	**712**	**6,029**
Period ended 31 December 2020				
Opening net book value as at 01/01/2020	5,200	117	712	6,029
Additions	199	-	-	199
Write-offs and disposals	(6)	(8)	-	(14)
Reclassification from/(to) property, plant and equipment	-	-	(356)	(356)
Depreciation change	(76)	(38)	(117)	(231)
Net book value as at 31 December 2020	**5,317**	**71**	**239**	**5,627**
As at 31 December 2020				
Acquisition cost	5,438	89	434	5,961
Accumulated depreciation	(121)	(18)	(195)	(334)
Net book value as at 31 December 2020	**5,317**	**71**	**239**	**5,627**

The Company's lease expenses are recognised in the statement of profit or loss and other comprehensive income as follows:

	As at 31/12/2020	As at 31/12/2019
Depreciation change	231	302
Interest charges	225	195
Short term lease expenses (other expenses)	-	1
Low-value lease expenses (other expenses)	2	2
Leased asset written-off (finance expenses)	14	15
Lease expenses, total:	**472**	**515**

All amounts are in EUR thousand unless otherwise stated

8 Investment property

Movement of the Company's investment property provided below:

	Buildings	Structures	Plant and equipment	Other property, plant and equipment	Total
Period ended 31 December 2019					
Opening net book value as at 01/01/2019	3,731	100	4	377	4,212
Decrease in fair value	(202)	(37)	(2)	(153)	(394)
Net book value as at 31 December 2019	**3,529**	**63**	**2**	**224**	**3,818**
Period ended 31 December 2020					
Opening net book value as at 01/01/2020	3,529	63	2	224	3,818
Decrease in fair value	(138)	-	-	-	(138)
Reclassification from/to property, plant and equipment	(25)	(63)	55	(224)	(257)
Net book value as at 31 December 2020	**3,366**	**-**	**57**	**-**	**3,423**

Investment property, to a large extent, is attributed to Level 2 of fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-	3,366	-	3,366
Machinery and equipment	-	-	57	57
Carrying amount at 31 December 2020	**-**	**3,366**	**57**	**3,423**

The property portfolio of Vilnius CHP 3 consisting of real estate and movable property was subject to valuation. Independent property appraiser UAB APUS TURTAS carried out the valuation of assets using the replacement cost (movable) and comparable method (real estate). Fair value of the investment property amounted to EUR 3,366 as at 16 June 2020 (valuation date). Based on the judgement of the management, no significant changes in market conditions were observed and the fair value of the investment property as at 31 December 2020 remained similar to the value set by the appraiser.

Investment property is attributed to Level 2 of fair value hierarchy:

	Level 1 Quoted prices in active markets	Level 2 Other directly or indirectly observable inputs	Level 3 Unobservable inputs	Total
Buildings	-	3,529	-	3,529
Structures and equipment	-	289	-	289
Carrying amount at 31 December 2019	**-**	**3,818**	**-**	**3,818**

The Company has leases on all investment property consisting of buildings, structures and equipment. The terms of the leases are from 1 to 5 years. Lease income recognised by the Company in 2020 amounted to EUR 358 thousand (in 2019: EUR 384 thousand).

The Company has no restrictions on the disposal of its investment properties by earning rental income and no contractual obligations to construct, develop or repair it. The lease term for every single contract does not constitute the major part of the economic life of the asset, and the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset, therefore, the Company retains substantially all the risks and rewards incidental to ownership of an underlying asset and accounts for as an operating lease.

All amounts are in EUR thousand unless otherwise stated

9 Investments in associates

As at 31 December 2020 and 20120, the Company had no subsidiaries.

The Company's investments into associates comprised the following:

Company	Registered office	Company's ownership interest As at 31/12/2020	Company's ownership interest As at 31/12/2019	Main activities
Geoterma UAB, bankrupt	Lypkių st. 53, LT-94100 Klaipėda, Lithuania	23.44%	23.44%	Geothermal energy production
UAB Ignitis Grupės Paslaugų Centras (former Technologijų ir Inovacijų Centras UAB)	Juozapavičiaus st. 13, Vilnius, Lithuania	21.45%	22.23%	Information technology services, public procurement, accounting and employment relations administration services
UAB Verslo Aptarnavimo Centras (reorganised)	-	-	15.00%	-

In 2020, an associate's issued capital has been increased as follows:

Associate	Issue date	Number of newly issued shares*	Nominal value per share, EUR	Total issue price, 000' EUR	Amount paid up, 000' EUR	Date of amendment to Articles of Association
UAB Ignitis grupės paslaugų centras	As at 04/06/2020	3,221,452	0.29	934	934	As at 14/07/2020
Total				**934**	**934**	

** Newly issued shares attributable to the Company*

Until the reorganisation completion date on 4 June 2020, the Company acquired 3,221,452 shares of UAB Ignitis Grupės Paslaugų Centras in the amount of EUR 6,960,000.

In 2020, an associate's issued capital has been increased as follows:

Associate	Issue date	Number of newly issued shares*	Nominal value per share, EUR	Total issue price, 000' EUR	Amount paid up, 000' EUR	Date of amendment to Articles of Association
UAB Ignitis grupės paslaugų centras	As at 19/03/2019	897,326	0.29	260	260	As at 28/06/2019
Total				**260**	**260**	

** Newly issued shares attributable to the Company*

On 28 June 2019, the Company has acquired 897,326 shares of UAB Ignitis Grupės Paslaugų centras by making a payment-in-kind contribution – Asset Management System, evaluated by an independent appraiser UAB APUS TURTAS, selected using a public procurement method, which determined that the market value of the valued asset as at the valuation date (17 January 2019) was EUR 260 thousand.

Changes of the Company's investments into associates comprised the following:

	Residual value As at 31/12/2020	Contribution to associates' capital	The Company's share of results of operations	Dividends received	Net book value as at 31/12/2020
Geoterma UAB, bankrupt	-	-	-	-	-
UAB Ignitis grupės paslaugų centras	1,980	934	112	(159)	2,867
Total	**1,980**	**934**	**112**	**(159)**	**2,867**

	Residual value As at 31/12/2019	Contribution to associates' capital	The Company's share of results of operations	Dividends received	Net book value as at 31/12/2019
Geoterma UAB, bankrupt	-	-	-	-	-
UAB Ignitis grupės paslaugų centras	1,446	260	166	(65)	1,807
UAB Verslo aptarnavimo centras	142	-	49	(18)	173
Total	**1,588**	**260**	**215**	**(83)**	**1,980**

As at 31 December 2020 and 2019, the equity of UAB Geoterma was negative, and therefore, the Company was not committed to cover this loss. Accordingly, its share the company was not accounted for.

All amounts are in EUR thousand unless otherwise stated

Summarised statement of financial position of associates as at 31 December 2020 (unaudited) and 2019:

Summarised	UAB Ignitis grupės paslaugų centras		UAB Verslo aptarnavimo centras		Geoterma UAB	
Statement of financial position	2020	2019	2020**	2019	2020*	2016
Current assets and liabilities						
Cash and cash equivalents	942	421	-	209		39
Other current assets	8,358	4,765	-	4,123		246
Total current assets	**9,300**	**5,186**	**-**	**4,332**		**285**
Loans	(213)	(2,228)	-	-		-
Other current liabilities	(6,527)	(3,315)	-	(4,027)		(3,353)
Total current liabilities	**(6,740)**	**(5,543)**	**-**	**(4,027)**		**(3,353)**
Non-current assets and liabilities						
Non-current assets	12,124	9,472	-	2,254		5,822
Grants and subsidies	-	-	-	-		(3,708)
Other non-current liabilities	(1,291)	(1,033)	-	(1,380)		(394)
Total non-current assets and liabilities	**10,833**	**8,439**	**-**	**874**		**1,720**
Net assets	**13,393**	**8,082**	**-**	**1,179**		**(1,348)**

** UAB Geoterma went bankrupt and failed to report for four consecutive years.*

*** As from 1 January 2020, the Company's associates UAB Ignitis Grupė Paslaugų Centras and UAB Verslo Aptarnavimo Centras were reorganized by merging UAB Ignitis Grupė Paslaugų Centras with UAB Verslo Aptarnavimo Centras.*

Summarised statement of profit or loss and other comprehensive income of associates as at 31 December 2020 (unaudited) and 2019:

Summarised	UAB Ignitis grupės paslaugų centras		UAB Verslo aptarnavimo centras		Geoterma UAB	
Income Statement	2020	2019	2020**	2019	2020*	2016
Revenue	27,049	14,045	-	14,203		1,228
Depreciation and amortisation	(4,114)	(2,981)	-	(716)		(381)
Interest income	4	9	-	8		-
Interest expense	(11)	(10)	-	(20)		(40)
Profit (loss) before tax	**525**	**941**	**-**	**411**		**(446)**
Income tax benefit/(expenses)	(45)	(164)	-	(86)		(10)
Net profit/(loss)	**525**	**777**	**-**	**325**		**(456)**
Other comprehensive income	**-**	**-**	**-**	**-**		**-**
Total comprehensive income	**525**	**777**	**-**	**325**		**(456)**
Dividends received from the associate	**159**	**65**	**-**	**18**		**-**

** UAB Geoterma went bankrupt and failed to report for four consecutive years.*

*** As from 1 January 2020, the Company's associates UAB Ignitis Grupė Paslaugų Centras and UAB Verslo Aptarnavimo Centras were reorganized by merging UAB Ignitis Grupė Paslaugų Centras with UAB Verslo Aptarnavimo Centras.*

Summarised financial information of associates as at 31 December 2020 (unaudited) and 298:

Summarised	UAB Ignitis grupės paslaugų centras		UAB Verslo aptarnavimo centras		Geoterma UAB	
Financial Information	2020	2019	2020**	2019	2020*	2016
Net assets at the beginning of the period As at 1 January	12,093	7,111	-	977		(892)
Formation/dissolution of share capital/reserves	775	194	-	(123)		-
Profit/(loss) for the year	525	777	-	325		(456)
Other comprehensive income	-	-	-	-		-
Net assets at the end of the period As at 31 December	**13,393**	**8,082**	**-**	**1,179**		**(1,348)**
Ownership interest	21.45%	22.23%	-	15.00%	23.44%	23.44%
Investments in associate	**2,867**	**1,807**	**-**	**177**		**(316)**
Residual value	**2,867**	**1,807**	**-**	**177**		**-**

** UAB Geoterma went bankrupt and failed to report for four consecutive years.*

*** As from 1 January 2020, the Company's associates UAB Ignitis Grupė Paslaugų Centras and UAB Verslo Aptarnavimo Centras were reorganized by merging UAB Ignitis Grupė Paslaugų Centras with UAB Verslo Aptarnavimo Centras.*

All amounts are in EUR thousand unless otherwise stated

10 Other fixed assets

Movement of the Company's other non-current assets provided below:

	As at 31/12/2020	As at 31/12/2019
Right to receive emission allowances in future	5,087	5,087
Returned emission allowances lent and emission reduction units	(5,087)	-
Less: allowance	-	-
Net book value at the end of the period	**-**	**5,087**

On 30 December 2020, STX Services BV, instead of 400,000 units, returned 300,000 units of emission allowances and 100,000 units of approved emission reduction units under the terms and conditions of the lending agreement. The carrying amount of the emission allowances returned was EUR 5,087 million as at 31 December 2019. The assets were accounted for as intangible assets at revalued amount similarly to other emission units, therefore the Company did not incur a loss, because market price was higher than acquisition cost.

11 Inventories

The Company's inventories comprised the following:

	As at 31/12/2020	As at 31/12/2019
Heavy fuel oil	204	204
Spare parts and other inventories	4,040	2,729
Biofuel	141	342
Goods for resale	357	296
Total	**4,742**	**3,571**
Less: write-down of inventories to net realisable value	(2,709)	(2,273)
Net book amount as at 31 December	**2,033**	**1,298**

The cost of the Company's inventories stated at net realisable value as at 31 December 2020 amounted to EUR 1,620 thousand (2019: EUR 1,851 thousand).

The acquisition cost of the Company's inventories carried at net realisable value as at 31 December 2020 amounted to EUR 2,739 thousand (31 December 2019: EUR 2,316 thousand).

Movements in impairment of inventories during the periods ended 31 December 2020 and 31 December 2019 are shown in the table below:

	2020	2019
Inventory write-downs on 1 January	**2,273**	**2,289**
Inventory impairment allowance during the reporting period	124	114
Impairment of additional assets reclassified from plant, property and equipment	526	
Reversal of inventory impairment	(70)	(130)
Allowance for inventories written off	(144)	-
Inventory write-downs on 31 January	**2,709**	**2,273**

The inventory impairment allowance expenses and reversal of inventory impairment allowance were included in operating expenses in the statement of profit or loss and other comprehensive income. In 2020 and 2019, the Company made additional write-downs to net realisable value for obsolete and slow-moving spare parts stored at the warehouse. In 2020 and 2019, reversal of inventory impairment allowance was recognised for inventories that were utilised and moved to emergency reserve. The reversal was included in operating expenses.
As at 31 December 2020 and 2019, there were no inventories pledged as collateral by the Company.

12 Prepayments

The Company's advance amounts received comprised the following:

	As at 31/12/2020	As at 31/12/2019
Prepayments for services*	2,368	12,030
Deposits in Power Exchange	2,965	3,222
Deferred expenses	419	329
Prepayments for consumables and spare parts	-	3
Net book amount as at 31 December	**5,752**	**15,584**

** In December of 2019 the Company made a EUR 12 million prepayment to natural gas exchange's (GET Baltic) account for future gas acquisitions. During 2020 the prepayment was netted off with natural gas purchases from the exchange.*

All amounts are in EUR thousand unless otherwise stated

13 Receivables from contracts with customers

The Company's trade receivables under contracts with customers comprised amounts receivable from customers for goods sold and services rendered:

	As at 31/12/2020	As at 31/12/2019
Receivables for electricity	7,773	9,466
Receivables for sale of reserve services	3,259	4,445
Receivables for sale of system recovery services	4,346	1,393
Receivables for sale of heat	391	545
Other trade receivables	30	-
Total	**15,799**	**15,849**
Less: Expected credit losses	(6)	(4)
Residual value	**15,793**	**15,845**

As at 31 December 2020 and 2019, the fair value of receivables under contracts with customers approximated their carrying amount. The fair value of receivables under contracts with customers is attributed to Level 3 in the fair value hierarchy (Note 39).

Movement of the impairment of trade receivable in the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Net book value at 1 January	**4**	**1,023**
Reversal of allowance for doubtful trade receivables	-	(1,022)
Recognised as doubtful receivables in the reporting period	2	3
Net book value at the end of the period	**6**	**4**

The Company's trade receivables under contracts with customers as at 31 December 2020, which were assessed using the loss coefficient matrix on a collective basis:

	Loss ratio	Carrying amount before credit losses	Impairment
Not past due	6.80	45	3
Past due from 1 to 30 days	6.80	29	2
Past due from 31 to 60 days	15.87	-	-
Past due from 61 to 90 days	50.51	-	-
Past due from 91 to 120 days	69.42	-	-
Past due more than 121 days	99.57	1	1
As at 31 December 2020		**75**	**6**

As at 31 December 2020, trade receivables that were not past due and were assessed on an individual basis, amounted to EUR 15,724 thousand.

The Company's trade receivables under contracts with customers as at 31 December 2019, which were assessed using the loss ratio matrix on a collective basis:

	Loss ratio	Carrying amount before credit losses	Impairment
Not past due	9.96	40	4
Past due from 1 to 30 days	13.31	2	-
Past due from 31 to 60 days	55.19	-	-
Past due from 61 to 90 days	100	-	-
Past due more than 90 days	100	-	-
Total receivables under contracts with customers		**42**	**4**

As at 31 December 2019, trade receivables that were not past due and were assessed on an individual basis, amounted to EUR 15,807 thousand. During 2019, impairment of amounts receivables of EUR 1,022 thousand was reversed, because the deferment agreements were signed with the individually assessed customers and they pay on schedule.

As at 31 December 2020 and 2019, no trade receivables were pledged as collateral by the Company.
As at 31 December 2020 and 2019, the fair value of receivables under contracts with customers approximated their carrying amount.

All amounts are in EUR thousand unless otherwise stated

14 Other financial assets

The Company's non-current financial assets comprised the following:

	As at 31/12/2020	As at 31/12/2019
Accrued revenue related to the capacity reserve	-	475
Receivables for apartments	44	56
Other receivables	55	97
Total	**99**	**628**
Less: Expected credit losses	-	-
Net book value at the end of the period	**99**	**628**

As at 31 December 2020 and 2019, the Company's other current financial assets comprised the following:

	As at 31/12/2020	As at 31/12/2019
Other receivables	736	1,170
Accrued revenue related to the capacity reserve and PSO services* **	2	15,566
VAT receivable from the state budget	1,656	858
Receivable excise on heavy fuel	35	35
Total	**2,429**	**17,629**
Less: Expected credit losses	(436)	(407)
Net book value at the end of the period	**1,993**	**17,222**

* Significant change in accrued revenue related to the services ensuring isolated operation of the power system and PSO services in 2020 was resulted by:

- invoices (EUR 1,04 million) issued to UAB Baltpool for PSO services provided in 2018, but under accrual principle of accounting accrued and recognised in 2019. There was no gap between issued invoices and accounting estimate recognized as at 31 December 2019.
- invoices (EUR 9,27 million) issued to transmission network operator for services ensuring isolated operation of the power system provided in 2018, the revenue of which was calculated based on contract and recognized as at 31 December 2019. There was no gap between issued invoices and accounting estimate recognized as at 31 December 2019.
- EUR 5.06 million recovery of amounts receivable for provision of regulated services and, according to the NERC's decision regarding price setting for 2021, partial netting with liabilities. According to the NERC's decision (No O5E-705 of 28 November 2019) receivable amount was recognized as a regulatory difference due to services provided in year 2018 (Note 3.5).

** System (PSO) services include services ensuring isolated operation of the power system.

Movement in allowance for doubtful other current amounts receivable during the periods ended 31 December 2020 and 2019 were as follows:

	As at 31/12/2020	As at 31/12/2019
Net book value at 1 January	**407**	**429**
Reversal of impairment	(131)	(117)
Recognised as doubtful receivables in the reporting period	160	95
Net book value at the end of the period	**436**	**407**

The Company's other trade receivables under contracts with customers as at 31 December 2020, which were assessed using the loss coefficient matrix on a collective basis:

	Loss ratio	Carrying amount before credit losses	Impairment
Not past due	6.80	102	7
Past due from 1 to 30 days	6.80	13	1
Past due from 31 to 60 days	15.87	4	1
Past due from 61 to 90 days	50.51	16	8
Past due from 91 to 120 days	69.42	5	4
Past due more than 120 days	99.57	292	291
Value as at 31 December 2020		**432**	**312**

As at 31 December 2020, other receivables assessed on an individual basis amounted to EUR 304 thousand. As at 31 December 2020, trade receivables that were not past due and were assessed on an individual basis, amounted to EUR 180 thousand. As at 31 December 2020, the remaining amount of EUR 124 thousand was past due for more than 120 days; an impairment was recognised on this amount.

The Company's other financial assets as at 31 December 2019, which were assessed using the loss coefficient matrix on a collective basis:

	Loss ratio	Carrying amount before credit losses	Impairment
Not past due	9.96	115	13
Past due from 1 to 30 days	13.31	93	68
Past due from 31 to 60 days	55.19	5	5
Past due from 61 to 90 days	100	66	66
Past due more than 90 days	100	131	131
Value as at 31 December 2019		**410**	**283**

All amounts are in EUR thousand unless otherwise stated

As at 31 December 2019, other receivables assessed on an individual basis amounted to EUR 760 thousand. As at 31 December 2019, other receivables not past due and assessed on an individual basis amounted to EUR 636 thousand. As at 31 December 2019, the remaining amount of EUR 124 thousand was past due for more than 90 days; an impairment was recognised on this amount.

As at 31 December 2020 and 2019, the fair value of trade receivables approximated their carrying amount.

As at 31 December 2020 and 2019, the fair value of other financial assets approximated their carrying amount.

15 Loans granted

The Company entered into cash pool agreement, under which the Company has granted loans to AB Ignitis grupė Group companies for the amount of EUR 9,142 thousand (31 December 2019: EUR 49,971 thousand). These loans are subject to weighted average interest rate with the maturity for up to one year (short-term).

	As at 31/12/2020	As at 31/12/2019
Loans granted to related companies (cashpool)	9,142	49,971
Residual value	**9,142**	**49,971**

As at 31 December 2020, the Company assessed whether credit risk of recipients of loans has increased significantly and did not establish any indications and has no information indicating that credit risk of loan recipients on a collective and individual basis has increased significantly, therefore, no impairment was recognised for the loans granted.

On 31 December 2020 and 2019 the carrying amount of loans granted approximates their fair value.

16 Cash and cash equivalents

The Company's cash and cash equivalents comprise as follows:

	As at 31/12/2020	As at 31/12/2019
Cash at bank and on hand	138,120	58,501
Residual value	**138,120**	**58,501**

Based on the loan agreements signed with banks, the Company did not pledge current and future inflows as at 31 December 2020 and 2019. The fair values of the Company's cash approximate the carrying amount.

17 Issued capital and share premium

As at 31 December 2020 and 2019, issued capital of the Company amounted to EUR 187,920,762 and it was divided into 648,002,629 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

As at 31 December 2020 and 2019, share premium of the Company amounted to EUR 89,975 thousand.

18 Legal reserve

The legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the issued capital.

As at 31 December 2020, the Company's legal reserve amounted to EUR 17,519 thousand (31 December 2019: EUR 15,379 thousand).

19 Revaluation reserve

Revaluation reserve arises from revaluation of intangible assets due to increase in their value.

Movements in the Company's revaluation reserve were as follows:

	Revaluation reserve	Deferred income tax	Less: deferred income tax
Balance as at 31 December 2018	**24,306**	**(3,647)**	**20,659**
Depreciation of revaluation reserve	(18)	3	(15)
Emission allowances utilised	(955)	143	(812)
Revaluation of emission allowances	849	(127)	722
Balance as at 31 December 2019	**24,182**	**(3,628)**	**20,554**
Balance as at 31 December 2019	**24,182**	**(3,628)**	**20,554**
Depreciation of revaluation reserve	(17)	3	(14)
Emission allowances utilised	(346)	52	(294)
Revaluation of emission allowances	19,834	(2,975)	16,859
Balance as at 31 December 2020	**43,653**	**(6,548)**	**37,105**

20 Share based payments

On 16 September 2020, the main shareholder of the Company received a decision from the Ministry of Finance of the Republic of Lithuania, the authority implementing the rights of the sole shareholder of the Company, that the Ministry of Finance approved Share Allocation Rules of the Company (hereinafter – the Rules). The Rules provide that employees of the Group, including members of the Management Board of the Group, will have the opportunity to participate in the share option program.

On 4 December 2020 the Supervisory Board of the Group approved the long-term strategic goals and their indicators for 2020–2023, their achievement evaluation criteria and the maximum number of shares offered to the managers related to the share options programme (hereinafter – the Programme) for the long-term promotion of the managers of the Group, including Chief Executive Officer. The total number of shares offered – up to 601 unit.

On 18 December 2020, the agreement on the Group programme implementation was signed with CEO of the Company,

Under the programme, shares will be offered in 2024 for the achieved long-term strategic targets linked with the strategic plan of the Company for 2020–2023.

Since the rights to receive shares will start to be issued in 2021, the signed agreement does not have impact on the Company's statement of financial position and statement of profit (loss) and other comprehensive income.

21 Dividends per share

Pursuant to the profit distribution procedure approved by AB Ignitis grupė, which establishes the uniform net profit appropriation principles to be applicable to all companies of the Group, the Company's proposal regarding the allocation of dividends depends on the Company's ratio on return on equity, financial capacities to pay dividends, implementation of economic projects important to the State and other circumstances.

Dividends per share declared in 2020 and 2019 are provided below:

	As at 31/12/2020	As at 31/12/2019
Dividends (thousand EUR)	51,192	25,272
Weighted average number of shares (units)	648,002,629	648,002,629
Dividends per share (EUR)	**0.079**	**0.039**

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 12 April 2019, a decision was made to pay out dividends of EUR 0.01 per share for July–December 2018, amounting to EUR 6,480 thousand in total.

During the ordinary General Meeting of Shareholders of Ignitis Gamyba AB, held on 27 September 2019, a decision was made to pay out dividends of EUR 0.029 per share for January–June 2019, amounting to EUR 18,792 thousand in total.

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

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

22 Loans

The Company's borrowings by maturity grouping are as follows:

	As at 31/12/2020	As at 31/12/2019
Long-term borrowings		
Loan from Luminor Bank AB, in EUR, to be repaid by 31 March 2027	6,436	7,662
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	10,464	13,655
Total non-current borrowings	**16,900**	**21,317**
Current portion of long-term loans		
Loan from Luminor Bank AB, in EUR, to be repaid by 31 March 2027	1,226	1,226
Loan from SEB Bankas AB, in EUR, to be repaid by 6 July 2027	3,191	3,191
Current portion of long-term loans, total	**4,417**	**4,417**

To secure the repayment of loans, the Company pledged its property, plant and equipment in 2020 and 2019 (Note 6).

The average interest rate payable on the Company's borrowings was 1.39% in 2020 (2019: 1.43%).

The fair value of these borrowings was approx. EUR 20,017 thousand as at 31 December 2020 (31 December 2019: EUR 24,101 thousand). The fair value was estimated using a discount rate of 2.62% (31 December 2019: 3.00%). The fair value of borrowings is attributed to Level 3 in the fair value hierarchy (Note 39).

All amounts are in EUR thousand unless otherwise stated

Non-current borrowings by maturity:

	As at 31/12/2020	As at 31/12/2019
Within 1 year	4,417	4,417
From two to five years	15,368	17,668
After five years	1,532	3,649
Total	**21,317**	**25,734**

The table below presents data on the Company's borrowings by interest rate repricing intervals:

	As at 31/12/2020	As at 31/12/2019
From 1 to 3 months	13,655	16,846
From 3 to 6 months	7,662	8,888
Total borrowings:	**21,317**	**25,734**

23 Net debt reconciliation

Net debt is a non-IFRS liquidity metric used to determine the value of debt against highly liquid assets owned by the Company. The management observes net debt liquidity metric for management purposes.

For the purpose of net debt calculation, borrowings comprise cash and cash equivalents, short-term loans received and debts to financial institutions and other debts relating to financing.

Net debt balances as at 31 December 2020 and 31 December 2019:

	As at 31/12/2020	As at 31/12/2019
Cash and cash equivalents	(138,120)	(58,501)
Cash investments	(9,150)	(49,971)
Short-term borrowings (including overdraft)	4,417	4,417
Long-term borrowings	16,900	21,317
Lease liabilities	5,729	5,745
Net debt	**(120,224)**	**(76,993)**
Cash and cash investments	(147,270)	(108,472)
Borrowings with fixed interest rate	5,729	5,745
Borrowings with variable interest rate	21,317	25,734
Net debt	**(120,224)**	**(76,993)**

Reconciliation of net debt balances and cash flows from financing activities of 2020 and 2019:

	Other assets		Lease liabilities		Liabilities arising from financing activities			Total
	Cash/overdraft	Cash investments *	Non-current lease liabilities	Current lease liabilities	Non-current portion of long-term loan	Current portion of long-term loans	Current loans	
Net debt at 1 January 2019	**(47,885)**	**(49,950)**	**34**	**138**	**33,619**	**4,417**	**-**	**(59,627)**
Cash changes								
Change in cash and cash equivalents	(10,616)	(21)	-	-	-	-	-	(10,637)
Loans repaid	-	-	-	-	-	(12,301)	-	(12,301)
Lease payments	-	-	-	(320)	-	-	-	(320)
Interest charges	-	-		(197)	-	(403)	(13)	(613)
Non-cash changes								
Accrual of interest payable	-	-	-	196	-	402	13	611
Recognition of lease liabilities under IFRS 16	-	-	4,662	146	-	-	-	4,808
Lease contracts concluded	-	-	1,082	4	-	-	-	1,086
Reclassifications between items	-	-	(219)	219	(12,302)	12,302	-	-
Net debt at 31 December 2019	**(58,501)**	**(49,971)**	**5,559**	**186**	**21,317**	**4,417**	**-**	**(76,993)**
Net debt at 1 January 2020.	**(58,501)**	**(49,971)**	**5,559**	**186**	**21,317**	**4,417**	**-**	**(76,993)**
Cash flows	(79,619)	-	-	-	-	-	-	(79,619)
Proceeds from borrowings	-	40,821	-	-	-	-	-	40,821
(Repayments) of borrowings	-	-	-	-	-	(4,417)	-	(4,417)
Lease payments (principal portion)	-	-	-	(185)	-	-	-	(185)
Interest paid	(45)	-	-	(225)	-	(308)	-	(578)
Non-cash changes								
Accrual of interest payable	56	-		225	-	308	-	589
Lease contracts concluded	-	-	199	-				199
Leases cancelled	-	-	(15)	(3)	-	-	-	(18)
Reclassification of interest payable from (to) trade payables	(11)	-	-	(12)	-	-	-	(23)
Reclassifications between items	-	-	(164)	164	(4,417)	4,417	-	-
Net debt at 31 December 2020	**(138,120)**	**(9,150)**	**5,579**	**150**	**16,900**	**4,417**	**-**	**(120,224)**

All amounts are in EUR thousand unless otherwise stated

** Cash investments are financial assets that include short-term investments recognised as loans at amortised cost. Their cash flows are classified as cash flows from investing activities in the cash flow statement.*

24 Lease liabilities

The Company's lease liabilities and their movement:

	2020	2019
Opening net book value	**5,745**	**172**
Recognition of lease liabilities under IFRS 16	-	4,808
Lease contracts concluded	199	1,086
Termination of lease (write-off of debt and accrued interest)	(18)	-
Reclassifications to trade payables and other borrowings	(12)	-
Interest charges	225	195
Lease payments (principal portion and interest)	(410)	(516)
Net book amount as at 31 December	**5,729**	**5,745**
Non-current lease liabilities	5,579	5,559
Current lease liabilities	150	186

The Company's future payments under leases were as follows:

	As at 31/12/2020	As at 31/12/2019
Minimum payments		
Within one year	370	402
Two to five years	1,118	1,228
After five years	15,516	15,374
Total	**17,004**	**17,004**
Future finance costs		
Within one year	(220)	(216)
Two to five years	(876)	(852)
After five years	(10,179)	(10,191)
Total	**(11,275)**	**(11,259)**
Residual value	**5,729**	**5,745**

The fair value of the lease liabilities approximates their carrying amount (Note 39).

25 Grants

The balance of grants includes grants received to finance the acquisition of assets. Movement of the account of grants in 2020 and 2019 were as follows:

	Grants related to assets		Grants for emission allowances	Total
	Fuel combustion equipment and other assets	Project for renovation, improvement of environmental and safety standards		
Balance as at 01 January 2019	**26,152**	**141,308**	**3,579**	**171,039**
Depreciation of property, plant and equipment	(423)	(7,948)	-	(8,371)
Grants received	-	16	4,131	4,147
Grant for emission allowances utilised	-	-	(93)	(93)
Balance as at 31 December 2019	**25,729**	**133,376**	**7,617**	**166,722**
Balance as at 1 January 2020	**25,729**	**133,376**	**7,617**	**166,722**
Depreciation of property, plant and equipment	(411)	(7,937)	-	(8,348)
Grants received	18	-	1,992	2,010
Grant for emission allowances utilised	-	-	(6,348)	(6,348)
Grants reversed	(1)	-	-	(1)
Reclassifications between categories	16	(16)	-	-
Balance as at 31 December 2020	**25,351**	**125,423**	**3,261**	**154,035**

In 2020, the Company's asset-related grants decreased by EUR 8,348 thousand (2019: EUR 8,371 thousand). Depreciation expenses of property, plant and equipment were reduced by this amount in the statement of profit or loss and other comprehensive income.

In 2020, the Company received emission allowances on a gratuitous basis in the amount of EUR 1,992 thousand (in 2019: EUR 4,131 thousand) (Note 2.12).

All amounts are in EUR thousand unless otherwise stated

26 Current and deferred income tax

Income tax expense as at 31 December 2020 and 2019 comprised as follows:

	2020	2019
Components of income tax expenses		
Current income tax	8,520	7,524
Adjustment to previous year income tax	2	-
Deferred income tax (benefit)/expenses	60	334
Income tax (benefit) expenses for the reporting period	**8,582**	**7,858**

Movement of deferred income tax assets and liabilities during the reporting period are as follows:

Deferred tax asset	PP&E revaluation/deemed cost (decrease in value)	Accrued expenses	Revenue to be refunded	Impairment of assets	Revaluation of emission allowances	Total
As at 31 December 2018	**32,411**	**786**	**1,135**	**3,420**	**-**	**37,752**
Recognised in profit or loss	(1,774)	255	(1,135)	(1,091)	-	(3,745)
As at 31 December 2019	**30,637**	**1,041**	**-**	**2,329**	**-**	**34,007**
As at 31 December 2019	**30,637**	**1,041**	**-**	**2,329**	**-**	**34,007**
Recognised in profit or loss	(1,482)	21	-	(1,064)	-	(2,525)
As at 31 December 2020	**29,155**	**1,062**	**-**	**1,265**	**-**	**31,482**

Deferred tax liability	Revaluation of property, plant and equipment Deemed cost (Increase in value)	Differences in depreciation rates	Tax relief on acquisition of property, plant and equipment	Revaluation of Emission allowances	Total
As at 31 December 2018	**(37,715)**	**(18,158)**	**(2,151)**	**(4,302)**	**(62,326)**
Recognised in profit or loss	2,189	370	89	821	3,469
Recognised in other comprehensive income	-	-	-	16	16
As at 31 December 2019	**(35,526)**	**(17,788)**	**(2,062)**	**(3,465)**	**(58,841)**
As at 31 December 2019	**(35,526)**	**(17,788)**	**(2,062)**	**(3,465)**	**(58,841)**
Recognised in profit or loss	1,885	544	87	(51)	2,465
Recognised in other comprehensive income	-	-	-	(2,923)	(2,923)
As at 31 December 2020	**(33,641)**	**(17,244)**	**(1,975)**	**(6,439)**	**(59,299)**

Deferred income tax, net, as at 31 December 2018	**(24,574)**
Deferred income tax, net, as at 31 December 2019	**(24,834)**
Deferred income tax, net, as at 31 December 2020	**(27,817)**

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

The deferred income tax as at 31 December 2020 and 2019 was measured at income tax rate of 15%.

Income tax expense disclosed in the statement of profit or loss and other comprehensive income relating to the result of the current reporting period may be reconciled to income tax expense that would arise using an enacted income tax rate applicable to profit before income tax:

	As at 31/12/2020	As at 31/12/2019
Profit before tax	50,375	50,650
Income tax calculated at a rate of 15%	7,557	7,598
Adjustment to previous year income tax	2	-
Tax effects of (non-)taxable income and (non-)deductible expenses	1,023	260
Income tax	**8,582**	**7,858**

All amounts are in EUR thousand unless otherwise stated

27 Trade payables

The Company's trade payables comprise as follows:

	As at 31/12/2020	As at 31/12/2019
Debts for electricity and related services	750	955
Amounts payable for contractual works, other services	14,244	14,735
Amounts due for gas and fuel oil	4,900	2,096
Other borrowings	134	192
Total	**20,028**	**17,978**

The fair value of trade payables approximates their carrying amounts (Note 39).

28 Provisions

The Company's provisions comprised the following:

	As at 31/12/2020	As at 31/12/2019
Non-current provisions	16,943	9,681
Current provisions	18,249	7,209
Total amount of provisions	**35,192**	**16,890**

Movement of provisions during were as follows:

	Emission allowance liabilities* (Note 3.4)	Provision for PSO	Provision for capacity reserve and services ensuring isolated operation of the power system** (Note 3.5)	Dismantling works (Note 3.7)	Provisions for pension benefits	Other provisions	Total
As at 01 January 2019	**894**	**7,554**	**-**	**1,573**	**528**	**71**	**10,620**
Increase during the period	478	-	12,718	1,431	99		14,726
Utilised during the period	(987)	(7,554)	-	-	(1)	(7)	(8,549)
Emission allowances utilised Revaluation of utilised emission allowances	93	-	-	-	-	-	93
As at 31 December 2019	**478**	**-**	**12,718**	**3,004**	**626**	**64**	**16,890**
As at 01 January 2020	**478**	**-**	**12,718**	**3,004**	**626**	**64**	**16,890**
Increase during the period	11,255	-	7,592	439	-	-	19,286
Utilised during the period	(386)	-	(3,049)	(143)	(12)	(7)	(3,597)
Emission allowances utilised Revaluation of utilised emission allowances	3,126	-	-	-	-	-	3,126
Increase/decrease due to change in actuarial assumptions	-	-	-	(513)	-	-	(513)
As at 31 December 2020	**14,473**	**-**	**17,261**	**2,787**	**614**	**57**	**35,192**

** In the statement of profit or loss and other comprehensive income, expenses of provisions for emissions were reported net of used government grants (Note 25).*

*** Increased due to actual costs incurred for the provision of regulated services which were beyond the level set by the NERC, and decreased due to received refunds for regulated services provided in previous periods.*

29 Other amounts payable and liabilities

The Company's other amounts payable comprised the following:

	As at 31/12/2020	As at 31/12/2019
Dividends payable	1,098	965
Other payables and current liabilities	259	47
Vacation reserve	1,027	775
Employment-related liabilities	584	915
Taxes payable	477	463
Futures	-	950
Residual value	**3,445**	**4,115**

The fair value of other accounts payable approximates their carrying amounts.

All amounts are in EUR thousand unless otherwise stated

30 Revenue from contracts with customers

Revenue recognised from contracts with customers:

	2020	2019
Revenue from sale of electricity	118,084	56,315
Revenue from power reserve services	21,956	44,645
Other system services*	27,100	23,528
Revenue from supply of thermal energy	2,737	3,631
Sale of inventory	154	4,291
Other operating income	2,349	2,568
Total revenue	**172,380**	**134,978**

* System services include services ensuring isolated operation of the power system.

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

30.1 Contract balances

Contracts with clients balances

	Notes	As at 31/12/2020	As at 31/12/2019
Trade receivables*	13	**15,793**	**15,849**
Contract assets		**179**	**16,041**
Accrued revenue from capacity reserve and services ensuring isolated operation of the power system are subject to indirect regulation (current portion)	14	2	15,566
Accrued revenue from capacity reserve and services ensuring isolated operation of the power system are subject to indirect regulation (non-current portion)	14	-	475
Contract liabilities		**177**	**-**
Current advances received		177	-

* all the trade receivables from contracts with customers were accounted in under short term receivables caption.

30.2 Revenue by the moment of recognition

Breakdown of revenue by the moment of recognition

	As at 31/12/2020	As at 31/12/2019
Products and services sold during the period	172,380	134,978
Products and services sold at point in time	-	-
Total	**172,380**	**134,978**

30.3 Remaining performance obligations from contracts with customers

The remaining performance obligations expected to be recognised after the end of the financial year were the following:

	As at 31/12/2020	As at 31/12/2019
Within 1 year	177	-
From two to five years	-	-
After five years	-	-
Total	**177**	**-**

All amounts are in EUR thousand unless otherwise stated

31 Other income

The Company's other expenses were as follows:

	2020	2019
Fee for early contract termination	1,437	-
Property rental income	489	543
(Gain) on disposal of property, plant and equipment	7	-
Sanctions	2	527
Other income*	145	9,456
Total	**2,080**	**10,526**

* *On 11 February 2019,* the Ministry of Finance of the Republic of Lithuania transferred to the Company the compensation of EUR 9,276 thousand for the indemnification of potentially inflicted damage by Alstom Power Ltd during the implementation of the project of the public limited liability company Lietuvos Elektrinė (the rights and obligations of which were taken over by the Company) in 2005–2009 entitled Installation of low pressure NOx burners and burner's management system with installations and interlocks for heating control and protection against explosion. *This compensation was awarded to the Republic of Lithuania by the court of the Great Britain.*

32 Segment reporting

The Company's management analyses the Company's operations by separating them into regulated activities and commercial activities. The regulated activities include the Reserve Power Plant's revenue from heat and electricity production, needed for the provision of regulated services, balancing and regulation, isolated operation of the power system and capacity reserve services, including capacity reserve revenue of Kruonis Pumped Storage Power Plant. The commercial activities include electricity trade in a free market, including isolated operation of the power system service provided in reserve power plant, electricity production at Kaunas Algirdas Brazauskas Hydro Power Plant and Kruonis Pumped Storage Power Plant, and the related balancing and regulation services. Administrative expenses are allocated between the regulated activities and the commercial activities based on operating expenses. Total revenue of segments is generated from external customers. Items in the statement of financial position are not further refined into segments.

The primary performance measure is adjusted EBITDA, which is calculated based on data presented in the financial statements prepared in accordance with IFRS as adjusted for selected items which are not recognised under IFRS.

Information on the Company's segments for the year ended 31 December 2020 is presented below:

2020	Regulated activities	Commercial activities	Total
Revenue from sale of electricity	1,024	117,060	118,084
Income from capacity reserve services	21,956	-	21,956
Other system services	27,100	-	27,100
Revenue from supply of thermal energy	2,737	-	2,737
Sale of inventory	-	154	154
Other operating income	-	2,349	2,349
Other income	-	2,080	2,080
Total revenue of segments	**52,817**	**121,643**	**174,460**
Purchases of electricity, gas for trade, and related services, gas purchases	(19,861)	(53,745)	(73,606)
Operating expenses	(13,325)	(16,372)	(29,697)
EBITDA*	**19,631**	**51,526**	**71,157**
Management's adjustments			
Change in market value of derivatives**	-	(431)	(431)
Management's adjustments related to permissible profit from regulated activities***	157	-	157
Adjusted EBITDA****	**19,788**	**51,095**	**70,883**
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(12,843)	(4,682)	(17,525)
Increase (decrease) in value of non-current and other assets	-	(223)	(223)
Non-current assets write-off	-	(23)	(23)
Revaluation of emission allowances and provisions	-	(2,788)	(2,788)
Profit from operations	**6,788**	**43,810**	**50,598**
Finance income			278
Finance (expenses)			(613)
Share of results of associates			112
Profit before tax			**50,375**

** EBITDA = Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses - reversal of impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.*

*** The management's adjustment consists of the reversal of the change in the value of the derivative (swap) transaction, which was concluded on 12 December 2019 with UAB Ignitis, due to the termination of the transaction. Transaction involves revenue from sales of electricity*

**** Adjustment is related to the correction of regulated activity revenue for receivable and payable amounts recognized in 2020 for 2019, related to NERC's decisions for regulated services price setting in 2021.*

***** Adjusted EBITDA = EBITDA + management's adjustments.*

All amounts are in EUR thousand unless otherwise stated

Information on the Company's segments for the year ended 31 December 2019 is presented below:

2019	Regulated activities	Commercial activities	Total
Revenue from sale of electricity	1,469	54,846	56,315
Income from capacity reserve services	43,256	1,389	44,645
Other system services	23,528	-	23,528
Revenue from supply of thermal energy	3,631	-	3,631
Sale of inventory	-	4,291	4,291
Other operating income	-	2,568	2,568
Other income	-	10,526	10,526
Total revenue of segments	**71,884**	**73,620**	**145,504**
Purchases of electricity, gas for trade, and related services, gas purchases	(25,709)	(30,627)	(56,336)
Operating expenses	(12,825)	(7,753)	(20,578)
EBITDA	**33,350**	**35,240**	**68,590**
Management's adjustments			
Compensation from the Ministry of Finances*	-	(9,276)	(9,276)
Change in market value of open financial derivative instruments	-	431	431
Management's adjustments related to permissible profit from regulated activities**	(5,736)	-	(5,736)
Adjusted EBITDA* **	**27,614**	**26,395**	**54,009**
Other adjustments			
Depreciation and amortisation expenses of non-current assets	(13,597)	(4,638)	(18,235)
Increase (decrease) in value of non-current and other assets	-	786	786
Revaluation of emission allowances and provisions	-	(431)	(431)
Profit from operations	**19,753**	**30,957**	**50,710**
Finance income			373
Finance (expenses)			(648)
Share of results of associates			215
Profit before tax			**50,650**

** Management's adjustments used in calculating adjusted EBITDA*** are related to compensation for the indemnification of potentially inflicted damage by Alstom Power Ltd in 2005–2009.*

*** Adjustment is related to the correction of regulated activity revenue for receivable and payable amounts recognized in 2019 for 2018, related to NERC's decisions for regulated services price setting in 2020.*

**** Adjusted EBITDA – additional elimination of the management's adjustments from EBITDA is made. EBITDA = Profit (loss) before tax + finance costs – finance income – dividends received + depreciation and amortisation costs + impairment losses + revenues/expenses of revaluation of emission allowances + write-offs of property, plant and equipment.*

Revenue from customers accounting for 10% or more of the Company's total revenue:

	2020	2019
Baltpool UAB	62,361	39,247
Litgrid AB	77,037	72,949
Total	**139,398**	**112,196**

33 Finance expense

As at 31 December 2020 and 2019, the Company's finance expenses comprised the following:

	2020	2019
Interest expense	(388)	(414)
Other finance expenses	(225)	(234)
Total finance expenses	**(613)**	**(648)**

34 Related party transactions

As at 31 December 2020 and 2019, the parent company was AB Ignitis Grupė. For the purposes of disclosure of related parties, the Republic of Lithuania excludes central and local government authorities. The disclosures comprise transactions and balances of these transactions with the parent company, its subsidiaries and associates entities controlled by or under significant influence of the state (transactions with these entities are disclosed only if they are material), and management.

In 2020 and 2019, the Company had significant transactions with the Republic of Lithuania represented by the Ministry of Finance of the Republic of Lithuania or entities controlled by the Republic of Lithuania. Other related parties of the Company are EPSO G UAB Group companies controlled by the Republic of Lithuania.

The Company's transactions with related parties between January and December 2020 and the balances arising on these transactions as at 31 December 2020 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Loans granted	Acquisitions	Disposals
	As at 31/12/2020	As at 31/12/2020	As at 31/12/2020	2020	2020
Associates of the Company	224	125	-	1,565	9
Group companies of Ignitis grupė	4,648	35	9,142	31,304	6,600
Parent company Ignitis grupė AB	34	-	-	445	-
State-controlled EPSO G UAB Group companies	2,882	17,322	-	44,890	144,320
Impairment	-	(124)	-	-	-
Total	**7,788**	**17,358**	**9,142**	**78,204**	**150,929**

The Company carries out the functions of a designated entity, i.e. it bought the total quantity of electricity expected to be produced by wind-power generators and sold it at the power exchange. Purchases (EUR 13,864 thousand during January– December 2020; EUR 13,660 thousand during January–December 2019) and sales (EUR 61,478 thousand during January–December 2020; EUR 43,345 thousand during January–December 2019) of electricity produced by wind-power generators as reported in the tables on the related-party transactions cover the total amount of the transactions in the Company's sales revenue.

Dividends received from associates are disclosed in Note 9.

The Company's transactions with related parties between January and December 2019 and the balances arising on these transactions as at 31 December 2019 are presented below:

Related parties	Payables and accrued expenses	Receivables and unbilled revenue	Loans granted	Acquisitions	Disposals
	As at 31/12/2019	As at 31/12/2019	As at 31/12/2019	2019	2019
Associates of the Company	207	124	429	1,504	6
Group companies of Ignitis grupė	2,438	909	49,542	14,652	986
Parent company AB Ignitis grupė	42	-	-	486	-
State-controlled EPSO G UAB Group companies	2,677	14,173	-	28,612	112,196
Impairment	-	(124)	-	-	-
Total	**5,364**	**15,082**	**49,971**	**45,254**	**113,188**

Terms of transactions with related parties

Sales to and purchases from related parties are made on an equal footing with the arm's length principle. The payment terms set range from 30 to 90 days. Closing debt balances are not secured by pledges, they do not yield interest, and settlements occur in cash.

There were no guarantees or pledges given or received in respect of the related party payables and receivables. Related-party payables and receivables are expected to be settled in cash or by set-off against payables/receivables to/from a respective related party.

The major sale transactions during the years ended 31 December 2020 and 2019 comprised transactions with AB LITGRID and UAB BALTPOOL. Transactions with state-owned entities other than those controlled by the Ministry of Finance included regular business transactions and therefore they are not disclosed.

35 Compensation to key management personnel

In 2020 and 2019, key management personnel included the chief executive officer and the directors of services (including the acting directors of services).

	2020	2019
Employment-related payments (thousand EUR)	407	308
Whereof: Termination benefits and benefits to Board Members (thousand EUR)	47	3
Number of key management personnel as at 31 December	4	4

36 Wages and salaries and related expenses

	2020	2019
Wages and salaries	9,194	8,522
Change in vacation accrual	303	283
Social security contributions	167	(4)
Termination benefits	52	149
Change in social security contributions on accrued vacation reserve	5	(147)
Total	**9,721**	**8,803**

All amounts are in EUR thousand unless otherwise stated

37 Gas and biofuel expenses

	2020	2019
Gas purchase expenses*	44,724	21,685
Biofuel expenses	995	1.462
Total	45,719	23,147

** Gas expenses were higher due to significantly higher energy production in Elektrėnai Complex during 2020.*

38 Other expenses

	2020	2019
Result of the derivatives	5,485	-
Operating taxes	1,890	1,822
Business support and management services	1,330	1,325
Asset protection	322	323
Insurance	180	165
Audit	84	67
Impairment (reversal) of receivables	31	(1,041)
Rent	22	26
Other expenses	2,565	2,482
Total	**11,909**	**5,169**

Services rendered to the Company by the auditor:

	2020	2019
Audit of the financial statements under the agreements	73	55
Total	**73**	**55**

39 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction under current market conditions in the main (or the most favourable) market independent on whether this price is directly observable or established using valuation techniques.

	Residual value	Fair value		
	Total	Level 1	Level 2	Level 3
Carrying amount at 31 December 2019				
Financial assets				
Receivables from contracts with customers	15,845	-	-	15,845
Other financial assets	17,850	-	-	17,850
Loans granted	49,971	-	-	49,971
Cash and cash equivalents	58,501	58,501	-	-
Total financial assets	**142,167**	**58,501**	**-**	**83,666**
Financial liabilities				
Loans	(25,734)	-	-	(24,101)
Lease liabilities	(5,745)	-	-	(5,745)
Payables and liabilities	(17,978)	-	-	(17,978)
Total financial liabilities	**(49,457)**	**-**	**-**	**(47,824)**
Net book value as at 31 December 2020				
Financial assets				
Receivables from contracts with customers	15,793	-	-	15,793
Other financial assets	2,092	-	-	2,092
Loans granted	9,142	-	-	9,142
Cash and cash equivalents	138,120	138,120	-	-
Total financial assets	**165,147**	**138,120**	-	**27,027**
Financial liabilities				
Loans	(21,317)	-	-	(20,017)
Lease liabilities	(5,729)	-	-	(5,729)
Payables and liabilities	(20,028)	-	-	(20,028)
Total financial liabilities	**(47,074)**	**-**	**-**	**(45,774)**

Trade and other amounts receivable, trade and other debts, non-current and current debts represent the major portion of the Company's financial assets and financial liabilities not carried at fair value. The fair value of the Company's financial assets and financial liabilities designated as at fair value through profit or loss is based on prices in the active market.

All amounts are in EUR thousand unless otherwise stated

The fair value is defined as the amount at which an asset or services could be exchanged or at which a mutual liability could be set off between knowledgeable parties in an arm's length transaction willing to buy/sell an asset or to set off a mutual liability. The fair value of financial assets and liabilities is determined on the basis of quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:

- The carrying amount of cash and cash equivalents, current trade and other accounts receivable, short-term loans granted, current trade and other accounts payable and current borrowings approximates their fair value;
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. As at 31 December 2020, the Company had non-current borrowings from Luminor and SEB Bank bearing variable interest rates (Note 22). The fair value of a non-current borrowing bearing variable interest rates approximates its carrying amount, provided that the margin on such loan corresponds to the margins currently prevailing in the market.
- The fair value of non-current amounts receivable and payable is determined with reference to the current interest rates available for the loans with the same maturity profile. As at 31 December 2020, the discount rate applied to the Company's non-current amounts receivable and payable approximated the market interest rate.

40 Basic and diluted earnings per share (EUR)

Basic and diluted earnings per share in 2020 and 2019 were as follows:

	2020	2019
Net profit for the year attributable to shareholders	41,793	42,792
Weighted average number of shares (units)	648,002,629	648,002,629
Basic and diluted (loss)/earnings per share (in EUR)	**0.064**	**0.066**

41 Contingent liabilities and assets

Based on a press release of the European Commission, the Company informs that on 3 September 2019, the European Commission has opened an in-depth investigation to assess whether EU State aid rules were respected when allocating public interest service cash flows to the Company in the context of a strategic reserve measure. The Company's management is not aware of any circumstances that could result in potential significant liabilities for the Company in this respect.

Guarantees issued and received

On 20 December 2019, UAB "Ignitis Grupė" has signed a guarantee agreement with the Company, by which it unconditionally guaranteed for the payment in case of default of UAB "Gamybos Optimizavimas" in the amount of EUR 5,000 thousand. The Guarantee term came into effect on 1 January 2020.

Litigations

Dispute over resolutions adopted by the NERC relating to revenue from the regulated activities is disclosed in Note 3.6.

42 Events after the reporting period

There were no significant events after 31 December 2020 and until the date of approval of the financial statements except for:

On 4 February 2021, the Company announced that during the installation of the floating solar power plant in the upper basin of Kruonis PSHP it was found that the technological solutions currently used in the world are not adequate for the present conditions in the Kruonis PSHP basin due to cumulative effect of external factors. After evaluating the above reasons and the results of the project, it was decided to not pursue the pilot project further. The carrying value of the project as of 31 December 2020 was immaterial.

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